



Response to
Reports of the
Auditor-General—
1982-83 and
September 1983
(Report 233)

Report

274

Joint Committee of
Public Accounts

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

REPORT 274

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

(DEPARTMENT OF FINANCE MINUTE ON THE
COMMITTEE'S 233RD REPORT)

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JOINT COMMITTEE OF PUBLIC ACCOUNTS

FIFTEENTH COMMITTEE

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DUTIES OF THE COMMITTEE

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

Subject to sub-section (2), the duties of the Committee are:

- (a) to examine the accounts of the receipts and expenditure of the Commonwealth including the financial statements transmitted to the Auditor-General under sub-section (4) of section 50 of the Audit Act 1901;
- (aa) to examine the financial affairs of authorities of the Commonwealth to which this Act applies and of intergovernmental bodies to which this Act applies;
- (ab) to examine all reports of the Auditor-General (including reports of the results of efficiency audits) copies of which have been laid before the Houses of the Parliament;
- (b) to report to both Houses of the Parliament, with such comment as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Parliament should be directed;
- (c) to report to both Houses of the Parliament any alteration which the Committee thinks desirable in the form of the public accounts or in the method of keeping them, or in the mode of receipt, control, issue or payment of public moneys; and
- (d) to inquire into any question in connexion with the public accounts which is referred to it by either House of the Parliament, and to report to that House upon that question,

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

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PREFACE

Since 1952 formal procedures have been in operation to ensure that appropriate action is taken in response to each of the Committee's reports.¹ These procedures involve the preparation of a response, known as a Department of Finance Minute, as follows:

1. The Committee's Report is tabled in the Senate and the House of Representatives.
2. The Committee's Chairman then forwards a copy of the report to the responsible Minister and to the Minister for Finance with a request that the report be considered and the Chairman subsequently informed of action taken and planned to address the Committee's recommendations.
3. The reply, in the form of a Department of Finance Minute is then examined by the Committee and submitted, with comment if necessary, as soon as possible as a report to the Parliament.

In accordance with the procedures outlined above, this Report documents the Department of Finance Minute which was submitted in response to the Committee's 233rd Report.

For and on behalf of the Committee.



R E Tickner, MP
Chairman



M J Talberg

M J Talberg
Secretary
Joint Parliamentary Committee of Public Accounts
Parliament House
Canberra
6 May 1987

1. Formal responses to the Committee's Reports are not prepared in the case of discussion papers, handbooks and the Committee's annual report.

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CHAPTER 1

INTRODUCTION AND COMMITTEE COMMENT

1.1 The Committee's 233rd Report, which examined the Reports of the Auditor-General for 1982-83 and September 1983, was tabled in the Parliament on 29 May 1985.

1.2 This Report contained the results of the Committee's inquiry following audits into matters affecting several Departments. These were the Attorney-General's Department, the then Departments of Administrative Services, Aviation, Finance, Immigration and Ethnic Affairs, Industry & Commerce, Territories and Local Government and Transport and the Australian Taxation Office. The Committee also examined the fraudulent negotiation of cheques (into which the Committee held public hearings) and the recovery of outstanding revenue, debts and overpayments.

1.3 Some of the Committee's conclusions and recommendations of Report 233 are included in the Department of Finance Minute, which is printed as Chapter 2. The Department of Finance has not addressed matters concerning the Departments of Finance, Industry, Technology and Commerce, Primary Industry and Transport as the Committee did not require a response from these Departments. Generally the Committee is satisfied with the undertakings offered by Departments in the Department of Finance Minute.

1.4 Sixteen issues were dealt with in that Report. Significant matters are:

- Bankruptcy Act 1966 administered by the Attorney-General's Department;
- Dividends and Interest Withholding Tax;
- Fraudulent Negotiation of Cheques; and
- Recovery of outstanding revenue, debts and overpayments.

Bankruptcy Act 1966

1.5 A number of matters concerning the accounts and records of the Registrars in Bankruptcy, the Official Trustee in Bankruptcy and the Official Receivers were of concern to the Auditor-General. These were:

- delays in implementation of the Bankruptcy Official Receivers Information System (BORIS) which is a computer based accounting and statistical system;

- separate accounts for the Common Investment Fund were not maintained in all States;
- many accounts of trustees appointed to administer bankrupt estates were in arrears; and
- delays in distributing dividends from the estate of bankrupt persons amongst creditors.

1.6 The delays in implementation of BORIS have been raised in successive Reports of the Auditor-General. The Department has indicated that the system is now fully operational. Separate accounts are now maintained for the Common Investment Fund. However, there still appear to be problems in securing the filing of accounts of registered trustees and delays in the distribution of dividends. The Committee acknowledges that the Attorney-General's Department has created a task force in an effort to overcome problems with backlogs and has had some success.

1.7 The Committee is again examining these matters in the context of its current examination of the Reports of the Auditor-General tabled in 1985. Matters relating to the Bankruptcy Act 1966 will be dealt with in detail and take into account the current environment, practices and procedures. Accordingly, further comment on this matter will be made following that re-examination.

Dividends and Interest Withholding Tax

1.8 Income tax legislation provides for the deduction of a tax on certain dividends and interest paid to non-residents. Following an audit in two States the Auditor-General reported several unsatisfactory matters. These were:

- reliance on voluntary compliance disclosure with no independent means of check;
- the prescribed additional tax for remittances after the due date was not always collected;
- a reluctance to collect the additional tax levied where statements of deductions were not lodged;
- officers of the Withholding Tax Unit had not been authorised to collect public monies;
- deficiencies in the computer processing of dividends and interest and withholding taxes; and
- sections of the procedure manual required updating.

1.9 The Committee was concerned at the reported inefficiencies in the administration of dividends and interest withholding taxes and the inadequate response by the Taxation Office to the Committee.

1.10 The Taxation Office has advised that the review of the system for collection of interest and dividend withholding taxes that was foreshadowed in the submission to the Committee has been completed. This review examined all aspects of the withholding tax processing, including the matters raised by the Auditor-General. The Taxation Office advised that action to implement the recommendations is underway.

1.11 In the Finance Minute, reproduced as Chapter 2 of this Report, the Taxation Office has advised of a range of measures that have been introduced including changes to procedures and increased computer support to aid enforcement and compliance. The Commissioner has directed that national policy guidelines on the imposition and remission of additional tax and a national procedure manual both be prepared. The Taxation Office advises, however, the revisions to the procedural manual have been delayed due to changes to taxation legislation.

1.12 The Committee is concerned, however, at the response by the Taxation Office to several of the matters raised by the Auditor-General. In respect of the reliance on voluntary compliance, which does not provide an independent means of checking the degree of compliance, the Committee does not accept the Taxation Office's assertion that the extent of non-compliance is considered low, in the Finance Minute, the Taxation Office confirms that information from alternative sources cannot be readily used as an independent check on the level of compliance. In the Committee's view, the Taxation Office should institute procedures to provide an independent check, and, make greater efforts to determine statistically what level of compliance with the legislation can be expected.

1.13 The Committee is also concerned that the level of outdoor inspections have not been increased.

1.14 In addition, the Finance Minute does not comment on whether officers of the Withholding Tax Unit have been authorised to collect public monies.

1.15 The Committee is currently examining the proposed computer acquisition by the Taxation Office. The Committee expects that the dividend and interest withholding tax system will be greatly improved as a result.

1.16 As several matters still require completion the Committee will keep this matter under review. The Committee expects the Taxation Office to advise it of progress, completion and effect of the further measures. The Committee also expects to be advised of action taken in respect of independent checks on voluntary compliance disclosure.

Fraudulent negotiation of cheques

1.17 The fraudulent negotiation of cheques drawn on the Commonwealth Public Account was subject to review by the Auditor-General in 1983. In the inquiry by the Committee submissions were sought from the same departments, namely the Departments of Finance, Education, Social Security and Veterans' Affairs and the Australian Federal Police.

1.18 The Committee made a number of recommendations and observations in its conclusion to this particular reference which are reproduced in detail in Chapter 2. The Committee is generally satisfied with the response received and is pleased to note the increased use of direct credit by all departments examined.

1.19 The Committee notes that two matters require completion. These are:

- guidelines being prepared by the Department of Finance for departments providing an assessment of the likely outcomes of cases, referred to the Australian Federal Police, of cheques suspected of fraudulent negotiation, expected to be completed by June 1987; and
- advice to the Committee of 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.

Recovery of outstanding revenue, debts and overpayments

1.20 The question of the Department of Finance developing guidelines for departments to help provide a uniform approach to debtor location and recovery has been examined since 1980. In 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 Commonwealth departments' activities. The Department believes that the devolution upon Departmental Secretaries of the responsibility for the financial management of their departments is both appropriate for, and extends to, responsibility for debtor management. The Australian Audit Office indicated that it would continue to review during audits the adequacy of action taken by individual departments for recovery of outstanding amounts.

1.21 The Department of Finance has advised in the Finance Minute that as part of a review of cash management practices a survey of all departments and authorities has been undertaken, including the effectiveness of departmental debt recovery practices. The Department has indicated that this survey will be completed by June 1987 and that a copy of the summary analysis of the results will be provided to the Committee.

1.22 The Committee will examine the results of the survey when received, together with any recommendations that may be made as a result of the survey. The Committee may, following this further examination of the matter, make further recommendations if necessary.

CHAPTER 2

DEPARTMENT OF FINANCE MINUTE

2.1 This minute has been prepared on the basis of responses received from the Attorney-General's Department and the Departments of Aviation, Education, Immigration and Ethnic Affairs, Social Security, Special Minister of State, Sport, Recreation and Tourism, Treasury and Veterans' Affairs.

2.2 In this chapter each of the Committee's recommendations is reproduced in turn and is followed by the response.

Attorney-General's Department

Bankruptcy Act 1966

Conclusion (paragraph 2.10 of Report 233)

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.

Response

2.3 The Attorney-General's Department has advised that, in respect of the implementation of the BORIS system, the chronology since December 1983 is as follows.

2.4 In December 1983 the Attorney-General's Department and the Australian Public Service Association (APSA) were awaiting a report by the Department of Employment and Industrial Relations (DEIR) on the working environment study of the Official Receiver's Office, Sydney. APSA had declined to continue negotiations on the lifting of work bans until the DEIR report had been released and studied by its officers.

2.5 The DEIR report was released on 24 February 1984. On 23 May 1984 Attorney-General's Department wrote to the Federal executive of APSA outlining a proposal for implementing the report's recommendations.

2.6 Following a series of negotiations between the Department and the Association, the APSA representatives advised on 12 July 1984 that the only issue which stood in the way of the lifting of the work bans was the question of eyesight testing for the screen-based equipment operators.

2.7 It was APSA policy that such eyesight testing should be carried out by ophthalmologists, as opposed to the Public Service Board policy of such tests being conducted by Commonwealth Medical Officers.

2.8 Officers of the Public Service Board advised that the question of eyesight testing was an important threshold issue being negotiated between the Board and APSA. The Board requested the Department to give no undertaking to APSA in relation to eyesight testing until the Board's own negotiations had been completed. Accordingly the Department's negotiations with APSA over the work bans on BORIS could not be advanced.

2.9 Negotiations between the Board and APSA on this issue were protracted and the Board did not issue guidelines until 28 May 1985. Those guidelines represented a compromise interim agreement with the relevant staff associations, including APSA, pending the appointment of an expert study group to examine the issue fully.

2.10 In response to a proposal dated 12 June 1985, based on the Board's guidelines, a meeting of APSA members in the Official Receiver's Office, Sydney, resolved on 17 July 1985 to remove the work bans affecting the BORIS System and the word processing facility.

2.11 Following that resolution the training of the staff in the operation of BORIS commenced on 29 July 1985. The four phase implementation process has been completed in Sydney and the system is fully in operational in Sydney, Brisbane, Melbourne, Hobart, Adelaide and Perth.

2.12 With respect to the comment made by the Auditor-General that separate accounts for the Common Investment Fund were not being maintained for specified Bankruptcy Districts, the Attorney-General's Department has advised that separate accounts for the Common Investment Fund have now been established for moneys held by the Official Receivers for South Australia, Northern Territory and Queensland. Separate accounts for the Common Investment Fund for moneys held by the Official Receivers for NSW, Victoria, Tasmania and Western Australia have been in existence since the establishment of the Common Investment Fund.

2.13 With respect to trustees' accounts being in arrears, the Attorney-General's Department has advised that there are now no significant delays in the processing of trustees' accounts in the office of any of the Registrars in Bankruptcy. There have been serious problems, however, in securing the filing of these accounts by registered trustees. A number of registered trustees have been delinquent in the filing of such accounts.

2.14 The administration of insolvent estates is divided between the public sector (the Official Trustee in Bankruptcy) and the private sector (in the form of registered trustees in bankruptcy, who are registered by order of a court exercising federal jurisdiction in bankruptcy). Pursuant to section 175 of the Bankruptcy Act registered trustees must file with the Registrar in Bankruptcy periodic accounts relating to each insolvent administration under their control. Such accounts are scrutinized by the Registrar and may be subjected to audit by an appropriate person.

2.15 The Attorney-General's Department states that the problems experienced in securing the filing of the accounts of registered trustees has been a factor in the cancellation of registration of some trustees. Also it has proved necessary to create a task force of officers, operating from the office of the Registrar in Bankruptcy in Sydney, to police the filing of accounts, to conduct audits of the accounts and records of registered trustees, and to investigate other instances of apparent misconduct.

2.16 It is important to note that the number of such accounts to be filed increased significantly following a Review of Commonwealth Functions (RCF) decision in this area.

2.17 In 1981, following the RCF decision, the Bankruptcy Act 1966 was amended by Act No 74 of 1981 (Commonwealth Functions (Statutes Review) Act 1981). The effect of these amendments was to require a petitioning debtor or creditor to file, along with the petition, a form of consent from a registered trustee in bankruptcy wherever it appeared that the value of the divisible property of the bankrupt would exceed \$10,000. Eventually this resulted in approximately 18% of bankruptcies being handled by registered trustees.

2.18 As a result of the unsatisfactory performance of a number of registered trustees the Government decided to modify the RCF decision in this area by amending the Bankruptcy Act. Therefore the Bankruptcy Act was amended by the Bankruptcy Amendment Act 1985 in order that the filing of the consent of a registered trustee becomes optional, rather than obligatory, at the option of the petitioning debtor or creditor. These amendments were proclaimed in April 1986.

2.19 With respect to the distribution of dividends from the estates of bankrupt persons amongst creditors, the Attorney-General's Department has provided the following table which compares the number of dividends declared in the various districts in the period reported upon by the Auditor-General, and the corresponding figures for the six months since that period (ie 1 July 1985 - 31 December 1985). It will be seen that the overall average per month had increased by around 11.4%, although there are variations from state to state, due to differences in the incidence of new estates.

DISTRICT	PERIOD	TOTAL	MONTHLY AVERAGE
NSW/ACT	1/7/84-30/6/85	388	32
	1/7/85-31/12/85	145	24
VICTORIA	1/7/84-30/6/85	254	21
	1/7/85-31/12/85	128	21
QLD	1/7/84-30/6/85	118	10
	1/7/85-31/12/85	85	14
SA	1/7/84-30/6/85	249	21
	1/7/85-31/12/85	118	20
WA	1/7/84-30/6/85	51	4
	1/7/85-31/12/85	86	15
TASMANIA	1/7/84-30/6/85	93	8
	1/7/85-31/12/85	77	13
TOTAL	1/7/84-30/6/85	1153	96
	1/7/85-31/12/85	639	107

2.20 The decline in the monthly average for NSW and ACT is due to competing workload priorities which critically affected that office in 1985. In 1985 a number of registered trustees in bankruptcy were removed from the register of trustees and, as a result, most of the insolvency administrations handled by those former trustees were transferred to the Official Trustee.

2.21 The dramatic and unforeseeable increase in workload required the Official Receiver in Sydney to lower the priority accorded to the distribution of dividends in order to absorb the extra workload.

2.22 The Department has advised that the general situation is expected to improve now that the BORIS system is fully operational.

2.23 The Department states that the work of distributing dividends has also benefited from the creation of the backlog task force. The task force was created by the Public Service Board and allocated to the Bankruptcy Branch in recognition of the chronic backlog of work in the Official Receiver's Offices. The task force commenced operations in January 1984 and was established at an AOSL of 47. At the time the task force commenced operations it was estimated that the backlog of work would be eliminated by December 1985. This has not occurred. Details of the work of the task force follows.

2.24 For administrative purposes, estates under the control of the Official Trustee have been categorised into Group A and Group B estates. Group A estates can be simply described as estates in which substantive work is required to be performed, eg investigations to be performed; assets currently realisable but yet to be realised; cash balances held. Group B estates are those which have no significant work to be completed, and all administrative action which can be taken has been taken (eg all assets have been realised) but the file is classed as active because the bankrupt remains undischarged.

2.25 The Bankruptcy Branch target is that a bankrupt estate should be completely administered and transferred to archives within two years of the date of bankruptcy unless there are matters which cannot be completed in that time because of circumstances outside the Official Receiver's control, in which event the estate concerned is treated as a "backlog" estate.

2.26 Prior to September 1985 each Official Receiver's Office was structured into 3 distinct components:

- New Estates Section;
- Review of Estates Section; and
- task force.

2.27 The New Estates Section was responsible for the initial administration of estates including the realisation of assets, conduct of investigations etc. The target - after removal of all backlogs - was for all estates actively under administration, ie Group A estates, to be administered by this Section. After the initial administration was completed, the estates, which were re-classified as Group B estates, were transferred to the Review of Estates Section. The tasks performed by the Review Section included dealing with applications made by bankrupts for discharge or annulment, considering whether the trustee should object to automatic discharge, monitoring an estate in order to detect any after-acquired assets, and answering routine enquiries from creditors and bankrupts.

2.28 If delays were experienced in the New Estates Section in conducting the necessary investigations or in the realisation of assets, and the branch target of finalising the estate within 2 years could not be met, the estate constituted a backlog and was transferred to the task force for finalisation.

2.29 The structure outlined above was established in order to reduce the number of active estates in the New Estates Section and thus ensure that proper attention could be given to new estates during the initial, work-intensive period of the administration of a bankrupt estate.

2.30 The New Estates Section consists of a number of realisation sections, each of which is supervised by an Assistant Official Receiver (CA Class 8) and contains two realisation teams, each consisting of a CA Class 6, CA Class 4, and CA Class 2/3.

2.31 In a number of offices the realisation sections could not be fully staffed because of AOSL limitations. Accordingly, as incomplete teams in the New Estates Section were impairing efficiency, in September 1985 the Inspector-General instructed the Official Receivers to dismantle the Review of Estates Section and transfer the officers made available thereby to the New Estates Section. This action was considered necessary for two reasons:

- the increased workload resulting from the increased numbers of new estates being received by the Official Trustee (see table below); and
- anticipation of the further increases in the number of estates which will be received by the Official Trustee as a result of the modification of the RCF decision.

The Official Receivers were instructed to transfer the estates under the control of the Review Section to task force for administration.

2.32 The following table shows the number of estates under administration in the various components of the Official Receivers' Offices in October 1984 and October 1985.

NEW ESTATES AREA	REVIEW OF ESTATES AREA		TASK FORCE		TOTAL	
	GROUP A	GROUP B	GROUP A	GROUP B	GROUP A	GROUP B
Oct '84	5235 (Total: 8218)	2953 (Total: 8818)	2341 (Total: 38818)	6477 (Total: 1999)	1789 (Total: 1999)	210 Total: 19,005)
Oct '85	5203 (Total: 9144)	3941 (Total: 4283)	1229 (Total: 4283)	3054 (Total: 4837)	2580 (Total: 4837)	2257 Total: 18,264)

Note: As at 31 October 1985 the Official Receiver, Melbourne, Perth and Hobart had not implemented the Inspector-General's direction concerning the restructuring of the office. The instruction has now been implemented; however updated statistics to show the resultant increase in the numbers of estates being administered by the task force are not yet available. The Official Receiver, Adelaide, had been given permission to maintain his Review of Estimates area until February 1986.

2.33 The above table illustrates the increase of estates being administered by the task force. The Department notes that while the number of Group B estates under control of the task force increased dramatically, these estates are by nature not work intensive. The total number of estates under administration by the Official Trustee decreased by 3.9% over the 12 month period. The Department advised that, while at first glance this decrease appears to be minimal, it should be noted that this decrease was achieved despite an increase of 35% in the number of administrations received in July-October 1985 compared with July-October 1984. (The Department advises that this 35% increase does not indicate a significant increase in the level of bankruptcies. The increase was in fact due in large part to the cancellation of the registration of one of the busiest registered trustees following the trustee's bankruptcy. As a result, a total of approximately 246 insolvency administrations formerly administered by the registered trustee passed to the Official Trustee).

2.34 The rationalization therefore of the office structure - the disbanding of the Review of Estates Section - has led to an increase in the number of estates under task force control. However this increase is mainly in the Group B estates which, by nature, are less work intensive. The rationalization over time should result in a further reduction in the total number of estates under administration.

2.35 Another factor affecting the efficiency of the task force, reducing its ability to make greater inroads on the backlog of work, is the temporary nature of the task force positions. There is a bar upon the permanent filling of the positions and the positions have been advertised on this basis. When the task force was created in November 1982, Bankruptcy Branch embarked on a nationwide recruitment campaign, advertising the positions as a "professional development opportunity".

2.36 The following table provides information on the staff turnover in the task force on a state by state basis:

STATE	AVERAGE LENGTH OF OCCUPANCY IN MONTHS OF TASK FORCE POSITIONS		
	PERMANENT OFFICERS	TEMPORARY STAFF	ALL STAFF
NSW	17.0	9.7	11.3
VIC	7.8	6.7	7.0
QLD	11.0	12.2	12.0
SA	10.0	22.0	14.6
WA	11.5	11.0	10.0
TAS	11.5	-	11.5
Nationwide Average	11.4	9.2	10.2

2.37 The Department advises that no certain explanation can be found for the dramatic differences between states; however the nationwide average length of tenure for task force positions of 10.2 months is very low. A possible explanation is that the positions are being filled by legal and accounting professionals who are likely to seek security of tenure. The Department advises that discussions with officers in charge of task force personnel have confirmed that the great majority of people who have left the task force have done so to obtain permanent positions elsewhere in the public service or in private enterprise. In light of this the Department feels that the Branch cannot expect the staff turnover in the task force to improve, given the temporary nature of the position. However, a recently completed organisation review, headed by a representative of KMG Hungerfords, has considered the problem and has recommended, *inter alia*, a general reclassification of accounting qualified positions throughout the Branch.

2.38 Despite the high turnover rate in the task force personnel, the clearance of backlogs as shown in the following table is considered by the Department to be satisfactory in the circumstances.

CLEARANCE OF BACKLOGS
PERIOD 1/2/83 TO 31/12/85

	NUMBERS						
	NSW	VIC	QLD	SA	WA	TAS	TOTAL
Backlogs On Hand 1/2/83	1549	1886	2877	576	579	630	8097
Cleared	2182	2154	4128	1638	1709	564	12374
Balance	-633	-268	-1251	-1062	-1130	+66	-4278
New Backlogs	1725	1326	1635	1574	1983	253	8496
Balance at end of period (31/12/85)	1092	1058	384	512	853	319	4218

Department of Aviation

Air Navigation Charges - Domestic Airline Operators

Conclusion (paragraph 3.7 of Report 233)

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.

Response

2.39 The Department of Aviation has adopted a positive management approach to the development of an ADP-based charging system which will meet the concerns of the Auditor-General. A system of separate charges for airports and airways facilities was introduced by the Department on 1 July 1986.

2.40 The new charging system generates monthly invoices to airlines based on data extracted from operational documents which provide a record of relevant aspects of aircraft movements. Given that no off-the-shelf software was available, the development of the system necessitated a major specification and programming effort. In these circumstances, it was not feasible to implement the system to replace the pre-existing self-billing arrangements before 1 July 1986.

2.41 Prior to the introduction of the new charging arrangements, the Department continued to conduct periodic audits of air navigation charge payments by the domestic airlines.

Departmental Residences

Conclusion (paragraphs 3.26 and 3.27 of Report 233)

The Committee notes the information provided and action underway. The Committee does not accept that the classification 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.

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

Response

2.42 With respect to the question of classification of expenditure, the Resources Division of the Department issues a Dissection Statement of the Department's Chart of Accounts to all Regional Offices and Central Office Divisions to assist officers in determining where expenditure should be charged. The Dissection Statement is an extract of the Chart of Accounts and incorporates charge codes and descriptions of the various heads of expenditure under which the Department operates.

2.43 As noted in its statement to the Committee in August 1985, the Department has adopted the 'case by case' approach to residence disposals suggested by the Department of Local Government and Administrative Services. Accordingly, a continuing review of housing requirements, utilising the 1982 PSB guidelines, has been undertaken, and residences identified for disposal are being processed in line with the following Departmental policy:

- unoccupied houses to be disposed of immediately;
- where residences in Capital cities are occupied by staff, tenants will be offered the option of renting residences at market value rentals or be afforded a reasonable period (6 months) to find alternative accommodation before disposal action is taken on the property; usual consultations with staff associations would be carried out during the process; and
- the remaining residences will be considered for disposal when existing tenants vacate.

2.44 In the period May 1984 to 11 May 1987 the following residences were disposed of:

<u>STATE</u>	<u>NUMBER</u>
New South Wales	21
Queensland	6
Victoria	12
Tasmania	25
South Australia/Northern Territory	8
Western Australia	<u>21</u>
TOTAL	93

As at 11 May 1987 there were no Departmental residences vacant and awaiting disposal.

2.45 The final report of the Task Force on Australian Public Service and Defence Force Housing Programs, charged with the review of the Administration of Commonwealth Housing, was considered by the Government on 30 January 1986.

2.46 The main proposals to arise from the review, as they apply to the Department of Aviation, are as follows:

- (a) existing arrangements for Departmental housing in remote localities to continue;
- (b) housing in capital cities and major provincial cities/towns to be let at market rent, with allowances on the same basis as paid to eligible members renting privately;

- (c) Departmental housing not required to be disposed of;
- (d) negotiations to commence with the Northern Territory (NT) Government for Australian Public Service (APS) housing in the Territory to be managed by the NT Housing Commission; and
- (e) rents which apply to members of the NT Public Service to be applied to members of the APS.

2.47 The Government has directed that the recommendations of the Task Force Report be discussed with the Australian Council of Trade Unions (ACTU) by the central agencies, comprising the Department of Finance and the Public Service Board. Any subsequent proposals relating to transitional arrangements or other implementation matters are to be settled by the Ministers for Finance and Employment and Industrial Relations.

2.48 The discussions between the ACTU and the central agencies are continuing. The Department is awaiting the outcome of the negotiations before issuing a Departmental Policy Statement on Departmental Housing.

2.49 It is intended to incorporate into the consolidated Departmental housing policy the requirement that staff not categorised as term transferees be provided with housing only in exceptional circumstances. This practice was adopted in late 1983.

2.50 To ensure that staff allocated Departmental housing do not own accommodation within a reasonable distance of their workplace, each Regional Housing Committee has been charged to provide a close oversight involving a system of continuous review. OICs and Airport Directors at individual units are asked to ensure that officers applying for housing allocations do not already have access to reasonable accommodation, and to report any known changes in that status. This approach is considered to be a more satisfactory alternative to the use of statutory declarations, a possibility addressed in previous advice to the Committee.

2.51 With regard to the review of tenancy agreements and furniture rentals by the Interdepartmental Committee on Commonwealth Housing Scale and Standards, it is understood that this has been similarly suspended, pending the outcome of the central agencies/ACTU negotiations.

2.52 The Department is in the meantime continuing with its program of disposal of residences identified as 'surplus to need', as they become vacant.

Department of Immigration and Ethnic Affairs

Adult Migrant Education Program

Conclusion (paragraph 5.20 of Report 233)

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.

Response

2.53 The Committee of Review of the Adult Migrant Education Program (AMEP) reported to the Minister for Immigration and Ethnic Affairs in November 1985. The Report was formally released by the Minister on 12 February 1986 for consideration by interested community groups.

2.54 A copy of the Report was transmitted to the Committee in February 1986. Other copies were distributed to parliamentarians, government departments, service providers, teacher and trade union associations and ethnic and community organisations.

2.55 In the Report, the Review Committee was supportive of the present direction of the Program, of its management at Commonwealth level and its educational achievements. The Report called for a strengthening of consultative processes both within and outside the AMEP and identified a range of curriculum, professional and administrative aspects on which specific recommendations were made.

2.56 On the advice of the Joint Commonwealth/States Committee on the AMEP, implementation of the Review recommendations will be undertaken progressively with priority being given broadly to curriculum aspects.

Department of Sport, Recreation and Tourism

Australian Government Publishing Service

Conclusion (paragraphs 1.15 and 1.16 of Report 233)

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.

However, the Committee remains concerned that AGPS continues to receive critical comment by the Auditor-General and this Committee. The Committee's 204th 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.

Response

2.57 With respect to the client services and print procurement area (CS & PP), the AGPS has advised that a set of procedural instructions for the review and utilisation of annual publishing programs by CS & PP staff was issued on 11 May 1984. Departments have been advised by memorandum of the required date for submission of their publishing programs.

2.58 It had been a requirement that Ministers approve in principle the publishing program before submission to AGPS. In an attempt to assist in this area, AGPS obtained the Minister for Finance's agreement that publishing programs could be submitted by the due date provided that they had been approved in principle by either the Minister or by an officer authorised by the Minister for that purpose. This change was advised to departments in February 1985. Also pertinent to this topic is the report "An Evaluation of Government Departmental Publication Procedures" prepared by the firm of management consultants Coopers Lybrand W.D. Scott for the Information Co-ordination Branch of the Department. Included in this report is an assessment of departmental attitudes to the Annual Publishing Program and suggestions for how its effectiveness might be improved. The final report was made available in October 1985. The recommendations concerning the Annual Publishing Program contained in the report were taken into consideration by AGPS and are in accord with, and form part of, the ongoing AGPS Management Improvement Program.

2.59 A set of procedural instructions dealing with the allocation of work to the Government Printing Section by the Publishing Section was issued on 28 February 1985.

2.60 With respect to the Government Printing Office, the AGPS has advised that a set of procedural instructions dealing with control over costing of material was issued on 23 July 1984.

2.61 A set of procedural instructions dealing with the management of the debts owed to the Government Printer Trust Account was issued on 16 January 1984. As an indication of the improvement in debt management which has been achieved the following statistics are provided:

AGE ANALYSIS OF DEBTS OWED TO THE GOVERNMENT PRINTER TRUST ACCOUNT AS AT BALANCE DATE

DEBTORS	CURRENT BALANCE \$ (M)	30-60 DAYS \$ (M)	60-90 DAYS \$ (M)	OVER 90 DAYS \$ (M)	DEBTORS	CREDIT SALES \$ (M)
1979/80	4.736	1.629	.834	.372	1.901	56 days
1980/81	3.326	1.154	.435	.057	1.679	36 days
1981/82	2.871	1.336	.338	.184	1.013	29 days
1982/83	2.249	1.366	.284	.084	.515	19 days
1983/84	1.547	1.148	.216	.052	.131	13 days
1984/85	1.334	1.035	.167	.054	.077	10 days
1985/86	2.461	2.103	.194	.039	.124	17 days

2.62 The AGPS feels that it is also significant that the level of debt fluctuates during each financial year with departments apparently making the greatest payment efforts towards the end of the financial year even though debtors follow-up action is taken constantly and consistently during the year. For example, during 1984/85, the following accounting period balances were recorded:

84/85	DEBTORS BALANCE \$ (M)	CREDIT SALES FOR PERIOD \$ (M)
Period 1 (as at 29.07.84)	2.724	2.098
2 (as at 26.08.84)	2.567	1.856
3 (as at 23.09.84)	2.428	1.445
4 (as at 21.10.84)	4.116	3.095
5 (as at 18.11.84)	3.636	2.629
6 (as at 16.12.84)	3.728	2.932
7 (as at 13.01.85)	3.202	1.110
8 (as at 10.02.85)	3.926	2.593
9 (as at 10.03.85)	2.982	1.257
10 (as at 07.04.85)	3.249	2.164
11 (as at 05.05.85)	3.20	2.156
12 (as at 02.06.85)	2.914	3.380
13 (as at 30.06.85)	1.334	2.996

NOTE

\$1.527 (m) working capital was repaid from the Government Printer Trust Account to the Consolidated Revenue Fund during the 1983/84 financial year.

2.63 With respect to the sales and distribution area, the AGPS has advised that a computerised minimum stock level reporting program has now been commissioned and on a daily basis reports are generated on publications, forms and legislation indicating items where the stock level has fallen below a pre-determined minimum.

2.64 These reports are reviewed to determine if reprint action is to be taken. At present a computerised program to monitor slow moving stocks has not been developed. However, in response to a marketing consultancy report prepared by Cruickshank Management Resources, a small marketing cell was established within AGPS from 9 September 1985. This section gives priority to further improving inventory management.

2.65 The Minister for Sport, Recreation and Tourism in November 1985 approved the introduction of a changed policy for the purchase of publications, viz:

There is no obligation on the Australian Government Publishing Service (AGPS) to acquire for sale publications produced by Government Departments and Authorities which are not expected to be commercially viable. There is, however, an expectation that AGPS will purchase and distribute Government publications provided that by so doing it can generate sufficient revenue to balance its costs.

AGPS will give consideration to the advice of client departments and authorities but the main criteria effecting a purchase decision shall be the expectation that all stocks purchased can be sold within twelve months.

2.66 This policy has now been in operation for over 12 months. However, there remains the legacy of large stockholdings purchased prior to the introduction of this policy; these largely unsaleable stocks will be written off.

2.67 The Auditor-General also drew attention to delays of between 9 and 24 days occurring in the assessment of quantities of publications to be ordered for sale. The AGPS has advised that responsibility for this function has now been passed to the Marketing Section with the target to improve sales stock assessment times so that all purchase requests forms are completed within 24 hours of receipt.

2.68 The purpose of this target was to ensure that Departments' publishing needs were not delayed by AGPS marketing assessment. It is being met in that assessments are made in sufficient time to ensure that there are no hold-ups in the ordering process.

2.69 In its submission to the Committee dated 30 November 1983 AGPS management indicated other actions being taken to improve efficiency and effectiveness of AGPS as a service organisation. An update on each of those initiatives is as follows:

(a) Co-location of all sections of AGPS within the Government Printing Office Complex - the Design List A proposal has been accepted, detailed planning completed, tenders called and the contract let by the Department of Housing and Construction. Building commenced on 4 September 1985 and is now completed.

(b) Internal Management Review of AGPS - this review was completed early in 1984. One of the significant initiatives taken as a result was the introduction of Corporate Planning to AGPS with the first Corporate Plan being prepared for the 1985/86 financial year and subsequently for 1986/87. Other initiatives were taken to improve communications within AGPS, to re-organise the Finance and Administration Section into a Finance Section and a Personnel and Services Section, each headed by a Director at Class 10 level, to up-date all factory standard times for estimating, costing and scheduling purposes, to introduce marketing concepts within AGPS, to work towards the establishment of a single point of receipt and allocation of work to replace the present duplicated facilities; and to work towards a single receipt, storage and despatch facility to replace the present duplicated facilities.

(c) Introduction of computerised management information and operational systems - the firm of Management Consultants, Touche Ross Services Pty Ltd was contracted in December 1984 to carry out a Feasibility Study. Subsequent to the completion of this consultancy, the firm of Management Consultants, Management Solutions Pty Ltd was contracted in April 1985 to prepare a detailed Functional Analysis and Broad System Specification covering the proposed management information/operation system and AGPS's other computing needs, and the preparation of the AGPS ADP Strategic Plan to cover the period 1985/86 to 1987/88. This firm was contracted again to carry out a detailed System Specification and to provide package evaluation results relating to those specifications. Their report was made available in December 1985. The market is to be tested to determine whether programs are available to meet the specified needs. Should suitable programs not be available then consideration will be taken to writing the necessary programs in-house. Present planning indicates that the total system will be completed progressively to the end of the 1987/88 financial year.

(d) A major typesetting review - this review was completed in October 1984, tenders called, and a contract let by the Purchasing Division of the Department of Local Government and Administrative Services for the supply of a computerised typesetting system. The system was

supplied by Penta Systems International, has been installed and is now working up to the required production levels.

(e) A major review of accounting and stores procedures - as indicated in the Committee's 235th Report, it remains AGPS management's intention to improve these systems to the level at which they are capable of producing information that accords with generally accepted accounting principles as set down in the guidelines issued by the Minister for Finance. Progress remains slow and is dependent on the allocation of adequate resources for this purpose. It has also become obvious, as a result of the corporate planning approach, that the funding arrangements for AGPS operations - two trust accounts, The Publications Trust Account and The Government Printer Trust Account, and some administrative appropriations - work against the concept of a corporate identity which AGPS management is trying to engender, causes great difficulties in presenting integrated management information on the totality of AGPS operations and promotes unnecessary duplication of operational and service activities. Discussions were held with officers of the Department of Finance in October 1985 and January 1986 on the proposal that the present diverse funding arrangements be replaced by a single funding arrangement, ie a single trust account using accrual accounting. This proposal was implemented from 1 July 1986 and should lead to significant improvements/efficiencies in the financial management of AGPS.

(f) A review of pricing policies - this review has been completed and requires that fill-in work allocated to the Printing Office to ensure utilisation of resources when Parliament is not in session be charged to clients at industry comparable prices.

(g) Rationalisation review of Government Printing Operations Melbourne - this review has been completed and has led to the closure of the Commonwealth Printing Unit at South Melbourne and the transfer of some resources to the Defence Printing Establishment, Brunswick - transferred from the Department of Defence to AGPS in 1983. The raw material store at the Defence Printing Establishment has been in full operational use since 1 December 1986 although it is subject to completion. As well, a small group of publishing officers who, at present, occupy a small area of the South Melbourne complex, will transfer to the Customs Building, which is being refurbished in April 1987. On the completion of that transfer, the South Melbourne property will be available for re-allocation within government or for disposal, as the Property Division of the Department of Local Government and Administrative Services may decide.

(h) Continuing review of departmental in-house printing facilities - based on the results of departmental surveys conducted by the AGPS in 1984 and 1985 and on general departmental printing data maintained by AGPS, AGPS concludes that departments have invested in equipment having a capacity under normal operating conditions in excess of their present workloads. AGPS has prepared specific guidelines to assist departments in determining the appropriate configuration for their in-house units and these were promulgated in the Commonwealth Printing and Publishing Manual which was released in 1986.

(i) Market research surveys - as mentioned previously the firm of Management Consultants, Cruickshank Management Resources, were contracted to assist with the introduction of marketing concepts within AGPS. This work is proceeding and a small marketing cell commenced operating on 9 September 1985. Unfortunately, because of resources restraints it was not be possible to appoint a Director Marketing during 1985/86.

National Sports Centre

Conclusion (paragraphs 8.16 and 8.17 of Report 233)

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.

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

Response

2.70 The National Sports Centre was administratively transferred to the Australian Institute of Sport with effect from 1 July 1986. During 1985-86 the Institute controlled the finances and day-to-day management of the Centre as an agent for the Department of Sport, Recreation and Tourism. Funding was appropriated from and income paid to the Consolidated Revenue Fund through that Department.

2.71 A formal transfer was not effected prior to 1 July 1986 as it was intended that the Centre would be taken up under the statutory authority to be established by the Australian Institute of Sport Bill (1986). The Bill was enacted on 1 January 1987. Formal transfer of the Centre's building and other assets has been completed.

2.72 The Institute, as a statutory authority, operates its own bank account and full financial system. Revenues and expenditures of the Centre are identified as a separate cost centre in the Institute's financial system. The Institute monitors closely the revenues and expenditures of the Centre. In view of this it is not considered appropriate nor necessary to operate a separate trust account for the Centre. Should the need arise, the Institute will again look at the merits of establishing a trust account.

2.73 The AIS Board of Management has established a Facilities Committee. This Committee will enable overall management to be co-ordinated and existing policy and procedures to be enhanced. The specific aim of the Committee is to ensure the maximisation of use of the facilities.

2.74 The Board, through the Facilities Committee, is presently reviewing the Master Plan for Facility Development prepared by the NCDC, the Facility Marketing Strategy, Hiring Agreement and Charging Policies. It is expected that a submission relating to the Development Plan and the maintenance of facilities will be forwarded to Cabinet in the near future. The services of the Institute's internal auditors are being used to assist in reviews of debtor and cash collection procedures, fixed asset policy and to update the computerised asset register.

2.75 An arrangement has been entered into with Mitchell-Bass for the sale of tickets for concerts promoted at the indoor facility. Separate bank accounts have been opened to process transactions in respect of this arrangement.

2.76 As part of the Institute, the Sports Centre is funded through a single line appropriation and retains income earned to offset costs.

2.77 The Institute's internal auditors have prepared draft procedures for the financial management of the Centre. These procedures have been reviewed and, with some minor modifications, are in the final stages of implementation. Comments and recommendations of the Committee were taken into account in preparing these procedures.

Australian Taxation Office

Dividends and Interest Withholding Tax

Conclusion (paragraph 11.8 of Report 233)

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.

Response

2.78 The review of the system for collection of Dividend and Interest Withholding Taxes which was foreshadowed in the Taxation Office's submission to the JCPA has been completed. The Review Group examined all aspects of withholding tax processing covering compliance, lodgment enforcement, recovery of outstanding taxes, accounting and reconciliation of remittances, including those matters raised by the Auditor-General in his September 1983 report. The Review Group's report has been considered by the Commissioner and appropriate action to implement the recommendations is underway.

2.79 The Auditor-General reported that a significant number of remittances were received after the due date and that the additional tax imposed by the legislation was not collected.

2.80 The review indicates that the various measures to improve identification and imposition of penalty, introduced as a result of the Auditor-General's findings have, on the whole, been successful. To further improve this area of withholding tax processing the Commissioner has directed that national policy guidelines on the imposition and remission of additional tax be determined.

2.81 An apparent anomaly in the withholding tax legislation which allows 60 days grace before penalty can be imposed is being considered.

2.82 The Review Group has examined the availability of independent statistical information which could be used to determine the level of compliance with withholding tax legislation.

2.83 As was pointed out in the Taxation Office's submission to the Committee, there is no readily available information which could be used to effectively determine the level of compliance. The Review Group's findings confirm this view.

2.84 The Review has identified the causes of the high error rate in remittance processing. The computer programs are currently being modified to reduce the number of unnecessary reports.

2.85 The Commissioner has directed that a national procedural manual be prepared by the implementation working party. A policy statement has been produced on the revised procedures and performance standards. However revision of the manual has been delayed as a result of recent Government decisions in the taxation area.

2.86 A range of measures have been recommended which are designed to improve compliance with and enforcement of the withholding tax legislation.

2.87 These measures include changes to manual procedures and the provision of additional computer support to aid enforcement and compliance activity.

2.88 Outdoor inspections have not been increased due to competing demands for this type of enforcement activity in other known areas of tax avoidance and evasion.

2.89 The Income Tax (Securities and Agreements) Withholding Tax Recoupment Act 1986, which received Royal Assent in June 1986, formally declares and imposes tax, at a rate equal to the amount of withholding tax avoided, in relation to certain securities and agreements.

Fraudulent Negotiation of Cheques

Conclusion (paragraphs 12.69 to 12.81 of Report 233)

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

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.

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.

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.

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.

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

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.

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.

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.

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.

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

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.

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

Response

Australian Federal Police

2.90 In its Report, the Committee recommended that the Australian Federal Police (AFP) review its policy of not keeping case load statistics. The AFP has advised that a system of scheduling of cheques referred to the AFP has been introduced and a system titled "Statistical Data Reporting - Social Security Fraud" allows the AFP to supply limited case load statistics. The AFP will be able to expand on this statistical service as resources permit.

2.91 On the question of establishing, with the Department of Social Security, working guidelines for referral and/or investigation of cheque offences, discussions and drafting have been completed and a copy of the guidelines has been forwarded to the Committee.

2.92 The matter of the proposed national approach to cheque investigations is now being addressed in the context of a national scheme for the prioritisation of all investigations.

2.93 The scheme, known as the Australian Federal Police National Priority System for Fraud and General Crime Referrals and Investigations, commenced on 1 February 1987 for a three month trial period. The System deals with all fraud and general crime matters.

2.94 Since the Committee's inquiry there have been two further developments which are highly relevant to AFP investigation of cheque fraud. The first was the issue, by the Special Minister of State, of the Charter of Objectives and Priorities for the AFP in August 1985.

2.95 The second development has been the agreement by the Government on 1 July 1986 to a Review of Systems for Dealing with Fraud on the Commonwealth. In announcing the Review, the Special Minister of State said that it "... should produce an improved system for balancing investigation demands by agencies, better use of resources between departments and guidelines to assess cost effectiveness of present practices and new proposals". It is anticipated that flowing from the Review there will be changes in practices and procedures for combating and investigating cheque fraud. The Review's report is nearing completion.

Department of Social Security

2.96 With regard to the Committee's recommendation that the Department should draw its clients' attention to the obligation to return either the original or the replacement cheque if both are received, the Department of Social Security advised that the recommendation is in practice with the attachment of Form SF32 (See Appendix A) to each replacement cheque issued. Paragraph 44I of the Replacement Cheque Issue Procedures refers and a copy is at Appendix B. The introduction of direct credit has removed the opportunity for this type of fraud in most cases.

2.97 In respect of the Committee's recommendation concerning greater co-operation between the Department and the AFP, present arrangements for the reference of cases to the AFP for investigation are set out in the Department's manuals. Included are the requirements relating to fraudulently negotiated cheque cases specified in the Finance Directions.

2.98 The arrangements have recently been reviewed. The object has been to produce working guidelines for use both by staff of the Department and AFP officers. The drafting and consultation process has been completed and the guidelines will be issued in the near future.

2.99 With regard to the question of proof of identity, the Department has advised that changes to the proof of identity (POI) system were introduced in most States in November/December 1984. In NSW they were introduced in March 1985.

2.100 The aims of the new system are:

- to reduce the opportunity for fraud in the client identification process;
- to improve techniques for dealing with genuine clients experiencing difficulty in establishing identity; and
- to reduce tension between clients and staff in the identification process.

2.101 The new system requires a pre-grant interview to be conducted for each claimant and dependent spouse of the claimant. Some allowance is made for special circumstances such as where sickness, remoteness or child care makes attendance unrealistic. The systems changes include an indicator on microfiche and computer records to show the identity status of each client, ie whether provisional or satisfactory identity has been established.

2.102 In 1975 State administrations of the Department were asked to undertake an informal survey of regional offices to establish whether the new system was operating satisfactorily and whether it was being generally accepted.

2.103 State administrations reported that the new system was of good value and a definite improvement on the old. Early indications were that the system was efficient and effective in meeting its objectives of deterring fraud while improving the service provided to genuine needy clients. Regional offices reported a reduction in client/staff tension during the POI procedure.

2.104 Both staff and clients were reported to have reacted favourably to the new arrangements. The survey indicated that the new system did not have a significant impact on resources generally. Some local offices have found the resource impact greater than others and these are being assisted by State administrations.

2.105 A post implementation review of the proof of identity procedures has also been completed. It showed a general acceptance by staff and clients. An internal audit of the new arrangements was undertaken in May 1986 and it indicated that any problems with the procedures mainly concerned the attachment of documentary evidence of client identity to DSS files. A further audit was conducted in August/September 1986.

2.106 Emphasis is also being maintained on the training of staff on proof of identity concepts and procedures to ensure that relevant officers, particularly those who have recently joined DSS, remain conscious of the importance of the subject.

2.107 With respect to the question of what proportion of total benefits are paid by direct credit, the Department has provided the latest Direct Credit statistics, current as at December 1986:

BENEFIT TYPE	% OF PAYMENTS MADE BY DIRECT CREDIT
Pensions	93
Family Allowance	96
Family Income Supplement	94
Mobility Allowance	79
Unemployment and Sickness Benefit	96

By client population, 95% are paid by Direct Credit

Department of Finance

2.108 The Department will prepare guidelines which will enable departments, when reporting cases to the AFP, to indicate their own assessment of the likelihood of successful investigation, apprehension and prosecution and to recommend (to AFP) whether or not high priority should be given to the case. It is expected that the guidelines will be completed by June 1987.

2.109 The Department views its role in the development of these guidelines primarily as one of co-ordination and of providing the vehicle for promulgation of the guidelines to departments (eg via the Finance Directions). The content of the guidelines will be largely dependent on the advice of the AFP and the cheque-issuing Departments.

2.110 The AFP have for some time been involved with the Department of Social Security (DSS) in developing guidelines for referrals by that Department. The guidelines have recently been finalised. Those guidelines will form the basis for discussions between the Departments of Finance,

Veterans' Affairs and Social Security, and the Australian Taxation Office and the AFP on the content of the guidelines the Department of Finance is to promulgate.

2.111 The discussions will also take note of the deliberations of the Review of Systems for dealing with Fraud on the Commonwealth and the likely impact of that Review on the way in which AFP approaches fraud investigation.

2.112 A copy of the guidelines will be provided to the Committee upon completion.

Department of Education

2.113 Following consideration of the Committee's comments, the Department has reviewed its policy on direct credit and will be taking graduated steps over the next few years to increase the proportion of direct credit recipients of student allowances.

2.114 The proportion of beneficiaries receiving payment by direct credit has been increasing in recent years. For the Tertiary Education Assistance Scheme (TEAS), which is the largest scheme of assistance, the figures are as follows:

1982	22%
1983	29%
1984	39%
1985	52%
1986	66%

2.115 Similar growth is evident in schemes of assistance for school children - the Secondary Allowances Scheme (SAS) and available Assistance for Isolated Children Scheme (AIC), where the available figures are as follows:

1983	16%
1984	21%
1985	31%

For Aboriginal assistance schemes, the trend is less clear, but the proportion of direct credit recipients overall is of the order of 20%.

2.116 Steps to be taken to increase the proportion of direct credit recipients have included:

- Information booklets on student assistance schemes in 1986 outlined the advantages to the beneficiary of receiving allowances by direct credit;
- The TEAS Application Form in 1986 encouraged applicants to nominate direct credit as the preferred mode of payment;

- Beneficiaries under TEAS, Postgraduate Awards, and the Adult Secondary Education Assistance Scheme (ASEAS) will be required to seek an exemption if they wish to receive payments other than by direct credit from 1987; and
- Under the remaining schemes, the Department encourages applicants to receive payment by direct credit to the extent feasible. (The JCFA Report acknowledges in paragraph 12.79 that there would be exceptions to the direct credit mode for student allowances).

2.117 The Committee expressed the view that the Department has not addressed itself assiduously to the problem of recovery of overpayments of student allowance. The Department believes that the Committee's comment is based upon a misunderstanding of certain comments made in the Department's submission. The submission pointed out that one of the disadvantages of direct credit as opposed to cheque payments was that overpayment were likely to increase because the return of a cheque was not infrequently the first indication the Department receives that a student has discontinued his or her course and that benefits should cease. The Department expressed the view that the Committee appeared to have gained the impression from its reading of the submission that the Department relies on a returned cheque as evidence of discontinuation. The Department advised that this is not the case.

2.118 Checks of enrolment, and where feasible, attendance, are made with educational institutions during the year. For a limited number of institutions, arrangements have been made for the institution to flag its records to indicate those students who are receiving assistance and to notify the Department of variations in enrolment status on a regular basis. For the remainder of institutions, a 100% check is conducted periodically. The checking and follow-up action is manually intensive for both the Department and institutions. This has generally prevented the check being carried out more frequently than twice a year. There would be cost implications for the institutions if they were required to provide more frequent returns. Since the quality of the checking depends on co-operation from institutions, the Department would prefer to base arrangements on agreement with institutions rather than coercion.

2.119 The Department also emphasizes the need for applicants to notify the Department promptly of changes in circumstances which might affect their eligibility, especially discontinuation, in documentation sent to them with the notice of assessment. It also posts reminders to beneficiaries during the year asking them to notify changes in circumstances, and to return any payments to which they are not entitled.

2.120 Applicants who might otherwise have omitted to inform the Department and the institution that they have ceased study sometimes respond to these reminders by returning a cheque, thereby providing a first indication that they are no longer entitled to assistance. It was with this experience in mind that the Department pointed out in its submission that overpayments were likely to increase with direct credit, because, in the Department's view, such a payment may be a prompt to someone who has otherwise failed to carry out his or her obligation to notify the Department.

2.121 The Department advised of other steps being taken to reduce the level of overpayments, including upgradings of ADP systems for better avoidance of overpayments and follow-up of those overpayments which do occur. Two important measures undertaken in recent years have been the issue of a Recovery of Overpayments Manual and the development of an upgraded ADP system.

2.122 The Manual, which was issued in May 1983, defines and clarifies policy, and sets out guidelines and standards to be met. The upgraded ADP system (ROS) has been implemented in a number of State Offices from mid-1983. The system uses a central national file of debtors with on-line access facilities. The system offers the following advantages over the previous, largely manual, arrangements:

- more streamlined document flows;
- reduction in time between identification of an overpayment and the Department's first contact with a debtor;
- providing better records to facilitate more prompt follow-up of outstanding cases;
- providing better facilities for reconciliation between debtors' ledger and repayments;
- providing a better range of reports; and
- maintaining a history of recovery action on particular cases in a more accessible form.

2.123 Unfortunately, the ROS system has not been an unqualified success. It has not been introduced into all State Offices because of Union opposition to the introduction of new technology without their requirements for occupational health and safety features being met. In addition, performance and system errors have meant that the system has not produced all the benefits expected of it. Pressure on ADP resources within the Department makes it unlikely that these deficiencies can be rectified before the system is replaced by a new one to apply under the Department's upgraded ADP systems (EDYCOMP), scheduled for implementation in 1987.

2.124 The design of this system provides for a total integration between recoveries and the assessment and reassessment of applications. Another feature, not available under the ROS system, includes the automatic adjustment of the debtor's ledger when a repayment is made. By automating many of the routine steps of registering debts and processing repayments, the new system is intended to release recoveries staff for more complex tasks including debtor location.

2.125 In addition to providing the Department with more capacity to pursue debts, the EDYCOMP system should reduce the number of payments which have to be recovered, by lessening the time-gap between cut-off and payment, and thereby allowing more scope for last-minute re-adjustments.

2.126 The Department has advised of other steps being taken which will ensure proper identification of beneficiaries prior to entitlement to, or receipt of, benefits. These are described hereunder.

2.127 The EDYCOMP System will provide for a computerised index of all applicants, against which each new application will be automatically checked at the point of registration. This will make the existing index card and cross-check systems redundant and should eliminate the possibility of errors and omissions in the detection of duplicate applications.

2.128 In his September 1982 and May 1983 Reports, the Auditor-General drew attention to inadequacies in the controls over applications which were forwarded to and returned from the ADP processing areas in the ACT and Western Australian State Offices. He also noted that processing procedures did not include a check to ensure that applications input for processing had been properly authorised by assessors.

2.129 The Department took action to remedy the deficiencies reported. Guidelines were issued to all State Offices on the procedures for the checking of applications sent to and received from ADP processing areas. These guidelines are intended to ensure that all documents forwarded are processed and returned to scheme areas, that relevant output is produced, and that adequate records are maintained of document movements and of associated checks and reconciliations. Advice was also provided to State Offices on procedures for checking and certifying the validity of assessors' signatures of applications.

2.130 Under the EDYCOMP System these checks will not be necessary. Each application will be registered into the computer system on receipt, and the design of the system will provide for a monitoring through to finalization. It is also intended to have procedures to prevent the creation of unauthorised applications within the system.

2.131 In summary, when EDYCOMP becomes operational, it is expected that many of the specific deficiencies identified by the Auditor-General in the areas of assessment and re-assessment of applications, provision of management information on performance, checks on aspects of eligibility and entitlement including income verification, and cross-check of applications between schemes will be addressed as an intrinsic part of the design of EDYCOMP itself. (At the same time, action is also being taken to improve existing systems to the extent possible in the meantime).

Department of Veterans' Affairs

2.132 Since May 1983 the Department of Veterans' Affairs has undertaken three major exercises in an effort to expand the use of the direct deposit method of payment of pensions. For the first exercise a circular was forwarded to all pensioners receiving cheque payment advising them of the introduction and advantages of the direct deposit system. For the second exercise a follow-up circular was forwarded in July 1983. The second exercise was aimed mainly at dependent's pension payments. By December 1984 these two exercises had effectively reduced the Department's cheque payments to 32% of all payments made.

2.133 In the Government's Economic Statement of 14 May 1985 it was announced that, with certain exemptions, all repatriation beneficiaries would have their monetary benefits paid by direct deposit. The exercise to implement this decision commenced at the end of June 1985. By the end of July 1985 only 18% of repatriation beneficiaries were being paid by cheque and this was further reduced to approximately 10% at the end of August 1985. Since that time, the number of pensioners paid by the direct credit method of payment has risen to approximately 97% (600,000) of the Department's payees. It is expected that any further increases in the number of direct credit payments will be minimal.

Recovery of Outstanding Revenue, Debts and Overpayments

Conclusion (paragraph 13.9 of Report 233)

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.

Response

Department of Finance

2.134 Consolidated information concerning the effectiveness of departmental debt recovery practices is not available. As part of a review of cash management practices the Department of Finance has undertaken a survey of all departments and authorities subject to the Audit Act to ascertain, inter alia, that information. Some 90% of the surveys have been returned and it is estimated that the survey will be completed by June 1987. The Department will provide the Committee with a copy of its summary analysis of the survey.

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