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 PARLIAMENT OF TASMANIA.
 

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**STANDING COMMITTEE ON PUBLIC ACCOUNTS**


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**REPORT ON ESTIMATES 1965-66**


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*Brought up by Mr. Fraser on Tuesday, September 26, 1967, and ordered by the House of Assembly to be printed.*

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**REPORT.**

Your Committee has examined the Auditor-General's Report for 1966 (Paper No. 44) and, having heard evidence on a number of subjects, desires to report to the House.

**GOVERNMENT PRINTING OFFICE**
**Insurance cover**

In the General Report for 1965-66 (Paper No. 18 of 1966), your Committee drew attention to what were considered to be inadequate insurance covers against fire and workers' compensation risks. Following this Report the Committee was interested to read the following comments in the Auditor-General's Report, page 106:—

Following the comments in my last report and as the result of findings contained in the 1965-66 Report of the Standing Committee on Public Accounts, arrangements have now been made with the Tasmanian Government Insurance Office for insurance covers in respect of workers' compensation and plant and machinery. Existing covers in respect of works-in-progress and stocks of paper and printing materials have remained unaltered, whilst insurance policies for furniture and fittings, fidelity guarantee and loss of profits have not been arranged. The building, which is not vested in the Government Printer, but is a Government building, is not insured.

The improvement in the position as far as workers' compensation and plant and machinery are concerned is noted with satisfaction. However, the Committee felt it necessary to seek the Government Printer's views on other risks. The following is an extract from his statement:—

. . . the following steps have been taken. Firstly, the fire and workers' compensation insurance reserve previously carried internally has been discontinued, and arrangements have been made for the Tasmanian Government Insurance Office to carry workers' compensation insurance to the full value and to cover every member of the staff. Secondly, a fire insurance policy has been taken out on all plant, machinery and equipment in the premises at 2 Salamanca Place. Thirdly, in accordance with representation the Public Works Department, under whose control the responsibility for waste disposal rests, has reduced the quantity of waste to the incinerator and has thereby removed the overloading that had been evident in the past.

The result of transferring insurance covers to the Tasmanian Government Insurance Office has meant a steep increase in insurance costs amounting to \$3,056 per year.

The Auditor-General has again raised the matter of insurance in his report and lays stress on five matters he considers should be investigated, these are dealt with below:—

1. Works in progress is averaged at \$83,915 as per your report to the House and this represents the labour and material involved. It has been pointed out on previous occasions that the major item of cost has been labour and that this is spread throughout the whole of the office. This building is constructed of concrete and brick with steel window frames, fire proof doors isolating each floor, a system of direct fire alarms with the fire brigade and the installation of fire fighting equipment, so that it would be virtually impossible for even a small percentage of this item to be destroyed.

2. Stocks of paper and printing material is insured for \$140,000, which includes \$40,000 on stocks in the bulk store. The stock figure for 1966-67 was \$163,744 which means that under-insurance is only to the amount of \$23,744. This figure in view of the nature of the building and the distribution of stock in two separate buildings and throughout the premises is considered adequate.

3. Fidelity guarantee is considered not warranted, because the amount of actual cash handled is minute, average \$20 daily, which is accounted for each day. The bulk of income is by crossed cheque and is therefore valueless to would-be defaulters. Wages are delivered by Mayne Nickless and are insured by them until in the hands of employees. If large sums of money in hard cash were being handled by officers in this office, there would be no hesitation in raising cover for this item.

4. Loss of profits insurance cannot be considered, because as pointed out in previous statements to you, the building occupied by the Government Printer is only rented from the State Treasury and insurance companies will not accept a policy for loss of profits unless the building too is completely insured. Again reference is made to the Government Printing Office Act 1949, section 15 which states "When in any financial year, the profit and loss account of the Government Printer prepared in respect of the immediately preceding financial year shows—

(a) A credit balance, the amount of that credit balance shall be paid by the Government Printer to the Treasurer to the credit of Consolidated Revenue;

(b) A debit balance, the Treasurer shall pay to the Government Printer out of the Consolidated Revenue, without any other authority than this section, the amount of the debit balance".

This section actually gives all the insurance cover that may be necessary. However reserves are held in this office to cope with any emergency that may arise, so that in effect, even though it is not possible to arrange a cover with the insurance office for loss of profits, an insurance cover is virtually guaranteed by the Act and by reserves.

5. Furniture and fittings has been included in a policy arranged with the Tasmanian Government Insurance Office covering plant, equipment, ancillary equipment and furniture and fittings.

Whilst it is conceded that on paper the matter of insurance would appear to be slightly under, in practice the assets and liabilities are considered to be adequately covered, especially now that workers compensation and fire insurance on stock, plant and equipment is carried by the Tasmanian Government Insurance Office.

Your Committee reached a number of conclusions on this subject and puts forward its views on the basis that the Printing Office is a business undertaking. This aspect of the matter bears emphasising. Public business undertakings have the resources of the State to carry them through a major set-back, and thus attention to protective matters could seem to be superfluous. However, the accounts which measure the performance of such an organisation show something less than the whole truth if the cost of protection against losses is not shown.

The cover of \$140,000 for stocks appears to be high enough when compared to the total figure of \$163,744, in view of the distribution between two buildings. However, this "under-insurance" does of course mean that compensation for any loss at all would only be paid in the ratio of \$140,000 to \$163,744.

Work in progress appears to be the matter in which the greatest risk exists. Your Committee is not able to agree that ". . . it would be virtually impossible for even a small percentage of this item to be destroyed." Basically, it is a question of confidence in the building as a fire-proof structure. The nature of the work carried on, involving the use of paper, inflammable chemicals, and hot lead, carries inherent risks. A fire breaking out on a particular floor could spread very quickly and cause very heavy loss in that part of the building. The risk of fire would probably be greatest when work is actually being done. In the day-time, the fire-proof doors would presumably be open and in the event of an explosive fire, it could be expected that they would remain so as employees rushed to escape. There is a waste chute which runs from the upper floors to the incinerator room, and in addition there are lift and stair wells. The Committee has a healthy respect for the ability of fire to spread in such a building. To rely on the provisions of Section 15 of the Government Printing Office Act 1949 in this matter is unrealistic. In the event of loss of work in progress through a major fire, the Treasury would have to make good the losses and this would logically affect the reading of the Printing Office's account for previous years. Admitting this argument involves acceptance in principle of the course of insuring from year to year. After all, insurance premiums for a particular period represent in essence the probable proportion of total loss applying for the period.

Your Committee notes that because of Government policy, the building is not insured and therefore the Government Printer is not able to obtain insurance against loss of profits.

## EDUCATION DEPARTMENT

### (a) Bonds

The Auditor General on page 35 of his Report says that:—

*Bonds.*—Outstanding debts at 30th June, 1966, totalled \$116,725 of which \$110,730 was in respect of unpaid student bond obligations. During 1965-66 75 students or teachers became liable under bond agreements to pay a total of \$57,574 to the Department. A number of bonds were waived under the regulations and by Ministerial authority in cases of necessitous circumstances or unsatisfactory progress.

The Department submitted the following statement in reply:

Like other States of the Commonwealth, Tasmania maintains a bonding system for teachers being trained at the Teachers Colleges and the University of Tasmania. This implies that where a student breaks his bond, the Department will make all reasonable efforts to recover under the bond, unless acceptable reasons exist to warrant the Minister for Education waiving the bond obligation.

In each case, the student is asked what arrangements he can make for the repayment of his obligation and all reasonable offers by the student are accepted. An offer of a deposit of two or three hundred dollars and repayment of the remainder within a maximum of a five year period, is regarded as a reasonable offer.

Many students submit cases for the waiving of obligations on the bond and each case is considered on its merits. One statutory reason exists for the waiving of bonds as set out in Education Regulation 53 (4) (n). This is to the effect that after a married woman to whom a student-ship has been awarded resigns after giving one year's satisfactory service after her training, the Director may remit the penalty that is applicable. During 1965-66, fifty-six bonds were waived on Ministerial authority for the following reasons:—

- 12 Unsatisfactory progress in studies.
- 12 Pregnancy.
- 6 Ill-health.
- 1 Serious family illness.
- 1 National Service training.
- 3 Other.
- 21 Under Regulation 53 (4) (n).

The number of bonds on which no action can be taken at the present time is seven. The persons concerned cannot be located or are known to have gone overseas. Cases on which no satisfactory result can be obtained by the Department are referred to the Crown Law Department for appropriate action.

The \$110,730 outstanding at 30th June, 1966, was comprised of some 148 bonds with balances outstanding.

Your Committee feels from the evidence presented to it that there are shortcomings in the procedures of the Education Department in collecting repayments under bond obligations. The Minister waives bonds in some cases, and there can of course be no argument with this. In matters of this kind it is essential that policy should take account of differences in the circumstances of individuals. It is clear, however, that where bonds are not waived really strenuous

efforts should be made to ensure that repayment is made. In principle, it is unfair to those who honour their commitment to allow the rest to escape. From the standpoint of practical economics, money which is due should be available for Departmental purposes.

In many instances students are bonded on the basis of the bond being guaranteed by a parent or guardian because the student is a minor at the time the bond is undertaken, and from evidence given to the Committee it would appear that the Department does not pursue the guarantor if the student defaults after reaching the age of 21.

One of the reasons given to the Committee for difficulty experienced in collecting these debts was "that the people who were bonded were young people. Their earning capacity was not high, but they had a desire to go overseas or over to the mainland. They got their training, they spent a short time with the Department and then they went away, and their earnings in the positions that they obtained were not sufficient to permit them to pay back very large sums."

When further questioned on the matter of obtaining reimbursement from the person guaranteeing the bond in the event of default, the witnesses stated, "It was not written into the bond that the achievement of 21 years would release the guarantor from liability, but at 21 years the student was earning a reasonable sum which would enable him to make payments."

It was further stated in evidence that "There was nothing in the bond which stated that the liability would revert to the student at the age of 21 years, but the Department preferred to look to the student for payment rather than his guarantor, only because the student's earning capacity at 21 years was usually reasonably substantial."

Your Committee finds great difficulty in reconciling these two conflicting views given in evidence, and in understanding how the system of the underwriting of a bond by a parent or guardian can serve any useful purpose if in fact the Department does not intend from the inception of the bond to call upon the guarantor in the event of default.

It is clearly evident that cases may well arise where the Minister may see fit to exercise his prerogative to waive a particular bond even if such bond is the subject of a guarantee, but as a general principle it would appear to your Committee that a firm effort should be made to apply the conditions of the guarantee where such exists.

Your Committee recognised three general ways in which bonded teachers or students leave the service of the Education Department without repaying the cost of their training:—

- (i) *Unsatisfactory progress in studies, pregnancy, ill-health, &c.*—These are the reasons for which the Minister waives bonds. As stated above, there is no alternative to this course being taken. On the other hand, the Department loses substantial sums in such cases, and, while it is obvious that such losses are largely unavoidable, this does not always apply. The Department could give consideration to its recruitment procedures.
- (ii) *Loss by movement to mainland States or overseas.*—Evidence heard indicated that teachers who move to the mainland often take up employment with other Education Departments, and that this work is accepted for the purpose of bond obligations. The reason for this acceptance is that losses by a particular State are compensated by corresponding gains from others. There would be a measure of compensation, but the Committee is doubtful whether this State would fare as well in this regard as some others. Staff who go overseas are approached on returning.
- (iii) *Infrequent payment of instalments.*—This constitutes a serious problem, and the Department does not appear to pursue strenuously those who make small payments at long intervals.

Your Committee believes that consideration ought to be given to establishing some sort of reciprocal arrangement between Australian Education Departments in order to place the matter of repayment on a satisfactory basis. It does not seem unreasonable to expect a person who has received very expensive training to serve in his own State for a period: this he has undertaken to do.

Where bonds are not waived and no proper exchange with another State is made, there is no reason apparent to this Committee for laxity in collecting these debts. The Department quite rightly is anxious to secure teachers. However, resources are limited. The Committee is not convinced that the means afforded by the law are used fully in this matter, and would welcome a more effective treatment of the problem.

**(b) Materials and Equipment for Schools and Technical Colleges including School Library Service**

The Committee noticed that there was a substantial excess expenditure in this item in 1965-66, as shown by the Auditor-General on pages 33 and 34 of his Report:—

Expenditure of \$565,373 was \$70,373 in excess of the estimate of \$495,000.

Authorities were issued for additional funds on three occasions under the provisions of Sections 20 and 21 of the Regulations under the Audit Act, the first under date 31st May, 1966, for \$50,000, then on 28th June, 1966, for \$20,000 and again on 19th July, 1966 for \$374. In the first two instances the explanations submitted with the applications for additional funds suggested that the increased expenditure was mainly attributable to over-expenditure on Science materials and equipment brought about by—

- (a) the changed system of ordering which was explained as follows:—“Formerly orders for science materials and equipment were practically all placed with Australian firms who normally took up to three to four years to supply. To obviate this, orders have been placed through the Supply and Tender Department over a period of the last three years with firms in the United Kingdom. This has resulted in greatly accelerated deliveries and has, this financial year, meant that two years’ supplies have been received in one year;
- (b) the placing of the orders in the United Kingdom has stimulated local firms into supplying their back orders which has also accelerated expenditure. To some degree, under-estimation of the cost of items ordered from the United Kingdom has contributed towards over-expenditure. This applies particularly to freight charges; and
- (c) in the light of previous experience of Supply and Tender Department indenting it was not expected that accounts in respect of the orders for 1965-66 would have been received until August-September, 1966. This has not been the case and may be attributed to improvement in indenting procedures and speedier delivery by suppliers.”

On receipt of the first application for additional funds I wrote to the Minister for Education requesting some elaboration and clarification on the explanatory notes submitted. A reply was received by me under date 14th June, 1966, and at the same time a second application for additional funds was submitted to the Treasurer.

In submitting my report in accordance with Regulations 20 and 21 I expressed my concern that applications for such substantial sums should be submitted at such a late stage of the year as the time available was completely inadequate for the purpose of enabling me to properly carry out my responsibilities as envisaged in Regulations 20 and 21.

I was even more concerned by the fact that even while I was seeking further explanations in respect of the additional amount of \$50,000, the Department was at that time preparing an application for a further \$20,000 for the same purpose. I did not consider that the explanation supporting the application for \$50,000 was entirely satisfactory and it was certainly inadequate for the purpose of explaining the further application for \$20,000. Time precluded me from making any more detailed examination before 30th June. I must say, however, that it is difficult to accept that the whole excess is attributable to the stepping up of orders from the United Kingdom.

The following is the Department’s explanation:—

The principal source of over-estimation in Item C5 was in relation to the expenditure on science equipment which totalled for the year \$135,532 compared with an internal allocation of \$68,000.

It is fair to say that estimating firstly the cost of supplies from England and secondly the time of the year when these charges on the Department would come through the Agent-General’s Account, is quite a difficult task in itself.

This must be considered in the light of the sudden improvement of local supply which the Department feels was brought about by the Supply and Tender Department’s change in policy in ordering science supplies directly from the United Kingdom. This resulted in more than one year’s supplies being charged to the Department in 1965-66. Local firms, previously very tardy in meeting the Department’s needs in science equipment, materially improved their service.

The following may clarify the above points:—

	\$
Science Equipment Expenditure 1965-66 .....	135,500
The Department’s allocation in Science .....	68,000
Over-expenditure .....	67,500
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(a) Science payment through the Agent-General in 1965-66 on account of 1965-66 .....	35,005
(b) Reduction in commitment in Science carried forward 30th June, 1966, as compared to 30th June, 1965 .....	34,500
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	\$69,500
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It is considered that Item (b) was due in large part to the stimulation of local suppliers by the change in ordering system. The science liabilities carried forward over a four year period were as follows:—

	\$
1963-64 as at 30.6.64	60,440
1964-65 as at 30.6.65	49,708
1965-66 as at 30.6.66	15,127
1966-67 as at 30.6.67	25,606

and it can be seen that the liability at the end of 1965-66 was substantially lower than in previous years. It is significant that no abnormal expenditure occurred in 1966-67 and the expenditure pattern returned to a normal level.

The original explanatory note with the application dated 6th May to the Treasury pointed out that the Department's return of expenditure for March, 1966, had shown a probable over-expenditure in Item C5. The situation became worse as the year progressed but the Department followed the normal practice of not applying for additional funds until appropriation was obviously about to be overspent.

It is felt that this explains the delay in asking for additional funds mentioned by the Auditor-General.

The application for the additional \$20,000 was made on 10th June, 1966, as soon as it became evident that the original \$50,000 asked for would be in sufficient to meet accounts coming in for payment.

Your Committee accepts this explanation. It is important that estimation be as accurate as possible, but there are items in which this is extremely difficult. This is such a case, and while it is regrettable that such a large over-expenditure occurred, it is encouraging to note that the Department's position in securing supplies has improved.

#### (c) Lighting, Heating, Sanitary and Water Charges

The Auditor-General, on page 34 of his Report, mentioned that the Department had attributed the excess of \$15,590 over the estimate of \$316,000 to the increased number of school buildings.

The Department was asked to expand upon this explanation and provided the following:—

As mentioned in relation to Item C7 the last ten years has seen a continuing capital expenditure of between \$2 million and \$3 million per annum on capital building works.

This has resulted in an inevitable growth of the volume of lighting and heating necessary but the annual increase of expenditure against these changes is not easy to estimate.

The headmasters are reminded through the "Education Gazette" each year of the need for economy and care in the use of heating and lighting. The headmasters should be free to exercise their discretion as to when heating is necessary within their particular school and how much heat is necessary but nonetheless they are reminded of this obligation.

The attached summary of annual expenditure in this item since 1959-60 has been analysed under the three main components and shows the increase in each section for your information.

The Fluctuation in annual expenditure in 1964-65 is explained principally by the Lands and Surveys Department assuming responsibility for Sanitation and Water Charges on school properties. The Gas and Electricity column illustrate the continuing rate of growth in this part of the expenditure.

It will continue to grow and the Department unfortunately will always have some difficulty in estimating the increase in cost.

#### LIGHTING, HEATING, SANITARY AND WATER CHARGES

Year	Total \$	Gas and Electricity \$	Fuel \$	Sanitary and Water \$	Other \$
1959-60	202,058	141,409	14,951	38,872	6,826
1960-61	219,555	159,811	15,112	44,632	....
1961-62	263,809	197,966	14,912	50,926	5
1962-63	299,965	222,894	15,310	61,761	....
1963-64	335,914	250,266	20,271	65,377	....
1964-65	291,994	277,252	14,742	....	....
1965-66	331,590	316,045	13,587	1,958	....
1966-67	364,966	353,046	9,991	1,929	....

In view of the difficulties inherent in the item, the Committee accepts this explanation for the excess of about 5%.

**(d) Maintenance of State Schools and Properties used for Education Department Purposes**

Your Committee drew the Department's attention to the Auditor-General's comments (see page 34) on this matter:—

The estimate of \$290,000 was exceeded to the extent of \$19,870 due to urgent maintenance works requiring attention.

I am somewhat perturbed at one particular paragraph in the explanatory notes, submitted with the application for additional funds. This read "A further examination of financial and other records at least for the last ten years would indicate that the amount approved by Parliament each year approximates 50% only of the actual amount requested. This policy has resulted in progressive deferment of many urgent and desirable maintenance works and to date this Department has been faced with complete breakdown of many services—sewerage, drainage, electric wiring and so on—and although every attempt has been made to keep within the amount allocated it has been impossible to do so".

Your Committee accepts the Department's submission that maintenance requirements are difficult to estimate accurately and that the problem is aggravated by the increasing number of school buildings. The necessity for deferment of some works from year to year appears unavoidable in all the circumstances.

**DEPARTMENT OF HEALTH SERVICES****Patients' Fees paid to other Hospitals**

The Committee noticed the following comments on page 191 of the Auditor-General's Report:—

It has been noted that by agreement between the Minister and the Hospitals and Charities Commission in Victoria, patients of Tasmanian Hospitals will be treated at the Austin Hospital Spinal Centre provided the transferring Tasmanian hospital meets the full cost of hospitalisation of the patient concerned, i.e. \$26 per diem at the present time. From the time the scheme operated early last financial year, \$38,416 has been paid by Tasmanian hospitals.

On 25th August, 1966, I sought information from the Director-General as to the authority for these payments by Tasmanian Hospitals and as to the steps to be taken to recover these costs to the hospitals concerned. The majority of patients treated have been either motor accident or workers' compensation cases and it appears reasonable to expect some recovery by way of insurance claims. The amount of \$38,416 referred to above represents gross fees charged with no recovery from any source at this stage.

The Department submitted the following notes in reply:—

**Spinal Centre Fees Suspense Account**

Under an arrangement with the Hospital and Charities Commission of Victoria, patients from Tasmania received treatment at the Austin Hospital Spinal Centre . . . For some time Tasmanian patients had been treated free of charge. Two departmental officers have visited Melbourne in regard to the payment of these fees . . .

Of the amount of \$38,416 referred to on page 191 of the Auditor-General's Report, an amount of \$4,212 has been recovered and the credit passed to the transferring Hospitals.

The amount of \$38,416 represents fees for 11 patients in the following categories:—

Motor car accidents . . . . .	3	(Claim subsequently will be made on Insurance Companies).
Motor car accidents . . . . .	2	(No claim except for Hospital Benefits).
Workers' Compensation . . . . .	5	
Public insured . . . . .	1	

The amount of \$4,212 recovered to date was composed of the following amounts:—

	\$
Workers' Compensation . . . . .	2,793
Hospital Benefits . . . . .	1,419

There is quite a long delay in cases where court action is involved. Should court action be taken unsuccessfully and the patient is insured a claim is submitted by Austin Hospital for hospital benefits.

The procedure followed by the Austin Hospital authorities in regard to the recovery of fees for Tasmanian patients is exactly the same as for Victorian patients.

The position at present is that the transferring hospital in Tasmania is responsible for payment of the fees of patients transferred. Where it is possible for money to be recovered by legal action or from Commonwealth benefits, the Austin Hospital takes such action and the Health

Services Department in this State receives a credit. The Department in turn is responsible for co-ordination of the financial arrangements in this State, including collection from the transferring hospital. The Department's explanation concerning long delays in court action is accepted, and it is conceded that a large outstanding balance is unavoidable. Similarly, it is obvious that this State is very fortunate in being able to use the Victorian hospital in this way. The weakness of the system seems to be the lack of power for the Tasmanian Department, which is responsible for the fees, to recover from the patients themselves where legal action does not cover the cost of treatment. In some cases it would be proper to collect from patients, but there is no way in which this can be done without amendment to the Hospitals Act.

Your Committee recognises the necessity for rules concerning the collection of this particular type of debt to be different, but the rules should nevertheless be made without delay. It is understood that action in this direction is proposed. The position which places these patients at an advantage over those treated wholly in Tasmania has existed for several years, and should, it seems, be corrected as soon as possible.

### PUBLIC WORKS DEPARTMENT

#### Cost of Services of Outside Architects and Consultants, and Supervision by Public Works Department chargeable to Capital Projects

The problems associated with the cost of architects not employed by the Department were discussed in the Committee's General Report for 1965-66. It was pointed out that the architectural staff had been increased from 22 to 41 in 1965-66 as a result of a recruitment programme in the United Kingdom. The Auditor-General's remarks in his 1966 Report (page 67) were noted:—

The Public Works Department has furnished the following particulars of payments for services of outside architects and consultants for the five years to 30th June, 1966. The amounts shown have been charged to the Loan Votes of the projects concerned.

	\$
1961-62 .....	456,368
1962-63 .....	356,884
1963-64 .....	479,944
1964-65 .....	516,348
1965-66 .....	827,099

In addition to outside architects' fees, departmental loan projects were charged in 1965-66 with salaries and expenses associated with the employment of "project" architects recruited from the United Kingdom. The total amount involved in the latter instance was \$132,300. The employment of these architects was stated to be in lieu of the employment of outside architects. The cost of outside architects, consultants and project architects chargeable to Loan Votes in 1965-66 was thus \$443,051 greater than that of the previous year.

The Public Works Department has recovered a further \$190,160 from loan funds on account of its own supervision of the building programmes of the Education Department, Health Services Department, the Agricultural Bank and the University of Tasmania.

The Committee called evidence from the Department, in view of the further increase to \$827,099 in 1965-66. The Department's explanation was as follows:—

#### Use of Outside Architects, Consultants, &c.

The Auditor-General's Report of 1966 quotes payments of outside Architects and Consultants for 1964-65 as \$516,348 and for 1965-66 as \$827,099. In addition, in the latter year, salaries and expenses associated with "project" architects totalled \$132,300. The increase of \$310,751 in payments to outside architects and consultants combined with the \$132,300 for "project" architects makes the total chargeable to Loan Votes \$443,051 greater in 1965-66 than was the case in 1964-65.

Portion of this increase is attributable to the consulting engineers engaged for the Batman Bridge, the figures for 1964-65 and 1965-66 being \$49,132 and \$112,268 respectively. The increase here was thus \$63,136. The remainder of the increase is attributable to the increased amount of building works required by the various State Departments. Total expenditure on buildings by the Department in 1964-65 was \$8,968,000, while in 1965-66 it amounted to \$11,223,000. The major portions of the increases occurred with the Education Department (\$2,940,000 to \$4,301,000) and with the Health Department \$3,429,000 to \$4,922,000). During the same period, and indeed for several years prior to this, the number of architects in the Department remained practically constant at approximately 21-22, and the numbers of the engineering services attached to the Architectural Branch were practically unchanged also.

In 1966-67, the cost of outside architects and consultants together with project staff amounted to approximately \$508,000. This is a decrease of \$319,000 from the 1965-66 figure, and it is anticipated that further reductions in total cost can be expected in 1967-68. There will however



continue to be some need for consultants in future years. While the Department's architectural staff has been augmented very considerably by the "project" staff, it is not sufficient to deal with all demands as and when they arise nor is it intended that it should. To augment the staff of a branch to the extent where all "peaks" in demands could be covered adequately and without delay at all times would almost certainly result in some periods of underwork during the "troughs". Normally therefore the numbers of staff in any branch or section of the Department subject to fluctuating demands would be rather less than those needed to cope with the peaks. In addition, for certain projects, it is frequently more desirable to engage consultants who specialise in these and who have special attributes and skills rather than employ our own staff on them. The Tasman and Batman Bridges are notable example of this. Thus, there will be in the future some need to engage consultants both in the Architectural and Engineering Branches. In particular this will be the case with the engineering services of the Architectural Branch, e.g. Structural, Electrical and Mechanical Engineering. The numbers in these sections are such that they can cope with only a small percentage of the work, the balance having to be dealt with by consultants. Recruitment here is slow, and it appears that it will be a number of years before it will be practicable to enlarge these sections to a stage where they will be able to cope with a reasonable proportion of the work load.

In view of the fact that the new Architects did not arrive until late in the financial year and therefore were not able to effect a reduction in cost until 1966-67, your Committee accepts this explanation. It is noted that the cost of architectural services fell to about \$508,000 in 1966-67 and that "further reductions in total cost can be expected in 1967-68". As the Department points out, its work is subject to "peaks and troughs" in demand. But it must be recognised that in such a situation there is an optimum level for staff numbers, and precautions should be taken to ensure that the present level, which appears to be fairly satisfactory, is at least maintained.

## TASMANIAN GOVERNMENT INSURANCE OFFICE

### Misappropriation of Moneys

The Committee was concerned to read the Auditor-General's account of this incident on page 108 of his Report:—

On the 9th December, 1965, I had occasion to report for the information of His Excellency the Governor-in-Council that a former cashier had been convicted in the Criminal Court of stealing \$11,000, the property of the Tasmanian Government Insurance Office. He had been sentenced to a term of imprisonment of three years. The final shortage determined by Audit was \$11,136. Restitution was made of \$3,000.

The theft was made possible by a breakdown in controls over the daily balancing of the cashier's cash receipts. Recommendations have been submitted to the General Manager which should obviate any recurrence of offences of this type.

The General-Manager of the office prepared a statement for the Committee, portion of which appears below:—

The theft of cash by our Staff Member Cashier . . . . occurred between the period from the 1st of May, 1965 to the 15th of November, 1965. He admitted stealing the money from the office, was convicted and sentenced to three years gaol.

The ascertained cash deficiency was \$11,137.90 of which \$3,000 was recovered from the Cashier and \$1,000 collected from a Guarantee Bond, leaving a net deficiency of \$7,137.90.

After forty-five years with no misappropriations this fact came as a great shock as during that period the income has been checked daily and our receipts marked off against individual insurances the next day.

The procedures adopted by the cashier was to substitute today's cheques for yesterday's cash to enable him to use the cash for his own purposes whilst still accounting in total for his previous day's receipts for banking purposes. This system is well known and referred to as "kiting". Now that the procedure known as "kiting" has been disclosed, and to avoid a repetition, the Audit Department put forward recommendations which were implemented immediately as part of the essential controls. These are set out hereunder:—

Checking Officer should ensure that the Cashier gives him the cash figure prior to disclosure of the cash register reading.

Cashier should be acquitted of his cash after balance and an independent banking officer made responsible for bank make-up and custody of cash.

Cashier's float should be checked after balancing.

Cashier should note such things as "Change given for Cheques", "Third Person Cheques Accepted", &c., on the office copy of the receipt.

Receipt numbers should be recorded on the back of all cheques together with the Drawer's name if the signature is illegible.

Banking Officer should record receipt numbers against cheques on the bank deposit slip and test check composition of cheques against receipts.

All cheques should be passed through the cash register as soon as possible. If the eventual destination of the cheque is obscure then the amount should be place in Suspense.

All cash shortages and surpluses should be recorded in a book kept for that purpose and adequately controlled by an officer other than the Cashier.

In no circumstances should the cash register be cleared by the Cashier.

Since the occurrence of the misappropriation and the implementation of the additional checking system I am pleased to report that nothing untowards has occurred.

Your Committee is satisfied that the Tasmanian Government Insurance Office, with the assistance of the Audit Department, has taken sufficient steps to prevent a recurrence of this incident. In addition to improvements in controls, the fidelity guarantee has been increased to an overall cover of \$12,000, with a maximum cover of \$6,000 for any one person, compared with the \$1,000 previously. The fact that the misappropriation described above extended over more than six months reflects heavily on the administration at that time, and it is to be hoped that in future all precautions will be taken to protect the public and the staff alike by effective procedures. In this regard the preventative steps already taken and outlined to the Committee are noted.

W. H. FRASER, Chairman.

Ministerial Party Room,  
House of Assembly,  
September 20, 1967.