AUSTRALIA

Report

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Joint Committee of Public Accounts

Response to Expenditure from the Advance to the Minister for Finance (Appropriation Acts 1983–84) Report

Parliament of the Commonwealth of Australia 1987

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

REPORT 266

RESPONSE TO EXPENDITURE FROM THE ADVANCE TO THE MINISTER FOR FINANCE (APPROPRIATION ACTS 1983-84) REPORT

(DEPARTMENT OF FINANCE MINUTE ON THE COMMITTEE'S 239TH REPORT)

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*Ex-officio member being Chairman, House of Representatives Standing Committee 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 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.

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 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 239th Report.

For and on behalf of the Committee.

R E Tickner MP
Chairman

M J Talberg
Secretary
Joint Parliamentary Committee of Public Accounts
Parliament House
Canberra
25 February 1987

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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 Report on the Advance to the Minister for Finance (Appropriation Acts 1983-84) contained the results of the Committee's inquiry into additional funding required by the Departments of Defence Support, Education and Territories and Local Government. The Department of Finance Minute was received by the Committee on 21 October 1986 (refer Chapter 3).

1.2 The most significant issues dealt with in the Report were that:

- the Department of Defence carried over Commissioner of Taxation claims, and delayed meeting group tax obligations; and

- the staffing of positions and the management of salaries within the Department of Territories and Local Government was difficult.

1.3 The Committee expressed its concern that the Department of Defence failed to follow the procedures for prompt remittance of tax instalments. This resulted in the application for funding from the Advance to the Minister for Finance. The Department of Defence responded to the Committee's criticisms advising that action has been taken to prevent a recurrence of this situation. Pay office staff have been thoroughly briefed on Departmental requirements, and have been counselled regarding their failure to follow procedures for the prompt remittance of tax instalments.

1.4 The Department's undertaking to prevent such a recurrence is noted.

1.5 It is understood that the Commissioner of Taxation will be writing to his branch offices, to remind them of the need to ensure that Departments and Authorities meet their obligations under taxation legislation.

1.6 The Committee was also concerned that the Department of Territories was unable to provide a detailed breakdown of the use of AMF funds. Urgency was not demonstrable in all the items considered. The unforeseen nature for the AMF funds resulted from administrative deficiencies within the Department.

1.7 Lack of forecasting of staffing shortages had resulted in several applications for AMF funds. The AMF was also used to make backpayments to library officers, as appopriate loading on penalty payments had not been paid for many years.

1.8 The Committee notes the subsequent implementation of remedies by the Department. These include, higher priorities to be given to salaries management and the introduction of new procedures and controls.

CHAPTER 2

SUMMARY OF THE COMMITTEE'S 239TH REPORT

2.1 Tabled on 26 November 1985, the Committee's 239th Report examined the expenditure from the Advance to the Minister for Finance (Appropriation Acts 1983-84).

Department of Defence

2.2 Two advances of $1 700 000 and $330 000 were sought from the Minister for Finance in 1983-84, the latter to meet arrears of obligations to the Commissioner of Taxation.

2.3 The Department of Defence advised the Committee that it had been normal practice to group taxation remittance slip by for approximately one month for a period of maybe 12 to 18 months. The delay in meeting the group tax obligation was due to manpower problems in the Defence Regional Finance Office (DRFO). The Department of Defence acknowledged that, because of staffing difficulties, some of the support functions of managing the payroll, in particular, payment of taxation deductions to the Australian Taxation Office, fell into arrears.

Department of Education

2.4 The Department received additional funds from the Advance to the Minister for Finance of $310 000 for payment of grants, subsidies and allowances to non-government schools in the Australian Capital Territory.

2.5 In 1983-84, national statistical data from the States on education costs, was unavailable until after the passing of Appropriation Act (No 3). The delay was the result of one State being late in submitting data, on which the national average running costs per pupil in government schools are calculated. The Department advised the Committee, that the basis of the scheme of Territorial recurrent grants to non-government schools was under review.

2.6 The Minister for Education announced that from the beginning of 1986, grants under this scheme will be needs-based. The twelve category system adopted in 1985 for the Commonwealth's national recurrent grants to non-government schools will be used. The Department expects that the adoption of this new scheme will minimise the need to draw on the Advance to the Minister for Finance in the future.

Department of Territories

2.7 The Department received additional funds in 1983-84 for salaries allowances under the Advance to the Minister for Finance ($347 000) to meet obligations under the national wage increase and staff increases.

2.8 The Department acknowledged that there had been deficiencies in organisational arrangements, controls and procedures relating to salaries management, and that remedies had been applied. An internal wages and salary monitoring system was instituted on 1 July 1985.

CHAPTER 3

DEPARTMENT OF FINANCE MINUTE

3.1 This Minute has been prepared on the basis of responses received from the Australian Taxation Office and the Departments of Defence and Territories.

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

Department of Defence
Salaries and Payments in The Nature of Salary

CONCLUSION (paragraph 2.11)

> The Committee is aware that the Department of Defence has taken remedial action and has directed that delays as had occurred are not to be permitted to recur. The Committee is very concerned that the delays in processing taxation deductions had been occurring for 12 to 18 months without senior management being aware until the Committee asked for a submission on the request for $330,000 from the Advance. This request does not appear to satisfy the criteria of 'urgent' and 'unforeseen' except that the backlog of taxation deductions had been eliminated.

Response

3.3 The Department of Defence has advised that action has been taken to prevent a recurrence of the situation by thoroughly briefing pay office staff on Departmental requirements. Staff have been counselled regarding their failure to follow procedures and regarding the requirement for prompt remittance of tax instalments to the Australian Taxation Office.

CONCLUSION (paragraph 2.12)

> The Committee is also very concerned that a Commonwealth organisation was able to submit late Taxation returns for such a long period without it being brought to the attention of senior management in the Department or the Australian Taxation Office. The Committee concludes that this request for the Advance reflects badly on the financial management of the Department of Defence.

Response

3.4 The Department of Defence has advised that Taxation remittances are treated as priority payments and are currently up to date. The Department expects that improvements in costing and financial management systems, associated with the implementation of trust fund accounting from 1 July 1986, will provide greater management control of these matters at Garden Island Dockyard.

3.5 The Australian Taxation Office has advised that due to limited available resources a system of priorities has been developed based on a combination of the amounts of late remittances involved and the risk of non-payment. Remittances from Government Departments are the subject of regular review. However, the Commissioner of Taxation will be writing to branch offices to remind them of the need to ensure that Departments and authorities meet their obligations under the taxation legislation.

Department of Education
Independent Schools - Grants, Subsidies and Allowances

CONCLUSION (paragraph 3.6)

> The Committee is concerned that the Advance had to be used on this occasion mainly because one State was late in submitting data on which the Australian Capital Territory grants are based, thus making the requirement for the Advance urgent.

Response

3.6 Consequent upon the revised Administrative Arrangements Order of 12 December 1985, responsibility for this appropriation now rests with the Department of Territories.

3.7 The Department of Territories has advised that for the 1986 calendar year, Territorial recurrent grants were needs-based and were made on the twelve category system adopted for the Commonwealth's national recurrent grants to non-government schools. The change in the basis of payment of Territorial recurrent grants has obviated the need to seek information from the States.

CONCLUSION (paragraph 3.7)

> The Committee expects that the planned changes for 1986 will minimise the need to draw on the Advance to the Minister for Finance for this item.

Response

3.8 The Department of Territories has advised that adoption of the new basis for the provision of funds, calculated on the Commonwealth's national recurrent grants will minimise the need to draw on the Advance to the Minister for Finance in the future. The adoption of the new procedures has meant that in 1985/86 there was only a very small requirement for additional estimates ($15,300 in an allocation of $10,131,000) and no requirement to draw on the Advance to the Minister for Finance.

Department of Territories
Salaries and Payments in the Nature of Salary

CONCLUSION (Paragraphs 4.37-4.41)

> The Committee is extremely concerned that the then Department of Territories and Local Government did not appear to have appropriate mechanisms for forecasting peak period workloads in sufficient time for the salaries of staff needed to perform routine Departmental functions to be included in the normal appropriations.
>
> The Department believes that the organisational and procedural changes already foreshadowed and instituted promise to improve performance. The Committee is concerned, however, that many of the instances of funds requests included in the application indicate inadequate management of discernible personnel requirements. Items which should not have been unforeseen were those relating to the regular day-to-day functions of the Department, eg staff dealing with external territories, local government matters, welfare needs and rental collections (items (g), (h) and (c)).
>
> The Committee urges departments which employ casual and part-time staff to be careful in interpreting awards to ensure that such staff receive their full entitlements. The errors in payments to library staff should not have occurred and it is disturbing that they were perpetuated for so many years (item (a)). The Committee is also disturbed that it required union intervention to alert the Department.

> Similarly, the Committee is of the opinion that the management problems arising out of the increasing incidence of RSI among departmental staff represents an area which has relevance to all departments. The implications of RSI for staffing and salaries management should be recognised.
>
> The Committee believes that the need to appoint temporary keyboard staff (item (b)) should have been foreseen at the time of the preparation of the Additional Estimates. The fact that recruitment action occurred in March suggests that planning must have preceded that date. The need for staff to be freed from their regular work to receive specialised training on the new equipment also should have been recognised.

Response

3.9 The Department of Territories has acknowledged that the need to resort to the Advance to the Minister for Finance in 1983/84 for salaries and allowances was in large part due to deficiencies in organisation arrangements, controls and procedures relating to salaries management.

3.10 The Department has advised that the remedies, which were summarised in paragraphs 4.31 to 4.36 of the Committee's 239th Report, have been implemented and have led to a substantial improvement in the Department's salaries management. It was not necessary to draw on the Advance to the Minister for Finance in 1984/85 and 1985/86 and the Department is confident that any future use of the Advance would only occur in the most exceptional and unavoidable circumstances.

CONCLUSION (paragraph 4.42)

> The Committee is pleased to note the continuing development of procedures to recover arrears in public housing rentals and believes these provide sufficient opportunity for tenants' welfare to be protected. The Committee is concerned, though, that the level of arrears remains extremely high and urges the Department to ensure that recovery procedures are expedited (item (c)).

Response

3.11 The Department has advised that new recovery procedures were introduced in 1985 which have had the effect of arresting the growth of rental arrears. Rental arrears have fallen from $1.077 million at 30 October 1985 to $1.047 million at 25 June 1986 and The Department anticipates that the level of arrears will continue to decline.

CONCLUSION (paragraph 4.43)

> The Committee is of the view that, while the Department has taken appropriate action to improve its forecasting and management information systems in various areas influencing salaries administration, the information provided on the specific items covered in the Advance to the Minister for Finance does not provide sufficient evidence to conclude that similar problems will not occur in the future.

Response

3.12 The Department considers that the high level of priority and oversight now given to salaries management by Departmental senior management and the measures implemented to correct past difficulties will avoid a recurrence of the problems which arose in 1983/84.

CONCLUSION (paragraph 4.44)

> The Committee noted particularly that for certain items (part-time staff and external territories and local government administration) the Department was unable to provide a detailed breakdown of the use of the AMF funds. This calls into question the Department's original application.

Response

3.13 The Department has advised that should the unlikely event of it requiring funds from AMF for salaries recur a detailed breakdown of the use of AMF will be available.

CONCLUSION (paragraph 4.45)

> The Advance is intended to be confined to expenditure of an urgent and unforeseen nature. Urgency was not demonstrable in all the items considered and, in the majority of instances, the unforeseen nature of the item resulted from administrative deficiencies in the Department rather than an inherent characteristic of the expenditure item itself.

Response

3.14 The Department acknowledges the deficiencies noted by the Committee and has advised that appropriate action has been taken to remedy the situation. The response at paragraphs 3.9 and 3.10 is also relevant.

M S Keating
Secretary of the
Department of Finance
October 1986