



1979

 PARLIAMENT OF TASMANIA

 PARLIAMENTARY STANDING COMMITTEE OF PUBLIC ACCOUNTS

REPORT ON MATTERS ARISING FROM THE AUDITOR-GENERAL'S REPORT 1978

Laid upon the Tables of both Houses of Parliament

The Committee was appointed under the provisions of section 2 of the Public Accounts Committee Act 1970 (No. 54).

MEMBERS OF THE COMMITTEE

<i>Legislative Council</i>	<i>House of Assembly</i>	
Mr Bisdee	Mr Mather (Chairman)	} till 2 July 1979
Mr Gregory	Mr Aulich	
Mr W. C. Hodgman	Mr Sherry	
	Mr Robson (Chairman)	} from 21 September 1979
	Mr Devine	
	Mr Weldon	

By Authority:

T. J. HUGHES, Government Printer, Tasmania

REPORT

The Committee have the honour to report on a number of matters arising from the Auditor-General's 1978 Report as follows:—

Department of Housing and Construction: Carpet Discrepancy at 134 Macquarie Street.

Advice was received from the Division of Construction in April 1978 that a quantity of carpet and underfelt (estimated cost \$806) was unaccounted for on this project. The discrepancy was detected after remeasurement of the quantity of actual carpet laid in the building was compared with the quantity of carpet purchased.

Police are investigating the discrepancy.

In reply to an audit query on the necessity for a review of contractual procedures in respect of the supply and laying of carpet in Government projects, I have recently been advised of changed procedures, whereby carpet for all minor works up to 500 lineal metres will in future be supplied and laid by the Supply and Tender Department. For projects in excess of 500 lineal metres, the carpet will be supplied and laid by the manufacturer as a provisional sum in the contract.

I am concerned at the breakdown in procedures relating to carpet deliveries and the new system will be kept under review.

— Auditor-General's Report 1978, p. 96

This comment relates to carpet laid in the new government office building at 134 Macquarie Street, Hobart. The District Architect for the Metropolitan Area told the Committee that upon completion of the building, the Clerk of Works checked the quantity of carpet and underfelt actually laid against the actual amounts issued by the Supply and Tender Department, which were:—

Carpet 5 893.49 lineal yards

Underfelt 2 952.75 lineal yards

The result of this check indicated a considerable discrepancy, and a Police Department investigation was carried out. During this investigation it was found that the Clerk of Works had made mistakes in his calculations. Remeasurements accounted for all the carpet and underfelt supplied with the exception of approximately 50 yards of carpet and 8 yards of underfelt. The amount of underfelt was considered by the Department as insignificant compared with the quantity supplied.

The 50 yard discrepancy on the carpet is less than one per cent of the total and it would seem that there is little prospect of reconciling the quantities further. The Committee were told that a week before hearing evidence the Clerk of Works verbally advised the Metropolitan District Architect that he had not taken into account in his measurements a quantity of unsatisfactory carpet which was, to the best of his recollection, removed from the site for the purpose of being returned to the factory. He was not sure of the exact quantity; he felt that it was one roll but it may have been more. The length of each roll varied but they were approximately 35 yard rolls. The Committee were told that enquiries had been made by the District Architect but that these had failed to verify the abovementioned verbal advice of the Clerk of Works.

The resultant changed procedures in relation to the supply and laying of carpet referred to by the Auditor-General had only been in operation a short time. The Committee were told these new procedures appeared to be working well.

Department of Tourism: Deficiency at Sydney Tourist Bureau

In accordance with the provisions of the Audit Act 1918, on 5 April 1978 I advised His Excellency the Governor of a net deficiency of \$4 261 at the Sydney Tourist Bureau. The deficiency was caused by the failure of Departmental officers to collect the balance owing from a travel agency, prior to issuing travel documents for a group tour.

Following a Departmental enquiry into the incident, the Director considered one of his officers at the Sydney Tourist Bureau to have been negligent in the discharge of his duties and, accordingly, officially reprimanded him as provided by section 72 (2) Part VII of the Public Service Act 1973.

I have been informed that controls operating in other bureaux have been reviewed by the Department in the light of this loss and it is considered that these are operating satisfactorily.

The Department is pursuing the matter of recovery through a collection service.

— Auditor-General's Report 1978, p. 71.

The Committee were concerned by the size of the deficiency and obtained further information on the circumstances. Evidence from the Department of Tourism explained the circumstances leading up to the deficiency. Tourmakers Pty Ltd, a company which at the time conducted a business of wholesale travel agents and tour operators, requested the Sydney Tourist Bureau to arrange the Tasmanian content for a group of 47 overseas visitors travelling as the International Congress of Apiarists Post Congress Tour, commencing at Wynyard Airport on 21 October 1977.

All tour reservations were completed on 13 October 1977, and a voucher was issued for the total cost of \$4 733.90 and sent to the Hobart Tourist Bureau who handled the arrangements in Tasmania. On the same date, 13 October 1977, a statement was forwarded to Tourmakers requesting payment by return mail. A deposit of \$200 was previously received on 19 September. It was imperative that payment of the balance be received prior to the departure of the tour from Sydney on 21 October as no credit arrangements existed. The Senior Clerk (Accounts), who directly controls all accounting functions at the Sydney Tourist Bureau, enquired of the Itinerary Officer who arranged the tour when payment would be forthcoming but was assured that the matter was in hand and that the payment was being attended to. This was on 20 October, the day prior to the departure of the tour.

The matter was further pursued directly with Tourmakers after the completion of the tour, without success: 'Apparently in order to delay payment, Tourmakers later lodged a complaint about certain aspects of the tour and advised that they were not prepared to pay the full amount. By the time the various complaints were investigated it was December. The Manager of the Bureau learned that Tourmakers could be in difficulties and approached the Registrar of the Travel Agency Registration Board who confirmed that the agency had surrendered its licence and was no longer trading.'

The Department said that failure on the part of Tourmakers to settle the account should have resulted in the cancellation of all tour arrangements. In view of this it was found that the Itinerary Officer was negligent in the discharge of his duties and was officially reprimanded.

Efforts are continuing to recover the amount lost.

The Committee accept that this occurrence was a single error by one employee rather than being indicative of loose accounting control in the Department.

Tasmanian Government Insurance Office: Delays in Preparation of Accounts

The Auditor-General reported at page 184 that at the time of his 1978 Report, financial statements for the year ended 30 June 1977 had been examined but not yet certified. Statements for the year ended 30 June 1978 had not been received. The Auditor-General had been advised that their preparation had been delayed by problems experienced in the change of the accounting systems to a computer operation.

The Auditor-General gave his certificate to the Accounts of the General Fund for the year ended 30 June 1977 on 8 November 1978. However, his certificate was qualified in the following manner—

But subject to the qualification that satisfactory verification of all of the years transactions of the Launceston Office was not possible because of inadequacies of the accounting records and procedures.

Hospital and Medical Benefits Funds accounts for 1976-77 received unqualified certificates.

The Tasmanian Government Insurance Board in evidence said that because of control problems in Launceston, the accounts of the Launceston Branch had been centralised in Hobart.

The accounts for 1977-78 were finalised and forwarded to the Auditor-General in early January 1979.

The reason for the delay was said by the Board to have been the involvement of the management of T.G.I.O. in transferring accounting records from accounting machines to a computer operation. This work was commenced in late 1977 initially by using the services of a Computer Bureau in Melbourne. Subsequently, a decision was made by the Board to purchase a computer and this was installed in March 1978.

At the time of the installation, an arrears of work situation existed within the Computer Bureau. The work passed back to the T.G.I.O. staff for processing. The firm of Computer Consultants which had acted as a Computer Service Bureau for T.G.I.O. were retained to assist the staff of T.G.I.O. in the transfer of its records to computer. However, the Committee were told that the support received from the Consultants was not as great as could have been expected. As a result of this, program errors and some lack of understanding on the part of the staff of T.G.I.O. in a computer operation, arrears of work continued to escalate.

In April 1978 the senior staff member who had been given the responsibility for the changeover to a computer operation was absent from duty for a period of four months because of ill-health.

The Chairman of the Board said that management had persisted with the Computer Consultants in an attempt to overcome the arrears of work situation and although some success was achieved particularly in relation to A.D.P. procedures, staff training and correction of program errors, the arrears of work situation although now being held, could not be overcome.

In November 1978 a new firm of Computer Consultants were retained by the Board and progress commenced to be made in bringing the work to a current state. However, it was not until late December that the computer operation was able to finalise accounting records to 30 June 1978.

The Chairman said that by February 1979 the computer staff were processing accounts work for the previous month.

He said that the experience of T.G.I.O. in effecting a transfer to a computer operation and the resultant arrears of work position was consistent with the experience of other Insurance Companies which have effected similar transfers.

The Committee accept that this is the situation.

Lands Department: Maps Withdrawn from Sale

Fifty thousand copies of a new tourist map issued by the Department contained outdated information and a significant number of errors and omissions which necessitated recall of the edition from sale. The faulty maps for which the production costs was \$6 531 were destroyed and a revised edition of 50 000 printed. The total cost of both lots (100 000) was \$14 934 which it was stated would be more than recouped from the normal retail selling price of the revised print.

— Auditor-General's Report 1978, p.92

The Committee were interested in how the map concerned was produced.

The Director of Mapping, Lands, Department, said that his Department first produced the map, a tourist map, in 1972. It was derived from the 1:500 000 scale map of Tasmania published in 1971. The tourist map was subsequently reprinted in 1973, 1974, 1975 and 1977.

Included were notes and street maps. The original map was deliberately published with the road distances shown in kilometres and heights in metres on the map itself while the road distances in miles and heights in feet were given in the notes. This is one of the problems that we will come to a little later on. At the time, it was decided that this system would be helpful to the average tourist who, in 1972, was not yet very familiar with the metric system. A conversion table was added to the front of the map to help when converting from one system to another.

The practice of showing the distance in miles and the heights in feet in the notes on the tourist map remained unchanged and both government officers and users overlooked this anomaly since the first map was printed in 1972. The staff of the Tourist Bureau and the Lands Department both overlooked the need to check for changes and a number of new camping sites and caravan park sites were neither shown on the face of the map nor added to the notes on the back of the map itself.

After receiving a letter from the Director of Tourism on 9 February 1978 pointing out a number of significant errors and omissions, the Director of Lands called a meeting of officers from both departments. All copies of the outdated map were ordered to be destroyed. It was agreed that the Department of Tourism would be responsible for the design of the cover, the updating of the tourist information and for the tourist information to be included on the face of the reprinted map.

The Lands Department witness conceded that both Departments were remiss in this case:

It was more or less agreed that the information, the notes on the back, be provided by the Department of Tourism and in the discussions on the numbers and the need for the map and when it would be reprinted, I think what happened was that it was assumed that the other department was going to look after it and do it. In other words, the Lands Department said the notes come from the Department of Tourism; they will be fixing that up. The Department of Tourism said the Lands Department is publishing it; they will fix it up. So, in other words, each organisation expected the other one to do it, but no one mentioned it in the process.

A printing order of this magnitude should, the Committee believe, have received much closer attention than this. Apart from the loss incurred on wasted printing, the 50 000 maps required for the 1977-78 season were not available till April 1978.

Assistance to Newspaper Venture

The Committee noted the following comment made by the Auditor-General, in relation to the 'Derwent Clipper' newspaper—

During 1977-78 the Government was called on to pay an amount of \$22 945 in accordance with a guarantee given to a bank in respect of a newspaper venture. The Government guarantee was secured by Deed of Covenant from the Company to the Treasurer. At the date of writing this Report negotiations were proceeding in respect of the recovery of the above amount from the directors. It was noted that the usual clause requiring the bank to exhaust all remedies under security before calling on the Guarantee was deleted in this case.

—Auditor-General's Report 1978, p.102.

In evidence from the Under-Treasurer, the Committee were told that the Government agreed, in July 1977, to provide a guarantee to Taspress Pty Ltd to support borrowings up to a maximum of \$27 000 which the Company was arranging with the Commonwealth Trading Bank. The finance was being arranged for the purpose of producing a 'free issue' newspaper known as the 'Derwent Clipper'. The arrangement with the Bank consisted of an initial advance of \$20 000 and overdraft finance up to a maximum of \$7 000. The advance was to be repayable by instalments of \$5 000 annually, with an amount of \$2 500 being payable in the first year. The guarantee was provided under the State Loans and Loan Guarantees Act 1976, following the declaration of the Company as an organisation to which the Act applies. This declaration by the Governor was made in accordance with section 2 (1) (c) of the Act. In addition to the Government guarantee, the Bank obtained personal joint and several guarantees from four directors.

The Under-Treasurer said that by February 1978, the financial position of the Company began to deteriorate. The Bank refused to honour cheques drawn by the Company. The Company's commitments at that time exceeded the allowable bank loan arrangements by almost \$9 000. It is understood that the Company's financial difficulties arose mainly as a result of under capitalisation and shortfall in anticipated revenue from advertising.

Officers of the Company sought an extension of the Government guarantee to support proposed further borrowing of \$15 000 which the officials hoped 'would result in the paper becoming a viable proposition'. Notice was given of a proposal for restructuring the Company which would involve a Melbourne firm taking over the production and distribution of the 'Derwent Clipper'. Following consideration of the above request, it was decided that no additional assistance would be provided. The Company was advised accordingly on 16 March 1978.

On 22 March 1978, the then Acting Treasurer wrote to the Manager, Commonwealth Trading Bank, advising of the withdrawal of the Government guarantee as from that date.

On 12 May 1978, the Commonwealth Trading Bank advised the Treasurer that Taspress Pty Ltd was in default and therefore sought payment from the Government under the terms of the guarantee. The balance of the Company's account at that date was \$22 851.80. Settlement was effected on 23 May 1978, when a cheque for \$22 944.56 was paid to the Bank. This amount included interest at the rate of \$7.73 per day from 12 May to the date of settlement.

The Under-Treasurer said that the Bank had sought payment direct from the Government as the usual exhaustion of remedies clause was not included in the guarantee document. Such a clause requires the lender to exhaust all remedies open to him for recovering in the event of default before calling on the guarantor. In this case, however, the Bank stated that it was not prepared to proceed if the clause was included. On 20 July 1978, letters were sent to the four directors, as co-guarantors, seeking repayment of the amount of \$22 944.56. On 2 August 1978, letters of acknowledgment were received from two of them. However, no acknowledgment was received from the others. In spite of addressing correspondence by certified mail to a number of addresses, it has not been possible to contact the two lastmentioned directors.

The Committee were told that—

Every effort is being made to obtain full details of the financial position of all directors before the matter is placed before the Government for consideration as to the action which should be taken.

After obtaining advice from the Crown Law Department, the Treasury considers that the following options are open to the Government (assuming that no contribution is available from Mr Sullivan and that further attempts to locate Ms Baker are unsuccessful).

1. Look to the Directors whom the Treasury has been able to contact for repayment in full and, failing payment, to seek recovery by selling assets.
2. Look to them for repayment of full amount by instalments.
3. Look to them for payment of a proportionate share (which would need to be determined).
4. Take no action against them.

Since the guarantee was given as the result of a policy decision, the Committee confine ourselves to reporting the facts.

Government Printing Office: Stock Valuation and Purchase of Photocomposition Equipment

Stock Valuation

At p. 113, the Auditor-General reported that during June 1977 old stocks on hand, other than printed matter, were arbitrarily written up by 10 per cent (\$25 303) without regard to age, condition or possible obsolescence.

The Government Printer explained that the underlying idea behind the revaluation was to charge customers with the cost of materials used plus a 10 per cent handling charge to cover warehousing costs, etc. and was to bring stocks held for a considerable number of years up to correct value. He pointed out that the Department was without the services of a qualified accountant from April 1977 to September 1977, i.e. for the period during which the June 1977 accounts were produced. The Auditor-General qualified the report on the accounts for the year ended 30 June 1977 in respect to stock.

The Government Printer said that this practice had been discontinued. The Committee accept the explanation.

Purchase of Photocompositon Equipment

The Auditor-General, at p. 115 reported that sundry creditors at 30 June 1978 increased from \$109 882 the previous year to \$562 508.

The increase in Sundry Creditors occurred as a result of the inclusion of an account for photocomposition equipment delivered in June 1978, but not yet commissioned. Plant increased by \$510 137 following the purchase of photocomposition equipment at a current cost of approximately \$520 000.

The Government Printer stressed that the introduction of a phototypesetting system was of sheer necessity if we are to:

- (a) continue increasing the productive capacity of the Government Printing Office,
- (b) continue to improve our delivery schedules,
- (c) enable us to take up the balance (approx. 90 per cent) of the production of the rolling reprint of the Tasmanian Statutes, and
- (d) handle the introduction of a Hansard.

He said that the high maintenance and repair costs of the existing aged linecasting equipment was another important factor to be taken into consideration.

To replace the 8 existing linotype machines with a similar product would cost approximately \$200 000 at 1975 prices plus new type fonts (each 1 600 brass matrices) conservatively estimated at \$40 000. The total figure (\$200 000 plus \$40 000) is almost 50 per cent of the cost of phototypesetting equipment with still no increase in output.

The American company which manufactures the Linotype machine has, some time ago, closed down its operations in the U.S.A. and is only manufacturing at its British subsidiary on a limited scale. This in itself would make it very difficult, even if advisable, to replace like with like.

Eight companies were invited to Hobart to present details of the system they had to offer. Following the visits the information and prices were analysed and a short list was established.

The Government Printer said that some twenty establishments were visited by staff to inspect installations in operational situations in Adelaide, Melbourne, Canberra, Sydney, Newcastle and Brisbane.

The system decided on was selected on the grounds of cost, superior efficiency, strong local technical support and predominantly of Australian manufacture.

While this Committee do not suggest that this equipment was not needed, the interesting point is that approval from the Parliamentary Standing Committee on Public Works in such a case is not required as would be the case had the expenditure been for a building.

N. M. ROBSON, Chairman,
Parliament House,
Hobart.
30 October 1979.