



1975

 PARLIAMENT OF TASMANIA

 PARLIAMENTARY STANDING COMMITTEE OF PUBLIC ACCOUNTS

MATTERS ARISING FROM AUDITOR-GENERAL'S REPORT 1974

Laid upon the Tables of both Houses of Parliament and ordered to be printed

MEMBERS OF THE COMMITTEE

LEGISLATIVE COUNCIL

Mr Bisdee
Mr Gregory
Mr McKay

HOUSE OF ASSEMBLY

Mr Mather (Chairman)
Mr Batt (Wilmot)
Mr Green

REPORT

The usual practice has been followed of perusing the Auditor-General's Report (Paper No. 5 of 1974) upon its presentation to Parliament and meeting the Auditor-General for the purpose of discussing the matters which he has raised. Following this discussion the Committee enquired into several of these matters.

QUALIFIED CERTIFICATES

On page 273 of his Report, the Auditor-General summarises the accounts to which a qualified certificate has been given. There were eleven such certificates as follows:—

Hospitals	....	....	....	....	....	....	....	....	....	....	1
Medical Unions	....	....	....	....	....	....	....	....	....	....	1
Municipalities	..	....	....	....	....	....	....	....	....	....	3
Statutory Authorities and Miscellaneous Boards	....	....	....	....	....	....	....	....	....	....	6

The Committee asked for information on these accounts and selected a number for examination.

Launceston General Hospital

The accounts for 1971-72 were qualified because of failure to produce thirteen receipt books. The Auditor-General commented that 'whilst the loss of receipt books is unfortunately fairly common, losses in the degree evident here are not so and must represent a danger of their improper use'. The hospital, in a written explanation to the Committee said that following receipt of a letter from the Secretary of the Committee an intensive search had been carried out, with the result that all had either been found or otherwise accounted for except four. Presumably this matter, which had dragged on for some two years, could have been resolved had the search been carried out in response to audit enquiries. The hospital has also taken steps to tighten security in regard to receipt books. With the cashier in control of the books, the new procedures should prevent a recurrence of this incident.

Deloraine Municipality

The accounts for 1971-72 were qualified because of the 'inconclusive nature of financial records relating to the Deloraine Cemetery'. The Auditor-General told the Committee that while cemetery records have now been remedied, 'accounting weaknesses remain and the Council has been tardy in correcting matters brought to notice by Audit'. The Council Clerk of the Deloraine Municipality in a letter to the Committee, explained that the difficulties with 1971-72 cemetery records arose mainly from the practice of undertakers arranging for burials direct with the grave digger, who did not always pass the necessary information on to the Council office. Such arrangements now are required to be made with the office, so that satisfactory records are maintained.

Other accounting weaknesses which were apparent up to 1971-72 have been overcome since that time by the appointment of adequate staff, as prior to this time this Office was understaffed, and also by the successful transfer, as from 1st July 1972, of major accounting functions to processing by the computer service provided by the Local Authorities Superannuation Board of Victoria. It is considered that the matters raised in your letter have not been apparent since 1971-72 and that Council has not been tardy in correcting matters brought to notice by audit.

Zeehan Medical Union

The 1970-71 accounts received a qualified certificate because of generally poor accounting standards. The Auditor-General said that more recent accounts examined were also unsatisfactory. Particular features of the 1970-71 accounts cited were failure to reconcile debtors ledger, vouchers not signed and bearer cheques only, very few acquittances to vouchers, limited supporting evidence to vouchers, and cash book incomplete. The Chairman of the Medical Union attributed these shortcomings to the fact that the Secretary is required to be a qualified ambulance station officer and operate the district ambulance service in conjunction with his secretarial duties. This has meant, by limiting the field of applicants for the position, that the appointee has been more qualified in ambulance than clerical work. The Chairman felt that with the appointment late in 1974 of a new Secretary and with the appointment of a Public Accountant to reorganise and supervise the accounting system, the Zeehan Medical Union's problems should be overcome. The Auditor-General indicated to the Committee that he viewed these steps with confidence.

Port Cygnet Municipality

Qualified certificates in respect to the 1971-72 and 1972-73 accounts because of overcharging of oncost to the Road Rate Account (at cost to the Public Works Department). The Auditor-General commented that:—

Council has proved somewhat dilatory and in the above instance overcharged the Department of Public Works by significant amounts in each of the two years. The Public Works Department has reduced grants in the subsequent years and so recovered the overcharge revealed by Audit. Control procedures in respect of road grants to all municipalities have subsequently been strengthened.

The Public Works Department explained the circumstances of this overcharging:

On 21 November 1973, the Auditor-General advised the Department that the Council had over-claimed from the Department to the extent of \$4 457.52. This was adjusted by a deduction from an amount payable to the Municipality of Port Cygnet in 1973-74.

For some years local authorities have been permitted to charge a 17½% loading on actual wages, paid to employees, on a particular project, to cover miscellaneous overheads, such as superannuation, holiday and sick pay, workers' compensation insurance, long service leave, etc. What actually happened at Port Cygnet was that the Council Clerk deducted the 17½% from the total amount of the grant and still apportioned the overhead charges to the jobs.

When submitting their claims for reimbursement, councils in the past have not given details of labour, materials, truck/plant hire and overheads. The work was inspected by an officer of the Public Works Department and passed for payment on the estimated value of the work carried out. The Public Works Department said that:—

In order to ensure that councils were clear on the Department's requirement a form setting out details, shown below, was drawn up during 1973-74 and councils are now required to certify and attach two copies to each claim for reimbursement.

Labour
Materials
Plant/Truck hire
17½% loading on wages
Total cost.

Upon receipt of the claims at Head Office one copy of the certificate is detached and forwarded to the Audit Department for detailed checking when the accounts of the particular council are being examined.

The Committee are satisfied that the new procedures will prevent further cases of overcharging. The case described above resulted in the maintenance grant for the Port Cygnet Municipality in 1973-74 being reduced from \$11 000 to \$6 560.

Ambulance Commission

A qualified certificate in respect to the Commission's 1972-73 accounts was issued because the balance sheet did not clearly disclose the source of the Commission's funds which were aggregated under the single composite heading 'Accumulation Account'. As the Auditor-General told the Committee that indications had emerged from the latest audit, that the Commission intended to resist full disclosure of the sources of its revenue funds, it was decided to hear evidence from the Commission.

The Commission's point of view is summed up in the following passage from the transcript:—

In the light of the suggestion made by the Auditor-General in his 1974 Report, the Commission discussed the possibility of dissecting further, those funds which are currently aggregated under 'Accumulation Account'. The reaction within the Commission was to ask will this change result in the Commission's accounts showing any worthwhile additional information for the Commission and other persons interested in the accounts, mainly Treasury and the Minister for Health, or would it simply be an unnecessary complication to the accounts, bearing in mind that the financial statements of the Commission are already complex, unless you have an accounting background? The general answer was that the Commission could not see any real objective in making this change. I think to explain the reason for this, it would be more helpful, if I could go to the actual item itself as raised by the Auditor-General where he mentions that the Commission's Accumulation Account as at 30 June 1974 stood at \$25 741. This represents the net worth of the Commission in the way of funds and other assets that has accumulated over the years and anyone connected with the Commission's ways (Government, Treasury and Minister for Health) would know that the Commission is dependent on Government funds entirely. The Auditor-General would like us to show this item separately instead of just showing its as one amount under 'Accumulation Account'. This \$25 741 he has shown as \$5 937, comprising capital grants-Government, \$11 882, revenue contributions to capital outlay, and \$8 022, surpluses and deficiencies (net surplus). Well capital grants come from the Government. Revenue is from the Government. Government contributions. Government Outlay. The surpluses and deficiencies result from Government grants. These three items are just showing the same thing in different words. The money all comes from the same source, Government funds, and in some ways it could be confusing to split up this account. The funds for this account are, as I have already said, derived from the same source, the Government. This is basically the foundation of our reasoning, purely and simply, funds are derived from the Government that are under the heading 'Accumulation Account'. This information is always readily available. There is no attempt by the Commission to hide this information.

The Committee note that all Ambulance Boards are now disclosing their revenue sources. As far as the Commission's accounts are concerned, it is true that the Treasury and Department of Health Services have direct access to the accounts through representation. But Parliament and the general public also have an interest, and the Auditor-General has made a point of this. The Committee trust that the accounts in future will contain the dissection which will not involve any real complication of the balance sheet.

Public Works Department—Road Construction Plant Suspense Account

The accounts for the year ended 31 March 1973 were qualified because of approximations used to obtain plant creditors figures. As the Auditor-General said, the account is not statutorily required but it is the logical means of control and the basis of setting hire charges for the ensuing period. In view of the purposes of the figures, the Auditor-General is prepared to accept the Department's inexact recording of sundry creditors, subject to his certificate being qualified accordingly. The Committee believe this to be a reasonable arrangement. Precise bookkeeping in this area is not strictly necessary and would involve considerable expense.

INSURANCE OF STATE PROPERTY

On page 272 of his Report, the Auditor-General commented under this heading as follows:—

On 10 October 1967 I raised with the Treasurer the apparent absence of an overall Government policy in respect of the insurance of Government property, equipment and employees. Within a few days the Treasurer informed me that the matter would be examined by the Treasury, and on 20 March 1968 I was informed that information had been collated and following its assessment the Government would give consideration to the adoption of uniform policy of insurance. A similar reply was received in August 1968 and again in August 1969 when the then Treasurer stated that his Government had not at that stage formulated a definite policy on the matter of insurance. Following a further reminder to the Treasury in July 1971 I was informed that the matter was again being drawn to the attention of the Treasurer.

At that stage the matter appeared to lapse until May 1974 when the Acting Director of Agriculture directed a memorandum to me seeking information on any policy that was to be followed with respect to the insurance of departmental assets. This enquiry followed the theft of valuable diving gear from the Fisheries Laboratories at Taroom. In view of the previous correspondence I suggested to the Acting Director that he refer the matter to the Treasury for guidance or advice of any policy that may now have been determined.

In June 1974 the Treasury indicated to the Acting Director that the matter was still under review. The Treasury did however give a broad indication of Government and departmental policy, referring particularly to legislative requirements such as Third Party Insurance of Government Vehicles, and pointing out that as a general rule the Government carried its own insurance except in respect of special risks where the loss would be so large, the cost of replacement so substantial, or the contingent liabilities so high.

It pointed out that Government House was insured, the Transport Commission vessels were insured, and the State Library had insured certain items in the Allport Collection.

In the final paragraph of that letter from the Treasury it was stated:—

'In the final analysis the decision whether or not to insure against a particular risk must be taken by the particular Department. However, as a general rule the decision would be not to insure unless there were particularly strong and compelling reasons for insurance'.

The Acting Director forwarded to me copies of the correspondence.

On 14 August 1974 I again sought information from the Treasury as to a uniform policy on insurance and in doing so requested information as follows:—

'Could I be advised as to whether there have yet been established any guidelines that will assist departments in determining whether or not insurance cover could be taken in respect of Government-owned assets or liabilities that may eventually be subject to action against the Crown.

From audit examinations over recent years it appears that the bodies in most need of guidance are the boards, trusts, and other organisations whose activities are almost entirely financed from Treasury funds. I would include hospital boards in this category, particularly in respect of claims for negligence on the part of boards or employees'. No reply has yet been received to this last request.

In discussions with the Committee, the Auditor-General said that a particular aspect which concerned him was the variation between individual departments and authorities in their approach to insurance. He cited instances in which similar risks were covered by one department and not by another. He stressed that what was needed was firm guidelines, and consequent uniform practice.

The Committee heard evidence on the matter from the Under-Treasurer, who said that there is a Government policy and has been for some time, and that this policy is currently under review. He said that as policy the Government generally does not insure but prefers to carry its own risks: 'this is a policy that is almost universal with governments in English speaking countries'. Where there is a special risk with a compelling reason to insure this is done, as in the case of Government House and the Allport Collection. In any case, the Government insures with the Tasmanian Government Insurance Office.

The Under-Treasurer said that he was not inclined towards insuring State property because of the costs of administration and re-insuring with other companies, and 'Government is so manifold in its various activities, to insure against all the identifiable risks would be completely prohibitive so far as cost alone is concerned'. The Under-Treasurer said that a standing inter-departmental committee had been appointed, with officers from Treasury, Public Service Board, Supply and Tender Department and the Tasmanian Government Insurance Office. He expressed the hope that the Committee would, by identifying and assessing the risks in each department, find which insurance now carried is most essential and also unearth any risks which it would be wise to insure.

It is proposed to hear evidence during 1975-76 on how far this inter-departmental committee has succeeded in rationalising insurance of State property.

HOUSING DEPARTMENT RENTAL REBATES

On page 148 of his 1974 Report the Auditor-General mentioned that rental subsidies to tenants in necessitous circumstances amounted to \$800 896 in 1973-74, a rise of 46.5% on the previous year. He told the Committee that he recognised that this rise was indicative of the times, but drew attention in his Report to the fact that the Department, by introducing a new method of calculating rebates, had created a situation whereby families in identical financial circumstances and homes could be paying different rentals and receiving differing rebates. The Director of Housing, in evidence before the Committee, explained that while rebates were worked out on a formula in an equitable way, when the rentals themselves were increased, existing tenants had fixed limits on rent increases, so that the effect was that newer tenants had to pay a higher net amount. He said that any change to the situation was a matter of Government policy and that it was under consideration.

The Director provided the following statistics on rental rebates for the period 1970-71 to 1973-74:—

	1970-71	1971-72	Percentage Increase	1972-73	Percentage Increase	1973-74	Percentage Increase
Age	515	612	19	733	20	785	7
Widows, etc.	358	508	42	617	21	720	17
Invalid	121	153	26	197	29	213	8
War	65	73	12	107	47	121	13
TB	3	2	....	....	....	....	....
Unemployment	27	62	130	79	27	80	1
Others	11	42	282	62	48	157	153
	<u>1 100</u>	<u>1 452</u>		<u>1 795</u>		<u>2 076</u>	

Annual Costs

	\$	Percentage Increase
1970-71	295 018	....
1971-72	405 086	37
1972-73	546 700	35
1973-74	800 896	54

He drew attention to the high increase in the 'others' category from 1970-71 to 1973-74 (from 11 to 157):—

This is important, because it reflects the growing number of low-income families being housed, who are unable to afford to pay the economic rents of new, expensive construction. Because of the low income (historically much less than \$100 per week) they are unable to pay rents of \$20 per week or more, particularly if they have a significant number of children. In such cases, the Department has had to step in and give relief with rental rebates.

In the light of the manner in which this expenditure is rising, the Committee directed some questions to the Director of Housing on the question of insurance against the death of the breadwinner. It was appreciated that this was a matter of policy, but at the same time, the Committee felt entitled to enquire as to how far the Department was aware of the economics of such insurance. The conclusion reached from this portion of the evidence was that this issue had been examined in terms of orthodox insurance practice. The cost of a policy for an individual, it was said, could range from \$10 per month to \$40 or \$50 for a forty-five-year-old. However, the Committee were told that of the 2 076 tenancies on rental rebate in 1973-74, only twenty-seven related to dwellings that had been on purchase contracts. The transfer of these to tenancies on application of the rebate would involve a cost to the State of something like \$8 000 per annum. The Committee believe that the importance of maintaining ownership of a home would be such for these twenty-seven families as to merit closer examination of the real cost of partially waiving further payments where, on the death of the breadwinner, his family has insufficient means fully to meet the repayments. The Committee recommend that a feasibility study be carried out to determine the cost of extending repayment assistance to families on purchase contracts *who are in necessitous circumstances*. This could well be a case in which the Department could carry its own insurance. The factors to be taken into account, which would not be considered by the normal insurer, include the saving on rental rebates, the balance outstanding on the purchase, and the saving on maintenance costs to the Department.

SUPERANNUATION FUND BOARD: PENSIONS BANK ACCOUNT

The Auditor-General on page 197 of his Report commented as follows:—

Statements of Accounts for the years ended 30 June 1971, 1972 and 1973 have been examined but not certified because reconciliation of the now defunct Pensions Bank Account has not been effected. I am informed that efforts are continuing to resolve this matter. Statement for the year ended 30 June 1974 which is in draft form only has not been examined.

The Manager of the Superannuation Branch outlined the situation to the Committee. He said that this account was used for the payment of superannuation pensions under the 1938 Act, money being paid in by the superannuants and the employing authorities or departments, as the case may be. On the other hand, pension cheques were being drawn for the superannuants. This account operated with the old Superannuation Scheme under the 1938 Act. With the introduction of the Retirement Benefits Scheme, alongside the 1938 Scheme, it was decided to incorporate both of these Pension Bank Accounts into the one account, and the old account was closed in 1972. The Manager said when this was done, the account could not be reconciled. This situation still exists, and is the basis for the comments made by the Auditor-General:—

As I have indicated, I was appointed Manager of the Superannuation Branch in May 1973 and I was appointed from outside the Branch (Automatic Data Processing Section), and I had no prior knowledge of this particular account. After I had been in the Branch a little while, this account did not reconcile, and was in the process of being reconciled in a particular way, and as one would expect, having just been appointed, I watched the progress of this particular reconciliation and it became obvious by October 1973 that in fact they were not going to reconcile the account by the methods that were then being used.

The Manager explained that cheques had been drawn by machine, with no record of actual payments. The Committee were told that the discrepancy in the account was about \$700. He described in detail the great amount of work that had been done to attempt to reconcile the account, including the checking of approximately 150 000 cheques. He attributed the discrepancy to the very severe pressure of work which followed the establishment of the Retirement Benefits Fund. The Auditor-General believes that further efforts to reconcile the account would be wasteful and the Committee agree with this view.

PUBLIC SERVANTS' RETIRING AND DEATH ALLOWANCES ACT 1925

On page 27 of the Report of the Auditor-General, payments under this Act in 1973-74 are shown as \$336 071. Of this amount nearly one-half was paid to former employees of the following authorities:—

	\$
Agricultural Bank	2 408
Forestry Commission	9 395
Housing Department	27 684
Hydro-Electric Commission	93 943
Hospital Boards—	
Launceston	8 614
Mersey	549
North-Western	2 558
Queen Alexandra	989
Rosebery	1 002
Royal Hobart	5 276
Smithton	554
Ulverstone	2 477
West Coast	554

The Auditor-General commented that since payments are met from Consolidated Revenue, they are not reflected in the accounts of these authorities. The Public Accounts Committee in 1972 (Paper No. 22) recommended correction of the situation as follows:—

The Auditor-General discussed this item with the Committee and said that following a legal opinion some fifteen years ago, employees of statutory authorities including the Hydro-Electric Commission, claim under the Act and are paid from Consolidated Revenue. He pointed out that in this way there had been what amounted to a subsidy of \$72 000 to the Hydro-Electric Commission in 1970-71, and said that this is an anomaly which ought to be overcome by amendment of the Act. The Committee agree and therefore recommend that the necessary legislation be passed to ensure that in future, payments to employees of statutory authorities be met by those authorities.

The Committee see no reason to alter this recommendation.

R. MATHER, Chairman

Ministerial Party Room,
Parliament House,
12 August 1975.