

JOINT COMMITTEE OF PUBLIC ACCOUNTS

REPORT 233

REPORTS OF THE AUDITOR-GENERAL -
1982-83 AND SEPTEMBER 1983

Australian Government Publishing Service
CANBERRA 1985

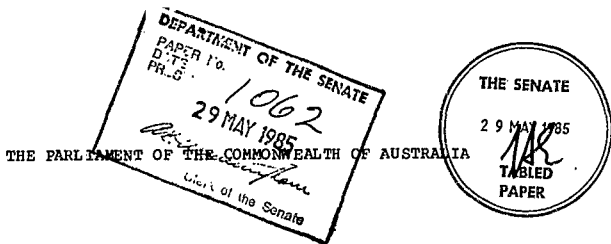


**Reports of the
Auditor-General—
1982-83 and
September 1983**

Report

233

Joint Committee of
Public Accounts



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*Ex-officio member being Chairman,
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on Expenditure

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 or the Commonwealth to which this Act applies and of intergovernmental bodies to which this Act applies;
- (ab) to examine all reports of the Auditor-General (including reports of the results of efficiency audits) copies of which have been laid before the Houses of the Parliament;
- (b) to report to both Houses of the Parliament, with such comment as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Parliament should be directed;
- (c) to report to both Houses of the Parliament any alteration which the Committee thinks desirable in the form of the public accounts or in the method of keeping them, or in the mode of receipt, control, issue or payment of public moneys; and
- (d) to inquire into any question in connexion with the public accounts which is referred to it by either House of the Parliament, and to report to that House upon that question,

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

PREFACE

Each year the Committee examines recently published reports of the Auditor-General. Following the tabling of the Reports of the Auditor-General for the year ended 30 June 1983 and September 1983, the Committee sought written submissions from 13 Departments in respect of the 16 items listed in Appendix A.

In paragraphs 25.1 of his September 1983 Report - Department of Finance, Fraudulent Negotiation of Cheques, the Auditor-General referred to the Departments of Education and Youth Affairs, Social Security and Veterans' Affairs and the Australian Federal Police (Department of Administrative Services). Additional comment was sought from these organisations. The Committee decided to also take evidence on this item only at Public Hearings in Parliament House, Canberra, on 7 March, 2 and 9 May 1984.

Supplementary submissions were sought also from the Department of Aviation - Departmental Residences and the Department of Territories and Local Government - National Sports Centre. A copy of all submissions received is included as Appendix B.

This Report comments upon the responses of the Departments which were required by the Public Accounts Committee to provide explanations of the criticisms raised by the Auditor-General in his Reports.

For and on behalf of the Committee.

Senator G. Georges
Chairman

M.J. Talberg
Secretary
Joint Committee of Public Accounts
Parliament House
CANBERRA ACT 2600
8 May 1985

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CHAPTER 1

DEPARTMENT OF ADMINISTRATIVE SERVICES

AUSTRALIAN GOVERNMENT PUBLISHING SERVICE (AGPS)

1.1 The Auditor-General's September 1983 Report commented on an audit conducted within three areas of responsibility within the Australian Government Publishing Service (AGPS), viz:

- . Client Services and Print Procurement Section - which advises clients on publishing and arranges their printing contracts;
- . Government Printing Office - which provides printing facilities for Parliament and other printing for the Government; and
- . Sales and Distribution Section - which provides for the distribution of Parliamentary and Government publications.

Client Services and Print Procurement

1.2 The Auditor-General noted that the publishing program was conducted with less than maximum efficiency because departments and authorities were slow to submit their Ministerially approved annual publishing program to AGPS. Formal instructions to guide staff in the review and use of the publishing programs were also lacking.

1.3 With regard to printing for clients, Audit found that the Government Printer seemed not to have been considered for some jobs and procedures for the co-ordination and control of work had not always been fulfilled.

Government Printing Office

1.4 The Auditor-General's comments related mainly to costing and revenue procedures including calculations of the cost of materials and the collection of debts.

Sales and Distribution Section

1.5 Matters highlighted by the Auditor-General concerned deficiencies in the control of stock including unreliable inventory records, delays in processing orders for publications and the failure to record some credit sales and hence receive payment for them.

Departmental Responses

1.6 A reply to the Auditor-General's representations on the above matters had not been received in time for the Auditor-General's September 1983 Report. However, they were included in his March 1984 Report. The following responses also include information supplied in the additional submissions sought by the Committee. The Department gave assurances of remedial action which included the following.

Client Services and Print Procurement

1.7 AGPS outlined the processes it is required to undertake in the preparation of its annual publishing programs. It agreed that delays in departments and authorities submitting their approved publishing program had contributed to the failure to use effectively the program as a planning tool. Departments and authorities will be advised of a firm date for submission of annual publishing programs and formal instructions will be issued to guide AGPS staff in the review and use of the programs.

1.8 AGPS management had also instituted a system to follow-up departments and authorities which are slow to lodge programs and draw attention to the Auditor-General's criticisms.

1.9 Procedures were now in place which required the Client Services and Print Procurement sub-section to offer all work to the Government Printing Office. In addition, AGPS stated that all departments would be reminded of their obligations in the area.

1.10 AGPS advised that supervisory procedures had been reinforced and additional staff sought to eliminate problems in the co-ordination and control of printing work. Staff had also been instructed to adhere to the requirements in relation to delegated authority and quotations and to monitor closely the time taken to certify claims from private printers.

Government Printing Office

1.11 Procedures will be implemented to ensure that control over costing of material is improved. In addition, a further reduction in the level of debtors is expected in 1983-84. As a result it will be possible to repay \$1.25m working capital from the Government Printer Trust Account to Revenue in 1983-84.

Sales and Distribution

1.12 AGPS is continuing to examine ways of improving inventory management. The attention of staff will be drawn to existing procedures for reporting unacceptable discrepancies between stock quantities ordered and received. Procedures will be

introduced to delete negative quantities from the inventory file and, where necessary, to adjust outstanding orders shown in the computer maintained inventory records. Controls are to be introduced to overcome delays in processing orders for publications. All stores accounting methods and procedures are to be examined and this examination will cover the methods used to check orders which remain unfilled beyond expected delivery dates. Credit sales will be subject to improved controls and checks.

Other Matters

1.13 Other matters of lesser significance were also referred by the Auditor-General to the Department for remedial action.

1.14 In its concluding comments on the Auditor-General's observations the Department stated that AGPS had recognised the need for strengthening its senior management structure. Reorganisation proposals were approved in 1982 and 1983. The reorganised management team, although not complete because of the lead times required under Public Service Board recruitment and promotion procedures, was carrying out a series of projects to improve the level of service to the Parliament, client departments and authorities. This included the adoption of more commercially-based management information and operational systems and provision for more effective communication and liaison with clients.

Conclusion

1.15 The Committee notes the actions already taken by the Department and the proposals for further action. Substantial and necessary improvement in the service provided by the AGPS should be achieved.

1.16 However, the Committee remains concerned that AGPS continues to receive critical comment by the Auditor-General and this Committee. The Committee's 204th¹ Report examined the Government Printer and made several recommendations relating to the accountability and administration of his operations. Some included the AGPS. The Committee will continue to monitor closely the operations of AGPS and the Government Printer and examine these matters again in the context of the responses to the 204th Report and this Report.

¹ Joint Committee of Public Accounts, Report 204, Expenditure from the Advance to the Minister for Finance (Appropriation Acts 1981-82), pp. 7-21.

CHAPTER 2

ATTORNEY-GENERAL'S DEPARTMENT

BANKRUPTCY ACT 1966

2.1 The prescribed audit of the accounts and records of the Registrars in Bankruptcy, the Official Trustee in Bankruptcy and the Official Receivers disclosed several areas of concern. The Auditor-General's Report included responses to some of these issues and the Department's submission provided further information.

2.2 The Auditor-General found:

- delays in the implementation of the Bankruptcy Official Receivers Information System (BORIS) which is a computer based accounting and statistical system;
- that contrary to provisions of the Act, separate accounts for the Common Investment Fund were not maintained for moneys held by the Trustee for South Australia, Northern Territory and several areas in Queensland;
- many accounts of trustees appointed to administer bankrupt estates, which are required to be furnished to the Registrar, were in arrears; and
- there were delays in distributing dividends from the estate of bankrupt persons amongst creditors.

2.3 The Auditor-General's September 1984 Report raised again the implementation of the Bankruptcy Official Receivers Information System (BORIS).

Departmental Response

Implementation Delays - BORIS

2.4 The Auditor-General did not receive a response from the Department on this item until December 1983. The Department explained that delays in the implementation of BORIS were due to delays in the tender process, in site preparation, by the software contractor and by union action.

2.5 The submission to the Committee outlined the protracted chronology of the tender process for which no particular body appeared responsible. Delays in site preparation arose because the Department of Business and Consumer Affairs, which had responsibility for the BORIS project, had not submitted estimates

for site preparations to the Department of Administrative Services. As a result there were delays in some States in obtaining the necessary funds.

2.6 Delays by the software contractor, DATEC Pty Ltd, arose in the formulation and testing of the system and its sequence of implementation within the Department. Industrial bans imposed by the Australian Public Service Association (APSA) also contributed to delays in implementation of the computer. APSA was concerned that some data input tasks fell to Third Division staff instead of Fourth Division staff. This issue later became peripheral to health and safety issues. However, some use was made of the equipment despite industrial action.

Common Investment Fund

2.7 The Department informed the Committee that, as required by legislation, separate accounts were being established for each of the Bankruptcy Districts being administered by the Official Receivers in Adelaide and Brisbane. The Department noted, however, that the administration of multiple accounts in the Official Receivers' Offices imposes extra costs and, with this in mind, consideration was being given to amending the legislation.

Trustees' Accounts

2.8 The Department noted that it had limited control over trustees who are slow in submitting accounts. It acknowledges that it may be necessary to extend the regulatory role of the Registrar and the Inspector-General in Bankruptcy in order to solve the problem.

Distribution of Dividends

2.9 A task force of qualified staff to assist in clearing the backlog of work including the distribution of dividends had enjoyed some success. It is expected that the full implementation of BORIS and staffing of the task force will further reduce the backlog.

Conclusion

2.10 The Committee is concerned that BORIS had been delayed and has great difficulty in accepting the responses by the Department. It would appear that the client - the Attorney-General's Department - did not have control of the operation and that there was insufficient oversight by senior management. The Committee expects a report on the matters outstanding in the response to this Report.

CHAPTER 3

DEPARTMENT OF AVIATION

AIR NAVIGATION CHARGES - DOMESTIC AIRLINE OPERATORS

3.1 Air navigation charges are payable for the use of aerodromes and associated airway facilities operated or provided by the Commonwealth. In 1982-83 revenue from this source from domestic airline operators totalled approximately \$66m.

3.2 The Auditor-General's September 1983 Report repeated the concern mentioned in several earlier reports that there were no independent means of checking that amounts received for air navigation charges were those amounts correctly due and payable under the Act. The Department announced, however, that remedial action was being considered.

Departmental Response

3.3 The Department informed the Committee that a Departmental Steering Committee had examined the feasibility of developing alternate procedures to enable verification of air navigation charges paid by the domestic airlines. While the Steering Committee concluded that the development of an ADP system would be appropriate, this would not have been able to be fully implemented until mid/late 1985. As an interim measure the Department had implemented a periodic audit of a sample of flight records to verify payments. Flight records are not independent records but are considered to be authoritative as they are a primary operational record.

3.4 The Department had also moved to acquire by January 1984 interim computing facilities in the Regions and Central Office pending major enhancement of its general computing network.

3.5 The Government had decided to introduce separate, new airport and airways charges to recover the costs associated with the use of the airport and airway facilities. Price Waterhouse associates were engaged to examine the means of implementation and ensure compatibility of approach for the two sets of charges. Their report was finalised in March 1984 and released to industry and unions for comment in April 1984.

3.6 The Independent Inquiry into Aviation Cost Recovery (Bosch Inquiry) commenced its operations in February 1984 and its report was tabled in December 1984. The Government is considering the recommendations of the Bosch Inquiry. It is expected that under new arrangements charges will be related more closely to the costs of the facilities used.

Conclusion

3.7 The Committee notes the Department's statement of action and commitment to further improvements. The Committee is concerned that the Auditor-General's criticism concerning the verification of charges remains unresolved. It would appear to the Committee that the Department could very well adopt a positive management approach to the implementation of the recommendations of its two consultancy inquiries while awaiting the Government's final decisions on airport and airway charges. The Committee will expect a report on this matter in the response to this Report and will be interested in the outcome of the inquiry about to be commenced by the House of Representatives Expenditure Committee into the Installation and Maintenance of Airway Facilities by the Department and other issues raised in connection with the functions of the Department of Aviation.

DEPARTMENTAL RESIDENCES

Background

3.8 Except in special circumstances, the Commonwealth does not accept responsibility for housing its employees. Such circumstances may include the need for designated personnel to be housed at or within the immediate vicinity of the workplace or the need to base staff in areas where no acceptable housing market exists within a reasonable travelling distance from the workplace.

3.9 It is the responsibility of operating departments to assess their staff housing requirements in consultation with the Department of Administrative Services (DAS). DAS has the responsibility to inform departments of procedures which apply for the acquisition of new staff housing.

3.10 DAS also reviews the existing housing stock against the relevant criteria as part of its ongoing review of Commonwealth property. Housing units which are found surplus to Commonwealth requirements are sold when they become vacant.

3.11 The provision of staff housing by the Commonwealth need not take the form of Commonwealth-owned accommodation. In some circumstances it may be more appropriate for the Commonwealth to obtain leased accommodation, eg, where no suitable houses are available for purchase or the housing requirement is of limited duration.

3.12 New criteria for the provision of housing for staff employed under the Public Service Act were issued to departments by the Public Service Board (PSB) in August 1982.

3.13 At 30 June 1982 the Department of Aviation had under its control 648 staff houses for the accommodation of certain personnel.

Auditor-General's Comments

3.14 The Auditor-General reported deficiencies in the Department's provision of staff housing in Queensland. The Auditor-General's Office found that the Department of Aviation had not evaluated its housing requirements in accordance with PSB guidelines and that it did not have procedures in place to ensure that staff allocated Departmental houses did not own accommodation within a reasonable distance of their workplace.

3.15 The Auditor-General also pointed out that expenditure on Departmental housing exceeded rental revenue by some hundreds of thousands of dollars. Problems were also highlighted regarding tenancy agreements and repair policy. Incidents in the latter area suggested that there was a lack of adequate controls and of consultation with the parties responsible.

3.16 With regard to the Minor Works Program, the Auditor-General highlighted problems in one particular case involving the construction of a fence at a Departmental residence. This case suggested inadequacies in operations and planning in the area. The Auditor-General also criticised the Department's financial management on the basis of perceived misclassification of items of expenditure.

Departmental Response

3.17 The Department's submissions explained that a review of its staff housing policy and related administrative processes had been undertaken and that it had been decided in November 1983 that several measures be taken. Among these measures were:

- . gradually dispose of some residences following consultation with the Department of Administrative Services, the Public Service Board, the Auditor-General's Office and staff associations;
- . ensure compliance with Government guidelines regarding residence policy by developing formal procedures in consultation with the Department of Administrative Services;
- . ensure non-term transfer staff (ie, staff not on two year transfers) be provided with housing only in exceptional circumstances; and
- . develop a policy statement for the provision of staff housing to be applicable throughout the Department.

3.18 With specific reference to the need for Departmental residences, the Department also informed the Committee that commercial criteria would be applied to establish the cost effectiveness of their retention/acquisition. Regarding housing

allocation, the Department conceded that there have been difficulties in ensuring that staff seeking Departmental residences do not have their own accommodation within a reasonable distance of their work. It was submitted that administrative procedures would be implemented to counter this possibility, including the possible requirement to sign statutory declarations.

3.19 An internal review was commenced in July 1983 to examine whether the housing stock was managed in accordance with Government policy and whether housing stock is adequate to meet the special and diverse needs of the Department. Following the Review Team's assessments a conference of senior Departmental management, including Regional Directors, endorsed a number of actions for implementation in November 1983.¹ Following consultation with officers of PSB, the proposed initiatives were referred to DAS for consideration and comment.

3.20 In July 1984 the Department informed the Committee that following advice received from the PSB and DAS, the Department's planned reduction in housing stock would take longer than anticipated.

3.21 The PSB was concerned with the industrial ramifications of the proposed action. DAS suggested that individual residences should be considered for disposal upon vacancy on a 'case by case' basis. DAS also advised that it had been instructed in 1981 to carry out a review of all Commonwealth land holdings including staff housing. This review was unlikely to be completed before June 1986.

3.22 The preparation of a Departmental housing policy statement is in hand but cannot be finalised until consultations with DAS, PSB and staff associations, seeking clarification of certain aspects of interpretation of the Government guidelines, have been completed. This statement, it is proposed, will include detailed guidance to officers on the commercial criteria and methodology to be adopted in determining the cost effectiveness of retention/acquisition of residences but this is also dependent upon the outcome of consultations between appropriate participating bodies. Departmental procedures, tenancy agreements and furniture rentals are also the subject of undergoing consultations with appropriate participating bodies.

3.23 The Department responded to the Auditor-General's comments regarding the shortfall in 1980-81 and 1981-82 in rental revenue on Departmental revenue compared with direct recurrent costs. It was pointed out that rents were charged at rates determined by the PSB in consultation with staff associations. Ongoing costs were, and would continue to be, kept at the level required to provide an appropriate standard of accommodation.

¹ Appendix B, Department of Aviation, Submission of 6 December 1983.

3.24 Closer liaison arrangements have been established with the Department of Housing and Construction in order to overcome problems which resulted in repair work being done to a residence not owned by the Department. Departmental officers have been instructed to pay particular attention to briefings and to ensure documentation is complete.

3.25 The Department of Aviation explained the reasoning behind the decision to charge specific expenditures to particular heads of expenditure. In most instances the classifications were subject to differing interpretations.

Conclusion

3.26 The Committee notes the information provided and action underway. The Committee does not accept that the classifications for heads of expenditure should be subject to differing interpretations. It would appear to the Committee that further or clearer explanations of where expenditure is to be charged should be made available to all staff involved.

3.27 With reference to staff residences, the Committee expects to receive a full report on the status of the matters raised above by August 1985.

CHAPTER 4

DEPARTMENT OF FINANCE

CLOSURE OF GENEVA ACCOUNTING OFFICE

4.1 Following a recommendation by the Joint Management Review on Overseas Accounting Arrangements, the Geneva Accounting Office was closed in September 1982 and its functions were transferred to the Department of Finance, Overseas Regional Office (ORO), London. The Committee commented upon Overseas Accounting Arrangements in its review of the Auditor-General's Reports for 1979-80 and March 1981.¹

4.2 The Auditor-General's Office examined the transfer arrangements to assess whether they were adequate to ensure that all necessary legal and financial requirements were met. Although the audit disclosed that the transfer arrangements were carried out in a generally satisfactory manner, the Auditor-General was critical of the failure by the Department to reconcile some 21 drawing accounts. It was also noted that reconciliations for the largest accounts were substantially in arrears.

4.3 In spite of the Auditor-General's representations reconciliation of these large volume accounts had still not been achieved in April 1983, although considerable progress had been made in the lower volume accounts.

Departmental Response

4.4 The Department indicated that the matters raised by the Auditor-General had been of concern to the Department for some time, but needed to be considered in the light of the problems associated with the transfer of operations from Geneva to London.

4.5 Once the decision had been taken to close the Geneva operations, key staff resigned. The transfer therefore had to be undertaken immediately.

4.6 It was necessary to recruit and train new staff in London to ensure that payments and key accounting controls were not compromised. The situation was further exacerbated by the implementation of new accounting procedures and accounting systems. The additional pressures caused by these post-transfer workloads required that some operations including bank reconciliations had to be afforded a lower priority.

4.7 The Department, however, initiated a program for bringing the drawing account reconciliations up to date. In the light of the staffing constraints mentioned earlier, the smaller accounts were balanced first to provide practical experience before attempting the larger and more complex accounts.

¹ Joint Committee of Public Accounts, Report 193, Reports of the Auditor-General 1979-80 and March 1981, AGPS, 1982, pp. 37-48; and Joint Committee of Public Accounts, Report 220, Finance Minute on Report 193, AGPS, 1983, pp. 18-21.

4.8 Additional staff were allocated to reconciliation duties and a computerised reconciliation system was introduced in 1984. These factors should prevent the occurrence of similar problems in the future. The Department also advised the Committee that all 29 drawing accounts were up-to-date by June 1984.

Conclusion

4.9 The Committee endorses the Department's proposal to restructure its reconciliation section to provide a more effective organisation.

REGIONAL OFFICE, DARWIN - FAILURE TO RECONCILE DRAWING ACCOUNT

4.10 The Auditor-General reported that the Department's Darwin Regional Office Drawing Account had not been properly reconciled since 1975. A discrepancy of some \$80 000 had been identified at the time of the audit.

4.11 Basic internal control requires that all bank accounts should be reconciled regularly. Failure to do so can allow errors or unauthorised transactions to remain undetected. Finance Directions recognise the importance of this control and require that Drawing Accounts be reconciled daily.

4.12 The Auditor-General acknowledged that the Department of Finance had conducted a number of investigations into the cause of the discrepancy, the latest being in early 1983. However, despite this, discrepancies totalling \$42 433 which arose prior to March 1982 remained unidentified.

4.13 In response to further Auditor-General's representations on this matter in June 1983, the Department advised that no decision has been made on options for adjusting the discrepancies.

4.14 The Auditor-General's March 1984 Report reported on the Department's final action in order to restore the Drawing Account to balance.

Departmental Response

4.15 The problems with the reconciliations derived from the loss of relevant records in Cyclone Tracy on 24/25 December 1974, and from the general disruption to the office generated by the Cyclone and its aftermath.

4.16 In 1980, the decision was taken to isolate the known discrepancy and to keep the reconciliations up-to-date thereafter.

4.17 The Department conducted a number of investigations into the causes of the discrepancies. No suggestion of irregularity beyond that of lost records due to the Cyclone was apparent.

4.18 Following an investigation by a Finance officer from Canberra, a comprehensive assessment was made by the Director (Darwin) with the conclusion that all reasonable avenues for investigation and full reconciliation had been exhausted.

4.19 This conclusion was supported by Central Office management and a decision was taken on 9 September 1983 to include provision in the Appropriation Bill (No. 1) 1983-84 to enable write-off action to be taken and the Drawing Account to be restored to balance.

Conclusion

4.20 The Committee acknowledges the difficulties faced by the Regional Office, Darwin, in the aftermath of the Cyclone and, of the effort taken to reconcile the Drawing Account. It endorses the action now taken to restore the Account to balance.

CHAPTER 5

DEPARTMENT OF IMMIGRATION AND ETHNIC AFFAIRS

ADULT MIGRANT EDUCATION PROGRAM

5.1 The Program aims to encourage the settlement of migrants in Australia with the provision of English language opportunities and information about Australia. The Auditor-General's audit conducted in late 1982 was designed to test that:

- program procedures were consistent with its objectives;
- the Department could determine whether or not the Program's objectives were being met; and
- controls over expenditure were adequate and cost effective.

5.2 The Auditor-General found that:

- the formal agreement formulated in 1951 between the Commonwealth and the States, which are responsible for the implementation of approved courses of instruction (involving some \$37m in 1982-83), was obsolete. The Auditor-General was concerned that while this opinion was also shared by the Department, no relevant formal agreement had been developed in its stead;
- regulations relating to the payment of prescribed living allowances (some \$22m in 1982) had not progressed beyond draft stage in the 5 years since their need was recognised; and
- financial reports by the States to the Department contained inconsistencies and inadequacies, e.g., supporting documentation for funding requests and expenditure. Such inconsistencies in data inhibit worthwhile inter State comparisons of cost per student.

5.3 The Auditor-General's March 1984 Report listed matters which had been referred to the Department for further comment following the Department's response to the Auditor-General's September 1983 Report. These matters included the Commonwealth/State Agreement, courses provided by the States, student eligibility and payment of living allowances.

5.4 With reference to the payment of living allowances, Section 6 of the Immigration (Education) Act 1971 provides that regulations may be made under the Act which may make provision for, or in relation to, the payment of prescribed living allowances to persons (other than school children) attending approved courses of instruction. The Auditor-General's September 1983 Report indicated that no such regulations had been made and advice had been sought from the Department on the authority for these payments.

5.5 As the Department's response did not adequately address the issue raised, the Auditor-General's Office had sought further information and suggested that advice on this matter be obtained from the Attorney-General's Department.

5.6 The Department responded that it had been advised by the Attorney-General's Department that regulations were appropriate as a basis for payment of living allowances and, accordingly, steps were being taken to arrange for the preparation of relevant regulations. The Department pointed out, however, that payments had been in accordance with Government decisions and appropriations made each year.

5.7 The Auditor-General's Office subsequently obtained a copy of the legal advising provided to the Department by the Attorney-General's Department. Apart from confirming the need for regulations the advising also indicated that where the purpose of expenditure is a purpose covered by the Immigration (Education) Act, the (annual) appropriation item is available only for expenditure in accordance with the provisions of that Act. The advising continued that payment of living allowances otherwise than at rates, and in accordance with conditions, prescribed by regulations involved breaches of section 83 of the Constitution and the relevant provisions in the Audit Act 1901.

5.8 While the Department is taking measures to remedy this unsatisfactory situation, the Auditor-General is concerned that, since the enactment of the Immigration (Education) Act in 1971, living allowances have been paid to persons attending approved courses without the appropriate legislative authority and in breach of the Constitution. During 1982-83 payments for living allowances totaled \$10,329m. This matter is to be further pursued by the Auditor-General's Office.

Departmental Response

Commonwealth/State Agreements

5.9 The Department acknowledged that the Auditor-General's Report provided an important stimulus to reviewing all instructions and procedures. More specifically, the Department submitted that an agreement to replace the agreement of 1951 has been accepted by South Australia, Western Australia, Tasmania and

the Northern Territory. There is broad concurrence from New South Wales and Victoria. However, more fundamental issues remained unresolved in Queensland (i.e., the extent of State autonomy in the management of the Program).

Courses Provided by the States

5.10 The Commonwealth role is to coordinate at the national level the activities of review and evaluation of individual courses by the States. The Department raised problems and disadvantages that would arise if the Department attempted formal approval of individual courses. It was suggested that the evaluation of the Program can be achieved more effectively and economically by the setting of objectives, a clear division of responsibilities and monitoring and evaluation of day to day Program arrangements by the States, with adequate arrangements for keeping the Commonwealth informed to enable outcomes to be assessed against the objectives.

Student Eligibility

5.11 Procedures are now outlined in the Program Handbook. Where doubts exist as to eligibility the application is referred to the Department for decision.

Payment of Living Allowances

5.12 Regulations as a basis for payment of living allowances were being prepared. The Department noted, however, that, while advice from the Attorney-General's Department indicates that this is necessary, payments had been in accordance with Government decisions and annual appropriations.

Financial Reporting to the Department by State AME units.

5.13 Reporting procedures for the States have been simplified and standardised. Action has also been taken to improve supporting documentation from the States.

Budgeting of Program Expenditure

5.14 A new funding formula was introduced in July 1982. Proposed arrangements should overcome the problems encountered.

Guidelines/Procedures

5.15 The guidelines referred to had been revised and incorporated into the Adult Migrant Education Program Handbook.

Program Review and Evaluation

5.16 The Department's submission also explained the processes of consultation and evaluation. On the latter issue, the Department explained work to develop an information system for

the Program involving, among other things, use of external consultants. A computerised system is expected to be operational during 1984.

5.17 Further developmental work is being undertaken in the area of measurement of language gains. Detailed consultation is being undertaken with the States on the development of evaluation arrangements to assess the effectiveness of Program learning arrangements.

Agreements with Tertiary Education Institutions

5.18 Exchanges of correspondence concerning program agreements with each institution are recorded on file. The Department of Finance has confirmed that "an agreement need not be a formal legal document as such: an exchange of letters setting out the details of the conditions attached to the service for which payment is made would be sufficient". The Auditor-General has been advised and has acknowledged the adequacy of these arrangements. All tertiary institutions have acknowledged Commonwealth ownership of assets purchased from AMEP funds.

Further Departmental Information

5.19 The Department has since advised the Committee that a major Review of the Adult Migrant Education Program began on 11 March 1985. Among the wide terms of reference given to the Review Committee is the assessment of the adequacy of planning, administration, coordination, financial and other arrangements at the Commonwealth and State levels. The report is expected in September 1985.

Conclusion

5.20 The Committee notes the explanations and action being undertaken. The Committee expects to be informed of the results of the review of Adult Migrant Education Program in the response to this report.

CHAPTER 6
DEPARTMENT OF INDUSTRY AND COMMERCE

WAREHOUSING

6.1 Under the Customs Act 1901, goods subject to customs duty may be stored in licenced warehouses and payment may be deferred until the goods are released for home consumption. It is the responsibility of the Department to approve licences and check the security of premises and operations. An audit was conducted in 1982 in New South Wales, Queensland and Western Australia to assess the adequacy of protection of customs revenue and compliance with provisions of the Act.

6.2 The Auditor-General reported that:

- procedures for the collection of fees in Western Australia and New South Wales were deficient in some respects;
- fees for licenced warehouses were not being charged on a basis which permitted cost recovery as espoused by the Department;
- there were deficiencies in the procedures used to assess the riskiness of premises, which in turn guides officers planning inspections; and
- internal audit coverage was inadequate in Western Australia and Queensland.

6.3 The Auditor-General's Office also raised the issue of methods of recording under-bond movements which would provide an alternative to the current system. At present the Department relies on warehouses to maintain proper records to establish duty liability on goods released for home consumption.

Departmental Response

6.4 The Department's response and extensive discussion on the issue of the administration of customs and excise collection system, and bonded warehouses in particular, are contained in the Committee's Report 224.¹ Appendix 3 to that Report reproduces the Department's responses to the particular matters raised in the Auditor-General's September 1983 Report. The following paragraphs summarise relevant comments and recommendations from the Committee's Report.

¹ Joint Committee of Public Accounts, Report 224, Excise and Deferred Customs Duties, AGPS, 1984.

The Committee's Report 224 on 'Excise and Deferred Customs Duties'²

6.5 The Committee³ was generally satisfied with the action being taken by the Department to correct the problems highlighted in the Auditor-General's Report. In several of these areas corrective action was anticipated. These areas included:

- Review of fees
In December 1983 Public Service Board approval was obtained for the engagement of a consultant to review the basis for setting fees and the possibility of full recovery of costs incurred in the control and maintenance of the licenced warehouse system.
- Risk assessment
The Department was developing and implementing risk management on a national basis.
- Training
A standardised training course had been developed and was being used nationally. The course included elements of investigation training and risk management. In 1984 six further Inland Revenue specialist courses have been scheduled.
- Internal audit
The Department's 1983-84 Internal Audit Plan was to cover warehousing in New South Wales, Victoria and South Australia.
- Computerisation of under-bond movements
A program had been developed and tested and was now being refined, for the computerisation of movements of undocumented cargo interstate. This system was eventually to be extended to cover documented cargo. The submission stated that the Department has accorded a high priority to the development of this system.⁴

The Committee's Comments and Recommendations (from the 224th Report)⁴

6.6 The Committee's investigation of the bond system highlighted a feature of arrangements operative at that time. The Committee found that domestically produced excisable goods were not 'entered' into bond as were imported goods. They could be moved from the production area of a licenced factory into the so called 'approved place' which might be geographically quite distant. The Committee realised that such movements take place under Customs permission and that a condition of such permission was that Customs had access to the company's documentation.

² Report 224, op. cit.

³ ibid., pp. 87-88.

⁴ ibid., pp. 90-93.

The Committee recommended that there be a formal 'entry into bond' for domestically produced excisable goods with documentation and control comparable to that exercised over imported goods under bond.

6.7 The Committee was concerned that Customs did not, at any time, have sufficient information to be able to determine exactly what stocks should be in a particular warehouse. A system of computer-based monitoring would take some time, perhaps several years, to apply. This timing factor underscored the necessity for a comprehensive array of tools which could be applied to improve the excise collection system. The Committee considered that it would be inappropriate to rely exclusively on one possible innovation although it may be quite laudable in its own right.

The Committee considered that the Department's control procedures for bonded warehouses lack sophistication and that better use could be made of ADP facilities in this area. The Committee recommends that immediate attention be given to upgrading control systems for bonded warehouses.

The Committee recommended that Customs promptly develop and implement a computer system which reconciles bond entries and releases so as to provide sufficient information to allow proper inventory control in bonded warehouses.

6.8 The Committee considered that this would lead to the computerisation of all under-bond movements so that as goods were despatched from one bond their intended destination would be entered into the system which automatically checks whether their arrival at that destination is entered within an appropriate interval of time.

The Committee endorsed the Auditor-General's recommendations that Customs should analyse dwell times of goods under bond and direct investigative efforts to those goods with apparently lengthy dwell times. Similar comments apply to Audit's suggestion that efforts should be concentrated towards those warehouses which yield the greatest revenue.

6.9 Another matter of considerable concern to the Committee was the fact that no sensible use appears to have been made of the cost effectiveness survey of warehousing operations (concluded by Customs in April 1982). At the very least, the report on this survey gave an indication of the potential benefits to be had from such effectiveness measurement exercises. It should therefore prompt further work to iron out the methodological problems so that further surveys can be carried out and some use can be made of the data.

The Committee recommended that Customs examine the benefits to be gained from effectiveness surveys, correct the methodological problems experienced with the warehousing survey and proceed with further surveys as soon as possible so the results can be used as management aids.

The Committee also recommended that the perceived need for the bonded warehouse system should be re-examined, including the implications of abolishing or modifying the system. The Committee considers that this issue should be referred to the Industries Assistance Commission (IAC) for inquiry.

Conclusion

6.10 As stated in Report 224 the Committee is generally satisfied with the Department's response to the Auditor-General's points as presented in their submission and in subsequent evidence presented to the Committee in the course of its inquiry into the Collection of Excise and Deferred Customs Duties. The Committee awaits with interest the response to its Report.

CHAPTER 7
DEPARTMENT OF PRIMARY INDUSTRY

COMPUTERISED ACCOUNTING SYSTEM

7.1 In September 1980 the Auditor-General referred to significant deficiencies in the Department's computerised accounting system which provided the major control in the management of and accounting for revenue collections that are within the Department's responsibility. In 1983-84 revenue from levies and other charges totalled in excess of \$440m, of which \$408m was disbursed to various Statutory Authorities and Trust Accounts.

7.2 The Department is also responsible for the administration of some 23 trust accounts, including the investment of funds surplus to immediate requirements. Investments total approximately \$160m.

7.3 Although the Auditor-General's March 1982 Report advised that the Department had taken action to overcome system shortcomings, a further review of the system, in September 1983, noted the slow progress towards implementing a satisfactory computer system. This was a matter of concern to the Auditor-General, in view of the monetary value, associated with these collections.

Departmental Response

7.4 While acknowledging some early delays in enhancing the system due to unforeseen events, the Department advised the Committee in December 1983 that it had accorded a high priority to positive and concerted action to implement more effective computerised systems.

7.5 As a result of the recommendations of a Joint Management Review and a recognition by the Department of the need for an integrated approach to computerisation, the Department had developed a broader computerisation strategy.

7.6 In addition to the Joint Management Review with the Public Service Board, a New Policy Proposal to investigate and implement an integrated financial management system (IFMS) was approved. Consultants were employed to carry out the work proposed. The Department has since advised the Committee that the IFMS was progressively introduced between July and October 1984. It provides an integrated, well documented accounting system. The Department has continued to incorporate improvements to the system arising from experience gained in the implementation phase. Further developmental work on other complementary finance-orientated systems are proposed to take place in 1985.

7.7 The Department considers that the implementation of the IFMS will satisfy the areas of concern expressed by the Auditor-General in respect of levies and investments.

Conclusions

7.8 The Committee endorses the Department's introduction of an integrated financial management system, and will monitor progress through subsequent Auditor-General's Reports during the implementation phase.

CHAPTER 8

DEPARTMENT OF TERRITORIES AND LOCAL GOVERNMENT

NATIONAL SPORTS CENTRE

8.1 The National Sports Centre, Canberra, provides a wide variety of sporting facilities for training and competition purposes. The main client is the Australian Institute of Sport, which has priority of access to the Centre's facilities. The Centre's facilities are also hired for commercial entertainment - at present on a 'bare walls' basis - where facilities are handed over to the promoter/entrepreneur who is responsible for all services, for example, ticketing, ushering and payment to contractors.

Auditor-General's Comments

8.2 After an audit was completed on the Sports Centre in May 1982, the Auditor-General criticised, in his September 1982 Report, four features of the administration of the Centre:

- . the inadequate recording of hiring;
- . the lack of clearly established charges and conditions of hire. In some cases the Statutory Declarations required of hirers specifying gross takings were not received, consequently hire charges were calculated on unconfirmed figures;
- . debt control and debt recovery action were considered inadequate; and
- . the same officer was able to accept bookings, record transactions and collect moneys. This was considered insufficient control over revenue.

8.3 A further audit was conducted on the National Sports Centre in February 1983, to assess the effectiveness of corrective action taken in relation to the Auditor-General's comments in September 1982, to examine procedures for control of revenue and expenditure, to review the effectiveness of personnel practice and management of materials and to evaluate the effectiveness of operations of the Centre.

8.4 The Auditor-General addressed a number of inadequate procedures employed in the administration of the Centre. Foremost among these was the absence of written financial accounting instructions. In response the Department advised Audit that alternative accounting arrangements were under consideration.

8.5 Other matters of concern to the Audit Office included:

- . inadequate security to safeguard some assets (the Department advised of procedures to overcome this);
- . all hirings were not recorded in the appropriate register;
- . the absence of a formal hiring agreement with the Australian Institute of Sport (AIS); and
- . the failure of the AIS to inform the Centre when facilities were not required, impairing maximum use of the Centre.

8.6 Further, the Auditor-General reported that hiring charges were based often on a percentage of gross takings. However, arrangements still do not ensure that all moneys collected by the hirer were declared. In addition the Department advised that alternative procedures currently under consideration will improve controls and at each ticketed event a staff member will be present to monitor gate or ticket box sales. A number of accounts had been outstanding for a long period. The Department is acting on these and had advised of the recovery, in full or in part, of some of these accounts.

8.7 After considering the Department's initial response to the Auditor-General's Report, the Committee resolved to seek a further submission, particularly detailing the alternative financial arrangements that the Department felt would resolve some of the outstanding audit criticisms.

Departmental Response - Initial

8.8 The Department made it clear to the Committee that the Sports Centre aimed to provide priority of access to the AIS but also to maximise the use of the facilities by as many as possible. The Department felt that the Centre could take on a more entrepreneurial role aided by the establishment of a Trust Account to administer the Centre. Until this is approved the Centre is operating in accordance with the requirements of the Finance Manual.

8.9 The security of assets had been improved by the installation of a number of security devices. Assets had been accounted for in stocktaking and the assets register had been updated.

8.10 All hirings other than by the AIS are recorded in the hirings register. Because the AIS hiring charge is based on a fixed annual assessment, individual hirings by the AIS were not

recorded. There had been a firm agreement that the AIS would pay on the basis of an annual forecast of the use it made of the facilities. Often AIS bookings must be changed at short notice. It had not always been possible to put the facilities to alternative use should AIS bookings be changed at short notice, a relatively often occurrence. Use of the facilities had grown consistently since 1981.

8.11 Revenue collection had been brought in to line with departmental procedures. This applied to the lodgement of a statutory declaration of gate receipts by hirers. The Sport Centre's staff work overtime to check turnstile readings or box office sales for events at the Centre. Recovery action of outstanding debts is now being vigorously pursued.

Departmental Response - Supplementary

8.12 The Committee was informed in the Department of Territories and Local Government's supplementary submission that the Department of Finance had rejected the Department's proposal to establish a Trust Account to manage the Sports Centre. The Department intended to pursue this matter further, but in the interim had issued detailed financial procedures covering all aspects of the operation of the Centre.

8.13 Hiring procedures, with hirers other than the AIS, had been formalised through a standard contract and schedule of fees and charges. The Department finalised a formal agreement with the AIS but expressed the view that the absence of an agreement had not resulted in the loss of income or diminished use of the facilities by others. The agreement had been operative since 1 July 1984.

8.14 Statutory declarations by commercial hirers had been sought and received, but not pursued, when the percentage of gross receipts was less than the maximum hirer deposit already paid, or when hirers paid in full an agreed charge immediately at the cessation of an event. When this occurred, an officer of the Centre was present at the collation of tickets and when the debt was established. Under a Trust Account the Department would be able to collect all revenue and reimburse the hirer. At present the hirers collected the revenue and subsequently paid the required charges to the Department.

8.15 The Department had also outlined the procedures for the recovery of debts.

Conclusions

8.16 The Committee notes the action taken by the Department of Territories and Local Government to resolve the outstanding matters raised by the Auditor-General in his September 1983

Report and is satisfied with that action. However, the Committee sees merit in the development of the management of the Centre in a comprehensive sense, to ensure control over hirings, to maintain high standards of facility and safety for patrons, to ensure full recovery of costs associated with hirings and to be identified as an identifiable cost centre in departmental accounting arrangements. With this in view, the Committee recommends that the rejection of the trust account arrangements be reviewed.

8.17 The transfer of responsibility for the Centre to the Department of Sport Recreation and Tourism in December 1984 has been noted.

CHAPTER 9

DEPARTMENT OF TRANSPORT

TASMANIAN FREIGHT EQUALISATION SCHEME

9.1 The Tasmanian Freight Equalisation Scheme (TFES) applies to cargoes of goods produced in Tasmania and shipped to the mainland. The scheme initially applied only to northbound goods, but some southbound goods became eligible in mid 1978. Cargoes destined for export from Australia are not eligible for freight assistance. Expenditure on the Scheme amounted to \$27.3m in 1982-83.

9.2 The Auditor-General criticised the Hobart Regional Office of the Department particularly on:

- . procedures to ensure that goods receiving northbound freight assistance were not subsequently exported thereby becoming ineligible for assistance; and
- . adequate stock-taking methods had not been adopted to verify quantities and descriptions of goods shipped from Tasmania.

9.3 The Auditor-General, while acknowledging the difficulties involved in detecting such abuses of the system, remained of the view that the Department should consider the problem more fully. The Auditor-General's March 1984 Report outlined the Department's responses of 22 November 1983.

Departmental Response

9.4 Since the Scheme's inception, various anomalies had come to notice. The Scheme was referred to the Inter-State Commission early in 1984. The report of the Commission's review was tabled in Parliament on 18 April 1985.

9.5 The Department's claim processing and checking procedures, together with field inspection checks, which applied to all claimants, were designed to identify those cases where a direct overseas consignment occurs. These routine procedures had enabled the detection of a small number of cases. All assistance paid on such ineligible shipments had been recovered. However, identifying goods which are consigned to the mainland and later exported is a more difficult proposition. The Department had taken action to identify problems in this area, particularly when the parties to a transaction sell in both the export and domestic markets. For example, Tasmanian apple exports from mainland centres had been monitored as had Tasmania's interstate apple shipments. However, these checks had been inconclusive owing to the practice of placing stocks in cool storage for sale at a later date.

9.6 During November 1983, as a result of the Auditor-General's comments, the Department instituted a program of 'consignment tracking' on the mainland to assess the final usage of a selected sample of consignments. The Committee was advised, in March 1985, that this had proved effective and is now a regular feature of Departmental procedures.

9.7 The Department acknowledged that a basic condition of the Scheme is that assistance is paid only after cargoes had actually been shipped and the freight payments made. However, a complicating factor is that there is no time limit within which claims must be lodged. In the past some attempts had been made to undertake physical stocktaking where specific problems had been identified. Because of the difficulties in reconciling details when claims are lodged, the only practicable and cost effective way to identify whether the quantities and descriptions of goods are accurate is through routine claims assessment procedures and field inspections.

9.8 The Department had developed an inspection program based on risk assessment, and had taken measures to ensure that the system is effective.

Conclusions

9.9 The Committee notes the assurances that the Department will continue to monitor the effectiveness of the revised procedures to ensure that abuses of the scheme are minimised.

9.10 In view of the Inter-State Commission of Inquiry into the Scheme, the Committee was of the opinion that further investigation of the Scheme was unwarranted. The Committee will maintain an interest in the follow-up to that inquiry.

CHAPTER 10

DEPARTMENT OF THE TREASURY

EXPENDITURE IN EXCESS OF WARRANTS OF THE GOVERNOR-GENERAL

10.1 The Audit Act provides that the total amount paid out of the Commonwealth Public Account and charged to an appropriation shall not exceed the amount specified in Warrants of the Governor-General issued under the Audit Act. On receipt of a Governor-General's Warrant a Warrant Authority may be issued by the Secretary of the Department of Finance to the Secretary of the Department responsible for the appropriation. The administering Department may then issue Warrant Advice to the limit of the Warrant Authority. Expenditure by a Department from an appropriation should not exceed the total of Warrant Advice issued which in turn should not exceed Warrant Authority available.

10.2 The Auditor-General noted in his Report on Financial Statements for the year ended 30 June 1983 that contrary to requirements, payments in 1982-83 under three special appropriations exceeded the amounts specified in Warrants of the Governor-General. These were:

- . Qantas - Repayment of loans;
- . Australian National Airlines Commission - Repayment of loans; and
- . The Treasury-Income Equalisation Deposits.

Departmental Response

10.3 With regard to Qantas and the Australian National Airlines Commission, over-expenditure resulted from the Department of Finance Regional Office in Washington not recognising a change in ledger structure. Further restructuring of the ledger had been undertaken which will eliminate the possibility of any recurrence and Regional Offices had been informed of the changes.

10.4 The excess payment of interest on Income Equalisation Deposits was attributed to human error in the Department of Finance, Sydney. To avoid a repetition of such a problem, telexes from Central Treasury to the Department of Finance, Sydney, authorising payments will be cleared by Treasury prior to despatch.

Conclusion

10.5 The Committee is satisfied with the remedial action.

CHAPTER 11

AUSTRALIAN TAXATION OFFICE

AUTHORISATION OF REFUNDS

11.1 The Auditor-General's Report for the year ended 30 June 1983 included comment on procedures for the authorisation of refunds from the Taxation Office Drawing Accounts for excess tax instalments due to taxpayers on the annual assessment of their taxable incomes. The Auditor-General's Office found that in several instances the legal requirements were not being fully observed. Comments were made concerning:

- . authorisation and certification procedures - cases were revealed where tax refunds had been issued without the appropriate authorising and certifying officers' signatures;
- . certification of particular classes of payments - certain procedures were criticised as not complying with Regulations of the Audit Act; and
- . certificates of entitlements to refunds - wording of the certificates was suspect in that it did not comply with Regulations of the Audit Act.

Departmental Response

11.2 The Australian Taxation Office advised that:

- . procedural breakdowns resulting in the problems in authorising and certifying refunds had been addressed. Authorising and certifying officers had been notified of their statutory duties. A manual outlining Finance Regulations and Directions was issued in September 1982;
- . after discussions with the Department of Finance and the Auditor-General's Office, it had agreed to adopt new procedures consistent with Audit's interpretation of requirements for certification of particular classes of payments; and
- . they would use a form of words which satisfies the requirements of the Regulations regarding certificates of entitlement to refunds, however, the matter was referred to the Department of Finance for guidance.

Conclusion

11.3 The Committee considers that the action taken by the Australian Taxation Office has been satisfactory.

DIVIDENDS AND INTEREST WITHHOLDING TAX

11.4 The Auditor-General's September 1983 Report referred to the results of audit reviews in New South Wales and Queensland. Income tax legislation provides for the deduction of a tax on certain dividends and interest paid to non-residents.

11.5 In Queensland, the Auditor-General's Office found:

- reliance on voluntary compliance disclosure by remitters and non-resident taxpayers. This provided no assurance that all dividends and interest withholding taxes were collected; and
- the prescribed additional tax for remittances after the due date was not collected. It was also found that there was a reluctance to collect the additional tax levied where statements of deductions were not lodged.

11.6 In New South Wales:

- as in Queensland, reliance on voluntary compliance disclosure did not provide an independent means of checking the degree of compliance. Similarly the study showed a significant proportion of remittances were received after the due date and the penalty fee was sometimes not collected;
- officers of the Withholding Tax Unit had not been authorised under the appropriate regulation to collect public monies;
- there were deficiencies in the computer processing of dividends and interest withholding taxes; and
- sections of the procedure manual were out of date and formal instructions had not been issued to data input staff in the Cashiers Section.

Departmental Response

11.7 The Australian Taxation Office submitted that:

- the substantial penalties imposed is a potent disincentive, where there is evidence that voluntary non-compliance had not been involved. The extent of non-compliance in disclosure is considered low and accordingly it is accorded low priority for compliance activity. The Tax Office conceded that information from alternative sources cannot be readily used as an independent check;

- with regard to the Auditor-General's finding that a significant proportion of remittances sampled were received late and additional tax not collected, the Tax Office noted that the number of cases in fact are less significant than the Report suggested and the dollar amounts involved are mostly less than \$10;
- procedures had been altered to ensure that additional tax for late payment is calculated and notified as soon as possible after receipt of the remittance; and
- a review of the system of collection of interest and dividends withholding taxes will be carried out within the limitations of the existing computer system early in 1985.

Conclusions

11.8 The Committee is concerned at the reported inefficiencies in the administration of dividends and interest withholding taxes. Some of the Auditor-General's specific comments were not addressed in the Tax Office's response and for these reasons the Committee will continue to keep this area under surveillance.

CHAPTER 12
FRAUDULENT NEGOTIATION OF CHEQUES

Introduction

12.1 The Auditor-General's Office undertook a review of the fraudulent negotiation of cheques drawn on the Commonwealth Public Account in March/April 1983. Following the review, advice on certain aspects was sought by the Auditor-General from the Department of Finance, the Australian Federal Police (AFP), and Departments incurring major expenditure by way of recurring payments (Education and Youth Affairs, Social Security and Veterans' Affairs).

12.2 The Committee also sought submissions from those mentioned above (see Appendix B) and held Public Inquiries on 7 March, 2 and 9 May 1984. Further details which were sought from the Department of Social Security are at Appendix B. Other submissions were sought from the Department of Social Security on its Performance Monitoring Branch, on the 'Recovery of Overpayments' mentioned in the Auditor-General's Reports of May 1983, March and September 1984 and on the 'Issue of Replacement Cheques' in the Auditor-General's Report of May 1983 (see Appendix B).

12.3 The Department of Finance (DOF) supplied statistics on the number of cheques issued, fraudulently negotiated and the amounts written off of fraudulently negotiated cheques. In 1982-83 the Commonwealth issued in excess of 89 million cheques.¹ Of that number 14 414 are currently known or suspected to have been fraudulently negotiated (or .016 per cent of cheque issues). On a departmental basis, cheque issues and fraudulently negotiated cheques are as follows:

TOTAL NUMBERS OF CHEQUES ISSUED AND CHEQUES FRAUDULENTLY
NEGOTIATED: 1982-83

DEPARTMENT	CHEQUE ISSUES No.	CHEQUE FRAUDS No.
Finance	7 003 826	486
Social Security	65 286 742	12 661
Veterans' Affairs	11 031 624	406
Australian Taxation Office	5 692 230	861
TOTAL	89 014 422	14 414

¹ Joint Committee of Public Accounts, Minutes of Evidence, Auditor-General's Report - September 1983, p. 70.

12.4 In 1982-83 the amount written-off of fraudulently negotiated cheques was \$292 131.² On a departmental basis, the amounts written-off are as follows:

FRAUDULENTLY NEGOTIATED CHEQUES: AMOUNTS WRITTEN OFF IN 1982-83

DEPARTMENT	AMOUNT \$
Finance	1 143 ³
Social Security	286 293
Veterans' Affairs	3 466
Australian Taxation Office	2 462
TOTAL	293 364

Fraudulent Negotiation of Cheques

Australian Federal Police (AFP)

12.5 The AFP listed five means⁴ by which Commonwealth departments are defrauded. They are (briefly):

- false individual continuing claims - committed by individuals who, by using correct particulars obtain benefits to which they are not entitled. This includes the situation where the original claim may have been legitimate but the circumstances have changed;
- false applications for benefits - single or multiple claims. Application for benefits by individuals using false and misleading particulars and thereby obtaining benefits to which they are not entitled;
- larceny of cheques - there is evidence of widespread theft of Commonwealth cheques from letterboxes;
- dual negotiation - occurs when a person who has initially made a false claim then fraudulently claims that he did not receive his benefit cheque. After approaching a DSS Office and completing a 'Statutory Declaration' the person is issued with a duplicate cheque which is also cashed. There are examples where this has been used by individuals and organised groups to defraud DSS; and

² *ibid.*, p. 71.

³ Write-off recommended to client departments by the Department of Finance.

⁴ Minutes of Evidence, pp. 55-58.

- duplicate claims - involves the reporting of the non-receipt of a cheque, to which a claimant was entitled, when in fact it had been received. In most cases the original cheque had been cashed prior to the reporting of the loss.

12.6 Fraudulent negotiation is suspected in relation to a large number of cheques which are referred annually to the AFP for investigation. AFP records indicate that over the three year period 1979-80 to 1981-82, 37 000 cheque offences were reported to, or became known by, the AFP. During the three years 15 000 offences were recorded as 'cleared' and 37 000 offences as 'completed not cleared', the latter category referring to those cases where offenders had not been located and/or it had been decided not to expend any further resources at that stage. In such cases the matters may be re-examined at a later date if more information is received.

12.7 The AFP stated that it did not maintain statistics of the total value of cheques referred to it, the total number of offences in the 'completed not cleared' or 'not investigated' categories that accrue over the years, nor of times taken by the AFP to complete or clear cases referred for investigation. The Auditor-General was also advised by the AFP that, in addition to those cases 'completed not cleared' carried forward from previous years, a substantial number of cheques were currently outstanding for investigation.

12.8 Some statistics were supplied for the fraudulent negotiation of cheques. To give an indication of the magnitude of the problem the following six cases were cited as part of those dealt with between January and June 1983 in Victoria⁵:

FRAUDULENT NEGOTIATION OF CHEQUES: SIX CASES IN VICTORIA, 1983

No. of Persons Involved	No. of False Names Used	Estimated Amount Obtained
16	65	\$ 64 000
1	40	40 000
1	15	39 000
1	7	60 000
1	4	15 000
1	4	10 000
<u>21</u>	<u>135</u>	<u>228 000</u>

5 *ibid.*, p. 57.

12.9 The AFP suggested that, of this amount, little or none will ever be recovered from the offenders in the form of restitution. The offence of duplicate claims is also particularly prevalent. During the period January to June 1983, there were 377 offences of this type investigated at AFP's Regional Headquarters in Melbourne. Of the 377 offences reported and/or discovered, 326 were detected and/or cleared.⁶

12.10 The AFP also pointed to the problem encountered by traders, that is, where a trader negotiates a cheque for a person other than the owner of the cheque. Under the Bills of Exchange Act the trader is liable for repayment to the cheque issuing Department.

12.11 The AFP indicated that it was generally about eight months or more before these matters are brought to the notice of the AFP - in some cases up to two years.⁷ The chances then of discovering the offender are slim because of the length of time between the offence and the investigator interviewing the traders and/or bank officers. Most traders and employees who have negotiated the stolen cheques have difficulty in recalling personal particulars of the person who negotiated the cheque.

12.12 Another problem raised by the AFP concerned the secrecy provisions of the Social Security Act.⁸ The AFP appreciated that Section 17 of the Social Security Act imposes upon DSS officers a duty of confidentiality regarding information obtained. The AFP submitted, however, that this should not restrict the information being passed to AFP officers where criminal conduct is suspected.

12.13 The AFP stated that there is a need for Commonwealth departments to ensure the correct identity of applicants prior to authorising payment of cheques. Many of the AFP's examples indicated that the production of drivers' licences, birth certificates, etc, as proof of identity for the payment of benefits had proved to be inadequate and ineffective. The AFP also suggested that, although the direct credit mode of payment system would eliminate dual negotiation and larceny fraud, it would not affect the payment of benefits as a result of forged identity documentation and other forms of fraudulent claims.

12.14 The AFP submitted that a scheme similar to passport applications could be implemented. All applications for benefits/payments should include on the form the provision for identification by an independent third party, verifying the identity of the applicant. The verification should be signed by select groups within the community, such as police officers, doctors, solicitors, school teachers, etc.

12.15 Should the direct credit mode of payment be implemented for all benefit payments, the question of identification for the cashing of cheques becomes irrelevant. Identification would be necessary where beneficiaries are required to open accounts at

6 *ibid.*, p. 56.

7 *ibid.*, p. 56.

8 *ibid.*, p. 61.

various financial institutions. The AFP suggested that benefit-paying departments issue a certificate to a beneficiary verifying his/her identity and the benefit being paid. This certificate would assist financial institutions in ensuring the correct identity of the person opening an account.

Department of Social Security (DSS)

12.16 The DSS defined two categories of improper payments associated with cheques⁹, that is:

- fraudulent negotiation - occurs where a person other than the payee negotiates the cheque without the payee's authority; and
- negotiation by the payee - involves the negotiation of both an original and replacement cheque by the payee. This is not fraudulent negotiation as occurs in the case of a stolen cheque as it is the payee who receives value and is consequently overpaid in these cases.

12.17 Under the Bills of Exchange Act a person accepting a 'not negotiable' cheque (bank and/or trader) has no better title than the previous holder and, as drawer, DSS claims reimbursement from the person to whose account such a fraudulently negotiated cheque is credited. The payee is entitled to a replacement payment and the matter is referred to the Australian Federal Police for detection and prosecution of the offender. Referral to the AFP is required by Finance Direction 10/28.

12.18 With cases of fraudulent negotiation there are delays in referrals to the AFP because DSS does not become aware of the fraud until:

- an intended payee advises that a cheque has not been received; and
- upon the cheque passing through the banking system and being paid by the Commonwealth, a copy of the cheque is obtained and forwarded to the payee to confirm by statutory declaration that he or she did not receive or negotiate it or authorise any other person to do so.

12.19 Referral of original and replacement cheque overpayments to the AFP is not required by Finance Directions but Departmental procedures provide for referral if it is considered that the payee has deliberately imposed on the Commonwealth. Cases are not referred where the payee appears of limited mental capacity or otherwise confused as to his entitlement and makes a claim for a replacement cheque without intending to defraud the Commonwealth.

12.20 During the financial year 1982-83 DSS referred 12 661 cases of fraudulent negotiation, valued at \$1.8m, to the AFP. In the majority of cases recovery of the value of a fraudulently negotiated cheque is obtained from the bank or trader which accepted the cheque and in 1982-83 DSS recovered \$1 266 966. In the same period \$286 203 was written off as irrecoverable in respect of fraudulently negotiated cheques.¹⁰

12.21 Excess payments due to frauds and clients' mistakes in connection with cheques represent about one-eighth of the total amount identified as debts for recovery. DSS stated that less than .06 per cent of cheques issued are involved.¹¹

12.22 DSS submitted that the connection between delays in detecting dual payments and the incidence of theft and fraudulent negotiation of cheques is tenuous as evidenced by the rather static nature of fraudulent negotiation over the last six years compared with large increases in the numbers of replacement cheques issued. This is shown below:¹²

DEPARTMENT OF SOCIAL SECURITY

NUMBER OF CHEQUES ISSUED, REPLACED AND FRAUDULENTLY NEGOTIATED

	No. of Cheques issued (million)	No. replaced	Fraud Negotiations Reported to AFP
1977-78	64.7	89 718	12 804
1978-79	62.6	110 761	12 268
1979-80	62.0	186 844	8 090
1980-81	60.0	167 385	10 222
1981-82	60.3	191 062	10 985
1982-83	65.3	236 249	12 661

12.23 Many cheques are returned to DSS unpaid or never presented for various reasons, and no figures are available on which of these relate specifically to cheques which are replaced. However, replaced cheques which are presented and paid are identified as either fraudulently negotiated or negotiated by the payee. While 12 661 cheques were reported to the AFP in 1982-83 as fraudulently negotiated 24 333 overpayments were raised against payees who had negotiated both an original and replacement cheque. This is an absolute figure not directly related to the replacement issue figure for the year but it indicates that most replaced cheques are not presented and paid, being either returned to DSS or never located. In some cases a client who receives a replacement cheque and its original will negotiate the original and return the replacement.

9 Appendix B, DSS submission of 12 July 1984, p.1.

10 Minutes of Evidence, p.77.

11 *ibid.*, p.81.

12 Appendix B, DSS submission of 12 July 1984, p.4.

12.24 DSS has stated that its prime responsibility is the timely delivery of the correct entitlements. The Social Security Act provides for payments to be made at regular intervals. If a client does not receive a cheque by the due date he has not been paid his legal entitlement and has a rightful claim to payment in respect of that instalment. In recognition of the need of clients who are wholly or substantially dependent upon payment DSS has adopted policy and procedures whereby replacement cheques may be issued immediately in these situations. Because this policy often requires that a replacement cheque be issued without knowledge of the fate of the original cheque unscrupulous clients can and do take advantage of DSS. Appropriate action is taken to recover any overpayment so arising. Nevertheless, DSS considers that it could not adopt a policy whereby genuine clients would be disadvantaged by the activities of a minority.

12.25 The Auditor-General's March 1984 Report referred to the 'Recovery of Overpayments' and serious problems being experienced in NSW with the payee negotiating both the original and replacement cheques. Nationwide statistics on overpayments can be found at Appendix D. DSS¹³ had outlined (see below) the procedures currently being followed in NSW and the other States.

12.26 In all States except NSW decisions in relation to the issue of replacement cheques are made in the State Headquarters. The authority to issue replacement cheques was decentralised in NSW because of the very large client numbers compared to other States. Information currently available to decision makers generally includes:

- . cheque issue listings;
- . details of cheque presentations (in micro fiche form);
- . replacement cheque issue listings (ADP produced);
- . cheque negotiation history records (ADP or manually maintained);
- . output from the ADP bank account reconciliation system; and
- . individual case files.

12.27 Since the matter was first raised by the Auditor-General there have been considerable reductions in delays associated with dual negotiation processing. Delays in raising

¹³ *ibid.*, pp.4-5.

cases are still apparent due to both high work volume and the relatively limited systems and staff resources. To reduce delays in NSW, as far as possible:

- . staffing levels have been increased;
- . overtime has been more heavily used;
- . procedures have been reviewed and rationalised; and
- . equipment for microfilming paid cheques has been installed and has been operating since December 1983. This enables copies of paid cheques to be made available more quickly to regional offices.

12.28 In relation to the incidence of dual negotiation overpayments, the advantages of the microfilming equipment will not be fully realised until overpayments resulting since December 1983 replacement issues are raised.

12.29 The following initiatives have been implemented to assist NSW regional offices in the decision making process:

- . presented cheque data is now available in all NSW regional offices. The data is updated each day and is available by Day 2 (previously 7-10 days) after cheques are presented to the Reserve Bank for payment;
- . revised procedures for processing replacement cheque applications have been made available to NSW regional offices; and
- . since January 1984 persons claiming pensions and family allowance payments for the first time or persons applying for replacement cheques for such payments have been encouraged to convert to the direct credit mode of payment.

12.30 Implementation of the abovementioned initiatives has already resulted in a reduction in NSW in the number of replacement cheques issued from 13 000 per month to 11 000 per month.

12.31 With regard to the secrecy provisions of the Social Security Act, DSS¹⁴ stated that Section 17 of the Social Security Act provides that information about a client can be released only:

- . with the client's explicit or implied authority;
- . by an officer in the performance of his duty; or
- . where the Minister for Social Security or the Director-General certifies that it is in the public interest to do so.

¹⁴ *ibid.*, pp.8-9.

12.32 With regard to divulging information in the performance of duty, officers may disclose relevant information to the AFP where the AFP are investigating specific cases of fraud or suspected offences against the Social Security Act, or to enable prosecution under Section 29B of the Commonwealth Crimes Act in relation to fraudulently obtained social security benefits. Similarly, where the State Police are acting on behalf of the AFP in investigating matters of this specific nature, such information may be disclosed to them. DSS holds the view that in the ordinary course of events, it should handle investigations about suspected social security offences, at least in the first instance or unless other serious criminal activities are alleged to be associated with such suspected offences.

12.33 Offenders against the Crimes Act may be and are prosecuted by AFP without the need for authorisation by DSS. In 1982-83, according to information from the AFP, there were 623 charges laid under the Crimes Act for offences related to fraudulent negotiation of DSS cheques. Offences against the Social Security Act 1947 are now dealt with under Sections 138, 138A and 139 of that Act. This was amended by the Social Security Amendment Act 1983 (No. 69 of 1983) which was assented to on 24 October 1983 and which, inter alia, increased the penalties prescribed.

12.34 Prosecutions, excluding those referred to by the AFP above, brought against Social Security clients are summarised below¹⁵:

PROSECUTIONS INITIATED BY THE DEPARTMENT OF SOCIAL SECURITY

PERIOD	SOCIAL SECURITY ACT	CRIMES ACT
1.7.82 - 30.6.83		
. Prosecutions	1466	197
. Convictions	1344	181
1.7.83 - 28.2.84		
. Prosecutions	1201	92
. Convictions	1177	90

12.35 Successive Governments and Ministers have taken the view that the public interest clause should be interpreted in a very restricted way. The provisions of the recent National Crimes Authority Act do not override the confidentiality provisions of the Social Security Act, one of the few Acts exempted by it.

¹⁵ ibid., p.84.

Accordingly, great care and deliberation are exercised by DSS before a decision is taken that the public interest would be served by disclosure of information which is held by DSS in confidence.

12.36 Recently, DSS¹⁶ had devised in collaboration with the Commonwealth Banking Corporation a national procedure for establishing that a person is the payee for a particular cheque. The procedure has many features aimed at giving better protection for all rightful parties. Standard specially printed letters of introduction will be issued when a client's circumstances so require, mainly when he has no bank account and/or could not otherwise satisfy a trader that he is entitled to cash the cheque.

12.37 Procedures (in July 1984) within DSS¹⁷ required claimants for benefits to establish identity on the basis of approved documents. Approved documents could include:

- . an original birth, baptismal or marriage certificate or a birth, baptismal or marriage extract issued at least five years ago;
- . taxation group certification covering a total of at least six months' full-time employment;
- . a passport;
- . for school leavers (including tertiary), a recent school report or reference on official school paper;
- . an original motor vehicle registration form in the claimant's name;
- . a credit card showing full name and current or recent address;
- . a rate or water account made out in the claimant's name showing his present address; or
- . an insurance policy in his name issued at least two years ago.

12.38 Departmental instructions make it clear that driving licences and savings bank passbooks are not, by themselves, acceptable as evidence of identity.

12.39 Other associated developments which will also have an impact on either the prevention, detection or effective recovery of fraudulently negotiated cheques are described briefly below. A national review was conducted during the period March-November 1984 of information to be provided as an acceptable level of Proof of Identity with implementation of national guidelines to commence in December 1984 (see Appendix C). A national review on

¹⁶ Minutes of Evidence, p.83.

¹⁷ ibid., p.85.

the issue of replacement cheques has resulted in the implementation of revised procedures. 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 SYRATPLAN, will assist in both the prevention and recovery of overpayments. Other associated developments can be found in the Committee's Report 232.18

Department of Veterans' Affairs (DVA)

12.40 DVA did not advise the Committee of any fraudulent negotiation of cheques.

Department of Education and Youth Affairs (DEYA)

12.41 DEYA advised that, from the limited statistics that are available, it would seem that the incidence of fraudulent negotiation of student assistance cheques may be relatively insignificant - perhaps 200 cases at most each year out of a total of some 1.5m cheques issued.

Selective referral of cheques to the Australian Federal Police

12.42 Finance Directions require that the AFP be advised of all cases of fraudulent endorsement and negotiation of cheques drawn on an official bank account. In the context of a Ministerial statement in 1981 of the objectives, priorities and capabilities needing to be pursued by the AFP, the Commissioner indicated that, due to increasing demands on the AFP'S limited investigative resources, no priority could be given to the investigation of fraud cheque cases.

12.43 It was decided in December 1981 that the AFP and the DSS would conduct a joint pilot study in Sydney to develop guidelines for the referral to the AFP of only those cases where police action was likely to produce results. The purpose was to assess whether selective referral would reduce clerical effort by the AFP and by departments in connection with the referral of cheques which were not subsequently investigated by the AFP. DOF undertook to consider the possibility of amending Finance Directions to allow Permanent Heads discretion whether or not to refer fraud cheque cases to the AFP.

12.44 The AFP subsequently requested, however, that all cases of fraudulent negotiation of Commonwealth cheques continue to be referred to it. The AFP also indicated that it had streamlined cheque investigation procedures in its Eastern Region (NSW) and advised that the revised procedures would be extended to all Regions.

12.45 The Auditor-General's Office suggested that, notwithstanding the views of the AFP that all cheques should continue to be referred to it, selective referral would reduce

clerical effort by the AFP and departments associated with the referral of cheques. The Auditor-General's Office also suggested to DOF that it consider the issue of guidelines to departments with a view to streamlining procedures associated with the discovery and preliminary investigation of cheques suspected of fraudulent endorsement and negotiation. The guidelines could cover matters such as procedures for approaching payees, banks and traders to seek recovery of the value of cheques, and define criteria for requesting the involvement of Deputy Crown Solicitors.

12.46 The AFP advised that:

- . it did not support selective referral of cheques as it preferred, for basic investigatory reasons, to receive all cheques with a view to revealing any commonality or pattern existing in their endorsement and negotiation that could assist subsequent investigations;
- . generally cheque matters were already old when referred to the AFP;
- . it was the view of its Eastern Region that referral of all cheques did not create any undue time consuming or manpower problems because cheques could be quickly vetted. Determination of the number of cheques that could proceed to investigation was, however, dependent upon the total investigational resources available to the AFP and overall priorities; and
- . in respect of the extension to other Regions of streamlined procedures for fraudulent cheque investigation, a national approach was being studied but had not been finalised. Victorian arrangements were to be examined, and the possible need to vary procedures to accommodate local arrangements for cheque referral, or to meet the different requirements of, eg, the larger cities and smaller stations, was under consideration.

12.47 The Department of Finance (DOF) advised the Auditor-General's Office on 28 June 1983 that, having regard to the AFP's support for continuation of the existing policy of mandatory referral of fraud cheque cases, DOF had decided not to amend the Finance Directions to allow Permanent Heads discretion whether or not to refer cheques suspected of fraudulent negotiation to the AFP.

12.48 Instead, DOF proposed that, when reporting a case to the AFP, departments should indicate their own assessment of the likelihood of successful investigation, apprehension and prosecution, and to recommend whether or not high priority should be given to the case. DSS, in October 1983, stated that to a

18 Joint Committee of Public Accounts, Report 232, Report of the Auditor-General - May 1983, 1985.

certain extent these arrangements were already employed by it in dealing with the AFP. Under such an arrangement the resources of both the AFP and departments could be more effectively concentrated without denying the AFP the overview it desired. DOF advised that draft guidelines, currently in preparation, would incorporate this proposal and instruct departments how to make the necessary assessment of the priority to be afforded particular cases.

12.49 It was a matter of concern to the Auditor-General that little effective action appeared to have been taken in the period between December 1981 and the review in April 1983 to streamline arrangements for fraudulent cheque referral and investigation. The Auditor-General's Office noted that, notwithstanding the requirements of the Finance Directions and the wishes of the AFP, all cheques suspected of fraudulent negotiation may not have been referred promptly to the AFP.

Alternative means of payment

12.50 In representations to DOF, the Auditor-General suggested that a major way of reducing the number of cheques subject to fraudulent negotiation is to reduce the number of cheques issued. In this regard, more positive guidelines/directions from the Department of Finance supporting the direct credit mode of payment for recurrent payments appeared warranted.

12.51 In correspondence to the Departments of Social Security, Education and Youth Affairs and Veterans' Affairs, the Auditor-General's Office sought advice of action taken to encourage beneficiaries to accept alternative means of payment with a view to minimising the incidence of fraudulent negotiation of cheques.

Department of Finance (DOF)

12.52 DOF advised that it supported the Auditor-General's suggestion for promoting, as far as practicable, the direct credit mode of payment. It recognised that the direct credit payment method (particularly in the case of periodic payments) not only reduced processing, handling and postage costs, but also virtually eliminated lost or fraudulently negotiated payments.

12.53 DOF stated that the use of the direct credit payment mode had been the subject of discussion with banks and other financial institutions for many years and such bodies generally favoured the mode on the grounds of lower processing costs. In November 1982 the Government introduced the mandatory payment of diesel fuel rebates by direct credit and DOF understood that this arrangement had been well received by the majority of payees under the scheme.

12.54 It expected that the trend towards direct credit of Commonwealth payments would continue as systems were developed to facilitate electronic deposits to payees' accounts. DOF considered that promotion of this payment mode in the proposed issue of guidelines to departments would desirably add momentum. DOF intended to request departments to pursue the policy actively with existing, and especially new, payees.

12.55 DOF was able to state¹⁹ that all financial institutions, with one minor exception, have, since 31 December 1982, been prepared to accept no fee for direct credit transactions. DOF also stated that, although the relative costs in dollar terms of direct credit payments as compared to cheque payments varies according to the type of payment, it is estimated that the cost ratio is of the order of 2:1 in favour of direct credit payments.²⁰

Australian Federal Police (AFP)

12.56 The AFP recommended that the direct credit mode of payment be introduced for the payment of all benefits.²¹ The AFP stated that the adoption of this system would dramatically reduce the opportunity for fraud. However, the AFP saw problems with direct credit if Commonwealth departments did not ensure the correct identity of applicants initially.

Department of Social Security (DSS)

12.57 In June 1983 DSS advised that a project had been commissioned during 1982 with the object of identifying the ramifications of using direct credit as the main method of payment and that the matter was being examined in more detail.

12.58 At that time, payment by way of direct credit was an available option for pension and family allowance payments but not for unemployment, sickness or special benefit. Relevant statistics²² are shown below.

DEPARTMENT OF SOCIAL SECURITY - PENSIONS AND FAMILY ALLOWANCE PAYMENTS BY DIRECT CREDIT OR CHEQUE

	Percentage of Payments by:	
	Direct credit	Cheque
Pensions at:		
30 June 1981	25.3	74.7
30 June 1982	29.2	70.8
Family Allowances at:		
30 June 1981	56.2	43.8
30 June 1982	56.9	43.1

19 Minutes of Evidence, p. 35.

20 *ibid.*, p.73.

21 *ibid.*, p.65.

22 Report of the Auditor-General, September 1983, p. 192.

Department of Education and Youth Affairs (DEYA)

12.64 Provision had existed for a number of years for student allowances to be paid direct to trading bank accounts. Use of the direct credit facility was highest under postgraduate awards (estimated 60 per cent) and lowest under Aboriginal assistance schemes (estimated less than 5 per cent). Under the Tertiary Education Assistance Scheme, which is the largest scheme of assistance, 17 548 or 22.8 per cent of beneficiaries were receiving direct credit payments at 30 June 1982; this had increased to 24 252 or 28.7 per cent of beneficiaries at 30 June 1983.

12.65 Apart from reference to the facility in application forms and information booklets, DEYA had not undertaken any publicity campaigns specifically designed to persuade more beneficiaries to avail themselves of the direct credit method of payment.

12.66 However, DEYA stated that there were certain disadvantages associated with the method, as far as student allowances are concerned, in comparison with cheque payments:

- overpayments are likely to increase (return of a cheque by a payee or some other person is not infrequently the first indication DEYA receives that a student has discontinued his or her course of study and that benefits should therefore cease); and
- it could be assumed that beneficiaries would be less inclined to advise changes of address where direct credit payments are made, making it difficult for DEYA to communicate with them.

12.67 DEYA stated that it would be strongly opposed to any move to impose the direct credit mode universally on its clients, since some of them, under the schemes of assistance for Aboriginals and for isolated children, do not have regular direct access to banking facilities.

Auditor-General's Comment

12.68 The direct credit method of payment is clearly more cost effective and secure than alternative payment methods, particularly in respect of recurrent payments, and the Auditor-General considered that its use for such payments should be actively encouraged. Although the support for the direct credit method of payment by the Department of Finance, other departments and the general public is encouraging, the Auditor-General considered that more could have been done to promote the benefits flowing from the use of this payment method.

Conclusions

12.69 Many of the issues discussed in this Report were also raised in the Committee's 232nd Report²⁵ dealing with 'Recovery of Overpayments' and in the Committee's 213th Report on Income Maintenance Programs.²⁶

12.70 The Committee expresses its concern that the Australian Federal Police did not maintain statistics of the total value of cheques referred to it, the total number of offences in the 'completed not cleared' or 'not investigated' categories that accrue over the years, nor of times taken by the AFP to complete or clear cases referred for investigation. The Committee would regard such information as essential to the assessment of procedures adopted to combat fraud as well as an indicator of work load. The Committee recommends that the Australian Federal Police review its policy on the keeping of case load statistics with a view to ensuring that accurate reports can be provided to client departments, other regulatory authorities and the Parliament.

12.71 The Committee noted that the Australian Federal Police was studying a national approach to cheque investigation and wishes to be advised of the outcome of that study.

12.72 The Department of Social Security has defined a category of improper payments where the payee negotiates both the original and replacement cheques. DSS has stated that this is not fraudulent negotiation and classifies it as an overpayment, only referring cases to the AFP if it is considered that the payee has deliberately imposed on the Commonwealth. The Committee is of the opinion that the Department of Social Security should take further measures to draw its clients' attention to the obligation to return either the original or the replacement cheque if both are received. The Committee suggests one measure may be to include a statement of this obligation with each replacement cheque. The Committee believes that such measures are urgent and necessary until such time as direct credit becomes the universal mode of payment.

12.73 The Department of Finance advised that draft guidelines were being prepared for departments providing an assessment of the likely outcomes of cases, referred to the Australian Federal Police, of cheques suspected of fraudulent negotiation. The Committee wishes to be provided with these guidelines and to be advised whether all cheques suspected of fraudulent negotiation are being referred promptly to the Australian Federal Police, with an assessment of the likelihood of successful investigation, apprehension and prosecution.

12.74 The Committee recommends greater co-operation between the Department of Social Security and the Australian Federal Police in the investigation of suspected offences.

25 Joint Committee of Public Accounts, Report 232, Report of the Auditor-General - May 1983, 1985, Chapter 9.
26 Joint Committee of Public Accounts, Report 213, Income Maintenance Programs, Volumes 1 and 2, 1983.

RECOVERY OF OUTSTANDING REVENUE, DEBTS AND OVERPAYMENTS

Background

13.1 Consolidated information concerning the amounts of revenue, debts and overpayments outstanding on a Commonwealth-wide basis are not available. However, details of amounts which are written-off as irrecoverable or where rights to recovery are waived are included in the financial statements prepared by the Minister for Finance. In recent years these were

	1981-82 \$m	1982-83 \$m	1983-84 \$m
Written off as irrecoverable	23.8	20.0	tba
Right to recovery waived	4.5	1.8	

13.2 Following an Interdepartmental Committee decision in October 1980, the Department of Finance conducted a study, in consultation with appropriate departments, of problems associated with debt recovery, and included consideration of:

- the absence of a uniform policy for the treatment of Commonwealth debtors reflecting, in part, the differing needs and resources of various departments and unlimited delegation held by Permanent Heads to write-off debts; and
- the different monetary levels imposed by Deputy Crown Solicitors to initiate debt recovery action through a court.

13.3 In April 1983 the Auditor-General advised the Department of Finance that a recent audit review had found that, although the study had begun in 1980, little further action had been taken to co-ordinate the results of the survey mentioned above. Although the Department had developed guidelines for departments to help provide a uniform approach to debtor location and recovery, they were only in draft form. The draft guidelines covered important matters such as the use of commercial debt location agencies, institution of legal proceedings and when debts should be regarded as irrecoverable. The Auditor-General suggested that, in the light of the debts due to the Commonwealth and the desirability of streamlining arrangements for debtor location and recovery, higher priority might be given to finalising the Department's action.

13.4 In June 1983 the Department advised that it had concluded that it may be impracticable to set down procedures for the uniform treatment of debtors across the whole range of

12.75 The Committee fully endorses the remarks made by representatives of the Department of Finance that the Commonwealth should avoid a patchwork of curative methods. The Committee firmly believes that the adoption of the direct credit method of payment of benefits and allowances removes the opportunity for fraudulent negotiation of cheques and overpayment.

12.76 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, therefore, to note that the Department of Social Security is implementing direct credit as its prime mode of benefit payments.

12.77 The Committee does not accept the 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.

12.78 The Committee notes that the Department of Veterans' Affairs has been successful in converting a significant proportion of its clients to direct credit. The Committee would like to be advised whether this trend has continued.

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

12.80 The Committee notes a major concern by departments was the correct identification of applicants prior to receiving payments from the Commonwealth. While the AFP preferred the introduction of a scheme similar to passport applications, requiring verification of identity by a third party, the Department of Social Security wished to avoid procedures which would disadvantage genuine clients. The Committee notes that the Department of Social Security conducted a national review and implemented, in December 1984, guidelines on Proof of Identity. Those guidelines are reproduced at Appendix C. The Committee wishes to be informed of the progress in the adoption of the guidelines and their acceptance by officers and clients.

12.81 The Committee is most concerned that beneficiaries are properly identified prior to becoming entitled to, or receiving, benefits.

Commonwealth departments' activities. It now considered that any attempt at uniformity in that respect inevitably not only ran into the differing needs and resources of individual departments but also the nature of the debts concerned.

13.5 It was the Department's view that these were the sorts of circumstances to which section 2AB of the Audit Act 1991 (which deals with responsibilities of Permanent Heads for implementing the provisions of the Act) is intended to apply. Consistent with that view, the Department had approved the issue of a new Finance Direction and Guidelines on debt recovery which, it was hoped, would draw the attention of departments to Permanent Heads' responsibilities for the issue of ongoing suitable instructions to officers regarding debt collection and debtor location.

13.6 The Auditor-General's Office indicated that it would continue to review during audits the adequacy of action taken by individual departments for recovery of outstanding amounts. It would also consider whether there was a need for further guidance from the Department of Finance on the procedures to be followed by individual departments.

Departmental Response

13.7 The Department of Finance felt that it was difficult to avoid the conclusion that the protracted examination of debtor management issues undertaken in recent years was the result of unrealistic expectations that a unique and uniform policy and procedural approach was a practicable solution. An inherent barrier to a uniform approach lies in the vast range of circumstances in which Commonwealth debts are created. However, the need to analyse debtor situations for the purpose of the 1980-81 survey undoubtedly prompted departments to examine critically their respective debt management resources and techniques, and the Department of Finance to examine critically the uniformity question. This caused the Department of Finance to abandon a uniform approach in favour of a 'general framework' approach as embodied in the (modified) Finance Directions and Guidelines.

13.8 The Department of Finance believes that the philosophy underlying the enactment of section 2AB of the Audit Act in 1979 (devolving upon Permanent Heads responsibility for the financial management of their departments) is both appropriate for and extends to, responsibility for debtor management. Further or more specific involvement or guidance by Finance in this area would, of course, be considered in the context of any substantial common need identified in the light of departments' experience within the revised debt management framework recently promulgated under the Finance Directions.

Conclusion

13.9 The Committee has noted the Auditor-General's expression of continuing interest in the adequacy of departmental recovery procedures. The Committee is concerned at the frequency with which this matter occurs in individual departmental audits and will be looking for evidence that the revised debt management framework cited by the Department of Finance is effective in minimising the problem.

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APPENDIX A.

Items examined from the Reports of the Auditor-General for the year ended 30 June 1983 and September 1983.

Department	Paragraph	Subject
Administrative Services	1.2	Australian Government Publishing Service
	25.1	Fraudulent Negotiation of Cheques
Attorney-General's	2.1	Bankruptcy Act 1966
Aviation	3.1	Air Navigation Charges - Domestic Airline Operators
	3.2	Departmental Residences
Education and Youth Affairs	25.1	Fraudulent Negotiation of Cheques
Finance	9.1	Closure of Geneva Accounting Office
	9.3	Regional Office, Darwin - Failure to Reconcile Drawing Account
	25.1	Fraudulent Negotiation of Cheques
	25.2	Recovery of Outstanding Revenue, Debts and Overpayments
Immigration and Ethnic Affairs	14.1	Adult Migrant Education Program
Industry and Commerce	15.1	Warehousing
Primary Industry	16.1	Computerised Accounting System
Social Security	25.1	Fraudulent Negotiation of Cheques
Territories and Local Government	20.3	National Sports Centre
Transport	22.2	Tasmanian Freight Equalisation Scheme

Treasury	2.3.1 ¹	Expenditures in Excess of Warrants of the Governor-General
	2.3.2 ¹	Australian Taxation Office - Authorisation of Refunds
	23.1	Dividends and Interest Withholding Tax
Veterans' Affairs	25.1	Fraudulent Negotiation of Cheques

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• Department of Aviation - Air Navigation Charges for Domestic Airline Operators	9 Feb 1984	81
- Departmental Residences	(a) 5 Dec 1984 (b) 6 Dec 1983 (c) 9 Feb 1984 (d) 31 May 1984 (e) 25 Jul 1984	85 92 94 99 101
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JOINT COMMITTEE OF PUBLIC ACCOUNTS

INQUIRY INTO THE AUDITOR-GENERAL'S REPORT, SEPTEMBER 1983
SUBMISSION BY THE DEPARTMENT OF ADMINISTRATIVE SERVICES

AUSTRALIAN GOVERNMENT PUBLISHING SERVICE (AGPS)

1. The Australian Government Publishing Service was established in 1968 to be the sole publisher of all departmental publications and to arrange for their printing and distribution, to standardise style and format and to determine the sale price and numbers of publications to be printed for sale to the public.

2. The audit report on the Australian Government Publishing Service concerned three areas of responsibility, namely:

- Client Services and Print Procurement Section - which is a sub-section of the Publishing Section of AGPS and which has the following goals and objectives:

To ensure, as far as possible, that the information being published for client departments etc. is presented to its market at the optimum time, in a form that is appropriate and at a price that will ensure the widest possible dissemination of the information.

In achieving this goal a number of subsidiary objectives are as follows:

- a. Provide a service to departments where Publishing Operations liaises with departments, provides advice on publishing/printing matters and arranges and manages printing contracts for the production of clients needs.
- b. Provide oversight and control of all work-in-progress and assist departments in maintaining their publishing programs.
- c. Co-ordinate all functions of AGPS Publishing Section in the maintenance of standards and scheduling of clients work.
- d. Development of contracts for direct use by departments for classes of work not undertaken by the Publishing Service.
- e. Provide a single point of contact between the Commonwealth and private contractors with staff with technical/contractual expertise able to communicate effectively on publishing/printing matters including future trends.
- f. Maintain a register of contractors willing and able to service the publishing/printing needs of the Commonwealth.

- Government Printing Office - which is a Section of AGPS and which has the broad function:

To operate efficiently and effectively printing, micrographics and reproduction facilities to meet the needs of Parliament and the urgent and confidential needs of Government.

In fulfilling this function a number of subsidiary objectives are followed:

- a. provide an efficient facility to process the urgent and confidential needs of Government and Parliament;
 - b. ensure that work thus processed is done as effectively as possible, and that resources are fully utilised;
 - c. through effective management provide an opportunity where staff will be trained and supervised in such a manner as to ensure maximum input and allow personal development within an occupationally safe environment;
 - d. maintain stocks of consumable items and raw materials at appropriate levels to meet production demands;
 - e. ensure that appropriate security is available for those clients whose work is of a secure nature;
 - f. develop and maintain a close liaison with Parliament, Parliamentary Counsel, Attorney-General's and other clients who deal with the Printing Office. (In some cases this is done through monthly production meetings);
 - g. efficiently manage all the sub-sections which comprise the Government Printing Office, Canberra;
 - Works
 - Production Control
 - Supply
 - Micrographics/Plan Printing
 - Sub-printers in Canberra
 - Copy Service;
 - h. maintain costs to budget targets; and
 - i. ensure industrial harmony.
- Sales and Distribution Section - which is a sub-section of the Publishing Section of AGPS and which has the following goals and objectives:

To implement the AGPS marketing policies and objectives for the retail and mailsales functions.

In achieving this goal a number of subsidiary objectives are followed:

- a. To provide, through its bookshops, mail order and other marketing arrangements, prompt and convenient access to Commonwealth Government Publications * published or reprinted by AGPS. As its resources permit, AGPS also aims to provide public access to the following:
 - (i) Publications of other Commonwealth Government Authorities;
 - (ii) Publications to which there has been a substantial Commonwealth contribution;
 - (iii) Selected publications concerning government in Australia;
 - (iv) Selected publications relating to Australia's discovery and development;
 - (v) Publications obtained through agency arrangements with States, overseas governments and international organisations.
- b. To endeavour to conduct its sales operations without loss by developing and administering policies on pricing and by assessing the market potential of publications to determine the quantities to be procured and the optimum handling period. Where economic or desirable in order to achieve maximum coverage, stock may be marketed at reduced prices.
- c. To provide Commonwealth Government departments with an efficient central facility for the distribution of free issue publications according to the availability of financial and other resources. Such services may be undertaken on behalf of other authorities of the Commonwealth provided they are funded by the organisation concerned.
- d. To distribute deposit copies of its publications to the Australian National Library in accordance with copyright Law, to officially designated depository libraries and to University libraries designated under the 'free issue scheme' and to other organisations as determined by Government.
- e. To compile and publish lists and catalogues of both for sale and free issue publications in order that interested persons may be informed as and/or before these publications are published.
- f. Within funding limits, to undertake sales promotion to encourage sales of individual and groups of publications and to extend public awareness of AGPS as a source of publications. Where economic, sales promotion may be used to clear stock at reduced prices.

g. To regularly review its market assessments and sales achievements for the purpose of maintaining economic efficiency and to prevent excessive stock accumulations. As resources permit, author departments should be provided with sales detail to assist them with their planning of future publications.

*'Commonwealth Government publications' is defined as in Section 11 of the Erwin Report extended to include forms and legislation.

CLIENT SERVICES AND PRINT PROCUREMENT

3. The audit report indicated that there were several factors leading to the failure to utilise effectively the annual publishing program required to be submitted by departments and these were:

- (i) delays by departments and authorities in submitting to AGPS the Ministerially approved annual publishing program;
- (ii) the lack of formal instructions to guide staff in the review and utilisation of the publishing programs, and
- (iii) ineffective use in the forward planning of the publishing programs submitted.

4. The requirement for departments to prepare annual publishing programs is contained in AGPS Circular No. 26 issued on 30 September 1976. These circulars are promulgated by AGPS in accordance with section 25/27 of the Finance Directions issued under the Audit Act 1901. AGPS Circular No. 26 was issued in response to Government decisions and which were referred to in the then Prime Ministers letter to all Ministers dated 16 September 1976. As stated in paragraph 2 and 3 of the Circular, the Government of the day had expressed concern at the high level of expenditure on publishing and printing, the procedures announced were designed to enable savings to be achieved, and the objectives of the changed procedures were, in part, to

- . improve the forward planning of publishing requirements, and
- . to assist Ministers in keeping publishing expenditures under surveillance.

5. AGPS Circular No. 26 lists requirements which departments are to follow in the preparation of their annual publishing programs, e.g.:

'paragraph 6. Each department is to prepare a publishing program for each financial year, normally in April. These programs should cover all publishing projects upon which commitments or expenditure will be incurred during the ensuing financial year.

paragraph 10. After receiving ministerial approval, departmental programs are to be forwarded to AGPS. Subsequent variations affecting the general nature and cost of publications over \$1000.00 should be notified to the Publishing Service as soon as they occur with an indication of ministerial agreement.

paragraph 11. AGPS will arrange a conference with departmental officers as soon as possible after receipt of a program to discuss the implications of each project and to plan action to enable the program to be carried out efficiently and economically.

paragraph 12. Under the new arrangements AGPS will not normally be able to proceed with publishing action until it has been advised of ministerial program approval and has full and up-to-date details of the proposed publication including funds available (requisition number and amount allocated) departmental authorisation and intended free distribution.

6. One of the purposes in requiring departments to provide their approved annual publishing programs to AGPS by April of the financial year preceding the financial year to which the program relates is to enable AGPS to use it as a planning document particularly in relation to the management of resources to meet the services required of AGPS by its clients.

7. AGPS fully supports the Audit finding that one of the factors leading to the failure to utilise effectively the Annual Publishing program is the delay by departments and authorities in submitting to AGPS the Ministerially approved annual publishing program. Indeed, in his report to this department on the operations of AGPS, the Auditor-General indicated that for the 1981-82 financial year 21 out of the 37 Departments and Authorities examined had not submitted their annual printing programs to AGPS before the start of that financial year. More recent statistics show that 3 Departments and Authorities had submitted their annual publishing programs for the 1983-84 financial year to AGPS by the end of April 1983 (see details in Attachment II to this paper).

8. It should be noted that AGPS management has accepted the Auditor-General's suggestion that there should be formal instructions to guide staff in the review and utilisation of the publishing programs. These internal instructions are currently being drafted and it is expected that they will be issued by the end of this calendar year. AGPS management has also indicated that an amendment to AGPS Circular No. 26 is to be issued early in 1984 to include a clearer statement of the need for and date by which departments and authorities are to submit their annual publishing programs to AGPS.

9. AGPS management has instituted a system of follow-up in relation to departments and authorities which are slow to lodge their programs and has taken note of the recommendation contained in paragraph 2.44 of the 204th Report of the Joint Committee of Public Accounts that:

- '(iv) the procedures departments must follow in procuring printing are to be stated in unequivocal terms. Inspection mechanisms should also be in place to ensure that the requirements are observed (paragraph 2.36),'

and proposes to re-issue AGPS Circular No. 26 early in 1984, so that it reflects this recommendation.

10. It must be stated that it is considered that the promulgation of AGPS circulars and internal instructions will not, of itself, achieve the desired change in the attitude of departments and authorities to the preparation and submission of annual publishing programs. However, AGPS will step up its follow-up procedures and will draw to the attention of departments and authorities this criticism by the Auditor-General.

11. Further observations of the Client Services and Print Procurement sub-section were confined to the arrangement of printing for clients and were that:

- (i) for tasks allocated to private printers it was not always evident that the Government Printer had been considered
- (ii) procedures had not always been followed for recording the progress of work with printers
- (iii) departmental requests for publications were not, in some instances, co-ordinated with the Publishing Standards and Design areas and with the Sales and Distribution areas.
- (iv) in some instances contracts had been signed by persons without authority and contracts had been let by quotation in excess of prescribed limits, and
- (v) delays of up to five months had occurred in certifying claims from private printers.

12. With reference to the first of these observations, AGPS management recognises the need to ensure that the capacity of the Government Printing Office is effectively utilised and has now instituted procedures whereby the Client Services and Print Procurement sub-section is required to offer all work to the Government Printing Office, and evidence of the Government Printing Offices response is retained on the relevant CS&PP files. This action in itself will not however ensure full use of Government Printing Office resources. As a further measure, it is intended, in the proposed re-issue of AGPS Circular No. 26, to notify departments that the present \$10 000 threshold above which departments must offer general printing work to the Government Printing Office is being reduced (to a figure yet to be decided).

13. The second and third of these observations deal with lack of procedures and failure by staff to observe procedures. AGPS management has advised that re-organisations of the CS&PP section were approved on 4 November 1982 and 30 May 1983 and that this establishment, when fully staffed, will provide the capacity for improved supervision of staff. The

problem of insufficient written procedures is one common to many areas of the AGPS operations. AGPS management sought additional permanent and temporary positions to counter this problem in the Department of Administrative Services' bulk establishment bid for 1983-84. However, discussions have not yet been finalised between the department and the Public Service Board on this matter.

14. The fourth of these observations deals with incorrect use of delegations and improper purchasing procedures. AGPS management has advised that delegates have been reminded of their responsibilities and that purchasing systems have been tightened to ensure that orders are not let unless the proper procedures have been followed. Improper purchasing procedures were also mentioned in the Auditor-General's report to AGPS in relation to the use of a courier service by the Sales & Distribution sub-section (see Attachment I - paragraph 30.1). In addition to the response made at the time (Attachment I - paragraph 30.2 refers) AGPS management has advised that the officers concerned have been suitably reprimanded.

15. The fifth of these observations drew attention to delays in the processing of claims from private printers for work undertaken in accordance with contracts placed by AGPS on behalf of client departments. AGPS management advises that it expects claims from private printers to be certified by CS&PP staff and forwarded to client departments for payment within one week of receipt. The supervising officers concerned have been reminded of this requirement.

GOVERNMENT PRINTING OFFICE

16. The audit observations in relation to the Government Printing Office concerned costing and revenue collection procedures and were:

- (i) controls were not adequate to ensure that the calculated cost of material included all requisitions and issue vouchers
- (ii) staff in the Production Control Centre responsible for quotations for printing jobs were not informed of changes in rates and on-costs, and
- (iii) collection procedures were inadequate as debtors included many with balances outstanding in excess of 90 days.

17. AGPS management has accepted the suggestion contained in the first of these observations and has informed the Auditor-General of the procedure being introduced to overcome the problem. (See Attachment I to this paper - para 14.2.)

18. In relation to the second observation, AGPS management has advised that rate variations of this nature are promulgated in rates booklets and the Manager, Production Control has confirmed that these are made available to the estimators concerned at the time of the variation.

19. AGPS management is of the opinion that the wording of the third observation in this section is not an accurate reflection of the current position. It is accepted that there are overdue debts in excess of 90 days in the current debt balance but the great majority of these were incurred, as the Auditor-General observed in his report to AGPS, in the period before the present procedures for accounting for and follow-up outstanding debts were introduced. The situation is that since these changes in procedures were introduced the debt balance has decreased from \$(M)4.736 at 31 July 1980 to \$(M)2.870 at 13 November 1983 and the 90 days and over segment of these balances has decreased from \$(M)1.901 to \$(M)0.317, and this has been achieved at the same time as annual sales have increased from \$(M)21.103 for the 1980-81 year to \$(M)25.264 for the 1982-83 year. Moreover \$1 250 000.00 working capital was repaid from the Government Printer Trust Account to the Consolidated Revenue Fund on 12 September 1983. While there are several reasons for this saving, the major reason is the reduction which has been achieved in the debtors account during recent years. Some of this reduction is no doubt due to the action of the Joint Committee of Public Accounts in seeking responses from departments in relation to the preparation of the 204th Report. In addition, a re-organisation of the AGPS Finance section was approved on 29 May 1983 and, among other things, this will allow some additional resources to be allocated to debt management. It should also be noted, in the context of the Government Printer Trust Account paying its way, that the 1982-83 trading result was a profit of \$73 764.

SALES AND DISTRIBUTION

20. The observations in relation to the Sales and Distribution sub-section centred upon deficiencies in stock control and include:

- (i) at the time of audit, management reports of slow moving stocks and minimum stock levels had not been produced by the computer based inventory control system.
- (ii) discrepancies in stock receipts beyond accepted tolerances went undetected;
- (iii) information on stocks recorded within the computer system was unreliable;
- (iv) delays occurred in processing orders for publications;
- (v) orders outstanding for long periods were not followed up, and
- (vi) some sales made by credit were unrecorded and not recovered.

21. While AGPS management is of the opinion that the form of report referred to in the first observation is not appropriate in all cases (e.g. legislation is subject to a reprint program directed by the Attorney-General's Department, and a form of stock activity report is obtained for forms and those publications likely to require replenishment), nevertheless ways to improve inventory management techniques are being examined. This will involve programming changes in the computerised stock inventory system and this will be done as staffing resources permit.

22. With regard to the second observation, AGPS management advises that procedures for dealing with this aspect of stock control have been in place for many years, and that these procedures require the completion of a separate discrepancy advice whenever the quantity received as compared with the quantity ordered is outside the acceptable tolerance limits. Staff have been reminded of these requirements.

23. The Auditor-General has been advised of corrective action taken in response to the third observation (See attachment I to this paper, paragraph 23.1).

24. AGPS management has advised that delays in the processing of orders of the nature observed by the audit team are unacceptable. The Directors Publishing, and Finance and Personnel have been directed to ensure that such controls are introduced as will prevent a repetition.

25. The matters referred to in the fifth observation on the Sales and Distribution sub-section are the subject of a proposed examination of all stores accounting methods and procedures used in that sub-section. This examination is an essential part of the review of all commercial accounting procedures associated with the operations of the Publications Trust Account and is necessary to ensure that these procedures are in accordance with the guidelines for the Form and Standard of Financial Statements of Commonwealth undertakings issued by the Department of Finance in May 1983, and will be auditable under section 41D of the Audit Act - 1901. The objective is to complete this review in time to ensure that such procedural amendments as are found to be necessary may be introduced from the start of the 1984-85 financial year.

26. Procedures have been implemented to ensure that the deficiency highlighted in the sixth observation does not recur - (See Attachment I to this paper, paragraph 32.1).

REPLY TO THE AUDIT REPORT

27. The Auditor-General, in his Report dated September 1983, noted that the reply from AGPS in response to his representations dated 31 May 1983 had not been received. AGPS management have advised that a comprehensive response was sent to the Auditor-General in September 1983 and a copy of that response is at Attachment I to this paper. Close attention will be paid in future to ensuring that responses to Audit reports are provided by the due date.

SUMMARY

28. The Australian Government Publishing Service was established by Government in 1968 in response to recommendations contained in the Report of the Joint Select Committee on Parliamentary and Government Publications (1964) and to co-ordinate and standardise government printing and publishing. Prior to that date the publishing function was performed by each department with consequent duplication of effort and non-standardisation of Government Publications.

29. The Publishing and Printing Sections of AGPS have continued to operate since 1968 from different locations with detrimental effects on the operations of AGPS as a corporate entity. This factor was recognised by the Joint Management Review conducted in 1976 and more recently in the response by the then Government to the recommendations of the Sixth Special Report of the Joint Committee on Publications (1978).

30. This department has recognised the need for the strengthening of the Senior Management Structure of AGPS and proposals for the re-organisation of the senior levels were approved on 18 October 1982, 27 April 1983, 25 May 1983 and 4 August 1983.

31. This re-organised management team, although not complete because of the lead times required under Public Service procedures to recruit and promote staff, is carrying out a series of projects designed to improve the level of service provided by AGPS to Parliament, client departments and authorities, to adopt more commercially based management information and operational systems and to provide for more effective communication and liaison with clients. As examples the following major projects are being pursued at present:

- . Design List 'A' proposal for 1983-84 to provide for co-location of all sections of AGPS within the Government Printing Office complex. This is possible because technical advances have been introduced in the printing process and as a result less space is now required for the factory-type function. This project is seen as important because, when implemented, it will enable all sections of AGPS which, for operational efficiency, need to be in close proximity to one another, to be co-located for the first time since AGPS was established;
- . An Internal Management Review of AGPS due for finalisation of recommendations by January 1984. This review is being conducted by AGPS with a view to ensuring that its resources are organised in the most appropriate form to meet the needs of its clients and to carry out the policy directives of Government;
- . The introduction of computerised management information and operational systems. This is a long term project and a review team has been established and is at present preparing an AGPS systems master development plan including feasibility studies of alternate strategies;
- . A major typesetting review, designed to ensure that AGPS keeps pace with developments in this field both from the point of view of client demand and the best methods and most up-to-date technology to meet these demands;
- . A major review of accounting and stores procedures for the operations funded from the Publications Trust Account to ensure that the form of accounts is auditable under section 41D of the Audit Act 1901;
- . A review of pricing policies designed to ensure that the capacity of the Government Printing Office - limited to that necessary to meet the needs of Parliament and the urgent and confidential needs of Government - is effectively utilised;

- . A rationalisation review of Government Printing operations in Melbourne in the light of the Government decision to transfer the operations of the Defence Printing Establishment located at Brunswick to this department. Executive Council approval for this transfer was given in January 1983;
- . The continuing review of departmental in-house printing facilities by the Print Resources Rationalisation Group;
- . A market research survey to help plan the improvement of bookshop services to the public;
- . Reviews flowing from the Recommendations contained in the 204th Report of the Joint Committee of Public Accounts and tabled in Parliament on 19 October 1983.

32. In summary, AGPS management is striving to improve the efficiency and effectiveness of the operations under its control and is giving close attention to the points made in the Auditor-General's reports as well as to matters raised by the Joint Committee of Public Accounts. Limiting factors on the speed at which new procedures can be introduced are the lead times involved in achieving staffing re-organisation within the Australian Public Service and staff ceiling restraints which mean that the AGPS Branch of the Information Services Division has to compete with other areas of the department, most of them carrying out service delivery functions, for the allocation of staff resources.

30 November 1983

JOINT COMMITTEE OF PUBLIC ACCOUNTS
INQUIRY INTO THE AUDITOR-GENERAL'S REPORT FOR THE YEAR ENDED
SEPTEMBER 1983

SUBMISSION BY THE ATTORNEY-GENERAL'S DEPARTMENT

DEPARTMENT OF ADMINISTRATIVE SERVICES
AUSTRALIAN GOVERNMENT PUBLISHING SERVICE

Attachments I and II may be found on Joint Committee of
Public Accounts File 1983/8, Part B.

Prior to the changes in Ministerial arrangements of May 1982, the Bankruptcy Official Receivers Information System (BORIS) project was the responsibility of the former Department of Business and Consumer Affairs (BACA).

2. Delays in implementation of the BORIS computer based accounting and statistical system fall into the following broad categories: delays in the tender process; delays in site preparation; delays by the software contractor; and delays caused by union action. Each of these categories will be dealt with separately in detail.

Delays in the Tender Process

3. A feasibility study report for the Bankruptcy District of NSW and the ACT was forwarded to the Inter-Departmental Committee on ADP (IDC) on 12 January 1979 under cover of a memorandum requesting support for the issue of a Request for Tender (RFT).
4. Feasibility study reports for the remaining Bankruptcy Districts were forwarded to the IDC on 23 March 1979, again under cover of a memorandum requesting support for the issue of a RFT.
5. On 23 April 1979 BACA wrote to the IDC indicating the urgency of the proposal.
6. On 22 May 1979 verbal advice was received that the Management, Systems and Efficiency Division (MSE) of the Public Service Board would support the BACA proposal.
7. The IDC agreed at a meeting on 13 June 1979 to support the BACA proposal. BACA representatives at the meeting were advised that the delay in presenting BACA's proposal to a meeting of the IDC was due to concern within the PSB that the solution to the Bankruptcy Branch's problems was stand-alone word-processing and modern accounting machines, not integrated Data Processing/Word Processing.
8. The draft RFT, together with formal IDC support and a Procurement Demand were forwarded to the Department of Administrative Services (DAS) on 29 June 1979.
9. The RFT was released by DAS on 23 August 1979, with a closing date for tenders of 16 October 1979.
10. During the first few weeks after the release of the tender, several prospective tenderers requested further information. DAS consequently extended the closing date for tenders to 13 November 1979.
11. DAS referred the tenders to BACA in mid-December 1979. BACA commenced tender evaluation in January 1980. BACA was unable to obtain firm guidelines from either DAS or the PSB on the tender evaluation. Specifically, BACA had sought advice on the following points:

- (a) Could BACA shortlist the tenderers? (In BACA's opinion a minority of tenderers were unable to provide the hardware required);
- (b) Was it essential to obtain a fixed price for software development? (All but two of the tenderers had tendered time and materials).

12. To enable the shortlisted tenderers (8 out of 12) to provide a fixed price for software development, BACA produced a detailed specification of requirements. BACA forwarded this document to DAS on 23 April 1980, for issue to the shortlisted tenderers. DAS issued the document (unaltered) to the shortlisted tenderers on 22 May 1980, requesting a fixed-price tender for the software development by 19 June 1980.

13. BACA commenced evaluation of the software tenders in July 1980. In the absence of any guidelines, BACA forwarded a description of its proposed evaluation criteria to the MSE. The MSE advised that the proposed approach would meet its requirements. The draft report, however, did not meet the MSE's requirements and it was re-drafted at the MSE's direction. A final tender evaluation report was forwarded to the IDC on 19 September 1980.

14. In early November 1980 the MSE, acting on behalf of the IDC, asked BACA for further information in relation to the rejection of one particular tenderer. BACA responded to that request on 12 November 1980.

15. On 24 November 1980 the IDC gave its formal support to BACA's recommendations for the awarding of the contract. DAS was formally advised of the IDC support on 2 December 1980.

16. On 13 January 1981 DAS asked four of the tenderers to re-validate their prices. The Minister for BACA approved in principle the acquisition of the hardware and software on 14 January 1981.

17. The re-validated prices were referred to BACA in early March 1981. BACA's comments on the re-validated prices were forwarded to DAS on 12 March 1981.

18. DAS notified the successful tenderer, Datec Pty Ltd, by telex on 31 March 1981.

19. At this stage, contract negotiations were delayed for about three months by the impending Review of Commonwealth Functions report and recommendations. Consequently, Datec Pty Ltd did not commence work on the project until July 1981.

Delays in Site-Preparations

20. BACA had not submitted estimates to the Department of Administrative Services for site-preparations for the installation of the BORIS computer equipment. Consequently, there were delays in some States in obtaining the necessary funds. The first site to be completed was Sydney, where site-preparation was finalised in December 1981.

21. Delays were also occasioned by plans to relocate the Official Receiver's Offices in Brisbane (removal date 27 November 1982) and Melbourne (removal date 23 May 1983).

Delays by the Software Contractor

22. Datec Pty Ltd contracted to develop the BORIS system in accordance with its own Universal Documentation Standards. Under those standards, Datec Pty Ltd seeks to document each stage of the project development in a series of manuals (Manual A, Manual B1, Manual B2 and so on). Each manual is formally accepted by the customer before Datec Pty Ltd proceeds to the next stage.

23. Manual A is a statement of the user's requirements. Datec Pty Ltd agreed that the detailed specification of requirements prepared by BACA and distributed to shortlisted tenderers in May 1980 went most of the way to fulfilling its Manual A requirements. Consequently, Datec Pty Ltd commenced work in July 1981 on Manual B1 - a detailed system analysis in non-technical terms.

24. Three members of BACA's project team worked with Datec staff on the preparation of the Manual B1. After two weeks, the BACA officers expressed dissatisfaction with Datec's Project Leader. They considered that he was not conversant with the detailed requirement specification prepared by BACA and seemed to lack basic management skills. BACA voiced its concern about the project management to senior Datec management at the regular progress meetings.

25. A draft Manual B1 was forwarded to BACA in September 1981. The Manual did not conform to Datec's own standards and it was returned to Datec Pty Ltd for rectification.

26. Several draft Manual B1's were submitted for consideration during October/November 1981 but were rejected because of considerable omissions and deficiencies. At the end of November 1981, Datec Pty Ltd reluctantly agreed to replace its Project Leader.

27. Following the changes to Ministerial arrangements in May 1982, BACA was abolished and the BORIS project became the responsibility of the Attorney-General's Department. A version of the Manual B1 was formally accepted by the Attorney-General's Department in May 1982.

28. Mr Paul Okkerse of Coopers & Lybrand, Chartered Accountants, Sydney, was engaged to carry out an implementation audit of the BORIS project in June 1982. He submitted his final report on 12 October 1982. One of his major recommendations, set out in an interim report of 3 September 1982, was for the Department to proceed with a phased implementation of the BORIS system instead of the proposed completion of the system sequentially in each office.

29. Datec Pty Ltd had previously divided the software development into four arbitrary phases, the satisfactory completion of each Phase representing a payment point to Datec Pty Ltd. Mr Okkerse recommended that the content of these Phases be revised to allow for his suggested implementation of the system.

30. The Department accepted Mr Okkerse's recommendations in November 1982. At that stage, Datec Pty Ltd had completed the first version of the Phase 1 software in accordance with the original specifications. Accordingly, the Department agreed to test, accept and pay for the Phase 1 software in accordance with the original arrangements. The additional programs required to enable the Phase 1 software to be implemented were referred to as the Phase 1A software.

31. Datec Pty Ltd handed over the first version of the Phase 1 software for acceptance testing on 25 October 1982. The sixth version of the Phase 1 software was formally accepted by the Department on 14 January 1983. The following factors contributed to the delay in obtaining a satisfactory version of the Phase 1 software:

- (a) Datec Pty Ltd did not clarify processing rules with the Department before commencing the programming of Phase 1. Many of the processing rules adopted by Datec Pty Ltd were unacceptable and had to be amended;
- (b) There were numerous errors in the software. It appeared to the Departmental project team that Datec Pty Ltd had not tested the software, or had at best tested the software only cursorily, before handing it over to the Department for acceptance testing;
- (c) As opposed to actual errors, there were many anomalies and inconsistencies;
- (d) The correction of some errors, and the amendment of some processing rules, gave rise to further errors and inconsistencies.

32. Version 1 of the Phase 1A software was handed over to the Department for acceptance testing in February 1983. The problems experienced in testing the Phase 1 software were again encountered and it was necessary for Datec to produce nine versions of the Phase 1A software before a satisfactory version was available on 27 June 1983.

33. A successful pilot implementation of the Phase 1 and 1A software was carried out in the Official Receiver's Office, Hobart, in July 1983. The software has subsequently been implemented in the Adelaide and Perth Offices.

34. Version 1 of the Phase 2 software was received on 28 September 1983. The Departmental project team is currently testing version 4, which was received on 29 November 1983.

35. The errors and inconsistencies discovered to date have been, for the most part, relatively minor ones. There is no evidence of the types of problems which led to so many delays in the development of the Phase 1 and 1A software, and an acceptable version of the Phase 2 software should be available by the end of December 1983.

Union Action

36. Officers of this Department met with a representative of the Federal Council of the Australian Public Service Association on 17 August 1983. The Association's representative expressed concern at the Department's proposal that some data input to the BORIS system, albeit a minimal amount, would be carried out by Third Division staff. APSA regards data input as the exclusive province of Fourth Division staff.

37. The NSW Branch of APSA carried out a workplace inspection of the Official Receiver's Office, Sydney, on 15 September 1983. At a meeting of APSA members in the Official Receiver's Office on 19 September 1983, the following work bans and restrictions were imposed:

- (a) Members would not participate in the training or operation of the BORIS system; and
- (b) Members would no longer operate the word processing machines which were being used in the office.

38. A further meeting was held between officers of this Department and the representative of the Federal Council of APSA in September 1983. The Association's representative stated that the Association's stance on the issue of data input by Third Division staff was non-negotiable. He implied that if the Department could resolve the data input issue to APSA's satisfaction, the other issues raised in Sydney would not prove to be impediments to the implementation of the BORIS system and the operation of the word processors.

39. Officers of the Department met with the Federal Secretary of APSA, the Secretary of the NSW Branch of the Association and other APSA representatives in Sydney on 28 October. At that meeting APSA's Federal Secretary stated that the ergonomic issues were the crucial issues and that in the context of the work bans, the data input issue was a peripheral issue.

40. On 21 November 1983 the Department wrote to the Federal Council of APSA outlining a course of action in relation to the health and safety issues, but declining to accommodate APSA on the data input issue.

41. At the Department's request, the Department of Industrial Relations carried out a working environment study of the Official Receiver's Office, Sydney on 28/29 November 1983. The study team's report should be available within two weeks. The Department is currently liaising with the NSW Branch of APSA on the purchase of ergonomically designed furniture for BORIS work stations.

42. Other offices have not been affected except for Melbourne where the health and safety aspects were identical to those in the Sydney office. Use of the machine in Melbourne has been suspended until the problems in the Sydney office have been resolved.

43. The first hardware was installed in Sydney in December 1981. From April 1982 the machine was used for word processing and, since July 1983, it has been used regularly by Datec for software development.

44. The equipment has not been lying idle. The machines in Sydney, Adelaide, Perth and Hobart were all in partial use (Phase 1 and the W.P. facility as well as training) until union action was taken (see above) which has caused, and is continuing to cause, delay in Sydney. The same union action is now preventing use of the machine in Melbourne. The machine intended for use in Brisbane has been installed in Canberra since September 1982 and has been in constant use by the Departmental project team for software testing and training.

Common Investment Fund

45. The Auditor-General commented that the present system of banking in South Australia and Queensland is in breach of s.sec. 20B(5) of the Act in that the Official Trustee is not maintaining one account for each of the Bankruptcy Districts being administered by the Official Receivers in Adelaide and Brisbane.

46. To correct this situation the Inspector-General issued on 22 August 1983 a fresh direction under s.sec. 20B(4) of the Act requiring that the Official Receiver in Adelaide maintain separate accounts for the Bankruptcy Districts of South Australia and the Northern Territory and that the Official Receiver in Brisbane maintain separate accounts for the Bankruptcy Districts of Northern Queensland, Central Queensland and Southern Queensland.

47. There is an extra cost and administrative burden involved in having to administer multiple accounts in the Official Receivers' Offices concerned and accordingly amending legislation is under consideration to permit each Official Receiver to maintain one account for all of the Bankruptcy Districts administered by him, subject of course to proper internal controls being maintained.

48. Separate accounts are now being operated for each of the bankruptcy districts in Queensland. Delays involving the printing of cheque forms have been experienced in Adelaide and separate accounts came into operation only this week.

Trustees' Accounts

49. The arrears in the filing of trustees' accounts is really a matter which, although the subject of long standing Departmental concern, is very difficult for the Department to control. The problem is that there is very little a Registrar in Bankruptcy can do, short of applying to the Court for deregistration, to force a registered trustee to file his accounts on time. In any event it is most unlikely that the Court would order the removal of a trustee for failing to file accounts promptly. The arrears are not really arrears of work in the Bankruptcy Registry but arrears of the registered trustees who have failed to file accounts. The regulation of the activities of registered trustees in bankruptcy is a matter that the Department has under consideration in a much wider context and it may be necessary to widen the regulatory role of the Registrars in Bankruptcy and of the Inspector-General in Bankruptcy in order to provide a complete remedy to the problem.

Distribution of Dividends

50. The distribution of dividends and the accumulation of large amounts in the Official Receivers' trust accounts has been a problem for some years now because staff restrictions and the increasing workloads have caused the Official Receivers to give a low priority to dividends.

51. The fact that the Bankruptcy Branch has been operating under severe difficulties has been stressed in every annual report on the operation of the Bankruptcy Act since the annual report for the year ended 30 June 1978. The task force to which the Auditor-General's report refers commenced work on the backlogs of work in February this year.

52. While the Official Trustee continues to receive an average of 343 estates per month, and administers 19,572 estates (as at the 30 September 1983), the number of those estates with trust account balances decreased from a monthly average of 10,098 during the period July to December 1982, to 7,457 at 30 September 1983. This represents a decrease of 25.3% over that period in the number of trust account balances. However, the total amount held in those accounts has not been reduced accordingly. The amount fell from \$12,388,292 in December 1982 to \$11,985,906 at the end of September 1983 - a reduction of only 3.3%. This indicates, possibly, that a large number of the balances distributed were below average in size and the action in many cases consisted simply of taking fees; but it also, no doubt, reflects the increase in realisations of estate assets brought about by the employment of the Task Force.

53. It is expected that as the full implementation of BORIS approaches and the task force realises its full potential, the rate of clearing the trust account balances will be greatly accelerated.

54. Since its inception the task force has paid a total of 290 dividends involving a distribution of funds totalling \$1,703,160 and taken total fees of \$363,322 in 1075 estates. A table is attached which gives complete details of these distributions on a state by state basis.

DIVIDENDS & CLOSURES OF ESTATES (FEES ONLY TAKEN)
FOR THE PERIOD FEB 83 - 30.9.83

DISTRICT	PERIOD	DIVIDENDS		FEES ONLY	
		NO	AMOUNT	NO	AMOUNT
NSW & ACT	81 - PRESENT	38	342 990	99	18 139
	76 - 80	23	355 876	64	16 775
	70 - 75	1	1 727	3	593
	PRE 1970	-	-	-	-
VICTORIA	81 - PRESENT	5	66 295	38	8 873
	76 - 80	1	684	-	-
	70 - 75	1	30 306	-	-
	PRE 1970	-	-	-	-
SA & NT	81 - PRESENT	3	3 561	5	4 637
	76 - 80	4	8 616	8	15 048
	70 - 75	-	-	-	-
	PRE 1970	-	-	-	-
QUEENSLAND S.C. & N	80 - June 1981	12	84 277	275	43 785
WA	80 -83	124	464 381	499	229 197
	75 -79	41	135 314	41	17 410
	70 -74	5	8 907	13	5 056
	PRE 1970	2	17 986	-	-
TAS	81 - PRESENT	-	-	-	-
	76 - 80	25	160 263	21	3 027
	71 - 75	4	20 324	6	701
	PRE 1971	1	1 653	3	81
TOTAL		290	1 703 160	1 075	363 322

JOINT PARLIAMENTARY COMMITTEE OF PUBLIC ACCOUNTS

Inquiry into the Auditor-General's Report, September 1983
Submission by the Department of Aviation on the Control of
Air Navigation Charges Collection for Domestic Airlines

Introduction

The Auditor-General's Report to Parliament stated that:

"It is of concern that the Department has only recently taken action to put in train test checking to ensure that charges payable by domestic operators under the Act are effectively controlled. It is also of concern that an ADP system is only now being developed and will take some two years to implement. In view of the substantial revenue obtained from domestic air navigation charges it has been suggested to the Department that it review its priorities in this regard."

Present Departmental Position

- In July 1983, a Departmental Steering Committee convened to examine the feasibility of developing alternative Air Navigation Charges (ANCs) verification procedures identified a long term solution involving the development of an ADP based information and data verification system.
- Subsequently, the Government took an in-principle decision to introduce separate airport and airways charges to recover the costs associated with the use of airport and airway facilities. Consultants have been engaged to examine how best to implement this system, and are to report in January 1984. A copy of the terms of reference for the consultants is attached.
- In undertaking their tasks, the consultants will be required to examine and report on administrative and other arrangements needed for the operation of any recommended charging system. Included in this is the need for the requirements of the Audit Act to be met. The consultants have been asked to ensure that arrangements identified to be implemented with the new charges will be applicable to existing ANCs.
- The Department has now also moved to acquire interim computing facilities in the Regions and Central Office pending major enhancement of its general computing network. This interim equipment is scheduled to be on hand by January 1984.
- Subject to the findings of the above mentioned consultancy, it may be possible to introduce appropriate auditing arrangements, using the interim computing facilities, earlier than was previously envisaged.

Background

7. Since the early 1960's, two methods of assessment of domestic airline Air Navigation Charges (ANCs) have been used. Initially ANCs were assessed from returns submitted by various Flight Service / Air Traffic Control Centres. These returns were compiled from flight strips on which operational flight data was recorded.

8. Agreement was reached in 1963/64 with the Auditor-General's Office to dispense with the then existing system and replace it with one in which the domestic airlines submit returns to the Department. The purpose of the change was to streamline the existing system, which in turn resulted in significant cost savings through a major reduction in staffing levels.

9. Since that time a number of supplementary checks have been undertaken in an attempt to verify the validity of the airlines' returns:

- (a) In 1965, checks were introduced whereby 10% of domestic airline flight strips at all airports where flight control facilities were provided were scrutinised.
- (b) In 1967 it was agreed with the Auditor-General's Office that the extent of these checks was excessive. In lieu, it was agreed to cover three days of flight strips for any one month for one airport or, alternatively, one day per month for three airports.
- (c) In 1972 the Auditor-General's Office agreed to the introduction of sample checks based on published airline timetables. These checks were to be made twice a year, on each occasion covering a one week period. However, this method of checking proved to be unsatisfactory because of the wide variation between the published timetables and the actual number of flights operated.
- (d) In 1974 the Department reverted to using data extracted from flight strips to make sample checks. This involved the recording, on several occasions, of aircraft movements over one 24 hour period at major airports.

10. The matter was also raised in the Auditor-General's report to Parliament of March 1981 which stated that:

"Present procedures provide for the calculation of air navigation charges on the basis of returns of aircraft movements submitted by domestic operators. Independent data is not available to allow verification of these returns by the Department. Except for checks of arithmetical accuracy and spot checks of returns from small operators the returns submitted by airlines are accepted without check. Representations were made to the Department on 6 February 1981 concerning the lack of effective controls to ensure that all charges payable in accordance with the provisions of the Air Navigation (Charges) Act are received."

11. In response to the Auditor-General's comment a Departmental Steering Committee was formed to examine the feasibility of developing alternate procedures to enable the Department to verify the level of air navigation charges paid by the domestic airlines.

12. Formation of the Steering Committee and commencement of work was hindered by a shortage of suitable staff to perform this function. It will be recalled that the Independent Air Fares Committee (IAFC) was established in 1981 shortly after the first Auditor-General's report. From a very limited number of officers within the Department with appropriate experience, two were seconded to assist in the establishment of the IAFC.

13. It was not possible to recruit alternative staff in the time available to allow work on the audit report to be progressed as quickly as intended.

14. The Committee met on a number of occasions between August 1982 and July 1983. Of the options to overcome the problems which were examined by the Committee, a number were discarded since they were based on information supplied by the airlines or rejected as being too labour intensive. After extensive examination the Committee concluded that the difficulties could be overcome by the development of an ADP system to process sufficient flight information from Departmental Operational Control centres to verify the ANCs paid by the domestic airline operators.

15. The Steering Committee estimated that the development and implementation of this option, including the introduction of a program to generate bills to the airlines would take approximately twelve months. However, combined with the timing of the Department's major ADP re-equipment proposal, it was not deemed practical to have the proposal fully implemented until mid/late 1985.

16. However, it was recognised that an interim solution should be implemented and operated until the longer-term solution became operational. The Department has therefore introduced a system of periodic audit of operators' records to validate ANCs.

17. The interim system is based on sample audit of flight records prepared by airline flight crews. These records are used by the airlines for such functions as recording aircraft hours, maintenance control and calculations of flight crew allowances and salaries, and are subject to the strictest control by the airlines as a primary operational record. While conceding that these documents could not be strictly described as independent because they are not generated within the Department, it is nevertheless considered that they are reliable records of aircraft movement and therefore provide an effective interim basis for validation of ANCs by sample checking.

18. A recent audit of the records of TAA and Ansett Airlines for 1982/83 revealed only one minor overpayment by the airlines for one flight during that period. The current situation is as detailed under the section "Present Departmental Position" above.

9 February 1984

DEPARTMENT OF AVIATION

Attachment may be found on Joint Committee of Public
Accounts File 1983/8, Part B

JOINT PARLIAMENTARY COMMITTEE OF PUBLIC ACCOUNTS

Inquiry into the Auditor-General's Report, September 1983
Submission by the Department of Aviation on matters relating
to Departmental Residences

INTRODUCTION

The Auditor-General's Report to Parliament stated that:

"The audit showed an unsatisfactory result in that the Department had not evaluated its housing requirements in accordance with the PSB guidelines and certain procedures employed were considered inadequate for the purposes of effective control".

PRESENT DEPARTMENTAL POSITION

2. The Department has undertaken a review of its staff housing policy and related administrative procedures. At a recent conference of senior Departmental management, including Regional Directors, the following actions were endorsed for implementation:

- (a) disposal action for residences identified as surplus to requirements (Attachment A refers) be progressively implemented following consultation with the Department of Administrative Services, the Public Service Board, the Auditor-General's Office and relevant staff associations;
- (b) disposal action to be implemented generally upon vacation of relevant residences by current occupants;
- (c) appropriate notice to be given to longer term tenants;
- (d) surplus residences at airports about to be transferred to local ownership be sold for transportation elsewhere, where possible;
- (e) appropriate formal procedures for ensuring compliance with the Government's guidelines, including procedures for certification by Chief Property Officers, be developed in consultation with the Department of Administrative Services;
- (f) the practice of housing non-term transfer staff be reviewed with a view to ensuring provision of housing to this category of staff only in exceptional circumstances;
- (g) a policy statement for provision of staff housing be developed for application throughout the Department.

DEPARTMENTAL OBJECTIVES AND THE PROVISION OF STAFF HOUSING

3. In accordance with the Commonwealth's constitutional and statutory responsibilities and treaty obligations, the Department of Aviation's objectives are to promote the safety of all civil aviation operations and the availability of regular and efficient air services within Australia and between Australia and overseas destinations.

4. In order to achieve these objectives, the Department is required to plan, provide and operate adequate, efficient and technologically advanced airways facilities and airport capacity throughout Australia.

5. The diverse and widespread nature of the Department's operations make it necessary for the Department to staff remote localities throughout Australia. The majority of these centres are staffed via the Department's term transfer scheme, whereby staff are located in designated remote localities on a 2 year rotational basis.

6. The very nature of these localities (which are recognised by the Public Service Board as "hardship stations" for the purposes of additional recreation leave, additional allowances, etc.) render it unlikely that staff on transfer will be able to rent or buy suitable accommodation. These difficulties, and the resultant problems associated with effectively staffing these stations render it necessary for the Department to provide adequate housing in these centres.

RESPONSES TO SPECIFIC QUERIES RAISED BY THE AUDITOR-GENERAL

Departmental Policy

7. As noted above in the section "Present Departmental Position", a review of staff housing policy has been undertaken. A number of actions have been put in train including the development of a Departmental housing policy statement which will provide clear guidelines for the acquisition, retention or disposal of Departmental residences.

Need for Departmental Residences

8. It has been the practice of this Department to consult with the Department of Administrative Services prior to the formulation of residential acquisition programmes. As noted above in the section "Present Departmental Position", more formalised consultative procedures are to be developed with the Department of Administrative Services. As noted at Attachment A, residences at a number of locations are proposed for disposal subject to consultations with relevant Commonwealth authorities and staff associations.

9. Also as noted at Attachment A (paragraph 5), commercial criteria will be applied to test the cost effectiveness of the retention/acquisition of residences in certain circumstances. For instance, it would seem appropriate to apply such criteria in circumstances where the alternative would be the payment of a rental allowance on an extended basis.

Housing Allocation Policy

10. The question of term transfer staff electing to stay for further terms and occupying Departmental residences has also been addressed. As a general rule, it would be expected that an officer electing to stay on in a remote locality beyond an initial two year term would be given a subsequent 2 years to find suitable long term accommodation.

11. Non-term transferrable staff (i.e. staff not on 2 year transfers) are allocated Departmental residences only on a regular review basis, and only when there are no transferrable staff on the waiting list. Single employees are allocated housing only when there are no married staff on the waiting list. This practice is adopted in respect of all centres where such residences are located.

12. There have been some difficulties in the past in ensuring that a staff member does not own accommodation within a reasonable distance of his work place. If such a case was known, there would be no allocation of accommodation to that officer. Administrative procedures to guard against such eventualities will be implemented as a result of the Departmental review.

Comparison of Expenditure and Revenues

13. It is acknowledged that rental revenue fell short of the direct recurrent costs of residences in Queensland in 1980/81 and 1981/82, as outlined in the Auditor-General's Report. However, while every effort will be made to contain the ongoing costs of residences, consistent with the provision of an appropriate standard of accommodation under the Government's guidelines, it should be noted that the existing rental scale was determined by the Public Service Board in consultation with staff associations after consideration of a wide range of factors, rather than on solely economic criteria. The major indicator utilised by the Board was the average rental payable in Australia outside capital cities. Other factors considered included the special category of remote areas involved, together with the fact that many of the staff living in such areas often forgo normal opportunities to purchase their own housing.

Tenancy Agreements

14. The matters identified by the Auditor-General in respect of tenancy agreements and furniture rentals have been noted for corrective action. These issues are currently under examination in the Inter-departmental Committee on Housing Scales and Standards, and the Joint Council Sub-Committee on Staff Housing. This Department is represented in both of these forums.

Repairs and Maintenance

15. The Auditor-General has remarked on the small spread of contractors being used for quotations and the fact that there were no period contracts let for repairs and maintenance.

16. The Department's experience has been that small business contractors in North Queensland prefer, wherever possible, to deal on a cash basis. Accordingly, they are frequently reluctant to undertake work on behalf of the Commonwealth with its formalised payment procedures. This difficulty in employing contractors also militates against the use of period contracts.

Moreover, the wide range of maintenance categories involved and the remoteness of the majority of centres at which residences are located would, if period contracts were utilised, create an administrative workload disproportionate to the relatively low volume of maintenance undertaken.

17. As stated in the Auditor-General's Report, the Department of Housing and Construction (DHC) has acknowledged the error in respect of work performed on the wrong residence. Closer liaison arrangements have been established with DHC with a view to preventing a recurrence of the situation.

Minor New Works

18. The Auditor-General has referred to the inclusion in the Minor New Works program of an amount of \$10,400 to construct a fence at a Departmental residence. The cost of the fence needs to be considered in the light of the difficult terrain upon which it was to be constructed. The residence itself is situated in a dense rainforest area and has a fall of approximately 10m in 70m. This necessitated the provision of concrete retaining walls in strategic positions, with a requirement for stepping to low levels.

19. The indicative cost of \$10,400 was supplied by the Department of Housing and Construction and was based on a standard request by this Department. This cost included a survey of the property alignments for definition of the fencing project and the DHC surveyor did not show the position of the residence on his plan. This Department has now taken steps to confirm the position of the residence and if it proves to be situated on one allotment only, the second allotment will be declared for disposal through the Department of Administrative Services.

Charges to Incorrect Heads of Expenditure

20. There were three instances which were the source of the Auditor-General's comments:

- (i) Construction of a fence for a residence at Cairns, a portion of which was replacement of a demolished fence and the balance being additional fencing, which was funded partly from maintenance and partly from Minor New Works respectively. The total cost was \$10,400.

The Auditor-General was of the view that the total project should have been funded from Minor New Works. However, it was the Department's view that the demolished fence was deemed to be part of the residence and, as such, the expenditure associated with its replacement was deemed to be an appropriate charge against maintenance. However, as a consequence of the Auditor-General's remarks, the Department is now seeking a formal ruling from the Department of Finance on the proper treatment of such expenditure.

- (ii) Hire of a marquee for the International Terminal during the Commonwealth Games in 1982 was deemed to be a substitute for the building and accordingly was funded from Building Maintenance. The total cost was \$19,652.

The Auditor-General considered this to be an inappropriate item. The Department acknowledges that the classification of the expenditure is open to differing interpretations. However, clearly the expenditure was a charge to a recurrent rather than a capital item.

- (iii) Replacement blinds for residences were purchased from Repairs and Maintenance.

The Auditor-General considered that the expenditure was an appropriate charge against Furniture and Fittings.

It is agreed that, in future, such expenditure should be a charge against Furniture and Fittings.

ATTACHMENT

CATEGORIES OF RESIDENCES PROPOSED FOR DISPOSAL

1. Residences within Capital City Environs

Sydney
Hobart
Melbourne
Moorabbin
Adelaide
Parafield
Brisbane
Archerfield
Perth
Jandakot

- need for retention of isolated residences at secondary airports on security basis to be further examined.

2. Residences at major provincial centres unlikely to suffer recruitment problems and lacking CPO certification

Cessnock
Coffs Harbour
Dubbo
Katoomba
Tamworth
Wagga
Mildura
Devonport
Launceston
Wynyard
Mt Gambier
Coolangatta

3. Residences supplied for more than one groundsman at certain provincial centres

Carnarvon
Derby
Launceston
Coffs Harbour
Mt Gambier
Ceduna
Mt Isa

- this category of residences will require further examination.

2.

4. Residences occupied by retired employees and widows of former employees.

5. Residences let for commercial rental

- should be considered for disposal (mainly residences acquired incidental to airport expansion)

: however, could possibly remain if commercial rental assessed by Tax Valuer applied and subject to regular review.

5 December 1983

Central Office



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In reply quote

6 December 1983

The Secretary
Joint Parliamentary Committee
of Public Accounts
Parliament House
CANBERRA ACT 2600

REPORT OF THE AUDITOR-GENERAL
SEPTEMBER 1983

Further to my memorandums of 2 December 1983 and 5 December 1983, set out below is preliminary advice of the action in hand within the Department in respect of the matters raised at paragraph 3.2 of the Auditor-General's report.


The Department has undertaken a review of its staff housing policy and related administrative procedures. At a recent conference of senior Departmental management, including Regional Directors, the following actions were endorsed for implementation:

- disposal action for residences shown at the Attachment be progressively implemented following consultation with the Department of Administrative Services, the Public Service Board, the Auditor-General's Office and relevant staff associations;
- disposal action to be implemented generally upon vacation of relevant residences by current occupants;
- appropriate notice to be given to longer term tenants;
- surplus residences at airports about to be transferred to local ownership be sold for transportation elsewhere, where possible;
- appropriate formal procedures for ensuring compliance with the Government's guidelines, including procedures for certification by Chief Property Officers, be developed in consultation with the Department of Administrative Services;
- practice of housing non-term transfer staff be reviewed with a view to ensuring provision of housing to this category of staff only in exceptional circumstances;

- policy statement for provision of staff housing be developed for application throughout the Department.

More detailed advice addressing the particular matters raised by the Auditor-General is being prepared and is expected to be available for consideration by the Committee shortly.

I trust that, in the meantime, the Committee will find the above information helpful.


R. H. TOAKLEY
First Assistant Secretary
Resources Division

JOINT PARLIAMENTARY COMMITTEE OF PUBLIC ACCOUNTS

Auditor-General's Report, September 1983 -
Departmental Residences

1. THE REVIEW

The Review was commenced in July 1983 and was aimed at ensuring that:

- (a) housing stock under the control of the Department of Aviation is managed in accordance with Government policy, and
- (b) the housing stock is adequate to meet the special and diverse needs of the Department, taking particular note of:
 - (i) the term transfer scheme
 - (ii) locations designated by the PSB as remote localities/hardship stations
 - (iii) industrial undertakings

Details regarding the numbers, locations and occupancy arrangements of all residences under their control were sought from each of the Department's five Regional Directors.

This information was then assessed in the light of the Government guidelines by a Review Team consisting of a:

Flight Service Supervisor Grade 3
Director, Clerk Class 10, Airports Division
Clerk Class 8, Industrial Relations Branch

Day-to-day running of the Review has been undertaken by the latter officer, reporting directly to the Assistant Secretary, Industrial Branch, and in turn to the First Assistant Secretary, Management Services Division.

Following the Review Team's assessments a conference of senior Departmental management, including Regional Directors, endorsed in November 1983, a number of actions for implementation, details of which were conveyed to the Committee in our memorandum R83/989 of 6 December 1983.

Following consultation with officers of the Public Service Board (PSB), the Department referred its proposed initiatives to the Department of Administrative Services (DAS) for consideration and comment, and is now awaiting that Department's response.

2. HOUSING POLICY STATEMENT

Preparation of a Departmental housing policy statement is in hand. However, it cannot be finalised until consultations with DAS, PSB and staff associations, seeking clarification of certain aspects of interpretation of the Government guidelines, have been completed.

Those aspects of the guidelines requiring interpretation were discussed by participating bodies (Department of Aviation included) at the meeting of the Joint Council Sub-Committee on Government Housing (JCSC) on 7 February 1984.

JCSC concluded that the criteria governing retention/acquisition were not clear, and as such were subject to differing interpretations.

Accordingly, the full background to the current guidelines is being sought by the JCSC for consideration, in order that appropriate interpretations may be established for their unambiguous application by Departments in future instances.

3. COMMERCIAL CRITERIA AND METHODOLOGY

It is proposed that the Departmental housing policy statement will include detailed guidance to officers on the commercial criteria and methodology to be adopted in determining the cost effectiveness of retention/acquisition of residences, and will likely encompass such factors as:

- . market values
- . demolition and removal costs
- . rental costs
- . repairs and maintenance costs
- . allowance payments

It is envisaged that such guidelines will also provide for the application of differing criteria in regard to the retention/disposal of residences "on" and "off airports". Clearly, as any surplus residences located on an airport are not available for sale in situ, the only practical course is sale for demolition and removal, generally returning at best some hundreds of dollars in revenue or, at worst, requiring a payment by the Department to a contractor to undertake removal.

Guidelines for retention/disposal of "off airport" residences would be developed in a manner consistent with the abovementioned factors.

Broadly speaking therefore, commercial criteria and methodology governing the retention/disposal process will entail an assessment of the likely net return associated with retention, balanced against the return generated by disposal action.

In regard to the guidelines associated with specific acquisitions, new residences, generally, would be "off airport" and would be acquired through the agency of DAS as part of the Annual Civil Acquisitions Program in the Budget context. Some departure from these arrangements may occur where the Department, as a cost saving measure, undertakes to construct a residence, either temporary or permanent, on land it already owns.

Similarly, development of such guidelines would also have regard for those factors highlighted above.

As noted above, finalisation of these guidelines as an integral part of the housing policy statement, is dependent upon the outcome of consultations between appropriate participating bodies.

4. DEPARTMENTAL PROCEDURES

The review of staff housing is aimed at ensuring that the Department does not provide houses at centres excluded under Government guidelines. Accordingly, as advised in our memorandum of R83/989 of 6 December 1983, the Department is now moving to dispose of questionable residences.

The proposed Departmental housing policy statement, which will be widely circulated within the Department, will provide guidance to those officers responsible for the provision and allocation of staff housing. Other more formal procedures will be explored, including the requirement to sign appropriate statutory declarations.

5. GOVERNMENT RENTAL DETERMINATION

The rental scheme applying to Departmental housing was introduced in August 1982. The Public Service Board has the responsibility for reviewing rents annually. The scheme standardises rentals for staff housing under a ceiling whereby no staff member is required to pay more than 12½% of gross salary as rental. The formula applied in calculating rentals takes account of age, size, recent refurbishment and occupancy of the dwelling. Individual Departments are responsible for making any further adjustments to rentals in accordance with the formula. Where circumstances warrant special consideration (e.g. relating to a staff member's financial situation or to the condition of the residences), application may be made to the PSB for a reduction in rental. It should be noted that the present basic rental approach was reached after protracted consideration by Government and consultation with staff associations. Details of levels of rentals are contained in Public Service Board Determination 10 of 1983.

The term "acceptable sanitary standard" refers to the integrity of water and sewerage plumbing. All such facilities are maintained at a standard high enough to ensure the continued health and well being of occupants. Regular assessments of these standards are carried out by Departmental field staff.

6. TENANCY AGREEMENT AND FURNITURE RENTALS

The question of tenancy agreements and furniture rentals is still under consideration by the JCSC and the Interdepartmental Committee on Commonwealth Housing Scale and Standards (IDC). The Department of Administrative Services has been requested to do some further work on draft tenancy documents; matters in this regard will be considered by the IDC at the end of February 1984.

A summary of furniture and fittings procedures applied in all Departments was considered by the JCSC at its meeting on 7 February 1984.

The conclusion was reached that a Working Party (with Department of Aviation representation) would be formed to determine broad principles for provision of staff residential furniture in the APS.

The findings of the Working Party will be referred to the JCSC for further discussions in mid-March 1984.

7. LIAISON WITH DEPARTMENT OF HOUSING AND CONSTRUCTION

To ensure that there is no repetition of the incident in Queensland, Departmental officers have been instructed to pay particular attention to briefings between the two Departments where no technical personnel are involved. In addition officers have been instructed to insert full postal addresses (as opposed to Departmental code numbers) on requisitions to the Department of Housing and Construction.

9 February 1984



Central Office

In reply quote:

R83/989

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The Secretary
Joint Parliamentary Committee
of Public Accounts
Parliament House
CANBERRA ACT 2600

REPORT OF THE AUDITOR-GENERAL
SEPTEMBER 1983

In paragraph 3.2 of this Report the Auditor-General referred, *inter alia*, to instances where it was considered that expenditure had not been classified correctly in accordance with Finance Directions. One such instance related to expenditure incurred in the construction of a fence for a Departmental residence. A detailed submission was forwarded in respect of this and other matters on 15 December 1983.

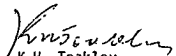
The Auditor-General was of the view that the construction, which was funded partly from Maintenance and partly from Minor New Works, should have been funded entirely from Minor New Works. As noted in our submission, the rationale for the proportionate charges was that part of the construction, which represented replacement of a demolished portion of the existing fence, did not involve the creation of a new asset and, as such, was a charge against Maintenance. However, the balance, being additional fencing, was a charge against Minor New Works.

As foreshadowed in our submission, the Department wrote to the Department of Finance on 22 December 1983 seeking advice as to the proper treatment of the above expenditure.

The Department of Finance replied on 13 March 1984 (copy attached), stating that it was their view that this Department's approach was reasonable and proper. In forming this view, the following points were considered:

- . The Commonwealth's asset, for asset recording purposes, is the residence and includes accompanying fixtures such as fencing. It is not normal practice to identify separately the fixtures in the asset register. (Finance Direction 26/1 refers);
- . The replacement of the concrete footings did not constitute an addition to the asset (ie the residence), whereas the extension was clearly an addition. (Appendix A to Finance Direction 6 "Buildings and Works" refers).

A copy of this advice, which I trust clarifies the Department's position in this matter, has been forwarded to the Auditor-General for his information.


K.H. Toakley
First Assistant Secretary
Resources Division

31 May 1984

JOINT PARLIAMENTARY COMMITTEE OF PUBLIC ACCOUNTS

AUDITOR-GENERAL'S REPORT, SEPTEMBER 1983
DEPARTMENTAL RESIDENCES

STATEMENT OF PROGRESS OF DEPARTMENTAL
REVIEW OF HOUSING - JULY 1984

Previous correspondence between Department of Aviation and the Committee have outlined the Department's proposals to bring Departmental housing stock both in Queensland and in other States into line with Government criteria for the provision of staff housing. The major proposal envisaged is the disposal of certain residences controlled by this Department in capital cities and major provincial centres. This remains the Department's objective. However, following advice from the two major coordinating agencies in the staff housing field, (the Public Service Board (PSB) and the Department of Administrative Services (DAS) it is expected that the attainment of this objective will take longer than anticipated.

The PSB has indicated to the Department its concern over the industrial ramifications of the proposed course of action. The Board further advised the Department to seek formal advice from DAS, in its capacity as the organisation responsible for the administration of the staff housing criteria.

The DAS advice was received in March of this year, and inter alia, it counselled against the Department taking "unilateral disposal action". DAS suggested that a "case by case" approach, whereby individual residences would be considered for disposal upon vacation by existing occupants, would be more appropriate.

The DAS advice hinged on a number of factors. It was principally concerned with the controversy surrounding the existing provisioning criteria. This issue is the subject of in depth discussion in the Joint Council Sub-Committee on Staff Housing, on which the Department of Aviation is represented. ACTU representatives in that forum have signalled their dissatisfaction with the existing criteria and have implied the possibility of industrial action if individual departments attempt to dispose of residences falling outside the guidelines. Moreover, it is possible that discussion in that forum will lead to the formulation of a revised set of draft guidelines to go to Joint Council for its consideration.

DAS also advised that it had been instructed by the previous Government in 1981 to carry out a review of all Commonwealth land-holdings (including staff housing). It is expected that the review of the housing component of the Commonwealth estate will be extremely complex and lengthy, and hence is not likely to be completed until the end of the 1985/86 financial year at the earliest.

Taking the views of the co-ordinating bodies into account, it is envisaged that the Department will adopt the "case by case" approach suggested by DAS. The machinery aspects of this process, including the setting up of consultative mechanisms involving the ACTU and relevant staff organisations, were addressed recently at a conference of senior Departmental management including the Department's Regional Directors. It is anticipated that procedures will be set in train in the near future for the disposal of residences failing to meet established criteria.

25 July 1984

JOINT COMMITTEE OF PUBLIC ACCOUNTS
INQUIRY INTO THE AUDITOR-GENERAL'S REPORT 1982-83
SUBMISSION BY DEPARTMENT OF FINANCE

PARAGRAPH 9.1 CLOSURE OF GENEVA ACCOUNTING OFFICE

DRAWING ACCOUNTS

The Auditor-General states that although arrangements for the transfer from Geneva to London of responsibility for providing accounting services to posts in the European, North African and Middle Eastern regions, were carried out in a generally satisfactory manner, certain aspects were referred to the London Regional Office for comment and explanation. For the most part the matters referred and mentioned in the Auditor-General's Report were points of accounting detail of relatively minor significance in terms of materiality.

The matter of arrears of drawing account reconciliations was, however, one of some significance and concern to the Director of the Regional Office even before the Auditor-General's Office identified it and steps were in train to bring them up to date as quickly as resources permitted. The significance and concern does, however, need to be seen in perspective.

The transfer of operations from Geneva to London was a major task which, while some phasing was possible, had to be undertaken in a very short timeframe due to the inability to retain key staff in the Geneva operation once the decision had been taken to close it down. Furthermore, none of the Geneva staff was prepared to transfer to London notwithstanding offers made.

Thus planning for the transfer, recruiting and training new staff in London (and training existing London staff in the Geneva operations), and ensuring that payments and key accounting controls were not compromised, was itself a major task. Superimposed upon such difficulties was the fact that the 30+ posts affected by the transfer were affected simultaneously by:

- implementation of new overseas accounting procedures recommended by a Joint Management Review; and
- a new accounting system - Geneva was serviced through a "stand-alone" computer system which differed significantly from the IMS system (on-line to Canberra) operated by London.

Thus the posts themselves needed training in the new arrangements before the transfer.

The planning and implementation was carried through effectively and efficiently. However, the additional pressures on staff resources in London (due to the

transferred functions from Geneva, the staff's unfamiliarity with all aspects of those functions in the operational mode, and the need constantly to assist posts in the new accounting arrangements) could not, due to staff ceilings, be cushioned other than by additional (and very substantial) overtime and by altering priorities to ensure that payments were made in a timely manner and subject to required controls.

In essence, the immediate post-transfer workloads in the Regional Office and exceptional levels of overtime being worked by staff (including through a period of a prolonged rail strike) meant that some operations with a lesser urgency and priority had to be deferred.

Bank reconciliations, while important are, of their nature, controls exercised significantly after the event; bank statements from European banks are generally issued monthly and, allowing for delays in processing by the banks and in the postal system, are normally received no earlier than 6 weeks after the beginning of the month to which they refer. Reconciliations thus have a significant normal lag and are not key controls in preventing fraud (they can, of course, be important in detecting or tracing fraud but only after it has been perpetrated).

Thus the first priority for London had to be:-

- . the maintenance of timely payments of accounts;
- . the timely payments of salaries, pensions and other entitlements;
- . the timely reimbursement of imprest accounts maintained by posts for effecting urgent payments; and
- . the application of accounting controls of a preventative kind.

Having said that, the reconciliation of accounts was afforded the highest priority consistent with the abovementioned resource constraints. As indicated earlier, a program for bringing the reconciliations up-to-date had been addressed before the Auditor-General's Office identified the problem.

The initial emphasis, because the London staff had limited experience in the reconciliation of 'European' Drawing Accounts (many of which have their own unique difficulties), was concentrated first on the reconciliation of the smaller accounts so that the practical experience gained would facilitate the reconciliation of the larger and more complex accounts. Computer-assisted techniques have also been developed and have expedited the updating task.

The London Director has advised that, as of 11 November, 24 of the 29 drawing accounts are fully up-to-date and that the work program provides for the remaining five accounts, (which include the three accounts specifically referenced in the Auditor-General's Report plus the Dutch Florin and Yugoslav New Dinar Accounts), to be fully up-to-date by mid to late December. The present position regarding the five accounts is:

Pound Sterling reconciled to 28/2/83
 Greek Drachma reconciled to 30/11/82
 Italian Lire reconciled to 31/10/82
 Dutch Florin reconciled to 31/1/83
 Yugoslav New Dinar reconciled to 30/6/83

The London Director has also advised of the following significant developments affecting the reconciliation area which should overcome problems encountered in the initial stages following the transfer to London of the Geneva operations:

- . a revised and more effective staff organisation has been approved enabling the appointment of permanent staff to the four reconciliation positions (two positions have been staffed on a temporary or 'acting basis);
- . as previously mentioned, computerised techniques have been developed to assist with sorting and marking off the many thousands of paid cheques issued on the larger drawing accounts;
- . arrangements are well in hand for implementation in December 1983 of a fully computerised reconciliation system for the Pounds Sterling and US Dollar Drawing Accounts which will by far be the two largest accounts (see below); and
- . all Social Security pensions in Europe are to be paid in US Dollars from early 1984.

Department of Finance Witness - Mr Brian Friend (former Director Overseas Regional Office, London).

2 December 1983

DEPARTMENT OF FINANCE

A letter from the Department of Finance, dated 25 March 1985, providing supplementary information may be found on Joint Committee of Public Accounts File 1983/8, Part B.

JOINT COMMITTEE OF PUBLIC ACCOUNTS
INQUIRY INTO THE AUDITOR-GENERAL'S REPORT 1982-83
SUBMISSION BY DEPARTMENT OF FINANCE

9.3 REGIONAL OFFICE DARWIN - FAILURE TO RECONCILE DRAWING ACCOUNT

The Auditor-General reported that the Darwin Regional Office Drawing Account had not been properly reconciled since 1975 notwithstanding repeated representations and an undertaking by the Regional Office to remedy the situation. He acknowledged that Finance had conducted a number of investigations into the cause of the discrepancy in the account the latest such investigation being early this year but that, while options for adjusting the discrepancies were under examination, no decision had been taken at the date of preparation of the Report.

The Drawing Account had, until recently (see below), been out of balance as reported, since early 1975 (or late 1974) due to an inability to reconcile it to bank statements.

The problems with the reconciliation at the time, as then reported to the Auditor-General's Regional Office, derived from the loss of relevant records in Cyclone Tracy on 24/25 December 1974 and from the general disruption to the Office generated by the Cyclone and its aftermath (a loss of key staff and, for a period of some years thereafter, a very high turnover of such staff). Consequently, the reconciliation became, by 1977, some 5 months in arrears. Considerable resources were subsequently devoted to reconstructing the records in an endeavour to reconcile the account. These efforts resulted in the discrepancy being reduced from over \$80,000 initially to \$42,433 at 30 June 1983.

In 1980, the then new Director, Darwin, took the decision to isolate the known discrepancy and to keep the reconciliation up-to-date from that time. Efforts were still made, as resources permitted, to reconcile the earlier discrepancy. The Auditor-General's Office in Darwin was kept informed orally or in writing of significant developments.

While senior management in the relevant area of Finance has turned over during the period, it is apparent that, as the initial investigations and the transactions reconciled did not indicate any suggestion of irregularities beyond that of lost records due to the Cyclone, the view was taken that the resource effort required in the endeavour to reconstruct the missing information had to take lower priority than that of ensuring that current operations were carried out in an efficient manner and in accordance with proper controls. The several investigations referred to by the Auditor-General were thus conducted to the extent practicable as resources permitted.

2.

In late 1982, in response to a request from the Director of the Darwin Regional Office, Finance assigned an officer from Canberra specifically to assist in resolving the Drawing Account problem as it was considered that the Darwin Office could not progress the matter further than previous investigations had achieved.

Following this assignment, a comprehensive assessment was made by the Director with the conclusion that all reasonable avenues for investigation and full reconciliation had been exhausted. The matter was referred to Finance Central Office for consideration of the appropriate action. The Auditor-General's Office, Darwin, was advised in June 1983 that the matter had been referred to Central Office.

The conclusion of the Darwin Director was supported by Central Office management and a decision taken to include provision in the Appropriation Bill (No 1) 1983-84 to enable write-off action to be taken and the Drawing Account to be restored to balance. Write-off action has now been concluded.

The Department of Finance witness is Mr B. Gleeson (former Director, Finance Regional Office, Darwin).

1 December 1983

Joint Committee of Public Accounts

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

SUBMISSION BY THE DEPARTMENT OF

IMMIGRATION AND ETHNIC AFFAIRS

Canberra
6 December 1983

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ATTACHMENTS	A Commonwealth/State Agreement
	B AMEP Handbook
	C Living Allowance Handbook
	D Immigration (Education Act) 1971

JOINT COMMITTEE OF PUBLIC ACCOUNTS

Inquiry into the Auditor-General's Report, of September 1983.
Submission by the Department of Immigration and Ethnic Affairs

INTRODUCTION

The Government's policy, as contained in the pre-election policy statement on Immigration and Community Relations is that "all adults who do not speak English adequately for their needs must have the opportunity to learn English". This policy is implemented by means of the Adult Migrant Education Program, (which commenced in 1947).

2. The Adult Migrant Education Program (AMEP) is therefore a key component of those Commonwealth policies aimed at facilitating and encouraging the effective orientation to, and settlement of migrants within the Australian society. Because of its close contact with the migrant community, and its responsibility for the full range of post arrival services, DIEA is able to identify and respond to the language needs of adult migrants, and to ensure that those needs are met as part of an integrated package of settlement services.

3. The broad objectives of the Program, as indicated on p-112 of the Auditor-General's report, are to provide

English language learning opportunities to permanent residents of Australia who have come from non-English speaking backgrounds, and

information about life in Australia including information about Australia, its services and institutions, and an understanding of the rights and duties of Australian citizens and of permanent residents.

4. The Department of Immigration and Ethnic Affairs implements and advises on policy, arranges program activities, funds those activities from moneys appropriated by Parliament for the purpose of adult migrant education in Australia, and co-ordinates the overall program. Each State and Territory has established an Adult Migrant Education Service to conduct courses funded by the Commonwealth through the Adult Migrant Education Program. The Commonwealth also funds some tertiary education institutions to provide courses within the program.

5. The DIEA does not provide teaching programs - its role is essentially an arranging and co-ordinating one, as delineated by the Review of Commonwealth Functions in 1981. The Commonwealth has two options: to provide its own English teaching service or to use the existing educational structures for the delivery of its program.

Using State education and tertiary educational facilities means that the Commonwealth is spared the considerable cost of establishing a separate service delivery infrastructure. However that benefit imposes limitations in the extent to which the Commonwealth can expect those organisations to adjust their management practices and systems to accord with Commonwealth requirements.

LEGISLATIVE BASIS

6. The legislative basis for the AMEP is provided by the Immigration (Education) Act 1971, (Attachment D) The Minister for Immigration and Ethnic Affairs is responsible for implementing the legislation as it applies to adults.

7. The Act empowers the Minister to make arrangements for courses in the English language and for courses 'designed to impart an understanding of the rights and duties of the Australian citizen and of the way of living of the Australian people for residents of Australia who come to Australia as immigrants or whose parents are immigrants'.

8. The Act also provides for the production, purchase and distribution of teaching and learning materials, the provision of pre-service and in-service courses for teachers, the conduct of research projects, the payment of living allowances for course members, administrative costs (including the salaries of administrative staff), cost of capital equipment, and the salaries and fees of teaching staff.

PHILOSOPHY AND PROGRAM EMPHASIS

9. The Program arrangements are made within an overall philosophy and set of administrative arrangements which recognise the distinctive needs of adult learners: which emphasise English language learning in real life situations; and which encourage self-help by assisting people to learn English from their environment and from materials prepared for individualised learning.

10. The services provided under the AMEP are directed towards overcoming those problems which are inherent in being a non-English speaking migrant. These services are provided with a view to bringing migrants to the point where they can gain equal access to mainstream services, which are designed and presented to cater for the diverse Australian population from varied cultural backgrounds.

11. The development of specific English Second Language (ESL) policies within the AMEP is based on the recognition that understanding of the nature of English language learning is being added to continuously and arrangements for English language learning must be developed accordingly.

12. This process is contributed to by the Commonwealth, with its understanding of the needs of migrants and its national view; and the State adult migrant education services and other organisations providing courses, with their detailed knowledge of the effectiveness of arrangements in meeting the needs of migrants.

13. Learning arrangements within the AMEP take particular account of the following:

- (i) providing program options which accord with students needs;
- (ii) providing a variety of learning arrangements, including formal courses, distance learning courses, courses in the work place, the Home Tutor Scheme, and "self-access" arrangements;
- (iii) the active involvement of students in the choice of learning options;
- (iv) students accepting responsibility for their own learning.

PROGRAM STRATEGY

14. The Adult Migrant Education Program is aimed at helping new and earlier arrivals learn English and settle in Australia. It provides at one end of the range for people who are illiterate in their home language and extends to provisions for people who have insufficient proficiency in English (reading and writing as well as listening and speaking) to be able to make use of educational institutions provided for the community generally - albeit at the most basic level offered by such institutions.

The program provides:

- (i) Orientation courses for new arrivals, delivered by Bilingual Information Officers;
- (ii) courses for newly arrived migrants from non-English speaking backgrounds and with no or limited English to assist them in gaining basic survival proficiency. People attending these courses are eligible for a living allowance; and
- (iii) a range of other learning opportunities that provide further courses for recent arrivals as well as courses and other activities directed to the needs of earlier arrivals. People attending these on-going courses full time are eligible for a living allowance.

PROGRAM MANAGEMENT

15. The AMEP operates in a field of technical innovation. There is not an established, agreed methodology in Australia or overseas on the teaching of English as a second language. DIEA has encouraged innovation and research within Australia, fostered the development of syllabus and course materials, and promoted the sharing of materials and information through the establishment of the Clearing House for the Adult Migrant Education Service (CHAMES). The planned establishment of a National Materials and Syllabus Development Centre will further stimulate advances in this field.

16. The Department places considerable emphasis on ensuring that its management, co-ordinating and innovative role is carried out in an effective manner. The following exemplify this.

- (i) a Commonwealth/State Consultative Committee has been established to provide effective support for the development of national arrangements to make the best use of available funds.
- (ii) the setting down, in some detail, of the arrangements for the Program, especially through:
 - agreements being negotiated with the States and Northern Territory (Details of progress are given at paragraphs 20-24 below. A copy of the text of the agreement is at Attachment A);
 - the AMEP handbook (copy at Attachment B);
 - the Annual Guidelines which are to be prepared from 1984/85. In this context increasing emphasis is being placed on detailed objective setting and evaluation. A series of consultations have taken place in recent months with the States and tertiary institutions providing AMEP courses, to assist in the preparation of the guidelines so as to meet the needs of both DIEA and participating bodies. Although much progress has been made it should be noted that the AMEP is a complex Program. There are many issues which by their very nature are evolutionary and which will need to be worked through year by year. The consultative arrangements and strategies devised by DIEA are achieving valuable results to this end.

the development of a nationally agreed format for the preparation and monitoring of annual funding plans and expenditure. This is now in its final stages of implementation. It provides a means for ensuring that accountability requirements are met, while, at the same time, assisting the management of the Program generally.

ADMINISTRATIVE ARRANGEMENTS

17. Up to 1951, the limited range of English language learning opportunities for adult migrants was provided directly by the Commonwealth. In 1951 it was agreed between the Commonwealth and each State that the State should have responsibility for the provision of educational facilities to adult migrants subject to the Commonwealth undertaking to reimburse the State for the expenditure incurred, and being responsible for the overall co-ordination of policy by the Commonwealth.

18. The Immigration (Education) Act 1971 underlined the Commonwealth's recognition of the importance of special education provisions for migrants.

19. The participation by the Commonwealth has been re-inforced by increasingly positive Commonwealth policies, particularly since 1978, to meet the educational problems of refugees and to reflect the increasing awareness of post-arrival needs.

20. This emphasis is a major consideration in establishing the new agreement between the Commonwealth and the States which replaces the 1951 agreement.

21. Preliminary discussions were held with NSW in 1981 to identify issues which needed to be addressed in the new Commonwealth/States agreement. These discussions were followed by the preparation of a draft agreement in consultation with the various Commonwealth agencies having an interest in the document, viz. Attorney-General's Department, Department of Finance, and Department of the Prime Minister and Cabinet.

22. The draft was discussed with State officers in the latter part of 1982 and consultation continued until a final draft was agreed in mid 1983.

23. The Minister for Immigration and Ethnic Affairs wrote in July 1983 to all State Ministers (except Queensland's) seeking formal agreement to the draft. Responses from Ministers have been:

- Western Australia, Tasmania, South Australia and the Northern Territory - full acceptance

- Victoria - broad acceptance, with a request for the inclusion of a reference to teacher permanency and clarification of minor financial aspects

24. New South Wales and Queensland are still considering their position and officer level discussions are continuing. Difficulties in Queensland relate to the degree of autonomy they seek in operating the program. With NSW the principal concern relates to the arrangements for providing the Commonwealth with information.

FINANCIAL ARRANGEMENTS

25. Funds for the Adult Migrant Education Program are sought in the context of the normal Estimates cycle. The development of the Estimates has regard to the various components of the program and the number of non-English speaking migrants and refugees expected to arrive in the course of the year.

26. State Adult Migrant Education Services provide plans of expenditure based on guidelines provided by the Commonwealth and their knowledge of the needs of migrants.

27. State submissions are discussed at officer level with each State.

28. Tertiary education institutions conducting courses as part of the Adult Migrant Education Program are also required to provide expenditure plans.

29. Following the decisions in the Budget context on the level of funds for the Adult Migrant Education Program, recommendations on how these funds should be allocated are made to the Minister.

30. Consultations are held with each State/Territory and tertiary institutions, following the Budget, to finalise annual funding allocations. These allocations are then notified to the States and tertiary institutions in writing.

31. The expenses of providing Bilingual Information Instructors, Education Living Allowances, utility and other supporting services, are paid directly by the Department of Immigration and Ethnic Affairs. Payments are made to individuals in the case of Bilingual Information Instructors and in the case of Education Living Allowances.

CONSULTATIVE, REVIEW AND EVALUATION ARRANGEMENTS

Consultative

32. A well ordered set of consultative arrangements has been established to assist in the planning and development of the AMEP. These arrangements operate at the national and State levels:

- (i) at the national level the Joint Commonwealth/States Committee (JCSC) on the AMEP deals with administrative and professional matters. The functions of the JCSC are as follows:

The Committee advises the Minister for Immigration and Ethnic Affairs and, through State representatives, relevant State Departments and Ministers as required on:

- (a) administrative aspects of the AMEP, including:
 - . financial management, accounting and control matters
 - . the development and maintenance of a system of managerially-oriented data to be collected on a uniform basis
 - . promotion of AMEP course offerings to target groups
- (b) long-term planning of the AMEP at the national level, including the development of an annual plan of action which sets objectives, priorities and directions for the following financial year. The planning takes into account:
 - . Commonwealth Government decisions and policy for adult migrant education; and
 - . an analysis of client needs and AMEP capacity/scope to meet these needs - based on an assessment of the outcomes of AMEP research and evaluation
- (c) the development of the AMEP including:
 - . adoption and implementation of an agreed approach to adult second language learning
 - . the structure and implementation of learning arrangements
 - . the development and provision of teaching/learning materials
 - . teacher development.
- (ii) At the State level Commonwealth/State Consultative Committees on the AMEP operate in most States. Through these committees the Commonwealth and the States consult on State program arrangements and the most effective ways of meeting AMEP objectives.

- (iii) The consideration of issues at the national level is assisted by sub-committees or working parties set up by the JCSC. The Professional Development Sub-Committee plays a key role through its consideration of matters such as materials and teacher development. Another working party is considering the specialised and important area of the assessment of language proficiency and language gains.

REVIEW AND EVALUATION

34. Review and evaluation of the Program proceeds along a number of integrated paths:

(i) AMEP Research and Evaluation Program

This program is designed to provide, through national research and evaluation projects, a sound basis for the administration of the AMEP, and to assist in the planning process and the design of courses. Important projects under this program include the community-based surveys of areas of high migrant density to identify English language needs.

(ii) Information Systems

- Considerable progress has been made toward the implementation of a comprehensive information system for the AMEP. Work to date includes identification and definition of information requirements concerning students, teachers, courses, accommodation and educational equipment. Extensive consultation has been carried out with State/Territory Authorities and tertiary institutions involved in the AMEP for the identification of system implementation options. The system is to be implemented in 1984.
- Parallel to the national information system project the detailed review and redesign of information collection procedures and administrative arrangements is being undertaken, commencing with the Victorian AMES. This project will ensure that the implementation of the national system can proceed smoothly when the development of software is completed.

- Financial systems are continuing to be developed in consultation with the States/Territories and tertiary institutions to meet audit and management needs of the AMEP. Appropriately qualified officers have been appointed by a number of States to service the financial management needs of the AMES.
- Information managers have been appointed in NSW and VIC to manage information collection, storage and distribution arrangements. Arrangements for the smaller States are being conducted in the context of the overall AMEP administrative requirements for those States.
- Information to flow from the arrangements outlined above will provide a solid basis for continuous review and development of the AMEP.

EDUCATION PLANNING AND DEVELOPMENT

34. Monitoring and evaluation arrangements have been set in place in respect of teacher/materials/curriculum development funded by the AMEP.

35. New approaches are separately funded under "program innovation" on an annual basis. A condition of funding is the requirement that all such new arrangements are fully tested and evaluated and that DIEA receives a report of each. Successful innovations are then incorporated into the main program in subsequent years.

36. As can be seen from the above, consultation, review and evaluation are an integral part of the AMEP, assisting the continuing refinement of the AMEP arrangement.

37. In general terms review and evaluation in the AMEP is a means of assessing:

- (i) the overall effectiveness of the program in meeting migrants' English language objectives;
- (ii) the extent to which individual learners meet their English language objectives;
- (iii) the extent to which particular learning arrangements meet their objectives;
- (iv) which types of learning arrangements best meet the English language needs of different groups.

38. Evaluation can be (and is) conducted at various levels:

- (i) At the State or local central level, evaluation assists in course planning and allocation of staff and resources; it can also help to indicate where further research needs to be undertaken to determine the best approaches.
- (ii) At the State and national level, evaluation of key elements of the Program provides the basis for meeting accountability requirements and for planning and providing the most effective set of arrangements.

MAJOR RECENT ACHIEVEMENT/DEVELOPMENTS

39. In recent years numerous important developments have taken place within the AMEP to meet the needs of migrants or to improve the general efficiency of the Program. Briefly:

- (i) On arrival in Australia non-English speaking migrants have an urgent need for basic information about their new environment. The provision of information in community languages to newly arrived migrants through the Bilingual Information Officer (BIO) program responds to this need economically and effectively. Some 41 full-time and 70 sessional BIOs, were engaged nationally covering over 20 community languages at 30 June 1983.
- (ii) Similarly, those people need to be able to communicate in English about everyday matters. The provision of "survival" English language courses meets this need. The number of students catered for by this arrangement has risen from 3050 in 1977/78 to an estimated 19,000 in 1983/84.
- (iii) The Consultation with the States across the range of administrative and educational issues is essential to the efficient and effective running of the program. The establishment of a national Joint Commonwealth States Consultative Committee to deal with both education and administrative aspects of the program is proving effective in this regard.
- (iv) Information about the operations of the AMEP has been less readily available than is necessary for the effective development and management of the Program. Improvements

have been made in arrangements for the systematic collection of statistics and major steps taken towards a computerised AMEP information system which has been under discussion with the States since late 1981. Consultants have completed the preparation of specifications for the system.

- (v) Knowledge of the extent and nature of the resources needed to provide for all migrants who need to improve their English has been inadequate. The development of an Effective Demand Model is being undertaken to achieve a better understanding of the extent of Migrant English language needs and the allocation of resources to meet these needs. It attempts to bring together the results of the research studies, Census details and other available information systematically to allow forecasting of the services to be provided by the AMEP in most effectively fulfilling its aims.
- (vi) For many people in suburban locations, as well as for those in remote areas, formal English language courses are not appropriate learning arrangements. The latest insights into language learning, coupled with the experience gained by tertiary institutions in recent years in providing distance learning courses for adult learners, provide the basis for a viable alternative. The preparatory work for the development of a new distance learning or correspondence course in English as a Second Language is now well advanced. A syllabus has been developed and the senior staff for the project have been selected. They will work on the project over the next 12-18 months with a team of writers supported by artists, specialists in the presentation of publications, and staff who will produce the audio tapes to supplement the written material. The course will provide for a close link with the home tutor scheme.
- (vii) A survey of distance learning arrangements for second language acquisition including TV, Radio and other media, in the USA, Canada, UK and Western Europe was carried out at first hand during 1983 and will provide a sound basis for much of the planning and development of distance learning arrangements to take place in 1984.

- (viii) Determining the level of language proficiency of second language speakers is an essential component of a planned and effective program of language learning. It is a complex and difficult issue which has been grasped by the Joint Commonwealth States Committee, leading to the development of the Australian Second Language Proficiency Rating (ASLPR) for assessing language proficiency. A comprehensive package including a series of videos has been prepared to train users.
- (ix) The preparation of materials for students and teachers is carried out on a decentralised basis with teachers at the local centre and State level contributing their skills and insights to the development of a range of highly effective materials. To enable these materials to be shared nationally (thus maximising the benefit to the students on the Program and making the most effective use of resources) a Clearing House for the Adult Migrant Education Service (CHAMES) has been established. The Clearing House is based in Adelaide from where it arranges the exchange of materials. Plans have been formulated for extending and upgrading the arrangement in 1984/85.
- (x) A fundamental tenet of the Program is that the needs of individuals will be catered for. However at the time of the Galbally Report the nature of the needs was little known. The development of a comprehensive research and evaluation program is now helping the identification of the extent and nature of students needs. This is increasingly providing a sound basis for the administration of the AMEP, and assisting in the planning design of arrangements for learning.
- (xi) There has been a major increase in the number of people for whom the Program provides. For example the number of enrollees in all courses and learning programs has grown from 105,035 in 1977-78 to an estimated 120,000 in 1983/84. There has been an accompanying increase in the provision of educational accommodation.

- (xii) The quality of teaching in the Program is of a generally high standard. However the employment of a preponderance of casual teachers has produced some drawbacks. For example staffing has been less stable than in areas of higher permanency with the consequent loss of experienced and well qualified staff. The problem is now being overcome with a major increase in the proportion of permanent teachers employed by the Program. Government policy is to provide for up to 65% of teaching hours to be delivered by permanent teachers with effect from early 1984.
- (xiii) The natural desire of many adult learners to have control of their own learning programs is the basis for the successful establishment of self-access centres; resourced and equipped in such a way as to allow migrants to pursue learning activities independently and to practice particular language skills at times convenient to themselves.

STATISTICS

40. ADULT MIGRANT EDUCATION PROGRAM

(a) Expenditure on Program
(excluding building and capital works)

	\$		\$
1982-83	36,627,119	1978-79	17,989,810
1981-82	32,241,697	1977-78	12,420,249
1980-81	28,773,040	1976-77	8,821,174
1979-80	23,342,349	1975-76	8,094,295

(b) Student Enrolments

	1982/83 Enrolments	1983/84 Enrolments (estimated)
Courses for New Arrivals	18,965	19,000
Courses for Earlier Arrivals	74,439	74,500
Courses in the Workplace	4,028	4,400
Distance Learning Arrangements	7,147	7,100
Self Access Centres	6,655	9,500
Home Tutor Scheme	<u>5,277</u>	<u>5,500</u>
TOTALS	<u>116,511</u>	<u>120,000</u>

PART B

The Auditor-General's Report has provided an important stimulus to reviewing all existing instructions and procedures. The Report coincided with preparation of new handbooks and was therefore especially timely. Issues identified in the Auditor-General's Report are set out below, with the Department's comments. (The issues raised in the Report are set out in upper case).

COMMONWEALTH/STATE AGREEMENTS

41. NEW AGREEMENTS HAVE NOT BEEN ENTERED INTO WITH THE STATES

Comment

An agreement has now been accepted by three States: South Australia, Western Australia and Tasmania, and with the Northern Territory. Some matters remain to be resolved in consultation with the other States. In the case of NSW and Victoria, the issues are ones of detail, and there is accord in respect of the balance of the provisions in the new agreement. In the case of Queensland there are more fundamental issues relating to the extent of State autonomy in the management of the Program. It should be emphasised that although these difficulties exist substantial agreement has been reached on the financial framework of the Program with these States.

COURSES PROVIDED BY THE STATES

42. THE PROGRAM WOULD BE FURTHER STRENGTHENED BY THE DEPARTMENT PROVIDING FORMAL APPROVAL TO INDIVIDUAL COURSES, AND REQUIRING EVALUATION OF COURSES ON A REGULAR BASIS.

Comment

The review and evaluation of individual courses is carried out by the States. The Commonwealth role is to coordinate such activities at the national level.

The Commonwealth coordinates, reviews and evaluates activities through and with the assistance of the Joint Commonwealth/States Committee and its sub-committees.

More detailed arrangements are being developed for reporting by the States to assist the assessment of the effectiveness of courses against Program objectives. These arrangements will be further strengthened by the introduction of the AMEP Information System.

A number of problems and disadvantages would flow from the Department attempting to undertake formal approval of individual courses:

It is contrary to established practice in other education areas - for example the Technical and Further Education Council does not approve individual TAFE courses.

The States could be expected to see this approach as unnecessary and inappropriate intervention by the Commonwealth, and to resist strongly.

The examination and approval of more than 5,000 courses annually would require a large number of appropriately qualified professional staff to be employed by the Commonwealth.

The State Education authorities, as the local managers of the Program, have access to more detailed local information about student needs. Transfer of the role of individual course approval to the Commonwealth would be most unlikely to improve the quality of such decisions and would remove from the States the onus of ensuring that decisions on new courses were soundly based.

Evaluation of the effectiveness of the AMEP can be achieved more effectively and economically by:

the setting of objectives, agreed by the Commonwealth and States/Territories.

a clear division of responsibilities between the Commonwealth and States/Territories with detailed Program implementation falling to the States, and, national planning, evaluation and coordination residing with the Commonwealth.

monitoring and evaluation of day to day Program arrangements by the States, with adequate arrangements for keeping the Commonwealth informed to enable outcomes to be assessed against the objectives.

STUDENT ELIGIBILITY

43. PROCEDURES WERE NOT EVIDENT WHICH WOULD ENABLE THE DEPARTMENT TO ESTABLISH WHETHER PEOPLE ATTENDING COURSES WERE ELIGIBLE UNDER THE IMMIGRATION (EDUCATION) ACT.

Comment

The procedures are now set out at paragraph 1.5.1 and 1.5.2 of the AMEP Handbook. The Handbook quotes the Immigration (Education) Act 1971 as the basis for establishing eligibility. For those AMEP students who receive living allowance, residence status is ascertained by DIEA officers in the course of dealing with the claim for living allowance. This includes people on courses for new arrivals and other courses.

For other students the assessment of resident status is made on the basis of information provided in the application for entry to a course. Where doubts exist as to eligibility, the application is referred to DIEA for decision.

PAYMENT OF LIVING ALLOWANCES

44. THE AUDITOR-GENERAL SUGGESTED THAT ADVICE BE SOUGHT FROM THE ATTORNEY-GENERAL'S OFFICE AS TO THE NEED FOR REGULATIONS IN RELATION TO THE PAYMENT OF LIVING ALLOWANCES.

Comment

The Attorney-General's Department has now advised that regulations are appropriate as a basis for payment. Accordingly steps are being taken to arrange for the preparation of regulations. (However, it should be noted that payments have been in accordance with Government decisions and appropriations made each year. The Living Allowances have been clearly identified in the Department's explanatory notes.)

FINANCIAL REPORTING TO THE DEPARTMENT BY STATE AME UNITS

45. THE AUDIT IDENTIFIED INCONSISTENCIES AND INADEQUACIES IN THE FINANCIAL REPORTS RECEIVED BY THE DEPARTMENT FROM THE STATE ADULT MIGRANT EDUCATION UNITS.

Comments

As outlined above, accounting and expenditure planning procedures have been revised and provide a simplified approach to the financial management of the program. The procedures include a broadly specified Chart of Accounts and standardised submission requirements and reporting formats. The new arrangements are expected to be fully implemented by the end of 1983/84.

The provision of certificates (not received from Victoria for 1981/82 and 1982/83 at the time of the audit) have now been arranged. The certificate for 1982/83 has been provided and that for 1981/82 is being prepared (some difficulties have been encountered by Victoria because the information required by the Commonwealth did not match readily with State records and because of staffing and system changes. However the arrangements which are now in place have overcome the earlier difficulties).

46. ESTIMATES OF EXPENDITURE FOR A NUMBER OF TERTIARY INSTITUTIONS WERE NOT RECEIVED BEFORE THE PROGRAM ESTIMATES WERE SUBMITTED TO THE DEPARTMENT OF FINANCE.

Comment

Funding levels are determined by the Commonwealth in the context of the Annual Budget on the basis of information on costs provided by the States/Territories and tertiary education institutions. The arrangements provided by

these institutions are contractually based, i.e. the initiative belongs to the Commonwealth and not to the institutions. The AMEP Handbook (which has been prepared to supplement the new Agreement with the States on the AMEP) includes a specified expenditure planning arrangement.

BUDGETING OF PROGRAM EXPENDITURE

47. PROGRAM ESTIMATES WERE PREPARED ON A DIFFERENT BASIS TO THAT USED BY THE STATES - THE STATES HAD NOT BEEN ADVISED OF THE CHANGE IN BASIS.

Comment

The previous Government had decided, following the Review of Post Arrival Programs and Services to introduce a funding formula for courses to be provided for new arrivals. The decision was reached in July 1982 and details were relayed to all State Governments.

Detailed discussions were held between the Department and all States/Territories. The Assistant Secretary, Education Branch, visited all States/Territories to discuss with respective State Departments the nature and impact of the changes then proposed. These changes were then confirmed to each State/Territory by letter.

48. THE PROGRAM BUDGET FOR 1982/83 HAD NOT BEEN FORMALLY ALLOCATED TO THE REGIONAL OFFICES.

Comment

Planning of expenditure nationally and through regional offices is undertaken by the Education Branch. Regional offices are advised of expenditure planning decisions and participate in discussions between respective State departments and the Education Branch.

A detailed statement of notional expenditure limits is provided to the respective regional office on the basis of Program arrangements established for each State/Territory.

Regional offices had been provided, in discussions, with details of the basis of allocations for 1982/83. Warrant advice (authority for expenditure) was provided to all regional offices in early July 1982.

GUIDELINES/PROCEDURES

49. WEAKNESSES WERE CONSIDERED TO EXIST IN CERTAIN GUIDELINES SEEN DURING THE AUDIT REVIEW.

Comment

The guidelines referred to (except for the guidelines on ownership of property used by tertiary institutions which is covered at paragraph 51 below) have now been revised and incorporated into the AMEP Handbook. (See attached copy). The weaknesses noted by the Auditor-General have been rectified in the following paragraphs of the Handbook:

student eligibility criteria:	Para's 1.5.1-1.5.2
course assessment and approval instructions:	" 6.1-6.6
submission of financial data:	" 12.1-13.3.4

PROGRAM REVIEW AND EVALUATION

50. THE LACK OF INFORMATION AVAILABLE CENTRALLY SUGGESTED THAT THE DEPARTMENT WAS NOT IN A POSITION TO EVALUATE THE PROGRAM EFFECTIVELY.

Comment

The Department has undertaken the development of an Information System for the AMEP. This work has been undertaken in close consultation with the States and has included the services of external consultants. A computerised system is expected to be operational in 1984.

Further developmental work is being undertaken in the area of measurement of language gains. Detailed consultation is being undertaken with the States on the development of evaluation arrangements to assess the effectiveness of Program learning arrangements.

AGREEMENTS WITH TERTIARY EDUCATION INSTITUTIONS

51. THERE ARE NO FORMAL AGREEMENTS WITH TERTIARY INSTITUTIONS. DIEA WAS UNABLE TO READILY LOCATE EXCHANGES OF CORRESPONDENCE WITH TERTIARY INSTITUTIONS. SOME TERTIARY INSTITUTIONS APPARENTLY REGARDED PROPERTY PROVIDED BY THE COMMONWEALTH AS THEIR OWN.

Comment

Exchanges of correspondence concerning program agreements with each institution are recorded on file. The Department of Finance has confirmed that "an agreement need not be a formal legal document as such; an exchange of letters setting out the details of the conditions attached to the service for which payment is made would be sufficient". The Auditor-General has been advised and has acknowledged the adequacy of these arrangements. All tertiary institutions have acknowledged Commonwealth ownership of assets purchased from AMEP funds.

PART C

WITNESSES

51. The following officers of the Department may be called as witnesses if required:

Mr I. K Lindenmayer
First Assistant Secretary
Ethnic Affairs Division

Mr R.H. Ramsay
Assistant Secretary
Education Branch

Mr G. Chapman
A/g Director
Program Management and Support Services
Education Branch

Mr I. McNeil
Assistant Secretary
Finance and Services Branch

6 December 1983

DEPARTMENT OF IMMIGRATION AND ETHNIC AFFAIRS

Attachments A to D may be found on Joint Committee of Public Accounts File 1983/8, Part B.

DEPARTMENT OF IMMIGRATION AND ETHNIC AFFAIRS

Copies of the following documents may be found on Joint Committee of Public Accounts File 1983/8, Part B.

- . News release M 14/85 of 9 March 1985
 - Review of the Adult Migrant Education Program (AMEP)
- . Letter from the Department dated 25 March 1985 with supplementary information and attaching a copy of the annual AMEP guidelines for the States and the Northern Territory

JOINT COMMITTEE OF PUBLIC ACCOUNTS
Inquiry into the Auditor-General's Report
September 1983

Submission by the Department of Industry and Commerce

The following details are submitted in relation to specific matters raised in paragraph 15.1 concerning warehousing in the September 1983 Report of the Auditor-General.

1. Collection of Fees

The Auditor-General detected certain deficiencies in procedures for recording and collecting amounts payable to the Department in the States of Western Australia and New South Wales.

Both States have since instituted recording systems to ensure that all fees payable are received within the time specified by the Customs Act and Regulations.

Western Australia has instituted checks on calculations of pro-rata licence fees and has separated duties in the cash receipts area.

2. Warehouse Performance

The Auditor-General detected that within the New South Wales operations Investigation Officer assessment reports were not placed on Warehouse licensing files in every case. The Auditor-General suggested that assessment reports should be required in all cases and that they should contain a recommendation in respect of renewal of the licence.

New South Wales now assess all licenced premises from April each year prior to re-licensing and this assessment is attached to the company licensing file.

Central Office is currently developing a standard assessment report format for incorporation in all states.

3. Review of Fees

The Auditor General noted that fees had not been reviewed or revised since 1977 and that certain fees charged did not reflect the Department's cost recovery policy.

Licence fees were uplifted from 1 January 1983 although prior to this increase the level of fee had remained unchanged from 1 November 1977. The increased fee reflected movements in the Consumer Price Index since 1977.

A further review of warehouse licence fees is to be undertaken. On 12 December 1983 the Public Service Board indicated its agreement to the Department engaging a consultant to undertake an independent review of the basis for levying fees and to determine an appropriate quantum of fees. The review will canvass such aspects as the possibility of indexing licence fees and the recovery in full of costs incurred in the control and maintenance of the licenced warehouse system. It is expected that tenders for the consultancy will be called shortly.

4. Eligibility Criteria

Section 81 of the Customs Act provides that a Collector shall not grant a warehouse licence if the applicant for licence or an employee of the applicant who would participate in the management and control of the warehouse is not a fit and proper person to hold or participate in the operation of a warehouse licence.

The Auditor-General detected that within Western Australia and Queensland operations, security checks were not, in all cases, carried out in respect of this requirement.

Both States now carry out the required security check of key personnel in every instance.

Inspections of Warehouses

The Auditor-General raised queries in relation to:-

1. Risk Assessment

The Department is currently implementing a nationally co-ordinated risk management program in the area of warehouse control. The objectives of this program are:

- . Incorporation of clearly understood components.
- . Concentration on rating risks.
- . Flexibility in the allocation of resources.
- . Measurement of the results of all activities.
- . Uniformity of application.

Full details of this program have been provided to the Joint Committee in its examination into the Auditor-General's Efficiency Audit on the Collection of Excise and Deferred Customs Duties.

Trials of the program are currently being conducted in warehouses in New South Wales and Queensland it is proposed that this program be extended to all States in 1984.

2. Documentation

An integral part of the risk management program is uniform documentation which readily allows for the measurement of results. A standard risk rating form and an Investigation Officer's report form are being developed in conjunction with the New South Wales and Queensland trial programs with the intention that uniform documentation be introduced on a national basis.

3. Program of Inspections

The Auditor-General detected that the program for inspection of warehouses was in arrears in New South Wales and Western Australia.

The inspection program within Western Australia is now up to date and will be kept that way wherever possible. Where delays become unavoidable, revenue risk assessments will determine priorities for warehouse inspection.

New South Wales reviewed the progress of inspection programs in March 1983 and it was found necessary to introduce contingency check guidelines that were priority oriented mainly due to a loss in manpower with officers undergoing training in conjunction with the introduction of the Inspection concept throughout the Department. This revised inspection program is now substantially complete.

4. Storage of Goods

Customs Regulation 92(2) provides that no duty paid or free goods shall be received into any licensed warehouse without the special authority of a Collector. Permissions granted by a Collector contain certain requirements which must be adhered to by the permission holder in the storage of such goods.

The Auditor-General detected some instances within the New South Wales operation where the requirements for separate storage of dutiable, and duty paid or duty free goods in warehouses were not being fully adhered to.

Arrangements for the storage of duty paid and free goods under Custom Regulation 92(2) permission was examined by a Conference of Assistant Collectors Inland Services in December 1982. In accordance with the recommendations of that Conference programs have since been introduced by Collectors to ensure that permissions exist only in cases of demonstrated need and that attention is given to the receipt into warehouse of duty paid or free goods outside the terms of permissions issued under Customs Regulation 92(2).

5. Training of Inspection Officers

A standard Inland Revenue training program has now been introduced on a national basis. Each training course includes elements of investigation training and risk management techniques. Courses were run in Brisbane and Melbourne in November/December 1983. In 1984 6 further Inland Revenue Courses, 3 Alcohol Specialist Courses and 7 Petroleum Specialist Courses are programmed in various State Capitals. These courses will cater for officers from all States.

Other Matters

1 Internal Audit

Warehousing is programmed for Internal Audit in New South Wales, Victoria and South Australia in the 1983/84 Internal Audit Plan.

2. Customs Regulations

A working party to consider a general revision of the Regulations relating to warehousing comprising representatives from New South Wales, Victoria and Central Office has identified areas where it is considered Regulations are required or amendments are necessary. Before seeking appropriate legislative amendment proposed changes will be circulated to all State offices for comment.

3. Internal Check

The Auditor-General found that Internal Check programs were in arrears and deficient in certain areas in both the New South Wales and Western Australian operations.

In Western Australia Internal Check programs have been re-written to cover amended procedures and to provide for an evaluation of the effectiveness of systems and controls.

New South Wales is currently reviewing the programs in regards to basic philosophy and legislative foundation. The review will embrace the mechanics and appropriateness of the checks and address the level of Officer who is to perform each particular check.

4. Computer Controls

The Auditor-General has highlighted inherent deficiencies in Departmental Computer Controls, specifically in relation to the use of Warehouse Code File.

The Department's ADP redevelopment timetable allows for the incorporation of a "password" facility for "in-house users" in 1985.

Problems have occurred in some States in relation to rejection of entries and also with the manual raising of debit notes for the collection of the variable portion of warehouse licence fees. Central Office now supplies monthly to each State a printout of the Warehouse Code File which is used to cross check manual records.

Redevelopment currently being undertaken by the Systems Division of the Department, of the Warehouse Code File will act to alleviate the identified problems.

5. Movement of Goods

A Departmental Working Party established to review the overall operation of the underbond removal system including the scope for computer monitoring of underbond removals has further developed the Permissions Profile System as follows:-

- An ADP program has been developed for documentary control of undocumented cargo moving interstate.
- Minor clerical problems presently exist within the program and as a result the system is being evaluated for final proving.
- Once proven the priorities given for adding to the system are:
 - (a) Movement of undocumented cargo interstate
 - (b) Movement of undocumented cargo intrastate
 - (c) Movement of documented cargo (ie warehoused goods)

The Department has accorded a high priority to the development of this system.

Whilst the matters reported on by the Auditor General refer principally to warehousing operations within the States of New South Wales and Western Australia the report has been brought to the attention of all other States. Follow-up action will be initiated on a national basis to ensure review of those areas of operation identified in the report.

January 1984

JOINT COMMITTEE ON PUBLIC ACCOUNTS
INQUIRY INTO THE AUDITOR-GENERAL'S REPORT SEPTEMBER 1983
SUBMISSION BY THE DEPARTMENT OF PRIMARY INDUSTRY

COMPUTERISED ACCOUNTING SYSTEM

1. INTRODUCTION

- 1.1 The Auditor-General's Report of September 1983 referred to system deficiencies reported in September 1980 and went on to report that representations had been made to the Department regarding continuing delays in the implementation of an improved system for levies and charges and the need for reporting and other user requirements of the Investment Section to be enhanced:
- 1.2 This submission seeks to emphasise that
- (a) the deficiencies reported in the September 1980 Report were remedied by the Department immediately they were brought to notice
 - (b) there is no suggestion of inadequate internal control measures which would jeopardise levy collection or investment income
 - the object of the initiative to enhance the existing system is to improve the effectiveness of the computerised system, by streamlining processing procedures and minimising manual procedures, and
 - (c) while there were some early delays in enhancing the system due to unforeseen events, the Department has, during the past 12 months, been able to give it high priority and has taken positive and concerted action to implement more effective computerised systems in relation to all its financial management responsibilities.

2. BACKGROUND

- 2.1 The Department of Primary Industry currently collects 29 levies and charges and receives the proceeds of two taxes collected by the Taxation Office. Where required by relevant legislation, the Department disburses amounts equivalent to these collections to various Statutory Authorities and Trust Accounts.

- 2.1.1 Thirteen of these levies and charges are collected by the Central Office of the Department located in Canberra, seven are collected by Regional Offices of the Department, five others are collected by both Regional Offices and Central Office and four are initially collected by outside bodies on behalf of the Department and then forwarded to the Department.
- 2.1.2 Total estimated revenue from these levies, taxes and charges for the 1983/84 financial year is \$443,324,000 with \$408,029,000 requiring disbursement to various Statutory Authorities and Trust Accounts.
- 2.2 The Department is also responsible for the administration of 23 Trust Accounts, including the investment of funds surplus to immediate requirements from 21 of those Accounts.
- 2.2.1 Investments total approximately \$160m.
3. AUDITOR-GENERAL'S SEPTEMBER 1980 REPORTED DEFICIENCIES
- 3.1 The Auditor-General's Report of September 1980 referred to deficiencies in the Department's computerised accounting system which included the following
- . incomplete system and software documentation
 - . incomplete user and operator documentation
 - . absence of formalised contractual arrangements for engagement of software consultants
 - . lack of formal data input and error correction system
 - . absence of offsite storage of computer files, file control and back up facilities.
- 3.1.1. It was subsequently reported by the Auditor-General in his Report of March 1982 (and reiterated in his September 1983 Report) that the Department had taken the necessary remedial action to overcome the shortcomings.
- 3.1.2 The system at that time was undergoing some changes to meet new coding requirements in Department of Finance and to adapt it to enhanced hardware facilities. These changes were finalised in 1980.

4. PRESENT COMPUTERISED SYSTEMS

- 4.1 The computerised accounting system utilised by the Department for the levies and charges it collects in its Central Office in Canberra has been in use since 1977.
- 4.1.1 Since this system was first developed it has been progressively adapted and added to as requirements for new accounting facilities arise. For instance, 8 new levies and charges, new management reports and increased data storage requirements have been incorporated into the system. The system presently caters for 17 levies and charges which vary in their individual requirements relating to frequency of payment, lodgement of returns and calculation of levy due.
- 4.2 The Department in late 1980 recognised that a more effective levies system could be provided with several enhancements and additions.
- 4.2.1 In view of its piecemeal development, foreseeable system maintenance problems and developments in both programming methods and hardware facilities, it was not considered practicable to continue adapting the system already in use.
- 4.2.2 The Department thus initiated action to develop an improved levies computer system with the work being carried out partly by Departmental ADP staff.
- 4.3 The Department's computerised system for the recording and management of Investments of Trust Account moneys was initially developed in 1978 in conjunction with a creditors and Trust Account system. An update was carried out in 1980 to cater for changes to the Department of Finance ledger system. Since that time major changes have been made both in the range of types of investments made and in the manual procedures employed.
- 4.3.1 In December 1981 the Department commenced investing available Trust Account balances on a twenty-four hour call basis negotiated weekly. In August 1982 daily investments were commenced on the 11 am short term money market using pooled Trust Account balances.
- 4.3.2 These short term investments as well as some new forms of long term investments available to the Department, do not fall within the scope of the existing computerised facilities.

- 4.3.3 Major program changes and system development, as well as procedural changes, were recognised as being required to allow for the available system to accurately record all forms of long term investments, to record the short term investments in an accurate and timely manner and to provide for the necessary related reports and calculations. This would have involved considerable ADP staff resources.
- 4.3.4 At present the computerised investment system is used principally to maintain a register of long term investments on an individual Trust Account basis.
- complementary manual procedures which have been examined by the Auditor-General's office and where necessary altered to meet audit requirements, are in use in all areas not covered by the computerised system.

5. IMPLEMENTATION OF IMPROVED SYSTEMS

- 5.1 There were some unexpected early delays in progressing the implementation of improved computerised systems due to limited resources in the Department's ADP Section and the need to develop and implement new systems in response to unforeseen events. More specifically:
- 5.1.1 With the demise of the Mandata system the Department, having relied fully on this system for its personnel records, was obliged to implement its own Personnel and Establishment System.
- 5.1.2 A computer system to maintain a Foreign Fishing Boat register was required to facilitate management of the 200 mile Australian Fishing Zone established under the Fisheries Act. This was essential to meet the Department's responsibility in administering the Fisheries Act and to meet the Government's international obligations to fish resource management.
- 5.1.3 With its increasing word processing requirements, and the upgrading in word processing equipment, there were added workload pressures placed on the already stretched Departmental ADP Section.

5.1.4 Following the August 1981 meat substitution incident and subsequent Royal Commission into the Australian Meat Industry urgent development and implementation of computer systems was necessary to provide more effective control over meat exports which represent a significant export industry. Further, Australia's international credibility was in jeopardy.

5.2 Throughout the period since 1980 the Department has sought concurrently, to achieve two objectives. The first was to develop in an evolutionary way, to the extent practicable, computerisation of existing systems. The second was to respond to additional tasks occasioned by legislative and administrative developments which were unforeseeable but which, of necessity, had to be met.

5.2.1 Substantial work was carried out on the improved levies system to the extent that 75% of the programming requirements, and procedures have been completed.

6. RECENT DEVELOPMENTS

- 6.1 Development of the improved levies system and enhancement of computerised facilities for investments have now been incorporated into a broader computerisation strategy. The principal aspects which resulted in the broader strategy were the recommendations of the Joint Management Review of Administration of Rural Research and the recognition by the Department of a need for an integrated approach to computerisation of its financial systems.
- 6.1.1 In May 1982 a Joint Management Review (JMR) of Research Trust Accounts was proposed to the Public Service Board to examine administrative procedures including the investment of surplus funds. The proposal was approved and the JMR undertaken in the first half of 1983.
- 6.1.2 The report of the JMR was presented to the Public Service Board and the Department on 20 May 1983 and its recommendations relating to computerisation of investments is now being implemented, through the broader IFMS proposal referred to in paragraph 6.1.3 below.

- 6.1.3 In March 1983 the Department developed a new policy proposal and obtained funds for the 1983/84 financial year to investigate and implement an integrated financial management system (IFMS). This system is seen as having important management advantages and will not only encompass levies and investments which are being accorded the highest priority for development but also Trust Account administration, creditors, debtors, estimates, loans and human resources budgeting.
- 6.2 In order to expedite action on the proposal, the Department has employed the services of consultants, Touche Ross Services, to carry out the necessary investigative and implementation work. By adopting this course of action the types of delays previously experienced in implementing improved computerised systems will be avoided.
- 6.2.1 Touche Ross Services are due to present their proposals for the integrated financial management system (IFMS) on 12 December 1983. The implementation of the agreed proposal, which will be limited by the constraints of time and funds availability, is due for completion by the end of May 1984. Nevertheless it is planned that the agreed proposal will, at a minimum, satisfy the areas of concern expressed by Audit in respect of Levies and Investments.

7. SUMMARY

- 7.1 Whilst there were some early delays in implementing improved computerised systems in relation to levies and investments, these were mainly due to unforeseen and higher priority ADP commitments and against the background that there is no suggestion that the existing systems do not provide satisfactory control measures.
- 7.1.2 The original computerised levies system has continued to be utilised, with limited manual systems being required to complement it to ensure all necessary accounting controls are provided.
- 7.1.3 It maintains individual levy payer records of amounts of levy and late payment penalty payable and amounts paid and outstanding. It provides management reports which facilitate banking of moneys received and follow-up of outstanding returns and amounts. Statistical reports on moneys payable and collected and quantities declared are also available.

- 7.1.4 In relation to investments, the Department is continuing to concentrate its efforts on maximising investment earnings and until such time as the IFMS computerised system is available manual control and reporting procedures will be used in areas not serviced by the present computerised system.
- 7.2 During the past 12 months, the Department has been able to give high priority to the enhancement of its computer systems and has made considerable progress, including a Joint Management Review with the Public Service Board, a New Policy Proposal to investigate and implement an integrated financial management system, and the employment of external consultants, Touche Ross Services, to help expedite progress.
- 7.2.1 Present indications are that the proposed date of 12 December 1983 for submission of the IFMS proposal will be met and the Department is confident that the completion date for implementation, (31 May 1984) will also be met.

8. CONCLUSION

- 8.1 The Committee can be assured that the current momentum which has been developed in the past twelve months will be maintained. The Department is particularly committed to effective and timely implementation of the JMR and IFMS proposals which at a minimum will remove the basis for concern expressed by the Auditor-General. The highest priority in the implementation phase of the IFMS project is being accorded to the levies and investment systems and it is expected that these enhanced systems will be operating before 31 May 1984.

5 December 1983

DEPARTMENT OF PRIMARY INDUSTRY

A copy of a letter from the Department of Primary Industry, dated 1 April 1985, providing supplementary information may be found on Joint Committee of Public Accounts File 1983/8, Part B.

JOINT COMMITTEE OF PUBLIC ACCOUNTS
Inquiry into the Auditor-General's Report - September 1983
Submission by the Department of Territories and Local
Government

National Sports Centre
Statement Of Management Policy and Objectives

1. The National Sports Centre provides a wide variety of sporting facilities for training and competition purposes. The main client is the Australian Institute of Sport which is a company incorporated as a public company limited by guarantee under the ACT Companies Ordinance.

Management

2. The National Sports Centre is managed by the Department of Territories and Local Government and its principal functions are to provide -

- (a) priority of access to the Australian Institute of Sport for:
 - a) Resident coaching program
 - b) National Sports Training Scheme
 - c) Athletes from Developing Commonwealth Nations Scheme
- (b) competition venues for sports at international and national levels.
- (c) training facilities for teams under the National Sports Training Scheme.
- (d) a focus for national junior development and training programs where use of modern sports medicine facilities is especially important.
- (e) a venue for entertainment, conventions and rallies on a 'user pays' basis.
- (f) a focus for ACT sporting groups and, when appropriate, use by institutions and community groups.

Objectives

3. In managing the Centre, the Department endeavours to meet a wide range of objectives, in particular, the maximum use of all facilities.

4. Whilst assuring priority access for the Australian Institute of Sport, the Centre management is concerned that the multi-purpose complex is used by as many sporting groups as possible, particularly at national and international levels. Experience has shown that the Centre has great potential for a variety of entertainment ventures. Pop concerts, a grand opera, a world-class equestrian tournament and a circus have featured in the calendar of events.

5. By offering facilities unmatched elsewhere in Canberra, the Centre has great appeal for commercial entertainment, providing significant opportunities to offset operating costs. These opportunities will increase as additional training areas are completed, freeing major spectator venues for other uses. However, even the specialist training areas, when not required by the Institute, can be promoted for a range of uses and thus earn revenue.

Facilities

6. The National Sports Centre comprises:

- (a) National Athletics Stadium (completed 1977) catering for athletics, major team sports and outdoor concerts.
- (b) National Indoor Sports Arena (completed 1981) catering for basketball, tennis, some olympic sports, indoor concerts and other activities.
- (c) Specialist Training Facilities (completed progressively) comprising:
 - (i) outdoor floodlit grass oval with provision for two soccer training pitches;
 - (ii) outdoor netball, tennis and athletics field events arena;
 - (iii) indoor gymnasium and warm-up hall with safety pit;
 - (iv) swimming hall including 50m and 25m pools;
 - (v) tennis hall with four plexicushion courts.
- (d) Sports Medicine Facilities comprising fully equipped sports science laboratories in the Stadium to cater for AIS athletes. (These facilities are currently accommodated in the grandstand of the Athletics Stadium).

Future Development

7. The Works Program for completion during 1984 involves:

- (i) an outdoor synthetic surface suitable for international hockey or soccer training with provision eventually to accommodate up to 8,000 spectators;
- (ii) weightlifting competition theatre and training hall with adjacent changerooms (public and Institute teams) for the new specialist training facilities;
- (iii) a five court training hall with timber floor suitable for three basketball and two netball courts.

8. The National Capital Development Commission has prepared a conceptual master-plan providing for the Centre's possible future development, including:

- (i) administration wing for the Institute Director and staff
- (ii) building for sports medicine/sports science facilities
- (iii) accommodation for 300 sports students
- (iv) cafeteria
- (v) library and conference facilities

Auditor-General's Findings

9. In paragraph 20.3 of the Auditor-General's Report of September 1983, he commented upon various aspects of the financial operations of the National Sports Centre. The Department's comments are:

(a) Written Procedures

The Department has conducted a detailed investigation into the financial and accounting arrangements of the Centre. This investigation indicated the strong need for the Centre's financial operations to be placed on a more appropriate basis to enable the entrepreneurial and promotional objectives of the Centre to be fully supported. The proposal involves the establishment of a Trust Account and negotiations are proceeding with the Department of Finance with this aim in view. Such a system will enable the Centre's management to achieve the flexibility to maximise utilisation of the facilities in competition with other entertainment centres

around Australia - Perth, Melbourne and Sydney rather than having to operate on the present 'bare walls' policy whereby the facilities are handed over to a Promotor/Entrepreneur who is responsible for all services (ticketing, ushering, payment to contractors etc). Pending a final decision on the proposed introduction of a new system, the Department decided not to allocate scarce resources to the preparation of detailed written procedures. In the interim the Centre is operating in accordance with the requirements of the Finance Manual supplemented as necessary by specific advice to meet the particular operations at the Centre in relation to revenue collection and hiring agreements.

(b) Assets

Procedures have been introduced to reinforce the security over the Centre's assets as follows:

- (i) locked gates have been installed to safeguard weightlifting equipment.
- (ii) the integration of micro-wave alarm systems and electrically locking doors throughout the Centre's present and future buildings is being undertaken in consultation with the National Capital Development Commission.
- (iii) Stadium turnstiles are being upgraded as part of works for the 1985 International Amateur Athletics Federation World Cup 4.
- (iv) all assets have now been accounted for in the annual stocktaking and the assets register has been updated.

(c) Hire Agreements and Charges

All hirings other than by the Australian Institute of Sport are recorded in the hirings register. As the amount payable by the Institute is based upon a fixed annual assessment it is not deemed necessary to record individual hirings by the Institute.

The Department is proceeding to finalise a formal agreement with the Australian Institute of Sport. However the absence of such an agreement has in no way affected alternative use of the facilities.

It has always been agreed between the Australian Institute of Sport, the Department of Sport, Recreation and Tourism (and its predecessor) and the Department of Territories and Local Government that the Institute would pay on the basis of the

use it makes of the facilities at the National Sports Centre based upon an annual forecast of that use. This has been the practice since the Institute commenced operation in January 1981 and charges have been as follows:

1980/81	-	\$105,000
1981/82	-	\$250,000
1982/83	-	\$350,000
1983/84	-	\$600,000 (estimated)

As set out above it has been the policy of the Department to maximise use of facilities at the National Sports Centre. However Australian Institute of Sport training and coaching requirements must of necessity be changed at short notice at times, and similarly teams often are absent from Canberra at competitions, again sometimes at short notice. In these circumstances it is not always possible to put the facilities to alternative uses but despite this non-Institute use has grown consistently since 1981.

(d) Revenue

The collection of revenue at the Centre is now in line with the procedures adopted throughout the Department. In particular this applies to the lodgement of a statutory declaration of gate receipts by hirers. In addition, the Centre's staff work overtime to check turnstile readings or box office sales for events held at the National Sports Centre. (The establishment of a Trust Account to enable the Department to move from its current 'bare walls' policy would alter these checking requirements).

(e) Sundry Debtors

The Sundry Debtors ledger is regularly reviewed with a particular emphasis on identifying tardy debtors. Consequent recovery action in accordance with approved Departmental procedures and where necessary in consultation with the Deputy Crown Solicitor's Office is being vigorously pursued. This action has resulted in the settlement of a number of outstanding accounts and action on other accounts is continuing.

2 December 1983

JOINT COMMITTEE OF PUBLIC ACCOUNTS
Inquiry into the Auditor-General's Report - September 1983
Submission by the Department of Territories and Local Government

ADDITIONAL SUBMISSION

Responses to Questions posed in Memorandum 1983/8 of
20 January 1984 from the Committee

1. WRITTEN PROCEDURES

(a) Question : Provide details of the proposed new financial and accounting arrangements including progress to date on the implementation of these arrangements.

Answer : As advised in the Department's submission of 2 December 1983, approval was sought from the Department of Finance for the establishment of a Trust Account. In a memorandum of 3 February 1984 the Department of Finance has rejected that proposal. It is intended to pursue this matter further as, in the opinion of this Department, a Trust Account would provide management with a more effective control for matching expenditure against revenue. Development of detailed accounting procedures for the operation of such a Trust Account has been deferred pending approval in principle. However, the Department operates a number of other Trust Accounts and there will be substantial similarity in many of the existing financial and accounting procedures. This will expedite the development of procedures for the account should approval be granted.

In the interim, the Department has issued detailed financial procedures, including procedures for the collection of revenue, which cover all aspects of the operation of the Centre. A copy of the procedures is at Attachment 1. Expenditure control is maintained in the normal manner through the budgetary process, the requirements of the Audit Act, Finance Regulations and Directions.

(b) Question : Are written instructions being prepared for use in conjunction with new procedures?

Answer : See above answer.

2. HIRE ARRANGEMENTS

(a) Question : Provide details of hire arrangements with parties other than the Australian Institute of Sport.

Answer : At present the Department has a "bare walls" hiring policy which gives all responsibility to the hirer for production costs and admission and other receipts. The calculation of National Sports Centre hiring charges is based on a percentage of gross receipts or a minimum charge, whichever is the greater. Hirers are required to enter into a formal contract with the Centre for the hire of facilities.

A copy of the standard contract and of the schedule of fees and charges that are levied are at Attachment 2. These fees and charges are reviewed annually and approved by the Minister for Territories and Local Government.

(b) Question : Are there any formal agreements with hirers other than the Australian Institute of Sport?

Answer : Yes. All hirers are required to enter into a standard contract as mentioned at 2(a) above.

(c) Question : Are charges with other hirers clearly established and how are rates determined?

Answer : Yes. Charges are listed in the publication "Fees and Charges - Department of Territories and Local Government". The relevant extract is shown at Attachment 2. Charges are determined having regard to costs of operating the facilities and comparable charges elsewhere. The Schedule of Charges is reviewed annually and approved by the Minister for Territories and Local Government.

(d) Question : Reasons for the failure to conclude a satisfactory agreement with the Australian Institute of Sport.

Answer : The then Department of the Capital Territory recognised the importance of reaching an agreement with the Australian Institute of Sport as early as May 1980. It raised the matter with the then Department of Home Affairs. Following detailed discussions between the Institute, after its establishment, and the Departments of Finance, Home Affairs and the Capital Territory, a draft agreement was forwarded to the Executive Director of the Australian Institute of Sport on 30 October 1981.

Since the forwarding of this agreement there has been considerable discussion and correspondence between the Department and the Institute about various provisions in the agreement. The principal difficulties associated with finalising an agreement have been:

- . the problems arising from the new and unique nature of the Institute and of the Centre itself, including the rapid development of a range of diverse facilities;
- . the resolution within an agreement of competing demands for facilities between the training requirements of the Institute and the needs of the community;
- . the financial relationship between the Institute and the Department, particularly the basis on which the Institute is charged for its use of the facilities; and
- . the resolution by Government of the objectives and future development of the Institute.

Following recent discussions between this Department, the Department of Sport, Recreation and Tourism and the Institute, a revised agreement has been prepared and forwarded to the Institute for consideration. This agreement moves away from the concept of a lease between the Department and the Institute to an agreement covering the use of the facilities by the Institute. A copy of this agreement and relevant correspondence is at Attachment 3.

It must be pointed out that the absence of an agreement with the Institute has not resulted in the loss of income or diminished the use of the facilities at the Centre by other groups and the community.

(e) Question : Provide details of multiple use of the facilities of the National Sports Centre.

Answer : To assist the Committee in understanding the multiple use of the facilities at the Centre, Attachment 4 provides details of:

- . the use of the facilities by the sports training program of the Australian Institute of Sport; and
- . the use of the facilities by other organisations for a selected week in November 1983.

Complete details of all users of the Centre are available should this be required.

3. REVENUE

(a) Question : Provide details of current procedures for collecting revenue.

Answer : See Attachment 1.

(b) Question : Are the statutory declarations of gate receipts by hirers always received?

Answer : Yes. Statutory declarations by commercial hirers are systematically sought and received except when hirers settle up immediately at the cessation of an event at the agreed level of charge. When this occurs, an officer of the Centre is present during the collation of used and unused tickets and the establishment of debt.

Statutory declarations by community hirers are systematically sought but are not pursued when the percentage of gross receipts is less than the minimum hirer deposit already paid.

(c) Question : Provide details of how the proposed new accounting procedures will affect the collection of revenues.

Answer : Under a Trust Account, the Department would be able, using its own staff, to collect all revenue and reimburse the hirer without the necessity of paying all revenue into the Consolidated Revenue Fund and paying all reimbursements by way of appropriation. The present policy, whereby hirers collect the revenue and subsequently pay the required charges to the Department is a less satisfactory way of achieving the same end.

4. SUNDRY DEBTORS

(a) Question : Provide details of outstanding debtors and the mechanisms for recovery of debts.

Answer : Details of outstanding debtors as at 2.2.84 are shown in Attachment 5. Procedures for the recovery of debts owing to the National Sports Centre are in line with procedures elsewhere within the Department whereby recovery of unpaid accounts is carried out in line with a predetermined ledger review program.

Specifically, action is taken in respect of all outstanding accounts during each review. Steps followed are:

- (a) If the debt is unpaid at the due date for payment a first reminder letter is sent.

- (b) If by the next review, the debt is still outstanding, a second reminder letter is sent. Special collectors may be used to check addresses and to serve legal notices.
- (c) If by the next review, the debt is still outstanding, the account is referred to the Deputy Crown Solicitor for recovery action.

There is an agreement between the Deputy Crown Solicitor's Office and the Department regarding payment of debts by instalments.

13 February 1984

DEPARTMENT OF TERRITORIES AND LOCAL GOVERNMENT

Attachments 1 to 5 may be found on Joint Committee of Public Accounts File 1983/8, Part B.

DEPARTMENT OF TERRITORIES AND LOCAL
GOVERNMENT

A copy of an agreement between the Australian Institute of Sport and the Commonwealth, signed in June 1984, may be found on Joint Committee or Public Accounts File 1983/8, Part B.

JOINT COMMITTEE OF PUBLIC ACCOUNTS

Inquiry into the Auditor-General's Report 1982-83
Submission by Department of Transport concerning the
Tasmanian Freight Equalisation Scheme

1. Auditor-General's Report

1.1 The Auditor General's Annual Report, tabled in the Parliament, in September 1983, raised in paragraph 22.2 various matters regarding his officers' audit of the Tasmanian Freight Equalisation Scheme (TFES). Audit's findings were brought to the attention of the Department's Assistant Director in Tasmania in a letter dated 22 December 1982 and included the following:

- (i) procedures within the Department should ensure that goods receiving northbound freight assistance are not subsequently exported from the mainland thereby becoming ineligible for assistance
- (ii) satisfactory stocktaking methods have not been adopted by the Department to verify physically quantities and descriptions of goods shipped from Tasmania
- (iii) risk assessment adopted for checking claims should be based on an evaluation of the claimants' systems and internal controls in addition to the current criteria of materiality and error rate
- (iv) working papers prepared by departmental field officers should record the basis of selecting claims for check and should record all tests performed.

1.2 The Auditor-General's report acknowledged the Department's response regarding items (iii) and (iv) above. The report also acknowledged the difficulties involved in the detection of abuses of the scheme with regard to item (i) above but considered the Department should give further consideration to the problem.

2. Policy and Objectives of TFES

2.1 On 1 July 1976, following the findings of the Royal Commission of Inquiry into Transport to and from Tasmania (the Nimmo Commission), the then Commonwealth Government introduced the TFES to compensate Tasmanians for their freight cost disadvantages because of their lack of access to interstate road and rail transport. The scheme provides assistance on consignments of specified commodities shipped northbound from Tasmania as well as raw materials and equipment shipped from the mainland for certain Tasmanian industries.

2.2 Over the past seven years, various anomalies have surfaced in the scheme. The Government has acknowledged that a review of the scheme is overdue and is now proposing to refer the scheme to the Inter-State Commission (ISC) as its first task. The terms of reference are currently being prepared and before these are referred to the ISC the Minister for Transport has indicated his intention to consult with the Tasmanian Government and industry. The ISC is expected to commence its public investigation of the TFES in early 1984.

3. TFES Administration

3.1 The day-to-day administration of the scheme is the responsibility of the Department's Assistant Director in Tasmania. All enquiries regarding the scheme as well as the receipt and payment of claims take place in, or are arranged by, the Hobart Office. The equivalent of ten people in the Hobart Office are engaged full time in the administration of the scheme. The equivalent of three people are engaged on a similar basis in the Department's Central Office.

3.2 The northbound portion of the TFES currently lists 82 commodity groups as being eligible to receive TFES assistance. Additional commodities may be added from time to time by the Minister for Transport after consulting with the Minister for Finance. Central Office staff are responsible for investigating applications for the inclusion of northbound commodities. The level of the freight cost disadvantage for new items is assessed by the BTE.

3.3 Under the southbound portion of the TFES, rates of assistance are set for generalised items e.g. general cargo, refrigerated cargo, rather than for specific commodity groups. This procedure was implemented because of the wide range of raw materials and equipment eligible for southbound assistance. To receive southbound assistance manufacturing and mining industries are required to register themselves with the Department and accordingly raw materials and equipment are registered on an individual company basis. Primary producers are not required to undergo these registration procedures. The southbound portion of the TFES is administered wholly by the Department's Tasmanian office and only matters relating to policy issues are referred to Central Office for consideration.

3.4 Assistance is provided by way of direct payment to the persons who incur the costs of carriage of eligible cargoes. The consignor is the claimant if he pays the freight. Where cargo is consigned on the basis of the consignee paying the freight charges, the consignee will be the claimant.

4. Administrative Developments

4.1 Following the audit of the TFES, the Department has provided advice to the Auditor-General's office on the four items raised in the Auditor-General's Annual Report listed in paragraph 1.1 above.

4.2 Item (i) The Department's claim processing and checking procedures, together with field inspection checks, which apply to all claimants, are designed to identify those cases where a direct overseas consignment occurs. These routine procedures have enabled the detection of a small number of cases. All assistance paid on such ineligible shipments has been recovered. However, identifying goods which are consigned to the mainland and in a separate transaction later exported is a more difficult proposition. The Department has taken action to identify problems in this area, particularly when the parties to a transaction sell in both the export and domestic markets. For example, Tasmanian apple exports from mainland centres have been monitored as have Tasmania's interstate apples shipments. However these checks have been inconclusive owing to the practice of placing stocks in cool storage for sale at a later date.

4.3 As a result of the Auditor-General's comments, the Department instituted during November a program of "consignment tracking" on the mainland to assess the final usage of a selected sample of consignments. When sufficient information has been gathered, an assessment of the effectiveness of this program will be undertaken.

4.4 Item (ii). It is a basic condition of the scheme that assistance is paid only after cargoes have actually been shipped and the freight payments made. A further complicating factor is that there is no time limit within which claims must be lodged. In the past some attempts have been made to undertake physical stocktaking where specific problems have been identified. Because of the difficulties in reconciling details when claims are lodged, the only practicable and cost effective way to identify whether the quantities and descriptions of goods are accurate is through routine claims assessment procedures and field inspections.

4.5 Item (iii) With regard to the development of the field officer inspection program and the selection of claimants and claims to be checked, the Department utilizes a method based on risk assessment. In determining the degree of risk, the number and types of errors on claims as well as observations from field officers' visits to claimants are taken into consideration. In addition

2.2 Over the past seven years, various anomalies have surfaced in the scheme. The Government has acknowledged that a review of the scheme is overdue and is now proposing to refer the scheme to the Inter-State Commission (ISC) as its first task. The terms of reference are currently being prepared and before these are referred to the ISC the Minister for Transport has indicated his intention to consult with the Tasmanian Government and industry. The ISC is expected to commence its public investigation of the TFES in early 1984.

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4.5 Item (iii) With regard to the development of the field officer inspection program and the selection of claimants and claims to be checked, the Department utilizes a method based on risk assessment. In determining the degree of risk, the number and types of errors on claims as well as observations from field officers' visits to claimants are taken into consideration. In addition

to the criteria of materiality and error rate the Department takes into account a company's accounting systems and internal controls as proposed by the Auditor-General. Over the years, the Department has found a direct correlation between the number and types of errors and poor company systems and controls procedures.

- 4.6 Item (iv). It is accepted that field officers' reports should record the basis of selecting claims for check and should record all tests performed. Action has been taken to ensure such matters are recorded. The present method of selecting claims to be checked by the field officers allows for a subjective judgement of the field officer on what he considers are the most appropriate claims to be checked. Despite this the Department recognises the merits in an independent selection of claims being investigated. As a result, while some claims to be checked will continue to be selected by the field officers, others will be selected independently by other officers.

5. Conclusion

- 5.1 As a result of the findings in the Auditor-General's Annual Report, the Department has introduced some revised procedures. These should improve administration of the TFES and satisfy the Auditor-General's concern. The new procedures are being monitored to assess their effectiveness.
- 5.2 The Government has announced that the TFES is to be reviewed by the Inter-State Commission as its first task. This will be a substantial inquiry and will be public and independent. Consequently the Joint Committee might wish to take this into account in determining whether a separate and concurrent investigation is desirable.

1 December 1983

JOINT COMMITTEE OF PUBLIC ACCOUNTS
INQUIRY INTO THE DEPARTMENT OF THE TREASURY
SUBMISSION ON EXPENDITURE IN EXCESS OF WARRANTS OF THE
GOVERNOR GENERAL

(Paragraph 2.3.1 of the Auditor-General's Report for the year ended 30 June 1983 refers)

The three instances of expenditures have been investigated and the following comments are provided.

QANTAS - REPAYMENT OF LOANS (PRINCIPAL)
 AUSTRALIAN NATIONAL AIRLINES COMMISSION - REPAYMENT OF LOANS (PRINCIPAL)

BACKGROUND

In respect of the loan repayments concerned, Qantas and the Australian National Airlines Commission are required (under the terms of the respective on-lending agreements between the Commonwealth and the two authorities) to pay to the Commonwealth - in advance - amounts equivalent to the Commonwealth's repayment liability. The repayments which are the subject of this submission were made by the Department of Finance Regional Office, Washington against appropriations under the control of Treasury. Until 1981-82, the amounts paid by the two authorities to the Commonwealth were credited to a special appropriation (and netted against the expenditure). Warrant Authority and Warrant Advice were available to cover repayments under this arrangement. In May 1982, some doubts were expressed by the Auditor-General about whether section 36C strictly covered the Qantas and Australian National Airlines Commission payments or whether the amounts should be paid to separate item rather than to the credit of the expenditure items concerned.

2. An alternative ledger structure was sought in May 1982 by Treasury and approved by the Department of Finance to cover this possibility. However, following the Auditor-General's further queries as set out in his report for the year ended 30 June, 1983 it has become apparent that the restructuring has not provided a completely watertight system. In particular, the separate items established for the receipt of Qantas and Australian National Airline Commission payments were set up as heads of expenditure and the "receipt" items were set up in parallel with the expenditure items.

3. Under the terms of the on-lending arrangements, previous expenditures had taken place in 1982-83 against the items in question. After taking into account the credits from the Qantas and Australian National Airline Commission payments, the amounts available would have been sufficient to meet the Commonwealth repayment liability.

4. However, in each case the over expenditure against Governor-General's Warrants resulted from the Department of Finance Regional Office, Washington not recognising that a change in the ledger structure for the expenditure items concerned had implications for the treatment of expenditure against those items, in that it was no longer sufficient to rely on the availability of credits in different items in the ledger before undertaking expenditure.

CORRECTIVE ACTION

5. Further restructuring of the ledger has been initiated by the Department of Finance which should eliminate the possibility of a future similar occurrence and the Department of Finance Regional officers will be informed of the new procedures.

INCOME EQUALIZATION DEPOSITS (INTEREST)

6. Governor-General's Warrants are required to cover expenditure by way of interest payments accruing from Income Equalization Deposits.

7. The payment which is the subject of this section of the submission was made by the Department of Finance Regional Office, Sydney against appropriations under the control of the Treasury.

8. The sequence of events involved in this particular expenditure in excess of Warrant Authority is, unfortunately, clouded by the absence of the funds exception reports on which the Department of Finance Regional Office, Sydney has stated it recorded the relevant funds clearance (Warrant Advice number). The reports, under the then existing procedures, were held for only one month: these procedures have now been amended to preserve the reports for one year.

9. The Department of Finance has stated that the Sydney Regional Office "is confident that it sought and received the relevant advice before releasing the cheque, in accordance with the procedures laid down in Chapter 6 Paragraph 11.4.1 of the Finance Ledgers Manual". (An extract from the Manual is Attachment A.)

10. At the time of clearance of the payment under this item, there were some three related chargings involved, all of which required funds clearance. It is suggested that the Department of Finance Regional Office, Sydney might mistakenly have assumed that clearance on one or all of the other items listed had also been applicable to the Income Equalization Deposits payments.

11. In the absence of specific evidence to the contrary, human error in the Department of Finance Regional Office, Sydney thus seems the most likely explanation of this excess payment. Proper procedures to obtain Warrant were set in motion immediately, independently of and notwithstanding the apparent human error.

CORRECTIVE ACTION

12. So that any shortfall in Warrant Authority may in future be rectified in advance of cheques being prepared, the telex from Central Treasury to the Department of Finance Regional Office, Sydney authorising the payments, will be first cleared prior to despatch with Finance and Services Section, Management Services Branch, Department of the Treasury.

DEPARTMENTAL WITNESS

13. The departmental witness will be Mr Rowe, Assistant Secretary, Management Services Branch, Department of the Treasury.

GENERAL

14. The Treasury first became aware of these matters on 16 August, 1983 as a result of some preliminary enquiries by a Commonwealth Auditor. Although the Report of the Auditor-General states that "the matter was raised with the Department on 25 August, 1983" the memorandum of that date from the Auditor-General's Office was never received in the Treasury and a copy of it was finally obtained by Treasury officers only on 20 September, 1983 - a fact having a material bearing in the Auditor-General's further comment that "a response had not been received at the time of preparation of this Report."

15. The Treasury naturally regrets that the expenditures in question in excess of Warrants against Treasury appropriations should have occurred. It also regrets that, as a result of inadequate enquiry, the Auditor-General's Report should have implied that responsibility for these unauthorised expenditures should be laid at the door of the Treasury when, clearly, responsibility in all cases lay elsewhere.

JOINT COMMITTEE OF PUBLIC ACCOUNTS

Enquiry into Auditor-General's Reports
June and September 1983

Submission by the Australian Taxation Office

DEPARTMENT OF TREASURY

Attachment A may be found on Joint Committee of Public
Accounts File 1983/8, Part B.

AUTHORISATION OF REFUNDS (REFERENCE 2.3.2)

This audit was carried out in several branch offices of the Australian Taxation Office with the object of determining whether the statutory requirements of the Audit Act, Finance Regulations and the Finance Directions were being adhered to in those branch offices.

2. The background information contained in the "Introduction" and "Statutory requirements" sections of the report accurately reflects the background to the audit and nothing more needs to be said in this regard.

Authorisation and Certification.

3. Audit found that in a number of cases taxation refund cheques had issued without the relevant statutory forms (Forms 18) being signed by the authorising and certifying officers.

4. All authorising and certifying officers have been advised of their statutory duties and since the audit have been reminded of the need to observe the requirements of the various laws and directions. The procedures to be followed in carrying out the duties of authorising and certifying officers are documented in a manual dealing with these matters. This manual was prepared subsequent to the 1979 changes to the Audit Act, Finance Regulations and Finance Directions and distributed to all Taxation Branch Offices in September 1982.

5. The absence of signatures on these forms did not in any way place public funds at risk. The Australian Taxation Office does not rely only on the signing of these forms to safeguard public funds - a great deal more goes into it. It is a basic principle of the refund processing systems used by this office that all officers concerned are accountable for their actions. A tight system of supervisory control and checking procedures within the overall processing system ensures that this principle is enforced. It would not be true to say that the failure of officers to sign statutory forms as reported constituted a breach which put public moneys at risk. It is our view that the forms were not signed due to procedural breakdowns and that Commonwealth funds were still subject to the high level of control inherent in all our refund processes.

Certification of Particular Classes of Payment.

6. Audit placed a different interpretation on certain provisions of the Finance Regulations to one this office used when implementing the amendments to the Audit Act, Finance Regulations and Finance Directions that were effected in 1979. As Audit mentions this office had sought Department of Finance advice on this matter before implementation of the new provisions and that advice confirmed that our proposed method of implementation was in accordance with the law.

7. Since receiving the Audit query this office has taken the matter up with the Department of Finance. During discussions recently with officers from that Department and the Auditor-General's Office it has been agreed that this office will adopt procedures consistent with the new interpretation.

Certificates of entitlement to refunds

8. Audit queried the form of wording on Forms 18 used by the Australian Taxation Office. The wording does not conform to that required by Finance Regulation 61(3) (a) which calls for a special certification in situations where refunds of revenue are involved.

9. The present wording has been in use since 1970 and was devised to satisfy the above-mentioned regulation and the peculiar circumstances surrounding taxation refund processing arrangements. The wording was approved by the Department of Treasury which had responsibility for these matters at that time.

10. Recent advice from officers of the Department of Finance has confirmed the Audit view. However, the matter is being given further consideration by the Department of Finance because it would seem that a certificate under Regulation 61(3) (a) is superfluous where a certificate has been given under another regulation which deals with cheques prepared by computer process (regulation 45A (3) (b)). In the meantime this office will use a form of words which satisfies the requirements of the Regulations.

DIVIDEND AND INTEREST WITHHOLDING TAX (REFERENCE 23.1)

11. The income tax law requires that payers of dividends and interest to non-resident persons, companies and trusts withhold specific amounts from this income and remit it to the Australian Taxation Office. The rate of tax to be withheld varies from 10% to 30% depending on whether income is dividends or interest and if the recipient is resident in a country which has a double tax agreement with Australia. At 30 June 1983 there were 12,835 registered withholding tax remitters and the amounts received from this source during the year ended on that date was \$258 million.

New South Wales
Collection of Taxes

12. Audit stated that the Taxation Office relies on voluntary compliance and there is no assurance that all tax that should be collected from this source is in fact collected and no independent information is used to assess the degree of voluntary compliance.

13. Dividend and interest withholding tax is like other taxes collected by the Australian Taxation Office in terms of the heavy reliance that must be placed on voluntary compliance. What must be remembered though is that heavy penalties apply where situations are detected where voluntary compliance has not been observed. These penalties, which in this case consist of additional tax where certain provisions of the law are not observed, provide a significant incentive for payers of dividends and interest to non-residents to comply with the law.

14. A feature of this tax which influences the level of compliance activity devoted to it is the fact that for the most part companies and institutions which attract investment from overseas are the larger, well established type. These companies and institutions are well aware of their responsibilities and their accounts are the subject of external audit scrutiny to satisfy the requirements of the company and other relevant legislation.

15. Experience has shown that deployment of compliance staff on activities related to income tax returns lodged by taxpayers provides more than enough work for the Compliance area. The extent of non-compliance in the dividend and interest withholding tax area is considered to be low and therefore it is accorded a low priority for compliance activity.

16. In relation to the statement that independent information is not obtained to assess the degree of compliance it is mentioned that in 1980 figures were obtained from the Bureau of Statistics and the Reserve Bank of Australia with the intention of carrying out such an assessment. The figures from both sources were of little use in this exercise because of factors such as the varying rates of tax and the mix of funds being remitted overseas. Audit had put this criticism to another branch office stating that there was a short-fall in the collections based on Audit assessment of external information. In response the branch office asked Audit for any information which would assist in such an assessment but no reply was received. In the absence of more information this office is not aware of any readily available indicators which could be used for the assessment of the level of voluntary compliance.

17. The criticisms that 40% of remittances were received late and additional tax imposed by the law is not collected is to some extent true. However, the percentage quoted in relation to those remitters that pay late does not agree with results of sampling carried out by this office in the last week. This sampling showed that less than twenty per cent (20%) of remittances of dividend/interest withholding tax would fall for consideration of additional tax. In most of these cases the additional tax calculated is small, less than ten dollars (\$10), and is remitted; this remission of additional tax is in line with a long standing policy of remitting additional tax for late payment of tax where the amount is small.

18. In regard to the matter of failure to collect additional tax for late payment the procedures that applied at the time of the audit were such that no attempt was made to calculate the amount of any additional tax applicable until many months after the payment was made. Then, because of the length of time between the payment and consideration of the additional tax, if all information was not available to enable a calculation to be made and the amount of additional tax applicable appeared to be small, it was given no further consideration. Since the audit procedures have been changed to ensure that additional tax for late payment is calculated and notified to the remitter as soon as possible after receipt of the remittance.

19. It is difficult to make an estimate of the amount of additional tax foregone due to the old procedures but one estimate was \$12,000 for a full year. Because only cases where all information was not available and the additional tax was likely to be small were excluded from further consideration of imposition of additional tax it is

considered that the amount involved must be low. By way of background it is mentioned that the total of additional tax imposed by the Sydney Branch Office for late payment of dividend and interest withholding tax for the year ended 30 June 1983, was slightly less than \$27,000.

20. In relation to the inefficiencies noted in relation to collection of overdue balances it seems that the comment relates to the lack of a register to enable monitoring of cases referred to other areas. In regard to cases with overdue balances these are automatically reviewed by the computer system with all other overdue balances and this process ensures that none will be overlooked. As far as cases being referred for action in other areas procedures have been established to enable monitoring of progress but since the audit no cases have arisen.

Computer Processing

21. Audit commented that over half of the remittance transactions input were rejected from processing and required manual adjustment before re-input. This is not correct. Certainly it is not unusual for more than half of the dividend/interest withholding tax remittances to be reported during processing signalling a possible error situation. However, two types of errors occur, one is called a "fatal" error and the transaction is rejected from processing, and the other is called an "informative" error indicating an inconsistency between the transaction and the record it refers to, but the transaction is accepted for processing.

22. Examination of error messages relating to dividend/interest withholding tax show that "informative" messages are the main reason for reporting and very few require reprocessing of the transaction. The message most commonly produced relates to a check on whether the remitter has changed his address. Certain characters from the address on the remittance form are keyed and matched with the appropriate characters held on the computer record. Where they differ a check is made to see if a change of address has occurred. It has been recognised that for a variety of reasons most of these "informative" messages are unnecessary, but it is the only way of being sure that the remitter's latest address is on the computer record and until the system is being completely reviewed it is considered best to retain the existing arrangement.

23. Audit further commented that a system of monitoring error rates should exist to identify problem areas. Figures are produced from the computer system which indicate the

number and types of errors detected but this system does not automatically highlight situations which exceed set tolerances. Such a system may be desirable but priorities do not allow one to be developed at this time. Whilst no automatic system exists the computer produced statistics are checked from time to time to monitor error trends. Further, operational staff report adverse trends noticed in the number of error reports.

24. The non-authorisation of some transactions to create computer records for remitters/taxpayers was also mentioned in the report. Specific instructions exist in all branch offices requiring that input transactions be signed by a preparing officer and authorised by a senior officer. These procedures are backed up by checks to ensure that signatures are valid. With the large number of transactions that are processed daily through the data input areas it is not possible to require 100% checks on all transactions. Notwithstanding that all transactions are not checked it is expected that unauthorised transactions should not be able to enter the system. The instructions have been reissued to all staff involved in these activities.

25. Audit criticised the level of management information provided by the system. The only specific matter mentioned was the non-use of one report and in relation to this it was advised that the information was also available from another source. Whilst accepting that duplication of information is undesirable it can hardly be accepted that the non-use of one report should lead to a conclusion that management information provided by the system is inadequate.

26. Nevertheless this office has recognised the need for better management information and when systems are developed or re-designed this is always taken into account. The system under discussion was designed many years ago and management information was provided in accordance with user needs at the time. Since then management information users have become much more sophisticated and there is no doubt that better information could be used. This will be considered when the overall system is being re-developed.

Conclusion

27. Review and re-design of the system which handles dividend and interest withholding tax is not scheduled to commence now for some time because of higher priorities in other areas. However, audits of the same area by internal audit had identified a number of problems and it had already

been agreed that a review of procedures within the limitations of the existing computer system would be carried out. This review was due to commence a little while ago but had to be deferred to provide resources for implementation of new legislation. It is likely that the review will commence early in 1984.

2 December 1983

JOINT PARLIAMENTARY COMMITTEE OF
PUBLIC ACCOUNTS

PARAGRAPH 25.1 'FRAUDULENT NEGOTIATION
OF CHEQUES

SUBMISSION BY THE AUSTRALIAN FEDERAL POLICE

DUAL NEGOTIATION

4. This type of fraud occurs where a person fraudulently claims that he did not receive his benefit cheque. After approaching a DSS office and completing a 'Statutory Declaration' the person is issued with a duplicate cheque which is also cashed. There are examples where this modus operandi has been used by individuals and organised groups to defraud DSS. A large proportion of all DSS referrals to the AFP are associated with this type of fraud.

5. Once the report has been made of the non-receipt it is generally about eight months or more before the matter is brought to the notice of the AFP - in some cases up to two years. The chances then of discovering the offender are slim because of the length of time between the commission of the offence and the investigator interviewing the traders and/or bank officers. Most traders and employees who have negotiated the stolen cheques have difficulty in recalling personal particulars of the person who negotiated the cheque.

6. On receipt of information that suggests that a cheque has 'gone astray' a "STOP" is registered at the Reserve Bank. This allows the Department to be aware of the negotiation of the cheque within days of the report and consequently if the "STOP" is prior to the negotiation the payment is stopped. The cheque is returned to the presenting bank and the trader advised of the stopped payment within two or three days.

7. Where a trader negotiates a cheque for a person other than the rightful payee, under the Bills of Exchange Act he is liable for repayment to the payee Department.

8. A typical example of how small business can suffer quite substantial losses through the negotiation of stolen cheques can be found in the case of a Chinese businessman who cashed a large number of Government cheques for numerous people, believing them to be good reliable cheques which would be paid on presentment. Over a period of eight months, not having received any warning from

his bank or DSS, he cashed stolen cheques to the value of over \$10,000. He is now in the position of having to reimburse the DSS of the full face value of the cheques.

9. In summary, fraud is committed in six areas:
- (1) False applications for Unemployment benefits;
 - (2) False applications for Sickness benefits by use of false and/or forged documentation;
 - (3) False applications for non-existent children in Family Allowance claims;
 - (4) Continued payment of pension when persons have died;
 - (5) Falsely claiming the non-receipt of the original cheque and thereby obtaining a stolen replacement cheque;
 - (6) Fraudulent negotiation of stolen cheques.

10. Since the beginning of 1983 a number of persons have been dealt with in Victoria for fraudulently negotiating cheques. To give an indication of the magnitude of the problem the following six cases are cited as part of those dealt with between January and June 1983:

No. of Persons Involved	No. of False Names Used	Estimated Amount Obtained
16	65	\$ 64,000
1	40	40,000
1	15	39,000
1	7	60,000
1	4	15,000
<u>1</u>	<u>4</u>	<u>10,000</u>
<u>21</u>	<u>135</u>	<u>228,000</u>

11. From an examination of the above it will be seen that twenty-one (21) people used at least one hundred and thirty-five (135) names and fraudulently obtained \$228,000 (approximately). It is suggested that of this amount, little or none will ever be recovered from the offenders in the form of restitution.

12. To demonstrate the apparent ease with which criminals are able to defraud the DSS it is appropriate to set out brief details surrounding the methods used. In one case a migrant who had only recently arrived in Australia and who could speak very little English, was able to obtain a considerable sum of money from the DSS by submitting claims for benefits supported by false documentation. It appeared to the AFP detectives on the case that no checks were made as to the authenticity of the claims before the benefits were paid.

13. There are also strong indications that organised crime figures are involved in large-scale fraud on the DSS and will no doubt escalate their involvement unless urgent preventative action is taken. An indication of the level of involvement by organised crime has been demonstrated by the Royal Commission into the Federated Ships Painters and Dockers who have found wide-spread fraud committed by members of that Union against the DSS.

DUPLICATE CLAIMS

14. This category of offence is particularly prevalent. This offence involves the reporting of the non-receipt of the cheques when in fact they have been received. In most cases the original cheque has been negotiated prior to the reporting of the 'loss'.

15. During the period January to June 1983, there were 377 offences of this type investigated by detectives attached to the AFP's Regional Headquarters in Melbourne. Details extracted from records indicate the following:

<u>1983</u>	<u>REPORTED/DISCOVERED</u>	<u>DETECTED/CLEARED</u>
Jan.	37	36
Feb.	19	17
Mar.	120	82
Apr.	74	73
May	67	64
Jun.	<u>60</u>	<u>54</u>
	<u>377</u>	<u>326</u>

DIRECT CREDIT MODE OF PAYMENT

16. The introduction of a direct credit mode of payment would be of considerable assistance in substantially reducing the incidence of fraud in the payment of benefits. All departments should be encouraged to adopt this method of payment.

17. This system of payment would dramatically reduce the incidence of fraud, however, would not entirely eliminate all forms of fraudulent activity.

18. Unless more effective procedures for the identification of applicants for benefits are adopted then the opportunity for fraud will remain, albeit somewhat reduced.

19. The opportunities for fraud to be committed on a direct credit system are as follows:

- . People may still produce false documents as identification to receive benefits, those benefits being credited to an account at a financial institution;
- . People may still continue to receive multiple benefits; payments being made to a number of financial institutions.

IDENTIFICATION OF APPLICANTS FOR COMMONWEALTH PAYMENTS

20. As previously indicated and supported by examples, there is a need for Commonwealth Departments to ensure the correct identity of applicants prior to authorising payment of cheques. As can be seen from the examples quoted, the production of driver's licences, birth certificates, etc. as proof of identity for the payment of benefits has proved to be inadequate and ineffective. Although the direct credit mode of payment system would eliminate dual negotiation and larceny fraud, it would not affect the payment of benefits as a result of forged identity documentation and other forms of fraudulent claims.

IDENTIFICATION AT THE POINT OF APPLICATION

21. It is submitted that an efficient scheme similar to passport applications could be implemented. All applications for benefits/payments should include on the form the provision for identification by an independent third party, verifying the identity of the applicant. The verification should be signed by select groups within the community, i.e. Justices of the Peace, Police Officers, Doctors, Solicitors, School Teachers, etc. This group could be wide enough so as not to delay or hamper a genuine and honest applicant. The effect of this requirement would be to frustrate dishonest applicants, using false or fictitious names. Should any departmental officer have any doubt regarding the identification of the applicant, no payments should be made unless, and until, the applicant's identification has been checked with the person verifying the identification.

EXAMPLE OF VERIFICATION

22. I (Full Name) of (Address) a (Description of occupation) certify that (name of applicant) named in this application is known to me as (name of applicant). I have known the abovenamed for a period of (Insert years/months) and I certify that the name given in this application is the true identify of (name of applicant). I am willing to confirm my knowledge of the applicant if necessary and can be contacted on (Insert telephone number/s).

Signed:

Date:

The inclusion of the Verifying Identification should be used in addition to the production of identity documents and not in substitution for them.

IDENTIFICATION AT THE POINT OF PAYMENT

23. Should the direct credit mode of payment be implemented for all benefit payments, the question of identification for the cashing of cheques becomes irrelevant. Identification would be

necessary where beneficiaries are required to open accounts at various financial institutions. It is suggested that benefit-paying departments issue a certificate to beneficiaries verifying their identity, and the benefit being paid. This certificate would assist financial institutions in ensuring the correct identity of the person opening an account.

SECURITY PROVISIONS

24. It is appreciated that Section 17 of the Social Security Act impose upon officers a duty of confidentiality regarding information obtained. It is submitted, however, that this should not restrict the information being passed to APP officers where criminal conduct is suspected.

PUBLISHED REFERENCE

25. The Royal Commission on the activities of the Federated Ships Painters and Dockers Union, Interim Report No. 3 by Mr Costigan, QC ¹(18.12.81) makes reference to Social Security fraud. The report points out that very large numbers of painters and dockers have been involved in imposition on the social security system. Such imposition involves the receipt of social security benefits whilst persons using false names are either in receipt of workers' compensation benefits or working at other employment. As at the date of the report, Mr Costigan indicated that the amount involved will be well over \$1,000,000.

LEGISLATIVE PROVISIONS

26. Legislation with respect to false and misleading claims is provided for under the Social Security Act 1947. Section 138 is the offence-creating Section and reads:

Offences

138. (1) A person shall not -

- (a) make, whether orally or in writing, a false or misleading statement -

1. Royal Commission on the Activities of the Federated Ships Painters and Dockers Union, Interim Report No. 3 - AGPS Canberra 1982.

- (i) in connection with, or in support of, a claim, whether for himself or for any other person;
- (ii) to deceive an officer doing duty in relation to this Act; or
- (iii) to affect the rate of a pension, allowance or benefit payable under this Act.
- (b) obtain payment of a pension, allowance or benefit under this Act, or of an instalment of such a pension, allowance or benefit, which is not payable;
- (c) obtain payment of a pension, allowance or benefit under this Act, or of an instalment of such a pension, allowance or benefit, by means of a false or misleading statement or by means of impersonation or a fraudulent device; or
- (d) make or present to an officer a statement or document which is false in any particular.

Penalty: \$500 or imprisonment for 6 months.

(2) Charges against the same person for any number of offences against sub-section (1) may be joined in one complaint, information or declaration if those charges are founded on the same facts or form, or are part of, a series of offences of the same or a similar character.

(3) Where 2 or more such charges are included in the same complaint, information or declaration, particulars of each offence charged shall be set out in a separate paragraph.

(4) All charges so joined shall be tried together unless the court deems it just that any charge should be tried separately and makes an order to that effect.

(5) If a person is convicted of more than one offence against sub-section (1), the Court may, if it thinks fit, inflict one penalty in respect of all offences of which he has been convicted, but that penalty shall not exceed the sum of the maximum penalties that could be inflicted if penalties were imposed for each offence separately.

(6) Where a person is convicted of an offence against sub-section (1), the Court may, in addition to imposing a penalty in respect of the offence, order him to pay to the Commonwealth an amount equal to any amount paid by way of pension, allowance or benefit in consequence of the act, failure or omission in respect of which he was convicted.

(7) For the purposes of sub-section (6), a certificate, under the hand of the Director-General or a Director, that an amount specified in the certificate is the amount that has been paid to a person specified in the certificate by way of pension, allowance or benefit in consequence of an act, failure or omission specified in the certificate is evidence of the matters specified in the certificate.

27. Prosecutions under the Act must be authorised by the Minister, Director-General or a person authorised by the Director-General. Section 139 of the Act reads:

PROSECUTIONS FOR OFFENCES

139. (1) Proceedings for an offence against this Act may be commenced at any time within 3 years after the commission of the offence.

(2) An offence against this Act shall not be prosecuted without the written consent of the Minister or the Director-General or a person authorised in writing by the Director-General to consent to prosecutions for offences against the Act.

Appropriate offences are also created by virtue of the Crimes Act 1914. Sections 29A, 29B and 29C create the offences of false pretences, imposition and make untrue statement in an application for the payment of money respectively. The Sections read:

29A (1) Any person who, with intent to defraud, by any false pretence obtains from the Commonwealth or from any public authority under the Commonwealth any chattel, money valuable security or benefit, shall be guilty of an offence.

(2) Any person who, with intent to defraud, by any false pretence, causes or procures any money to be paid, or any chattel, valuable security or benefit to be delivered or given, by the Commonwealth or by any public authority under the Commonwealth to any person, shall be guilty of an offence.

Penalty: Imprisonment for five years.

29B Any person who imposes or endeavours to impose upon the Commonwealth or any public authority under the Commonwealth by any untrue representation, made in any manner whatsoever, with a view to obtain money or any other benefit or advantage, shall be guilty of an offence.

Penalty: Imprisonment for two years.

29C A person who, in or in connection with or in support of, an application to the Commonwealth, to a Commonwealth officer or to a public authority under the Commonwealth

for any grant, payment or allotment of money or allowance under a law of the Commonwealth makes, either orally or in writing, any untrue statement shall be guilty of an offence.

Penalty: Imprisonment for two years.

RECOMMENDATIONS

- (1) That a direct credit mode of payment is introduced for the payment of all benefits. The adoption of this system would dramatically reduce the opportunity for fraud.
- (2) That steps be taken to introduce identification provisions on all applicants for benefits.
- (3) Where there is any doubt regarding identification, steps be taken to verify proper identification before any benefit is paid.
- (4) That departments issue certificates of identification to all payees to assist and enable them to open appropriate accounts at a financial institution.
- (5) That all lodgement of claims for payment be made in person by the applicant.

23 March 1984

JOINT COMMITTEE OF PUBLIC ACCOUNTS
INQUIRY INTO THE REPORT OF THE AUDITOR-GENERAL - SEPTEMBER 1983
SUBMISSION BY DEPARTMENT OF EDUCATION AND YOUTH AFFAIRS

1. The Department wishes to make comment on paragraph 25.1 of the Report dealing with the fraudulent negotiation of cheques. The Auditor-General has expressed the view that the direct credit method of payment should be actively encouraged on the grounds that it is more cost effective and secure than payment by cheque.

Background

2. The Department is responsible for the administration of a number of schemes to assist students. The main schemes of assistance and the numbers of students in respect of whom benefits were paid in 1983 are as follows:

<u>Scheme</u>	<u>Students Assisted 1983</u> <u>(at 30 June)</u>
Tertiary Education Assistance	84,347
Adult Secondary Education Assistance	2,303
Postgraduate Awards	2,172
Secondary Allowances	45,558
Assistance for Isolated Children	19,318
Aboriginal Secondary Grants	18,810
Aboriginal Study Grants	4,774

3. Payment of entitlements is made through the Department of Finance student allowances system, with the exception of Postgraduate Awards where payments are made through the salaries system.
4. Provision has existed for a number of years for student allowances to be paid direct to trading bank accounts. The Department of Finance advised in December 1981 that the facility could be made available in respect of savings banks accounts, and in February 1982 that this could be extended to include credit unions and building societies which could demonstrate that they had at least 50 members in receipt of allowances.
5. Use of the direct credit facility is highest under Postgraduate Awards (estimated 60%) and lowest under aboriginal assistance schemes (estimated less than 5%). Under the Tertiary Education Assistance Scheme, which is the largest scheme of assistance, 17,548 or 22.8% of beneficiaries were receiving direct credit payments at 30 June 1982; this had increased to 24,252 or 28.7% of beneficiaries at 30 June 1983.
6. Apart from reference to the facility in application forms and information booklets, the Department has not undertaken any publicity campaigns specifically designed to persuade more beneficiaries to avail themselves of the direct credit method of payment.

Comment

7. From the limited statistics that are available, it would seem that, in numerical terms at least, the incidence of fraudulent negotiation of student assistance cheques may be relatively insignificant - perhaps 200 cases at most each year, out of a total of some 1½ million cheques issued.
8. The Department has taken the view that the mode of payment - by cheque or direct credit - is a matter of personal choice as far as beneficiaries are concerned. The Department appreciates the advantages of direct credit payments as a means of reducing the incidence of fraudulent negotiation of cheques. However there are certain disadvantages associated with the method as far as student allowances are concerned, in comparison with cheque payments:
 - Overpayments are likely to increase. (Return of a cheque by a payee or some other person is not infrequently the first indication the Department receives that a student has discontinued his or her course of study and that benefits should therefore cease.)
 - It could be assumed that beneficiaries would be less inclined to advise changes of address where direct credit payments are made, making it difficult for the Department to communicate with them.
9. Given the very low incidence of fraudulent negotiation of student assistance cheques, and the disadvantages of the direct credit mode of payment, the Department has reservations about taking more positive action to encourage clients to use the direct credit mode. We would certainly be strongly opposed to any move to impose the direct credit mode universally upon all our clients, since some of them, most notably under the schemes of assistance for Aborigines and for isolated children, do not have bank accounts and/or do not have regular direct access to banking facilities and rely on the negotiation of cheques through, for example, local storekeepers.
10. Incidentally, it might be noted that the direct credit mode of payment, where it does occur, is not an entirely foolproof means of getting the payment into the hands of the beneficiary - we have had a number of problems with delays in students receiving their entitlements because of the need to trace and rectify account payments which have become misdirected through error.

JOINT COMMITTEE OF PUBLIC ACCOUNTS

INQUIRY INTO THE REPORT OF THE AUDITOR-GENERAL

SEPTEMBER 1983

SUBMISSION BY THE DEPARTMENT OF FINANCE

In the Report of the Auditor-General - September 1983 at paragraph 25.1, concern was expressed that little effective action appeared to have been taken since December 1981 to streamline arrangements for dealing with fraudulent cheques. It was also noted in the Report that more could have been done to promote the benefits flowing from the direct credit mode for recurrent payments.

POLICY

2. Finance Regulation 68 provides:

"68(1) Except as otherwise provided by directions given by the Secretary, payment of an account shall be made by cheque.

"(2) Subject to the next succeeding sub-regulation, the payment shall be made -

...
(b) into any bank in the Commonwealth to the credit of the claimant's account;
...

"(3) Payment of an account shall only be made in accordance with paragraph (b) ... of the last succeeding sub-regulation in the circumstances set out in, and in accordance with, directions given by the Secretary".

3. The guidance given to departments for the issue of cheques and for the payment of amounts direct to bank accounts are contained in Sections 10 and 11, respectively of the Finance Directions. Copies of these Sections are shown as Attachments A and B to this submission. The requirement for referring to the AFP all cases of fraudulent endorsement and negotiations of cheques is described at paragraph 28 of Attachment A.

A. REFERRAL AND INVESTIGATION OF FRAUD CHEQUES

(i) Background to the Auditor-General's Reference

4. Finance Direction 10/28 came into effect in August 1968. It was inserted following a suggestion by the Deputy Commissioner of the then Commonwealth Police that the availability of such information would give a possible lead to other similar cases, and at the same time help to retain public confidence in the system of payment by cheque.

5. In early March 1977 Finance's attention was first drawn to the inability of the then Commonwealth Police to handle the volume of cases referred for investigation. At that time it was also brought to notice that banks, which had formerly complied promptly with requests to make good the value of fraudulently negotiated Commonwealth cheques, were adopting the position of not complying with requests for refund until a police report into the matter was made available. This attitude of the banks further compounded the problem of the successful resolution of fraud cheque cases.

6. Consequently, in April 1977, the then Minister Assisting the Treasurer wrote to the Minister for Administrative Services, as Minister responsible for the Commonwealth Police, drawing attention to the problem. The Minister Assisting the Treasurer suggested that it would be appropriate if his colleague would review the current procedures to establish whether a much quicker investigation of cases could be achieved.

7. The Minister for Administrative Services replied that although the Commonwealth Police had introduced refinements in approach and were conscious of the need for speedy determination, investigations could not be undertaken to finality quickly in all cases.

8. Finance's attention was next drawn to significant problems in the referral and investigation of fraudulently negotiated cheque cases when, in October 1981, the then Minister for Administrative Services proposed to reduce or withdraw Australian Federal Police (AFP) investigative action. The concern expressed by the then Ministers for Social Security and Finance on this proposed action resulted in officials of these departments and the AFP meeting to develop mutually satisfactory working arrangements to resolve the difficulties. The meeting, in December 1981, resolved that a pilot study of the referral process be undertaken in New South Wales by officers of the AFP and the Department of Social Security and that classification of cases on a priority basis be examined along with the method of notifying results by AFP of its investigations. In the meantime the Department of Finance

undertook to examine the desirability of amending Finance Direction 10/28 for the purpose of permitting selective referral of cases.

(ii) Comment

9. While Finance initially supported the principle of selective referral of fraud cheque cases to the AFP, that view was held against the indication given by the then Commissioner of Police that no priority could be accorded investigating fraud cheque cases. The proposal for selective referral of cases was, therefore, seen as a compromise between, on the one hand, the prospect of a complete withdrawal of AFP involvement in fraud cheque investigations and, on the other hand, the need to apprehend and prosecute offenders in sufficient numbers to serve as a deterrent to others. It was hoped that the Commissioner would be persuaded to accord priority to those cases where it appeared that prompt police investigations would result in the apprehension of the offender.

10. At the time when the undertaking to consider amending Finance Direction 10/28 was given, it was intended that the results of the pilot study of selective referral would be monitored and possibly form the basis for a general policy on selective referral. However, the Department of Social Security confirmed on 1 March 1983 (see Attachment C) that it had been advised by the Department of Administrative Services that the study did not proceed because the police did not support the proposal and requested a continuation of the policy of referring all fraud cheque cases to the AFP.

11. Given that the fraudulent negotiation of Commonwealth cheques is an offence under the Crimes Act, the wishes of the police must be accorded considerable weight in the development of any policies or procedures that impinge on the offence. In the light of the AFP's views, therefore, it was concluded that, rather than amend the Finance Directions to provide expressly for selective referral of fraud cheque cases, a more acceptable course might be to introduce an arrangement in the process of reporting all cases to police under which departments could indicate their own assessment of the likelihood of successful investigation, apprehension and prosecution. Thus, when reporting each case to the police, a department could recommend whether or not a high priority should be given to the case. Under such an arrangement, the resources of both the police and departments might be more effectively concentrated without denying the AFP the overview it apparently desires.

12. To gauge the effect that these proposed new arrangements might have, appropriate guidelines were prepared and submitted to the Department of Social Security in July 1983 for comment. That Department replied in October 1983 that to a certain extent these arrangements were employed by it in dealing with the AFP to enable the AFP to rank cases in priority order for investigation according to AFP's experience and available manpower (a copy of the correspondence is at Attachment D). The situation is currently being re-assessed in the light of this advice.

(iii) Conclusion

13. Notwithstanding the above, it is recognised that whatever reactive measures might be taken on the problems of fraudulently negotiated cheques they would not overcome the inherent feature in payment by cheque - cheques may be stolen and fraudulently negotiated. Rather than a patchwork of curative measures, therefore, the best solution for the Commonwealth clearly appears to be to opt for alternative means of payment that prevent the malady entirely, specifically direct credits, especially for those recurrent payments made by cheque which have been shown to have a high fraudulent negotiation risk factor.

B. DIRECT CREDIT

14. The Auditor-General states that the direct credit mode for payment is clearly more cost-effective and secure than alternative payment methods, particularly in respect of recurrent payments, and that he considers that its use should be more actively encouraged.

(i) Background to the Auditor-General's Reference

15. In a memorandum dated 19 April 1983 to the Department of Finance concerning fraudulent cheque negotiations, the Auditor-General's Office observed that a major means of reducing the number of fraud cheques would be to reduce the number of cheques issued and that in this regard, guidelines/directions from Finance supporting the direct credit mode of payment for recurrent payments would appear warranted. Audit specifically asked for advice on the outcomes of any discussions with banks (and other financial institutions) concerning the use of the direct credit method of payment by departments.

16. In reply, Finance indicated its agreement to including in the proposed guidelines the promotion of the direct credit mode. Finance and the other cheque issuing departments had maintained contact at various levels with

financial institutions. In recent times, discussions had canvassed and resulted in the adoption of direct credit arrangements for diesel fuel rebates, family supplement allowance, mobility allowance and repatriation pensions (12 weekly) in addition to the substantial use already made of direct credits for salary, pension and other repetitive-type payments. Indeed, Finance encouraged, and was successful in having accepted, mandatory direct credits in respect of the diesel fuel rebate scheme. In addition, exploratory discussions were then taking place on other prospective applications of the direct credit mode, eg for the First Home Owners' Assistance Scheme. However, there are clearly sensitivities involved in moving beyond "encouragement" of direct credits, especially in the social welfare area.

(ii) Comment

17. While it is recognised that the direct credit mode has obvious advantages for the Commonwealth in the form of reduced processing and handling of payments (and, of course, indirectly, by the virtual elimination of the consequent administrative burdens associated with lost or fraudulently negotiated cheques), the question is not simply one of whether this mode is cost-effective per se, but rather, whether it is the most cost effective in the prevailing circumstances. Other non-financial aspects of imposing direct credits on payees, and of practicalities (systems capabilities of departments and institutions) must also be considered.

18. It is the responsibility of Finance and other paying departments to pursue due economy. In this regard, wholesale promotion and adoption of the direct credit mode must be balanced against a number of factors which may well militate against its early across-the-board adoption. For example, Finance has been negotiating with savings banks for the elimination of the fee (25 cents per direct credit entry) which has been paid in respect of salaries, social security payments and student allowances. It would otherwise be difficult to justify not paying comparable fees to credit unions, building societies and trading banks, notwithstanding that these institutions, as well as savings banks, are keen for cost reasons to remove "paper" (ie cheques) from the system; there are in addition, of course, quite substantial revenue opportunities created for the institutions by substituting direct credits for cheque payments to individuals.

19. There are also other cost factors which departments responsible for the transactions must assess -

- . systems development costs;
- . the possible need to acquire greater computer capacity;
- . cash flow factors - moneys are cleared from the Commonwealth's accounts significantly more quickly by direct credit than under a cheque system and the consequent interest cost implications need to be assessed;
- . postage and other costs are not always avoided by direct credits where advice of payment must be sent to payees; and
- . the indirect costs of administering significant numbers of representations to Ministers and/or departments from payees who may be resistant to moves to change to the non-cheque mode. (This could be anticipated particularly in respect of welfare beneficiaries).

20. There is, of course, also a cost to the banks and other financial institutions should the Commonwealth move towards wholesale payment by direct credit. The capacity of financial institutions to accept a massive shift, within a short period of time, to direct credit (such as would be involved in say, mandatory direct credit for social security, health and pharmaceutical payments) also has to be considered.

(iii) Conclusion

21. We are confident that, with the continued development of technology in the field of funds transfer and with growing public acceptance of "paperless" payments, direct credits will inevitably become the norm for Commonwealth payment.

22. For the present and for the immediate future, however, the timing of such moves must be considered against the background of the factors mentioned in paragraphs 18 and 20, above. To the extent that it can be achieved without exacerbating the problems represented by those factors, Finance is continuing to encourage the adoption by departments - where practicable on a mandatory basis - of the direct credit mode.

Department of Finance
2 December 1983

DEPARTMENT OF FINANCE

Attachments A to D may be found on Joint Committee of Public Accounts File 1983/8, Part B.

Inquiry into the report of the Auditor-General - September 1983
Submission by the Department of Social Security on Paragraph
25.1 - Fraudulent Negotiation of Cheques

During the financial year 1982/83 the department referred 12,661 cases of fraudulent negotiation, valued at \$1.8 million, to the Australian Federal Police.

2 In the majority of cases recovery of the value of a fraudulently negotiated cheque is obtained from the bank or trader which accepted the cheque and in 1982/83 the department recovered \$1,266,966. In the same period \$286,203 was written off as irrecoverable in respect of fraudulently negotiated cheques.

3 The department issued 65,286,742 cheques in 1982/83. In recent months two major studies have been undertaken in relation to payment arrangements. The first relates to the issue of replacement cheques. The resultant recommendations when implemented should lead to quicker detection and investigation of instances of suspected fraudulent negotiation.

4 The second was a detailed study by the department of feasibility of proceeding to direct credit as the prime method of paying social security entitlements. Movement away from cheques to direct credits to the maximum practicable extent is the best remedy for fraudulent negotiation. The findings of the study indicate that while the current mix of methods of payment provided an acceptable level of service in the past, the continued use of cheques, with its associated costs and disadvantages which are spread across the spectrum of clients, financial institutions and departmental operations, has become increasingly less appropriate for the payment of benefits. Direct credit is operationally feasible now as the prime payment method for pensions and allowances and an implementation program, involving detailed discussions with financial institutions, is being developed.

5 It should be noted that in addition to providing relief of the fraudulent negotiation problem major savings in administration costs are achievable for Commonwealth departments and the financial institutions and major payment service improvements for clients are expected to flow in consequence of greater use of direct credit facilities.

30 November 1983

Inquiry into the report of the Auditor-General : September 1983
Submission by the Department of Social Security on paragraph 25.1 -
Fraudulent Negotiation of Cheques

As a result of questions asked in the course of the above inquiry, the Department of Social Security has been asked to provide additional information on the provisions necessary for implementation of direct credit as the major means of payment of the Department's benefits/pensions/allowances, and the time scale involved in that implementation process.

2 The facility to make payments by direct credit in the family allowance and pensions systems has existed for some time; those clients have a choice of payment either by cheque or by direct credit to an account. At present approximately 54% of these clients elect to have their entitlements paid by the direct credit method. Since the 16 January 1984, the Department has been following a policy of actively encouraging new claimants of pensions and allowances to adopt direct credit as their mode of payment. Early indications are that 80% - 90% of new claimants have selected this option.

3 The Department's present ADP and clerical systems are such that unemployment and sickness beneficiaries do not have the option to have their entitlements paid by the direct credit method. These payments are made by cheque. At the time the Department's systems relating to the payment of unemployment and sickness benefit were introduced, the number of beneficiaries was relatively small and the duration of payment was much shorter than it is at present. The direct credit system was, therefore, not a practical option at that time.

4 However, before further initiatives can be undertaken to provide the direct method option to unemployment, sickness and special beneficiaries and to encourage other current cheque clients to adopt direct credit as their mode of payment, detailed negotiations are necessary with financial institutions. Such negotiations are required to ascertain whether the financial institutions have the capacity to handle the substantial workload increase involved in the change proposed. In addition, it must be determined what operational arrangements provide the best solution for both the Department and its clients and for financial institutions.

5 Extensive discussions have already been conducted with the Department of Finance and the Treasury on the extension of the direct credit mode of payment such that it would become the main means of payment for the Department. Informal discussions have been conducted with a range of banks, building societies and credit unions. In addition, the Department has engaged a consultant who has extensive experience within the finance industry, to advise and assist the Department with this initiative. The Department is now about to undertake detailed negotiations with the financial institutions.

6 When the negotiations are completed, major development work will be required to both clerical and ADP systems to incorporate the direct credit facility. The ADP system will require changes to transactions, processing and outputs, while the clerical changes will relate to forms, procedures and staff training. Initial assessment of the changes required indicates that 50% of all transactions may require amendment, so that the lead time prior to implementation of direct credits for benefits is expected to be approximately 6 months.

7 The development of a detailed implementation plan for direct credit as the major means of payment of the Department's pensions, benefits and allowances, will be determined following the satisfactory conclusion of the negotiation phase.

3 May 1984

JOINT COMMITTEE OF PUBLIC ACCOUNTS

Inquiry into the Report of the Auditor-General : September 1983

Additional Submission by the Department of Social Security upon paragraph 25.1 - Fraudulent Negotiation of Cheques

1 This Additional Submission provides comment on the Australian Federal Police submission of 23 March 1984, a copy of which was received by the Department of Social Security on 3 May 1984.

2 Considered in isolation, the Australian Federal Police submission could convey the impression that DSS is highly vulnerable to numerous costly fraudulent practices and lacks either the ability or the will to combat them. On the contrary, the Department can show that fraud, while relatively minimal, is seriously viewed by it and that counter measures it has initiated are both effective and appropriate. It recognises, however, that further improvement in detection and prevention must be pursued.

OVERPAYMENTS

3 Essentially, overpayments of social security pensions, allowances or benefits occur because the Department does not receive full, accurate information in time to allow it to make or vary correctly determinations of entitlement. Information received from some of its 4 million clients is inaccurate or delayed without there being fraudulent intent and, in fact, inadvertent non-disclosure and delay in notification are both more significant causes of overpayments than fraud. Excess payments due to frauds and clients' mistakes in connection with cheques represent about one-eighth of the total amount identified as debts for recovery and less than .06% of cheques issued are involved.

REPLACEMENT CHEQUES

4 A prime responsibility of the Department is timely delivery of correct entitlements. In 1982/83 65 million cheques were issued and some 236000 were replaced. Replacement cheques must be issued very promptly to its needy clients when the original cheque is reported as not received. Written applications for replacement are required and checks are made (when possible) whether there is any record that the original cheque has been paid.

5 However, cheque presentation information is not usually available when a decision whether or not to replace a 'missing' cheque has to be made. The time which elapses before a paid cheque is available to the Department varies according to the path it travels from encashment (or deposit) to payment by the Department's banker and subsequent return to the Department.

6 Because the paid cheques are handed over in bulk, unsorted, locating a cheque requires a sorting process. Until recently, with minor exceptions, this sorting was a by-product of the bank account reconciliation work performed on Department of Finance computers and liable to be delayed by higher priority work. Now, Reserve Bank cheque presentation data is being provided directly to DSS on the working day after the cheque is paid. In consequence, imposition can be reduced.

FRAUDULENT NEGOTIATION

7 Establishing that there has been fraudulent negotiation of a replaced cheque generally takes from six weeks to six months but not infrequently takes much longer and, in extreme cases, has exceeded a year. The original cheque must be identified in the reconciliation process, located, and the endorsement of payee checked against his specimen signature in departmental records. Then the payee is asked to provide a statutory declaration confirming he did not receive value and the collecting banker is asked to supply the name and address of the customer depositing the cheque for collection. This procedure takes time and is often delayed further because of difficulty in locating and receiving replies to correspondence from former clients.

EFFECT OF DELAY ON TRADERS

8 The prospects for effective action against persons who cash stolen cheques with traders diminish greatly from the time the offender leaves the business premises. Action by DSS or by AFP cannot compensate or provide a total remedy for unsound encashment practices.

9 The case of the Chinese businessman referred to in paragraph 8 of the AFP submission as a typical example is the worst known to the Department.

STOPPAGE OF PAYMENT

10 Where there is good reason, e.g. a cheque is reported as stolen or the bona fides of the applicant are doubted, a

stop-payment notice is lodged, but stoppage of cheques reported as not received is impracticable because of the nature and needs of the Department's clientele and other factors.

11 Actually, automatic lodgement of stop-payment notices would operate more to the disadvantage of traders than to their advantage. Stopping payment of a cheque does not prevent fraudulent negotiation; most frauds are perpetrated before the stop can take effect. The stop often would give traders earlier notice but would involve them in recovery action that ought to be undertaken by the Department, i.e. when it is the payee (or his agent) who tendered the cheque.

12 In addition, traders would be liable for and have to seek to recover any bank charges levied on stopped cheques they had deposited with their bankers for collection. Lodgement of stops and consequential processing is costly to the Department, its bank and collecting bankers. In 1982/83, 236249 replacement cheques were issued, 24333 "payee's dual negotiation" cases were recorded and 12661 instances reported to AFP as alleged fraudulent negotiations by other than payees.

13 For the reasons given above, automatic stoppage of payment is not generally a suitable practice for "missing" social security cheques as such advantages as it would confer are outweighed by disadvantages to the various parties (traders, banks, DSS and its majority of honest, needy clients).

LETTERS OF INTRODUCTION

14 Traders and banks who cash social security cheques for persons unknown to them or without requiring adequate identification contribute towards making those cheques a target for theft, to the disadvantage of themselves, social security clients and (because of consequential costs) the community generally. Recently, the Department has devised in collaboration with the Commonwealth Banking Corporation a national procedure for establishing that a person is the payee of a particular cheque. The procedure has many features aimed at giving better protection for all rightful parties. Standard specially printed letters of introduction will be issued when a client's circumstances so require, mainly when he has no bank account and/or could not otherwise satisfy a prudent businessman that he is entitled to cash the cheque.

PROSECUTIONS FOR OFFENCES

15 Offenders against the Crimes Act may be and are prosecuted by AFP without the need for authorisation by DSS. In 1982/83, according to information from AFP, there

were 623 charges laid under the Crimes Act for offences related to fraudulent negotiation of DSS cheques. Offences against the Social Security Act 1947 are now dealt with under Sections 138, 138A and 139 of that Act, as amended by the Social Security Amendment Act 1983 (No.69 of 1983) assented to on 24 October 1983, which, inter alia, increased the penalties prescribed. These provisions supplant those cited in paragraphs 26 and 27 of the AFP submission.

16 Power to consent to prosecutions for offences under the Social Security Act is contained in Section 139 of that Act and is vested in the Minister and the Director-General. In practice, senior officers in the Department's State administrations have been authorised to consent to prosecutions. In deciding whether to prosecute a person the Department acts on the advice of the Deputy Crown Solicitor.

17 Prosecutions, excluding those referred to in paragraph 15, brought against social security clients are summarised:-

<u>1 July 1982 to 30 June 1983</u>	<u>Social Security Act</u>	<u>Crimes Act</u>
Prosecutions	1466	197
Convictions	1344	181
<u>1 July 1983 to 28 February 1984</u>		
Prosecutions	1201	92
Convictions	1177	90

FEDERATED SHIP PAINTERS & DOCKERS UNION

18 Interim Report No.3 of the Royal Commission into the activities of the Federated Ship Painters and Dockers Union referred to social security fraud by painters and dockers and indicated that while it was not possible at the time to state precisely the amount involved, it would be well over \$1 million.

19 That expectation was based not only on information available to the Royal Commission but also on 129 cases of fraud involving unemployment beneficiaries who had been employed as painters and dockers. The amount involved was about \$150,000 and had been detected in 1980 by the Department of Social Security and/or the AFP.

20 The Department has worked in close co-operation with the Royal Commission and has devoted considerable resources to the task of investigating likely cases of fraud. As a result of this work, 860 cases were identified for further investigation. Of these, 100 have been found to be overpaid to the extent of \$191,000. One prosecution has taken place and 40 others are under active consideration by the Special Prosecutor's Office. There is no basis established for taking action in the remaining cases.

21 Accordingly, the work done by the Department in conjunction with the Royal Commission has not identified irregularities to the extent originally envisaged in Interim Report No.3.

PROOF OF IDENTITY

22 Current procedures within the Department require claimants for benefits to establish identity on the basis of approved documents. Approved documents can include:-

- . an original birth, baptismal or marriage certificate or a birth, baptismal or marriage extract issued at least five years ago;
- . a taxation group certification covering a total of at least six months' full-time employment;
- . a passport;
- . for school leavers (including tertiary) a recent school report or reference on official school paper;
- . an original motor vehicle registration form in the claimant's name;
- . a credit card showing full name and current or recent address;
- . a rate or water account made out in the claimant's name showing his present address; or
- . an insurance policy in his name issued at least two years ago.

23 Departmental instructions make it clear that driving licences and savings bank passbooks are not, by themselves, acceptable as evidence of identity.

24 In common with many other private and public sector organisations, the Department acknowledges the inevitability of some people trying to cheat the system by falsifying their identity. When this occurs there is scope for fraud in such areas as:-

- . multiple payments being made under more than one name;
- . the granting or continuation of payment of pension or benefit in circumstances where the claimant is not entitled to that pension or benefit.

25 The Department's day-to-day practices are aimed at true identity being truly established, and when a wrong doer perpetrates a fraud, for this to be discovered and appropriate action taken against that person. Most applicants for pension and unemployment benefit are interviewed in connection with their claim before payment commences. Exceptions are made for those in remote areas, seriously ill etc.

26 The Department is reviewing its proof of identity requirements to ensure they are sufficient and that they strike a proper and reasonable balance between the welfare needs of the client and the fiscal interests of the taxpayer.

ALTERNATIVE IDENTIFICATION PROCEDURES

27 In investigating alternative means of establishing identity of clients, the Department must be sensitive to the fact that the great bulk of its clients or potential clients satisfy proof of identity requirements. More stringent requirements will disadvantage many of those people. It must also recognise that there are many people in special need who already experience great difficulty in having to provide identification documents. These include the transient, the homeless, people living in remote areas, many Aborigines, migrants and others who simply have problems in obtaining access to relevant documents. Many instances also arise in which people require immediate support to survive and complex administrative procedures are not always feasible in these circumstances.

28 While the AFP are apparently suggesting more stringent identification requirements, at the same time welfare agencies are calling for a relaxation of present requirements. Clearly, the Department must strike a balance between making statutory benefits reasonably available to those eligible while, at the same time, preventing fraudulent representation. The establishment of procedures which strike an appropriate balance between these conflicting objectives is a central aim of the current review.

29 The AFP has suggested that the process of verification by a third party similar to that currently in use for passport applications be introduced. Arising out of the Williams and Stewart Royal Commissions, changes were made to the verification of identity for passport purposes. These changes were outlined in a statement by the then Minister for Foreign Affairs in December 1982. In that statement the Minister also said:

".... there is absolutely no infallible method of establishing identity through a single identification system. The most effective method of establishing identity would, of course, be the establishment of a national identity system based on fingerprinting. The Government has considered this but is not prepared to institute such a system in relation to passports because of the implications that this would have on our traditional way of life. There would also be major administrative difficulties and additional costs."

8 May 1984



The Director-General
Department of Social Security
PO Box 1
WODEN ACT 2606

Attention: Mr B J Budak

AUDITOR-GENERAL'S REPORT - SEPTEMBER 1983
FRAUDULENT NEGOTIATION OF CHEQUES

I refer to the public hearing on the Fraudulent Negotiation of Cheques with the Department of Social Security on Wednesday 9 May 1984. Due to time constraints and the lodgement of your submission at the hearing, the Committee did not conclude its questioning and it was agreed that answers to further questions would be supplied in writing.

The Committee's questions are provided below. It would be appreciated if responses could be provided by 6 July 1984.

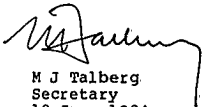
Questions

1. It is stated in the Department's submission that the prime responsibility of the Department is the timely delivery of the correct entitlements. Where does the direction for this come from? This policy appears to assist those who would 'defraud' the Department - would you agree?
2. The Department's submission stated that a replacement cheque must be issued very promptly to its needy clients when the original cheque is reported as not received. In the Report of the Auditor-General, March 1984, problems in NSW and Queensland regional offices are allowing, for instance, clients with histories of dual negotiation to continue to receive replacement cheques. Surely these problems, and in particular delays, must be encouraging the fraudulent negotiation of cheques?
3. Does the Department of Social Security have sufficient checks and records to reduce the repeated fraudulent negotiation of cheques by some clients and is it able to maintain these, particularly at regional office level?

4. Why is there in NSW still long delays (12 and 15 months referred to by the Auditor-General, March 1984) in identifying overpayments arising from dual negotiation?
5. As a result of the bank reconciliation process, cheque issues information for all replaced cheques is flagged and sent by the Department of Finance to the Department of Social Security. Is this information then readily and immediately available to regional offices?
6. It would appear from the Auditor-General's Report, March 1984, that some regional offices would not be able to refer cases of dual negotiation to the Australian Federal Police in your stated average time lag of 6 weeks to 6 months because of long delays in just identifying overpayments arising from dual negotiation. Would this be the situation at most regional offices? Why?
7. Of the 236,000 cheques replaced by the Department of Social Security in 1982-83 only about 12,661 were referred to the AFP. Of the remainder what proportion were returned, never presented, etc?
8. Two specific examples were outlined to the Committee by the AFP where they had encountered problems in getting access to Social Security files:
 - a member of the NSW Police Force claiming workers compensation and at the same time receiving a sickness benefit from DSS; the NSW Police wanted access to this policeman's file to see if he was committing a crime but could not get access; and
 - AFP investigating a person in Wagga found he was employed and receiving unemployment benefits and Social Security would not give AFP access to his file.

In both cases DSS stated that they would make the decision as to whether a crime had been committed. In your evidence to the Committee you stated that you could not give information which is attached to an inquiry which does not involve your clients. This does not appear to apply to the two examples above. Could you discuss this further?
9. Many cases of fraud against DSS appear to occur because an approved document for identification is not checked. Why isn't it a requirement that an 'approved document' is checked?
10. In your submission 24,333 'payee's dual negotiation' cases were recorded in 1982-83. 12,661 were reported to AFP as alleged fraudulent negotiations by other than payees. Why weren't the other 11,672 cases treated as alleged crimes? Has all this money been recovered?

11. What is the DSS policy with regard to misrepresentation when applying or receiving a benefit, for instance, receiving unemployment benefit and working?
- Is the person charged with a crime? If not, why not?
 - Is full restitution required? How is this enforced?
12. If the AFP (or DSS) decide that there is a possible case for prosecution under the DSS Act who in DSS decides whether the case will proceed? What qualifications does that officer have? Is the advice of the Deputy Crown Solicitor sought in all cases?
13. When a person is convicted under the DSS Act, is restitution followed up separately as a civil matter? What percentage of monies for restitution is returned to the Department?
14. With regard to fraud how much investigation is carried out within the Department?
15. What procedures are followed to check for fraud? Is internal fraud a problem? Are there checks on the system which can discover internal fraud? How are DSS employees who commit fraud on the Department dealt with?
16. In your supplementary submission of 3 May 1984 you have outlined generally the procedures to incorporate the direct credit facility. What overall time scale is envisaged?
17. Will direct credit reduce the amount of fraud committed on the Department? If so, in what areas particularly?


M J Falberg
Secretary
18 June 1984



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

Please quote 84/5042

The Secretary
Joint Parliamentary Committee
of Public Accounts
Parliament House
CANBERRA ACT

AUDITOR-GENERAL'S REPORT - SEPTEMBER 1983
FRAUDULENT NEGOTIATION OF CHEQUES

I refer to your memorandum of 18 June 1984 which sought additional information in relation to the Committee's enquiry into the above matter.

2 By way of introductory comment in relation to the Committee's overall concern about the improper payments associated with cheques, I would like to define the two categories of case involved.

3 The first category is that of fraudulent negotiation which occurs where a person other than the payee negotiates the cheque without the payee's authority. Under the Bills of Exchange Act persons accepting not negotiable cheques (banks and/or traders) have no better title than the previous holder and, as drawer, the Department claims reimbursement from the person to whose account such a fraudulently negotiated cheque is credited. The payee is entitled to a replacement payment and the matter is referred to the Australian Federal Police for detection and prosecution of the offender. Referral to the police is required by Finance Direction 10/28.

4 With cases of fraudulent negotiation there are delays in referrals to the Australian Federal Police because the Department does not become aware of the fraud until:

- . the intended payee advises that the cheque has not been received; and
- . upon the cheque passing through the banking system and being paid by the Commonwealth, a copy of the cheque is obtained and forwarded to the payee to confirm by statutory declaration that he or she did not receive or negotiate it or authorise any other person to do so.

5 The other category involves the negotiation of both an original and replacement cheque by the payee. This is not fraudulent negotiation as occurs in the case of a stolen cheque as it is the payee who receives value and is consequently overpaid in these cases. Referral of original and replacement cheque overpayments to the Australian Federal Police is not required by Finance Directions but Departmental procedures provide for referral if it is considered that the payee has deliberately imposed on the Commonwealth. Cases are not referred where the payee appears senile, of limited mental capacity or otherwise confused as to his entitlement and makes a claim for a replacement cheque without intending to defraud the Commonwealth.

6 Also on the matter of referral to the Australian Federal Police, but unrelated to cheques, the Department deals with the police in respect of two other general types of offence. They are:

• Offences against the Social Security Act

These include cases where a person makes a false or misleading statement or obtains a payment of a pension or other benefit by means of impersonation or a fraudulent device.

As pointed out in reply to question 8, it is the normal practice for the department to carry out its own investigations of such possible offences. In some situations, however, cases may be referred to the Australian Federal Police for investigation because they present some particular difficulty for the department or because it is suspected that criminal activities of a wider nature may be involved.

• Public Interest

There are cases where the police are already investigating a matter which is quite unrelated to the Department's activities. Social Security information is sought, for example, to give some lead to the present address of the offender.

For such cases information can only be released on the authority of the Minister, Director-General, and four other officers in the Department. The Social Security Act specifically requires that information can only be released, where there is no explicit or implicit authorisation of the client, if it is "necessary in the public interest". This latter requirement is interpreted strictly and details are provided in relation to matters which are grave and where the information cannot reasonably be obtained from other sources.

7 The answers to the Committee's questions are as follows:

QUESTION 1

The Social Security Act provides for payments to be made at regular intervals. If a client does not receive a cheque by the due date he has not been paid his legal entitlement and has a rightful claim to payment in respect of that instalment.

In recognition of the need of clients who are wholly or substantially dependent upon payment the Department has adopted policy and procedures whereby replacement cheques may be issued immediately in these situations.

Because this policy often requires that replacement cheques be issued without knowledge of the fate of the original cheque unscrupulous clients can and do take advantage of the Department. Naturally appropriate action is taken to recover any overpayment so arising.

The Department considers that it could nevertheless not adopt a policy whereby genuine clients would be disadvantaged by the activities of a minority.

QUESTION 2

As mentioned earlier in this memorandum fraudulent negotiation occurs when a person other than the payee negotiates a cheque. It is agreed, however, that allowing replacement cheques to clients with histories of dual negotiation of both original and replacement cheques could create a climate whereby unscrupulous clients may abuse the system.

Delays in identifying client dual negotiations and providing this information to decision makers must therefore exacerbate this situation as would any propensity on the part of decision makers to approve replacement issues to clients in spite of a known history. The Department undertook a review during 1983 of the problems associated with the issue of replacement cheques (see answer to question 3). Ultimately, the solution to problems relating to fraudulent and dual negotiation of cheques lies in the movement away from cheques as a method of payment to direct crediting (see answers to questions 16 and 17).

However the connection between delays in detecting dual payments and the incidence of theft and fraudulent negotiation of cheques is more tenuous as evidenced by the rather static nature of fraudulent negotiation over the last six years compared with large increases in the numbers of replacement cheques issued.

	No of Cheques issued (million)	No. replaced	Fraud Negotiations Reported to AFP
77/78	64.7	89718	12804
78/79	62.6	110761	12268
79/80	62.0	186844	8090
80/81	60.0	167385	10222
81/82	60.3	191062	10985
82/83	65.3	236249	12661

QUESTION 3

In all States except NSW decisions in relation to the issue of replacement cheques are made in the State Headquarters. The authority to issue replacement cheques was decentralised in NSW because of the very large client numbers compared to other States.

Information currently available to decision makers generally includes:

- . cheque issue listings
- . details of cheque presentations (in micro fiche form);
- . replacement cheque issue listings (ADP produced);
- . cheque negotiation history records (ADP or manually maintained);
- . output from the ADP bank account reconciliation system
- . individual case files.

As a result of the review of the overall difficulties evident in the issue of replacement cheques the Department now receives presentation data concerning the original cheque from the Reserve Bank much earlier than previously. Guidelines have been issued which outline the procedural steps to be taken when a replacement is applied for and these include reference to the need to sight the original cheque (or a copy thereof) if it is available. Work is proceeding on the development of a national replacement cheque history system.

Each of these initiatives should markedly reduce the incidence of dual negotiation of cheques by clients.

QUESTION 4

Dual negotiation overpayments currently being raised in NSW have resulted from replacement cheques issued during June, July and August 1983. Since the matter was first raised by the Auditor General there have been considerable reductions in delays associated with dual

negotiation processing. Delays in raising cases are still apparent due to both high work volume (in NSW approximately 12,000 original and replacement cheques negotiations are detected each month) and the relatively limited systems and staff resources.

To reduce delays in NSW, as far as possible

- (a) staffing levels have been increased;
- (b) overtime has been more heavily utilised;
- (c) procedures have been reviewed and rationalised;
- (d) equipment for microfilming paid Social Security cheques has been installed and has been operating since December 1983. This enables copies of paid cheques to be made available more quickly to regional offices.

In relation to the incidence of dual negotiation overpayments, the advantages of the microfilming equipment will not be fully realised until overpayments resulting since December 1983 replacement issues are raised.

The following initiatives have been implemented to assist NSW regional offices in the decision making process. Use of the initiatives has already resulted in a reduction in replacement cheques issued which will reduce existing processing delays.

- (a) presented cheque data is now available in all NSW regional Offices. The data is updated each day and is available by Day 2 after cheques are presented to the Reserve Bank for payment. In the past, presented cheque information has been provided by the Department of Finance through the Bank Reconciliation System 7 - 10 days after presentation date.
- (b) revised procedures for processing replacement cheque applications have been made available to NSW regional offices.
- (c) since January 1984 persons claiming pensions and family allowance payments for the first time or persons applying for replacement cheques for such payments have been encouraged to convert to the use of the direct credit mode of payment. The direct credit mode not only has considerable resource advantages but also for recipients, offers far greater security for their payments.

Implementation of the abovementioned initiatives has already resulted in a reduction in NSW in the number of replacement cheques issued from 13,000 per month to 11,000 per month.

QUESTION 5

All cheque issue information is produced by the Department of Social Security and is sent to the Department of Finance for input to the bank account reconciliation system. Information on all cheques replaced is also input to this system. The reconciliation process serves to flag cheques which have been replaced and to bring them to attention promptly if they are subsequently negotiated. Investigations are then undertaken including enquiries with the client to see whether he/she received value for both original and replacement cheques or whether there has been a theft and fraudulent negotiation.

In NSW, where the issue of replacement cheques is approved in the Regional Offices, replacement cheque issue information is conveyed to the Regional Offices. The information is updated each fortnight. Presented cheque data is also available in NSW Regional Offices and is updated each day.

In other States, where the decisions are made at the State Headquarters the cheque issue and presentation data is held in the State Headquarters.

QUESTION 6

The average time lag for referrals to AFP of 6 weeks to 6 months which was quoted in our submission related to the theft and fraudulent negotiation of cheques by third parties and not to dual negotiation by clients. Departmental procedures require that, where a client is considered to be deliberately imposing on the Commonwealth, the matter is placed in the hands of the AFP. This consideration would usually be undertaken in State/Territory Headquarters and not normally involve regional office personnel.

On the matter of delay in fraudulent negotiation cases, the Department recognises that it is desirable for both the Australian Federal Police and the person or bank who have given value for a fraudulently negotiated cheque to be advised as soon as possible of any cases where it is reasonably believed that a fraudulent negotiation may have occurred.

However, the time that can elapse before such advice can be given is dependent on the circumstances of each case. Generally, suspected fraudulent negotiation cases are first brought to notice when the payee advises that an expected cheque has not been received. The following action is then necessary -

- Establish if possible whether the cheque has been negotiated (there are time lags in receipt of information about paid cheques).
- If so, establish whether it was fraudulently negotiated. This normally involves correspondence with the payee who is requested to examine the endorsement on the cheque and, if the signature is not his, to make a statement to that effect. It may happen that the payee has forgotten that he did in fact negotiate the cheque, or it may have been endorsed and negotiated by a member of his family or by a person known to the payee. When it is established that both the original and replacement cheque have been negotiated by the payee or on his behalf, an overpayment will be raised and recovered from the payee.
- Where it appears that there has been a fraudulent negotiation, details of the case are then forwarded to the collecting bank with a request for a refund of the amount concerned or the name and address of the bank's customer (usually a trader) to whose account the amount of the cheque was credited. Some time will normally elapse before a reply is received as banks have their own procedures in these matters.
- On receipt of the name and address of the bank's customer, action is then taken to advise that person and seek recovery of the amount of the cheque as required by Finance Directions and, also, to refer the case to the Australian Federal Police for further investigation with a view to prosecution of the offender.

As mentioned by the Minister for Finance in his answer to question upon notice No.1089, each of these steps may involve delays beyond the Commonwealth's control. In some cases, it can be difficult to locate the original payee who may have changed addresses, or a payee may not be prompt in co-operating by furnishing the necessary statutory declaration. Where a combination of such delays occurs in a particular case, it can extend significantly the time it takes to finally learn the identity of the storekeeper involved and inform him and the AFP of the likelihood of fraud. (pages 2939-2940 of the Handsard for 5 June 1984 refer).

QUESTION 7

The 12661 cheques referred to the AFP in 1982-83 is an absolute figure with no direct relationship with the 236,000 cheques replaced in a particular year because of delays in establishing fraudulent negotiation and generally because theft and fraudulent negotiation is often discovered before the issue of a replacement cheque. In the latter case a further instalment is issued to the client and these further cheques are not included in the replacement cheque issues figures. It indicates, nonetheless, that a relatively small proportion of replaced cheques are fraudulently negotiated.

Many cheques are returned to the Department unpaid or never presented for various reasons, and no figures are available on which of these relate specifically to cheques which are replaced. However, replaced cheques which are presented and paid are identified as either fraudulently negotiated or negotiated by the payee. While 12,661 cheques were reported to the AFP in 1982-83 as fraudulently negotiated 24,333 overpayments were raised against payees who had negotiated both an original and replacement cheque. Once again, this is an absolute figure not directly related to the replacement issue figure for the year but it indicates that most replaced cheques are not presented and paid, being either returned to the Department or never located. In some cases a client who receives a replacement cheque and its original will negotiate the original and return the replacement.

QUESTION 8

Section 17 of the Social Security Act provides that information about a client can be released only:

- . with the client's explicit or implied authority;
- . by an officer in the performance of his duty; or
- . where the Minister for Social Security or the Director-General certifies that it is in the public interest to do so.

With regard to divulging information in the performance of duty, officers may disclose relevant information to the Australian Federal Police where the Police are investigating specific cases of fraud or suspected offences against the Social Security Act, or to enable prosecution under Section 29B of the Commonwealth Crimes Act in relation to fraudulently obtained social security benefits.

Similarly, where the State Police are acting on behalf of the Australian Federal Police in investigating matters of this specific nature, such information may be disclosed to them.

This being said, the Department holds the view that in the ordinary course of events, it should handle investigations about suspected social security offences, at least in the first instance or unless other serious criminal activities are alleged to be associated with such suspected offences.

Where this Department prosecutes a person and a conviction is recorded for a social security offence, then that becomes a matter of public record, and other law enforcement agencies may take account of that in considering matters under another jurisdiction.

In the case of alleged criminal offences, information is only ever likely to be released where some persons have been charged or likely to be charged with a serious crime - as opposed to an investigation of possible crime - and the gravity of the crime is such that it would be in the public interest to release information.

Successive Governments and Ministers have taken the view that the public interest clause should be interpreted in a very restricted way. Added weight to this approach can be seen in the recent National Crimes Authority Bill, the provisions of which do not override the confidentiality provisions of the Social Security Act, one of the few Acts exempted by it.

Accordingly, great care and deliberation are exercised before a decision is taken that the public interest would be served by disclosure of information which is held by this Department in confidence.

With regard to the case involving a member of the NSW Police Force the questions of entitlement and any misrepresentation that may have occurred were Social Security matters. It was considered that it was not necessary in the public interest to release any details to the NSW Police. Relevant documents were, however, released to the AFP for further investigations as it was considered beyond the capacity of our officers to effectively interview the person involved.

On the information provided it is not possible to identify the second case quoted. In general, where an allegation is made that a person is employed and receiving Unemployment Benefit it is a matter for this Department to investigate and prosecute if necessary. The Attorney-General's prosecution policy tabled in the House in November 1982 indicates that in this circumstance the offence has been committed against the Social Security Act and is not a matter for investigation and prosecution under the Crimes Act 1914. Whenever allegations of this kind are made, our officers are bound to follow through and to ascertain whether the allegations are well founded. If the allegations are found proven the normal prosecution procedures under the Social Security Act follow.

It might be noted that there is no bar as such to the concurrent receipt of income such as workers' compensation or earnings and unemployment or sickness benefit. Application of the relevant income test will determine whether any benefit is payable given the level of that other income.

QUESTION 9

In all cases where a claim for pension, benefit or allowance is received it is necessary to verify a claimant's identity. A list of documents which may be accepted for this purpose is included in the Department's Manuals of Instructions and were detailed at paragraph 22 of our submission of 8 May 1984. In addition corroborative evidence is sometimes sought to establish that a claimant is the person he/she claims to be.

Departmental policy provides that payment of pension, benefit etc will not be approved where doubt exists as to the bona fides of a claimant's identity. It should also be noted that all of the department's claim forms carry a warning that persons supplying false or misleading information may be penalised by a fine or imprisonment.

Recognising the need to ensure that the Department's proof of identity processes are the most appropriate, a review of those processes has recently been commissioned. The objective is to design revised procedures which both safeguard the public purse and are efficient, reasonable and acceptable by community standards.

QUESTION 10

The 12,661 cases reported to the AFP as fraudulent negotiations are not part of the 24,333 figure for payee's dual negotiation cases recorded in 1982-83. As mentioned in my introductory remarks, original and replacement cheque negotiations are referred to the AFP if it is considered that the payee deliberately imposed on the Commonwealth. In 1982-83, 221 payees were prosecuted for imposition in relation to some 600 cheques. Many dual negotiation overpayments do not involve deliberate imposition by the payee in that his advice that a particular cheque has not been received will most often be true at the time. The overpayment arises when the original cheque is received by the payee sometime after the issue of the replacement and is negotiated by him. Although payees are advised to return the original cheque in such circumstances their negotiation of the cheque and consequent receipt of an amount in excess of entitlement is usually not seen to warrant police action.

All clients who negotiate an original and replacement cheque have overpayments raised against them. Recovery is a continuing process and in 1982-83 an amount of \$1.169 m was recovered in respect of dual negotiation overpayments.

QUESTION 11

A person who misrepresents his circumstances to the department or fails to comply with the notification provisions of the Social Security Act is in breach of the Act and may be prosecuted accordingly. The Crimes Act also provides penalties for offences against the Commonwealth or other public authorities.

As the Social Security Act contains specific penalties for offences against its provisions it is generally the practice to launch prosecutions under that Act. Some exceptions where action may be taken under the Crimes Act include:

- major frauds, multiple claims, the forgery of another person's signature or impersonation, or the forgery of identification documents issued by the Commonwealth
- where the time limit - 3 or 5 years after the commission of the offence as the case may be - for the commencement of prosecution proceedings under the Social Security Act has expired and the person has substantially contributed to the lapse of time involved.

Where a person misrepresents his or her circumstances with deliberate intent to obtain a benefit to which he or she has no legal entitlement, that person is ordinarily charged with an offence under Section 138 of the Social Security Act. Such an offence is punishable on conviction by a fine not exceeding \$2,000 or imprisonment for a period not exceeding 12 months.

Where a court does not make a restitution order in respect of the amount paid in consequence of an act, failure or omission, the Department uses powers contained in Section 140 of the Act to recover the debt. Such amounts are recoverable in courts of competent jurisdiction and the Department may take civil proceedings to secure and enforce recovery of the debt. Alternatively, if the person has a continuing entitlement, the Department may recover the debt by making deductions from that entitlement.

Thus where a person knowingly defrauds the Department by say, hiding the fact that he or she is working and continues to falsely claim unemployment benefit, such a person would ordinarily be prosecuted for an offence, and upon conviction, would suffer the penalties prescribed by law and be required to refund the total amount overpaid.

QUESTION 12

In the normal run of events, facts which lead to a persons prosecution under the Social Security Act are reported to or discovered by DSS and it is only infrequently that such information comes to the knowledge of the AFP.

Once information is received, a full investigation is undertaken by DSS and when sufficient information has been gathered that indicates to a Regional Manager that fraud or deliberate misrepresentation has been committed and a successful prosecution is likely, the matter is referred to an officer authorised by the Director-General to consent to prosecution for offences against the Act.

Only senior officers in each State or Territory are appointed for this purpose.

Where misrepresentation has occurred and the authorised officer forms the opinion that deliberate intent to defraud was present, prosecution action is normally taken unless there are unusual circumstances, e.g.

- it is not possible to obtain evidence that will stand up in court. (On this matter, authorised officers may be guided by the Attorney-General's Department)

- there is evidence of substantial mental incapacity or special infirmity
- there are other factors (youth, age, domestic circumstances etc) which may indicate it would not be in the public interest to proceed.

When the authorised officer approves prosecution, all relevant documents are forwarded as a matter of course to the Attorney-General's Department. If, having examined the papers and considered the evidence, the Attorney-General's Department is of the view that legal action should proceed, the necessary documents for the complaints and summons are drawn and the matter is brought to court. A legal officer of the Attorney-General's Department usually represents the Commonwealth and acts for the Department at court hearings of this kind.

Generally, the Department does not prosecute in cases where persons make a full and voluntary disclosure of failure to comply with the Social Security Act before departmental enquiries have commenced and where such persons have refunded, commenced to refund or have made acceptable arrangements to refund any overpayment that has occurred. However, when the facts disclosed indicate deliberate and blatant fraud the case would still be brought to justice before a court.

QUESTION 13

When a person is convicted for an offence against the Social Security Act, the Court may, in addition to imposing a penalty in respect of the offence, order payment of any amount paid by way of pension, allowance or benefit to an offender in consequence of the act, failure or omission in respect of which the conviction is recorded. (Sub-section 138(6))

Alternative means of recovery are contained in Section 140 of the Act. Sub-section 140 (1) provides for the recovery of overpayments due to a false statement or representation, or in consequence of a failure or omission to comply with any provision of the Act in a court of competent jurisdiction from the person to whom or on whose account the amount was paid or from the estate of that person. Sub-section 140(2) provides authority for recovery of an overpayment of pension, allowance or benefit from a continuing entitlement to a pension, allowance or benefit payable to the same person. An exception is that only an overpayment of family allowance may be recovered from continuing entitlement to family allowance.

On the advice of the Attorney-General's Department, it is the policy of the Department NOT to seek an order for reparation or restitution in most instances. To do otherwise, the Department would need to lay a multiplicity of charges against the defendant in many or most cases; ordinarily the interests of justice can be served by laying selected charges, thereby conserving resources of the Commonwealth and the Courts.

If reparation orders were sought in respect of a limited number of offences based on selected charges, confusion would most likely arise when the offender was asked to repay the balance of the overpayment not covered by the reparation order. Typically, this situation arises where a person in receipt of unemployment benefit commits a series of offences by falsely declaring fortnightly statements. It is that sort of case that dictates the policy of not seeking reparation orders in the normal course of events but to seek recovery from the person concerned if necessary, by instituting proceedings under sub-section 140(1) of the Act.

The Department's overpayment records do not differentiate between those for which prosecution action has been taken and those for which it was not. However, in 1982-83 132,000 overpayments were raised to the value of \$46.8 million. During the same year, \$8.2 million was recovered by cash refund and \$14.6 million was recovered by withholdings from continuing entitlement. As mentioned in answer to question 10, recovery of overpayments is a continuing process and a substantial part of the balance will be recovered in subsequent years.

QUESTION 14

As part of its overall objectives the Department seeks to assure itself that policies with respect to eligibility and entitlement and the administrative practices which support them are being correctly applied. Where evidence of incorrectness is detected the Department will seek to establish the reasons for it.

Sophisticated computing and statistical techniques are used to review risk categories and it is these projects which uncover fraudulent activity both external and internal. It is full time work and utilises staff in both Central Office and each State/Territory. Over 100 officers are involved on a day to day basis.

With regard to fraud in respect of cheques, namely fraudulent negotiation of cheques by a third party, the Department generally takes only such action as is necessary to prevent loss to the Commonwealth. This entails the enquiries necessary to ascertain that a fraudulent negotiation has occurred in order that reimbursement can be claimed from the person to whose account the cheque was credited. The apprehension of the offender in these cases is a matter for the police.

QUESTION 15

The methodology used to check for fraud is as explained in the response to Question 14 together with the whole range of internal audit activity with respect to the review of internal controls and their effectiveness.

The various techniques used by the Department are equally as effective for detection of frauds whether the source is external or internal.

Although circumstances vary from case to case it is usual for any public servant charged with fraud, in addition to being subject to prosecution, to be also dealt with under the Public Service Act.

QUESTION 16

The time scale envisaged for the implementation of direct credit is as follows:

- conversion of existing pension and family allowance clients from cheque payment to direct credit
October 1984
- conversion of U & SB clients to direct credit
April 1985

A process to encourage new claimants to adopt direct credit as their payment mode has been in operation since January 1984.

QUESTION 17

Direct credit will substantially reduce fraud committed on the Department by:

- removal of the cheque theft facility
- introducing certainty of payment; that is, it reduces the capacity for the payee to claim that a payment has not been received.

The Department has dealt with this latter problem which arises when a client complains to the Department that his/her cheque has not been received. Not knowing the fate of the original cheque, the Department is not in a position to leave a client without funds and therefore, under certain circumstances, will always provide a replacement or further cheque. The initiatives taken so far should markedly reduce the incidence of these claims. Direct credit will reduce them still further.

- 8 If the Committee would like further information on these matters please let me know.

J. A. Battanta
 J A Battanta
 National Manager
 Field Operations Service



MINISTER FOR VETERANS' AFFAIRS
 PARLIAMENT HOUSE
 CANBERRA, A.C.T. 2600

4 DEC 1983

Dear George,

I refer to your advice of 16 November 1983, concerning matters raised by the Auditor-General that your Committee intends to examine. In particular I refer to the item, Fraudulent Negotiation of Cheques, which is relevant to my Department.

The need for a separate submission by my Department has been discussed with officers from the Department of Finance. My officers were advised that a submission was not necessary.

In his Report, the Auditor-General referred to initiatives taken to maximise the number of pension payments to Banks, Credit Unions and Building Societies. It is of interest to note that pensioners have responded well to my Department's promotion of direct credit payments. Almost 224,000 (over 51%) of pensioners receiving pension payments by cheque have transferred to direct credit in the last 5 months. The number receiving payment care of a bank manager has been reduced from 41,479 to 45.

Currently almost 65% of my Department's pensioners are receiving payment by means of direct credit. The Department will continue its efforts to improve this further.

Yours sincerely,

(A.T. GIETZELT)

Senator G. Georges,
 Chairman,
 Joint Parliamentary Committee
 of Public Accounts,
 Parliament House,
CANBERRA. A.C.T. 2601

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
16.2 - 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 STRATPLAN 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 percentum 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 trialed 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

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 \$866,000.

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 THE REPORT OF THE AUDITOR-GENERAL

- SEPTEMBER 1983

SUBMISSION BY DEPARTMENT OF FINANCE

Paragraph 25.2: Recovery of Outstanding Revenue, Debts and Overpayments

This submission addresses the role of the Department of Finance in relation to the development of policies and practices applied by departments in debtor management for the recovery, write-off or waiver of outstanding revenue, debts and overpayments.

The Audit Act Context

2. The regulation-making power of the Audit Act 1901 - section 71 - permits the Governor-General to make regulations in relation to, inter alia, the collection, care and management of all public moneys and the guidance of all persons concerned.
3. Section 72 permits the regulations to authorize the Minister or Secretary to the Department of Finance to give to officers directions for or in relation to any of the matters covered by the regulations. The Minister's and Secretary's powers in this respect have been delegated to senior officers in the Department of Finance.
4. Also relevant in relation to debtor management are the powers conferred on the Minister under sub-section 70C(1) of the Act to write-off irrecoverable amounts of revenue and irrecoverable debts and overpayments; and, under sub-section 70C(2), to waive the right of the Commonwealth to the payment of amounts due to it and to the recovery of its stores. The write-off power has been delegated to specified officers across all departments. The waiver power (apart from a delegation to all Permanent Heads to waive overpayments of amounts up to and including \$200 to officers or former officers in certain circumstances), has been delegated to senior officers in the Department of Finance and, selectively for certain types of debts, to senior officers in the Departments of Social Security, Veterans' Affairs, Education and Youth Affairs and Defence. As provided for under sub-section 70A(2A) of the Act, the Minister has given directions to officers in departments who are delegates of his section 70C powers.
5. Thus, in pursuance of sub-section 70A(2A) and section 72 of the Act, departments have had the following guidance made available to them by Finance in relation to their debtor administration:

- "Directions to be Observed by Delegates of the Minister for Finance when Exercising Delegations under sub-section 70C(1) of the Audit Act 1901" (issued on the authority of the Minister for Finance).
- Conditions governing the waiver by Permanent Heads of overpayments to officers and former officers (issued on the authority of the Minister for Finance).
- The delegations, applicable conditions and guidelines relating to the waiver of certain overpayments of benefits by the Departments of Social Security, Veterans' Affairs and Education and Youth Affairs (issued on the authority of the Minister for Finance).
- The delegations and applicable conditions relating to the waiver of debts for medical and hospital services provided by the Departments of Defence and Veterans' Affairs (issued on the authority of the Minister for Finance).
- Finance Directions Section 5, Paragraphs 8 to 12: "Judgment Debts Resulting from Civil Action" and Paragraphs 13 to 16: "Judgment Debts Resulting from Criminal Proceedings" (issued on the authority of the delegate of the Secretary to the Department of Finance).
- Finance Directions, Section 24: "Losses, Deficiencies and Overpayments of Moneys", including relevant Background and Guidelines to the Section (issued on the authority of the delegate of the Secretary to the Department of Finance).
- Finance Directions, Section 27: "Losses or Deficiencies of Stores" (issued on the authority of the delegate of the Secretary to the Department of Finance).
- Finance Directions, Section 34, Paragraphs 2 to 6: "Debts Owning to Commonwealth Departments - Bankruptcy Act"; Paragraphs 7 and 8: "Payment of Accounts to Debtors - Right of Set-Off"; and Paragraph 23: "Statutes of Limitations", including relevant Background and Guidelines to those paragraphs (issued on the authority of the delegate of the Secretary to the Department of Finance).

The foregoing references are tendered with this submission as Attachments 1 to 8, respectively.

BACKGROUND TO THE AUDITOR-GENERAL'S REFERENCE

6. The responsibility for the recovery of amounts owing to the Commonwealth has, traditionally, been in the hands of the various departments and authorities concerned. Each of those bodies has had its own particular process through which a debt would pass for simple recovery, or, if necessary, referral to the Deputy Crown Solicitor for further pursuit of recovery by escalated legal means, or for ultimate write-off or waiver of the debt by the department if circumstances warranted.
7. Until 1976, parts of the process - the location of those debtors who could not be found by the departments concerned using their own resources, together with process serving and bailiff duties - were handled by the then Commonwealth Police Service (Compol). In that year, the then Government decided that the Police Service should divest itself of those duties as soon as alternative arrangements (eg, for the establishment of properly trained civil personnel) were available.
8. Initially, with a view to identifying revised procedures that might need to be formalised in the Finance Directions, Finance approached several departments for their reactions to the proposed Compol withdrawal from debtor-location work. That exercise was subsumed however, by the subsequent establishment of an IDC - in March 1978 - to consider what "alternative arrangements" to Police involvement might be feasible. The IDC comprised the Department of Administrative Services (Chair), the Attorney-General's Department, the Public Service Board, the Department of Business and Consumer Affairs and Finance.
9. The IDC's progress was both slow and inconclusive, due, largely, to the difficulty of identifying solutions that would be potentially acceptable and applicable across the range of Commonwealth departments. (For example, the idea of employing commercial debt collection agencies was seen as running up against the secrecy provisions of the Social Services and Income Tax Acts, as would the creation of a central Commonwealth Bureau. Moreover, the private agencies would have been limited to a debtor locating role because only the Deputy Crown Solicitors had been empowered under the Judiciary Act (s.61) to litigate in the name of the Commonwealth).
10. In October 1980, the Committee accepted a Department of Finance suggestion that it (Finance) conduct an enquiry, with much wider terms of reference than the IDC

and across a broad base of departments, into the problems of debtor location and debt recovery. The survey was commenced in December 1980. A copy of the questionnaire and covering memorandum to departments is shown as Attachment 9 to this submission. The final paragraph of the covering memorandum advised departments to continue, in the meantime, to use their own discretion and initiative in relation to debtor location.

11. The last of the replies was received in August 1981. A summary of departments' responses is shown as Attachment 10. It was necessary to seek further clarification from the Crown Solicitor's Office on the question of the amount of a debt that might be regarded as uneconomical to recover and, therefore, in a practical sense, irrecoverable. This was received in January 1982.

12. A uniform procedural and policy approach to debtor management was pursued through an attempt to draw together the differing views expressed by departments in response to the survey.

13. Upon analysis, it became clear that, the widely differing circumstances of departments in relation to matters of debtor location and debt collection did not lend themselves to the uniformity approach. It was concluded that if each department, through its Permanent Head, were to assume responsibility for managing its own affairs, it would be appropriate and practicable for the department to tailor its resources and methodology to its debtor management requirements.

14. On the basis of this conclusion - which is consistent with the thrust of section 2AB of the Audit Act 1901 (dealing with the responsibilities of Permanent Heads) - a new Finance Direction, together with relevant Guidelines, was approved in June 1983 that was intended to draw attention of departments to Permanent Heads' responsibilities for the issue of ongoing suitable instructions to officers regarding debt collection and debtor location. A copy of the Direction and Guidelines was conveyed to the Auditor-General's Office on 24 June 1983.

SUBSEQUENT ACTION

15. Before promulgation of the relevant Direction and Guidelines, it was suggested to Finance orally by the Auditor-General's Office that the Direction's use of the term "debts" in a generic sense should be explained - i.e., to include "amounts of revenue", "debts" and "overpayments" so as to reflect the delineation made in sub-section 70C(1) of the Audit Act 1901. While, at first sight, the suggestion seemed reasonable, closer examination suggested the likelihood of significant underlying legal reasons, section 70C distinguishing these various categories of indebtedness that would need to be taken into account in advising departments. Advice was accordingly sought from the Attorney-General's Department. The Finance request and the Attorney-General's Department's reply are shown as Attachment 11.

16. In the light of the legal advice, the Direction was re-approved with appropriate modifications and has been promulgated under cover of Finance Circular 1983/26, a copy of which is shown as Attachment 12.

CONCLUSION

17. In retrospect it is difficult to avoid the conclusion that the protracted examination of debtor management issues undertaken in recent years have been the result of unrealistic expectations that a unique and uniform policy and procedural approach was a practicable solution. An inherent barrier to a uniform approach lies in the vast range of circumstances in which Commonwealth debts are created. However, the need to analyse debtor situations for the purpose of the 1980-81 survey was undoubtedly the critical factor in departments having to examine critically their respective debt management resources and techniques and in Finance critically examining the uniformity question and abandoning it in favour of a "general framework" approach as embodied in the (modified) Finance Directions and Guidelines thereto, and in guidelines issued in pursuance of delegations of the Minister for Finance for 70C of the Audit Act (see Attachments 1 to 8 and 12).

18. The Department of Finance believes that the philosophy underlying the enactment of section 2AB of the Audit Act in 1979 (devolving upon Permanent Heads responsibility for the financial management of their departments) is both appropriate for and extends to, responsibility for debtor management. Further or more specific involvement or guidance by Finance in this area would, of course, be considered in the context of any substantial common need identified in the light of departments' experience within the revised debt management framework recently promulgated under the Finance Directions.

Department of Finance
2 December 1983

DEPARTMENT OF FINANCE

Attachments 1 to 12 may be found on Joint Committee of Public Accounts file 1983/8, Part B.

EXTRACT FROM

DEPARTMENT OF SOCIAL SECURITY

UNEMPLOYMENT AND SPECIAL BENEFITS MANUAL

Investigation of facts and evidence-

Proof of Identity

U+SB MANUAL - ELIGIBILITY - UNEMPLOYMENT BENEFIT -

- 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
Aboriginals

- 2.415 To establish the identity of Aboriginals 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

APPENDIX D

2.435 In the case of inter or intra strate 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.

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 comapred with
expenditure on pensions, benefits
and allowances
1977-78 to 1983-84

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

OVERPAYMENTS	NSW	VIC	WA	SA	QLD	NT	TAS	ACT	COMMONWEALTH
	\$	\$	\$	\$	\$	\$	\$	\$	\$
1. Balance at 1 July 1980	12,909,795	9,278,925	6,002,121	3,173,552	2,384,500	1,309,715	329,661		36,268,269
2. Net debits raised during 1980/81	9,579,090	7,027,634	3,979,531	3,009,723	2,304,984	847,581	416,188		27,164,631
SUB TOTAL	22,568,885	16,306,559	9,981,652	6,183,275	5,289,384	2,157,296	945,849		63,432,900
LESS:									
3. Cash Refunds during 1980/81	1,974,810	2,184,739	959,839	759,061	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		9,687,133
5. Write-offs under Sub-Section 70C(1) of the Audit Act	499,643	798,412	58,006	154,638	210,091	58,423	70,053		1,849,266
6. Re-issued amounts reverting to write-off status during 1980/81	5,095	8,527	5,174	2,615	23,580	941	REL		45,942
SUB TOTAL	5,187,970	5,720,839	2,403,905	2,990,660	2,145,906	614,823	301,643		18,465,746
TOTAL balance outstanding as at 30 June 1981	17,380,915	10,585,720	7,577,747	4,092,615	3,143,478	1,542,473	644,206		44,967,154
7. (a) Balance of cash refund cases at 30 June 1981	9,268,214	5,854,759	4,915,406	1,928,923	1,534,741	698,167	365,934		24,666,144
(b) Balance of Limitation cases at 30 June 1981	8,112,698	4,630,961	2,662,342	2,163,692	1,608,737	844,306	278,272		20,301,002
8. (a) Number of cash refund cases at 30 June 1981	17,108	9,342	9,779	3,113	2,740	961	690		43,732
(b) Number of Limitation cases at 30 June 1981	15,671	7,371	5,235	4,548	3,780	1,282	561		38,440
9. Number raised during year	31,935	24,450	13,050	11,560	9,227	2,840	1,338		94,300

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

Overpayments	NSW	VIC	WA	SA	QLD	NT	TAS	ACT	COMMONWEALTH
	\$	\$	\$	\$	\$	\$	\$	\$	\$
1 Balance at 1 July 1981	17,380,913	10,585,721	7,577,747	4,092,615	3,143,478	1,542,486	644,206		44,967,166
2 Net Debts raised during 1981/82	10,499,837	7,033,533	3,710,993	3,127,078	2,466,695	789,527	521,724		28,145,387
SUB-TOTAL	27,876,750	17,619,254	11,288,740	7,219,693	5,610,173	2,332,013	1,165,930		73,112,553
LESS:									
3 Cash refunds during 1981/82	1,575,802	1,784,279	903,403	815,185	677,159	168,305	62,255		5,986,308
4 Recoveries by Limitation of benefit during 1981/82	3,307,020	2,554,432	1,424,631	1,357,403	1,213,797	395,181	231,491		10,482,955
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	670,445	510,587	434,693	130,678	109,640	43,062	96,604		2,085,909
b) Re-issued amounts reverting to write-off status.	7,746	20,913	16,396	6,973	20,445	9,672	4,648		86,793
SUB-TOTAL	5,561,023	4,870,211	2,779,123	2,310,239	2,111,041	616,220	395,198		18,643,045
TOTAL balance outstanding as at 30 June 1982	22,315,727	12,749,043	8,509,617	4,909,454	3,499,132	1,715,793	770,732		54,469,500
6 a) Balance of cash refund cases at 30 June 1982	11,890,636	6,800,311	5,240,019	2,287,921	1,691,013	633,652	386,399		29,009,951
b) Balance of Limitation cases at 30 June 1982	10,425,096	5,968,729	3,269,596	2,621,533	1,808,119	1,082,143	304,333		25,459,549
7 a) Number of cash refund cases at 30 June 1982	17,629	11,306	8,195	3,484	2,670	804	636		44,732
b) Number of Limitation cases at 30 June 1982	18,299	10,000	5,102	5,414	4,287	1,502	751		45,355
8 Number raised during year	29,539	27,365	12,601	13,008	9,950	2,700	1,889		90,032

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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

	NSW	VIC	QLD	SA	WA	TAS	NT	CROOKNEALTH
	\$	\$	\$	\$	\$	\$	\$	\$
1. Balance at 1 July 1982	28,315,733	17,769,600	8,959,615	4,909,447	3,699,134	1,715,793	770,737	11,182,914
2. Net debits raised during 1982-83	18,463,184	13,055,582	5,371,579	4,078,128	3,418,603	1,006,041	853,341	54,469,494
SUB-TOTAL	40,718,917	26,454,602	13,847,194	8,987,575	6,917,737	2,721,834	1,594,073	101,241,528
LESS								
3. Cash refunds during 1982-83	2,235,638	2,944,233	1,074,379	963,959	698,701	219,266	76,568	11,182,914
4. Recoveries by limitation of benefit during 1982-83	4,580,288	3,271,168	1,853,484	1,590,713	1,424,364	476,711	304,319	14,583,717
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	823,595	487,036	114,901	203,705	60,880	65,862	2,342,103
(b) Write-off amounts reverting to write-off status	40,124	36,236	26,553	5,213	20,810	3,899	4,477	137,342
SUB-TOTAL	7,753,014	7,756,232	3,483,452	2,674,416	2,347,610	704,696	451,656	95,246,076
TOTAL balance outstanding as at 30 June 1983	32,965,903	19,698,370	10,363,742	6,313,159	4,570,127	1,961,138	1,142,417	75,995,856
6. (a) Balance of cash refund cases at 30 June 1983	16,139,325	9,599,202	5,768,815	2,553,481	2,063,944	619,561	464,599	37,207,977
(b) Balance of limitation cases at 30 June 1983	16,817,579	9,090,169	4,594,927	3,759,698	2,545,464	1,341,576	671,818	39,027,211
7. (a) Number of cash refund cases at 30 June 1983	21,369	11,252	7,616	3,610	3,194	1,022	835	48,898
(b) Number of limitation cases at 30 June 1983	24,822	13,234	7,560	6,658	5,287	1,773	1,233	60,557
8. Number raised during year	43,541	37,653	17,592	15,691	12,025	3,250	2,522	137,774

NOTE: 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)	32959902	18689370	10363742	6313159	4570127	1961137	1142417	75959584
2. NET DEBITS RAISED DURING 1983/84. (b)	26242768	16192494	8522978	5638501	4245920	1553850	1381754	63778265
SUB-TOTAL	59198670	34881864	18886720	11951660	8816047	3514987	2524171	139774119
LESS								
3. CASH REFUNDS DURING 1983/84	3470452	3665110	1639552	1443987	965514	373918	93553	11652086
4. RECOVERIES BY LIMITATION OF BENEFIT DURING 1983/84.	7451447	5543392	2849964	2167555	1687488	654022	508089	21081957
5. (a) WRITE-OFFS UNDER SUB-SECTION 70C(1) OF THE AMOUNTS REPORTED FOR THE PURPOSE OF SECTION 50 OF THE AUDIT ACT.	754039	822433	481452	96849	230414	62840	76270	2524297
(b) RE-RAISED AMOUNTS REVERTING TO WRITE-OFF STATUS.	43973	95658	39831	4140	23711	27873	3867	199053
SUB-TOTAL	11719911	10086593	5030799	3712531	3107127	1118653	681779	35457393
TOTAL BALANCE OUTSTANDING 30 JUNE 1984.	47478759	24795271	13855921	8239129	5708920	2396334	1842392	104316726
6. (a) BALANCE OF CASH REFUND CASES AT 30 JUNE 1984. (c)	23310753	11986822	7230043	3233798	2620753	821348	792438	49995955
(b) BALANCE OF LIMITATION CASES AT 30 JUNE 1984.	24168006	12808449	6623878	5005331	3088167	1574986	1049954	54320771
7. (a) NUMBER OF CASH REFUND CASES AT 30 JUNE 1984.	29326	15188	9537	4885	4200	1317	1257	65710
(b) NUMBER OF LIMITATION CASES AT 30 JUNE 1984.	31995	15819	9743	8965	6177	2113	1679	76491
8. NUMBER RAISED DURING YEAR.	61619	47154	23328	22112	15310	5879	3633	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.

FINANCE BRANCH
CENTRAL OFFICE

SEPTEMBER, 1984.

OVERPAYMENTS -- ANNUAL STATISTICAL RETURN 1980/81 -- COMMONWEALTH CONSOLIDATION

OVERPAYMENTS	AGE	INVALID	WIDOWS	SPB	FA	UD	SD	SPECIAL BENEFIT	OTHER	TOTAL
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
1. balance at 1 July 1980	3,416,965	2,934,764	5,760,932	5,267,100	1,253,743	12,776,672	4,097,030	500,068	169,337	36,266,269
2. net debits raised during 1980/81	3,421,187	2,855,053	4,023,561	3,587,754	1,785,417	8,218,879	2,501,048	640,264	123,468	27,164,631
SUB-TOTAL	6,838,152	5,789,817	9,784,493	8,854,854	3,039,160	20,995,551	6,598,078	1,239,132	292,855	63,432,900
LESS:										
3. Cash refunds during 1980/81	1,466,020	429,507	517,038	271,748	608,049	2,396,371	986,724	154,194	53,546	6,883,205
4. Recoveries by Limitation of benefit during 91800/81	1,297,710	1,132,043	1,057,496	984,289	963,196	3,007,142	981,973	208,161	54,723	9,687,333
5. Write-offs under sub-section 70C(1) of the Audit Act and re-raised amounts resulting to credit during 1980/81	97,675	87,757	83,219	64,647	165,771	1,123,825	232,720	31,296	8,298	1,895,208
SUB-TOTAL	2,861,413	1,649,007	1,657,753	1,320,684	1,737,016	6,527,338	2,201,417	393,651	116,567	10,465,746
TOTAL balances outstanding as at 30 June 1981	3,976,739	4,139,910	8,126,740	7,534,170	1,302,144	14,468,213	4,397,461	845,481	176,288	44,967,154

	UD	SD	SPECIAL BENEFIT	OTHER	TOTAL					
	\$	\$	\$	\$	\$					
3. (a) balance of cash refund cases at 30 June 1981	1,404,672	1,804,484	4,238,975	3,598,552	740,710	9,642,162	2,592,731	517,744	126,114	24,666,144
(b) balance of limitation cases at 30 June 1981	2,572,067	2,325,425	3,887,764	3,935,624	561,434	4,826,051	1,804,729	327,738	50,176	20,301,000
7. (a) 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
(b) Number of limitation cases at 30 June 1981	3,744	4,208	3,688	4,116	4,718	13,698	3,571	952	173	39,448
8. Number raised during year ending 30 June 1981	8,335	6,613	3,899	4,613	20,567	30,600	8,704	2,434	497	94,300

NOTE: (1) Includes amounts raised under sub-section 70C(1) of the Audit Act and re-raised amounts resulting to credit during 1980/81.
 (2) Adjusted by transfer in N.S. and M.A. Territory column to 'Other' column in respect of RCH and DOR overpayments.
 (3) Adjusted by deletion in Old in respect of EP allowance.

Overpayments - Annual Statistical Return 1981/82 - Commonwealth Consolidation

Overpayments	Age	Invalid	Widows	SPB	FA	UD	SD	Social Security Benefit	Other	TOTAL
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
a) Balance at 1 July 1981	3,976,739	4,139,910	8,126,740	7,534,168	1,304,855	14,468,213	4,397,459	845,485	176,286	44,967,166
2. Net debits raised during 1981/82	2,377,278	1,936,755	4,077,538	4,961,959	1,668,750	9,488,763	2,872,250	591,930	169,156	28,145,387
SUB-TOTAL	6,354,017	6,076,665	12,204,278	12,496,127	2,973,605	23,956,976	7,269,717	1,437,415	346,442	73,112,553
LESS:										
3. Cash refunds during 1981/82	1,079,753	381,034	563,510	355,750	520,298	2,107,678	814,433	104,123	59,009	5,986,380
4. Recoveries by Limitation of benefit during 1981/82	1,206,837	1,189,946	1,193,119	1,398,191	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 and re-raised amounts reported for the purpose of Audit Act of the	115,172	91,624	97,599	89,257	159,376	1,247,123	238,459	39,769	7,530	2,005,909
b) Re-raised amounts reverting to write-off status	975	2,557	6,180	1,837	3,429	63,410	7,610	760	35	86,793
SUB-TOTAL	2,402,737	1,665,161	1,860,408	1,045,035	1,494,902	6,825,674	2,065,536	369,064	114,328	10,613,045
TOTAL balance outstanding as at 30 June 1982	3,951,280	4,411,504	10,343,870	10,651,092	1,475,703	17,141,104	5,204,181	1,068,351	222,414	54,469,500

	UD	SD	SPECIAL BENEFIT	OTHER	TOTAL					
	\$	\$	\$	\$	\$					
6. a) Balance of cash refund cases at 30 June 1982	1,404,672	1,804,484	4,238,975	3,598,552	740,710	9,642,162	2,592,731	517,744	126,114	24,666,144
b) Balance of limitation cases at 30 June 1982	2,572,067	2,325,425	3,887,764	3,935,624	561,434	4,826,051	1,804,729	327,738	50,176	20,301,000
7 a) Number of cash refund cases at 30 June 1982	1,773	1,687	2,728	3,729	5,443	22,539	5,167	1,295	371	44,732
b) Number of limitation cases at 30 June 1982	3,731	4,261	3,890	4,454	4,454	10,205	4,361	1,015	182	45,355
8 Number raised during year ending 30 June 1982	6,939	4,902	3,573	6,035	10,454	44,725	8,960	1,983	501	96,032

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 1983-84

STATE/TERRITORY Consolidated

OVERPAYMENTS	AGE PENSION	INVALID PENSION	WIDOWS PENSION	SUPP PARENTS BENEFIT	FAMILY ALLOW	UNEMPLOYMENT BENEFIT	SICKNESS BENEFIT	SPECIAL BENEFIT	OTHER	TOTAL
1. Balance at 1 July 1982	3,251,270	4,411,502	10,343,878	10,451,087	1,402,572	17,141,103	5,284,100	1,525,352	230,541*	54,407,474
2. Net debit passed during 1982-83	3,094,754	3,279,959	6,564,964	6,524,015	1,892,271	17,090,389	4,571,081	2771,138	289,073	46,774,454
SUB-TOTAL	7,346,024	7,691,471	16,908,842	9,775,134	3,294,843	34,231,491	9,796,027	2,005,484	440,614	101,241,232
LESS										
3. Cash refunds during 1982-83	1,090,877	694,106	846,316	555,875	513,143	2,772,472	1,009,077	157,895	50,303	8,102,814
4. Recoveries by limitation of benefit during 1982-83	1,077,440	1,279,402	1,442,296	2,074,374	1,065,228	5,091,509	1,471,733	309,206	64,328	14,893,717
5. (a) Write-offs under sub-section 700(1) of the Audit Act included in the amounts reported for the purpose of section 50 of the Act	177,168	101,237	292,301	163,314	183,602	1,364,247	270,517	66,847	14,770	2,342,100
(b) Re-raised amounts resulting to write-off status	1,433	1,688	1,796	7,466	4,220	103,421	15,759	1,813	440	137,142
SUB-TOTAL	3,046,666	1,890,433	2,382,809	2,800,825	1,763,212	9,334,729	2,855,486	535,771	177,942	25,846,076
TOTAL balance outstanding as at 30 June 1983	4,301,165	5,791,038	14,526,033	16,374,309	1,531,630	24,296,762	6,916,533	1,509,713	353,673	75,295,856
6. (a) Balance of cash refund cases at 30 June 1983	1,536,788	2,331,360	7,290,259	8,103,702	800,702	14,450,501	3,544,746	899,771	233,037	37,007,377
(b) Balance of limitation cases at 30 June 1983	3,047,235	3,419,219	7,271,377	8,270,604	743,029	11,947,774	3,403,310	610,140	119,564	38,887,211
7. (a) Number of cash refund cases at 30 June 1983	1,725	1,805	3,039	4,359	4,778	25,477	5,396	1,886	512	48,898
(b) Number of limitation cases at 30 June 1983	3,259	4,473	4,410	7,459	3,690	29,168	5,535	1,395	267	60,597
8. Number raised during year	8,896	5,204	4,229	9,847	17,722	79,699	12,720	2,065	853	132,274

NOTE: See discrepancies occur due to rounding difference between 30/6/82 and 17/82 balance due to 1 NSW transferred \$ 9,131 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 BENEFIT	SICKNESS BENEFIT	SPECIAL BENEFIT	OTHER	TOTAL
1. BALANCE AT 1 JULY 1983. (a)	4581162	5751037	14524033	16374308	1563631	24396760	6940535	1509714	352764	75995854
2. NET DEBITS RAISED DURING 1983/84. (b)	4171595	3863990	7632932	11509726	2097056	27017475	5895848	968955	620488	63778265
SUB-TOTAL	8752757	9615027	22158965	27884034	3660687	51414235	12636383	2478669	1173362	139774119
LESS										
3. CASH REFUNDS DURING 1983/84	1908029	5805649	1071237	760122	566670	5050698	1346590	166790	201381	11652086
4. RECOVERIES BY LIMITATION OF BENEFIT DURING 1983/84.	1366150	1535392	1755451	3037021	1090646	9526685	2148002	403499	219111	21081957
5. (a) WRITE-OFFS UNDER SUB-SECTION 700(1) OF THE AUDIT ACT INCLUDED IN THE AMOUNTS REPORTED FOR THE PURPOSE OF SECTION 50 OF THE AUDIT ACT.	137785	126129	88831	210882	150278	1467511	268515	62267	12399	2524297
(b) RE-RAISED AMOUNTS REVERTING TO WRITE-OFF STATUS.	1143	8583	5932	10695	7000	134987	27144	2697	872	199053
SUB-TOTAL	3413107	2250673	2921451	4018420	1814594	16179881	3790251	635253	433763	35457393
TOTAL BALANCE OUTSTANDING 30 JUNE 1984.	5339650	7364354	19237514	23865614	1846093	35234354	8846132	1843416	735959	104316726
6. (a) BALANCE OF CASH REFUND CASES AT 30 JUNE 1984. (c)	1712327	2756881	9154875	11135226	916813	18461285	4264376	1170396	423776	49995955
(b) BALANCE OF LIMITATION CASES AT 30 JUNE 1984.	3627323	4607473	10082639	12730388	929280	16773069	4581756	673020	318823	54320771
7. (a) NUMBER OF CASH REFUND CASES AT 30 JUNE 1984.	1968	1928	3439	6645	5029	37426	6404	1359	1512	65710
(b) NUMBER OF LIMITATION CASES AT 30 JUNE 1984.	3830	5282	5182	10403	4061	38068	7152	1462	1051	76491
8. NUMBER RAISED DURING YEAR.	9427	5933	4791	12776	16354	105865	16280	2670	8939	179035

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-raising and variations.
 (c) Estimates only.

FINANCE BRANCH
CENTRAL OFFICE

SEPTEMBER, 1984.

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	14058595	21360419	28516842	36268269	44967166	54469494	75995854
2. Plus Debits Raised	12890385	19807125	20761039	23903189	27164631	28148387	46772438	63778265
Sub-total	22875020	33865720	42121458	52420031	63432900	73112553	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	2324297
6. ADP Conversion Adjustment	-	-	32454	-	-	-	-	-
7. Transfer of balance	-	-	-	22097	-	-	-	-
8. Re-raising reverting to W/D 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	21503476	24886146	29009960	37188645	49995955
(b) Balance of limitation case	-	-	9611832	14768522	20301008	25459548	38827211	54320771
10. (a) Number of cash refund cases	54480	68973	56486	48370	43735	41732	48898	65710
(b) number of limitation cases	-	-	22876	30154	38448	45355	60557	76491
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%	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 amalgamated for 1976/77 and 1977/78.

FINANCE BRANCH
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DEPARTMENT OF SOCIAL SECURITY

OVERPAYMENTS RAISED COMPARED WITH EXPENDITURE ON PENSIONS AND BENEFITS AND ALLOWANCES - 1977/78 TO 1983/84

YEAR	1977/78			1978/79			1979/80		
	OVERPAY- MENT. \$'000	EXPENDIT- URE \$'000	PERCENT- AGE OVER- PAYMENT TO EXPEN- DITURE %	OVERPAY- MENT. \$'000	EXPENDIT- URE \$'000	PERCENT- AGE OVER- PAYMENT TO EXPEN- DITURE %	OVERPAY- MENT. \$'000	EXPENDIT- URE \$'000	PERCENT- AGE OVER- PAYMENT TO EXPEN- DITURE %
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	439497	0.42	1923	499349	0.39	2595	561393	0.46
Supporting Parents Benefit	1702	192825	0.88	1847	226680	0.81	2177	259596	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	1565	994577	0.16	2166	1079353	0.20
TOTAL	19758	6170572	0.32	20891	6702911	0.31	23815	7310222	0.33
YEAR	1980/81			1981/82			1982/83		
Age Pensions	3421	3935796	0.09	2377	4506946	0.05	3695	4867554	0.08
Invalid Pensions	2855	880795	0.32	1937	97715	0.20	3220	1068350	0.30
Widows' Pensions	4024	641792	0.63	4078	717386	0.57	6565	758086	0.87
Supporting Parents Benefit	3588	412399	0.87	4962	605864	0.82	6524	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	1669	1041761	0.16	1859	1373709	0.13
TOTAL	27041	8061408	0.34	27986	9372585	0.30	46522	11404357	0.41
YEAR	1983/84								
Age Pensions	4172	5313459	0.08						
Invalid Pensions	3864	1232650	0.31						
Widows' Pensions	7633	829337	0.92						
Supporting Parents Benefit	11510	889595	1.29						
Unemployment, Sickness and Special Benefits	33682	3340978	1.01						
Family Allowances	2097	1506318	0.14						
TOTAL	62958	13132737	0.48						

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