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Report 171

Reports of the Auditor-General—Financial Year 1976-77

# Reports of the Auditor-General— Financial Year 1976-77

Report

# 171

Joint Committee of  
Public Accounts

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

ONE HUNDRED AND SEVENTY-FIRST REPORT

THE REPORT OF THE AUDITOR-GENERAL -  
FINANCIAL YEAR 1976-77

Australian Government Publishing Service  
CANBERRA 1978

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TWELFTH COMMITTEE

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The House of Representatives appointed its members on 1 March 1978 and the Senate appointed its members on 22 February 1978

- (1) Discharged 2.5.78
- (2) Appointed 2.5.78, Discharged 18.10.78
- (3) Appointed (ex-officio) 14.3.78
- (4) Discharged 28.9.78
- (5) Appointed 28.9.78
- (6) Appointed 18.10.78
- (7) Discharged 17.8.78
- (8) Appointed 17.8.78

DUTIES OF THE COMMITTEE

Section 8 of the Public Accounts Committee Act 1951 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 the 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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## CHAPTER 1

### INTRODUCTION

1.1. In accordance with the duties of the Committee stated in section 8 of the Public Accounts Committee Act 1951, the Committee has conducted a series of inquiries related specifically to matters raised by the Auditor-General in his Reports transmitted to the Parliament.

1.2. The Auditor-General's Report for the year ended 30 June 1977 was tabled in the Parliament on 13 September 1977; a Supplementary Report for the year ended 30 June 1977 was tabled on 24 November 1977.

1.3. The Twelfth Committee sought written submissions from 15 departments and 10 government authorities. The Committee also requested explanations from a total of 49 statutory authorities, Government-owned companies and other activities regarding delays in submitting statements for audit examination. After a selection of submissions had been made, the Committee heard evidence from 6 departments and 3 government authorities.

1.4. The Committee was disturbed at the number of statutory authorities, Government-owned companies and other activities which failed to submit financial statements formally to the Auditor-General's Office for audit examination; some 49 Government activities are referred to by the Auditor-General in section 21.1 of his Supplementary Report and a further 16 were referred to as having submitted financial statements which were still under Audit examination. The Auditor-General stated:

Some delays in processing financial statements have occurred in the past because of:

- the need to qualify the audit reports for such defects as failure to provide for depreciation on assets or to obtain the necessary Ministerial approval of estimates of expenditure or for investment of surplus moneys;
- delays by authorities in seeking approval of the Treasurer to the form of financial statements;
- the need to seek legal advice on aspects reflected in the financial statements; and
- as a result of audit representations, the correction of deficiencies in financial statements, including departures from accounting standards.

The policy of my Office is to endeavour to resolve, by mutual agreement, matters which might otherwise result in a qualification of the audit report.

1.5. The Committee stresses the need for prompt presentation to the Parliament of annual reports and financial statements. The report by the

Joint Committee on Publications into annual reports of Commonwealth departments and statutory authorities is awaited.

1.6. The following is a schedule of hearings conducted by the Committee into the Auditor-General's Reports for 1976-77:

| <u>Date</u>       | <u>Location</u>            | <u>Type of Hearing</u> |
|-------------------|----------------------------|------------------------|
| 8 May 1978        | Parliament House, Canberra | Public                 |
| 23 May 1978       | Parliament House, Canberra | Public                 |
| 29 May 1978       | Parliament House, Canberra | In Camera              |
| 31 May 1978       | Parliament House, Canberra | Public                 |
| 1 August 1978     | Darwin                     | Public                 |
| 3 August 1978     | Darwin                     | Public                 |
| 19 September 1978 | Parliament House, Canberra | Public                 |

1.7. During the inquiry the Committee visited the Northern Territory and inspected educational institutions and facilities for staff at Darwin, Batchelor, Numbulwar, Jabiru and Mudginberri.

1.8. The following witnesses were sworn or made an affirmation and were examined by the Committee during the inquiry:

Department of Aboriginal Affairs

|                  |   |  |
|------------------|---|--|
| Mr S.J. Clark    | - | Assistant Director,<br>Management Services,<br>Northern Territory Division |
| Mr H.M. Ford     | - | Acting Divisional Director,<br>Northern Territory Division                 |
| Mr L.A.J. Malone | - | First Assistant Secretary  |
| Mr P.J. Sullivan | - | Acting First Assistant Secretary,<br>Management Division                   |

Australian Broadcasting Tribunal

|                  |   |                          |
|------------------|---|--------------------------|
| Mr B.J. Connolly | - | Secretary                |
| Mr J.R. Cowen    | - | Senior Executive Officer |

Australian Government Retirement Benefits Office

|                   |   |   |
|-------------------|---|---|
| Mr N.E. Condoelon | - | Acting Assistant Secretary                |
| Mr B.A. Lorenz    | - | Acting Commissioner for<br>Superannuation |

Australian Wheat Board

|                  |   |                           |
|------------------|---|---------------------------|
| Mr R.S. Hughes   | - | Assistant General Manager |
| Mr P.D. Williams | - | Chief Accountant          |



Department of Construction

|                  |   |   |
|------------------|---|---|
| Mr K.J. Rodda    | - | Deputy Secretary                          |
| Mr C.A. Tonissen | - | Queensland Regional Director              |
| Mr G.R. Woodward | - | First Assistant Secretary<br>(Management) |

Darwin Community College

|                  |   |                      |
|------------------|---|----------------------|
| Mr R.F. Flannery | - | Business Manager     |
| Mr J.R. Flint    | - | Principal            |
| Mrs N. Giese     | - | Chairman of Council  |
| Mr L.R. Heron    | - | Director of Planning |
| Mr C. Pantazie   | - | Accountant           |
| Mr P.N.O. Tedder | - | Registrar            |

Department of Defence

|                               |   |   |
|-------------------------------|---|---|
| Air Vice-Marshal L.S. Compton | - | Chief of Air Force Technical<br>Services  |
| Mr M.N. Woolley               | - | First Assistant Secretary,<br>Financial Services and Internal<br>Audit Division |
| Brigadier P.D. Yonge          | - | Director-General of Materiel,<br>Army Office                                    |

Department of Education

|                 |   |  |
|-----------------|---|--|
| Mr R.N. Allen   | - | Assistant Secretary,<br>Departmental Services Branch                             |
| Mr D.W. Hood    | - | Assistant Secretary  |
| Mr N.B. Morton  | - | Executive Officer,<br>Management Services Branch,<br>Northern Territory Division |
| Mr E.P. Swinton | - | Officer-in-Charge,<br>Northern Territory Liaison<br>Section                      |

Department of Environment, Housing and Community Development

|                 |   |  |
|-----------------|---|--|
| Mr P.J. Bewley  | - | Project Officer,<br>Community Development Branch |
| Mr J.C. Bradley | - | Project Officer,<br>Community Development Branch |

|                  |   |   |
|------------------|---|---|
| Mr E. Brookbanks | - | Assistant Secretary<br>Community Development Branch         |
| Mr P.G. Gifford  | - | Acting First Assistant Secretary<br>Management Division     |
| Mr P.F. Needham  | - | Chief Internal Auditor                                      |
| Mr B.P. Sheedy   | - | Acting Assistant Secretary<br>Management Operations Branch  |
| Mr E.P. Williams | - | Executive Officer<br>Accounting Practices and<br>Procedures |

Department of Primary Industry

|                |   |                             |
|----------------|---|-----------------------------|
| Mr N.D. Honan  | - | First Assistant Secretary   |
| Mr J. Stafford | - | Principal Executive Officer |

Department of the Prime Minister and Cabinet

|              |   |                  |
|--------------|---|------------------|
| Mr M.H. Codd | - | Deputy Secretary |
|--------------|---|------------------|

1.9. During the inquiry the Committee was assisted by the following observers:

|                     |   |                          |
|---------------------|---|--------------------------|
| Mr B. Beasley       | - | Auditor-General's Office |
| Mr D.W. Burdett     |   |                          |
| Mr W.J. Fraser      |   |                          |
| Mr D. Pearson       |   |                          |
| Mr G. Quinn         |   |                          |
| Mr S.J. Rauchs      |   |                          |
| Mr T. Rees          |   |                          |
| Mr R.G. Ross        |   |                          |
| Mr A.M. Finch       | - | Department of Finance    |
| Mr K. Francis       |   |                          |
| Mr S.R. Hore        |   |                          |
| Mr D.A. Knapp       |   |                          |
| Mr P. Lidbetter     |   |                          |
| Mr R.M. Murden      |   |                          |
| Mr D. Barritt-Eyles | - | Public Service Board     |
| Ms A. Buttsworth    |   |                          |
| Mr P.D. Gourley     |   |                          |
| Mr D. Wallace       |   |                          |

## CHAPTER 2

### AUSTRALIAN BROADCASTING TRIBUNAL

2.1. In paragraph 14.6 of his Supplementary Report for 1976-77, the Auditor-General referred to a case where the Australian Broadcasting Tribunal did not obtain prior approval from the Treasurer for a revised estimate of expenditure. The reference stated:

In the Tribunal's initial estimates of expenditure approved by the Treasurer an amount of \$12 000 (with an allowable 5 per cent variation) was approved in respect of the item 'Public Inquiries'. Whilst actual expenditure on this item was \$47 395, prior approval by the Treasurer for a revised estimate was not sought. In August 1977 the Tribunal advised the Treasurer of details of the actual expenditure.

#### Establishment of the Australian Broadcasting Tribunal

2.2. The Australian Broadcasting Tribunal commenced operations on 1 January 1977 pursuant to provisions contained in the Broadcasting and Television Amendment Act (No. 2) 1976. It assumed responsibility for matters relating to the licensing of commercial broadcasting and television stations, the holding of public inquiries into the granting of licences and broadcasting and television issues generally, and for attention to matters relating to the programs of such stations.

2.3. The functions assigned to the Tribunal were previously performed by the Australian Broadcasting Control Board which was disbanded on 31 December 1976. Those responsibilities of the Board relating to planning the development of broadcasting and television in Australia and concerning the technical standards and the technical equipment of stations were transferred to the Postal and Telecommunications Department.

2.4. The Broadcasting and Television Amendment Act (No. 2) 1976 was assented to on 15 December 1976 and the appointment of Members of the Tribunal was announced on 23 December 1976. The departmental submission stated it was not possible in the short time available for staffing and other requirements of the Tribunal to be determined prior to its coming into existence. In addition, it was stated, in view of a Ministerial announcement to the effect that one of the first inquiries of the Tribunal would concern the matter of "self-regulation" of broadcasting, there was a great deal of uncertainty regarding the permanent staffing needs of the Tribunal.

2.5. All positions comprising the establishment of the disbanded Control Board were transferred to the Postal and Telecommunications Department as from 1 January 1977 and the day to day matters of the Tribunal were initially performed by staff in that Department. The Department formally arranged for certain officers to be seconded to provide assistance to the Chairman and Members of the Tribunal.

2.6. This staffing position continued until April 1977 when the Public Service Board formally created 118 positions as an interim organisation for the Tribunal. This comprised 68 Central Office positions in Victoria and 50 positions in State Offices of which approximately 26 positions were filled in the States, the remainder being filled by Central Office staff. In addition, 7 officers were located in Sydney on a temporary transfer basis from early 1977 to provide executive assistance to the Members of the Tribunal. The departmental submission indicated that it had been necessary to augment the 7 officers from time to time.

2.7. In December 1977, the Public Service Board approved the creation of a Public Inquiry Branch consisting of 19 positions and also the creation of 7 positions in the Secretariat and Public Relations Section of the Management Services Branch. Previously the creation of 4 other positions by way of variation to the interim organisation had been approved. All the newly created positions were located in Sydney. Consideration of other permanent staffing proposals and the future permanent location of Central Office positions, currently in Victoria, has been deferred pending decisions by the Government on the functions of the Tribunal following the self-regulation report.

#### Financial Provisions

2.8. The following provisions regarding the application of Tribunal monies, the keeping of accounts and records, and the provision of estimates are contained in the Broadcasting and Television Act 1942:

27A(1) The moneys of the Tribunal shall be applied only -

- (a) in payment of discharge of expenses, obligations and liabilities of the Tribunal arising under this Act; and
- (b) in payment of remuneration or allowances payable to members and persons acting as members.

(2) The Tribunal shall not expend any moneys otherwise than in accordance with estimates of expenditure approved by the Treasurer.<sup>1</sup>

27B The Tribunal shall cause to be kept proper accounts and records of the transactions and affairs of the Tribunal and shall do all things necessary to ensure

---

1. The 'Administrative Changes (Consequential Provisions) Act 1978' which was assented to on 12 June 1978 changed the reference in the Broadcasting and Television Act 1942 from Treasurer to Minister for Finance. As the events referred to in this Chapter occurred prior to June 1978, references are to the Treasurer who was responsible for approving estimates at the time.

that all payments out of its moneys are correctly made and properly authorised and that adequate control is maintained over the assets of, or in the custody of, the Tribunal and over the incurring of liabilities by the Tribunal.

- 27C The Tribunal shall, not later than 30 April in each year, submit to the Minister particulars of proposed expenditure of the Tribunal for the financial year commencing on the following 1 July.

2.9. The Tribunal submits details of estimates initially to the Minister for Post and Telecommunications and then to the Minister for Finance to be approved for those finite amounts, plus or minus 5 per cent, with a total amount which is the line item in the Appropriation Bills. The Audit observer informed the Committee that some misunderstanding had occurred in the past when some authorities had thought the submission of their estimates for the Appropriation Acts met the requirements of their own Acts, which contained a provision similar to that in Section 27A(2) of the Broadcasting and Television Act 1942.

2.10. Expenditure relating to the operations of the Tribunal, other than monies payable to members of the Tribunal by way of salary and payments in the nature of salary, was met by the Postal and Telecommunications Department from 1 January 1977 until 20 April 1977. The departmental submission explained that in the absence of any approved estimates of expenditure for the Tribunal and given that Parliament was in recess, it was agreed that the following arrangements should be adopted:

- (a) an amount of \$100 000 from Treasurer's Advance be made available to the Tribunal on the understanding that it would be used only for the salaries of members of the Tribunal;
- (b) the general expenses of the Tribunal, including salaries for the staff employed on Tribunal activities but organisationally with the P & T Department as from 1 January, be financed from P & T Department appropriations and recovered later;
- (c) positions for transfer to, or for creation in, the Tribunal should be identified and a proposal furnished to the Public Service Board to enable a decision to be reached by early March 1977 at the latest; and
- (d) broadly based Tribunal estimates covering the period 1 January 1977 to 30 June 1977 be submitted for the approval of the Treasurer as soon as possible.

2.11. Estimates of expenditure, which included an amount of \$40 000 for Public Inquiries, were furnished to the Department of Finance on 9 March 1977. As the funds to meet the expenditure of the Tribunal for the 6 months to 30 June 1977 were treated as Additional Estimates, the Tribunal sought \$250 000 by way of a further Treasurer's Advance for temporary finance and this amount was paid into the Tribunal's bank account on 20 April 1977. Subsequent to the

submission of the Tribunal's estimates for the 6 months to 30 June 1977, the Department of Finance decided that the Postal and Telecommunications Department should treat the payment made by the Tribunal as income for services rendered rather than as a reimbursement of item expenditures. In view of this decision the Tribunal was required to adjust its earlier estimates of expenditure to show a bulk amount against a new item "Services performed by the P & T Department" which reduced amounts for the balance of the expenditure as contained in the earlier estimates. In adjusting its estimates the Tribunal reduced the 'Public Inquiries' estimate from \$40 000 to \$12 000, based on the estimated expenditure which was expected to be met by the Postal and Telecommunications Department.

2.12. The Tribunal received its full appropriation, less the \$350 000 obtained from the Treasurer's Advance on 10 June 1977. The Tribunal paid a total of \$546 481 to the Postal and Telecommunications Department for services performed by the Department for the Tribunal. The expenditure by the Tribunal on 'Public Inquiries' was \$47 395 plus \$23 471 included in the payment of \$546 481 paid in relation to services performed by the Postal and Telecommunications Department for the Tribunal. The amount of \$47 395 was met by the Tribunal after 20 April 1977 and comprised \$45 449 for the self-regulation inquiry, \$1539 for a Townsville inquiry into proposed shareholding transactions involving the licenses of Stations 4AY and 4GC, \$341 for an inquiry into the grant of a licence for a commercial broadcasting station in the Wollongong area and \$66 for an inquiry into agreements under section 88 of the Broadcasting and Television Act 1942.

2.13. The departmental submission stated that the reasons for the expenditure of \$47 395 exceeding the estimate of \$12 000 were:

- (a) the inquiry into self-regulation proved to be a much greater and more time consuming task than was originally anticipated;
- (b) the expenditure on the Townsville inquiry and on the inquiries which had been conducted by the former Australian Broadcasting Control Board were not included in the original expenditure estimates furnished by the Tribunal.

2.14. A departmental witness told the Committee the Tribunal failed to obtain the Treasurer's approval for a revised estimate due to an oversight brought about by staffing difficulties. In a broader statement, the departmental submission attributed the failure to the heavier involvement of the Tribunal in the conduct of the inquiry into self-regulation, difficulties associated with the interim status of the Tribunal's staffing organisation which were seriously impaired by staff absences between 6 April 1977 and 24 June 1977, and the processes involved in determining the payments due to the Postal and Telecommunications Department for services it performed on behalf of the Tribunal.

2.15. The departmental witness was asked by the Committee to provide details of the dates on which estimates were forwarded, supply was allocated and Treasurer's approval given under Section 27A of the Broadcasting and

Television Act 1942 for the year 1977-78.

2.16. In response to the request, the Tribunal provided copies of the following documents:

- a memorandum to the Minister for Post and Telecommunications, dated 28 April 1978, providing particulars of estimated expenditure of \$2 508 000 for 1977-78.
- a letter to the Department of Finance, undated, setting out the following information:
  - (a) Tribunal's estimates of expenditure for 1977-78 which also indicated the expected expenditure for 1976-77;
  - (b) Estimates of Receipts from Broadcasting and Television Stations' Licence Fees for 1977-78 and revised estimates of receipts for 1976-77.
- a letter from the Department of Finance, dated 31 August 1977, approving estimates of expenditure by the Tribunal in 1977-78 totalling \$2 317 785 and approving expenditure by the Tribunal in 1976-77 totalling \$1 082 215 of which \$47 395 was expenditure for 'Public Inquiries'.

2.17. The Committee sought information from the Department of Finance concerning the basis and extent of -

- (a) retrospective approval of expenditure by the Minister for Finance; and
- (b) approval of estimates of expenditure of statutory authorities where the relevant legislation indicates that monies will not be spent otherwise than in accordance with estimates of expenditure approved by the Minister for Finance.

The Department of Finance stated, inter alia:

5. It has been the general practice to submit estimates of expenditure for the approval of the Minister for Finance (formerly the Treasurer) after the Appropriation Bills have been introduced into Parliament. In so doing the intention has been to minimise, so far as possible, the need to seek the approval of the Minister for Finance to amend estimates of expenditure resulting, for example, from last minute changes to an authority's overall level of funds decided upon in Budget Cabinet (usually held in July of each year). The view could be taken that the Minister for Finance's approval for the lump sum Supply Bill provision for an authority, would cover the authority's expenditure during the Supply period prior to estimates of expenditure being approved in detail.

6. However, in view of the Auditor-General's recently expressed concern at the expenditure of moneys by certain authorities prior to obtaining the approval of the Minister for Finance, it is proposed in future to seek an appropriate interim approval prior to the commencement of each financial year based on a detailed breakdown of the Supply provision for the three remaining authorities concerned; approval of estimates on a full-year basis will be sought following introduction of the Appropriation Bills.
7. The onus for seeking the approval of the Minister for Finance to revised estimates of expenditure in advance of expenditure being incurred has rested, in the first instance, with the individual authority. However, as shown in the attached tables on a number of occasions in recent years approval for expenditure in excess of the approved estimates has not been sought by the authorities concerned until after the end of the financial year - if at all. The Department of Finance has on several occasions stressed the importance of complying with the "letter" of the law in this regard and requested that the authorities concerned seek the approval of the Minister for Finance to any forecast variations from their approved estimates of expenditure as soon as possible after the likely occurrence of such variations becomes apparent.

2.18. The full departmental reply is in Appendix 2A.

2.19. The Auditor-General's Office was asked by the Committee to comment on the response given by the Department of Finance. The Acting Auditor-General stated:

The following comments are provided in relation to the memorandum dated 23 October 1978 from Department of Finance to the Public Accounts Committee.

In paragraph 5 it is stated -

The view could be taken that the Minister for Finance's approval for the lump sum Supply Bill provision for an authority would cover the authority's expenditure during the Supply period prior to estimates of expenditure being approved in detail.

Legal advicings obtained by certain statutory authorities as the result of Audit observations indicate the above view is not valid. The advicings make it clear that the prior approval by the Minister must be given under the specific section of the Act which refers to estimates being submitted to the Minister for his approval.



With regard to paragraph 7 of the Department of Finance memorandum I support that Department's stress on the importance of obtaining prior approval to revised estimates and any variation from approved estimates before any expenditure is incurred.

Conclusions

2.20. Section 27A(2) of the Broadcasting and Television Act 1942 states:

The Tribunal shall not expend any monies other than in accordance with estimates of expenditure approved by the Treasurer.

2.21. Contrary to the provisions of this legislation, the Tribunal expended monies over and above the approved estimate for the item 'Public Inquiries'. No attempt was made to obtain approval from the Treasurer for a revised estimate when it was obvious proposed expenditure would exceed the initial estimate. The Committee views this situation with concern. Although staffing difficulties existed during the period of over-expenditure, it is the responsibility of the management of the Tribunal to ensure suitable measures are taken to resolve matters of this kind. It appears insufficient notice was taken of the staffing position and the consequences of allowing the staff situation to deteriorate.

2.22. The Committee endorses the comments made by the Acting Auditor-General in paragraph 2.19 above.

## CHAPTER 3

### AUSTRALIAN WHEAT BOARD

3.1. Paragraph 15.8 of the Auditor-General's Supplementary Report for 1976-77 deals with the functions of the Australian Wheat Board under the Wheat Industry Stabilization Act 1974. It was reported that payments to State Bulk Handling Authorities had been made since 1973 on the basis of agreements which expired in September and October 1973 and subsequently on the basis of an exchange of letters.

#### Background

3.2. The background to the item in the Auditor-General's Report is set out below.

3.3. Section 40. of the Wheat Industry Stabilization Act 1974 deals with the remuneration and allowances of licensed receivers, i.e. persons licensed by the Wheat Board to receive wheat on behalf of the Board. The section provides:

40.(1) There is payable by the Board to a licensed receiver, as remuneration for his services and for any facilities made available by him.....and for any expenses properly incurred' by him, such amounts as the Minister, on the recommendation of the Board, from time to time determines.

(2) Where an authority constituted by or under a State Act is a licensed receiver, the remuneration payable to that authority as such a receiver shall be as agreed between the Minister and the appropriate Minister of the State concerned.

3.4. The Wheat Board negotiated the basis for remuneration up to 1968 with the Bulk Handling Authorities and an agreement was signed between the Board and each Authority. The legislation under which the Board then functioned contained a provision the same as s.40.(2) of the 1974 legislation.

3.5. By 1968 it was realised that the Wheat Board did not have the power to negotiate and sign an agreement under the then equivalent of s.40.(2) of the 1974 legislation. The legislation places the onus of negotiating and agreeing on a basis of remuneration on the Federal Minister and his State counterparts. Since then the Board has negotiated the basis of remuneration to be agreed to by Ministers.

3.6. It has become a general practice that Ministers ratify the basis of agreement between the Wheat Board and the Bulk Handling Authorities.

#### Agreements

3.7. The situation reported by the Auditor-General needs to be considered in the context of the events outlined below.

3.8. In August 1968 the Attorney-General's Department advised the Department of Primary Industry that the Wheat Industry Stabilization Act required that the

remuneration payable to a State Authority as a receiver of wheat "should be as agreed between the Minister and the appropriate Minister of the State concerned and that this necessarily involved a formal agreement between the two Ministers".

3.9. Agreements were reached for the 1969-70 - 1972-73 period by the Wheat Board and the various State Authorities. In October 1971 the Minister for Primary Industry wrote to his State counterparts about the need to have the agreements redrafted by the Crown Solicitor to make them acceptable legal documents. Each State Minister was asked to agree to the relevant Board/ Authority agreement as a basis for drafting the formal agreements between Ministers.

3.10. In February 1972 the Department of Primary Industry asked the Attorney-General's Department to produce a model agreement. The substance had been agreed between Ministers.

3.11. Draft model agreements were prepared by September 1973. These drafts were forwarded to the Wheat Board and the State Authorities for approval. Each State Authority proposed amendments to the drafts. Final agreements with States other than Western Australia were signed by Ministers by October 1974. The agreement with Western Australia was signed by May 1975.

3.12. In June 1975 the Wheat Board asked the Department of Primary Industry to prepare a draft agreement for the period 1973-74 - 1975-76 (later extended to 1976-77). Rates of remuneration had been agreed with the State Authorities. The Board proposed the amendment of the first series of formal agreements (1969-70 - 1972-73) to cover the 1973-74 - 1976-77 period.

3.13. Action on the agreements for the 1973-74 - 1976-77 period was not started before the agreements for the 1969-70 - 1972-73 period had been formalised (October 1974 and May 1975). Cumulative delays in finalising agreements resulted.

3.14. Because of the delays involved in the agreement-making process the 1973-74 - 1976-77 agreements included a carry-on clause to provide a legal basis for payments beyond 1976-77. Such payments were to be adjusted retrospectively if a new basis of remuneration were agreed to in the next agreement. Where it was agreed that rates of remuneration should be changed, payments were not to reflect the revised rates until the formal agreements were made by Ministers. On this basis the Wheat Board has been involved in negotiations on the rate of remuneration for 1978-79 and later years.

3.15. When the 1969-70 - 1972-73 agreement expired the Board had to decide the basis on which it should make payments before an agreement for 1973-74 - 1976-77 came into effect. The following optional courses of action were identified:

- (i) continue payments on the basis of the 1969-70 - 1972-73 agreements;
- (ii) make no payments until an agreement for 1973-74 - 1976-77 had been signed by Ministers; or

- (iii) make payments on the basis negotiated by the Board with the Bulk Handling Authorities for 1973-74 - 1976-77.

The third of these options was taken.

3.16. The effect of the agreements negotiated for 1973-74 - 1976-77 was to reduce the total remuneration which would have been payable if payments had been made on the basis of the 1969-70 - 1972-73 agreements. Payment on the basis of the 1969-70 - 1972-73 agreements would have involved the Wheat Board in paying amounts in excess of that agreed upon for 1973-74 - 1976-77 and would have required retrospective adjustments in payments at a later date. This would have prevented the Board from finalising the 1973-74, 1974-75 and 1975-76 pools until after Ministerial agreement was reached. For these reasons option (i) was rejected as impracticable. Option (ii) was also considered to be impracticable.

#### Summary

3.17. It was made clear to the Committee that the problem faced by the Wheat Board stemmed from the legislative requirement for Ministerial agreement and the delay involved in achieving such agreement. Delay resulted from the practical requirement that the basis of agreement be agreed between the Board and the Bulk Handling Authorities and that that basis of agreement be recorded in a formal legal document before Ministers could reach formal agreement. This delay meant that formal agreement on the basis of remuneration was not reached before the commencement of the period to which the formal agreement was to apply. The Board therefore was faced with a situation in which it had to make payments from the beginning of the period until the time formal agreement was reached. Payments made during that part of the period were not authorised by the legislation.

3.18. The delays which occurred in the negotiation/agreement process are documented clearly in the submission of the Department of Primary Industry to the Committee. That submission is appended to this Report as Appendix 3A.

3.19. During the inquiry the Committee raised the issue of the validity of the payments made by the Australian Wheat Board without statutory authority after those payments had been approved retrospectively in the agreements signed by Ministers. The Department of Primary Industry has sought a legal opinion from the Attorney-General's Department on the legal standing of those payments. That opinion was not available when this report was prepared. The Committee intends to keep this matter under notice.

#### Conclusions

3.20. It is clear that the Wheat Board does not have authority to make payments under s.40.(2.) of the Wheat Industry Stabilization Act 1974 unless such payments are made pursuant to an agreement between the Federal Minister and the various State Ministers on the basis of remuneration. While the Committee recognises the difficulties in the Board's position and understands the Board's view that it had no alternative but to make unauthorised payments the Committee considers that the Board must accept responsibility for not taking more prompt and more effective action to correct the situation. This view is based on the evidence that the Board suspected from 1966 that its authority to make payments was conditional on a prior Ministerial agreement.

Advice provided by the Attorney-General's Department in 1968 confirmed the Board's suspicion.

3.21. The Committee is aware of the reasons for delay in negotiating agreements between Federal and State instrumentalities and Ministers. The delays faced by the Wheat Board are not exceptional. They do not necessarily indicate poor administration on the part of the Board or of the Bulk Handling Authorities. However, the Committee is satisfied that such delays, and as a consequence the extent of unauthorised payments by the Board, could have been reduced significantly or avoided altogether. Further, the Committee believes the legislation should have been altered during the preceding ten years to reflect the actual situation faced by the Board. A provision authorising the Board to make payments, where it was necessary to do so, other than pursuant to a formal Ministerial agreement, on a basis determined by the Board in consultation with the various instrumentalities involved, or a similar provision, may have been adequate.

3.22. Focussing on the delays caused by the preparation of formal legal agreements, the Committee is not convinced by the argument advanced in the final paragraph of the submission by the Department of Primary Industry. The Committee knows that this process has been expedited for many instrumentalities where legal officers have been involved in negotiations and are therefore in a better position to incorporate the outcome of negotiations in a formal agreement. This possibility should have been explored fully by the Wheat Board and the Department of Primary Industry.

3.23. The Committee emphasises its concern about a statutory authority making payments other than in accordance with the statute which authorises the making of payments. It is the responsibility of any statutory authority to function within its charter. If this proves to be administratively impracticable, positive steps must be taken to amend the statute, or develop new procedures consistent with it, as soon as possible. The Committee's conclusion that it understands the Board's view that it had no alternative but to make unauthorised payments should not be construed to mean that the Committee condones its actions. In the circumstances the Committee considers that the Board's action may have been justified in the short-term. However, the Committee takes the view that the willingness of the Board and the Department of Primary Industry to tolerate the procedures which involved the Board in making unauthorised payments for a period of over ten years cannot be justified. The Committee considers this to be an example of poor administration.

## CHAPTER 4

### DARWIN COMMUNITY COLLEGE

4.1. The Auditor-General in paragraph 20.2 of his Supplementary Report for 1976-77 stated:

The principal functions of the Darwin Community College, which was established by the Darwin Community College Ordinance 1973 are to conduct an institution in Darwin and other parts of the Northern Territory to provide education and training in approved fields of knowledge or the application of knowledge and to assess the kinds, fields and levels of education and training to meet the educational needs of the Northern Territory.

The accounts and records of financial transactions of the College and assets relating to assets of, or in the custody of, the College for the period ended 31 December 1973 and the years ended 31 December 1974 and 31 December 1975 have been audited and my reports on the audit have been submitted to the Minister in accordance with the Ordinance. At the date of preparation of this Report financial statements for the period ended 31 December 1973 and the years ended 31 December 1974, 31 December 1975 and 31 December 1976 had not been received in final form for audit.

4.2. The events leading to the creation of the Darwin Community College can be summarised as follows:

- the Director of Technical Education in South Australia undertook an education survey of the Northern Territory in 1968 and reported that a community college would meet the community's varied educational requirements;
- a Planning Committee was formed in 1969 and recommended \$4.5m be spent on a comprehensive post-school institution to provide for education needs in a wide range of fields at varying levels;
- the Planning Committee became the Interim Council in 1972;
- in 1972 construction of the College began and the first College Principal and Registrar were appointed;
- the Darwin Community College was established by Northern Territory of Australia Ordinance No. 42 of 1973 which was assented to on 12 July 1973 and gazetted on 19 July 1973.

4.3. Under the Ordinance the responsibility for the overall functioning of the College rests with its Council. The Council consists of the following members:

- the Principal;
- a full-time member of the teaching staff of the College elected by the teaching staff;
- a student of the College elected by the students;
- not more than 8 persons appointed by the Administrator in Council;
- not more than 4 persons appointed by other members of the Council;
- if a person, other than one who is already a member of the Council, is appointed Chairman, that person so appointed.

4.4. At the time the College was established, the three Federal Commissions involved in the funding of post-school education in Australia were the Universities Commission, the Commission on Advanced Education and the Technical and Further Education (TAFE) Commission. The College was primarily a TAFE institution but as the TAFE Commission did not deliberate on territorial institutions, the Department of Education, under the direction of the Minister, has undertaken the role of advising the Minister on College funding. This includes advice to the Minister in matters of policy, a role the Department undertakes across the portfolio generally.

4.5. From June 1978 the College began to supply information to the Tertiary Education Commission with a view to the Commission taking responsibility for the College from 1980. On behalf of the Minister, the Secretary of the Department of Education has asked the Commission to provide advice on College projects until some later date. A future method of funding will not be formalised until arrangements with the Northern Territory Government are determined.

#### The Educational Role of the College

4.6. The educational role of the College is outlined in section 5 of the Darwin Community College Ordinance 1973 which states:

The functions of the College are-

- (a) to conduct an institution for the provision for Darwin and such other parts of the Northern Territory as the College considers necessary or desirable of education and training of such kinds, in such fields of science, technology, the arts, administration, commerce and other fields of knowledge or the application of knowledge, as the Council, with the approval of the Minister, determines, or as the Minister requires;
- (b) to make assessments from time to time of the kinds, fields, and levels of education and training that, in its opinion,

should be provided by the College to meet the educational needs of the Northern Territory, and

- (c) to use the facilities and resources of the College to advance knowledge and skills in the fields in which the College is concerned.

4.7. In order to achieve its purpose, the College has developed as a multi-level, multi-purpose institution operating throughout the Northern Territory. The College is currently organised into six Schools. These are:

- School of Australian Linguistics
- School of Business and Management
- School of General Studies
- School of Technology and Science
- School of Trades
- School of Creative and Applied Arts

4.8. The Schools are supported by the services of Central Administration and a Learning Resource Centre. The College also operates a College at Alice Springs (the Alice Springs Community College), and annexes at Katherine, Nhulumbuy and Tennant Creek (through Alice Springs).

4.9. Courses operate in advanced education and TAFE areas and the levels of award include Post Graduate Diploma, Degree, Diploma, Associate Diploma, Certificate and Trade Apprenticeships. A wide ranging non-award program covering recreational and general interest courses is also operated.

4.10. A special 3 year program supporting the training of Aboriginal teachers has been developed in the Northern Territory. The first 2 years are offered by the Department of Education and involve periods at settlements, as well as teacher training; the final year of the course is offered by the Darwin Community College in order to enable graduates to be granted permanency as Band 1 teachers in the Commonwealth Teaching Service (CTS). Course graduates are officially classified as 'two-year trained' because of lower than normal qualifications on entry, and only those CTS teachers classified as 'three-year trained' are eligible for promotion beyond Band 1 promotions. The Principal of the College expressed the opinion that the College should assume complete responsibility for the total course in order to enable graduates to obtain formal qualifications; it was also stated that within the terms of the Ordinance, the College should offer all post-compulsory education, notwithstanding that it has been traditional for the Department of Education to offer adult education to Aborigines in settlements. In a recent proposal to the Minister for Education, the College Council has indicated its desire to convert existing courses into 3 and 4 year teacher training courses which could be accredited nationally as either an associate diploma or diploma in teaching, depending on the level reached. The Minister has referred the proposal to the newly formed NT Aboriginal Education Consultative Group and the NT Further Education Council for advice and is also having the matter raised with the NT Minister for Education.

4.11. The Department of Education's concerns are, first, that the entry requirements for the second and third years of the accredited courses envisaged by the College would be such that many Aborigines, at present



eligible for training, would be precluded at the second year and later stages because of the need to meet more stringent entry standards than those required under the present Aboriginal teacher education courses. Secondly, the Department feels that in seeking national accreditation in this way, the direction of the courses might be diverted from the provision of knowledge and skills tailored precisely to the needs of Aboriginal Communities.

#### Staffing

4.12. For the year ended 30 June 1978 the College operated with a staff ceiling of 247 full-time positions and 240 part-time staff as follows:

|                          | <u>Full-time</u> | <u>Part-time</u> |
|--------------------------|------------------|------------------|
| Academic Department      | 137              | 162              |
| Central Administration   | 52               | 4                |
| Learning Resource Centre | 38               | 6                |
| Alice Springs            | <u>20</u>        | <u>68</u>        |
| TOTAL:                   | <u>247</u>       | <u>240</u>       |

4.13. In response to a request by the Committee, the College provided the following dissection of student enrolments:

|                         | <u>Award</u> |              |            |              | <u>Non Award</u> | <u>Total</u> |
|-------------------------|--------------|--------------|------------|--------------|------------------|--------------|
|                         | <u>F/T</u>   | <u>P/T</u>   | <u>EXT</u> | <u>TOI</u>   |                  |              |
| Darwin (16/8/78)        | 273          | 3,034        | 104        | 3,411        | 2,382            | 5,793        |
| Alice Springs (31/7/78) | 14           | 594          | -          | 608          | 1,257            | 1,865        |
| Nhulunbuy (17/7/78)     | -            | 183          | -          | 183          | 478              | 661          |
| Katherine (31/7/78)     | -            | -            | -          | -            | 111              | 111          |
|                         | <u>287</u>   | <u>3,811</u> | <u>104</u> | <u>4,202</u> | <u>4,228</u>     | <u>8,430</u> |

4.14. The staff-student ratio for courses leading to an award such as a trade or technicians certificate or a degree is 1 : 11 compared to the ratio in non-credit courses of 1 : 21. The criteria used in determining academic staffing requirements at the College were based on the type of work being done and the space available. The Committee was informed by the College Principal that staff-student ratios were meaningless for comparing institutions; the most realistic comparison to make involved ascertaining the equivalent number of full-time students attending each institution and then reviewing staff numbers.

4.15. The ratio of teaching staff to non-teaching staff is approximately 10 : 7. The seven non-academic staff in the ratio comprise technical support staff, laboratory and workshop technicians, departmental support staff, central administration staff and library and learning resource centre staff.

4.16. Side for additional staff are examined within the College, by the

College Council, the Department of Education and the Minister. The Department of Education in Canberra, on behalf of the Minister, examines the bid to ensure equality in terms of staff allocation. The Committee was informed there is currently a shortage of staff at the College although there is a potential to accept more students in some areas due to spare capacity.

4.17. The standard maximum weekly contact hours for all lecturers and senior lecturers are identified at 3 levels:

|  |          |
|--|----------|
| Diploma and Degree courses                                     | 12 hours |
| Associate Diploma, Certificate and Matriculation level courses | 16 hours |
| All other courses  | 20 hours |

Staff teaching advanced education work are paid on the basis of determinations of the Academic Salaries Tribunal, a standardised scale throughout Australia; other lecturers are being paid in accordance with Commonwealth Teaching Service scales.

4.18. The multi-level nature of the College and the application of different salary scales for academic staff, cause problems. In order to resolve this problem the Council made a submission to the Minister, approximately 18 months ago, to use the Academic Salaries Scales as the only salary scale for the academic staff of the College; it was considered trade and certificate staff could be paid at the tutor and assistant lecturer rates without increasing the salary levels of the staff concerned. The Council has not received a reply to this request. The Department of Education witness informed the Committee that the Minister requested the views of the Tertiary Education Commission and the Department of Employment and Industrial Relations; the Tertiary Education Commission was not very willing to comment on the proposal due to limited experience in dealing with multi-level institutions and the Department of Employment and Industrial Relations found it complex and worrying. As a result no decision has been made and it was hoped the proposal would be passed over to the Northern Territory Government.

#### Financial Responsibilities

4.19. The Darwin Community College Ordinance provides the Council is responsible for ensuring:

- proper accounts and records of the transactions and affairs of the College are maintained (Section 28(1))
- as soon as practicable after each 31 December the following are prepared and furnished to the Minister:
  - (a) a report of the operations of the College during the year;
  - (b) a report of the kinds, fields and levels of education that it has, from assessments made by the Council during the year, determined should be provided by the College; and
  - (c) audited financial statements in respect of the year in a form approved by the Treasurer (Section 30(1)).

- a copy of each report furnished under Section 30(1) is laid before the Legislative Council for the Northern Territory within ten sitting days of the Legislative Council after it has been so furnished (Section 30(3))

4.20. The College is responsible, under the Ordinance, for:

- preparing annual estimates in a form directed by the Minister (Section 26(1))
- expending moneys in accordance with the estimates, except as otherwise approved by the Minister (Section 26(2))
- opening and maintaining an account or accounts with an approved bank or approved banks (Section 27(1))
- paying all moneys of the College into an account referred to in Section 27(1). (Section 27(2))

4.21. The Minister for Education, being the responsible Minister under the Ordinance, has the following role in relation to the financial administration of the College:

- approving contracts involving the payment by the College of an amount exceeding \$100 000 (Section 6(3))
- setting fees for courses of study (Section 24(1))
- directing the form in which estimates shall be prepared and the dates of submission (Section 26(1))
- approving expenditure of moneys within the estimates and variations to such estimates (Section 26(2))
- receiving reports from an auditor appointed by the Treasurer (Sections 29(1), 29(2))
- receiving reports from the Council (Section 30(1))

4.22. The Department of Education, in the role of providing advice to the Minister, performs the following functions:

- arranges, after analysing, submissions from the College, the Ministerial approvals required under Sections 6(3), 24(1), 26(1), 26(2) of the Ordinance
- acts as a liaison point between the College and the Department of Finance on the estimates of expenditure and arranging the approval of the Treasurer to the form of the Financial Statements
- examines reports referred to the Minister under Sections 29 and 30 of the Ordinance and recommends appropriate action

on matters arising out of these reports.

#### System of Accounts

4.23. Funds available for the recurrent and capital expenditure of the College for the years 1971-72 to 1978-79 are in Appendix 4A. Because the College had no staff in the initial stages, the Department of Education assumed responsibility for purchasing, payment of salaries and accounts; accounts were funded through the local Sub-Treasury and computer printout reports of accounts were provided to the College. The College appointed a Business Manager on 7 November 1973 to assume responsibility for the development of the College finance system.

4.24. Early in 1974 the Auditor-General's Office expressed the view that existing arrangements, whereby the Department of Education was performing the accounting function on behalf of the College, may not enable the Council to ensure, as required by Section 28 of the Ordinance that all payments from moneys of the College were correctly made and properly authorised and adequate control was maintained over the assets of, or in the custody of, the College. As a result the College established its own accounting system and financial rules from 1 June 1974. The unexpended balances of funds appropriated to the Department of Education were paid to the College in June 1974.

4.25. The Committee was informed a decision on the choice of an accounting system to implement involved a choice between an accrual or cash based system. At the time a cash based accounting system was considered the best choice for the following reasons:

- College funding is based on a July-June year and the financial statements are prepared on a January-December year;
- expenditure was being incurred on behalf of the College by the Department of Housing and Construction, the Commonwealth Department of Education and the South Australia Department of Further Education and the College had virtually no control over the funds involved;
- accrual accounting involved more detailed accounting

#### Financial Reporting

4.26. Negotiations concerning the format and presentation of the financial statements of the College began in April 1974. A summary of transactions leading to the approval of pro forma financial statements for the College is in Appendix 4B.

4.27. On 6 December 1974 the first set of pro forma financial statements, modelled on those used by the Canberra College of Advanced Education, was submitted to the Department of Education with a request that approval be obtained from the Department of the Treasury on the format. Following protracted negotiations, agreement to a format based on accrual accounting was reached in August 1976. The College prepared the financial statements for 1973, 1974 and 1975 and submitted them to the Auditor-General's Office for audit on 25 January 1977.

4.28. During the course of the audit it became apparent that the College could not produce financial statements based on accrual accounting for the following reasons:

- (a) As the College did not assume responsibility for its own financial affairs until June 1974 it was not able to establish the value of creditors outstanding as at 31 December 1973;
- (b) In December 1974 the financial records of the College were thrown into chaos through the cyclone and, due to lack of staff, 1974 creditors were paid throughout 1975 making it a difficult task to establish in retrospect those outstanding as at 31 December 1974;
- (c) When College transactions were processed through the Department of Education on the Treasury accounting system, the dissections of expenditure were broad and did not produce the detail required for the approved format of the financial statements;
- (d) Supporting documents for expenditure were not readily available from the Department of Education;
- (e) Asset values were not known. The Department of Construction was not able to provide a dissection of project costs for the College and the College was not able to reconcile the Department's figures; the College did not receive copies of purchase orders or invoices from the Department. Currently assets are being valued in order to bring them to account.

4.29. The College had two options available - either revise the records on the basis of accrual accounting or obtain approval for financial statements based on cash accounting. On 26 August 1977 the Department of Finance was approached for approval for a modified format of financial statement based on cash accounting as opposed to accrual accounting. On 15 December 1977 the College Council received advice that the Treasurer had agreed to the modified format for the years 1973, 1974 and 1975.

4.30. Following further discussions with representatives of the Auditor-General's Office, it was agreed that the College was not in a position to produce the 1976 and 1977 statements based on accrual accounting and approval for the use of the modified format for these statements was received conditional upon the College giving an undertaking that the 1978 financial statements will be prepared in the format originally approved.

#### Conclusions

4.31. The Committee is disturbed that the Darwin Community College Council has not presented any financial statements to the Minister or the Northern Territory Legislative Council as required under the provisions of the Ordinance. The Auditor-General in his 1976-77 Supplementary Report commented generally on

delays in the presentation of financial statements and reports; in Section 21.1 the Darwin Community College was specifically mentioned as not having submitted statements for the following periods:

19 July 1973 to 31 December 1973  
1 January 1974 to 31 December 1974  
1 January 1975 to 31 December 1975  
1 January 1976 to 31 December 1976.

4.32. One of the causes for the delay in the presentation of the reports was the inability of the College to prepare its financial statements in the form submitted to and approved by the Department of the Treasury; the College submitted a pro forma set of statements to the Department of the Treasury based on accrual accounting whereas its existing accounting system was essentially cash based. The Committee is concerned that such a situation can arise, especially considering the time over which the format of the statements was discussed. The Committee is anxious to ensure a similar situation does not recur and wishes to be informed by the Department of Finance what controls currently exist or will be implemented to prevent a like situation occurring.

4.33. The Committee is concerned that the College did not adopt a more assertive role in the processes leading to the acceptance of the format of its financial statements. The approach taken has been too casual with the result that financial statements for 4 financial periods are currently outstanding. In the light of the information presented in the 'Summary of Transactions Leading to the Approval of Pro Forma Financial Statements for the Darwin Community College (D.C.C.)' in Appendix 4B, the Committee requests the parties involved to critically analyse their role in this process in order to streamline their own procedures.

4.34. Approximately 18 months ago the College Council submitted a proposal for a uniform salary scale for its teaching staff to the Minister for Education. The Minister requested the views of the Tertiary Education Commission and the Department of Employment and Industrial Relations on the proposal. At the time of the Committee's hearing the Council had not received a reply. While appreciating the factors and considerations involved in reviewing this proposal, the Committee believes there is no justification for the lack of communication with the Council.

4.35. The Committee is in no position to draw a conclusion on the merits of a combined Department of Education and Darwin Community College course for Aboriginal teachers compared to a course offered completely by the College.

CHAPTER 5

DEPARTMENT OF ABORIGINAL AFFAIRS

5.1. The Auditor-General made the following comments in paragraph 3.14 of his 1976-77 Report.

Housing rental

In July 1973 the Government decided public servants in the Northern Territory who occupy Commonwealth-owned houses should be charged rental (not exceeding the full economic rental) equivalent to 10 per cent of their minimum actual salary or \$25 per week, whichever is the lesser. Audit examination has revealed the Department of Aboriginal Affairs has not implemented this policy variation and continues to charge, on the same economic rental basis, the previous rate of 10 per cent of the minimum actual salary or \$15 per week, whichever is the lesser.

According to departmental records, 237 staff houses are involved and on the basis of Audit tests of available records substantial revenue has not been collected during the period in which the variation in rental policy has not been implemented.

5.2. The Auditor-General reported in similar terms that the Department of Education had not increased rents for departmental residences. The Committee's report on its inquiry into that Department is in Chapter 9. As there was a considerable overlap in the matters covered in these two inquiries, this Chapter should be read in conjunction with Chapter 9.

5.3. The Committee investigated why the Government decision had not been implemented by the Department of Aboriginal Affairs. The Committee inferred from the evidence that the Department believed that the decision to increase rents should not be implemented. The failure to carry out Government policy is viewed by the Committee with serious concern. This demonstrates how inadequate co-ordination of Government administration, poor management by the department, its ineptitude and inexperience can combine to frustrate the implementation of a Cabinet decision.

Background

5.4. The 1973 Coombs' Task Force Review of the Continuing Expenditure Policies of the Previous Government, Item 17 of Part 3, Items for Consideration, at pps 95-6, described the existing rent policy in the following terms:

A 'disguised' expenditure in the form of a subsidy to public servants in the Northern Territory occupying Government houses.

...

Concessional rentals were introduced as an incentive for recruitment of civil servants to the Territory.

...  
The Concession, in effect, provides public servants in the Territory with a non-taxable allowance, the cost of which is not disclosed to the Parliament and thereby evades regular scrutiny.

5.5. Following its consideration of the Coombs' Task Force report the Government decided in July 1973 to increase rents on the basis stated in the Auditor-General's 1976-77 Report. The decision was announced in the Budget Speech 1973-74 under the item "Housing in the Territories". The significance of this item escaped the attention of the Department of Aboriginal Affairs' officers. The Committee found this surprising since the Department had been responsible for collecting rent for its staff houses in remote communities from December 1972. This oversight was attributed by the Department's witnesses to the inexperience of both staff within the Department and the Department's procedures.

5.6. The Department of the Prime Minister and Cabinet is responsible for the distribution of Cabinet decisions to Ministers and to relevant departments. In the case of the rent increase decision the Department of the Northern Territory was designated as the 'action' department by the Department of the Prime Minister and Cabinet. The Department of the Northern Territory received a copy of the decision and proceeded to implement the rent increase for houses located in urban areas in the Northern Territory occupied by its staff. There was no requirement for that department to co-ordinate or inform other departments of the decision.

5.7. Although the Minister for Aboriginal Affairs would have been either a party to the decision or would have received a copy of it, or both, officers of the Department were unaware of the decision, and made no attempt to obtain a copy from the Minister's office after they became aware of it.

5.8. The Department of Aboriginal Affairs was first informed of the rent increase decision in a memorandum dated 6 March 1974 from the Department of the Northern Territory to the Acting Director of the Northern Territory Division of the Department of Aboriginal Affairs. There is no evidence that the Minister for Aboriginal Affairs was told, by officers of his Department, before October 1977 that the decision had not been implemented.

5.9. Upon receiving advice of the rent increase decision from the Department of the Northern Territory, the Acting Director of the Northern Territory Division of the Department of Aboriginal Affairs informed his Central Office in April 1974. No action was taken to implement the decision before Cyclone Tracy struck Darwin on 24 December 1974. The disruption and confusion caused by the cyclone are well recognised. In coping with the problems associated with the cyclone, the Department lost sight of the rent increase decision.

5.10. In September 1977 the Auditor-General drew attention to this matter in his Report. Later in the same year the Northern Territory Division of



the Department of Aboriginal Affairs prepared a determination on rent which was not approved by the Minister. In January 1978 officers of the Departments of Education, Aboriginal Affairs and Health agreed that a general review should be undertaken of the question of a common rent policy for staff houses, owned by departments, located in remote areas of the Northern Territory. In March 1978 the Minister for Aboriginal Affairs raised the matter with the Prime Minister. The Acting Prime Minister responded in June 1978 suggesting that the Ministers for Health, Education and Aboriginal Affairs discuss the question with the Minister for Administrative Services. This suggestion took account of a recent report from an Inter-departmental Committee on Commonwealth Staff Housing and the Minister for Administrative Services was to raise the issue in Cabinet. The Acting Prime Minister suggested that Ministers should discuss the matter -

with a view to determining an appropriate policy for staff housing on Aboriginal settlements in the Northern Territory which is consistent with, although not necessarily identical to, the determinations applying to Commonwealth staff housing elsewhere in Australia.

#### Co-ordination

5.11. In considering this matter from the viewpoint of the co-ordination of Government administration, the Committee was surprised by two issues which were pursued at some length during the public inquiry. The first was the Department of Aboriginal Affairs' claim that the Department of the Prime Minister and Cabinet refused a request for a copy of the Cabinet decision on the rent increase. The second was the lack of any central machinery to monitor implementation of Cabinet decisions.

5.12. As to the Department of Aboriginal Affairs' request for a copy of the Cabinet decision, the witness from the Department of the Prime Minister and Cabinet told the Committee that his Department had no record of such a request. The Committee received evidence of a request having been made on a Department of Aboriginal Affairs' file dealing with the rent increase issue. On that basis the Committee is satisfied that at least a request was made by telephone and refused. The Committee considers, however, that the onus lay with the Department of Aboriginal Affairs to pursue the matter with a formal written request. While the Committee recognises that smooth administration depends in some measure on informal contact and co-operation amongst officers in different departments, these events show the need for a formal procedure where informality does not produce a desired result.

5.13. On the second issue, the Department of the Prime Minister and Cabinet placed the responsibility for implementing Cabinet decisions with individual Ministers. The Cabinet Office in the Department of the Prime Minister and Cabinet performs a follow-up role only in relation to those matters which need to be re-submitted to Cabinet. The other co-ordinating authorities, the Department of Finance and the Public Service Board, react to proposals, based on Cabinet decisions, put to them by departments but do not have a general responsibility to monitor implementation.

5.14. The Northern Territory Division of the Department performed the Department's landlord function in respect of staff houses in the Northern Territory. However, the Acting Director of the Northern Territory Division

did not have authority to increase rents. . . This is done by Ministerial Determination pursuant to s.89 of the Public Service Act. Upon being advised of the rent increase decision the Acting Director of that Division outlined the difficulties for implementation which included a concern to avoid rental inequities in remote localities, which could have resulted if the Departments of Education, Health and Aboriginal Affairs had not acted together to increase rents on a uniform basis, as well as the major problem of recruitment and retention of staff.

5.15. The Acting Director also drew attention to the terms of the Cabinet decision, viz. rent for each house was not to be in excess of a full economic rent. Strict compliance with the decision would have required the determination of the economic rent for each of the Department's houses. One of the basic inputs, the value of the houses, did not exist.

5.16. Evidence submitted to the Committee showed clearly that the Department's Central Office in Canberra never considered the issue fully. Whilst an attempt was made to obtain a copy of the Cabinet decision, that effort can fairly be described as casual. It appears that the Department had no clear view of how the issue should be handled. The documentary evidence showed a degree of ambivalence in the views of officers on the question of the Department's obligation to implement the rent increase decision. In an internal minute the Secretary of the Department asked:

If we have no actual obligation to increase rentals, do we nevertheless have some moral obligation on the basis of last year's Cabinet decision?

In a comment on that question, a relatively junior officer said:

... we probably have an obligation to increase rents but the timing and extent should be ours to decide.

### Conclusions

5.17. The Committee views the indirect charge to Consolidated Revenue resulting from the failure of the Department to increase rents for its houses as serious enough, but the broader issues of inadequate co-ordination and management raise even more important implications for the Cabinet system of Government.

5.18. Clearly those matters explored in the Committee's Report of its "Inquiry into the Financial Administration of the Department of Aboriginal Affairs", dated 14 January 1977, are relevant in explaining the Department's poor performance on the rent increases. The Committee accepts that an initiative, for the resolution of the difficulties involved in implementing the rent increase decision, or in seeking the reconsideration, or reversal of the decision, should have been taken by the Central Office of the Department of Aboriginal Affairs and is satisfied that the rent increase issue was handled adequately by the Northern Territory Division of the Department of Aboriginal Affairs, but the manner in which the matter was handled by the Department's Central Office showed a major defect in its managerial capacity.

5.19. The Committee's attention was directed largely to the Department's managerial performance. The inexperience and ineptitude both of individual officers and of the operation of the Department as a unit was evidenced by the fact that the significance of "Housing in the Territories" in the 1973-74 Budget Speech was not appreciated by senior officers of the Department. These officers could have been expected to be aware of the relevance of the Budget Speech to the policy of their Department. It is the Committee's view that such an oversight seriously reflects on the Department's performance and attitudes towards its responsibilities to carry out Cabinet decisions.

5.20. The Committee accepts that it is essential for a department and individual officers within a department to identify areas where implementation of a Cabinet decision could affect the department's operations. Failure to do so is even more serious when the department has not been involved in preparation of a Cabinet submission. However, objections to implementation of a Cabinet decision which are not voiced outside the objecting department cannot justify delays in implementing the decision. Objections should be raised expeditiously with the Minister responsible, the Department of the Prime Minister and Cabinet, the Department of Finance and the Public Service Board. Meanwhile, the department must be prepared to ensure speedy implementation of the Cabinet decision.

5.21. The Committee considers that there is limited value in repeating the criticism of the general managerial performance of the Department each time it conducts an inquiry into a report by the Auditor-General on some aspect of the Department of Aboriginal Affairs. The Committee recognises that the mis-management of the rent increase occurred some years ago and hopes that the necessary internal restructuring of the Department may have been undertaken.

5.22. The Committee is disturbed that the overall co-ordination arrangements for the promulgation and implementation of Cabinet decisions made no allowance for the weak management record of the Department. Nevertheless, the Department was not consulted on a matter of some significance to its Northern Territory operations when it should have been. The then Department of the Treasury had no follow-up procedure whereby it drew the attention of departments to Government policy initiatives announced in the Budget Speech and the Department of the Northern Territory apparently did not realise that it alone amongst departments with interests in the Northern Territory was engaged in implementing the rent increase decision. The Department of the Prime Minister and Cabinet, specifically the Cabinet Office, refused an oral request from the Department for a copy of the Cabinet decision and apparently did not appreciate the difficulties confronting the Department of Aboriginal Affairs. Finally, because the relative effect of the rent increase on revenue would have been small, the Department of Finance, through its monitoring of the Department's financial position, was unaware that rents had not been increased.

5.23. This affair suggests a lack of responsiveness in government administration to the demonstrated inadequacies of the Department of Aboriginal Affairs.

5.24. On the basis of the evidence submitted during the inquiry the Committee has some reservations about the adequacy of processes by which departments are consulted in the preparation of Cabinet submission and the manner in which Cabinet decisions are distributed to departments. The Committee considers that the difficulties faced by this Department and others may have been minimised or eliminated if they had been involved in preparing advice for Cabinet on the rent increase matter.

5.25. The Committee also has reservations about the adequacy of the current procedures for ensuring the implementation of Cabinet decisions. Each Minister is responsible for implementing those which have an impact in the area of his portfolio. The Committee does not question this arrangement. However, in view of the amount of work generated and the difficulties sometimes involved in the implementation of Cabinet decisions, such as the rent increase decision, the Committee can see a strong case for a simple, central monitoring system to keep track of progress in the implementation of decisions. This system would provide the information on which either Cabinet or the central co-ordinating agencies, or both, could assess the need for remedial action where difficulties are experienced in implementing a decision.

## CHAPTER 6

### DEPARTMENT OF CONSTRUCTION

#### Background

6.1. In paragraph 3.6.1 of the Auditor-General's Report for 1976-77 the Auditor-General referred to construction defects in buildings designed by the Department of Construction. The Auditor-General commented that:

The extent of these repairs suggests that they could not be considered as normal maintenance, but as deficiencies in the construction of the buildings.

Amounts of \$1 600 000 and \$18 000 to rectify the deficiencies at Lavarack Barracks, Townsville and at RAAF Base, Townsville, respectively, were referred to.

6.2. The Auditor-General also reported design deficiencies in storage facilities at the RAAF Bases at Townsville and Amberley. Modifications to drum storage compounds are needed to enable drums to be removed in accordance with standard practice on a first in/first out basis. The Department provided estimates of \$18 000 and \$13 000 for Townsville and Amberley respectively.

6.3. In the case of the flammable goods stores, modifications are needed to the ramps which are included in their design. The gradient of the ramps precludes forklifts from negotiating them without load spillage. An estimate of \$15 000 was quoted by the Department to perform modification work at Amberley. This estimate was not accepted by the RAAF and a revised estimate limiting the scope of the remedial work, amounting to \$2000, was obtained from the Department. At the time of the tabling of the Auditor-General's Report, no estimate had been obtained in respect of modifications required at the RAAF Base, Townsville.

6.4. The Committee requested a submission from the Department of Construction on 23 September 1977. The submission was received in early 1978 as the Department had sought the Attorney-General's advice on "the extent to which the Audit Act authorises the Auditor-General to report on matters which are not related to financial procedures or the actual expenditure of funds." The Minister for Construction had sought and received the Committee's approval for the delay.

6.5. The Department, in its submission expressed concern that it "had been criticised by the Auditor-General in a public document based on conclusions and assumptions made without the benefit of professional technical advice". In relation to the estimate of \$1 600 000 necessary for general repairs and maintenance at Lavarack Barracks the Department stated that its estimate for the repairs was \$300 000 and suggested that the Auditor-General's estimate had been made by arbitrarily extending the highest quote on a single building to all other buildings. The Department also sought to justify the construction techniques adopted and claimed that these had not contributed significantly

towards the maintenance.

6.6. Following discussion with the Auditor-General and receipt of a request from the Minister for Construction that the Committee proceed to public inquiry, the Committee decided to hold an "in-camera" hearing into matters raised in paragraph 3.6.1 of the Auditor-General's Report for 1976-77. At the hearing the Committee received evidence relating to the estimate for repairs at Lavarack Barracks, the role of the Auditor-General in areas where "professional judgment" could be involved and construction techniques used at Lavarack Barracks and RAAF Bases at Townsville and Amberley. The following matters discussed at the hearing are reported on in accordance with the discretion allowed to the Committee in section 11(5) of the Public Accounts Committee Act 1951.

#### Lavarack Barracks

6.7. It was explained to the Committee that the preliminary estimate of \$1 600 000 to rectify deficiencies was obtained orally from the area planning officer of the Department of Construction during an audit inspection of the area on 1 April 1977. The estimate was confirmed by telephone from Brisbane on 22 April 1977 and was mentioned during discussions between the audit inspector and the Director of Construction, Brisbane, on 2 May 1977. The Audit Observer stated that in confirming the estimate on 22 April the audit inspector drew the Department's attention to the substantial size of the estimate for repairs.

6.8. On 5 May 1977 the Chief Auditor, Queensland wrote to the Director of Construction, Brisbane, in relation to Lavarack Barracks in the following terms:

17. Verbal advice received indicates that the 1977/78 Repairs and Maintenance Programme provides for rectification works at an average estimated cost of \$22 000 per block in respect of eleven Officers' and Sergeants' living quarters buildings and \$32 000 per block in respect of forty-five Rank and File living quarters buildings. The overall estimated cost would therefore be in the vicinity of \$M1.68.

and sought the Department of Construction's "comments and advice" in relation to:

- (a) The Design Section responsible for the design of these buildings.
- (b) Whether responsible vetting was made before acceptance of the design prior to the calling of tenders and the design cell responsible - the apparent deficiencies seem to be basic.
- (c) Confirmation of the estimate obtained by this Office to rectify the present state of the buildings.

6.9. The departmental witnesses re-affirmed that the departmental estimate was \$300 000 as advised to the Committee in its submission. The figure comprised approximately \$247 000 for the 11 Officers' and Sergeants' living quarters and \$61 500 for repairs to 45 Rank and File living quarters. The reason given for the major difference in cost estimates was that the panels in the showers of the rank and file quarters, made of hardboard spaced with polyurethane foam, had not deteriorated from the effects of water penetration to the extent that panels in the Officers' and Sergeants' quarters had; panels in the Officers' and Sergeants' quarters were made of hardboard spaced with cellular cardboard. The witnesses stated on a number of occasions that, as far as the Department was concerned there had never been an estimate of \$32 000 per building for repairs to the 45 Rank and File living quarters. At the inquiry it was stated that there had been no estimate for repairs to these buildings prepared until February 1978.

6.10. On receipt of the audit queries of 5 May 1978, the Director of Construction, Brisbane made a number of unsuccessful attempts to establish the basis of the Auditor-General's estimates of \$1 600 000 for repairs. The Committee was informed that the officer who was alleged to have provided the estimate of \$32 000 per building for the Rank and File living quarters maintained that he had never provided such an estimate and believed that his discussion with the audit inspector may have been misinterpreted.

6.11. The Department expressed surprise that the Auditor-General's Office, having received a verbal report on the cost of repairs, had highlighted the estimate without having inspected the buildings in question. The Audit Observer, however, emphasised that the audit inspector had inspected a selection of both the officers' and sergeants' quarters and the rank and file quarters in the company of officers of the Department of Construction and was assured that buildings not inspected were in a similar condition.

6.12. Section 42(1)(a) of the Audit Act 1901 requires that Departments should reply to queries by the Auditor-General within 14 days. The Audit queries raised in the Audit memorandum of 5 May 1977 were formally replied to by the Department of Construction on 18 April 1978 and further clarification was provided on 23 May 1978. The reasons for the delay in particular the Department's failure to reply to the audit queries before the Auditor-General's Report was tabled on 13 September 1977 were canvassed during the inquiry.

6.13. The Committee was advised on 9 May 1977 that the Department of Construction was investigating the matters raised in the memorandum of 5 May 1977 and detailed comments would be forwarded in the near future. The matters raised in the 5 May memorandum plus a number of additional matters were raised in a memorandum from the Assistant Auditor-General to the Secretary, Department of Construction on 30 May 1977. This memorandum was acknowledged by the Central Office of Department of Construction on 5 August 1977. In the intervening period verbal contact between the Audit Office and the Department of Construction in Queensland had been maintained.

6.14. On 16 August 1977 the Department of Construction requested the Chief Auditor, Brisbane to advise the authority of the Audit Office to raise queries other than those based on compliance type audits. The Chief Auditor advised

the Department on 16 September 1977 that the matters raised had been referred for comment or further information and that the audits were financial audits which would incorporate under the Audit Act 1901 the normal provisions for reporting on wasteful, extravagant or unnecessary expenditure or failure to obtain value for money.

6.15. The Department defended its delay in responding to the audit queries by pointing out the size of the task involved in replying to matters raised in the 5 May memorandum and also asserted that the Auditor-General's Office was raising matters beyond its competence and authority. The latter aspect is discussed in the following section.

6.16. The Department explained that during May 1977 the Chief Auditor, Queensland, raised a number of lengthy queries on the Queensland region, each query requiring considerable investigation. Where the queries include items of a technical nature, which had not previously been queried, the subject matter did not permit speedy responses.

6.17. In relation to the Department's failure to point out the grossly overstated estimates for repairs to Lavareck Barracks, the witnesses stated that the query about the cost of repairs was only one of 34 separate questions raised in the memorandum of 5 May 1977. Although the Director of Construction made attempts to verify the accuracy of the estimate the significance of the error did not become apparent to the Department until the Auditor-General's Report was tabled and, accordingly, the Department did not advise the Auditor-General that the estimate was inaccurate.

6.18. The Audit Observer pointed out that although it was common for replies not to be received within 14 days, departments normally provide an interim reply or advise the Audit Office of the reasons for the delay. The Committee's attention was also drawn to the proceedings of the Senate Estimates Committee where the Department was asked to prepare an estimate for the cost of repairs to Lavareck Barracks on 13 September 1977 and provided an estimate of \$300 000 on 20 September 1977.

#### Authority of Auditor-General to Report

6.19. As mentioned in paragraph 13 above, the Department of Construction requested the Chief Auditor, Brisbane on 16 August 1977 to advise the authority of the Audit Office to raise queries other than those based on compliance audits. The Department believed that the nature of the Audit queries and the content of the comment at paragraph 3.6.1 departed from the authority of the Auditor-General.

6.20. The witness expressed the belief that the Auditor-General was conducting an efficiency audit at a time when legislation to allow efficiency auditing had not been introduced. The Department felt that this was the first occasion on which the Auditor-General had made specific comments on professional decisions. Following the tabling of the Auditor-General's comments on 13 September 1977, the Department commenced formal action to question the Auditor-General's authority to query professional departmental decisions.



6.21. The Department wrote to the Attorney-General's Department on 20 September 1977 and sought an opinion as to whether the Auditor-General was acting within the provisions of the Audit Act 1901. However, as responsibility for administration of the Audit Act is vested in the Minister for Finance, it was necessary for the formal request for a legal opinion to be made through the Department of Finance. This was done on 7 October 1977.

6.22. In the letter of 7 October 1977, the Department of Construction stressed that the Auditor-General had made his comments in the Auditor-General's Report without having received any comments from the Department. The Department sought advice as to how far the provisions of the Audit Act:

authorise in matters of professional judgement (such as the cause of corrosion or timber rot in a building) the publication of conclusions arrived at unilaterally by the Auditor-General.

and sought the Attorney-General's Department's view on:

the extent to which the Audit Act authorises the Auditor-General to report on matters which are not related to financial procedures or the actual expenditure of funds but incorporate conclusions arrived at by the Auditor-General that a particular building or structure exhibits defects in design or construction, i.e. a judgement which in the view of this Department is as much a professional judgement by Public Service architects or engineers as are judgements made by Government medical officers or Government legal officers in the course of the practice of their professions.

6.23. The Attorney-General's Department advised on 13 February 1978 that:

when the comments are considered in the context of the repairs and modifications, his comments can fairly be regarded as being within his province as Auditor-General.

In elaborating on the reasons for the opinion, the Attorney-General's Department said:

If the Auditor-General, having sought professional advice from the relevant Departments for the purposes of providing information under section 51A, receives no reply in accordance with section 42(1A) in time for his Report, it is difficult to see what alternative he has but to express his own view of the matter in tentative or provisional terms such as those used by him in the present matter.

6.24. The Committee took evidence from witnesses and observers relating to the basis of the Auditor-General's ability to make comments on technical matters, such as were reported on in paragraph 3.6.1. The Audit Observer stated that in the context of both the private and public sector, an auditor was not in a position to make decisions about what shall or shall not be reported. The Auditor's discretion lay in the method of reporting. The

Audit Office, had systematically inquired of the Department in relation to the matters raised in the Audit memorandum of 5 May 1977 and, as no satisfactory explanation was forthcoming by the time the Auditor-General's Report was due for publication, the Auditor-General had no alternative but to report on what had been raised with the Department, and state that the Department had not replied to those queries.

6.25. On the other hand, the departmental witness at the inquiry maintained the Department's reservations regarding the Auditor-General's competence to comment in the way he had done and maintained that the thrust of the Auditor-General's queries effectively resulted in an efficiency audit. He pointed out that with introduction of efficiency auditing, departments would be given the opportunity to comment on draft comments by the Auditor-General and those comments would be reported. The witness suggested that the Department was not given an adequate opportunity to comment on the context of the Auditor-General's Report, in particular the reference to the estimate of \$1 600 000.

#### Conclusions

6.26. From the evidence presented at the Committee's inquiry it is clear that the Audit Office obtained, either correctly or through misinterpretation, an estimate of \$1 600 000 for repairs to Lavareck Barracks following an audit inspection of the Barracks on 1 April 1977. It is also clear that the Audit Office made attempts both before, on and after the memorandum of 5 May 1977 to obtain departmental verification of the estimate. It is also clear that from 2 May 1977, when the Department claims to have first become aware of the estimate, the Department made internal attempts to verify the estimate.

6.27. However, no evidence was presented to indicate that the Department had informed the Audit Office of its doubts regarding the estimate; nor did it satisfactorily explain its failure to provide at least an interim reply to the Audit Office in addition to the acknowledgement provided on 9 May. In view of the fact that the Department was able to provide an apparently accurate estimate of the cost of repairs to the 45 Rank and File living quarters within seven days of a request by the Senate Estimates Committee, the Committee finds it difficult to accept that the Department could not have advised the Audit Office between 5 May 1977 and 13 September 1977, that the estimate of \$1 600 000 was not accurate.

6.28. From the evidence presented to the Committee it is clear that the Auditor-General was not exceeding his authority in reporting as he did in paragraph 3.6.1. The legal opinion obtained from the Attorney-General's Department affirms the Auditor-General's right to report as he did.

6.29. The Committee cannot accept the Department's complaint that it was not given an opportunity to comment on the contents of the Auditor-General's Report to the Parliament. The Committee believes that there was adequate time between 5 May 1977 and the tabling of the report on 13 September for the Department to provide a reply, even if only an interim reply to the

specific queries of the 5 May memorandum.

6.30. The Committee supports the Auditor-General's view that, in the absence of any departmental advice, he had no alternative but to report on the situation as he saw it at the time. The Audit Office had sought the professional advice of the Department but had not received it.

## CHAPTER 7

### DEPARTMENT OF DEFENCE

#### Procurement of Liquid Oxygen Tank/Vaporiser Units

7.1. In paragraph 3.7.19 of his 1976-77 Report the Auditor-General reported on a project to equip the RAAF Bases at Pearce, Western Australia and Williamstown, New South Wales with liquid oxygen tank/vaporiser systems.

7.2. Background information supplied to the Committee by the Department of Defence shows that the equipment was intended to perform two functions:

- (i) store aviation standard liquid oxygen; and
- (ii) convert liquid oxygen, as required, to high pressure gaseous breathing oxygen.

The procurement of this equipment was initiated in 1969 when the introduction of C130E and F111C aircraft was planned. These aircraft were to be equipped with liquid oxygen systems. Accordingly, the RAAF decided to install facilities which could store liquid oxygen, to supply C130E and F111C aircraft when they were at Pearce and Williamstown, and also convert liquid oxygen into gaseous oxygen for use in other aircraft.

7.3. The decision by the RAAF to purchase the necessary equipment was based on the following considerations.

- (i) The need for supplies of both liquid and gaseous oxygen.
- (ii) Supply difficulties - The RAAF required gaseous oxygen for aircraft with low pressure oxygen systems. Oxygen supplied in 1800 p.s.i. cylinders met this need. There was also a need for gaseous oxygen for aircraft with extra-high pressure oxygen systems. This requirement was best met by oxygen supplied in 3600 p.s.i. cylinders. In addition, there was a foreseeable need for liquid oxygen for aircraft with liquid oxygen systems. While the normal contractor for oxygen supply, CIG, could meet the need for 1800 p.s.i. cylinders, CIG was unable to assure a supply of 3600 p.s.i. cylinders in Western Australia and, to a lesser degree, in New South Wales.
- (iii) Efficiency and economy - When it was necessary to use 1800 p.s.i. cylinders in lieu of 3600 p.s.i. cylinders a dual problem emerged. First, a larger number of cylinders was necessary. This high turnover of cylinders wasted Service manpower, transport and storage. Second, it was not possible to get enough oxygen into aircraft equipped with a 3600 p.s.i. system to allow those aircraft to operate at maximum capacity.
- (iv) Self-sufficiency - The RAAF was concerned to avoid depending on contractors for immediate delivery of essential supplies. To

meet this aim it was necessary for the RAAF to have the knowhow and equipment required to ensure that its aircraft could fly when needed. Acquisition of the equipment was expected to give an assured source of supply to meet the RAAF's fluctuating demands.

- (v) The RAAF's concern to acquire the new technology involved in the conversion of liquid oxygen to high pressure gaseous oxygen. This technology appeared to offer economies and it promised to meet both an immediate and a foreseeable need for oxygen supplies. In addition, acquisition of the equipment would provide the opportunity for the RAAF to gain knowledge and experience in the use and management of an essential supply.
- (vi) Safety - Initially the RAAF thought that as liquid oxygen could be stored at much lower pressure than the higher pressure gas the capacity to store liquid oxygen and convert it to gas only as required would make a significant contribution to safety. Experience showed that this consideration was of minor significance because of the quality control measures taken in handling high pressure cylinders.

7.4. The Committee was told that these considerations were persuasive when the project was initiated in 1969. At that time a RAAF Air Staff requirement was prepared and referred to an Air Staff's Requirement Committee which examined and assessed the case for acquiring the equipment.

7.5. Approval to proceed with the project was given by March 1970. At that time the RAAF's Engineering Division prepared an engineering staff project paper which detailed the RAAF's equipment and associated requirements. It was not considered necessary to prepare detailed equipment specifications because the equipment was the type that could be bought "off the shelf".

7.6. In April 1970 the Department of Air issued a Procurement Demand calling for tenders. These tenders were to be evaluated by 30 June 1970. Four firms responded.

7.7. It was explained to the Committee that at that time the Department of Supply, Munitions Supply Branch, performed two functions in the defence tender process. First, the Department evaluated tenders and made a formal recommendation on the acceptance of tenders. Second, the Department investigated the financial stability of tendering firms to determine whether they were capable, financially, of fulfilling their contractual obligations if awarded a contract.

7.8. In accordance with these arrangements the Department of Supply evaluated the tenders submitted by the four firms that responded to the Procurement Demand and investigated the financial position of those firms. While the Department of Supply formally evaluated the tenders, the Committee was told that the evaluation process was an interactive one, involving the Department of Supply, the Department of Air and the RAAF. Subsequent to that informal, interactive tender evaluation process, the Department of Supply formally recommended to the Department of Air that the Toledo tender be accepted. That recommendation was accepted.

7.9. In February 1971 a contract was let to Toledo by the Department of Supply. The contract was for the delivery and installation of all equipment to the design drawings and specifications included by Toledo in its tender. Those drawings and specifications had been approved by an RAAF engineering command located in Melbourne. Site preparation was to be undertaken by the Department of Construction. The equipment was to be accepted on behalf of the RAAF by the RAAF's Director of Quality Assurance. The contracted delivery date was September 1971.

7.10. The delivery date was revised from September 1971 to May 1972 when Toledo ran into component supply problems and financial difficulties.

7.11. Within 12 months from the date of contract (February 1971) it became clear that Toledo was not sound financially. The Department of Supply's assessment of Toledo's financial capacity proved to be wrong. As it was the function of the Department of Supply to monitor contract performance and the related matter of Toledo's financial position the RAAF was not aware of the firm's financial difficulties before 1972.

7.12. The Committee received conflicting evidence on the question of whether the original contract made provision for progress payments to Toledo. However, it is clear that the contract was amended by the Department of Supply on several occasions and the Committee accepts the evidence that on one occasion an amendment was made to the contract to permit progress payments to Toledo for work done. At the time that the amendment was made it was clear that the firm was facing trading difficulties. A receiver had been appointed. There was, however, some evidence, which was accepted by the Department of Supply, that Toledo would be able to trade out of its difficulties. This evidence was unfounded and the Department of Supply's expectation that Toledo would be able to trade out of its difficulties proved to be wrong. The company was wound up.

7.13. It was the RAAF's function to monitor Toledo's engineering performance to ensure that the equipment met the RAAF's quality assurance and engineering standards requirements. Despite the firm's financial position there was no evidence of any deterioration in its engineering performance. A RAAF staff visit to the Toledo factory in April 1972 showed that the work was proceeding reasonably well.

7.14. The first piece of equipment supplied was installed at Williamstown by late 1972. The senior engineer at that base was asked to assess it against operational requirements. It was found that very heavy cylinders had to be moved manually to the point where they were to be filled. This factor had been overlooked in the original design. A number of other shortcomings, none of great significance, and which could have been rectified fairly readily, were also found.

7.15. In pursuing the question of how such design defects had been overlooked the Committee was told that while the RAAF had a considerable amount of information on the operation of the equipment which it purchased, Force personnel had no actual experience in the operation of such equipment. In addition, the likelihood of such defects occurring was high because the project involved design staff in Melbourne, a contractor in Adelaide, sites at Pearce, Western Australia and Williamstown, New South Wales and a number of sub-contractors.

7.16. The RAAF relied on Toledo's design expertise and did not expect to find design defects of the type identified when the equipment was installed at Williamstown. The matter of cylinder movement was overlooked by the RAAF, apparently because when CIG delivered cylinders to bases, standard docking arrangements had always been adequate. It was mentioned to the Committee that the RAAF would have expected a recognised contractor in the field to have foreseen problems of this nature and to have incorporated a solution to the design.

7.17. The Committee was surprised that the RAAF had not sought assistance and advice on equipment and site design from organisations which had some experience in the operation of liquid oxygen tank/vaporiser systems. As Force personnel had no experience in either the design or the operation of such equipment there would appear to have been a need for the RAAF to seek assistance either from other air forces using this type of equipment or from the supplier of liquid gas, CIG. The assistance of other air forces was not sought and CIG was only involved in low level discussions with the RAAF early in the design stage of the project. The need for much closer and fuller consultation with CIG on design and safety standards was demonstrated by the refusal of CIG to supply liquid oxygen to the Williamstown installation because of defects in the design of the installation. Some modification of the installation was necessary to meet the standards set by CIG for installations which it would supply.

7.18. The components of the equipment installed at Williamstown were given an interim RAAF Quality Assurance release when they were shipped from the factory. There was to be another Quality Assurance release after the equipment was installed and evaluated. It was during the evaluation that the design defects were discovered. As a result of the discovery of these defects and the other problems which engulfed the project the second Quality Assurance release was never given.

7.19. Problems in the project were not confined to the Williamstown installation. The second piece of equipment, intended for Pearce, was never completed.

7.20. It was with these facts in mind that the Committee explored the question of payment to Toledo. Progress payments were made by the Department of Supply under the amended contract for up to 70 per cent of the contract price. While these payments were made largely during the period that Toledo was in financial difficulty the bulk of the progress payments was made before the design defects in the Williamstown installation were discovered.

7.21. The questions of payment, acceptance of equipment and insufficient Quality Assurance releases are closely interwoven. It appears that the agent for the Receiver made repeated claims on the Department of Supply for payment of all goods and services supplied by Toledo. To allow the settlement of these claims the RAAF in November 1973 followed a direction from the Department of Air to accept the equipment which had been installed at Williamstown and the components for the equipment at Pearce. This direction was given despite the need for modification of the equipment installed at Williamstown and the fact that components of the equipment for the Pearce installation had not been assembled and some of those components had been damaged in transit from Sydney.

7.22. In December 1974 the Department of Supply paid the difference between the 70 per cent of the contract price which had been paid in the form of progress payments and the total amount to be paid for the goods and services supplied. The contract price was \$68 104. Total payments to Toledo and the Receiver amounted to \$65 274. The difference of \$2830 represented the estimated value of work not performed by Toledo.

7.23. At the end of 1973 the project had reached the following stage:

- (i) the RAAF had accepted one set of equipment (Williamstown) and one set of components (Pearce);
- (ii) some of the components for Pearce were damaged and needed repairs; and
- (iii) neither the equipment installed at Williamstown nor the unassembled equipment delivered to Pearce could be used unless equipment modifications and site improvements were made.

Faced with additional costs and Toledo's collapse the RAAF suspended further work at Williamstown and installation of the equipment at Pearce. A project review was undertaken at that stage.

7.24. The project review resulted in a decision by the Department of Defence in August 1974 not to proceed with the project. The following factors were taken into consideration in making that decision.

- (i) The period from the time the project was initiated until it was abandoned was close to five years.
- (ii) During that period there were significant changes in technology and by 1975 the equipment ordered in 1971 had been superseded. In addition the RAAF had had to find alternative solutions to the problem of liquid oxygen vaporisation during that period. That consideration, together with the cost of completing the project, contributed largely to the conclusion that the project should be abandoned.
- (iii) The cost involved in completing the project was estimated at \$60 000. This involved some \$30 000 for each installation to rectify oversights in the original design.
- (iv) The alternative solutions resulted from the acquisition by the RAAF of air transportable liquid oxygen vaporisation plants and the installation of plants by CIG in Western Australia and New South Wales. In the early 1970's CIG had not intended to increase the number of plants. However, as industry in Australia began to use higher pressure oxygen systems there was an increase in demand for oxygen in the form required by the RAAF. The increase in the number of CIG plants eased the RAAF's supply problems.

7.25. Subsequent to the decision to abandon the project the equipment was moved to Dubbo, New South Wales to be stored. It remained in storage from



May 1975 until July 1976. As no use could be found for the equipment it was decided to dispose of it by sale.

7.26. It was explained to the Committee that when the RAAF has equipment for sale it is first offered to the other Services. As the other Services had no need for the equipment it was handed over to the Department of Administrative Services for disposal. From that time the RAAF had no further dealing with the equipment other than to receive a cheque when it was sold.

7.27. The equipment was sold by the Department of Administrative Services for \$1470 at public auction. The Williamstown equipment was sold for \$170. The Pearce components, which had been further damaged during the transfer from Pearce to Dubbo, were sold for \$1300. Spare parts worth a little more than \$7000 were supplied to the RAAF. Those spare parts are still held in the RAAF's stores.

7.28. The cost of the project is summarised below:

|                          | \$             |
|--------------------------|----------------|
| Total payments to Toledo | 65 274         |
| Site preparation costs:  |                |
| Williamstown             | 37 290         |
| Pearce                   | 36 630         |
| Spare Parts              | <u>7 004</u>   |
|                          | 146 198        |
| Recovery from sale       | <u>1 470</u>   |
|                          | 144 728        |
| Spare Parts              | <u>7 004</u>   |
| Amount written off       | <u>137 724</u> |

#### Conclusions

7.29. Having considered the evidence submitted by the Department of Defence the Committee reached the following conclusions.

- (i) At the time the decision was taken by the RAAF to acquire the equipment there were adequate grounds upon which to base that decision.
- (ii) The design defects discovered when the first piece of equipment was installed at Williamstown evidence inadequate planning by the RAAF. Some expenditure on rectifying oversights is unexceptional. However, extra costs of \$60 000 when the total project cost was \$146 000 point to a quite serious defect in project planning.
- (iii) The source of the defect in planning appears to have been a readiness on the part of the RAAF to leave both system design and equipment design to Toledo. While equipment design was satisfactory, site and system design for handling heavy gas cylinders were totally inadequate. Clearly these defects resulted from insufficient or inadequate engineering design effort. They may have been avoided if the RAAF had sought the assistance and advice either of other air forces experienced in the operation of liquid oxygen tank/vaporiser equipment or of

the RAAF's liquid oxygen supplier, CIG. Close consultation with CIG in the design of the installations could have avoided the design defects which had to be remedied before CIG would supply liquid oxygen to the Williamstown installation.

- (iv) Letting the contract to Toledo appears to have been justified in terms of the firm's engineering performance. However, the collapse and winding up of Toledo raises doubts about the adequacy of the assessment of the firm's financial stability performed by the Department of Supply. Although the abandonment of the project cannot be attributed directly to the collapse of Toledo, the firm's financial difficulties and winding-up do appear to have contributed to the delays experienced during the project. For this reason the importance of the financial stability of a firm awarded a contract by the Commonwealth requires emphasis.
- (v) There is nothing unorthodox in a contract which provides for payment of up to 70 per cent of the contract price by progress payments prior to completion of the contract. The decision of the Department of Supply to make progress payments totalling 70 per cent of the contract price when Toledo was facing financial difficulties appears to have been justified. The Department of Supply also made a final payment, equal to 26 per cent of the contract price, after it became clear that Toledo could not complete the contract. The Committee considers that in the circumstances the decision to make this payment, which fulfilled the Commonwealth's contractual obligations to Toledo, was also justified. These views are based on the fact that the RAAF was supplied, substantially, with what it contracted for. The full contract price was not paid. The lower amount paid took account of work contracted for but which was not performed by Toledo.
- (vi) The Department of Air/RAAF decision to accept the equipment with only an interim Quality Assurance release, especially when some of the components for the Pearce equipment had been damaged, would have been unjustifiable but for the collapse of Toledo. In a situation where the contractor was being wound up there is little doubt that it was reasonable for the RAAF to accept substantially complete equipment. This view takes into account the considerations that the RAAF could itself have repaired, completed and installed the equipment supplied by Toledo and that the amount paid to Toledo was reduced by a sum estimated to represent the value of the work not performed.
- (vii) The decision by the RAAF to dispose of the equipment may have been sound in terms of operational requirements. However, it comes close to involving a gross waste of public moneys when the small return realised by sale is considered. Equipment which cost \$65 000 was sold for \$1500 by the Department of Administrative Services. It is difficult to accept, despite assertions to the contrary, that a higher return could not have been realised. Given this situation it would appear that the disposal function is one to which close attention should be given by senior

departmental managers in all departments involved in the disposal of equipment.

- (viii) There appears to be little justification for the retention by the RAAF of spare parts, for the equipment produced by Toledo, worth \$7000. This conclusion takes account of the evidence that there was little likelihood that the spare parts could be used by the RAAF because of the specialised nature of the equipment for which the spare parts were produced. The Committee wishes to be informed of any decisions taken on either the retention or the disposal of these spare parts.

CHAPTER 8

DEPARTMENT OF DEFENCE

Asphalt Mixing Plant

8.1. The Auditor-General in paragraph 3.7.13 of his Report for 1976-77 stated:

3.7.13. Transfer of Asphalt Mixing Plant from Western Australia to New South Wales.

Approval was given in November 1974 for the transfer to Army, for storage in the Sydney area, of an assembled asphalt mixing plant then located in Learmonth, Western Australia, where it had been used by No. 5 Airfield Construction Squadron, RAAF. According to departmental records, the cost of the plant when originally procured in 1968 was \$352 378.

The plant which, when assembled, was approximately 30 metres square by 17 metres high was intended for future use by the Army in training and on major projects. Costs of the sea and rail freight on the plant to New South Wales have been estimated to exceed \$50 000.

During an Audit review in 1976-77, it was noted the plant, which apparently had been in working order prior to its transfer in 1974-75, was located unassembled in an open space storage area at Penrith, New South Wales. In February 1977 a recommendation had been made for its disposal, the opinion being expressed by an Army Workshop Battalion that it now had only scrap metal value.

In the light of the Audit review, the Department was asked on 24 June 1977 to provide details of prior consideration given to the justification for the transfer of the plant having regard to the costs involved, and to comment on the extent of the deterioration of the plant as it appeared from the Audit review there were doubts on the original assessment of its condition, the care taken in its dismantlement and the adequacy of existing storage facilities.

In interim replies the Department recently stated an investigation, which is proceeding into the transfer of the asphalt mixing plant, has produced information at variance with that indicated in the Audit memorandum and contrary to opinion expressed by the Workshop Battalion; and the investigation to date has included a detailed inspection and report that indicates the mixing plant is in quite good mechanical condition despite its appearance which shows the effects of 7 years exposure at Learmonth and Penrith. The Department also states that the appearance should in no way affect the functioning of the plant.

8.2. The Committee was informed that the normal procedure for disposal of assets by the Department of Defence involved ascertaining whether any other Government departments required the assets, initially within the Defence group and then outside the Defence group. If the equipment is not required, disposal takes place through the Department of Administrative Services by placing it on the market for normal tender. When the RAAF No. 5 Airfield Construction Squadron was disbanded in 1974 following the completion of the airstrip at Learmonth, Western Australia, it offered the Army, at no cost, a wide range of vehicles and construction equipment in accordance with the normal procedure for disposal. The Army decided it required several items, including the asphalt mixing plant being offered, and the plant was accepted on 4 November 1974 based on -

- (a) the desirability of retaining the asset (with a capacity larger than equipment held on unit establishments) as an item of theatre and project stores for use on possible future large scale projects by Army engineers.
- (b) the condition of the plant. It was assessed to be completely serviceable by an inspection team consisting of a Staff Officer (C Vehicles and Plant) from the staff of the Chief of Materiel in Army Office and an engineer from the Engineering Design Establishment.

8.3. In elaborating on the decision, a witness representing the Department, stated that Army engineers had since World War II a shared role with the RAAF in road building and airfield construction. The Army was being offered tasks suitable to its capacity in various ways so it could train its engineers in peace-time for a war-time role of construction. Such tasks included airfields at Lord Howe Island and Holsworthy. The Committee was told, that at the time the equipment was accepted it was, and still is, expected that other airfield construction tasks would be offered or required from time to time. The facility to lay bitumen was required not only to assist aircraft take-off but for parking, stores, armament preparation and other uses which are enormous consumers of space. Road construction, it was stated, was a continuing task for the Army.

8.4. The asphalt mixing plant was not used on either Lord Howe Island or Holsworthy airfields and has not been used since it was brought across from Learmonth. The Committee was informed that it would only be worthwhile to ship and assemble the plant to another site for a job the size of a 2,000 metre sealed airfield or 100 kilometres of road. Following completion of the specified task it would probably cost in the vicinity of \$30 000 to dismantle and reassemble the equipment.

8.5. Although it has not been assembled since 1974 and there were no projects in mind for its use, the departmental witness indicated the importance of this plant to the Army was for training in operations and peacetime construction.

8.6. An evaluation by the equipment manufacturers of the replacement cost of the asphalt mixing plant in 1977 was \$725 000 and its estimated life was 25 years. It was the view of the defence Services that it was a retrograde step

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1. Theatre and project stores is a class of equipment held in a central pool to meet intermittent tasks usually requiring higher capacities as opposed to individual unit establishment equipments used on regular day to day training and tasks.

for either or all Services to lose the capacity to construct airfields. In a threat situation airfields of various capacities may be needed. The asphalt mixing plant could be deployed to one of the high capacity sites such as would be required by fighters and bombers where high quality good pavement was required. When the task was completed, it could be moved elsewhere if the threat continued, the Committee was told.

8.7. The Committee was informed that high quality sites could be dealt with in other ways: either by civil construction, if available to the Defence Force, or by airfield matting which is available in limited supply and not always suitable. The trend for the modern military aircraft was towards a smooth, firm piece of ground to operate from.

8.8. The asphalt plant was relocated from Learmonth to the 21 Supply Battalion Penrith by ship from Learmonth to Perth and by rail from Perth to Penrith. The cost involved was \$55,502. Approximately twelve 20-ton semi-trailers are required to move the plant by road. Although a departmental witness admitted there was a possibility of using the equipment in Western Australia, the Department gave the following reasons in its submission for the relocation:-

- (a) the principal engineer stores depot for the Army is located at Penrith;
- (b) the School of Military Engineering was located in the Sydney area;
- (c) most Army engineering units were located in the Eastern States together with the bulk of the Army;
- (d) the only immediate tasks foreseen at that time as requiring large quantities of bituminous material were planned on the east coast of Australia; viz. Lord Howe Island and Holsworthy Army Air Strip. In the event the machine was not available in time for Holsworthy and the quantity of bituminous material eventually required at Lord Howe Island made its use an uneconomic proposition;
- (e) The necessity to store the equipment in an Army Depot, as there was no such facility at Learmonth. As the size of the plant when dismantled leads to the need for it to be stored in the open, the storage site should be remote from the deleterious effect of proximity of the sea. The asphalt plant site at Learmonth was within 500 metres of Exmouth Gulf.

8.9. In February 1977 the Army 4 Workshop Battalion dealing with general weapons, engineering plant, vehicles, aircraft and electronic equipment, recommended the plant's disposal. In explaining the decision to retain the equipment, the witnesses informed the Committee that the Workshop Battalion would not normally have been conversant with equipment of this type. The Battalion called on civilian contractors to provide estimates to refurbish

the equipment to mint condition, when normally civil engineering equipment of this nature was kept going on a day to day basis. When it was re-examined there was no proposal to refurbish it as would be done with other military equipment that 4 Workshop Battalion was conversant with.

8.10. The departmental submission stated that the plant had recently been inspected by a senior technical officer from the staff of the Chief of Materiel at Army Office to determine:

- (a) its present serviceability state and the approximate cost and effort necessary to restore it to full serviceability, if and when required;
- (b) preservation costs involved to prevent deterioration in storage.

8.11. The estimate of costs to refurbish the equipment to an operational condition, given by the Department in its submission, was approximately \$25 000. When this was completed, the Committee was informed, there would be virtually no further cost during the storage life of the equipment. The Department acknowledged that preservation measures, which account for a proportion of these costs, should have started sooner.

8.12. In following up matters raised in his 1976-77 Report, the Auditor-General stated in his 1977-78 Report:

During 1977-78, in response to Audit representations, the Department advised the decision to acquire and hold the plant was based on an assessed future use on large scale projects; the plant was considered serviceable if reassembled; present storage methods were adequate but preservation action was necessary for certain components and had commenced. Departmental advice estimated the cost of refurbishment to operational conditions at \$25 000.

Audit reviews during the year disclosed preservation action had not commenced nor had funds been provided for refurbishing or repair of the plant. Cost estimates for the full restoration of the plant vary from \$100 000 by departmental technical staff to \$115 000, as quoted by a private contractor, which excluded erection of the plant in an operational state. Departmental papers indicate transport and reassembly of the plant at a work site could take up to 5 months.

#### Conclusions

8.13. The Committee endorses the practice of offering equipment which is no longer of use to one department to other departments within the Commonwealth before arranging disposal through the Department of Administrative Services, providing it can be demonstrated it is in the Commonwealth's interest to following this course of action. In this case, from the evidence presented,

it was not adequately demonstrated to the Committee that proper procedures had been followed to establish the need to retain the asphalt mixing plant. The benefits of a proposal to transfer materiel from one department to another must be expressed in more precise terms than we have seen in this instance, otherwise it is conceivable that equipment could be amassed by departments on the off-chance that it may be used. The asphalt mixing plant has not been used since it was obtained by the Army in 1974 and, at the time of this hearing, there were no specific tasks in mind for its use.

8.14. The assessment and decision to move the plant to Penrith was made on the basis that personnel for maintenance and storage were available as well as a suitable location in which to store the plant. Although there was no immediate need, it was thought that on the east coast there would be more likelihood of projects becoming available than in any other area of the Commonwealth; however a departmental witness agreed there was a possibility that the asphalt plant may be required in Western Australia. This indicated to the Committee that all aspects of this equipment transfer were not taken into consideration.

8.15. The Committee is concerned about the decision to have the 4 Works Battalion appraise the potential to the Army of the equipment when it appears more appropriate expertise is available to perform this task. This would seem to be a waste of the Army's time and the taxpayers' money.

8.16. The Committee would like to be assured that adequate procedures exist for the evaluation of transfers of equipment within Commonwealth departments.



CHAPTER 9

DEPARTMENT OF EDUCATION

9.1. The Auditor-General made the following comments in paragraph 3.8 of his 1976-77 Annual Report.

Housing rental and records

An Audit review of records maintained for government-owned houses administered by the Northern Territory Division of the Department disclosed rentals charged were not in accordance with a Government direction. This direction, issued in 1973, required each officer occupying a government house in the Northern Territory to be charged a concessional rental (not exceeding the full economic rental) equivalent to 10 per cent of minimum actual salary or \$25 per week whichever is the less. The Department, however, has continued to charge the rental levels in operation prior to that direction of 10 per cent of an officer's minimum actual salary or \$15 per week whichever is the less.

In addition it was not possible from the register of houses kept by the Department to ascertain readily exactly which houses were under the control of the Department. Although departmental records indicate the Department controls 268 government-owned houses in the Northern Territory, the records do not include information relating to the economic rental of these houses. Therefore my Office was unable to estimate the extent, if any, of the loss of revenue resulting from failure to implement the revised rental charges.

In response to Audit observation on these questions the Department advised:

- most of the houses were known to be sub-standard and there were problems associated with determining actual rentals;
- these problems were accentuated by a lack of detailed information in departmental records;
- the collection of data to create a building assets register and enable calculation of full economic rentals has been hampered and delayed by staff shortages and the magnitude of the task;
- it is expected the task will be completed by the end of 1977 and rentals will then be determined on an economic basis; and

with the knowledge that accommodation was sub-standard it considered moving immediately to the maximum rental of \$25 would have been inequitable.

9.2. The Auditor-General reported in similar terms on the Department of Aboriginal Affairs. The Committee's report on its inquiry into that Department is in Chapter 5 of this Report and should be read in conjunction with that Chapter.

#### Background

9.3. As reported in Chapter 5 the Government's decision to increase rents of public servants who occupied Commonwealth-owned houses in the Northern Territory was made in July 1973. That decision took into account the 1973 Coombs' Task Force Review of the Continuing Expenditure Policies of the Previous Government comments on the then existing rent policy. (See extract in Chapter 5).

9.4. There are both similarities and differences in the significance of the rent increase decision and its non-implementation for the Departments of Aboriginal Affairs and Education and the response of those Departments to that decision. Neither Department was advised of the decision by the Department of the Prime Minister and Cabinet although a copy of the formal decision would have been forwarded to each Department's Minister. Similarly, neither department realised the significance of the announcement of the rent increase decision in the Budget Speech 1973-74 under the item "Housing in the Territories". The Department of Aboriginal Affairs assumed landlord responsibility for houses in December 1972. However, the Department of Education assumed similar responsibilities only in late 1973 and early 1974<sup>1</sup> when houses were transferred to it from the Department of Aboriginal Affairs.

9.5. Each Department was dilatory in informing its Minister of the action it had taken in relation to the rent increases. There is no evidence that the Minister for Education was told before July 1975 that a Cabinet decision had not been implemented.

9.6. The Acting Director of the Department of Education's Northern Territory Division in July 1975 drew the Department's attention to the difficulty involved in implementing the rent increase decision because of the proviso to the decision that rent for each house should not be greater than the full economic rent for that house. The difficulty was the same as that faced by the Department of Aboriginal Affairs. Strict compliance with the decision would have required the determination of an economic rent for each departmental house. However, the information on which to base an assessment of economic rent was not available for the departmental houses which were located in remote localities.

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1. The timing of this transfer explains why the Department of the Prime Minister and Cabinet did not forward a copy of the Cabinet decision to the Department of Education in July 1973. However, that explanation raises as a separate issue the question of the adequacy of the Department of the Prime Minister and Cabinet's procedures to ensure that Cabinet decisions are implemented by departments following a transfer of responsibilities.

9.7. The Acting Director also drew the Department's attention to the low standard of the houses provided for teachers in remote localities. He suggested to the Central Office of the Department that a different economic rent formula was necessary to assess economic rent in remote areas and that in the interim the Minister for Education should determine under s.89 of the Public Service Act that a:

reduced rental of 5 per cent of an officer's salary be applied to accommodation in remote areas which had been certified as substandard by the Director of the Department's Northern Territory Division.

9.8. The Central Office of the Department of Education acknowledged these difficulties. It doubted, however, that there would be sufficient uniformity in the standard of houses to justify the 5 per cent of salary approach and preferred an approach which would allow the determination of reduced rents on a case-by-case basis. The Department explored that alternative and in December 1977 the Northern Territory Division submitted to Central Office a proposal for a Ministerial Determination which had as its basis rents calculated on a three-point scale depending on the type and standard of accommodation involved. While this approach was accepted generally in Central Office, the Secretary of the Department decided that the Departments of Health and Aboriginal Affairs should be consulted to ensure that a uniform approach was taken to the rent issue by all interested departments. From that time the Departments of Education and Aboriginal Affairs acted in concert. As reported in Chapter 5, the Minister for Aboriginal Affairs raised the matter with the Prime Minister in March 1978. In June 1978 the Acting Prime Minister responded suggesting that Ministers discuss the matter with the Minister for Administrative Services:

with a view to determining an appropriate policy for staff housing on Aboriginal settlements in the Northern Territory which is consistent with, although not necessarily identical to, the determinations applying to Commonwealth staff housing elsewhere in Australia.

#### Co-ordination

9.9. The Committee commented on the need for a better co-ordination in government administration in Chapter 5.

#### Housing

9.10. In responding to Audit queries on the rent increase issue the Department of Education drew attention to the poor quality of houses, owned by the Department, located in remote localities in the Northern Territory. The standard of those houses and the strength of the opposition by teachers to an increase in their rent added to difficulties faced by the Department in implementing the rent increase decision.

9.11. In these circumstances the Committee decided that it should visit a number of Aboriginal communities to assess the claim that the houses provided by the Department for teachers in those communities were sub-standard.

9.12. On the basis of its inspections the Committee formed the view that a policy for Government-owned houses in remote localities would need to take account of the great differences between living in small isolated communities and larger, urban centres in the Northern Territory. The Committee considered that it would be inappropriate to adopt a rent policy for houses in remote localities which was based on concepts such as the economic rent or market rent for those houses when, in fact, a real market does not exist. The adoption of such a policy could not be expected to result either in rent equity within or between remote communities or to establish rent levels which would be considered by teachers to represent a fair and reasonable cost for the houses provided for them by the Department. It was for this reason that the Committee considered the effort involved in preparing the information necessary for the calculation of economic rent for houses in remote localities would largely be wasted.

9.13. In setting an economic rent provision the Government recognised the variation in the standard of houses, and the assumption appears to have been made that low standard houses would attract an economic rent lower than the rent ceiling based on salary or \$25 per week. However, on the assumption that the economic rent would always exceed the rent ceiling based on salary or \$25 per week that ceiling also represents the rent floor. This means that rent would always be determined on the basis of the occupant's salary or \$25 per week regardless of the standard of the house occupied. The Committee considers that the determination of rent on that basis would give inequitable results if officers with identical salaries could pay the same rent for houses of a significantly different standard.

9.14. Evidence submitted to the Committee suggested that economic rent for houses in remote localities would almost inevitably exceed either 10 per cent of minimum actual salary or \$25 per week. If, on the basis of a representative sample of houses, this could be shown to be the case the Committee would consider that further work on the calculation of economic rent would be an unnecessary waste of public monies. The results of that sample would provide adequate justification for the assumption that the economic rent for houses in remote localities would in all cases exceed the rent level established by the Cabinet decision.

#### Conclusions

9.15. The Committee has an identical view to that expressed in paragraph 17 of Chapter 5. The Committee views the indirect charge to Consolidated Revenue resulting from the failure of the Department to increase rents for its houses as serious enough, but the broader issues of inadequate co-ordination and management raise even more important implications for the Cabinet system of Government.

9.16. On the issue of co-ordination the Committee considers that the evidence points to a deficiency in the procedures for following-up the implementation of Cabinet decisions. As a result of the change in functional responsibility which led to the transfer of houses in remote localities in the Northern Territory to the Department there was also a transfer to the Department of the responsibility to increase rents. This was so despite the fact that the Department had never been consulted on this matter, had received only indirect advice of the Cabinet decision and faced some difficulty in complying with the

decision. To the Committee these circumstances point both towards inadequate consultation in the preparation of the Cabinet submission on rents for Government-owned houses in the Northern Territory and towards an inadequacy in the function transfer process.

9.17. It is the Committee's view that the Department of Education should have assessed quickly the difficulties involved in implementing the Cabinet decision and reported promptly to its Minister with a recommendation that the matter be referred to Cabinet. The difficulties should also have been drawn to the attention of the Department of the Prime Minister and Cabinet, the Department of Finance and the Public Service Board. It is the Committee's view that a role of these central co-ordinating authorities is to assist departments in the resolution of such difficulties.

9.18. The Committee also points to the advice offered in June 1978 by the Deputy Prime Minister to the Minister for Aboriginal Affairs on the action he could take to resolve the rent increase issue. The procedure followed in that exchange of correspondence is endorsed fully by the Committee. It is, however, regretted by the Committee that that action was not taken in 1974 rather than in 1978.

9.19. On the question of central follow-up on the implementation of Cabinet decisions the Committee wishes to repeat the conclusion stated in Chapter 5. In view of the amount of work generated and the difficulties sometimes involved in the implementation of Cabinet decisions, such as the rent increase decision, the Committee can see a strong case for a simple, central monitoring system. This would provide information on which either Cabinet or the central co-ordinating agencies or both, could assess a need for remedial action where difficulties are experienced in implementing a decision.

9.20. The Committee is of the opinion that the effort involved in the preparation of the records necessary to calculate economic rent for houses in remote localities would cost more than the benefits to be gained.

9.21. Turning to the issue of charging for Government-owned houses in remote localities in the Northern Territory, the Committee bases the views expressed on its inspection of a number of these houses. While the Committee normally does not comment upon Government policy it considers that, based upon the evidence received during the inquiry, sufficient information may not have been provided for a proper decision to have been made. It would appear that the Cabinet decision does not recognise sufficiently the need for special consideration to be given to the question of accommodation charges for Government employees stationed in remote localities. The Committee would recommend a review of the policy on charging for Government-owned houses in remote localities.

9.22. The Committee has no firm view on what would be the optimal basis on which to levy an accommodation charge on officers occupying Government-owned houses in remote localities in the Northern Territory. The Committee suggests that the possibility of the rent concept for these houses be abandoned so that, the provision of accommodation in remote localities in the Northern Territory would be part of a package of conditions of employment.

9.23. When the basis for and level of an accommodation charge is being considered, the Committee suggests that account be taken of the basis on which district allowance is calculated and that staff accommodation in remote localities must be supplied if departments want officers to serve there.

9.24. The Committee considers that the questions of basis for and level of an accommodation charge should be determined by the Ministers of departments with staff located in remote areas in the Northern Territory, in consultation with the Minister for Administrative Services (in view of his responsibilities in relation to the report of the Inter-departmental Committee on Commonwealth Staff Housing - see Chapter 5) and in consultation with the interested staff organisations.

9.25. Another matter which the Committee considers should receive close attention is the responsibility of officers occupying staff accommodation to take reasonable care of that accommodation and incur some financial liability (eg loss of bond) for failure to take reasonable care. The Committee's concern over this matter results from its inspection of a number of houses in several remote localities in the Northern Territory. Whilst those houses were of a fairly low standard as a result of age, little maintenance and the poor quality of materials used in construction, their poor condition in some cases appeared to have resulted, in part, from the failure of their occupants to exercise reasonable care to avoid other than normal wear and tear.

9.26. The Committee realises that its comments on charging for staff accommodation in remote localities run counter to the view expressed in the Coomba' Task Force report. However, the Committee considers on the basis of its observations, that in view of the conditions under which Commonwealth employees live in small isolated communities in the Northern Territory further consideration should be given to the basis on which such employees are provided with, and charged for, staff accommodation.

## CHAPTER 10

### DEPARTMENT OF ENVIRONMENT, HOUSING AND COMMUNITY DEVELOPMENT

10.1. The Capital Assistance for Leisure Facilities (CALF) scheme began in 1973 to establish single and multi-purpose sporting and recreation facilities. The objective of the scheme was to stimulate community interest and participation in the development and use of leisure and recreation facilities. This was to be achieved through a program of grants for the development of community sporting, recreation, arts and cultural facilities. Project costs were to be shared by Federal, State and local governments and community bodies. Responsibility for the scheme was placed initially with the Department of Tourism and Recreation and then, in December 1975, with the newly established Department of Environment, Housing and Community Development.

10.2. The Auditor-General in paragraph 3.10.5 of his Report for 1976-77 stated, *inter alia*:

Audit review of the scheme during 1976-77 disclosed serious shortcomings in the Department's financial administration of the program, due mainly to failure to comply with basic control procedures prescribed in Finance Regulations and Directions and specific conditions imposed by the Department of finance in respect of advance payments.

As a result of the non-compliance, substantial payments were made to State departments significantly in advance of a demonstrated need for funds and consequently the level of funds held by the States at 30 June 1975, 1976 and 1977 was not kept to a minimum. In addition, some advances held by the Department of the Northern Territory at 30 June 1976 and 1977 were not repaid before the close of the financial year as required by Finance Directions.

With respect to direct assistance to local government authorities and other bodies, the review revealed that, in many cases, the Department failed to introduce, or to follow up the implementation of, procedures to ensure recipient organisations complied with specified conditions and requirements; in addition, it did not obtain the documentation required by Finance Directions to finalise action on advances or grants.

#### Program Selection

10.3. The arrangements for the development of the program were set out in letters to State Premiers in August 1973. The States were invited to provide information on priorities for financial assistance, against the following guidelines:

- (i) Priority should be given to areas where the need is greatest, e.g. disadvantaged areas, the western suburbs of Sydney and Melbourne, and country areas;
- (ii) only projects where adequate continuing management can be assured would be considered; and
- (iii) the Australian Government would seek some local and State financial commitment to the project.

10.4. Following the States' response, the Minister approved individual grants for organisations. In the years 1973, 1974 and 1975, a total of 550 projects were approved for joint State/Commonwealth funding, based upon priorities expressed by respective State and Territory administrations, or by local authorities where more than one project was proposed for that area. In addition to the jointly funded projects there were a further 25 projects funded directly by the Australian Government.

#### Joint Program Funding

10.5. Arrangements concerning the sharing of costs between governments varied:

- for New South Wales, there was no fixed rate of subsidy. On Education Department projects there was a 20 per cent Australian Government and 80 per cent State ratio. There was one project in 1973-74 fully funded by the Australian Government, but in general the Australian Government subsidy was less than 50 per cent
- for Victoria, there was a well formulated and long established procedure involving 25 per cent Australian Government, 25 per cent State Government and 50 per cent local funding
- for Queensland, the ratio was 25 per cent Australian Government, up to 33 $\frac{1}{3}$  per cent State Government funding and the balance from local sources
- for South Australia, there was no set percentage formula, but the Australian Government's share was not greater than 50 per cent
- for Tasmania, there was no fixed ratio subsidy but it generally worked on a formula of 33 $\frac{1}{3}$  per cent State Government funding, approximately the same proportion from the Australian Government and the balance from local sources
- for Western Australia, the arrangement was generally 50 per cent local funding with the balance from State and Australian Governments

#### Funding Provision

10.6. The Department of Tourism and Recreation used the Accounts Branch of the former Department of Overseas Trade from its formation in December 1972 until it had established its own positions to undertake accounts functions in April 1975. Between 29 January and 26 March 1974 discussions took place with the



then Department of the Treasury and the Auditor-General's Office in order to establish administrative and financial procedures with a view to making advances to the States, to enable the States to arrange payment to grant recipients. Interim approval was given for a system of advances to be used under Finance Regulation 74(1)(j) subject to several conditions. Finance Regulation 74(1)(j) states:

74-(1.) Subject to Regulation 67 of these Regulations, an Authorizing Officer shall not authorise the payment of an account for an advance except an advance of one of the following funds:-

(j) an advance of any other kind approved by the Secretary

The conditions imposed were:

- a. individual advances shall be approved by the departmental officer with the necessary authority to approve expenditure.
- b. requests for additional advances shall be supported by certification by State Treasuries that previous advances have been expended on projects approved by the Minister for Tourism and Recreation.
- c. The State Auditors-General should provide certification, in a form satisfactory to the Australian Auditor-General, at the end of each financial year, that the advances have been used in accordance with the agreed arrangements and to meet the Australian Government's proportional share of the costs of projects approved by the Minister of Tourism and Recreation; and
- d. the States agree to repay advances if the conditions in (c) above are not fulfilled.

10.7. The Committee was informed that monies were being appropriated under section 81 of the Constitution for the Department of Tourism and Recreation to operate the scheme rather than under section 96. Section 81 covers the unusual funding arrangement whereby Commonwealth funds are designated to particular authorities or individuals by using a State mechanism to deliver the support; this approach, the departmental witness stated, does not provide the level of protection and accountability given by the transfer of funds under section 96 and is one of the reasons for the difficulties the Department faced in advancing monies to the States. Programs established under section 96 normally operate in a manner where funds are transferred to and disbursed by the State Treasuries; the State Auditors-General issue a general certificate that monies have been delivered in accordance with established rules and regulations and this is relied upon by the Commonwealth.

10.8. Under the CALF scheme, the State recreation departments were to virtually act as agents of the Commonwealth in assisting the allocation of priorities to the various funding proposals. A total of \$30 million was

appropriated for CALF from 1973-74 to 1977-78. A summary showing advances made to each State and Territory, and expenditure from those advances is in Appendix 10A. This attachment also shows payments made to the 25 direct grant recipients who are reimbursed on expenditure.

10.9. The total outstanding balances at 30 June for the years 1974, 1975, 1976 and 1977 were \$743 681, \$2 106 572, \$1 069 509 and \$1 808 882 respectively. The \$1 808 882 outstanding at 30 June 1977 included an amount of \$750 000 which was requested for the Angle Park project in South Australia in March 1977, but not transferred until 10 June 1977, due to delays in clearing a Commonwealth-State financial agreement; the funds were received by South Australia too late for disbursement by 30 June 1978.

10.10. The Committee was informed that the arrangement with the States was for working balances to be maintained at a minimum level, but no follow-up action on this condition was pursued resulting in significant amounts being outstanding at the end of the financial year. A dissection of the amounts outstanding, by State, is in Appendix 10A. The departmental witness explained there was considerable confusion about the conditions imposed in relation to the operation of the CALF scheme. Departmental staff were not aware of the control procedures relating to the scheme.

10.11. The States were advised in April 1974 that they would receive funds later in the financial year to tide them over to the next year. The departmental witness informed the Committee that the officer giving the advice to the States was not suitably familiar with the Commonwealth financial procedures that applied; the advice was clearly erroneous and not in compliance with the Audit Act, as every appropriation made out of the Consolidated Revenue Fund for the service of any financial year lapses at the end of that year.

10.12. In a supplementary submission to the Committee, the Department of Environment, Housing and Community Development informed the Committee that:

- the accounting and finance staff who commenced operation in March 1975 for the Department of Tourism and Recreation did not appear to have been briefed on the financial aspects of the CALF program and appeared completely unaware of the existence of the conditions imposed by the Department of the Treasury
- the misconception existed that the CALF project was a program under section 96 of the Constitution and that payments made to the States were not to be regarded as advances
- there is no evidence in the records of the Department of Tourism and Recreation, now held by the Department of Environment, Housing and Community Development, that the Department of Overseas Trade transferred the Finance Regulation 74(1)(j) advances, paid to the States prior to March 1975 in respect of CALF, to the Authorizing Officer, Department of Tourism and Recreation

the Department of Tourism and Recreation accounts staff started operations under a false premise and subsequent payments to the States were made on the recommendation of the Policy Branch and were not recorded specifically in the Department's Advances Register. On amalgamation with the Department of Environment, Housing and Community Development payments continued to be made in the same manner until May 1977.

10.13. The Department of the Northern Territory was provided with advances for CALF projects undertaken in the Northern Territory. Details of the advances were maintained in their Trust Fund - Other Trust Monies ledger rather than in the appropriate Treasurer's Advance area of the Department's general accounts. This resulted in unspent balances being held over in the trust ledger instead of lapsing at 30 June each financial year.

10.14. In a response to a request by the Committee regarding the procedures to be followed where one department is requested to incur expenditure on behalf of another, the Department of Finance informed the Committee:

Finance Direction 16/31 provides an option under which a department (the client department) requiring expenditure to be undertaken on its behalf of another department (the servicing department) may either advance cash to the servicing department or provide warrant advice to permit the servicing department to directly debit the appropriation of the client department as and when payments are made.

Where cash is advanced the client department necessarily charges the advance to the appropriation for the final expenditure. Finance Direction 16/31 then requires the servicing department to credit such advances to the appropriation heading "Advance to the Minister for Finance" and to debit the relevant expenditure to that appropriation heading. Finance Direction 16/32 further provides that any unspent balance of advances from annual appropriations be repaid to the client department before 30 June for credit to the relevant appropriation.

It follows that the action of the Department of the Northern Territory, as commented on at paragraph 3.10.5 of the Auditor-General's Report for 1976-77, was not in accordance with Finance Direction 16/31 and 16/32.

The alternative procedure under which a client department provides warrant advice to a servicing department is widely used, more particularly where expenditure is of a recurring nature. It has the advantage of obviating the need for cash settlements between the departments; also, unspent balances lapse automatically at 30 June (Under

this arrangement the expenditure is authorised and certified within the servicing department as a charge to the appropriation for the final expenditure and the basic documentation is retained by that department).

10.15. The departmental witness informed the Committee that the Department of Environment, Housing and Community Development had adopted the procedure of providing warrant advice to the Department of the Northern Territory.

#### Remedial Action taken by the Department

10.16. A departmental review of the procedures for making advances under the CALF scheme was undertaken in 1976-77. Following this investigation the Department has taken the following steps to remedy the situation and provide adequate control of all projects:

- advances will normally be made to the States in July, October, January and April of each year subject to a demonstrated need, adequate documentation and acquittance of the previous advance
- all advances and payments will be recorded in an Advances Register
- instructions have been issued to ensure compliance with the relevant Finance Regulations and Directions
- a file for each project has been established, where this has previously not existed
- a computerised financial control system has been implemented.

10.17. Of the 25 projects funded directly from the Department, 21 have been completed. No advances were made to direct grant recipients; expenditure was reimbursed. The grant recipients were requested to provide the following documents to facilitate compliance with Commonwealth financial regulations:

- certificate from an independent auditor verifying that the grant was received in full and properly expended;
- statement showing the total project expenditure to which the grant was applied; and
- statement certified jointly by an independent auditor and a representative of the organisation to whom the grant was paid certifying that the purposes and conditions of the grant as approved and imposed by the Minister have been observed.

10.18. Documentation for 18 projects has been received to date. In some cases the Department requested documentation before the project was completed

and in other cases after project completion. In all cases, the Committee was informed the recipients were told of the requirements of Finance Direction 23/8 in relation to supporting documentation.

10.19. The Auditor-General, in his 1977-78 Report, stated the CALF scheme had been reviewed by his Office with generally satisfactory results.

#### Conclusions

10.20. The administration of the CALF scheme by the Department of Tourism and Recreation in the first instance and then by the Department of Environment, Housing and Community Development has been appalling. The lack of awareness of the financial provisions pertaining to this scheme is of considerable concern to this Committee; not only were the provisions of the Audit Act and Finance Regulations and Directions not followed, but specific conditions relating to the scheme, imposed by the then Department of the Treasury, have not been adhered to.

10.21. The Committee appreciates that the Department of Tourism and Recreation operated under some difficulty in the initial stages of the scheme when it was required to draw on the management resources area of the Department of Overseas Trade; difficulties can arise in determining priorities totally satisfactory to 2 permanent heads. In a recent inquiry into the Department of Aboriginal Affairs, the Committee has seen how a similar arrangement did not function satisfactorily and is of the opinion that such arrangements should be avoided whenever possible.

10.22. The Committee wishes to stress the importance of establishing, documenting and communicating the financial aspects of a project as an integral part of project planning. The Department of Environment, Housing and Community Development produced a 'Capital Assistance for Leisure Facilities (C.A.L.F.) Briefing and Procedures Manual' in October 1977. If such a manual had been implemented in 1973, it would have provided the necessary guidance for personnel involved in the administration of the scheme.

10.23. The Department of the Northern Territory maintained funds for CALF projects in the trust fund area of its ledger. These funds were not trust monies. Departments should be aware of the accounting procedures to be followed where one department is requested to incur expenditure on behalf of another. The procedure for the provision and control of funds for the purpose mentioned is set out in section 16 of Finance Directions. If there is doubt about the practice to adopt in a given situation, departments should obtain the advice of the Department of Finance.

## CHAPTER 11

### SUPERANNUATION FUND

11.1. At paragraph 21.1 of his Supplementary Report for 1976-77 the Auditor-General reported that financial statements relating to the Superannuation Fund for the years 1974-75 and 1975-76 had not been submitted for audit examination.

#### Responsibility for Preparation of Financial Statements

11.2. The Superannuation Board appointed under s.120 of the Superannuation Act 1922 was responsible for preparing and submitting annual financial statements relating to the Superannuation Fund established under s.8 of the Act. Section 15 of the Act provided that "the accounts relating to the Fund shall be audited by the Auditor-General".

11.3. The Superannuation Act 1976 provided for the introduction of a new superannuation scheme from 1 July 1976. The sections of the Superannuation Act 1922 which established the Superannuation Fund were repealed by the Superannuation Amendment Act 1976; however, s.5.(2) of the Amendment Act provided that s.15 of the Superannuation Act 1922 continues to apply to and in relation to the accounts relating to the Superannuation Fund to the extent that those accounts had not, before the commencement of this section, been audited by the Auditor-General.

11.4. As the Superannuation Board ceased to exist from 1 July 1976, the responsibility for preparing and submitting the outstanding financial statements was assumed by the Commissioner for Superannuation who, under s.17 of the Superannuation Act 1976, was responsible for administering the remnants of the Superannuation Act 1922.

11.5. Responsibility for preparing and submitting for audit financial statements for 1976-77 and later years is imposed by s.61 of the Superannuation Act 1976 on the Superannuation Fund Investment Trust established by s.28 of the Act. Section 161.(3) of the Act requires the Commissioner for Superannuation to furnish the Trust with "such information as is in his possession and is necessary for the purpose of enabling the Trust to prepare the financial statements".

#### Delay in Submission of Superannuation Fund Financial Statements for 1974-75 and 1975-76

11.6. Financial statements for the superannuation scheme established by the Superannuation Act 1922 included a Revenue Account, a Reserve Units of Pension Account, and a Provident Account for the years to which the statements related. Before the latter two accounts could be completed it was necessary to update to 30 June, for the years to which the statements related, a contributor file for both pension scheme contributions and for Provident Account contributors.

11.7. The amount of work involved in updating contributor files could be measured by the number of variations to be made to the information held on file as a result of changes in the liability or entitlement of contributors to the fund. At 30 June 1975 the Superannuation Board had received 790,000

variations to be made to the computer file. By 30 June 1976 the number of variations to be processed had increased to about 1,100,000.

11.8. It was explained to the Committee that variations originated in departments by the completion of a Superannuation Board form. There were about 500 centres from which variation returns were received each pay day. Upon receipt, variation returns from each centre were subjected to a computer check to ensure that the sum of variations equalled the change in the level of contributions forwarded from each centre. The task for the Board was to update individual contributor records which were held on computer tape. This required that the content of variation returns be coded in a form suitable for processing through a computer system. This work was performed by Clerical Assistant, Grade 4 staff in the Board's office because there were many different types of variations, each with a unique transaction code, and it was considered that the coding work involved was too complex to be performed in departments at the same time that variation returns were prepared. Once coded, variations were punched and a computer tape holding updated individual contributor records was produced.

11.9. The Committee gathered the following information on establishment, staffing and workload from several Annual Reports of the Superannuation Board. It should be noted that the staffing figures include only those staff involved in superannuation work and a proportion of the staff involved in general servicing work. The establishment figures were prepared on the same basis.

| <u>Year ended</u> | <u>Establishment</u> | <u>Staff</u> | <u>Workload<br/>(Variation<br/>advices)</u> |
|-------------------|----------------------|--------------|---|
| 30 June 1972      | 264                  | 217          | 385,000                                     |
| 30 June 1973      | 278                  | 234          | 560,000                                     |
| 30 June 1974      | 274                  | 255          | 690,000                                     |
| 30 June 1975      | 351                  | 341          | 790,000                                     |
| 30 June 1976      | 351                  | 324          | 1,100,000                                   |

11.10. The Committee was interested in the relationship between the Superannuation Board's staffing figures, workload increases and delays in submitting financial statements. For the period 1972 to 1976 there was an increase in variation advices of a little less than 190 per cent. During the same period, staff to process those advices increased by only 50 per cent. This less than proportional growth in staff numbers was the result of the imposition by Government of staff ceilings on the Commonwealth Public Service during the period. It was submitted to the Committee that this was the major reason for the delay in the updating of records which was a prerequisite to the preparation of financial statements. A secondary reason was the diversion in 1974 of staff from updating the records of contributors to work on a surplus distribution from the superannuation fund, as at 30 June 1972, to some 34,000 pensioners and 152,000 contributors.

11.11. It was explained to the Committee that during the period in question the Superannuation Board was operating in a climate of considerable uncertainty regarding the future of the superannuation fund. A bill to establish a new superannuation scheme from 1 July 1975 was introduced into Parliament in

May 1975. That scheme was to have provided for updating of contributor records once a year. To tidy up the old scheme before the introduction of the new scheme, the Superannuation Board was given approval to recruit additional staff in excess of staff ceiling. Despite accommodation problems the Board had recruited an additional 78 staff by May 1975 in an effort to update contributor records by the end of 1975. In the event the bill was not passed by Parliament in 1975 and the new scheme was not introduced until 1976. This meant that the Board, which had expected to benefit from a change to once-a-year variations in 1975, continued to receive variation advices, and had to process more variation advices than in previous years.

11.12. The Board faced staffing difficulties. There was a backlog of variation returns to be processed. Additional staff were required if the backlog was to be reduced. However, it appeared that the backlog would be a short-term problem because in 1974 changes had been recommended to the superannuation scheme which would have resulted in a substantial reduction in the number of variations to be processed. In this situation the Board recognised the difficulties involved in recruiting permanent staff to meet a temporary need. Yet the recruitment of temporary staff was limited by the Board's training capacity.

11.13. The Committee was also told that the Board's staff were used in preparatory work for the scheme which was planned to be introduced in 1975 and subsequently for the scheme introduced in 1976. With the benefit of hindsight it is clear that effort expended on the 1975 scheme was to some extent wasted effort. This involvement in planning for the future necessarily involved some reduction in the Board's capacity to process variations under the old scheme.

11.14. On 4 February 1976 a freeze was imposed on contribution variations pending the introduction of the new superannuation scheme on 1 July 1976. This freeze gave the Board an opportunity to reduce the backlog in variation returns to be processed. As shown in the table in paragraph 11.9 above, backlog of over 1,000,000 variation advices existed at 30 June 1976. In an attempt to eliminate this backlog and facilitate the introduction of the new scheme, the Government, in October 1976, approved the formation of a task force of 113 people, involving the provision of an additional 57 temporary positions, to concentrate on getting the old scheme contributor records up-to-date and correct at 30 June 1976 and in balance with the opening entries in the new scheme records on 1 July 1976. The work involved is outlined in paragraph 11.8 above. The task force commenced its work in December 1976. The updating of contributor records to 30 June 1975 was completed by August 1977 and the processing of contributor variations during the final year of the old scheme was completed in December 1977. The financial statements relating to the Superannuation Fund for 1975-76 were submitted to the Auditor-General's Office on 31 May 1978.

11.15. The Committee was interested in the reason for the apparent delay in establishing the task force given the workload faced by the Superannuation Board. It was explained to the Committee that two officers were seconded from the Australian Government Retirement Benefits Office in January 1976 to estimate staff needed, develop procedures and prepare forms for the new scheme.



to be introduced on 1 July 1976. Staffing proposals developed by June 1976 were examined by officers from the Public Service Board, the Department of Treasury and AGRBO. It was decided following that examination that a proposal for a task force should be put to the Public Service Board. A proposal in those terms was submitted in August 1976. Public Service Board approval was given in October 1976. The task force started work in December 1976.

### Conclusions

11.16. The Committee emphasises the importance which it considers is attached to the presentation of financial statements of statutory organisations, handling public funds, for audit in accordance with statutory requirements. These requirements for annual audit of the financial statements of such organisations are intended to provide the Parliament and the public with independent, expert advice on both the adequacy of those statements as a report on *financial standing and as an indicator of the efficiency of public sector management*. The preparation of financial statements should, therefore, be given a level of priority for purposes of resource allocation commensurate with their role in public administration.

11.17. It is within this framework that the Committee considered the delay in submitting financial statements relating to the Superannuation Fund for the years 1974-75 and 1975-76 for audit examination.

11.18. The Committee is prepared to accept the proposition that part of the delay resulted from the uncertainty generated by the decision to establish a new superannuation scheme. In a period of staffing restraint the Superannuation Board was forced to divert staff from the maintenance of the then existing scheme to planning for the new scheme. This planning effort was wasted largely when the introduction of the new scheme was postponed. At the same time there was a significant increase in the number of variation advices to be processed to maintain the then existing scheme. The Superannuation Board did not have enough staff to process variation advices without incurring cumulative delays. As the processing of variation advices for a financial year had to be completed before the financial statements for that financial year could be prepared the processing delay caused a delay in the preparation of financial statements.

11.19. If this explanation is appraised critically, attention is focussed on the management performance of the Superannuation Board. The proposition that staff shortages generated delays in labour intensive work is sound. However, the solution lay in either a reduction in work or an increase in staff. It is clear that it was not within the power of the Superannuation Board to reduce the quantity of work. It would appear, however, that the Board could have increased the number of staff engaged in variation advice processing much earlier than October 1976. No satisfactory explanation was given to the Committee of the reasons for the delay in taking remedial action. The argument that staff ceiling restraints would have precluded an increase in the number of temporary staff does not stand up when it is recalled that the Board recruited an additional 78 staff in the first half of 1975 and that an additional 57 temporary positions were provided in October 1976 despite staff ceilings. It is difficult to see why such an effective

● solution could not have been adopted earlier. The Board's concern to avoid recruiting permanent staff to meet a temporary need and the problems generated by a limited training capacity are understandable. However, for the Board's variation advice processing backlog to have been allowed to grow to such an extent that it should cause a 2 year delay in the submission of financial statements for audit must be considered an example of poor management and planning on the part of the Superannuation Board and indirectly of the then Department of Treasury and the Public Service Board.

11.20. For and on behalf of the Committee,



David M. Connolly  
Chairman



M.J. Talberg,  
Secretary,  
Joint Committee of Public Accounts,  
Parliament House,  
CANBERRA

15 November 1978



77/48

77/48

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

23 OCT 1978

AUDITOR-GENERAL'S SUPPLEMENTARY REPORT 1976-77

I refer to your memorandum 1977/7 of 10 Oct 1978 in which you sought information relating to the approval of estimates of expenditure of certain statutory authorities where the relevant legislation indicates that monies will not be spent otherwise than in accordance with estimates of expenditure approved by the Minister for Finance.

2. Prior to the commencement of the financial year 1977-78, the following four authorities could not, by virtue of the provisions in their respective legislation, spend money otherwise than in accordance with the estimates of expenditure approved by the Treasurer (the Minister for Finance from 20 Dec 1977):

- i) Australian Broadcasting Tribunal;
- ii) Australian Broadcasting Commission;
- iii) Australian Institute of Criminology;
- (iv) Australian Atomic Energy Commission;

Responsibility for approving the expenditure estimates of the following two authorities was shared jointly by the Treasurer (Minister for Finance from 20 Dec 1977) and the Minister for Science:

- i) Australian Institute of Marine Science;
- ii) CSIRO.

3. The Administrative Changes (Consequential Provisions) Act 1978 deleted the requirement for the Minister for Finance to approve the estimates of the Australian Institute of Marine Science and the Australian Institute of Criminology as from 12 Jun 1978. Amendments proposed to the Science and Industry Research Act 1949 will remove the need for the Minister for Finance to conjointly approve the estimates for CSIRO.

This approach is consistent with the general policy that, for the majority of non-business statutory authorities, responsibility for the approval of estimates of expenditure rests with Ministers other than the Minister for Finance.

4. The information sought by the Committee in relation to the authorities mentioned in paragraph 2 above appears in Attachments A and B - the distinction being that the procedures followed in obtaining approvals have varied slightly as between the two groups.

5. It has been the general practice to submit estimates of expenditure for the approval of the Minister for Finance (formerly the Treasurer) after the Appropriation Bills have been introduced into Parliament. In so doing the intention has been to minimise, so far as possible, the need to seek the approval of the Minister for Finance to amend estimates of expenditure resulting, for example, from last minute changes to an authority's overall level of funds decided upon in Budget Cabinet (usually held in July of each year). The view could be taken that the Minister for Finance's approval for the lump sum Supply Bill provision for an authority, would cover the authority's expenditure during the Supply period prior to estimates of expenditure being approved in detail.

6. However, in view of the Auditor-General's recently expressed concern at the expenditure of moneys by certain authorities prior to obtaining the approval of the Minister for Finance, it is proposed in future to seek an appropriate interim approval prior to the commencement of each financial year based on a detailed breakdown of the Supply provision for the three remaining authorities concerned; approval of estimates on a full-year basis will be sought following introduction of the Appropriation Bills.

7. The onus for seeking the approval of the Minister for Finance to revised estimates of expenditure in advance of expenditure being incurred has rested, in the first instance, with the individual authority. However, as shown in the attached tables on a number of occasions in recent years approval for expenditure in excess of the approved estimates has not been sought by the authorities concerned until after the end of the financial year - if at all. The Department of Finance has on several occasions stressed the importance of complying with the "letter" of the law in this regard and requested that the authorities concerned seek the approval of the Minister for Finance to any forecast variations from their approved estimates of expenditure as soon as possible after the likely occurrence of such variations becomes apparent.

8. The committee has also asked for the date the Australian Broadcasting Tribunal's estimates of expenditure for the 1977-78 financial year were received in the Department of Finance. This occurred on 6 Jun 1977 as part of the normal Budget process; as indicated in the table in Attachment A above, the estimates were approved by the Treasurer on 24 Aug 1977.



C.T. Monaghan  
Acting First Assistant Secretary

ATTACHMENT A  
ESTIMATES OF EXPENDITURE APPROVED BY THE MINISTER FOR FINANCE (1)

|  | Annual Estimates |               | Final Revised Estimates |               |
|--|------------------|---------------|-------------------------|---------------|
|  | Date Received    | Date Approved | Date Received           | Date Approved |
| <u>Australian Broadcasting Tribunal (Established 1 Jan 1977)</u> |                  |               |                         |               |
| 1976-77  | (2)              | 13.4.77       | 15.8.77                 | 24.8.77       |
| 1977-78  | (2)              | 24.8.77       | (2)                     | 15.5.78       |
| 1978-79  | (2)              | 5.7.78        |                         |               |
| <u>Australian Broadcasting Commission</u>                        |                  |               |                         |               |
| 1975-76  | 4.8.75           | 3.9.75        | 6.7.76                  | 19.8.76       |
| 1976-77  | (2)              | 19.8.76       | 5.7.77                  | 13.8.77       |
| 1977-78  | 12.8.77          | 5.9.77        | 5.7.78                  | 21.7.78       |
| 1978-79  | (2)              | 2.7.78        |                         |               |
| <u>Australian Atomic Energy Commission</u>                       |                  |               |                         |               |
| 1975-76  | (2)              | 21.10.75      | (3)                     | (3)           |
| 1976-77  | (2)              | 28.9.76       | (3)                     | (3)           |
| 1977-78  | (2)              | 28.9.77       | (2)                     | 12.10.78      |
| 1978-79  | (2)              | 12.10.78      |                         |               |

Notes

- (1) The Treasurer prior to 20 Dec 1977.
- (2) In these instances the authority concerned did not formally seek the approval of the Minister for Finance. There was, however, an exchange of correspondence between the authority and the Department of Finance before the estimates were submitted for approval.
- (3) In these instances there was no requirement for a revised approval.

ATTACHMENT B  
ESTIMATES OF EXPENDITURE APPROVED BY THE MINISTER FOR FINANCE (1)

|   | SUPPLY ESTIMATES |          | ANNUAL ESTIMATES |          | VARIATION OR<br>FINAL REVISED ESTIMATES |          |
|---|------------------|----------|------------------|----------|---|----------|
|   | Received         | Approved | Received         | Approved | Received                                | Approved |
| <u>AUSTRALIAN INSTITUTE OF MARINE SCIENCE</u> |                  |          |                  |          |   |          |
| 1976-77                                       | na               | na       | 4.7.77           | 27.7.77  | NIL                                     | NIL      |
| 1977-78                                       | 27.6.77          | 5.7.77   | 6.12.77          | 29.12.77 | NIL                                     | NIL      |
| <u>AUSTRALIAN INSTITUTE OF CRIMINOLOGY</u>    |                  |          |                  |          |   |          |
| 1976-77                                       | na               | na       | 10.11.76         | 20.11.78 | 7.6.77                                  | 20.6.77  |
| 1977-78                                       | 5.10.77          | 14.10.77 | 5.10.77          | 19.12.77 | 3.5.78                                  | 26.5.78  |
| <u>CSIRO</u>                                  |                  |          |                  |          |   |          |
| 1976-77                                       | na               | na       | 8.9.76           | 14.9.76  | (a) 20.6.77                             | 30.6.77  |
|   |                  |          |                  |          | (b) 20.6.77                             | 29.6.77  |
| 1977-78                                       | 20.6.77          | 29.6.77  | 10.11.77         | 21.11.77 | (a) 26.10.77                            | 21.11.77 |
|   |                  |          |                  |          | (b) 1.3.78                              | 15.3.78  |
|   |                  |          |                  |          | (c) 27.6.78                             | 7.7.78   |

(1) The Treasurer prior to 20 Dec 1977.

Inquiry into the Auditor-General's  
Supplementary Report 1976-77

Exhibit No. 171/AGSR/A1

Submission by the Australian Broadcasting Tribunal  
in relation to the reasons for expenditure on  
Public Inquiries in excess of the amount  
approved by the Treasurer

Auditor-General's Comments

1. In paragraph 14.6 of his Supplementary Report for 1976-77, the Auditor-General stated that :

"In the Tribunal's initial estimates of expenditure approved by the Treasurer, an amount of \$12,000 (with an allowable five per cent variation) was approved in respect of the item "Public Inquiries". Whilst actual expenditure on this item was \$47,395, prior approval by the Treasurer for a revised estimate was not sought. In August 1977, the Tribunal advised the Treasurer of the details of the actual expenditure."

Matters Covered in Tribunal's Submission

2. As the expenditure on Public Inquiries was incurred during the initial six months of the Tribunal's existence, and the arrangements in force during that period, by necessity, were subject to abnormal circumstances, it is the view of the Tribunal that this submission should address itself to the following matters :

- Establishment of the Australian Broadcasting Tribunal
- Statutory responsibilities of the Tribunal in regard to Public Inquiries
- Staffing and Location of the Tribunal
- Provisions of the Broadcasting and Television Act governing the estimates and expenditure of the Tribunal
- Estimates of Expenditure - January to June 1977



- . Financial arrangements in force January to June 1977
- . Expenditure on Public Inquiries January to June 1977
- . Reasons for expenditure on Public Inquiries being in excess of the amount approved by the Treasurer

#### Establishment of the Australian Broadcasting Tribunal

3. Pursuant to provisions contained in the Broadcasting and Television Amendment Act (No. 2) 1976, the Australian Broadcasting Tribunal commenced operations on 1 January 1977. It assumed responsibility for matters relating to the licensing of commercial broadcasting and television stations, the holding of public inquiries into the grant of licences and broadcasting and television issues generally, and for attention to matters relating to the programs of such stations.

4. The functions assigned to the Tribunal were previously performed by the Australian Broadcasting Control Board which was disbanded on 31 December 1976. Those responsibilities of the Board relating to planning the development of broadcasting and television in Australia and concerning the technical standards and the technical equipment of stations were transferred to the Postal and Telecommunications Department.

5. In his second reading speech on the Broadcasting and Television Amendment Bill (No. 2) 1976, the then Minister for Post and Telecommunications announced that he would direct the Tribunal to hold a public inquiry into the concept of a greater degree of "self regulation" by the broadcasting industry itself based on minimum standards to be determined by the Tribunal.

6. Initially the Tribunal consisted of three full-time members including a Chairman and a Vice-Chairman. The appointment of Members of the Tribunal was announced on 23 December 1976.

#### Statutory Responsibilities of the Tribunal in regard to Public Inquiries

7. Under the provisions contained in the Broadcasting and Television Act at the date the Tribunal came into existence, the Tribunal was empowered to hold public inquiries before

taking action pursuant to certain sections of the Act and was required to do so in relation to applications for the grant of licences or, if so directed by the Minister, into any other matter.

8. It should be noted that as from 1 January 1978 when the Broadcasting and Television Amendment Act 1977 came into effect, the nature of public inquiries which the Tribunal is required to hold was broadened considerably.

#### Staffing and Location of the Tribunal

9. The Broadcasting and Television Amendment Act (No. 2) 1976 under which the Tribunal was constituted to commence operation as from 1 January 1977, was assented to on 15 December 1976 and the appointment of Members of the Tribunal was announced on 23 December 1976. It was not possible in the short time available for staffing and other requirements of the Tribunal to be determined prior to its coming into existence.

10. In addition, in view of the Ministerial announcement (referred to in paragraph 5 above) to the effect that one of the first inquiries of the Tribunal would concern the matter of "self-regulation" of broadcasting, there was a great deal of uncertainty regarding the permanent staffing needs of the Tribunal.

11. All positions comprising the staffing establishment of the disbanded Control Board reverted to the Postal and Telecommunications Department as from 1 January 1977, and the day to day matters of the Tribunal were initially performed by staff in that Department. However, the Department formally arranged for certain officers to be seconded to provide special assistance to the Chairman and Members of the Tribunal.

12. Early in 1977 the question of the location of the Tribunal, its secretariat and staff, was considered by the Location of Australian Government Employment Committee which indicated the following agreement to the Secretary of the Postal and Telecommunications Department :

- "(a) no objection is seen to the permanent location in Sydney of the Chairman and members of the Tribunal;
- (b) the question of the permanent location of the support staff to the Tribunal will be deferred pending consideration of a further submission when the public inquiry into broadcasting standards and self-regulation is completed;
- (c) the small executive secretariat to the Tribunal should be staffed in Sydney on a temporary transfer basis until (b) is resolved."

13. The initial staffing arrangements continued until April 1977 when the Public Service Board formally created 118 positions as an interim organisation for the Tribunal. The total was made up of 68 Central Office positions in Victoria and 50 positions in State Offices. However, in accordance with the agreement referred to in sub-paragraph (c) of the preceding paragraph, some seven officers have been located in Sydney on a temporary transfer basis since early 1977 to provide executive assistance to the members of the Tribunal. It has been necessary to augment the seven officers from time to time.

14. In December 1977, the Public Service Board approved of the creation of a Public Inquiry Branch consisting of 19 positions and also the creation of seven positions in the Secretariat and Public Relations Section of the Management Services Branch. Previously the creation of four other positions by way of variation to the interim organisation was approved.

15. Approval has been given for all the newly created positions to be located in Sydney. Consideration of other permanent staffing proposals has been deferred for the time being as has the question of the future permanent location of central office positions currently in Victoria.

Provisions of the Broadcasting and Television Act governing the Estimates and Expenditure of the Tribunal

16. The following provisions are contained in the Broadcasting and Television Act in relation to the estimates and expenditure of the Tribunal :

- Moneys payable to Tribunal "26 (1) There are payable to the Tribunal such moneys as are appropriated by the Parliament for the purposes of the Tribunal.
- (2) The Treasurer may give directions as to the amounts in which, and at times at which, moneys referred to in the last preceding sub-section are to be paid to the Tribunal."
- Bank Accounts "27 (1) The Tribunal may open and maintain an account or accounts with an approved bank or approved banks and shall maintain at all times at least one such account.
- (2) The Tribunal shall pay all moneys of the Tribunal into an account referred to in this section."
- Application of moneys "27A(1) The moneys of the Tribunal shall be applied only --
- (a) in payment or discharge of expenses, obligations and liabilities of the Tribunal arising under this Act; and
- (b) in payment of remuneration or allowances payable to members and persons acting as members.
- (2) The Tribunal shall not expend any moneys otherwise than in accordance with estimates of expenditure approved by the Treasurer."

Accounts and records to be kept

"27B The Tribunal shall cause to be kept proper accounts and records of the transactions and affairs of the Tribunal and shall do all things necessary to ensure that all payments out of its moneys are correctly made and properly authorised and that adequate control is maintained over the assets of, or in the custody of, the Tribunal and over the incurring of liabilities by the Tribunal."

Particulars of proposed expenditure

"27C The Tribunal shall, not later than 30 April in each year, submit to the Minister particulars of proposed expenditure of the Tribunal for the financial year commencing on the following 1 July."

Estimates of Expenditure January to June 1977

17. Estimates of expenditure of the Australian Broadcasting Tribunal for the six month period from 1 January 1977 until 30 June 1977 were furnished to the Department of Finance on 9 March 1977. The particulars were also notified to the Minister for Post and Telecommunications who approved of the estimated expenditure as detailed, and to the Secretary of the Postal and Telecommunications Department.

18. The estimates included an amount of \$40,000 in relation to public inquiries. The following extract from the Tribunal's internal papers sets out the basis on which the estimate was determined :

"In the case of the former Control Board, it was the practice to include all expenditure in relation to public inquiries, except salary payments, under this sub-item as a means by which the actual costs of each inquiry could be readily obtained. It would seem to be desirable for the Tribunal to adopt the same procedure and these estimates have been prepared accordingly.

On the information available, the Tribunal is currently committed to conduct public inquiries into the applications and objections in relation to the grant of translator licences in the following areas in addition to the major inquiry into "self-regulation" :

Broadcasting Translator Licences

Yeppoon and Biloela, Queensland

Television Translator Licences

Merriwa and Murrurundi, NSW and  
Nerrogin, WA.

It is understood that the Tribunal is not likely to be involved in other than the "self-regulation" inquiry before June, 1977 and, therefore, provision has been made in the estimates for the "self-regulation" inquiry only. An amount of \$40,000 has been included, the components being as follows based on 24 sitting days outside Sydney :

|   | \$            |
|---|---------------|
| Travelling Allowance (3 Tribunal members and 7 support staff)                                       | 8,400         |
| Fares (inc excess baggage)  | 10,600        |
| Advertising (Public notices)  | 16,000        |
| Motor hire  | 500           |
| Accommodation (Conference rooms Adelaide and Brisbane & office room for Tribunal various locations) | 800           |
| Printing and distribution of report   | 2,700         |
| Miscellaneous (signs, telephone calls, entertainment)   | 1,000         |
|   | <u>40,000</u> |

19. As explained in paragraphs 24 to 28 hereunder, the expenditure relating to the operations of the Tribunal, other than moneys payable to members of the Tribunal by way of salary and payments in the nature of salary, was met by the Postal and Telecommunications Department from 1 January 1977 until 20 April 1977.

20. Subsequent to the submission of the estimates of expenditure of the Tribunal for the six months to 30 June 1977 (see paragraph 17 above), the Department of Finance decided that the revenue of the Postal and Telecommunications Department should receive payment for services it had performed for the Tribunal, rather than the Postal and Telecommunications Department having its item expenditures reimbursed by the Tribunal.

21. In view of this decision, the Tribunal was required to adjust its earlier estimates of expenditure to show a bulk amount against a new item "Services performed by the P&T Department" with reduced amounts for the balance of the expenditure as contained in the earlier estimates.

22. The adjusted estimates showed an amount of \$12,000 for public inquiries. This figure was based on the estimated expenditure which was expected to be met by the P&T Department up to 13 April 1978, from which date it was expected that payments from P&T funds would be discontinued.

Financial Arrangements in force  
January to June 1977

23. As mentioned in paragraph 9 of this submission, it was not possible in the short time available (18 December 1976 to 1 January 1977) between Royal Assent being given to the Broadcasting and Television Amendment Act (No. 2) 1976 which constituted the Tribunal and the date the Tribunal came into existence, for the staffing and other requirements of the Tribunal to be determined. As also explained, there was a great deal of uncertainty regarding the permanent staffing

needs of the Tribunal, and as from 1 January 1977, the day to day matters of the Tribunal were performed by staff which reverted on that date to the Postal and Telecommunications Department.

24. Having regard to the foregoing, the absence of any approved estimates of expenditure for the Tribunal and the fact that Parliament was in recess, it was agreed that the following arrangements should be adopted :

- (a) an amount of \$100,000 from Treasurer's Advance be made available to the Tribunal on the understanding that it would be used only for the salaries of members of the Tribunal;
- (b) the general expenses of the Tribunal, including salaries for the staff employed on Tribunal activities but organisationally with the P&T Department as from 1 January, be financed from the P&T Department appropriations and recovered later;
- (c) positions for transfer to or for creation in the Tribunal should be identified and a proposal furnished to the Public Service Board to enable a decision to be reached by early March 1977 at the latest; and
- (d) broadly based Tribunal estimates covering the period 1 January 1977 to 30 June 1977 be submitted for the approval of the Treasurer as soon as possible.

25. The \$100,000 from Treasurer's Advance referred to in (a) of the preceding paragraph was paid into a Bank Account established by the Tribunal on 26 January 1977.

26. As the funds to meet the expenditure of the Tribunal for the period 1 January 1977 to 30 June 1977 were handled as Additional Estimates, it was necessary for the Tribunal to seek \$250,000 by way of a further Treasurer's Advance and this amount was paid into the Tribunal's bank account on 20 April 1977.



27. The Tribunal received its full appropriation, less the \$350,000 obtained from Treasurer's Advance on 10 June 1977.

28. Ignoring the fact that salaries of members of the Tribunal were paid from the initial Treasurer's Advance of \$100,000 from 1 January 1977, expenditure payments from Tribunal funds did not commence until 21 April 1977. The Tribunal paid a total of \$546,481 to the Postal and Telecommunications Department for services performed by the Department for the Tribunal (i.e. recovery of Tribunal expenditure which had been met by the Department). The payment to the Department was made on the following dates :

| <u>Date</u>  | <u>Amount</u>    |
|--------------|------------------|
| 20 June 1977 | \$544,128        |
| 30 June 1977 | 2,353            |
|              | <u>\$546,481</u> |

Reasons for expenditure on Public Inquiries being in excess of the amount approved by the Treasurer

29. As indicated in the audited financial statements of the Tribunal for the six months 1 January to 30 June 1977, the expenditure on Public Inquiries was \$47,395 plus \$23,471 included in the payment of \$546,481 paid in relation to services performed by the Postal and Telecommunications Department. The breakdown of the total expenditure of \$70,866 was as follows, compared with the original estimate :

Inquiry and Expenditure

|  | <u>Self-Regulation</u> | <u>Townsville</u> | <u>Other (2)</u><br><u>(1) Inquiries</u> | <u>Total</u> |
|--|------------------------|-------------------|--|--------------|
|  | \$                     | \$                | \$                                       | \$           |
| Initially met from P&T Funds           | 22,920                 | -                 | 551                                      | 23,471       |
| Met by ABT as from 21 April            | 45,449                 | 1,539             | 407                                      | 47,395       |
| Total                                  | 68,369                 | 1,539             | 958                                      | 70,866       |
| Provision in original ABT Estimates    | 40,000                 | -                 | -  | 40,000       |
| Excess compared with original estimate | 28,369                 | 1,539             | 958                                      | 30,866       |

Notes (1) At the direction of the Minister, the Tribunal conducted an inquiry in Townsville on 6 July 1977 into proposed shareholding transactions involving the licensee of stations 4AY and 4GC. The expenditure of \$1,539 consisted of advances on travelling allowances.

(2) The expenditure of \$958 on Other Inquiries related to miscellaneous expenditure on inquiries conducted by the former Control Board.

30. It will be seen from the table in the preceding paragraph that, compared with the original estimate furnished by the Tribunal (the components of this earlier estimate are set out in paragraph 18), the excess expenditure on the self-regulation inquiry came to \$28,369. Expenditure to the extent of \$2,497 which was not included in the estimate was incurred in relation to a Townsville inquiry and inquiries conducted by the former Control Board.

31. The following table compares the components of the actual expenditure on the self-regulation inquiry with those included in the original estimate :

| <u>Components</u>   | <u>Actual<br/>Expenditure</u> | <u>Original<br/>Estimate</u> | <u>Variation</u> |
|---|-------------------------------|------------------------------|------------------|
|   | \$                            | \$                           | \$               |
| Travelling Allowance  | 26,899                        | 8,400                        | + 18,499         |
| Fares   | 14,428                        | 10,600                       | + 3,828          |
| Advertising<br>(Public Notices)   | 21,332                        | 16,000                       | + 5,332          |
| Motor Hire  | 1,470                         | 500                          | + 970            |
| Accommodation   | 1,129                         | 800                          | + 329            |
| Printing and<br>distribution of<br>report   | -                             | 2,700                        | - 2,700          |
| Miscellaneous<br>(Freight, signs<br>telephones, court<br>reporting, hire of<br>equipment and<br>furniture etc.) | 3,111                         | 1,000                        | + 2,111          |
|   | <u>68,369</u>                 | <u>40,000</u>                | <u>+ 28,369</u>  |

32. Briefly stated, the reasons for the expenditure exceeding the estimate were that :

- (a) the inquiry into self-regulation proved to be a much greater and more time consuming task than was originally anticipated;
- (b) the expenditure on the Townsville inquiry and on the inquiries which had been conducted by the former Australian Broadcasting Control Board were not included in the original expenditure estimates furnished by the Tribunal.

33. In relation to the self-regulation inquiry, the Tribunal received 539 written submissions, petitions containing over 7,000 signatures and heard 292 witnesses. The Tribunal was originally requested to complete its Report as soon as possible, but within a period of 120 days. As more people than originally estimated wished to present oral evidence, it was necessary to obtain an extension of time from the Minister.

34. The various factors which caused the heavier expenditure on the self-regulation inquiry were as follows :

- the Tribunal conducted its public hearings on 40 days (between 22 March and 8 June), compared with the 24 days allowed in the original estimate;
- whereas the original estimate was based on a support staff of seven, it was necessary to utilise a support staff of 15 during most of the period concerned;
- because the Tribunal was anxious to obtain views of a very broad cross section of the public, the inquiry was advertised in newspapers and industry journals more widely than was initially estimated;
- expenditure on motor hire and on other items was increased because of the additional sitting days and the greater number of support staff involved.

35. As indicated in the table in paragraph 29 (see commencement of page 11), expenditure of \$1,539 was incurred (advances on travelling allowances) in relation to a public inquiry held in Townsville on 6 July 1977. The Minister's direction to the Tribunal to conduct this inquiry was dated 10 June 1977 and the Tribunal's notice regarding the inquiry was dated 16 June 1977. The Travelling allowance advances were paid on 27 June 1977. No provision was included in the original estimate for this expenditure.

36. As also shown in the table at the commencement of page 11 of this submission, expenditure totalling \$958 (\$551 initially from P&T funds and \$407 by ABT after 21 April) in relation to inquiries conducted by the Australian Broadcasting Control Board was paid. Pursuant to the provisions of the Broadcasting and Television Amendment Act (No. 2) 1976, this expenditure (apart from \$37.50 for the binding of transcripts required by the Tribunal) should have been met from funds of the Postal and Telecommunications Department and not recovered from or paid by the Tribunal. Due to the circumstances which applied, the whole amount was in fact met by the Tribunal.

### Conclusion

37. The Tribunal regrets most sincerely that it failed to seek approval for the excess expenditure prior to the 30 June 1977. This was due primarily to the heavier involvement of the Tribunal in the conduct of the inquiry into self-regulation, difficulties associated with the interim status of the Tribunal's staffing organisation which were seriously impaired by staff absences between 6 April 1977 and 24 June 1977, and the processes involved in determining the payments due to the Postal and Telecommunications Department for services it performed on behalf of the Tribunal.

Joint Committee on Public Accounts  
Auditor-General's Supplementary Report, 1976/77

Inquiry into the continuation of payments by the Australian Wheat Board to State Bulk Handling Authorities on the basis of expired agreement and the reasons for the delay in the preparation of new agreements

Submission by the Department of Primary Industry

1. The Australian Wheat Board (A.W.B.) has asked the Department to present to the Committee the relevant information on the delay in the preparation of new agreements between the Commonwealth Minister for Primary Industry and the appropriate Minister in each State for the payments by the Board to the State Bulk Handling Authorities (S.B.H.A.) in the years 1973/74 to 1976/77.
2. The basis of remuneration that is the subject of these agreements has been negotiated between the A.W.B. and each of the State S.B.H.A.'s. When the details have been negotiated, they are referred by the A.W.B. to the Department of Primary Industry to arrange for their expression in an agreement in proper legal form preparatory to their acceptance and ratification by the Minister for Primary Industry and the separate State Ministers. The drawing up of the agreement in proper legal form is carried out by the office of the Commonwealth Crown Solicitor.
3. A summary of the main phases of the delay follows:
  - (a) It was in June, 1975 (i.e. 9 months after expiry of previous agreements) that details of the agreement for the period under examination were sent by the A.W.B. to this Department for referral to the Commonwealth Crown Solicitor's Office for engrossment.
  - (b) A period of 12 months' lapsed to July, 1976 before a response was received from the Crown Solicitor's Office

- late in the period the C.S. advised of difficulties in incorporating a clause covering an undertaking by S.B.H.A.'s to consult with the A.W.B. before engaging in major capital expenditure.

A further 11 months lapsed to May, 1977 while a draft clause on capital expenditure consultation was being considered by State S.B.H.A.'s, rejected by them and replaced by a "recital" provision. This clause emerged from a meeting on 2 May, 1977 of officials of the A.W.B., the Crown Solicitor's Office and this Department.
  - (c) About 9 months passed to March, 1978 while drafts were being prepared, amendments incorporated and final clearance received from States.

4. Comments in respect of each of these phases follow.

(a) Presentation of Details for engrossment

5. In respect of the period 1969/70 to 1972/73 the Minister for Primary Industry wrote to each State Minister on 28 October, 1971, referring to the need for agreements which had been reached between the Board and the B.H.A. of his State to be redrafted by the Crown Solicitor to make them acceptable legal documents. Each State Minister's concurrence was sought to the relevant A.W.B./B.H.A. agreement as the basis for drafting on the formal agreement between the two Ministers.

6. This action was taken because of advice from the Attorney-General's Department dated 12 August, 1968, that the Wheat Industry Stabilization Act specifically required that the remuneration payable to a State authority as a receiver of wheat "should be as agreed between the Minister and the appropriate Minister of the State concerned and that this necessarily involved a formal agreement between the two Ministers".

7. Previously these agreements had been between the A.W.B. and the B.H.A.'s and they were approved by Ministers.

8. Following concurrence by the State Ministers in the A.W.B./B.H.A. agreement as the basis for the formal agreements the Attorney-General's Department was requested on 22 February 1972 by this Department to produce a model agreement. Difficulties were encountered in expressing the commercial agreement into appropriate form and drafts were finally produced in respect of each State and forwarded to the Department on 11 September, 1973. These were forwarded to the States and the A.W.B. for clearance. Each State submitted proposed amendments to the Drafts and these were not finally reconciled in respect of all States except Western Australia and final engrossments requested until May, 1974. These agreements were signed by Ministers during the period to October, 1974.

9. Western Australia raised two issues which were not settled until November, 1974 and the final engrossment for that State subsequently requested. The agreement in respect of Western Australia was signed by both Ministers and returned to this Department on 15 May, 1975.

10. With the finalisation of the first series of agreements between Ministers the A.W.B. wrote to the Department on 10 June, 1975 requesting the preparation of a draft agreement for the period 1973/74 to 1975/76 (later extended to include 1976/77) on the basis of the rates of remuneration that had been negotiated with B.H.A.'s. The request was in terms of amendments to the first series of formal agreements between Ministers that had just been completed in respect of the earlier period.

11. In this regard the A.W.B. states that no action on the new agreement was contemplated until the earlier, that is the first series, agreements had been framed into acceptable legal documents appropriate for signature by Ministers. The delay in finalising the first set of agreements has thus rolled over into the period being considered.

12. In view of the experience in achieving an acceptable legal framework for a first series of agreements, the opportunity was taken to include in the second series of agreements a carry-on clause providing the legal basis for payment beyond 1976/77 subject to retrospective adjustment if a new basis of remuneration is subsequently agreed upon. The effect of this carry-on clause will be to enable payments to the B.H.A.'s to be continued on a legal basis, even if there are delays in negotiating revised rates of remuneration and in completing the legal documents.

13. On the other hand, any agreed revised rates of remuneration should not be paid until the formal legal agreements are concluded by Ministers. In this connection it should be mentioned that the A.W.B. has been engaged in negotiations for a revised basis of remuneration for 1978/79 and beyond.

(b) Consultation on Capital Expenditure

14. The matter that gave rise to the second phase of the delay under examination is the respective legislative powers of the Australian Wheat Board (A.W.B.) and the State Bulk Handling Authorities (B.H.A.'s) in respect of the storage and handling of wheat. The wheat when delivered by a grower to a B.H.A. becomes the property of the A.W.B. which pays the authorities for storing and handling it.

15. The rates of remuneration for this service are determined by negotiations between the A.W.B. and the respective State B.H.A.'s and subsequently expressed in agreements between the Ministers responsible for those authorities. A significant portion of the rate of remuneration is for interest on borrowings to finance capital works and depreciation of assets. The capital expenditure incurred to provide the storage and handling service is undertaken by the State B.H.A.'s under powers conferred on them by State legislation. Such expenditure is subject to the approval of the authorities of the State Governments.

16. Payments to the State B.H.A.'s are recovered from growers by the A.W.B. This recovery is achieved by appropriate deductions from the proceeds of sales of wheat that would otherwise be paid by the A.W.B. to growers from the relevant wheat pool. Under the present arrangements, the charges of the B.H.A.'s are pooled for each season on an Australia wide basis and only one rate of charge is applicable in respect of all wheat delivered to the A.W.B.

17. Except for the approvals of capital expenditure, the procedures are authorised by complementary provisions of the Commonwealth and State Wheat Industry Stabilization Acts. These Acts specify the price to be paid to growers in respect of each season's pool and authorise the payment by the A.W.B. to a licenced receiver of such amounts as the Minister, on the recommendation of the A.W.B. determines. However, where the licenced receiver is a State authority the remuneration payable is as agreed between the Minister and the appropriate State Minister.

18. Because a large part of the remuneration to State B.H.A.'s arises from capital costs, the A.W.B. obtained a commitment from the State authorities to submit proposals for large capital expenditure to the Board for its



consideration with a view to reaching agreement as to the necessity and justification for the expenditure. The commitment does not provide the A.W.B. with the means of controlling expenditure on major capital items that is ultimately reflected in the rate of remuneration to the B.H.A.'s for the service they provide. This type of expenditure is subject to the approval of the authorities of the State Governments.

19. The A.W.B. is presently pursuing with the State B.H.A.'s an alternative system. The effect of this alternative arrangement would be for the growers in the separate States to be charged a rate for storage and handling appropriate to that State instead of the present single rate of charge for all wheat delivered by growers. The differences in the charges for each State would become known to growers who would then be able to ensure that there is direct accountability for the operation of the B.H.A. system and the erection of storages, having due regard to the criteria both of cost and efficiency. This procedure should relieve the A.W.B. of the need to bring within the ambit of the agreements concerning remuneration to the B.H.A.'s specific clauses relating to new capital expenditure.

20. For the 1972/73 to 1976/77 period it was in this area of expressing the details negotiated into proper legal form as Memoranda of Agreement between Ministers that the delays occurred.

21. The most significant delay resulted from difficulties arising in respect of the inclusion in the agreements of a clause relating to the commitments on the part of the State B.H.A.'s to consult with the A.W.B. in respect of any proposed major capital expenditure. The Crown Solicitor's Office, the source of legal advice for this purpose, did not consider any real purpose would be served by including a clause relating to consultation on capital expenditure unless a sanction was provided. The sanction would be in terms of payments by the A.W.B. arising from new capital expenditure, being conditional on the Board approving the expenditure. It was not considered that the inclusion of a consultation clause as proposed was appropriate for inclusion in the agreements.

22. A draft clause which had the effect of imposing a sanction through the basis of remuneration in respect of any new capital expenditure which was not agreed to by the Board was prepared for consideration.

23. The A.W.B. referred this aspect of the agreement to the B.H.A.'s who ultimately rejected the draft clause. The Crown Solicitor's Office was then requested to give further consideration to an alternative formulation which reflected the spirit of "consultation" as originally agreed between the A.W.B. and the B.H.A.'s. After discussions between officers of the A.W.B., this Department and the Crown Solicitor's Office, it was agreed that the most satisfactory way forward, in the circumstances, was the inclusion of a recital clause which recorded agreement to consult between the Bulk Handling Authority and the Wheat Board prior to the embarkation on major capital expenditure. This recital clause has been included in the latest agreements and no difficulty has been raised by the respective parties.

(c) Preparation of Final Agreements

24. The current position is that an agreement for the period 1972/73 to

1976/77 has now formally been executed in respect of the State of Queensland. Agreements in respect of New South Wales, Victoria and Tasmania covering the same period have been signed by the Minister for Primary Industry and have been forwarded to the appropriate State Ministers for signature. In respect of South Australia and Western Australia a question was raised regarding the legal status of the B.H.A.'s of those States.

25. The advice of the Commonwealth Crown Solicitor's Office in the first instance was that it was by no means clear that these B.H.A.'s were in fact "constituted by or under a State Act" (S. 40(2) of Wheat Industry Stabilization Act), although it was not considered that past payments to the South Australian B.H.A.'s were invalid. Accordingly, draft texts were submitted to South Australia and Western Australia that expressed the agreement to be a determination by the Minister under Section 40(1) of the Act as well as an agreement between Ministers.

26. Western Australia disputed the Commonwealth's legal view and submitted an alternative view which was referred to the Crown Solicitor's Office for consideration. The Crown Solicitor's Office in a memorandum dated 3 May, 1978, has now expressed the opinion that, although the matter is not wholly free from doubt, a sufficient case exists for the Cooperative to be regarded as an authority for the purpose of Section 40(2) of the Act and that the document in relation to payment by the A.W.B. to the Western Australian B.H.A. will be drafted as an agreement between Ministers.

27. Although South Australia accepted the draft as submitted, steps were not taken for the execution of the agreement pending the clarification of the position in respect of Western Australia.

28. The Crown Solicitor's Office has been asked to proceed with the final engrossment of the Western Australian agreement and to reconsider the position of the South Australian B.H.A. in the light of the revised position taken in respect of Western Australia.

#### Crown Solicitor's Views and Departmental Comment

29. Following the statement of the Auditor-General in this matter last year this Department invited comments from the Crown Solicitor's Office as to the problems and delays in getting the agreements drawn up and finalised and suggestions which the Department could take into account in considering and determining an approach for the future to avoid a recurrence of the problem.

30. The Crown Solicitor's Office replied (attached as Appendix B) that (apart from the problems of coping with the work to be done with available resources) there are factors inherent in the present legislative provisions and the procedures by which the provisions are implemented which mitigate against the speedy completion of agreements. The memorandum goes on to state that "essentially these factors are the remoteness of the completion from the negotiation of the agreements and the resultant multiplicity of stages by which the terms of the agreements are finally settled. Time is of necessity lost at each stage and the loss tends to be compounded by failure to achieve complete mutuality due to the absence of direct contact between the various parties."

31. The Department recognises the effect of the chain of communication involved in the establishment of these agreements. The Department does not consider that the participation of Commonwealth and State Legal and/or Departmental officials in the negotiations between the A.W.B. and State B.H.A.'s would contribute to an earlier finalisation of the agreements. It would seem that the necessary drafting and consultation procedures need to be followed in a logical sequence leading to a finalisation of agreements, even though this is a time-consuming operation.

12 May, 1978

B.H.A. Remuneration Agreements for  
period commencing 1973/74Timetable of EventsDate1974

May-Oct Previous Agreements covering period 1969/70 to 1972/73 signed by Commonwealth Minister and respective State Ministers except for W.A., with which Bulk Handling Authority (B.H.A.) and Australian Wheat Board (A.W.B.) could not reach agreement on payment of interest on "Non returnable" levies.

1975

May Signing of Agreement for W.A., agreement having been finally reached between A.W.B. and B.H.A. some months earlier.

10 June Letter to Department of Primary Industry (D.P.I.) from A.W.B. advising of terms of amendments to 1969/70 - 1972/73 agreements to form basis of remuneration for three year period 1973/74 to 1975/76. (A.W.B. had reached general agreement on these terms in 1973 but understood action on a new Agreement was to be deferred pending completion of the old Agreements).

1 July D.P.I. memorandum requesting Commonwealth Crown Solicitor (C.S.) to draft new agreements incorporating amendments.

1976

April Meeting between officer of D.P.I. and of Crown Solicitor's Office at which problem was explained of incorporating in Agreements undertaking on part of B.H.A.'s to consult with Board before embarking on major capital expenditure without such provision being back by a sanction.

22 July Memorandum from C.S. to D.P.I. conveying text of proposed consultation clause, making payment of interest conditional on agreement being reached between B.H.A.'s and A.W.B. on capital expenditure.

23 July Draft consultation clause submitted by D.P.I. to A.W.B. for clearance.

13 August A.W.B. advised D.P.I. it was circulating the draft clause to B.H.A.'s for consideration.

15 Dec Letter to D.P.I. from A.W.B. advising that B.H.A.'s would not accept draft clause.

- and advising of general agreement to extension of agreement to cover 1976/77.

1977

- 24 January D.P.I. memorandum to C.S. requesting further consideration be given to incorporation of consultation provision as originally proposed.
- and requesting drafting of year's extension clauses.
- 11 February C.S. memorandum to D.P.I. proposing that consultation provision refer only to submission of B.H.A.'s proposals for capital expenditure, and not a requirement that proposal be agreed by the A.W.B.
- 4 March D.P.I. memorandum to A.W.B. conveying above and suggesting meeting with C.S.
- 2 May Discussion of A.W.B. and D.P.I. officers with Crown Solicitor's officers. Agreement of latter to include a preamble of "recital" incorporating words on consultation.
- 17 June Letter from Auditor General's raising question of Western Australia B.H.A. being an "authority constituted under a State Act" - also raising question of payments being made on basis of expired agreements.
- 22 June Auditor General's queries referred to C.S.
- 12 July First draft of agreement forwarded to D.P.I. by C.S.
- sent immediately to A.W.B. for clearance at meeting with B.H.A.'s on 29 July.
- 22 July Memorandum from C.S. to D.P.I. advising that the 1969-1973 formal agreements as such could not constitute the basis for continued payments after 1 October 1974. Opinion also expressed that it was by no means clear that the B.H.A.'s of South Australia and Western Australia could be said to be authorities constituted by or under a State Act for the purpose of sub-section 40(2) of the Wheat Industry Stabilization Act.
- Proposed that texts of Agreements for these two States be expressed as a determination by the Minister under section 40(1) of the Act as well as an agreement between Ministers.
- 2 August A.W.B. telex advice that B.H.A.'s agreed draft agreements should be sent to Ministers.
- 2 August D.P.I. request to C.S. to draft agreement for submission to State Departments for clearance before final engrossment for signature by Ministers.
- 19 August Drafts sent to D.P.I. by C.S.
- 31 August Drafts sent by D.P.I. to State Departments for clearance.

9 Sept- Clearance from South Australian and Queensland Departments but  
10 Oct amendments suggested by Western Australia, Victoria and Tasmania.

- amendments conveyed to A.W.B. for discussion with B.H.A.'s

4 November Reply from Western Australia advising of minor amendments and disagreement on "determination" aspect.

23 November Clearance from N.S.W.

5 December Western Australia amendments referred to C.S.

- "determination" question referred back to Western Australia for amplification.

#### 1978

9 February Request to C.S. to proceed with final engrossments for Queensland and New South Wales.

27 February Clearance from Victoria.

1 March Clearance from Tasmania.

3 March C.S. requested to engross Victorian agreement.

6 March C.S. requested to engross Tasmanian agreement.

20 March Queensland and New South Wales agreements sent to Minister for Primary Industry.

23 March After signature by Minister for Primary Industry agreements for Queensland and New South Wales sent to States for signature.

30 March Legal opinion re determination received from Western Australia.  
- sent to C.S. for consideration. Western Australian agreement cleared apart from question of determination.

4 April Victorian and Tasmanian agreements sent to Minister for Primary Industry.

10 April Queensland agreement signed by State Minister.

14 April After signature by Minister for Primary Industry agreements sent to Tasmania and Victoria for signature.

3 May CS Memorandum to DPI agreeing that although "not wholly free of doubt" a sufficient case exists for CBH to be regarded as an "authority" under sub-section 40(2) of the WIS Act but that he could not justify a similar conclusion in respect of South Australia without a detailed analysis of the South Australian bulk handling legislation.

12 May DPI Memorandum to CS requesting W.A. agreement be engrossed and a detailed analysis of the South Australian legislation be undertaken as a matter of urgency to determine whether South Australian CBH could also be regarded as an authority under sub-section 40(2) of WIS Act.

Auditor-General's Supplementary Report 1976/77Inquiry into the continuation of payments on the basis of the expired agreements and the reasons for the delay in the preparation of new agreements. Subaission by the Australian Wheat Board.

1. The Board finds no fault in the observations of the Auditor-General and believes his comments to be an accurate statement of the current position.  
The following resumé is submitted as background information for the Committee.
2. Section 40(2) of the Wheat Industry Stabilization Act stipulates that Ministers agree the basis of remuneration, however it has been the practice and custom that the responsibility for negotiation and agreement of remuneration be vested with the Board. For instance, remuneration up to 1968 was negotiated by the Board and an agreement was signed between the Board and the Bulk Handling Authorities, even though the legislation contained the same provisions as the 1974 Act.
3. It was not realised until about 1966 that the Board was acting *ultra vires* in signing such an agreement and since then the Board has negotiated the basis of remuneration for agreement between the appropriate ministers.
4. Whilst a literal interpretation of Section 40(2) places the onus for negotiating and agreeing a basis of remuneration on Ministers, it is our opinion, supported by the Department of Primary Industry, that the only logical means by which a satisfactory basis could be formulated is for the Board to conduct the negotiations with the Bulk Handling Authorities.
5. The Board believes the present provisions of Section 40 of the W.I.S. Act to be quite unsatisfactory and impracticable and it is envisaged that the Industry will be seeking amendment of this Section during the negotiations of a new Act to commence in 1979.

6. It has been the general practice for the respective Ministers to ratify the basis of remuneration as agreed between the Board and the Bulk Handling Authorities: on this premise the basis of remuneration to apply from 1st November 1973 was negotiated and agreed between the Board and the Bulk Handling Authorities in April 1973. This agreement was reached after protracted negotiations and is evidenced by a joint letter dated 5th April 1973 (Co-operative Bulk Handling Ltd, Western Australia were not completely satisfied with the wording of the clause to cover capital expenditure, however, this matter was mutually agreed shortly thereafter).
7. This agreement contained the basic principles agreed in 1969, subject to the following changes:-

- (a) The inclusion of a clause covering capital expenditure -

*"Having regard, among other things, to an agreement that has been made between the Board and the Authority that when the board of the Authority proposes substantial capital expenditure on a major installation such as an installation at a port or a sub-terminal and before any final decision is taken by the Authority and/or by the responsible Minister of the State concerned, the proposal will be submitted for the consideration of the Board with a view to reaching agreement between the Board and the Authority as to the necessity and justification for the expenditure."*

- (b) The inclusion of a clause on operating expenses -

*"The Authority shall provide to the Board, in respect of any operating cost that is included in a request or claim by the Authority and is considered by the Board to be abnormal, such information as the Board may at any time request."*

- (c) The reduction in the hiring charge from 14% to 1% on facilities associated with grain handling.



8. These changes were advised to the Department of Primary Industry for incorporation in a new agreement, however as the 1969-73 agreement had not been framed into an acceptable legal document appropriate for Ministerial signature, we understood that no action on the new agreement was contemplated until after the earlier agreements were finalised.
9. In reply to the first matter raised in the second paragraph of your letter, we would advise that payments have not continued in accordance with the 1969-73 agreement; but rather payments have been made in accordance with the understanding reached between the Board and the Bulk Handling Authorities in April 1973.
10. This course of action was selected out of the three available alternatives, i.e. -
  - i. to continue payments based on the old agreement;
  - ii. to not pay at all until a new agreement was signed by Ministers; or
  - iii. to pay on the basis negotiated by the Board with the Bulk Handling Authorities.
11. You will appreciate that two of the changes detailed above, i.e. 7 (a) and (b), are of a nature that does not affect the amount of remuneration payable. The effect of the change to the hiring charge rate resulted in a reduction of the amount of remuneration payable.
12. As only wheatgrowers' funds are involved, the Board was not prepared to continue to pay amounts in excess of that agreed upon by the parties, even though a retrospective adjustment may have been made at a later date.
13. With hindsight this decision was the only practical one that could have been made, as to date the agreements by Ministers have yet to be signed. To have continued reimbursing the Bulk Handling Authorities on the 1969-73 basis would have precluded the Board from finalising the 73/74, 74/75 and 75/76 Pools, until after Ministerial agreement was reached. Such an untenable situation would be unacceptable to the Industry.

14. Reverting now to the second part of your question, we would advise that the Board shares the concern of the Committee and views the unsatisfactory non-completion of the agreements as a serious situation. The Board over the period of time has expressed its concern on this matter on many occasions. Whilst we have frequently contacted the Department of Primary Industry and are aware of the main problems encountered by the Legal Draftsman and the minor changes suggested by the States in placing the agreements into suitable legal format, we do not have the specific information to satisfactorily answer your question.

21st March 1978.

| Year    | Capital Funding                               |  |
|---------|---|--|
|         | Recurrent Funding<br>Appropriation Bill No.1. | Appropriation Bill No.2. Civil Works Program |
| 1971/72 | \$2,988                                       | \$100  |
| 1972/73 | \$246,017                                     | \$2,212,266                                  |
| 1973/74 | \$970,923                                     | \$2,063,351                                  |
| 1974/75 | \$2,846,000                                   | -  |
| 1975/76 | \$4,594,000                                   | -  |
| 1976/77 | \$4,801,000                                   | \$345,703 (1)                                |
| 1977/78 | \$6,072,000                                   | \$876,177 (1)                                |
| 1978/79 | \$6,666,000                                   | \$2,342,222 (2)                              |

- (1) Funded through Darwin Reconstruction Commission.  
(2) Unexpended Balance of Program as at 30.6.1978

JOINT COMMITTEE OF PUBLIC ACCOUNTS      APPENDIX 4B.  
INQUIRY INTO AUDITOR-GENERAL'S SUPPLEMENTARY REPORT  
1976-77

ADDITIONAL INFORMATION REQUESTED BY COMMITTEE AT ITS HEARING IN DARWIN ON TUESDAY 1 AUGUST 1978. JOINT SUBMISSION BY DEPARTMENTS OF FINANCE AND EDUCATION AND THE DARWIN COMMUNITY COLLEGE

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SUMMARY OF TRANSACTIONS LEADING TO THE APPROVAL OF PRO-FORMA FINANCIAL STATEMENTS FOR THE DARWIN COMMUNITY COLLEGE (D.C.C.)  
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- |                  |  |
|------------------|--|
| 26 April 1974    | The Auditor-General's Darwin Office wrote to the College Principal asking the College to obtain written legal advice on three points (copy of letter attached).  |
| 20 June 1974     | The College sought advice from the Crown Law Officer, Darwin.  |
| 26 June 1974     | The Crown Law Officer responded to the College's request (copy of letter attached).  |
| 12 August 1974   | The College wrote to Treasury concerning the College's responsibility to submit audited annual financial statements and requested information about the precise wording of the 1973/74 appropriations to the Department of Education for expenditure on the College. This information was sought to enable the Crown Law Office to provide an opinion on the liability of the College to provide audited financial statements for that period. |
| 2 September 1974 | The Treasury provided the information sought and sent a copy of its response to the Department of Education.   |

- 29 November 1974      The College wrote to the Department of Education concerning the need to furnish financial statements and advising that the Auditor-General's Office had been pressing for the statement for the period ended 31 December 1973. The College sought approval of the Minister for Education to employ a firm of Accountants to write up assets registers and post all ledgers in a form acceptable to the Auditor-General's Office.
- 6 December 1974      The College submitted to the Department of Education a draft set of pro-forma statements and asked that approval to these be sought from the Treasurer. The College also sent copies to the Auditor-General's Office, Darwin on 9 December 1974.
- 8 January 1975        The Minister for Education approved the College's request, of 29 November 1974, to employ a firm of accountants to re-write the College's financial records.
- 9 January 1975        The Department of Education sent pro-forma financial statements based on accrual accounting to Treasury and asked whether they would be an acceptable form for use by the College. The pro-formas were circulated to Treasury Divisions with responsibilities in the matter for examination and comment. Detailed suggestions were completed by early March.

10 March 1975

The Treasury wrote to the Department of Education suggesting a number of amendments to help ensure that the statements accorded with current financial reporting standards and to eliminate some minor inconsistencies in the draft. A copy of the Treasury response was forwarded to the College by the Department of Education.

7 April 1975

A telephone enquiry by Treasury to the Department of Education indicated that changes were being made by the College to the pro-forma statements.

18 April 1975

College responded to the Department of Education on the Treasury memorandum of 10 March 1975. The College stated that it was in general agreement with the form suggested. The College suggested that the Bursar visit Canberra for further discussion with Treasury officials.

22 April 1975

The Auditor-General's Office, Darwin wrote to the College making a number of suggestions about the pro-forma statements and related schedules and reminding it of urgency attaching to finalisation of pro-forma financial statements.

26 May 1975

Meeting between College and Treasury representatives to expedite finalisation of pro-forma statements. It was decided that the College would submit revised statements incorporating suggestions discussed at the meeting.

- 22 August 1975      The Treasury wrote to the Department of Education asking when the revised pro-formas discussed on 26 May would be available from the College.
- 22 August 1975      Following the discussion on 26 May 1975, the College prepared and sent to the Department of Education (copy to Auditor-General's Darwin Office) a set of completely revised pro-forma statements. These were based on accrual accounting. The Department of Education forwarded the statements to the Treasury seeking approval to them on 28 August 1975.
- 27 August 1975      Memorandum from the Auditor-General's Office, Darwin to its Head Office, Canberra suggesting various amendments. It referred to difficulties being experienced by the College in reconstructing transactions for 1973 and 1974. It also referred to suggestions put to the College inter alia that satisfactory working papers, asset registers, valuations and accounting records should be established to support items included in the forthcoming financial statements.
- 28 August 1975      Memorandum from the Department of Education to Treasury attaching revised pro-forma statements. These pro-formas were referred to Divisions in Treasury for comment.

- 11 September 1975 Minute of Auditor-General's Office sent to Treasury setting out further detailed comments on the pro-forma statements and suggesting that the pro-formas should allow for these comments. It canvassed such matters as provision for doubtful debts, the inclusion or deletion of a separate detailed format for student residences, non-depreciation of assets, and the exclusion of items from the statements till actual transactions necessitated their inclusion etc; it also expanded the views of both the Auditor-General's Office, Darwin and the College.
- 15 September 1975 Minute of Auditor-General's Office to Treasury commenting on earlier minute of 11 September and setting out further considerations to be taken into account in the draft pro-formas.
- 22 December 1975 Memorandum from Treasury to Auditor-General's Office incorporating all suggested amendments that it had obtained from the parties involved, including Treasury, and seeking its views.
- January 1976 Discussions were held between Treasury and Auditor-General's Office on the suggested amendments.
- 4 February 1976 Memorandum to the Department of Education from Treasury attaching draft pro-forma statements and stating that it understood them to be a consensus view of Education, the College, Treasury and Auditor-General's



Office. The memorandum sought final clearance from Education and the College before submitting the statements to the Treasurer for approval.

12 February 1976

Memorandum from Auditor-General's Office concerning Treasury's memorandum of 22 December. This memorandum contained further proposals for amendments. It also raised the possibility of providing different pro-formas to cover an earlier period under Department of Education's accounting control (July-December 1973).

1 March 1976  
and  
5 March 1976

Meeting between Treasury and Auditor-General's representatives to finalise views on pro-formas. (Outcome cleared by Treasury Divisions on 19 March 1976.)

1 April 1976

Memorandum to Auditor-General's Office from Treasury which referred to discussions aimed at finalising pro-formas in a format agreeable to all parties. This memorandum asked formally for final clearance.

15 April 1976

Memorandum to Department of Treasury from Auditor-General's Office indicating pro-formas generally acceptable and suggesting further minor improvements. (Further Treasury Division clearances were sought concerning these amendments.)

29 April 1976

Memorandum from Department of Treasury to the Department of Education stating that pro-formas were in a form acceptable to Auditor-General's Office and Treasury and seeking final clearance.

- 11 June 1976 Memorandum from Department of Education to Treasury stating that statements attached to memorandum of 29 April 1976 were acceptable to that Department. This memorandum was date-stamped as having been received by Treasury on 29 July 1976. The reasons for this time discrepancy are not known.
- 18 August 1976 Treasurer approved pro-forma statements on an accrual basis.
- 26 August 1976 Memorandum from Department of Treasury to Department of Education advising of Treasurer's approval - copy to Auditor-General's Office. This was sent by Education to the College on 30 August 1976.
- 31 August 1976 The Chairman of the College Council wrote to the Treasurer seeking urgent approval to the form of financial statements (this would have crossed with Departmental advice to the College of the approval given by the Treasurer on 18 August 1976).
- 17 December 1976 Letter from the Auditor-General to the Minister for Education pointing out that the financial statements of the College for 1973, 1974 and 1975 had not yet been submitted in the approved form for audit.
- 25 January 1977 The College submitted draft financial statements for 1973, 1974 and 1975 to the Auditor-General's Office, Darwin. During Audit's examination of the statements it became apparent that they did not meet the requirements of the approved accrual accounting format.
- 21 July 1977 Memorandum from College to the Department of Education indicating that it was unable to produce financial statements for 1973, 1974 and 1975 in accordance with the approved format (accrual accounting). Education

was asked to approach Finance to obtain approval for a modified format on a cash accounting basis for each of the three years mentioned above.

- 26 August 1977 Memorandum from the Department of Education to Finance, requesting approval for the modified format to be used for the financial statements for 1973, 1974 and 1975.
- 6 September 1977 Memorandum from the Department of Finance to Auditor-General's Office seeking their views on the modified form of financial statements. (Interested Divisions in Finance were consulted on the same date.)
- 13 September 1977 The Chairman of the College Council wrote to the Minister for Education asking him to approach the Treasurer for an urgent approval to the modified format.
- 17 October 1977 Memorandum from Auditor-General's Office to the Department of Finance raising no objection to the modified financial statements for the years 1973, 1974 and 1975, but suggesting some minor alterations. (Discussions were held between Education, Finance and Auditor-General's Office on the modified statements.)
- 28 October 1977 Minister for Education responded to the Chairman of the College Council and indicated that approval would be forthcoming in the near future.

28 November 1977 Minister Assisting the Treasurer approved the preparation of financial statements for the 1973, 1974 and 1975 accounting years on the modified (cash accounting basis), as an interim measure.

7 December 1977 Memorandum from the Department of Finance to Auditor-General's Office, advising of the approval of the Minister Assisting the Treasurer of the modified financial statements for 1973, 1974 and 1975 as an interim measure.

8 December 1977 Memorandum from the Department of Finance to the Department of Education, advising of the Minister's approval of the modified statements for the 1973, 1974 and 1975 accounting years only.

The College was to be informed that the pro-forma statements originally approved on 18 August 1976 (accrual accounting basis) were to be used for the 1976 accounting year onwards. This advice was conveyed to the College Council by the Minister for Education by letter on 15 December 1977.

26 January 1978 The College wrote to the Department of Education requesting it to obtain approval to use of the modified format for 1976 and 1977. This was sought because the College used cash accounting systems up to 31 December 1977.

7 February 1978

Memorandum from the Department of Education seeking approval to use the modified format (approved for the years 1973, 1974 and 1975) for the 1976 and 1977 accounting years also. This memorandum expected that statements for 1973, 1974 and 1975 were to be available by the end of February 1978 and those for 1976 and 1977 to be available shortly after if modified format could be extended to the latter years.

14 February 1978

The Minister for Education wrote to the Auditor-General seeking his support for the use of the modified format for 1976 and 1977.

28 March 1978

Minister for Finance approved the extension of the modified (cash accounting) form of financial statements to the 1976 and 1977 accounting years, on condition that the originally approved accrual-based format would be used for the annual financial statements as from 1978.

5 April 1978

Memorandum from the Department of Finance to the Department of Education advising of the Minister for Finance's approval to the continued use for 1976 and 1977 of the modified statements. This memorandum also sought an assurance that for 1978 onwards the statements would be prepared in the originally approved accrual accounting format.

6 April 1978

Telex from the Department of Education to the College advising of the Minister for Finance approval and seeking an assurance that 1978 statements would be based on accrual accounting in the format originally approved.

7 April 1978

Telex from the College to the Department of Education conveying the assurance sought by the Department of Finance.

26 April 1978

Memorandum to Department of Finance from the Department of Education indicating that the accrual-based format would be used by the College for 1978 and subsequent years.

The Principal  
Darwin Community College  
DARWIN N.T. 5790

Darwin Community College Ordinance 1973

During a visit to the College on 8 March 1974 the Director of Audit, Mr J. Dollahan, discussed with the Registrar, Mr P. Tedder, and the Bursar, Mr P. Flannory, the question of the College being required under the provisions of the abovementioned Ordinance to maintain a bank account and to keep proper accounts and records.

2. As you are aware the Ordinance came into operation on 19 July 1973 and this Office is concerned that the provisions of sections 25, 27, 28 and 30 may not have been complied with. It would be appreciated, therefore, if you would obtain written legal advice on the following matters -

- (a) Should the College have opened and maintained a separate bank account from 19 July 1973?
- (b) Should the Interim Council have caused to be kept proper accounts and records from 19 July 1973? Should such accounts have been kept separate from the Treasury system of accounting?
- (c) Is it required that the report and financial statements referred to in section 30 should be prepared for the period 19 July 1973 to 31 December 1973 as soon as practicable after the latter date even though the Minister has agreed that 'the first report' should be provided 'as soon as possible after 31 December 1974'? If not, will the report and statements then cover the period 19 July 1973 to 31 December 1974?

3. The Auditor General, having been duly appointed the auditor of the College, has responsibility under the Ordinance to report certain matters to the Minister. Consequently I would be grateful if you would obtain the legal advice as soon as practicable and advise this Office of the outcome.

R.J. PARKER  
Acting First Assistant Auditor General

Postal address:  
Crown Law Officer,  
P.O. Box 1722,  
DARWIN, N.T. 5794

Crown Law Office,  
Law Courts Building,  
Mitchell Street,  
DARWIN, N.T.

Our Ref. 74/2/551/2  
Your Ref. HED/h1 74/90

26 June 1974

The Principal  
Darwin Community College  
P.O. Box 40146  
CASUARINA, N.S.W. 5792

Dear Sir,

AUDITOR-GENERAL'S REQUEST FOR ADVICE

I have your letter dated 20 June 1974 (folio 35 refers) in which you enclosed a copy of a letter from the Auditor-General requesting legal advice on the following matters:-

- (a) Should the College have opened and maintained a separate bank account from 19 July 1973?
- (b) Should the Interim Council have caused to be kept proper accounts and records from 19 July 1973? Should such accounts have been kept separate from the Treasury system of accounting?
- (c) Is it required that the report and financial statements referred to in Section 3D should be prepared for the period 19 July 1973 to 31 December 1973 as soon as practicable after the latter date even though the Minister has agreed that 'the first report' should be provided 'as soon as possible after 31 December 1974'? If not, will the report and statements then cover the period 19 July 1973 to 31 December 1974?

The answers to the questions raised by the Auditor depend upon certain information which is not yet in my possession. The first question asks whether the College should have opened and maintained a separate bank account from the the 19 July 1973. I understand from Mr Dalton that no bank account was in fact opened but that the reason why a bank account was not opened was that no money was ever handled by the Interim Council other than certain moneys related to the Adult Education Centre which was taken over by the Council. For these last mentioned moneys the existing bank accounts were used and provided the necessary records.

The answer to the question whether there should have been a bank account depends upon the answer to the question whether the money which was paid by the Education Department should have been paid to the Council and



paid out again by the Council for the various matters which required payment. I have been unable to find in the Ordinance any requirement placed upon the Commonwealth or the Education Department to pay money to the Interim Council. There are set out in the Ordinance various powers and functions of the College and of the Council and it is clear that the Council had power to pay money for the purposes set out in the Ordinance if it received money for this purpose. According to my instructions no money was ever received by the Council and therefore, no money could have been paid. It is evident that a bank account with no money in it is of no value or purpose.

I have not been instructed on the precise wording of the appropriation by which money was made available to the Department of Education for expenditure on the College. It is possible that the appropriation was so worded as to require the money to be expended by the Interim Council of the College but, in the absence of evidence to the contrary, I assume that the Department has acted in accordance with the authority given to it and has spent the money for the purpose of the College with the approval of the Interim Council and by the Authority of the Australian Government. If this is so, then there would have been no power in the Interim Council to require the Department of Education to pay the money to the Council for expenditure and there would have been no duty upon the Department to make such a payment. The money paid by the Department would, in fact, have been dealt with in accordance with normal Commonwealth account procedures, subject to audit and there would appear to be no question concerning its proper use.

The Auditor-General has asked whether the Interim Council should have caused proper accounts and records to be kept after 19 July 1973. This is a requirement of the Ordinance and was required to be done but as the Interim Council had no moneys under its control during the period from 19 July 1973 until 31 December 1973 the requirements of the Ordinance could be met by accounts which indicated no receipts and no disbursements.

The final question of the Auditor is whether the reports and financial statements referred to in Section 30 should be prepared for the period 19 July 1973 to 31 December 1973 as soon as practicable after the latter date although the Minister has agreed that "the first report should be provided as soon as possible after 31 December 1974". This question may not be significant as no funds were held by the Council for that period but the requirements of the Ordinance are that the Council prepare and furnish to the Minister a report and financial statements as soon as practicable after 31 December 1973.

The Ordinance requires a report and financial statements for the period 19 July 1973 to 31 December 1973 and the Auditor is required by sub-section (2) of Section 30 of the Darwin Community College Ordinance 1973 to report to the Minister on the matters referred to in paragraphs (a), (b), (c) and (d) of that sub-section. As the report required to be furnished for the period concerned could be a brief report dealing with the initial undertakings begun by the Australian Government for the purposes of enabling the College to commence operations, there does not appear to be any great difficulty in supplying an adequate report for the purposes of complying with the section. The financial statements would show that no money

had been received or paid in respect of the matters handled directly by the Education Department and the Auditor would be able to report to the Minister that there has not been a departure from the requirements of the sub-section.

I mention, however, that it appears to me to be desirable for the College to have on record details of the expenditure made on its behalf by the Australian Government and although there is no specific requirement in the Ordinance that these details be furnished it appears to me that in order to provide a complete report at 31 December 1974 at which date the Minister may be taken to expect to receive a comprehensive statement of accounts and report the Council needs to be supplied with detailed particulars of the expenditure made on its behalf by the Government.

Yours faithfully,

(sgd) D. Patience for

(C.J. O'SULLIVAN)  
Crown Law Officer

"JOINT COMMITTEE OF PUBLIC ACCOUNTS

Exhibit No. 171/AGSR/4

Inquiry into the Auditor-General's Supplementary Report 1976/77

Submission by the Darwin Community College"

1. Introduction

- 1.1 Until the formation of the Darwin Community College, the Northern Territory was an educationally underprivileged area. Representations made by the Darwin Community were responsible for the Federal Minister for Education commissioning a study. In 1968 the Director of Technical Education in South Australia, Mr. Max Bone, undertook the educational survey of the area and reported that a community college would meet the community's varied educational requirements.
- 1.2 In 1969 a Planning Committee was formed and recommended that \$4.5 million be spent on a comprehensive post-school institution to provide for education needs in a wide range of fields at varying levels. The Planning Committee became the Interim Council in 1971 and, in 1972, Mr. Joseph Flint was appointed as the first Principal and construction of the College began.
- 1.3 The College was established by Northern Territory of Australia Ordinance No. 42 of 1973, which was assented to on 12 July 1973 and gazetted on 19 July 1973.
- 1.4 The College Registrar (Mr. Peter Tedder) was appointed on 11 December 1972 and senior academic staff took up duties progressively throughout 1973. On 7 November 1973 a Bursar (Mr. Robin Flannery) was the first person with expertise in finance appointed to the College staff and he assumed responsibility for development of the College finance system.

- 1.5 The College accepted its first enrolments on 4 March 1974 and was opened officially a week later.
2. Financial Administration prior to June 1974
- 2.1 Capital funds for the construction of the College buildings and services were included in the Civil Works Program of the Department of Education. The project was supervised by the Department of Housing and Construction. Initial requirements for hard and soft furnishings were also funded in this manner.
- 2.2 Funds for running expenses and plant and equipment were appropriated to the Department of Education and the College operated under the Department's votes in 1973/74.
- 2.3 From the appropriations, advances of \$200,000 were made to the Department of Further Education, South Australia, for the purchase of teaching equipment and classroom materials.
- 2.4 Transactions under the above arrangements were processed under the Treasury accounting system. Early in 1974 Mr. E. J. Dollahan of the Auditor-General's office expressed the view that the arrangements may not be considered "proper accounts and records of transactions and affairs of the College" as required by Section 28 of the Darwin Community College Ordinance.
- 2.5 The College took action and established its own accounting system and financial rules from 1 June 1974. The unexpended balances of funds appropriated to the Department of Education were paid to the College in June 1974.

3. Financial Administration subsequent to June 1974

- 3.1 During the 1974/75 financial year funds were appropriated to the College for running expenses and the College expended through its own accounting system with Salaries being processed on the Treasury computer as used by the Australian Public Service.
- 3.2 This method of funding has continued to date.
- 3.3 During 1974/75 financial year funds were appropriated to the College for approved capital programs, including major building projects, minor new works and purchase of plant and equipment, and the College expended through its own accounting system.
- 3.4 In respect of minor new works and plant and equipment the method of funding has continued to date. The College was funded directly for major capital programs in 1975/76 but in 1976/77 and 1977/78 the Darwin reconstruction Commission administered funds for College major capital projects.
- 3.5 An additional \$60,000 was advanced to Department of Further Education, South Australia, in 1974/75 plus \$16,349 in 1976/77 and \$4,196 in 1977/78 - making a total of \$280,545. Expenditure of the advances by the Department has been reconciled against equipment and materials received by the College.

4. Financial Statement : Approval of Format

- 4.1 In accordance with Section 30 (1) of the Ordinance, the College Council is required to furnish to the Minister for Education a report of College operations for the previous year "together with audited financial statements in respect of that year in such form as the Treasurer approves."

- 4.2 On 6 December 1974 the College submitted to the Department of Education a set of pro-forma financial statements and requested that the approval of the Treasurer be obtained. The statements were modelled on those used at Canberra College of Advanced Education and provided for accrual accounting.
- 4.3 The statements were onforwarded to The Treasury on 9 January 1975 and that Department provided comments in a letter dated 10 March 1975. The comments were discussed by the College Bursar and Treasury officials in June 1975 and re-submitted on 22 August 1975 to the Department of Education in a revised format together with comments on changes that had been incorporated therein.
- 4.4 Early in 1976 a further revised pro-forma prepared by Treasury officials was discussed in Canberra by the College Bursar with officers of The Treasury, Department of Education and Auditor-General's office and agreement was reached as to a format that the statements should take.
- 4.5 Advice that the Minister assisting the Treasurer had approved a slightly revised format was received by the College on 30 August 1976 and the College proceeded to prepare the 1973 and 1974 financial statements in the format ultimately approved.

Audit of the Financial Statements : 1973 to 1975

- 5.1 On 25 January 1977 the College submitted draft 1974 Financial statements to the Auditor-General's office in Darwin.

- 5.2 During the course of the audit it became apparent that the College could not produce financial statements based on accrual accounting for the following reasons :
- (a) As the College did not assume responsibility for its own financial affairs until June 1974 it is unable to establish the value of creditors outstanding as at 31 December 1973;
  - (b) In December 1974 the entire financial records were thrown into chaos through the cyclone and, due to lack of staff, 1974 creditors were paid throughout 1975 making it a difficult task to establish in retrospect those outstanding as at 31 December 1974;
  - (c) When College transactions were processed through the Department of Education on the Treasury accounting system, the dissections of expenditure were rather broad and did not produce the detail required for the approved format of the financial statements;
  - (d) Legal opinion has thrown doubt on the requirement for the College to account for transactions made on its behalf by the Department during the transition period.
- 5.3 To overcome the problem it was decided on 21 July 1977 to seek approval for a modified format of financial statement based on cash accounting as opposed to accrual accounting.
- 5.4 On 15 December 1977 the College received advice that the Treasurer had agreed to the modified format for 1973, 1974 and 1975.

- 5.5 On 6 April 1978 the College submitted Financial Statements to the Auditor-General's office, Darwin, in respect of the period 19 July 1973 to 31 December 1973 and the year ended 31 December 1974. The statements were returned on 21 April 1978 with several comments as to detail and negotiations with the Chief Auditor are proceeding.
- 5.6 The 1975 Financial Statement has been prepared and is the subject of preliminary discussion between the College and the Auditor-General's office. It is anticipated that the statement will be submitted formally to the auditor during May 1978.

6. Audit of Financial Statements : 1976 and 1977

- 6.1 Following discussions with representatives of the Auditor-General's office in Darwin and Canberra, it was agreed that the College was not in a position to produce the 1976 and 1977 Financial Statements based on accrual accounting. (This does not mean that the College records are deficient in any way but the system used until 31 December 1977 was on the basis of cash accounting).
- 6.2 On 26 February 1978 the College proposed to the Department of Education that an approach be made to the Treasurer on behalf of the College with a view to obtaining approval to continue the use of the modified format for 1976 and 1977.
- 6.3 Advice was received on 6 April 1978 that the Minister for Finance had approved the use of the modified format for the 1976 and 1977 Statements, conditional upon the College giving an undertaking that the 1978 statements will be prepared in the format originally approved. The College accepted the condition and advised accordingly.



6.4 From 1 January 1978 the College has implemented a system of accrual accounting so that it can revert to the format originally approved when preparing the 1978 Financial Statements.

7. Witnesses

If a witness is to appear before the Committee, the College advises that the Business Manager (Mr. Robin Flannery) is available to attend. Should the Committee wish to be informed about other aspects of College operations, other witnesses can be made available.

Darwin

28 April 1978

Inquiry into the Auditor-General's Supplementary Report 1976/77Further Submission by the Darwin Community College'

Exhibit No. 171/AQSR/5

1. The Educational Role of the College

- 1.1 The educational role of the College as originally envisaged is outlined in Section 5 of the Darwin Community College Ordinance 1973 which states :

The functions of the College are -

- (a) to conduct an institution for the provision for Darwin and such other parts of the Northern Territory as the College considers necessary or desirable of education and training of such kinds, in such fields of science, technology, the arts, administration, commerce and other fields of knowledge or the application of knowledge, as the Council, with the approval of the Minister, determines, or as the Minister requires;
- (b) to make assessments from time to time of the kinds, fields and levels of education and training that, in its opinion, should be provided by the College to meet the educational needs of the Northern Territory; and
- (c) to use the facilities and resources of the College to advance knowledge and skills in the fields in which the College is concerned.

- 1.2 In order to achieve its purpose, the College has developed as a multi-level, multi-purpose institution operating throughout the Northern Territory. The College is currently organised into six Schools. These are :-

School of Australian Linguistics  
School of Business and Management  
School of General Studies  
School of Technology and Science  
School of Trades  
School of Creative and Applied Arts

These Schools are supported by the services of Central Administration and a Learning Resource Centre. The College also operates a College at Alice Springs (the Alice Springs Community College), and annexes at Katherine, Nhulunbuy and Tennant Creek (through Alice Springs).

- 1.3 Courses operate in advanced education and TAFE areas and the levels of offerings include Post Graduate Diploma, Degree, Diploma, Associate Diploma, Certificate and Trade Apprenticeships. A wide ranging non-award programme covering recreational and general interest courses also operates.
- 1.4 The Council of the College has recently re-considered the role and purpose of the College and endorsed the attached Statement of Purpose which identifies a wide range of broad goals and specific objectives related to students, courses, the community, research and administration.
- 1.5 In order to achieve the goals as outlined in this Statement of Purpose, it is apparent that the College will continue to operate as a multi-level institution. It is likely, however, that the future will see a concentration in some new areas which have to date been relatively underdeveloped. Of particular importance is the whole field of post-secondary aboriginal education and training. Other areas currently under consideration by the College are mining, tourism and to a lesser extent fisheries. Although formal award programmes will continue to play an important part in the future development of the College, continuing and recurrent award programmes will become increasingly important.
- 1.6 In terms of future structure it is possible that the College could develop a Special School of Aboriginal Education and Training to coordinate the whole range of course offerings to aboriginal students. A School or Unit of Continuing Education to provide for the 'remote' and non-award student may also develop in future years.

2. Relationship between the College and the Department of Education on funding and preparation of estimates

- 2.1 Section 26 of the Darwin Community College Ordinance relates to estimates and expenditure and reads as follows :
- (1) The College shall prepare estimates, in such forms as the Minister directs, of its expenditure for each financial year and for such other period (if any) as the Minister directs and shall submit those estimates to the Minister not later than such date as the Minister directs.
  - (2) Unless as otherwise approved by the Minister, moneys shall not be expended by the College except as in accordance with those estimates.
- 2.2 Estimates are endorsed by the College Council prior to submission to the Minister. The College has no formal relationship with the Tertiary Education Commission and the Minister relies upon the advice of his Departmental officers who liaise with College personnel on matters of detail. Recommendations are then made to the Minister on College submissions and the College estimates form part of the departmental submission to Department of Finance.
- 2.3 The Department also acts as a link between the College and Department of Finance when further details and explanations are required for estimates. In June of each year budget discussions are held between College staff and officers of the Departments of Education and Finance and tentative agreement is reached on a level of funding for the next financial year.
- 2.4 The level of supply funding is negotiated through the Department of Education. Warrant authority of supply and appropriation funds is obtained through that Department and deposited with the Reserve Bank of Australia in Canberra for transfer to the College account at the Darwin Branch.

3. Relationships between the College and the Tertiary Education Commission on funding

- 3.1 The College has no formal relationship with the Tertiary Education Commission but the Minister for Education has foreshadowed that the College will be made a responsibility of the Commission at some future date. Preliminary discussions were held early in 1978 between the Chairman of the Commission, Secretary of the Department of Education and the College Principal.
- 3.2 As of June this year, the College has started to supply information to the Commission with a view to the Commission taking responsibility for the College from January 1980.
- 3.3 On behalf of the Minister, the Secretary of the Department of Education has asked the Commission to provide advice on College capital development programs although it will not have responsibility for College projects until some later date.
- 3.4 A future method of funding will not be formalized until arrangements with the Northern Territory Government are determined.

4. Internal Audit

- 4.1 An Internal Auditor was first appointed in December 1976. The incumbent is an Associate member of the Australian Society of Accountants and holds a Bachelor of Business.
- 4.2 Whilst responsible to College management, the Internal Auditor does work closely with the external auditor in the design and implementation of his program.

5. Staffing - Academic and Administrative

- 5.1 For the year ended 30 June, 1978 the College operated with a staff ceiling of 247 full-time positions and some 240 part-time staff as follows :-

## 5. 5.1

|                           | <u>Full-Time</u> | <u>Part-Time</u> |
|---------------------------|------------------|------------------|
| Academic Departments      | 137              | 162              |
| Central Administration    | 52               | 4                |
| Learning Resources Centre | 38               | 6                |
| Alice Springs             | <u>20</u>        | <u>68</u>        |
| TOTAL                     | 247              | 240              |

- 5.2 For the year to 30 June 1979, the ceiling for full-time staff will increase to 269 with only two of the extra positions being allocated to non-academic areas. The existing level of part-time employment should continue at the 1978 level.
- 5.3 Salaries for full-time teaching staff are determined by the Minister for Education in line with the Academic Salaries Tribunal (for lecturers in the advanced education area) and Commonwealth Teaching Service (for lecturers in the TAFE area). This has caused some administrative problems and the College has submitted a proposal to the Minister recommending that a common salary scale should apply to teaching staff throughout the College.
- 5.4 Hourly rates for part-time teaching staff are determined by the Minister and follow closely the rates paid by institutions in the A.C.T. and depend upon the level of the course involved.
- 5.5 Within Central Administration and the Learning Resources Centre, Australian Public Service rates of pay apply to staff with the exception of several senior officers whose salaries are based on academic pay scales.

6. Student Accommodation - Funding

- 6.1 Cyclone Tracy devastated 72 units of single accommodation on Casuarina campus. Temporary repairs were made in 1975 to accommodate staff on an emergency basis but, due to structural deficiencies, no permanent rebuilding took place and the remains were demolished in 1977.

- 6.2 Following the cyclone it was decided to locate the School of Australian Linguistics at Batchelor, a town 100 km. from Darwin. Three demountable office/classroom blocks were built, together with 7 three-bedroom houses for student accommodation.
- 6.3 Funding for the houses was provided by appropriation and the contract was administered by the Northern Territory Housing Commission.
- 6.4 The College has incorporated student accommodation in its Casuarina master plan but no time frame has been determined for commencement of design and construction.
7. Particular problems being experienced in the Academic development of financial administration of the College
- 7.1 In Darwin the College conducts its operations on the original campus at Casuarina; in rented premises at Wimmellio and in dilapidated buildings in the city area. Due to cyclone damage of original buildings, the short-term use of demountable accommodation and the need to modify leased premises for purposes for which they were not designed, the accommodation available within the College is far from satisfactory from the aspects of practicality or staff morale.
- 7.2 Government staff ceilings were introduced at a time when the College was starting to develop and to date the College is still unable to offer all academic programs which are considered necessary in view of community demands.
- 7.3 The College academic program is geared to a calendar year whereas funding is provided on the basis of a Government financial year. This creates difficulty in planning of complete annual programs when funding for the second part of the year is not known until mid-year.
- 7.4 Financial and student records are maintained through manual systems and it is desirable for these functions to be computer-based, particularly in view of the increasing demand for statistics from the Tertiary Education Commission. Although the College is able to implement computerized records immediately, there is no guarantee that the College will have a computer beyond 30 June 1979 (it currently leases an ICL 2905) and it would not be prudent to abandon manual systems. Any request for information by internal or external agencies normally presents a time-consuming task.

# STATEMENT OF PURPOSE

## INTRODUCTION

A Statement of Purpose is a general statement of the intentions of the College with regard to the whole range of activities it undertakes. Such a statement requires that the intentions of the College be expressed in terms of meaningful goals and objectives which clearly reflect the philosophy of the College. Where possible such goals and objectives should be stated in such a way that their degree of attainment can be assessed and measured. It is not a statement of priorities; it simply presents a range of goals and objectives towards which the College should strive.

It is apparent that a Statement of Purpose is nothing more than a statement of aspirations. Aspirations change and thus a Statement of Purpose will never be final. It will provide guidance for decision makers who must match the aspirations of the institution with its ability to do the things it seeks to do. A willingness to pursue a purpose and its related goals and objectives must be balanced against the constraints imposed by the scarcity of resources.

Together with changes in aspirations and expectations of the institution, constraints will also change. The decisions of bodies external to the College, particularly those related to finance, have a vital impact on its activities. It is appropriate, therefore, that the contents of the Statement of Purpose be subject to review. Objectives should be monitored on an annual basis or more frequently if necessary; goals and purpose should be reviewed after five years.

## TERMINOLOGY

For the purpose of this document, various terms require clarification.

Goals are broad statements of outcomes the College should seek to attain in order to achieve its overall purpose. Goals must be articulated to encompass the following areas:

- the teaching programmes and courses of the College,
- the community oriented activities provided by the College,
- the activities directed towards the student population of the College,
- the research and related activities of the College,
- the administrative functions of the College.

Objectives are more specific statements of what the College should strive to do in order to achieve its broader goals and overall purpose.

Community is an elusive concept and is a term with distinctly different levels of use. For the present purpose the term community describes the whole complex of relationships between individuals, groups and institutions in the general locality. These relationships are not static and thus the concept of community must be seen as fluid and forever changing.



## COURSE ORIENTED GOALS AND OBJECTIVES

### GOALS

1. To promote the highest possible standards of excellence in the learning process within its courses and programmes.

2. To provide tertiary award programmes which are predominantly vocational in nature and in keeping with the needs of the community served by the College.

To provide non-award programmes directed towards continuing education and its related activities.

To provide award and non-award programmes of varying duration directed towards refresher, retraining and recurrent education.

To provide programmes which enable students to attain the necessary standards for entry to higher levels of education and training.

To provide post-graduate programmes in response to the needs of the national community.

### OBJECTIVES

1. To give due weight to teaching skills and abilities in the selection and promotion of staff.
2. To provide opportunities for staff to further develop their teaching and related skills.
3. Where the demand for places in a particular course or activity exceeds the places available, to review selection procedures for entrance to the College to identify those students most capable of benefiting from that course or activity.
4. To provide students with the opportunity to develop appropriate study techniques and learning skills.
5. To facilitate informed choice by students of courses, units and activities through the provision of pre-entry and on-going counselling and career guidance services.

1. To constantly monitor the employment market to ensure the relevance of courses and course content.
2. To appoint a community co-ordinator to constantly monitor the education and training needs of the community served by the College.
3. To design College courses which are sufficiently flexible to enable students to move from one course to another both within the College and to other institutions with minimum disadvantage.
4. To establish a special administrative unit, department or school within the College to co-ordinate short intensive courses and activities and relate them to on-going programmes within the College.
5. To provide modes of study that permit a useful integration between work and study such as part-time, sandwich, block release or external that are appropriate to the varying needs of the College clientele.
6. To work with other institutions by way of joint-venture courses and programmes to achieve maximum benefit from available expertise and resources.

## GOALS

3. To provide courses and programmes specifically designed to meet the educational and training needs of aboriginal people in Northern Australia and other special groups including migrants, the aged and the unemployed.
4. The College will encourage an innovative and developmental approach to teaching in its courses and procedures.
5. The College will provide, where appropriate, courses and programmes that provide for meaningful work experience.

## OBJECTIVES

1. To provide College-based courses for aboriginals in their own communities as well as courses within the College itself.
  2. To provide courses to train aboriginals for teaching positions in aboriginal schools and aboriginal adult education.
  3. To provide courses for aboriginals directed specifically to the scientific study of aboriginal languages.
  4. To provide courses in cross-cultures for non-aboriginal people who work in constant contact with aboriginal people.
  5. To co-operate with other agencies and Departments involved in aboriginal education and training and with agencies providing financial support for aboriginal programmes.
  6. To provide special courses for migrants in English language and other areas and for other minority groups as needs arise and become identified.
1. To develop within the College a Teaching Assistance Unit which will assist staff in keeping abreast of the latest developments in teaching and assessment methods.
  2. To develop teaching and learning approaches which encourage students to develop as independent learners.
  3. To utilize an appropriate range of assessment methods within an accepted procedure for recording, processing and reporting student results.
1. To appoint a co-ordinator for work experience to provide an informed and aware point of contact between the College and the community.
  2. To identify and organize work experiences relevant to College courses.



## COMMUNITY ORIENTED GOALS AND OBJECTIVES

### GOALS

1. The College will develop appropriate associations with national and international agencies and institutions.
2. The College will seek to work closely with the community it serves in order to identify needs and provide programmes and services in response to those needs.
3. The College will interact with other groups and agencies within the community to develop a concept of the wider educational community.

### OBJECTIVES

1. To provide opportunities for reciprocal visits and staff exchanges with other institutions.
  2. To establish appropriate forms of communications with other institutions both within Australia and overseas.
  3. Where appropriate, to enter into joint venture schemes with other institutions, particularly where this allows members of the community to undertake programmes which might not otherwise be available to them.
1. To appoint a community co-ordinator to maintain constant contact with the wider community in the broadest possible range of areas.
  2. To encourage members of the wider community to participate in the programmes and activities of the College.
  3. To involve members of the wider community on course advisory committees and in periodic reviews of the College's activities and programmes.
  4. To provide facilities which will enable individuals and groups within the community to be aware of and informed about, the activities of other groups within the community concerned with education and training.
1. To make available the physical facilities of the College to individuals and groups within the community.
  2. To establish an office within the College to liaise with appropriate agencies and institutions in collecting information essential for planning College activities and programmes.
  3. To provide a point of contact within the College to enable the community to seek and obtain assistance, advice and consultancy services not readily available elsewhere in the community.
  4. To establish a suitable system within the College to enable College resources to be made available to meet the advisory, consultancy and testing needs of industry, government and the wider community.
  5. To establish a public relations office within the College to disseminate information about College activities and facilities and to handle general community liaison and contacts with the media.
  6. To make available the facilities of the Learning Resources Centre to individuals and groups within the community.



## GOALS

1. The College will provide necessary services to assist students in their personal, social and professional development.
  
2. The College will develop an environment in which free and open discussion between staff and students and within the student population itself is encouraged.
  
3. The College will encourage students to become involved in the operation of the College and contribute to its more effective operation.
  
4. The College will provide experiences which will assist members of the student community to respond to change.

## OBJECTIVES

1. To provide a pre-entry counselling service to assist intending students with career planning and the choice of an appropriate programme.
  2. To provide a continuous counselling service to assist students with personal and study problems.
  3. To provide counselling services to meet the special problems of external students.
  4. To provide assistance to students in the form of work placement.
  5. To provide appropriate recreational, catering, sporting, bookselling and general student facilities within the College.
  6. To organise a health service for students and other members of the College community.
  7. To provide residential facilities for both single and married students.
- 
1. To provide for the co-ordination of staff/student activities.
  2. To provide within the building programme, facilities whereby students and staff can meet informally.
  3. To organize staff/student seminars and forums on a broad range of issues.
- 
1. To provide opportunities for students to appoint representatives on decision making bodies within the College structure.
  2. To provide opportunities for students to submit to appropriate College bodies their views on matters of concern to the College community.
- 
1. To provide appropriate orientation programmes which will assist students to cope with the transition from school to College and work to College.
  2. To provide appropriate courses and activities of an on-going nature which will assist students to cope with their studies.

## RESEARCH ORIENTED GOALS AND OBJECTIVES

### GOALS

1. The College will provide research and investigatory facilities within the College to ensure that courses and activities are in keeping with the changing educational and training needs of the community it serves.
2. The College will encourage relevant research programmes, particularly those of an applied nature, and particularly those directed towards a better understanding of the learning needs of aboriginal communities, initiated by individuals and groups within the College.
3. The College will encourage staff in all departments and sections to undertake programmes and activities directed towards improving their skills and abilities.

### OBJECTIVES

1. To assign responsibility for the development of new courses and initiatives to appropriate committees within the College structure.
  2. To investigate the effectiveness of existing programmes and activities through the appointment of periodic Review Panels.
- 
1. To establish a Research and Liaison Unit within the College.
  2. To provide appropriate financial and other support for the conduct of relevant research and investigation.
  3. To develop appropriate relationships with external funding agencies.
  4. To encourage individuals and groups from outside the region to undertake research activities in Northern Australia.
  5. To inform the wider community of research findings and investigations relevant to the community in which they live.
  6. To use the results of research as a basis for introducing new initiatives.
  7. To encourage seminars, conferences and related activities associated with the research and investigations with which the College becomes involved.
- 
1. To provide the opportunity for staff to participate in staff development programmes both within the College and within other institutions.
  2. To provide necessary financial and other support to permit staff to participate in staff development programmes and undertake work experience and/or study in other places.
  3. To actively encourage staff to contribute to and generally become involved in seminars, conferences and workshops organised both within and outside the College.

## ADMINISTRATION ORIENTED GOALS AND OBJECTIVES

### GOALS

1. The College will provide an administrative system to enable the College to achieve its purpose, goals and objectives.

### OBJECTIVES

1. To encourage effective participation by members of the College and wider community at a variety of levels, in the decision making process.
2. To develop and maintain open and accessible channels of communication within all levels of the College structure.
3. To provide the necessary human and physical support facilities to allow the various Schools, Departments and Learning Resources Centre to achieve the required standards of excellence in teaching, research and other community oriented activities.
4. To review on a regular basis, the effectiveness of administrative services provided within the College.
5. To provide for the review of the purpose and overall goals of the College every four or five years.
6. To provide for the review of the objectives of the College on an annual basis.
7. To review on a regular basis, the role of computer services in the overall administrative programme.
8. To establish and maintain an Administrative Manual of administrative policies, procedures, rules and regulations.
9. To publish an annual report on College activities, finances and statistics to include information provided by Schools, Departments and non-teaching areas.



JOINT COMMITTEE OF PUBLIC ACCOUNTS    APPENDIX 4E  
INQUIRY INTO AUDITOR-GENERAL'S SUPPLEMENTARY REPORT 1976-77

SUBMISSION BY DEPARTMENT OF EDUCATION  
ON ROLE IN FINANCIAL ADMINISTRATION AND FUNDING  
OF THE DARWIN COMMUNITY COLLEGE

Exhibit No. 171/AGSR/7

1. The Darwin Community College was established by Northern Territory of Australia Ordinance No 42 of 1973, which was assented to on 12 July 1973 and gazetted on 19 July 1973.
2. The College was, and still is, unique insofar as it provides courses at all levels of post-school education. This ranges from advanced education through to trade courses for apprentices and non-vocational or hobby courses.
3. At the time of establishment of the College there were three Federal Commissions involved in the funding of post-school education in Australia - the Universities Commission, the Commission on Advanced Education and the Technical and Further Education Commission. The College was primarily a TAFE institution, and because the TAFE Commission did not deliberate on territorial institutions, the Department of Education, under the direction of the Minister, has undertaken the role of advising the Minister on college funding. This includes advice to the Minister in matters of policy and resource priority, a role the Department undertakes across the portfolio generally.
4. With the establishment of the Tertiary Education Commission and developments in self-government for the Northern Territory, a new arrangement for determining College funding levels is contemplated.
5. Under the Ordinance establishing the Darwin Community College the responsibility for the overall functioning of the Colleges rests with its Council. However, the Minister for Education, being the responsible Minister under the Ordinance, has the following role in relation to financial administration of the College.

Section 6(3) Approving contracts involving the payment by the College of an amount exceeding \$100,000.

Section 24(1) Setting fees for courses of study.

Section 26(1) Directing the form in which estimates shall be prepared and the dates of submission.

Section 26(2) Approving expenditure of moneys within the estimates and variations to such estimates.

Sections 29(2) Receiving reports from an auditor and 30(1) appointed by the Treasurer.

6. The Department of Education, in the role of providing advice to the Minister, performs the following functions:

- (1) Arranges, after analysing submissions from the College, the Ministerial approvals required under Sections 6(3), 24(1), 26(1), 26(2) of the Ordinance.

The procedure followed in relation to the foregoing usually takes the form of:

- a. A submission from the College to the Department seeking Ministerial endorsement required under the relevant legislation.
- b. Analysis of the submission by the Department and consultation with the College as required.
- c. Preparation of a covering submission seeking Ministerial endorsement.
- d. Transmission of the Ministerial decision to the College.

- (ii) Acts as a liaison point between the College and the Department of Finance on the estimates of expenditure and arranging the approval of the Treasurer to the form of financial statements.

Arrangement for the provision of funding for the College proceeds along the following lines:

- a. The College submits estimates of expenditure and receipts to the Department.
- b. The estimates are analysed within the Department and points of issue are discussed with the College.
- c. The estimate bids are included under the relevant appropriations (current Item Nos 280/1 and 835/1/05) in the Department's submission of estimates to the Minister and then to the Department of Finance.
- d. The annual estimates bids are discussed between the College officers and the Department of Finance. The officers of the Department participate in these discussions.
- e. The Department generally acts as the liaison point between the College and the Department of Finance on estimates matters.

Similar arrangements have prevailed in relation to the submission of approvals for the form of financial statements, ie the Department has examined the College submission and presented this to the Department of Finance.

- (iii) Examines reports referred to the Minister under Sections 29 and 30 of the Ordinance and recommends

appropriate action on matters arising out of these reports.

7. The Department receives warrant authority from the Department of Finance and arranges payment to the College, on a periodical basis (usually quarterly), of the moneys appropriated by the Parliament for the College.

3 July 1978

JOINT COMMITTEE OF PUBLIC ACCOUNTS : INQUIRY INTO THE APPENDIX 5A  
AUDITOR-GENERAL'S REPORT 1976/77

SUBMISSION BY THE DEPARTMENT OF ABORIGINAL  
AFFAIRS

Exhibit No. 171/AGSR/5

PARAGRAPH 3.1.4 : NORTHERN TERRITORY DIVISION : HOUSING  
RENTAL

The Department of Aboriginal Affairs was not aware of the July 1973 Government decision to increase housing rentals in the Northern Territory to 10% of minimum actual salary or \$25 per week (not exceeding the assessed economic rental) whichever is the lesser, until receipt of advice from the Department of the Northern Territory in a memorandum of 6 March 1974 and a circular to all Commonwealth Departments in the Northern Territory of 11 April 1974. A copy of that circular is at Annexure 'A'. The decision had been promulgated in the Budget Speech of the (then) Treasurer on 21 August 1973 but had not been noted by the Department.

2. An examination of the advice received from the Department of the Northern Territory revealed that there could be no implementation of increased rentals without an assessment being made of the economic rental in terms of the formula laid down. The assessment was to be followed by a Ministerial determination of the rental to be charged in each instance. The advice referred to an Inter-Departmental Committee investigation into the abolition of concessional rentals for Government housing in the Territories, including housing provided through the Northern Territory Housing Commission. The Department was also aware that the Commission was involved in an examination relating to the abolition of concessional rental. These investigations stemmed from the second part of the decision announced by the Treasurer in his Budget Speech : that full economic rentals would apply to Government housing in the Territories.

3. The Department had available only this advice from the Department of the Northern Territory as a guide and efforts by the Department to obtain a copy of the original Cabinet Decision were quite fruitless. Advice from the Department of the Prime Minister and Cabinet in May 1974 was to the effect that it was not possible for a copy of the Cabinet Decision to be released to the Department of Aboriginal Affairs.

4. Thus arose from the implication of the investigations mentioned at paragraph 2, a pre-occupation within the Department as to the possible consequences of the introduction of economic rentals. The Department saw the assessment and application of economic rentals in non-urban and mostly quite remote areas as a substantial deterrent

in the recruitment, but more particularly as a problem in retention, of staff, some of whom lived or would be expected to live in sub-standard accommodation. The economic rental of such housing would be high by the application of the cost formula (details of which are at Annexure 'B'), particularly when the higher construction and maintenance costs of non-urban and remote housing were taken into account. It was seen as especially significant that tenants of such housing would be deprived of the standard of services enjoyed in urban areas for which the formula made no compensation.

5. Such was the measure of the pre-occupation that the matter of an immediate rental increase was set aside but this should be viewed in the light of the total circumstances prevailing at that time and since.

- 5.1 The Department was still relying on the Department of the Northern Territory for coverage of much of its management services functions for some time after its creation as a separate Department. For example, responsibility for accounting functions was not taken over until October 1974 and the supply/stores accounting area was not formed and staffed until October 1975. (Even now the Department is still being served generally in the supply/stores area by the Department of the Northern Territory.) Both of those functions would have had considerable responsibility for the recording of houses under the control of the Department of Aboriginal Affairs and for the implementation of increased rentals and recording of rental payments.
- 5.2 Because of this and the fact that there had been no formal handover, there was much uncertainty over the ownership of houses which the Department formerly controlled as the Welfare Branch of the Department of the Northern Territory. The complexity of the problems of ownership was exacerbated by the need to also identify those houses occupied by officers of other Departments. As late as 19 December 1974 - six days before Cyclone Tracy - the Department was dealing with correspondence from the Department of the Northern Territory proposing handover/takeover stocktakes of assets on which it was still maintaining inventory accounts.
- 5.3 Following the cyclone, which resulted in the complete loss of Department of the Northern Territory asset records, such an immediate handover became impossible. In fact, the formalities involved have still not been completed, but with the Department of Finance concurrence, this Department has striven to establish new asset registers which cover all forms of stores and property assets transferred at the time of creation of the Department. The work involved is currently well advanced.