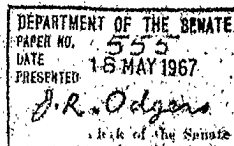


1967



THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

NINETIETH REPORT

TREASURY MINUTE ON THE
EIGHTIETH REPORT

TOGETHER WITH

SUMMARY OF THAT REPORT

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

SEVENTH COMMITTEE

R. Cleaver, Esquire, M.P. (Chairman)

Senator J.F. Fitzgerald (Vice-Chairman)

Senator J.J. Webster

F.W. Collard, Esquire, M.P.

Senator I.E. Wedgwood

J.D.M. Dobie, Esquire, M.P.

E.M.C. Fox, Esquire, M.P.

G.H. Gray, Esquire, M.P.

E.W. Peters, Esquire, M.P.

I.L. Robinson, Esquire, M.P.

The Senate and the House of Representatives appointed their
Members on 22 February, 1967.

DUTIES OF THE COMMITTEE

Section 8 of the Public Accounts Committee Act 1951-1966 reads as follows :-

8. The duties of the Committee are -
- (a) to examine the accounts of the receipts and expenditure of the Commonwealth and each statement and report transmitted to the Houses of Parliament by the Auditor-General in pursuance of subsection (1.) of section fifty-three of the Audit Act 1901-1950;
 - (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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JOINT COMMITTEE OF PUBLIC ACCOUNTSNINETEETH REPORTTREASURY MINUTE ON THE EIGHTIETH REPORTCHAPTER 1 - INTRODUCTION

In its Seventy-ninth Report dated 10th March, 1966, Your Committee set out in detail the basis of the Treasury Minute arrangements which have been made to ensure that appropriate action ensues from comments contained in our Reports.

P.P.No.275
of 1964-65-66

As they now stand, the arrangements concerned are:-

- (1) The Report of Your Committee is tabled by the Chairman in the House of Representatives and by a Member of the Committee in the Senate. Motions are moved in both Houses of the Parliament that the Report be printed as a Parliamentary Paper.
- (2) The Chairman of Your Committee thereafter forwards a copy of the Report to the Departments affected and to the Treasurer with a request that he give the Report his consideration and inform the Chairman of the action taken to deal with Your Committee's comments.
- (3) The reply received, which is in the form of a Treasury Minute, is then examined by Your Committee and, together with the conclusions of the Report to which it relates, is submitted as soon as possible to the Parliament as a Report.
- (4) Where during its examination of a Treasury Minute Your Committee finds that there are recommendations not fully dealt with or which are subject to a further Minute, it holds an exploratory discussion with officers of the Department of the Treasury prior to the submission of the Minute to the Parliament.

- (5) In reporting a Treasury Minute to the Parliament, Your Committee does not usually make any comment on the Minute other than to note recommendations not fully dealt with or subject to a further Minute. In special cases where comment is thought to be necessary, Your Committee makes it.
- (6) Your Committee reviews a Treasury Minute, if necessary, when it again examines the department concerned.
- (7) The Department of the Treasury furnishes Your Committee with a half-yearly report on outstanding Treasury Minutes, indicating the progress made in dealing with Your Committee's comments.

CHAPTER 2 - TREASURY MINUTE ON THE
EIGHTIETH REPORT RELATING TO THE DEPARTMENT
OF CUSTOMS AND EXCISE (EXCISE CONTROL PROCEDURES)

In the Eightieth Report concerning the Department
of Customs and Excise (Excise Control Procedures):

Summary of Committee's Conclusions

(23rd March, 1966)

Your Committee concluded:

216. Your Committee's inquiry into the activities of the Department of Customs and Excise, specifically in the field of excise collection and generally into associated administrative procedures, has indicated that effective control is being exercised over a wide range of activities which, in 1964-65, contributed some £315m. (\$630m.) to Commonwealth revenue.

217. Although there were manifold aspects of the Department's administration which were not subjected to inquiry (for example we did not inquire into the customs field of administration), ample evidence is available to indicate that the Department's executive staff has constantly reviewed the practices adopted by the Department in an endeavour to simplify procedures to the maximum degree consistent with the proper discharge of departmental responsibilities.

Treasury Minute

(22nd November, 1966)

I am directed to state:

The Treasury has examined the Report and has discussed with the Department of Customs and Excise the observations and conclusions of the Committee.

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These efforts are exemplified in the evidence relative to the work simplification programme adopted by the Department in 1956 and the implementation of the commodity control type of administration in the petroleum products industry in 1959. However, whether the Department, in fact, has succeeded in simplifying its procedures to the required degree is a question which Your Committee feels will bear closer examination.

218. An examination of the pre-Federation and post Federation history of excise collections indicates that the Department is steeped in tradition, as reflected by the retention of such terms as "jorquer", (an officer performing internal audit functions), "Collectors" (the Chief Officers in each State branch of the administration) and an assertion, in evidence, that the Excise Officer has become a traditional figure in the wine and spirit industries. The Department's first attempt to remove the traditional colouring of its procedures appears to have been through the work simplification programme which was instrumental in effecting over two hundred amendments to legislation governing the activities of the Department. The success of this programme appears to have been a motivating factor also in the

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subsequent revision of the departmental procedures adopted in the petroleum industry in 1959 when Customs and Excise Officers stationed at petroleum installations were withdrawn and departmental records were closed. After 1959, the control measures were centred upon the records maintained by the industry, random examinations of both a physical and documentary nature and the submission of periodical returns by licensees.

219. After the introduction of the petroleum products system of control, the Department appears to have faltered in maintaining the momentum of its re-appraisal of existing procedures. In 1962, a review of all other procedures relative to the collection of excise was undertaken and by 1963 a detailed report was made available, recommending that the system employed in the excise control of petroleum products should be extended to all industries producing excisable products and that the control in the Central Office and in each State be unified in respect of the Excise, Warehousing, Petroleum Products and Drawback Branches. This report was circulated to all State Collectors, in the first instance, and then referred for

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recommendation to the April 1964 Conference of Senior Inspectors which recommended, inter alia, that the full time attendance of Excise Officers at establishments producing excisable products should be discontinued wherever practicable, that necessary records should be maintained by licencees and not by departmental officers, and that licencees should be required to submit periodical returns. The Conference also recommended that random checks should be implemented and that the control function should be unified at the State level.

220. The recommendations of the Senior Inspectors' Conference were considered six months later by the State Collectors at their annual conference. The Collectors agreed that the petroleum products (commodity control) system had been successful and could be applied to other Departmental activities, but that no action should be taken at that time upon the unification proposals and that the recommendations concerning the implementation of the petroleum products system should be accepted only in respect of the employment of random checks. The

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Conference summarised its attitude in a formal decision, stating that steps should be taken to examine in detail the application of a commodity control type system to excisable products in turn (other than spirits) and that a more detailed report on the wine and spirit industry should be prepared.

221. Your Committee is conscious of the fact that the Department has a substantial responsibility in formulating any alternative procedures and that the procedures currently employed in respect of various excisable commodities have proved over many years to be adequate. We are also conscious, however, that although the proposals concerning the extension of a system of commodity control were implemented in the petroleum products industry some seven years ago, the Department had, at the time of our hearing, only recently extended the system to an additional industry and then only on a trial basis. We feel that whatever the merits of the proposed system may, or may not be, individual senior officers have had an adequate period in which to either unqualifiedly embrace or reject the proposal.

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In this context, we also find it difficult to accept the Department's view that, if the new system is finally accepted, a period of several more years may elapse before it is fully implemented as the implication of the revised system in certain industries will need to be the subject of a lengthy examination. Another disturbing feature of the Department's apparent indecision over the proposal is the failure to make any assessment of staff requirements necessary to successfully implement the new system as it was stated, before any evaluation could be made the Department would need to establish what it was trying to achieve and, after this principle had been determined, how the necessary proposals were to be implemented.

222 The proposals concerning the basic revision of excise control procedures have been subject to expert examination within the Department and your Committee would not attempt to weigh their merits and demerits. However, we believe that it may be competently observed that certain outmoded provisions are still contained in the legislation governing some of the detailed

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The Department has advised that a decision has now been taken to implement the "system of commodity control" throughout not only the Excise field, but also the associated fields of Warehousing and other ancillary Customs and Excise functions. The Department believes, however, that it has been prudently cautious rather than indecisive in arriving at its decision.

Departmental proposals concerning organisational changes considered necessary to implement the new system are now being examined by the Public Service Board.

The Department envisages that a saving of approximately three hundred positions, with a corresponding saving in salary costs of approximately \$870,000 per annum, will eventually result from this operation.

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aspects of the Department's administration. For example, we question whether the allowances in respect of the contents of stainless steel beer kegs may continue to be justified. Although witnesses were not sure of the origin of the allowance, it was suggested that it was designed to cater for the losses incurred through the use of wooden kegs. Since a significant proportion of brewers currently use steel containers, we consider that the legislation providing for this allowance should be reviewed.

223. The various levels at which the cost of distillers' licences appear to have been arbitrarily fixed is also worthy of comment. We were informed that the Department could offer no explanation of the variation in the fees, other than that the levels were probably established at the time the Distillation Act was drafted, and that the Department had no firm policy on the matter. It was suggested that the fees payable might be regarded as a reflection of the extent of the licensee's activities but we find this to be an unconvincing argument in favour of the anomaly. The licence fees

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The Committee's recommendations regarding the allowances in respect of beer in kegs have been discussed with brewers, and the Department is preparing a report for the consideration of the Government.

The fees will be considered in the context of a general review, now being undertaken by the Treasury, of all Departments' fees and charges.

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would appear to contribute very little to the consolidated revenue and it is difficult to regard the fees as a form of security in the protection of that revenue. We feel that immediate consideration should be given to the establishment of a uniform fee at a level appropriate for the purpose of licensing but not less than an amount sufficient to recover the administrative expenses involved.

For and on behalf of the Committee.

David N. Reid

DAVID N. REID,

Secretary,

Joint Committee of Public Accounts,

Parliament House,

Canberra, A.C.T.,

3rd May, 1967.

Richard Cleaver

RICHARD CLEAVER, Chairman.

Joseph P. Fitzgerald