

1978

VICTORIA

REPORT

FROM THE

PUBLIC ACCOUNTS COMMITTEE

UPON

EXPENDITURE FROM THE ADVANCE
TO THE TREASURER 1976-77

AND

UNPAID ACCOUNTS 1976-77

TOGETHER WITH

AN APPENDIX

Ordered by the Legislative Assembly to be printed.

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EXTRACTED FROM THE VOTES AND PROCEEDINGS OF THE
LEGISLATIVE ASSEMBLY.

TUESDAY, 7TH MARCH, 1978.

17. PUBLIC ACCOUNTS COMMITTEE.—Motion made, by leave, and question—That Mr. Crabb, the Hon. V. J. Doube, Mr. Hann, Mr. Mackinnon, Mrs. Patrick, Mr. Reese, Mr. Richardson, and Mr. Trezise be members of the Public Accounts Committee and that the Committee have power to send for persons, papers, and records ; to move from place to place, and to sit on days on which the House does not meet ; three to be the quorum (*Mr. Hamer*)—put and agreed to.

TUESDAY, 17TH OCTOBER, 1978.

6. PUBLIC ACCOUNTS COMMITTEE.—Motion made, by leave, and question—That Mr. Crabb be discharged from attendance on the Public Accounts Committee and Mr. Remington be appointed in his stead (*Mr. Thompson*)—put and agreed to.

REPORT

THE PUBLIC ACCOUNTS COMMITTEE has the honour to report as follows: -

1. The Committee has examined the Schedule of Expenditure from Advance to Treasurer 1976-77, and has completed its usual inquiry into this expenditure. The Schedule appears at pages 209 to 254 of the Estimates of the Receipts and Payments of the Consolidated Fund for the year ending 30th June, 1978 (*Parliamentary Paper B No. 2 of 1976-78*).

2. Under Division 403 of the *Appropriation (1976-77, No. 1) Act 1976*, an amount of \$50,000,000 was appropriated for 1976-77 to enable the Treasurer to meet urgent claims that could arise before Parliamentary sanction was obtained. The appropriation was fully spent. Whilst a significant proportion of this expenditure related to salary payments or payments in the nature of salaries, overspending also occurred on a number of other items. Broad details in relation to the significant areas in which overspending occurred can be found on pages 16 and 17 of the Budget Papers 1977-78.

3. During the course of the inquiry the Committee obtained relevant files from Treasury dealing with applications from Departments for further funds, and also examined Appendix C to the Auditor-General's Report for 1976-77 giving details as to the transfer of funds within Divisions under the provisions of Section 25 of the *Audit Act 1958*. In addition, the Committee sought additional written information from some Departments and visited Pentridge Prison, Fairlea Female Prison and the Social Welfare Department Central Administration Offices where it had discussions with a number of officers of the Social Welfare Department.

4. Formal evidence was heard from the following persons: -

Mr. H.J. Hopkins, First Assistant Director of Finance, State Treasury;

Mr. D.A. Thomas, Assistant Director of Finance (Budget), State Treasury;

Mr. J.F. McCorkell, Assistant Director of Finance (Accounting), State Treasury;

Mr. R. Glenister, Secretary, Law Department;

Mr. P. Carrigan, Deputy Secretary, Law Department;

Mr. N. Cox, Accountant, Law Department;

Mr. D.G. Brown, Accountant, Social Welfare Department;

Mr. R.G. Uhd, Assistant Accountant, Social Welfare Department;

Mr. J.R. Keelan, Budget Officer, Social Welfare Department; and

Mr. S.J. Cowan, Business Manager, Prison Industries, Social Welfare Department.

5. As has been the case in some previous years, the Committee also obtained information from Departments in respect of unpaid accounts as at 30th June, 1977. Certain aspects in relation to unpaid accounts are referred to later and a summary of information provided to the Committee is appended to this report.

6. This report deals with a number of matters which arose as a result of the Committee's inquiry as well as providing explanations in relation to many items of over-expenditure. Particular references are made to the Social Welfare Department and the Law Department. For convenience the items of particular interest to the Committee are dealt with in the ensuing paragraphs in the sequence in which they appear in the Schedule of Expenditure from the Advance to the Treasurer.

PARLIAMENT

DIVISION 103 - PARLIAMENTARY PRINTING

7. Item 3.1 - Printing of Hansard, &c.

Original Appropriation	Additional Provision Approved	<u>Funds provided by way of -</u> Treasurer's Advance Transfer Audit Act, s. 25		Final Expenditure
\$800,000	\$180,350	\$180,350	-	\$980,350

The additional provision was required to cover increases in printing costs and in the volume and variety of material ordered to be printed. The escalation in the costs of Parliamentary Printing has been of concern to the Committee for some time and is currently the subject of separate inquiry by the Committee.

PREMIER

DIVISION 121 - PREMIER'S OFFICE

8. Item 2.3 - Books and publications, other incidental expenses.

Original Appropriation	Additional Provision Approved	<u>Funds provided by way of -</u> Treasurer's Advance Transfer Audit Act, s. 25		Final Expenditure
\$111,800	\$140,159	\$79,285	\$60,874	\$251,959

Additional provision was required to meet the following costs: -

- (a) expenses incurred during the Inquiry into the administration of the Goulburn Murray Irrigation District; \$21,000
- (b) expenses incurred in the course of the inquiry by the Newport Review Panel; \$51,550
- (c) expenses of consultants engaged to assist the Newport Review Panel, namely Betchel Pacific Corporation Ltd. (\$27,035) and Melbourne and Monash Universities (\$18,805) \$45,840
- (d) purchase of publications for resale at the Community Services Centre Bookshop; and \$10,000
- (e) the cost of advertising the position of Chairman of the Health Commission in Australian and overseas newspapers and publications. \$12,000

The Committee has noted that proceeds from the sale of publications purchased for resale through the Community Services Centre Bookshop are credited to the Consolidated Fund.

9. Item 3.10 - State Artist - Expenses, including salary and allowance.

Original Appropriation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, S. 25	
\$50,000	\$47,642	\$18,544	\$29,098	\$97,642

Two requests were made for additional funds. An amount of \$3,500 was approved on 1st March, 1977 to cover the employment of staff required by the State Artist. These staff members were classed as exempt employees pursuant to Section 40 (5) of the *Public Service Act 1974*.

On 4th July, 1977 a further amount of \$44,200 was approved to pay accounts received from the Victorian Railways Department for services rendered during the period 1st July, 1973 to 11th September, 1976. These accounts related to a mural on which the State Artist commenced work in 1972, and which is now installed in the main concourse of Spencer-street Railway Station. During the period 1st July, 1973 to 11th September, 1976 expenses were incurred on preparation, erection and transportation of mural panels from the studio of the State Artist at East Camberwell to Spencer Street Railway Station, photography, materials, supplies, labour costs, maintenance and electrical works and other sundry items. In a Treasury Minute dated 27th June, 1977 the Assistant Director of Finance (Budget) advised the Treasurer that the Railways Department was unable to provide an explanation for the late rendering of the accounts but Treasury had been advised that future accounts would be rendered on a more regular basis.

ARTS

DIVISION 150 - MINISTRY FOR THE ARTS

10. Item 3.13 - Victorian College of the Arts - School of Dance - Grant.

Original Appro- priation	Additional Provision Approved	Funds provided by way of - Treasurer's Advance Transfer Audit		Final Expenditure
			Act, s. 25	
Nil	\$50,000	\$50,000	-	\$50,000

The funds were required following the Treasurer's approval of a proposal that the Victorian College of Arts assume responsibility for the full-time training program of the Victorian Ballet School. The Assistant Director of Finance (Budget) advised the Treasurer on 4th February, 1977 that the course is to be phased out over a three calendar year period following the establishment of a secondary school by the Education Department scheduled for 1978. This school will be linked with the Victorian College of the Arts and will provide a standard general education from Form 1 to Form 6 in addition to professional education in dance and music. The Committee has noted from the Treasury file that the cost of administering the full time training program in future years will depend upon the arrangements envisaged by the Education Department for the establishment of the proposed secondary school and that Treasury had sought administrative details and cost estimates for 1978 and 1979 from the Education Department.

CHIEF SECRETARY

DIVISION 181 - GOVERNMENT SHORTHAND WRITER

11. Item 2.3 - Books and publications, other incidental expenses.

Original Appro- priation	Additional Provision Approved	Funds provided by way of - Treasurer's Advance Transfer Audit		Final Expenditure
			Act, s. 25	
\$50,000	\$25,367	\$25,367	-	\$75,367

Two requests were made for additional funds. Provision of \$20,000 was approved on 5th May, 1977 and a further \$5,370 was approved on 27th June, 1977. The additional provision was mainly required to cover the cost of reporting assistance required by the Boards of Inquiry into the *Liquor Control Act 1968* and the Occurrence of Bush and Grass Fires in Victoria. It should be noted that revenue from the sale of transcripts and expenditure recouped on account of outside reporting assistance was expected to increase from \$87,964 in 1975-76 to approximately \$150,000 in 1976-77.

DIVISION 187 - POLICE

12. Item 2.3 - Books and publications, other incidental expenses.

Original Appro- priation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, s. 25	
\$637,000	\$171,413	\$171,413	-	\$808,413

Upon examining the relevant Treasury files the Committee ascertained that additional funds were provided on four occasions.

In December, 1976, \$44,000 was allocated, pending preparation of a report and projected cost estimates on the development of the Police Air Wing, to facilitate leasing of a twin-engine aircraft for a seven month period from December, 1976 to June, 1977 at a monthly rental of \$6,285.

In March, 1977 \$22,762 was provided by way of *ex gratia* payment to the Police Association to meet legal costs incurred in the defence of counter summonses served on Police for the period from July, 1974 to August, 1976. A further amount of \$38,837 was allocated in May, 1977 to cover an *ex gratia* payment to the Police Association to meet legal costs incurred in the successful defence of members who were not committed for trial from charges arising out of the Report of the Board of Inquiry into Allegations against Members of the Victoria Police Force (Beach Report).

In June, 1977 an allocation of \$66,500 was approved, of which \$61,013 was a further *ex gratia* payment to the Police Association for legal costs incurred in the successful defence of Members who were the subject of charges arising out of the Beach Report. The remaining \$5,487 was mainly required to meet the cost of purchase of law reference books for some Police Prosecutors, the purchase of cartons for use in relocation of the Police General Store, Radio Store and Police Workshop, and expenses involved with the Chief Commissioners Conference held in Melbourne during April, 1977.

The "incidental" nature of some of the above items highlights the need for creation of separate headings for "Books and publications" and "Incidental expenses" and the Committee is pleased to note the action taken in this regard in respect of the Estimates for 1977-78.

SOCIAL WELFARE

DIVISION 240 - SOCIAL WELFARE ADMINISTRATION AND RESEARCH AND STATISTICS

13. Item 2.2 - Office requisites and equipment, printing and stationery.

Original Appro- priation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, s. 25	
\$46,100	\$21,138	\$21,138	-	\$67,238

The additional provision was required to meet costs associated with the following items: -

- (a) Printing and stationery - at the end of the 1975-76 financial year an increased number of orders for printing and stationery were un-filled. The Department did not realize the implications of these commitments when preparing the estimates of expenditure for 1976-77 with the result that actual financial requirements were under-estimated; and
- (b) Photocopying - increased expenditure was incurred on this sub-item because of increased usage of a second photocopying machine installed by the Department in April, 1975. In addition, the Department based its estimates for 1976-77 on expenditure during the previous year and, as only ten monthly accounts were paid during that year, there was an under-estimation of the amount required.

14. Item 2.3 - Books and publications, other incidental expenses.

Original Appro- priation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, s. 25	
\$14,600	\$5,019	\$5,019	-	\$19,619

The main items resulting in over-expenditure were as follows: -

- (a) the position of Director-General of Social Welfare was advertised throughout Australia at a cost of \$2,250;
- (b) costs for advertising of cadetships during 1975-76 and 1976-77 were outstanding, as the Department did not process the relevant claims for 1975-76 to allow payment in that financial year; and

- (c) an *ex gratia* payment of \$2,130 was made to meet the costs incurred by a senior prison officer in connection with a charge brought against him by police.

The Committee has noted that the Department reviewed its commitments on publicity and a small reduction was made in this expenditure to partly offset the above costs.

15. Item 2.4 - Postal and telephone expenses.

Original Appropriation	Additional Provision Approved	<u>Funds provided by way of -</u> Treasurer's Advance Transfer Act, s. 25		Final Expenditure
\$81,000	\$74,262	\$74,262	-	\$155,262

Upon examining the relevant Treasury files the Committee ascertained that, as from 1st July, 1976, the Social Welfare Department became responsible for meeting the cost of telephone facilities of the Central Administration building at 55 Swanston-street, Melbourne, and an amount of \$81,000 was provided in the 1976-77 Budget to meet the cost of postal services. This estimate was based largely on expenditure incurred by the Public Works Department in 1975-76. However, on 6th December, 1976, it was necessary to allocate a further \$62,500 to the item when it became apparent that the Department's original estimate was not based on a full year's expenditure on telephones by the Public Works Department in 1975-76.

On 27th June, 1977 a further \$11,762 was provided, mainly to cover: -

- (a) Telephone rental - additional PABX equipment was installed at 55 Swanston-street at a cost of \$4,217;
- (b) Telephone calls - additional funds were required following an amalgamation of accounts for outgoing lines which resulted in some accounts being brought forward one month. Further increases in expenditure were attributed to increased telephone usage due to an expansion of the regional office program; and
- (c) Telegrams - additional funds were required to cover increases in telegram rates and costs associated with contacting people quickly by telegram when no other means were available.

16. Item 3.1 - Anzac Day Proceeds Fund - Contribution.

Original Appropriation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, s. 25	
Nil	\$237,653	\$237,653	-	\$237,653

The amount of \$237,653 was contributed by the Government pursuant to an undertaking given by the Treasurer that the Anzac Day Proceeds Fund would be credited with an amount equivalent to totalizer percentages received into the Consolidated Fund from race meetings held on Anzac Day, 1977. The Committee has noted that Treasury administers the Fund which has been placed under the Social Welfare heading because of the welfare aspect.

Under the provisions of the *Anzac Day Act* 1958 approval of the relevant Minister must be obtained before sports as defined can be conducted on Anzac Day. The Minister also determines the portion of net profit from the conduct of such sports which is to be paid into the fund. As applications are usually considered only two or three months before each Anzac Day - that is, after the Appropriation Act has been passed - it is not possible to make provision in advance for the appropriation of funds. It is therefore necessary to make provision after the event through the Advance to the Treasurer, when approvals have been given and accurate figures are available.

17. Item 3.2 - Rate concessions for pensioners.

Original Appropriation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, s. 25	
\$10,000,000	\$2,268,991	\$2,186,854	\$82,137	\$12,268,991

On 3rd May, 1977 the Director-General of Social Welfare requested additional funds to meet payments for pensioner rate concessions. These payments are made by the Social Welfare Department on the advice of the Local Government Department which receives the claims and undertakes the necessary checking and recording prior to payment.

The additional provision totalling \$2,269,000 in round figures comprised \$1,644,000 for municipal rates, \$300,000 for water and sewerage rates, and a further \$325,000 to cover payment of claims lodged in 1976-77 but relating to earlier years.

The Committee ascertained that when the Budget was introduced the rate of rebate was increased and it was planned that payments to municipalities would be on the basis that 50 per cent of each claim would be met by Treasury before 30th June, 1977, with the balance being paid in the new State financial year but

prior to the end of the municipal financial year on 30th September, 1977. However, the Local Government Department misinterpreted the policy and continued to meet claims from municipalities in full, thus exhausting the vote. Treasury Officers informed the Committee that the Local Government Department should have been well aware of intentions regarding staggering of payments through involvement in the pre-budget discussions, and that this policy was also made clear in the Budget speech. The Committee considers that the Department should have exercised greater care in this matter.

18. Item 3.6 - Grants to persons, organizations or institutions rendering or proposing to render welfare services to the community.

Original Appro- priation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, s. 25	
\$800,000	\$130,000	\$130,000	-	\$930,000

The additional funds were required to cover a special grant of \$30,000 to the Catholic Family Welfare Bureau and the provision of an additional \$100,000 to the Minister's Welfare Services Fund.

DIVISION 246 - FAMILY WELFARE

19. Item 2.8 - Assistance in respect of children and young persons in necessitous circumstances and payments to deserted wives and mothers pursuant to the States Grants (Deserted Wives) Act 1968.

Original Appro- priation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, s. 25	
\$5,690,000	\$1,503,515	\$1,437,649	\$65,866	\$7,193,515

The Committee ascertained from the Treasury file that expenditure under this vote comprises -

- (a) payments to deserted wives and unmarried mothers for a period of six months after which these payments become the responsibility of the Commonwealth Department of Social Security;
- (b) payments to non-parents caring for children without sufficient means of support; and
- (c) emergency grants.

Payments to deserted wives and unmarried mothers comprised 91 per cent of the total expenditure in 1976-77, and it was mainly in this area that the additional funds were required. In its submission to and discussions with Treasury the Department indicated that the increase in the number of assisted mothers who received payments was due to the following factors: -

- (a) the introduction of the Commonwealth *Family Law Act 1975* which, amongst other things, relaxed maintenance provisions by allowing magistrates to take into account the deserted wives benefits and financial commitments of the husband when calculating the amount payable by the husband for maintenance. This was said to have increased the number of women seeking deserted wife benefits;
- (b) lone supporting parents who earlier remained at work found it was a more viable proposition to apply for the benefit than to continue to work following an increase in pensions from \$47.50 to \$62.00 per week as from 6th October, 1976.
- (c) the increased rate of regionalization within the Social Welfare Department led to closer contact between the Department and the community and thus an increase in the awareness of benefits available; and
- (d) it was also possible that lone mothers could not find employment and relied entirely on family assistance payments or that unemployed husbands unable to maintain a family on unemployment benefits, actually or supposedly "deserted" in order that their wives could claim assistance whilst they continued to draw unemployment benefits.

DIVISION 249 - YOUTH WELFARE

20. Item 2.7 - Stores, provisions, plant, equipment and other expenses of governmental institutions, homes and hostels.

Original Appropriation	Additional Provision Approved	<u>Funds provided by way of -</u>		Final Expenditure
		Treasurer's Advance	Transfer Act, s. 25	
\$658,500	\$106,929	\$106,929	-	\$765,429

The additional funds were required to cover the following: -

- (a) the effect of price increases for provisions and other goods;
- (b) an allowance to cover a lower decrease in inmate population than that anticipated at the time of preparation of the Budget;
- (c) over-ordering of clothing at Turana; and
- (d) provision to meet the "carry-over" effect of a greater amount in dollar terms of outstanding orders at 30th June, 1976, compared with 30th June, 1975.

DIVISION 252 - PRISONS

21. Item 2.2 - Office requisites and equipment, printing and stationery.

Original Appropriation	Additional Provision Approved	Funds provided by way of - Treasurer's Advance Transfer Audit Act, s. 25		Final Expenditure
\$10,500	\$5,597	\$5,597	-	\$16,097

On 25th October, 1976 provision of \$3,950 was approved to meet the cost of printing new forms relating to bail applications and to cover the payment of fourteen monthly accounts for photocopying in the 1976-77 financial year. Only ten monthly accounts were paid in the 1975-76 financial year.

Expenditure of a further \$2,250 was approved on 14th June, 1977 mainly to cover the purchase of seven typewriters, the cost of unforeseen repairs on office equipment, the printing of certain forms whose usage increased, and the payment of two accounts relating to photocopying services in June, 1972 and April, 1975, which were not received by the Department until 16th July, 1976. The Committee noted that three of the seven typewriters referred to above were purchased in the previous financial year, but that this commitment was not included in Departmental estimates for 1976-77.

22. Item 2.3 - Books and publications, other incidental expenses.

Original Appropriation	Additional Provision Approved	Funds provided by way of - Treasurer's Advance Transfer Audit Act, s. 25		Final Expenditure
\$2,800	\$15,234	\$15,234	-	\$18,034

Upon examining the relevant Treasury files the Committee ascertained that three requests were made for additional funds. On 17th February, 1977, \$5,000 was approved to meet the costs of advertising of the Deputy Superintendent's position at Pentridge Prison in four overseas newspapers, together with costs associated with an attempt by the Crown Solicitor to negotiate a settlement in the case of E.W. Sheenan v State of Victoria and M.V. Shade, registration fees for 39 officers to attend a one day seminar, and an *ex gratia* payment to a prisoner as compensation for damage to his spectacles. On 21st April, 1977 an amount of \$1,750 was approved to meet the costs of solicitors representing the Department at the inquest into the death of a prisoner, and on 27th June, 1977 a further \$8,525 was approved to cover an *ex gratia* payment to a former Prison Officer to compensate for the effect of a miscalculation in his date of retirement which affected his payment in lieu of long service leave and superannuation pension.

23. Item 2.4 - Postal and telephone expenses.

Original Appropriation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, s. 25	
\$62,100	\$8,161	\$8,161	-	\$70,261

The increase over the Budget estimate was attributed mainly to the following factors: -

(a) Telephone Rental

- (i) new extensions were installed at Fairlea Female and Pentridge Prisons and the Department did not request additional funds for these new extensions at the time of preparation of the 1976-77 Estimates;
- (ii) during the 1976-77 financial year, Fairlea and Pentridge Prisons received telephone rental accounts on a quarterly basis, whereas the accounts were previously rendered half-yearly. This change resulted in additional quarterly accounts being received by both prisons; and
- (iii) provision was made for the payment of only one rental account for Sale Prison in the 1976-77 Estimates. As one account was received late in 1975-76, three accounts had to be paid in 1976-77.

(b) Telephone Calls

- (i) An additional quarterly account was received for Fairlea Prison and three accounts had to be met for Sale Prison;
- (ii) there was more interaction between head office and prisons due to more specialized staff being situated at head office;
- (iii) an increase in industrial and prisoner unrest resulted in an increase in the number of calls between institutions and head office; and
- (iv) the incidence of temporary leave for prisoners increased and resulted in more calls being made by prison Governors to obtain approvals.

- (c) Telegrams - telegram rates increased by 33 per cent on 1st September, 1976.

The Committee noted that the Department achieved a saving of \$5,000 in the sub-item for postage in order to meet some of the additional costs.

24. Item 2.5 - Motor vehicles - Purchase and running expenses.

Original Appropriation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, s. 25	
\$91,400	\$17,719	\$17,719	-	\$109,119

The Department attributed the increase over the Budget estimate to increased insurance costs, increased labour costs in servicing vehicles, and the necessity to undertake extensive repairs to certain trucks, vans and tractors. In notifying the Department that approval had been given to the provision of additional funds the Assistant Director of Finance (Budget) commented as follows: -

"Whilst it is realized that many vehicles are country based, it may be possible to exercise economies in repair costs by the utilization of the State Service Centre for vehicles located in Melbourne. It would be appreciated if this matter could be pursued."

25. In detailed comments supplied to the Committee the Department indicated that it had made use of the State Service Centre but had found it no cheaper and much less convenient than regular private repairers. The Department maintained that vehicles have to be booked in for service one week in advance and are held at the centre all day, whereas regular servicing can be undertaken in two hours by its private repairer at one day's notice. This allowed the Department greater flexibility to select service days when the demands on its car pool are light and led it to suggest that the size of its car fleet and the heavy demands placed upon the fleet, together with the time delays referred to above, did not justify use of the State Service Centre by the Department. The Committee did not pursue these matters but considers that the Department's complaints should be followed up to ensure that it is adopting the most appropriate course of action and that the State Service Centre is operating efficiently and providing satisfactory service to client departments.

26. Item 2.6 - Fuel, light, power and water.

Original Appro- priation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, s. 25	
\$301,300	\$39,631	\$39,631	-	\$340,931

The Committee ascertained from the Treasury file that the following factors contributed to the over-expenditure: -

- (a) the price of liquid fuels increased and there was also increased consumption of liquid fuels due to a full year's production in the tubular steel industry at Ararat and heating of the new officers' quarters at Morwell River Prison;
- (b) the price of briquettes increased during the year; and
- (c) there was an increase in electricity tariffs, together with increased consumption of electricity due to new security lighting and the operation of the new silk screen printing industry at Ararat Prison, a full year's operation of the mat yard industry at Castle-maine Prison, increased production from the cannery industry at Dhurringile Prison, Murchison, and operation of new microwave baking ovens and new security lighting in H Division Pentridge.

27. Item 2.8 - Materials for manufacture.

Original Appro- priation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, s. 25	
\$413,000	\$43,091	\$43,091	-	\$456,091

The additional funds were mainly required to cover fluctuations in the delivery of materials and the increased activity of the prison industries in fulfilling contracts, particularly supply of goods to the Public Works Department. On examining the Treasury file on this matter the Committee noted that the Assistant Director of Finance (Budget), in advising the Department on 30th June, 1977 that additional funds had been provided for the item, commented as follows: -

"It was noted that in certain industries, particularly the Carpenters Shop and the Printing Shop, the revenue to be derived from these industries was insufficient to cover the cost of raw materials purchased. It is realized that certain works carried out by the various industries are absorbed internally within the Prisons Division, however, I would appreciate your comments on this matter and particularly your advice as to the pricing policy of the Division."

As a result of this comment the Committee discussed the conduct of prison industries with Mr. S.J. Cowan, Business Manager for Prison Industries and proceeded on an inspection of prison industries at Pentridge Prison.

28. Mr. Cowan informed the Committee that his position was created four years ago following a review of prison industries which highlighted several deficiencies, mainly in relation to administration. Since that time the section dealing with these industries has expanded to four officers. In written material presented to the Committee he indicated that it is generally intended that costs incurred on these industries should be covered by income, and went on to outline the philosophy behind the industries as being -

- "(a) to keep prisoners occupied whilst in prison, having regard to the needs of other requirements and services within the prison, for example, education, laundry, cooking, building maintenance, etc.,
- (b) to train persons to achieve a work habit as near to the conditions comparable to outside industry;
- (c) to allow prisoners to earn money as a motivation for work, for use in improving their conditions or to dispose of in other ways;
- (d) to supply as much of the prison needs from internal resources as can be done economically and consistently with the other aims;
- (e) to obtain from prisoners a contribution to the community by the creation of goods and services;
- (f) to make use of the considerable labour force which ought not to be wasted; and
- (g) to make industrial activities profitable."

29. In a lengthy response from the Department to Treasury's letter of 30th June, 1977 the Director-General of Social Welfare, Mr. Bodna, commented that "it has been the concern of Prison Industry staff to present financial statements which show the correct matching of costs against revenue, within the proper financial years" and indicated that "the attention of Industry staff is at present being directed at the installation of a Job Cost ledger system which is to be reconciled with the Head Office financial records".

30. In connection with the pricing policies of the Division Mr. Bodna indicated that the present policy "is to calculate prices that will recover all costs in order to effect a break-even situation within the Industries" and that "costs are adjusted at least annually as price increases occur in materials, labour and other expenses". However, he then drew attention to certain

difficulties and some pricing anomalies. For example, he stated that laundry prices had "been set since 1972 at rates which had no relationship to operating costs" but had been based on the outside prices at the time. Although financial statements for some years had shown large book profits for the laundry a revised form of statement now indicates a need for price review. Mr. Bodna also indicated that the price per pair of number plates "has been far in excess of operating costs for many years".

31. Towards the end of his response to the Treasury letter the Director-General raised the question as to whether prices should be set at or near to relative outside prices to show the actual savings effected by the use of prison labour or whether the annual profit and loss statements should be projected to show the value of production at outside prices. Finally, he sought further discussions with Treasury to define policies on the following: -

- (a) methods of pricing;
- (b) presentation of integrated cost and annual financial statements;
- (c) programme budgeting for prison industries (including farming); and
- (d) invoicing of work produced for internal use.

32. The Committee has not undertaken extensive inquiries into the operation of prison industries but fully appreciates the difficulties associated with operating these industries along normal commercial lines. The workforce, for example, operates for a reduced number of hours by comparison with normal industry but it is necessary to pay overseers for working normal hours. In addition, some of the industries operate with outmoded machinery and there is also a possibility of conflict if work is undertaken at cheaper rates than outside industry. Despite such inhibitions the Committee believes that efforts must be made to satisfactorily resolve the matters referred to above and looks forward to developments in this area.

33. Item 3.3 - Rail travel for parents, spouse, siblings and children visiting prisoners in country prisons.

Original Approp-riation	Additional Provision Approved	Funds provided by way of - Treasurer's Advance Transfer Audit Act, s. 25		Final Expenditure
\$3,000	\$4,959	\$3,132	\$1,827	\$7,959

The Committee ascertained that, following a policy decision made in conjunction with the 1975-76 Budget, the Department now meets the payments of train fares for parents, spouse, siblings and children visiting prisoners in country prisons. The Department attributed the higher level of expenditure in 1976-77 to an increase in the awareness of the abovementioned facility and consequently greater use of it.

DIVISION 255 - TRAINING

34. Item 2.1 - Travelling and subsistence.

Original Appro- priation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, s. 25	
\$40,100	\$8,391	\$6,174	\$2,217	\$48,491

The Committee ascertained from the Treasury file that the increased expenditure was mainly due to the following factors: -

(a) Car Hire and Fares -

- (i) the number of students enrolled in Child Care and Youth Workers Courses entitled to receive reimbursement of daily fares increased from 125 in 1975-76 to 206 in 1976-77, with a consequent increase in the amount required to meet fares;
- (ii) the format of the Child Care and Youth Workers Courses changed to the extent that students were required to attend lectures at other tertiary institutions and also to spend more time at departmental institutions carrying out practical assignments. These changes, which were not anticipated by the Department at the time of preparation of the Budget, resulted in additional expenditure on fares; and
- (iii) accounts totalling \$2,790 were carried forward from the 1975-76 financial year; and

(b) Car Mileage Rates - mileage rates payable to employees for the use of their private vehicles were increased during the year.

Additional expenditure on certain sub-items was offset to some extent by savings on personal expenses and removal expenses.

35. Item 2.7 - Stores, provisions, equipment, materials and other expenditure.

Original Appro- priation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, s. 25	
\$64,500	\$12,198	\$12,198	-	\$76,698

The main factors contributing to the increased expenditure, and advanced by the Department in support of the additional provision, were as follows: -

- (a) \$400 was required to cover the purchase of overalls for prison officers who took part in fire drill and fire prevention training;
- (b) an amount of \$1,800 was required to cover increases in food prices for the Institute of Training at Watsonia and a further \$3,000 was required as a result of an increase in the number of students who purchased meals at this Institute. Income from the sale of meals was expected to increase significantly;
- (c) further funds were required to cover an increase in the cost of goods and \$900 was required to cover a commitment carried forward from the 1975-76 financial year for purchase of a cash register. The Department did not request financial provision to cover the cash register commitment at the time of preparation of the Budget; and
- (d) a further \$7,000 was required to purchase an offset printer and platemaker for the Department's Institute of Training at Watsonia. Approval to purchase this machine was obtained from the Tender Board in November, 1976 but, because of uncertainty at the time of preparation of the Estimates in May, 1976 as to whether the account could be paid, no provision was sought in the Budget.

SOCIAL WELFARE DEPARTMENT - GENERAL

36. As a result of the Committee's examination of several of the explanations advanced in support of the provision of additional funds it was considered necessary to obtain further information from the Social Welfare Department. Accordingly, the Committee heard evidence from senior accounting officers, as a result of which it undertook three inspections and had further informal discussions. The additional information obtained from these discussions and inspections served to reinforce doubts on the Committee's part as to the Department's capacity to cope with its existing administrative workload, particularly in the light of increasing demands being placed upon it.

37. In evidence to the Committee the Accountant to the Department, Mr. D.G. Brown, indicated that in his opinion the problems faced by the Department in budgeting and commitment control emanate from a lack of trained accounting staff and outdated accounting procedures. He expressed concern, for example, at delays in the payment of accounts resulting in a payment cycle of approximately six weeks. Mr. Brown went on to say that many institutions are staffed by non-accounting personnel and that this can have a bad effect on the quality of accounts work. He indicated to the Committee that the Department has been aware of the need for attention to be given to these matters but that other areas had been given priority. He maintained that creation of an internal audit section within the Department was of prime importance, together with the appointment of other accounting staff. From the information furnished by Mr. Brown it appears that a request for internal audit staff has now been outstanding for seven years.

38. In written material presented to the Committee as a supplement to their oral evidence senior accounting officers of the Department disclosed that the existing budgetary control system is basically a manual system. As a consequence the feedback of information relating to expenditure and commitments is a slow, time-consuming process which often leads to a situation where corrective action is attempted too late to be effective. Although the Department has plans to transfer budgetary, reporting and recording functions to an e.d.p. system, there are presently few administrative aids in this area. In relation to requests for additional funds, they advised the Committee that cases are frequently poorly presented and accounts personnel are often obliged to delve into and investigate areas removed from their scope of responsibility in order to obtain the required data. Further delays therefore occur in the consideration by Treasury of requests for additional funds.

39. In another written response on 12th April, 1978 to queries raised by the Committee, Departmental officers provided further detailed comment in relation to difficulties encountered in the accounting area. In summary, the situation at that stage was said to be as follows: -

- (a) it is generally realised that the work load of the Accounts Branch has greatly increased in recent years without commensurate increases in staff numbers. The last increase in staff was provided two years ago when three staff were obtained to enable the Payroll Section to cope with the added demands occasioned by the introduction of leave loading. However, no further staff have been provided notwithstanding significant increases in work loads in the four main areas of Accounts branch administration, that is, payroll, accounts payable, assistance, and revenue and budget section;
- (b) two years ago an expanded local order system and revised accounts passing procedure were introduced. This has had the practical effect of shifting a significant work load from the institutional level directly into the Accounts Payable Section. The amendment to the local order system has caused a significant increase in the number of orders issued and a consequential increase in the number of suppliers paid. In addition, the voucher processing system was amended so that firms' invoices, Departmental materials received vouchers and orders were required to be matched in the Accounts Branch, rather than institutions assembling all of the relevant papers. This is causing tremendous delays in the processing of accounts for payment;
- (c) in 1975-76 the Department's budget was approximately \$52 million, and had grown to approximately \$80 million in 1977-78. In addition, the recent infusion of a greatly increased number of Commonwealth funding schemes and the effect of regionalization have contributed to the Accounts Branch work load. Overall staff increases in

recent years have been marked. In July, 1975 the Department had 2,350 staff. This number increased by 17 per cent to 2,750 at December, 1977. Associated costs and expenditure, for example, car mileage allowances, overtime and tea money, all add to the work of the Accounts Branch;

- (d) of continuing and growing concern is the tempo and stress under which the Accounts Payable Section must work, not only as a result of the changes to the aforementioned systems but also an actual 15 per cent increase in claims passed during the last financial year;
- (e) four additional staff for the Accounts Payable Section were being sought in the staffing estimates for 1978-79. A minimum of two additional staff is imperative. The present average time for processing and payment of accounts is now drifting from six to seven weeks;
- (f) in the Budget and Accounts Payable areas the Accounts Branch relies heavily on the assistance and co-operation of staff in other Divisions, both at Head Office and in their institutions and offices. In the past the Department has been conscious of providing the necessary field and institutional staff of a professional and semi-professional nature and did not place a high priority on administrative staff in many of these areas. Subsequent events have shown that the lack of sufficient administrative back-up staff has affected the ability of the Department to follow administrative directives in these areas and to carry out the necessary budgetary control techniques. There has been criticism from Treasury and the Audit Office on these deficiencies;
- (g) accounts cannot be passed for payment until all necessary documents are to hand and the Accounts Payable Section suffers many frustrations in this area;
- (h) budgetary control certainly requires oversight in the Accounts Branch, but the correcting of adverse trends of expenditure which are brought to light by the Budget Section of the branch must be undertaken in the areas where the expenditure is actually incurred. The control would be more efficient if administrative oversight and guidance is closer to the actual spending areas; and
- (i) in an endeavour to improve the situation the Accountant has put forward a proposal to seek an accounts trained administration officer at Class "C1" level to assist the Senior Administration Officer in each major Division and for 6 Class "C" Administration Officers to carry out accounting, stores and personnel duties for the small Family Welfare and Youth Welfare Institutions which do not at present have any administration or clerical staff.

40. The Assistant Accountant of the Department, Mr. R.G. Uhd, added further emphasis to the problems raised by Mr. Brown. In evidence to the Committee he indicated that senior accounting officers were frustrated at breakdowns which occurred in the accounting processes and stated that some suppliers refuse to supply goods to the Department because accounts are not paid. He mentioned that there is insufficient time for investigation of smaller items of over-expenditure and that it is necessary for officers to devote their time to more serious matters such as the failure by officers in some institutions to follow instructions. He contended that the Department is very complex and that although there are many items of expenditure where greater control is desirable, other matters have higher priority and it is simply not possible to achieve this.

41. On 15th March, 1978 Mr. Uhd, in his capacity as Acting Accountant at the time, furnished the Director-General of Social Welfare with a memorandum in connection with a new budgetary control system and computerization of the accounting system. The following extract seems particularly pertinent to the Committee: -

"As you are aware, we are currently planning a new responsibility accounting system in relation to recording and reporting which is to come into effect on the first of July, 1978 on a mechanised basis. It is planned that this system will be computerised as from the first of July, 1979.

It is apparent that the current administrative structure is not geared to successfully implement this system. A number of institutions have no administrative staff and much of the accounting and associated work which should be carried out in these institutions is not being carried out either efficiently or promptly. This situation has been highlighted by: -

1. Numerous internal and external audit reports over the last two or three years.
2. Our failure to be able to process creditor's accounts reasonably promptly due mainly to the failure of institutional staff to comply with the Director-General's instructions and the Accounts Branch Manual.

It is relevant that the professional staff has grown out of proportion to supporting administrative staff over the last two to three years. This may account for the senior administration officer in each Division not playing a sufficiently active role in the accounting functions of his Division.

Treasury are currently examining the application for the restructure of the Department and have pointed out in informal discussions that Management Services are ineffectual in several areas and the Treasury are doubtful at this stage that the re-structure and the new budgetary control system will work effectively. The Treasury are aware of the lack of administrative staff at many locations and they expressed their surprise that further administrative back-up staff were not sought in the re-structure."

42. In the above-mentioned memorandum Mr. Uhd sought the appointment, as a matter of top priority in the 1978-79 estimates, of the Class "C1" and Class "C" positions referred to in paragraph 39 of this report. He added the following comment to the request for accounting assistants to senior administration officers :-

"Although we have been strenuously seeking an Internal Audit Section for years, it is considered that the above staff are of more importance. An Internal Audit Section will only highlight the deficiencies in performance which we are seeking to remedy by the appointment of the above-mentioned positions. However, for proper control of Departmental expenditure both the institution positions and the Internal Audit Section should be sought as top priorities."

Mr. Uhd also advocated a meeting "as soon as possible" to discuss his recommendations, indicating that it would "be necessary to obtain Divisional approval for these positions to be sought in the 1978-79 estimates and for the need for the responsibility for ensuring that institutions follow Departmental instructions be placed with the Division concerned." He emphasised that the "latter matter requires resolving whether additional positions are provided or not."

43. Following the hearing of evidence from senior accounting officers of the Department the Committee visited the offices of the Department's Central Administration. During the course of this visit the Committee had discussions with the Acting Director-General of Social Welfare at the time, Dr. K. O'Flaherty, and the Secretary to the Department, Mr. H.M.G. Macphee. In brief discussions with the Committee Dr. O'Flaherty expressed the view that lack of administrative back-up presented problems to the Department. In his opinion the Department was lacking in staff at the senior level and was "under-resourced".

44. Mr. Macphee felt that the Department is under strain and that pressures increased because of the development of new programmes. He maintained that officers were "bogged down" in coping with their current daily workload and that additional staff resources, possibly in the middle level, were needed to relieve the burdens on senior staff. He suggested that the Department's priorities are basically decided by events, for example, prison disturbances requiring urgent action, and that it had probably tended to move from one crisis to another in the past without having time to plan ahead. Mr. Macphee said that an updating of accounting procedures is required and that planned conversion of some accounting functions to computer operation would assist the situation. He stressed, however, that such conversion would only be a partial solution to the Department's accounting problems, in that computer operation would only lead to the quicker production of more detailed information. He also expressed the view that the Department is "badly resourced" and that it compares unfavourably with others in terms of staff resources.

45. In order to obtain some knowledge of administrative difficulties experienced at institutional level, particularly in the handling of accounting matters, the Committee visited Fairlea Female Prison where it interviewed the Prison Governor, Miss W.M. Millar, and her deputy, Miss D.L. Hammond. They indicated that, with the exception of a clerical assistant who works normal public service hours, insufficient administrative support is given to officers at the prison. It was suggested that the Governor and her deputy are burdened with a lot of paper work and that work of an accounting nature takes up a significant part of their time to the detriment of other duties which they consider to be more important. The Committee understands that prison labour is not used to any significant extent to assist in routine administrative tasks, and Miss Millar felt that difficulties would be associated with use of such labour. The Committee ascertained that regular visits are not made to the Prison by administrative officers from the accounting area, presumably because of lack of staff.

46. The Committee has not pursued any of the matters referred to in the preceding paragraphs at this stage. To do so would involve a great deal of time and detailed inquiry. However, it is satisfied beyond doubt that the information obtained discloses a disturbing state of affairs and is cause for concern. It is apparent that administrative practices in the Department and increases in staff, particularly in the accounting area, have not kept pace with the general expansion in Departmental activities. It also appears most likely that sufficient importance has not been attached to these matters and that the accounting area has been largely neglected despite the efforts of the people involved in this area to draw attention to their plight. Urgent action is now required to remedy the deficiencies. In the Committee's opinion the Department cannot hope to successfully implement new programmes and improve services unless prompt attention is given to updating the administrative practices and procedures necessary for efficient and effective operation, particularly in the accounting area. To continue developing new programmes and expanding others without first examining the Department's administrative capacity and organisation to handle current tasks would be most unwise.

47. The Committee recommends that urgent action be taken to review the Department's administrative organisation and resources with a view to ensuring that it is adequately equipped and organised to efficiently perform its functions. Top priority must be given to requirements in the accounting area even if appointments to professional positions must be deferred to achieve this objective. In any such review every effort must be made to devise a system providing some form of adequate administrative support for institutions. Every step must also be taken to ensure that there is adequate liaison between the administrative and professional staff at institutions, and a proper appreciation on the part of all staff of the need for adequate and efficient administrative practices.

CONSUMER AFFAIRS

DIVISION 285 - MINISTRY OF CONSUMER AFFAIRS

48. Item 3.2 - Motor Car Traders Committee - Fees and expenses.

Original Appropriation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, s. 25	
Nil	\$21,155	\$21,155	-	\$21,155

The Committee ascertained that the Chief Secretary's Office was originally allocated \$33,000 to meet the fees and travelling expenses of the *Motor Car Traders Act 1973*. Administration of the Act was transferred to the Ministry of Consumer Affairs from 25th October, 1976, with accounting functions being transferred from 4th December, 1976. It was therefore necessary to provide \$24,000 on 19th May, 1977 to facilitate payment by the Ministry of the Committee's operating expenses. This provision included the unexpended allocation for the Chief Secretary's Office, together with an amount of \$11,116 in excess of Budget allocation. Expenditure mainly increased because of an increased number of meetings held by the Committee. The Committee met on 189 occasions in 1976-77 compared with 133 meetings in 1975-76.

It is noted that the operating expenses of the Committee are recouped from the Motor Car Traders Guarantee Fund pursuant to Section 48 (4) (a) of the *Motor Car Traders Act 1973*.

EDUCATION

DIVISION 301 - EDUCATION ADMINISTRATION

49. Item 3.39 - Deakin University - Grant to meet costs of compensation to former staff of Gordon Institute of Technology and State College Geelong pursuant to section 43 (9) Deakin University Act No. 8610.

Original Appropriation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, s. 25	
Nil	\$32,000	\$32,000	-	\$32,000

The Committee understands that the Government agreed to provide an amount of up to \$50,000 to Deakin University to meet the cost of compensation payable under Section 43 (9) of the *Deakin University Act 1974*. On 15th June, 1977 the Acting Treasurer approved the provision of \$32,000, following an approach from the University for reimbursement of compensation due to academic staff who suffered direct pecuniary loss or incurred expenses due to career disruption.

ALLOCATION OF ADDITIONAL SCHOOLS COMMISSION FUNDS

50. Supplementary provisions were again required to cover increased grants to schools. Some additional funds were made available during the year on the recommendation of the Schools Commission. The two most significant items requiring additional provision were as follows: -

DIVISION	ITEM NO.	DESCRIPTION	ADDITIONAL PROVISION
PRIMARY EDUCATION	305.2.12	GRANTS TO SCHOOLS	\$1,772,652
SECONDARY EDUCATION	306.2.12	GRANTS TO SCHOOLS	\$1,208,362

51. In relation to the above items the Committee noted from the relevant Treasury file that there were significant increases in the costs of fuel, light, power and water in schools. On 26th May, 1977, the First Assistant Director of Finance advised the Department that an additional \$1,047,000 (item 305.2.12) and \$740,000 (item 306.2.12) had been allocated to cover these increases. He went on to comment as follows: -

"In giving his approval the Acting Treasurer expressed his concern at the excessively large growth in expenditure under this item. Only a relatively small proportion of this growth can be explained by increased charges and numbers of classrooms. The Acting Treasurer has, therefore, directed that the Education Department put in course an immediate investigation of this matter. He has suggested that a sample of the schools involved be thoroughly tested in order to ascertain the reasons for this growth, particularly with a view to identifying any wasteful usage. He has also suggested that expertise should be added to this investigation by seconding an officer from the Public Works Department or the State Electricity Commission to assist.

I would be glad if you would take the necessary steps to put this investigation in course. Treasury officers will be available for consultation if their assistance is required and we would certainly expect to be advised as to the results as soon as they come to hand.

In your letter of 5th May you mention that the computer based property system currently being developed would provide for a detailed analysis of property resources and improved reporting performance and forward planning. Until such a system is developed it is essential that methods of estimating such costs should continue to be refined in an attempt to improve both the estimating and control techniques.

In discussions leading to the 1977/78 Budget, Treasury will wish to establish a firm basis for the assessment of costs relating to additional teaching areas, price increase flow-on and all other relevant factors. Improved forecasting and control should then be possible. Perhaps you could advise the Assistant Director of Finance (Budget) as to the action which your Department considers would best achieve these objectives."

52. By letter dated 22nd June, 1977, the Assistant Director-General of Education (Finance) responded in the following terms: -

"The investigation will be directed and completed by Planning Services Division as soon as possible.

It has been decided to concentrate the study on the increased expenditure on electricity as this constitutes approximately one half of the total increase in costs of the above items over a two year period. In particular the total expenditure on electricity has increased from \$1.6 million to \$2.6 million during 1973-74 to 1975-76, while total utility expenditure has risen from \$2.7 million to \$4.8 million over the same period.

The investigation will consider five possible causes for the increase in expenditure :

- (i) the number of libraries, classrooms etc.;
- (ii) the type of rooms now being built;
- (iii) the use of power equipment in schools;
- (iv) any apparent wasteful use of electricity;
- (v) Community Education programs.

It will be necessary for Planning Services to obtain a considerable amount of historical data from the State Electricity Commission and so it is necessary for either the secondment of an officer from the Commission, as suggested in your letter, or alternatively to issue explicit instructions to the State Electricity Commission and regional electricity authorities for the supply of necessary information to Planning Services.'

A footnote to this letter (dated 8th July, 1977) indicates that the decision to concentrate on electricity is the first step in the investigation, to be followed by investigation of the other areas of concern. The Committee looks forward to improvement in this area.

DIVISION 307 - TECHNICAL EDUCATION

53. Item 2.1 - Travelling and subsistence.

Original Appro- priation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, s. 25	
\$198,000	\$31,959	\$31,959	-	\$229,959

The additional funds were required to cover: -

- (a) costs amounting to \$6,000 arising from an increase in the rate of allowances payable to officers using private cars on official business;
- (b) travelling expenses amounting to \$6,400 following authorization by the Teachers Tribunal of the creation of 50 offices to be occupied by teachers as Regional Relieving Assistants. Eight appointments were made from 1st January, 1976 and a further eight from 1st January, 1977;
- (c) additional expenditure of \$4,600 on fares and expenses due to an increase in appointments of relieving principals and an increase in travelling by inspectors due to staff shortages; and
- (d) additional expenditure of \$15,000 for the removal of household furniture and personal effects. The Department advised Treasury that the increase was directly attributable to increased charges by contract removalists.

DIVISION 308 - SPECIAL EDUCATION

54. Item 3.7 - Certificate Course in Competency in a Day Training Centre or Special Developmental School, State College of Victoria, Burwood - Expenses.

Original Appro- priation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, s. 25	
Nil	\$28,000	\$28,000	-	\$28,000

The Committee ascertained that the Certificate of Competency Course is conducted at the State College of Victoria, Burwood, to train teachers for Day Training Centres, under the control of the Mental Health Authority and Special Developmental Schools under the control of the Education Department. On 11th March, 1977 the Treasurer advised the Minister of Special Education that he had approved a grant of \$28,000 to the College, equivalent to salaries, to meet the cost of employment of two officers previously seconded from the Mental Health Authority.

DIVISION 309 - EDUCATION SPECIAL SERVICES

55. Item 2.2 - Office requisites and equipment, printing and stationery.

Original Appro- priation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, s. 25	
\$180,000	\$33,973	\$33,973	-	\$213,973

The Committee ascertained that provision was made in the 1976-77 Budget under Special Education item 308.2.12. (Grants to Schools) for the payment of maintenance grants to Counselling, Guidance and Clinical Services Centres, Demonstration Units and Special Education Units. However, on 12th November, 1976 the Education Department advised Treasury that owing to a legal difficulty, arising because some of these facilities are not attached to schools and are not established as State Schools within the meaning of Section 21 of the *Education Act 1958*, grants could not be made from the "Grants to Schools" line in the Estimates. Accordingly, it was necessary for maintenance costs for these facilities to be met from central funds available to the Special Services Division. The Department therefore sought the provision of \$111,000, \$34,000 of which was charged to Division 309.2.2, to cover general expense items on the understanding that an equivalent amount would be saved in Division 308.2.12.

56. Item 2.6 - Fuel, light, power and water.

Original Appro- priation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, s. 25	
\$24,000	\$26,126	\$26,126	-	\$50,126

An additional \$15,000 was allocated to this item for the reasons outlined in paragraph 20. In addition, further funds were approved on 11th May, 1977 partly to meet the increased costs of electricity, gas and liquid fuels, which were not provided for in the 1976-77 Estimates. Funds were also required to meet the costs of new centres opened during the year, the extension of existing centres, and the coming into full operation of centres opened in the 1975-76 financial year.

ATTORNEY-GENERAL

DIVISION 350 - ATTORNEY-GENERAL

57. Item 2.7 - Professional assistance

Original Appropriation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, s. 25	
\$1,260,000	\$166,993	\$166,993	-	\$1,426,993

Two requests were made for additional funds. An amount of \$70,000 was approved on 2nd December, 1976 to cover a 20 per cent increase in the fees payable to Counsel by the Public Solicitor, and a further \$97,000 was approved on 28th June, 1977. The latter amount was provided mainly to cover the following items of expenditure: -

- (a) Crown Solicitor - Prosecutions - this sub-item covers the cost of engaging Counsel to appear for the Crown in criminal matters. These matters are mainly heard in the County Court and the level of activity in that Court increased during 1976 by approximately nine per cent over 1975. In addition, the number of sitting days of the Supreme and County Courts in country areas increased from 415 in 1975-76 to an estimated 500 in 1976-77; and
- (b) Public Solicitor - Criminal - this sub-item meets the fees of Counsel briefed by the Public Solicitor in criminal matters. The increased expenditure in this area was attributed to -
 - (i) an apparent increase in public awareness of the services offered by the Public Solicitor. The number of court appearances on behalf of the Public Solicitor increased by 26 per cent from 1,235 in 1975 to 1,557 in 1976; and
 - (ii) an increase in the number of complex and lengthy trials, one of the most notable being the "Bikie Trial" where the Public Solicitor represented seven of the eight defendants. Fees payable to Counsel on this trial alone totalled \$70,473.

DIVISION 353 - CROWN SOLICITOR'S OFFICE

58. Item 2.1 - Travelling and subsistence.

Original Appro- priation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, s. 25	
\$30,900	\$8,669	\$8,669	-	\$39,569

The Committee ascertained that the additional provision was mainly required to meet costs associated with the following items: -

- (a) the rates of allowances for car mileage prescribed by the Public Service Board increased by nine per cent from 1st October, 1976;
- (b) a \$1,813 carryover of accounts from 1975-76 was not included in the Budget estimates;
- (c) a general increase in the level of activity in the Crown Solicitor's Office led to increased tea money, taxi hire and travelling expenses;
- (d) a 21 per cent increase in the number of sitting days of the Supreme and County Courts in country areas over the 1975-76 financial year which led to an extension of the period for which officers of the Criminal Law Branch Circuit Section were on circuit;
- (e) a 20 per cent increase over 1975-76 in the number of appearances made by the Summary Prosecutors Officer in Magistrates' Courts throughout Victoria.

59. Item 2.3 - Books and publications, other incidental expenses.

Original Appro- priation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, s. 25	
\$13,600	\$14,247	\$14,247	-	\$27,847

On 3rd May, 1977 the Secretary to the Law Department advised Treasury that Ronald John Hamilton, who had been convicted of armed robbery, had lodged a Petition for Mercy with His Excellency the Governor on the basis of evidence given before the Board of Inquiry into allegations against members of the Victoria Police Force (Beach Inquiry). The Attorney-General, acting on advice given by the Solicitor-General, referred the case to the Full Court. Treasury was also advised that Peter John Lawless, who had been convicted of

murder, had advised the Attorney-General that he also intended to submit a Petition for Mercy on the basis of evidence given before the Beach Inquiry. Additional funds were therefore required to enable the Crown Solicitor to obtain copies of the relevant transcripts of evidence from the Government Shorthand Writer for use by the Court and Counsel appearing for the Crown.

As already mentioned elsewhere in this report, the Committee is pleased to record that expenses of this incidental nature will no longer be included under the heading "Books and publications".

DIVISION 362 - CORPORATE AFFAIRS OFFICE

60. Item 2.7 - Professional Assistance.

Original Appropriation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, s. 25	
\$135,000	\$185,232	\$163,043	\$22,189	\$320,232

Upon perusal of the relevant Treasury file the Committee ascertained that, of the total provision for this item in the 1976-77 Budget, \$100,000 was provided to meet fees and expenses incurred in connection with investigations being conducted pursuant to Part VIA of the *Companies Act 1961*. On 20th October, 1976 the Department requested a further \$90,900 to meet the fees and expenses of the inspectors conducting four investigations. Details of the individual investigations at that date were as follows: -

Investigation	Revised Completion Date	Expenditure to date	Accounts on hand	Further Expend- iture Expected	Total
		\$	\$	\$	\$
(a) Capital Mining and Properties Ltd.	December, 1976	18,717	-	16,000	34,717
(b) Lefroy Minerals Ltd.	January, 1977	9,750	12,194	21,600	43,544
(c) D.J. Ryan Group of Companies	December, 1976	19,534	23,903	42,000	85,437
(d) Barewa Oil and Mining Ltd.	Completed	27,205	-	-	27,205
		75,206	36,097	79,600	190,903

61. The Budget allocation of \$100,000 for fees and expenses was originally calculated on the basis that the four investigations would be terminated in the September quarter. However, no maximum limits are prescribed as to the period within which investigations and reports must be completed, and the Department received further notification from the inspectors that a lengthening of the completion periods would be required. It therefore requested a further \$94,332, of which \$58,827 was required to cover inspector's fees and associated costs. The remaining \$35,505 was required to cover fees paid to counsel engaged by the Solicitor to the Commissioner for Corporate Affairs to prosecute breaches of the *Companies Act 1961* and the *Securities Industry Act 1975*. The final expenditure on company prosecutions was expected to be \$40,505, some \$35,505 in excess of the original provision.

62. In examining the Treasury file the Committee noted that the Assistant Director of Finance (Budget), then Mr. Hopkins, informed the Treasurer that he had discussed the matter of professional assistance with the Department which had indicated that, with a view to curtailing expenditure, it would consider changes in the method of handling cases before any new investigations were entered into. Two of the possibilities under consideration were -

- "(a) the placing of maximum time limits on the duration of investigations;
or
- (b) seeking clearance for appropriate personnel within the Law Department itself to carry out such work."

Officers of the Department subsequently informed the Committee that consideration had been given to the controls which could be exercised in future, and that it was considered preferable to use Corporate Affairs Office Investigators as far as practicable. However, if it was found that one of these investigators could or should not handle a particular inquiry and an inspector was appointed, the terms of reference would be considerably more restricted than in the past.

DIVISION 368 - PUBLIC TRUSTEE

63. Item 2.2 - Office requisites and equipment, printing and stationery.

Original Appro- priation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, s. 25	
\$35,600	\$34,139	\$30,951	\$3,188	\$69,739

The Committee ascertained that the additional funds were required to meet costs associated with the following: -

- (a) the hiring of an additional accounting machine for a three month period to help clear up a large backlog of ledger posting;
- (b) the purchase of extra stationery to cope with the increased volume of work, and redesigned stationery for a new accounting system installed in 1975;
- (c) photocopying expenses;
- (d) modifications to machine programmes; and
- (e) the purchase of an additional accounting machine following advice from consultants and the Public Service Board Management Services Division that the existing two machines could not cope with the workload of the office.

LAW DEPARTMENT - GENERAL

64. In recent years the Committee has commented on various items of expenditure under the control of the Law Department where, because of their nature, difficulties are experienced in estimating and expenditure control. A significant item in this category is No. 350.2.7 (Attorney-General - Professional Assistance). Where expenditure in 1966-67 amounted to \$135,261 it had reached \$1,426,993 in the year under review (1976-77). In each financial year since 1966-67, with the exception of 1973-74, it has been necessary for additional funds to be provided out of the Treasurer's Advance to make up the shortfall in this item. Other items such as those covering juries expenses and allowances to witnesses also cause problems from time to time, although not to the same extent as "professional assistance", because of factors which are said to be beyond the Department's control.

65. Because of the significant increase in expenditure by the Law Department in recent years - actual expenditure increased by 167 per cent from 1972-73 to 1977-78 - and the "open ended" nature of some vote items, the Committee decided to inquire as to the difficulties experienced in controlling these expenditures and the steps taken to monitor performance by the various branches within the Department. In so doing, the Committee gave particular attention to the professional assistance items.

66. In the early stages of its inquiry the Committee had discussions with Mr. P. Carrigan, Deputy Secretary to the Law Department, and Mr. N. Cox, the Departmental Accountant. Mr. Carrigan indicated to the Committee that the Central Administration of the Department has very little control over the costs of engaging outside professional assistance, and that its role was basically to provide administrative services to the various branches of the Department rather than examine alternative methods of providing services with a view to achieving economies. The Central Administration does not involve itself in direct supervision of Branches.

67. Mr. Cox advised the Committee that professional staff such as the Public Solicitor are autonomous and act independently from the Central Administration in making decisions as to the engagement of outside counsel and that there is no system in the Public Solicitor's Office which would accurately show the level of future expenditure. He maintained that the estimate for expenditure on professional assistance is based on past experience plus a component to allow for possible fee increases, and that the main difficulty in estimating this expenditure is in not knowing the average time which will be taken to complete trials in the ensuing year. Mr. Cox also informed the Committee that monthly financial statements are produced for the benefit of all Branch heads but, other than liaison at the time of preparation of Budget estimates, there is very little liaison in relation to expenditure until after commitments have been entered into. Such liaison is usually confined to ascertaining the reasons for over-expenditure in order to justify applications for the provision of additional funds. The impression given to the Committee was that professional staff such as the Public Solicitor would consider themselves as having autonomy primarily to perform certain statutory functions without being inhibited by financial considerations.

68. At a later stage in its inquiry the Committee had discussions with the Secretary to the Law Department, Mr. R. Glenister. In evidence to the Committee and a supporting submission, Mr. Glenister indicated that as permanent head he is responsible for the general working of the Department but that this responsibility must be reconciled with the statutory responsibilities of several of the Branch heads. In the case of the Law Department various Branch heads, for example, the Public Trustee, Commissioner for Corporate Affairs and Registrar of Titles, have specific statutory powers and duties, whilst others such as the Public Solicitor, Crown Solicitor and Chief Parliamentary Counsel perform independent professional functions. Mr. Glenister maintained that these matters have some bearing on the extent to which the Central Administration can involve itself in the operation of the relevant Branches but do not diminish staffing and general financial controls exercised by Central Administration. He went on to outline the degree of involvement of the Central Administration in personnel management and general financial oversight and control, and in initiatives aimed at improving the efficiency and effectiveness of aspects of the operation of various Branches.

69. Mr. Glenister felt that the possibilities of monitoring the performance of Branches were limited, particularly in assessing the performance of professional tasks. Regular monthly statistics and reports are furnished by various Branch heads but in essence the permanent head must rely on them to ensure that their respective branches operate efficiently and effectively. He stressed to the Committee that Branch heads are fully aware of the costs of their operations and are constantly reminded of these costs by the system of financial controls and regular reporting which operates within the Department.

70. The Committee was interested to note that a research section was established in the Department in 1971 to enable the Central Administration "to make best use of scarce resources by reference to reliable data". Some of the section's functions are as follows: -

- (a) collation, evaluation and presentation of data already gathered at the time when the section was established;
- (b) expansion of data collection to encompass all Branches;
- (c) establishment and consolidation of management reporting systems within Branches; and
- (d) co-ordination and consideration of comparability between other Departments, States, other uses and the Australian Bureau of Statistics.

Information produced by the section is now being used as an aid to forecasting.

71. The Department consists of a number of Branches. Several operate under special Acts of Parliament and others perform highly specialised functions. This situation is somewhat different from most other Government Departments. The Committee is concerned that adequate monitoring procedures apply in relation to "open-ended" expenditure items.

Mr. Glenister indicated that great difficulties will be experienced in estimating future costs in items such as professional assistance, allowances to witnesses and juries expenses. In his view future expenditure will depend on a number of factors, most of which usually cannot be accurately forecast. These factors include considerations such as: -

- (a) the level of court activity;
- (b) the seriousness and complexity of cases brought to trial;
- (c) the number of accused persons seeking legal aid;
- (d) increases in the level of payments demanded by barristers;
- (e) changes in rates of payments to witnesses, jurors, etc.;
- (f) the number of industrial and Constitutional matters in which the State is involved; and
- (g) the number of common law actions brought against the Crown.

72. From statistical information available to the Committee it is evident that the workload on certain sections of the Law Department is increasing and that the increases will have a significant impact on "open-ended" expenditure items. For example, the activities of the Public Solicitor's Office seem certain to affect expenditure on professional assistance if the trend shown by the following statistics is maintained:-

PUBLIC SOLICITOR

Year	<u>Applications Approved</u>		Trials and Pleas Appearances (ex- cluding Appeals)	Appeals to Full Court
	Crime	Civil		
1966	268	606	276	18
1967	315	568	310	7
1968	383	560	430	10
1969	411	370	454	14
1970	469	-	496	12
1971	535	-	532	11
1972	810	-	822	13
1973	793	-	869	26
1974	909	-	904	31
1975	1085	-	1234	70
1976	1096	-	1208	78
1977	1013	-	1109	86

73. In terms of volume of work, pressures can also be expected to increase in other areas of the Department. For example, the following statistics produced to the Committee in respect of the Corporate Affairs Office give some indication as to the trend in this area: -

CORPORATE AFFAIRS OFFICE

Year	New Company Registrations	Total Companies Registered	Prosecution Briefs*
1966	3374	N.A.	-
1967	3634	N.A.	-
1968	4843	54,089	-
1969	5180	58,249	-
1970	6186	63,485	-
1971	6604	69,253	-
1972	5606	73,306	-
1973	6822	78,974	-
1974	5385	83,235	-
1975	7045	87,606	47
1976	12,577	97,023	35
1977	13,724	108,223	38

*Prior to 1975 prosecutions were conducted by the Crown Solicitor's Office.

74. In relation to "open-ended" expenditure items, it is a matter of prime importance to the Committee that expenditures and procedures should be continually subjected to review and examination and that cost containment, consistent with the rendering of efficient and effective service to the Department's clients, should be a prime consideration in any such review. It is possible, for example, that the appointment of additional legal staff in some areas may be more economical and efficient than engaging outside legal assistance. The steps which could be taken in relation to the conduct of company investigations, as outlined in paragraph 62 of this report, also serve as an example of a different approach which can be adopted if some thought is given to the alternative and most appropriate ways in which functions can be discharged.

75. The Committee appreciates the difficulties involved in accurately forecasting expenditure on "open-ended" items. Nevertheless, it considers that efforts must be made to reconcile the needs of expenditure control and service to clients rather than view "open-ended" expenditure items as uncontrollable - an approach which may have dominated thinking within some sections of the Department to date and which renders impossible implementation of accurate budgetary control concepts in this area.

76. It is evident to the Committee that the workload of the Law Department is steadily increasing and will continue to do so in the future, particularly in the light of increasing public awareness of the services available in respect of legal aid and an increasing trend to appeal against court decisions. Pressures will increase in relation to expenditure on "open-ended" items. It is therefore most important that attention be directed to effective control and efficient use of the funds made available from such items. The Committee is aware that steps have been taken to effect improvements and streamline procedures in some sections of the Department in the past, but such reviews can be regarded as "piecemeal" in relation to the overall activities of the Department.

Increasing pressures on the Department and the likelihood that it will be expected to provide increased services to the public in future lead the Committee to conclude that a general examination and overall review would be beneficial.

The Committee believes that it is now appropriate that a review of administrative practices within the Department be undertaken to ensure that it is adequately equipped to fulfil its future role in the most efficient, economical and effective way. The Committee accordingly recommends that such a review be undertaken.

77. At a very late stage during the Committee's consideration of this report the Legal Aid Commission Bill was introduced into the Legislative Assembly. If the Bill is passed in its present form by Parliament the major organizations presently providing legal assistance in Victoria - the Public Solicitor's Office, Legal Aid Committee and Australian Legal Aid Office - will be replaced by a Legal Aid Commission. As the Public Solicitor's Office will cease to exist if the new Commission is established, Law Department involvement in the provision of legal aid will diminish considerably and there may be a reduction in the amounts which it is required to contribute to expenditure on professional assistance. Despite these proposed changes the Committee believes that there is still ample scope for action to be taken along the lines recommended.

DIVISION 400 - TREASURER

78. Item 3.4 - Payment to Government of Tasmania in respect of subscriptions received by accredited representatives in Tasmania to Tattersall Consultations.

Original Appropriation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, s. 25	
\$550,000	\$379,954	\$321,784	\$58,170	\$929,954

An amount of \$550,000 was provided for this item in the Budget but it was later established that total payments would be \$379,954 in excess of that provided.

79. Item 3.23 - Victorian Natural Disasters Relief Account - Contribution.

Original Appropriation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, s. 25	
N11.	\$4,000,000	\$4,000,000	-	\$4,000,000

The Committee ascertained that under joint arrangements established in 1974 between the Commonwealth and State Governments for financing agreed emergency relief and restoration measures in connection with natural disasters, the Victorian Government is required to meet the first \$3,500,000 of such expenditure each year. In each of the past three financial years expenditure on natural disasters in Victoria exceeded \$3,500,000 and the State was therefore required to find this basic sum in each of those years.

Because of the uncertainties involved in making appropriate annual financial provisions for a wide variety of possible disasters it was considered desirable to have a fund which, as far as possible, could be kept at a level of \$3,500,000 from one year to another. A special allocation of \$3.4 million was therefore made late in the 1975-76 financial year which, together with the amount then in the account, provided a balance of \$3.5 million to meet expenditure on natural disasters in 1976-77.

On 30th June, 1977 the First Assistant Director of Finance advised the Treasurer that the allocation had been fully expended and, in order to provide the required balance in the account at 1st July, 1977, it was necessary to allocate an appropriate amount from Treasurer's Advance in 1976-77. He further advised that the Commonwealth Government had indicated its intention to revise the basis of cost-sharing of natural disaster expenditure, and that it was evident that the Commonwealth would be seeking a larger contribution from the State towards these costs. Accordingly, it was considered prudent to allocate \$4 million to the account.

80. Item 3.66 - Goulburn Valley Driver Training Complex - Grant.

Original Appropriation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, s. 25	
Nil	\$64,300	\$64,300	-	\$64,300

The relevant Treasury file discloses that on 1st July, 1977 the Education Department assumed responsibility for the operation of the Goulburn Valley Driver Training Complex through the Shepparton Technical College. In February, 1977 an interim grant of \$20,000 was approved on the basis that the activities of the complex would not be expanded, and that the situation would be further examined when negotiations for the Education Department takeover were completed. Provision of up to \$45,000 was approved on 20th June, 1977 in line with a Government undertaking that any financial obligations of the Complex as at 30th June, 1977 would be met by a special grant to enable it to be handed over to the College without residual liability.

81. Item 3.69 - Special Youth Employment Training Programme Trust Account - Contribution.

Original Appropriation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, s. 25	
Nil.	\$200,000	\$200,000	-	\$200,000

On 30th December, 1976 the Premier announced that the Victorian Government would sponsor a new youth employment and training scheme for Government departments and authorities, and local government in country and regional city areas, using the special youth scheme initiated by the Commonwealth Government. The Victorian Government accepted the cost of making up the subsidy provided under the Commonwealth Scheme - \$59 per week - to the rate of pay fixed for employment of each young person concerned. On 1st March, 1977 provision of \$200,000 was approved to enable the departments and authorities to claim the State share of the cost of employing 250 young persons.

82. Item 3.71 - Contribution towards cost of implementing Scheme of Arrangement in respect of Dividend Fund Incorporated (in Liquidation).

Original Appropriation	Additional Provision Approved	Funds provided by way of - Treasurer's Advance Transfer Audit Act, s. 25		Final Expenditure
Nil.	\$40,750	\$40,750	-	\$40,750

Dividend Fund Incorporated was an unlimited liability company forming part of the Garretty Group of Companies.

From the Committee's examination of the Treasury file a minute from the Assistant Director of Finance (Budget) indicates that the Government agreed to make a contribution to the costs associated with implementation of a Scheme of Arrangement in respect of the Company, and that the decision "was reached primarily to protect from further liability the shareholders in this Company who, as a result of a misleading prospectus, found themselves in the situation of not only losing the whole of their investment but were also being called upon to pay further calls in respect of the winding up of the Company and would suffer considerable hardship." The Government's agreement was given on the understanding that all concerned with the case should contribute to its solution. This involved the waiving of debts by unsecured creditors, reductions in solicitors' and liquidators' fees, and an *ex gratia* payment by the Commonwealth Government in respect of an income tax liability.

DIVISION 415 - STATE SUPERANNUATION BOARD

83. Item 2.3 - Books and publications, other incidental expenses.

Original Appropriation	Additional Provision Approved	Funds provided by way of - Treasurer's Advance Transfer Audit Act, s. 25		Final Expenditure
\$180,000	\$57,126	\$48,237	\$8,889	\$237,126

The State Superannuation Board advised Treasury that the major area of over-expenditure related to the sub-item "Electronic Data Processing". The Board leases computer facilities from the Local Authorities Superannuation Board and is directly billed for computer time, staff and requisites. Expenditure for the year in this area comprised processing costs (\$120,860) and development costs (\$116,340). The additional provision was requested to cover increased wage costs due to national wage and award increases, additional staff and requisites, and an increased processing and development cost due to the increased capacity of the Authorities' facilities. A Treasury Minute on the matter shows that this increased capacity enabled the Superannuation Board to increase the rate of implementation of its overall edp program.

The Committee again points out that a significant portion of expenditure under this item relates to "other incidental expenses" and is pleased to note the creation of separate headings in the 1977-78 Estimates for "incidental expenses" and "Electronic Data Processing - Expenses".

LANDS

DIVISION 450 - CROWN LANDS ADMINISTRATION

84. Item 2.5 - Motor Vehicles - Purchase and running expenses.

Original Appropriation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, s. 25	
17,300	\$26,799	\$14,480	\$12,319	\$44,099

The additional funds were required to purchase motor vehicles for officers appointed to newly created positions. The officers involved were three land management officers and four wardens. The Department indicated to Treasury that the nature of the positions was such that each officer had to be equipped with a motor vehicle.

PUBLIC WORKS

DIVISION 480 - PUBLIC WORKS

85. Item 1.3 - Overtime and penalty rates.

Original Appropriation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, s. 25	
\$141,000	\$28,840	\$28,840	-	\$169,840

From the Treasury file it appears that the additional funds were mainly required to meet payments for overtime worked in the Department's Building Division. During the 1974-75 financial year \$144,390 was expended on overtime in the Building Division, whilst only \$32,705 was spent in the 1975-76 financial year. The Public Works Department related the 1975-76 fall in overtime to the commitment lag in the Education Department's Works Programme. As it was expected that this lag would be overcome once Education Department Regional Offices established their building priorities, and in order to cope with the normal level of commitments, the Department sought \$130,000 for overtime in the Building Division during the 1976-77 financial year. However, Treasury provided only \$41,000 on the basis that 38 additional architectural positions cleared on 18th March, 1976 would enable the Department to cope with the work load. As at 18th April, 1977 no appointments to these positions had been made and it was therefore considered reasonable that additional overtime funds be made available.

86. Item 3.11 - Petrol Distribution Centre - Working Account - Payment for stock purchases and working capital.

Original Appropriation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, s. 25	
\$200,000	\$90,308	\$90,308	-	\$290,308

The need for additional provision in this item was attributed to increases in the price of petrol and also to the increased quantity of petrol issued by the Petrol Distribution Centre. The Centre issues petrol to governmental vehicles and recoups the revenue to the Consolidated Fund.

Treasury officers advised the Committee that the Centre operated at a gross loss in 1976-77, but that this loss was offset because petrol is sold to client departments at a lower price than that of nominated service stations. After taking this off-setting factor into account it was felt that the operations of the Centre had in effect produced a slight profit in 1976-77. From the evidence tendered by Treasury it appears that the operations of the Centre will continue to produce satisfactory results if a high turnover can be maintained, and a pricing investigation is being undertaken by Treasury and the Public Works Department to determine future policy. The Committee believes that every effort should be made to promote increased use of the Centre.

LOCAL GOVERNMENT

DIVISION 510 - LOCAL GOVERNMENT

87. Item 2.2 - Office requisites and equipment, printing and stationery.

Original Appropriation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, s. 25	
\$15,800	\$17,994	\$15,901	\$2,093	\$33,794

Provision of an additional \$9,182 was approved on 4th January, 1977 to cover expenditure on the printing of Statutory Rules, printing costs of an updated application form for the Pensioner Rate Rebate Scheme and publication of additional copies of the report of the Board of Inquiry into the Finances of the City of Sunshine.

On 16th June, 1977 provision of a further \$7,165 was approved to cover expenditure mainly associated with purchase of new equipment, overhaul of a duplicator, additional printing and stationery costs, and the purchase of equipment for use by the Victoria Grants Commission.

88. Item 3.4 - Subsidies to municipalities with large non-rateable areas.

Original Appropriation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, s. 25	
Nil	\$120,000	\$120,000	-	\$120,000

A policy decision was taken to make this assistance available in 1976-77 and, as no provision had been made for such expenditure in the Budget, the Assistant Director of Finance (Budget) recommended that the amount of \$120,000 be charged to Treasurer's Advance. The funds were allocated as follows: -

Municipality	Percentage of non-rateable area	Allocation
		\$
Avon	62	6,500
Beechworth	50	3,500
Bright	92	10,500
Maffra	80	11,000
Mansfield	71	9,000
Myrtleford	78	6,000
Narracan	65	6,500
Omeo	76	12,000
Orbost	88	20,000
Otway	62	6,000
Tallangatta	64	8,500
Tambo	70	8,500
Upper Murray	68	7,000
Upper Yarra	54	5,000

89. Item 2.3 - Books and publications, other incidental expenses.

Original Appropriation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, s. 25	
\$5,300	\$35,754	\$35,754	-	\$41,054

Upon examining the relevant Treasury files the Committee ascertained that four requests were made for additional funds.

On 13th December, 1976 \$11,100 was provided to enable the Ministry for Planning to meet preliminary costs associated with publicising and setting up the Upper Yarra Valley and Dandenong Ranges Authority.

On 19th May, 1977 \$4,400 was provided to meet costs mainly associated with advertising and the supply of uniforms to certain staff.

A third request for \$15,000 was approved on 20th May, 1977, following the establishment of an independent committee to consider objections to the Mornington Peninsula Plan. The Committee consisted of five members who were each paid for 25 days at \$120 per day.

A final request for \$5,303 was approved on 16th June, 1977. This request related to further preliminary costs associated with publicising and setting up the Upper Yarra Valley and Dandenong Ranges Authority.

MINES

DIVISION 540 - MINES

90. Item 2.5 - Motor vehicles - Purchase and running expenses.

Original Appropriation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, s. 25	
\$100,900	\$35,361	\$35,361	-	\$136,261

Upon examining the relevant Treasury files the Committee ascertained that three requests were made for additional funds.

An amount of \$3,900 was approved on 4th January, 1977 for the purchase of a light sedan for the Inspector of Machinery and Plant and a further \$13,300 was approved on 11th February, 1977 to replace a tray truck badly damaged by fire on 12th May, 1976.

In addition, an amount of \$18,600 was provided on 19th May, 1977. The need for this additional provision was attributed mainly to the following items of expenditure: -

- (a) Petrol - The Department advised that the mileage travelled by vehicles attached to the Geological Survey Branch increased, as a greater number of dry days occurred during the 1976 winter, thus leading to more field activity by geologists;
- (b) Maintenance and repairs - The cost of repairs undertaken by the State Service Centre increased. This rise was not anticipated at the time the Budget was prepared; and
- (c) Replacements - The Department's Budget allowed for the replacement of 21 sedans and two four wheel drive vehicles during the year at a total cost of \$16,800. The revised estimate for the replacement of the 23 vehicles was \$27,400.

91. Item 3.10 - Contribution to Coal Mine Workers' Pensions Fund.

Original Appropriation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, s. 25	
Nil.	\$266,002	\$266,002	-	\$266,002

The Committee ascertained that contributions to the Coal Mine Workers' Pensions Fund, as prescribed under Section 121 of the *Coal Mines Act 1958*, ceased from 1969-70, following the closure of the State Coal Mine and the attainment by the last of the workers of the age of 60 years. Accordingly, the Fund became reliant on existing reserves to meet pension commitments. As reserves were exhausted in April, 1976, and in order to cover continuing commitments, legislation in the form of the *Coal Mines (Pensions) Act 1976* was enacted to enable the total cost of pension payments after May, 1976 to be met from the Budget.

Commitments over the period 1st May, 1976 to 30th June, 1977 were estimated to be approximately \$300,000 and approval was given by the Treasurer for up to \$300,000 to be charged to Treasurer's Advance.

AGRICULTURE

DIVISION 570 - AGRICULTURE ADMINISTRATION

92. Item 2.4 - Postal and telephone expenses.

Original Appropriation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, S.25	
\$311,000	\$72,660	\$70,888	\$1,772	\$383,660

Additional provision amounting to \$63,675 was approved on 13th May, 1977. The main factors contributing to the increased expenditure, as advanced by the Department, were as follows: -

- (a) Telephone accounts - Since July, 1975, the Department of Agriculture has relocated over 60 staff at country locations with the result that there has been greater usage of telephones, especially in relation to STD calls to Head Office. In addition, some country divisions had existing systems upgraded or extended in order to cope with increased demands and the full impact of a 50 per cent increase in local call rates on 9th September, 1975 only became apparent in 1976-77; and

- (b) Bulk postage - Additional postage costs were incurred because of increased activity at country centres and the removal of concessions for bulk postage.

A further \$9,000 was provided on 27th June, 1977. This additional provision was required to cover the costs of metered calls on telephone lines installed during the year. The major proportion related to lines installed with new switchboards at Colac, Shepparton and Wodonga (\$8,369).

93. The Committee noted from its examination of Treasury files on the above expenditure references to the fact that the Department had kept little information regarding the costing of telephone services, other than historical costs, and that the costing of new facilities and improvements to old systems had not been emphasised in the past. A Treasury officer had also advanced the view that "postal and telecommunication costs are a function of activity and Federal pricing decisions" and went on to suggest that "both services are substitutes for each other and to impose restrictions on the use of one forces the use of the other to rise if the level of service is to be maintained." He indicated that "the Department has recognised the effects of the increased costs of the services and has attempted to develop systems that will maintain a consciousness of the price of the service in terms of existing facilities". The Committee also ascertained that a review of telephone expenditure at each Divisional Office was being undertaken to obtain information for use as a basis for future cost reviews and for determining the 1977-78 budget allocation. The Committee is pleased to note the steps taken by the Department and looks forward to improvement in this area.

94. Item 3.12 - Grasshopper control - Expenses.

Original Appropriation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act. s. 25	
Nil	\$58,269	\$58,269	-	\$58,269

Three requests were made for funds and subsequently approved. An amount of \$16,000 was approved on 6th December, 1976, a further \$22,500 was approved on 1st February, 1977 and a final amount of \$25,500 was approved on 2nd June, 1977. The funds were required to meet the cost of a campaign to control an expected invasion of locusts between December, 1976 and April, 1977. Although approvals totalled \$64,000 only \$58,269 was actually expended.

DIVISION 579 - AGRICULTURE

95. Item 3.11 - Victorian Wheat Research Institute, Horsham.

Original Appropriation	Additional Provision Approved	<u>Funds provided by way of -</u> Treasurer's Advance Transfer Audit Act, s. 25		Final Expenditure
\$4,000	\$40,528	\$40,528	-	\$44,528

Following a meeting with representatives of the Victorian Wheat Research Foundation on 26th October, 1976 the Premier agreed that the Government would allocate an additional \$40,000 towards maintenance costs of the Institute. Further provisions were approved on 28th January and 2nd June, 1977 to meet the cost of National Wage increases.

DIVISION 585 - ANIMAL HEALTH

96. Item 3.15 - Carcase Classification Scheme - Contribution.

Original Appropriation	Additional Provision Approved	<u>Funds provided by way of -</u> Treasurer's Advance Transfer Audit Act, s. 25		Final Expenditure
Nil	\$34,000	\$34,000	-	\$34,000

On 22nd November, 1976 the Premier approved the provision of a capital contribution of \$34,000 as Victoria's share of the matching financial arrangements for expenditure on capital items associated with the introduction, on a trial basis, of a carcase classification scheme. The scheme is based on measurements of weight, fat depth, and age of carcasses to apply to cattle, sheep and pigs. The object is to implement a uniform national carcase classification system in the light of experience with these commercial trials over a twelve month period.

HEALTH

DIVISION 620 - HEALTH ADMINISTRATION

97. Item 2.4 - Postal and telephone expenses.

Original Appropriation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, s. 25	
\$21,500	\$57,774	\$54,318	\$3,456	\$79,274

The Committee ascertained that the Budget allocation of \$21,500 for this item was based on the 1975-76 level of expenditure plus an allowance for carry-over costs. No provision was made for the payment of telephone costs of Enterprise House at 555 Collins Street, the new premises of the Department of Health which houses various branches, including the Mental Health Authority and the Hospitals and Charities Commission. On 24th June, 1977 the Assistant Director of Finance (Budget) advised the Treasurer that the Department was endeavouring to determine how to allocate telephone costs between the various occupants of Enterprise House, as they were all connected to one switchboard for which a single account was rendered. However, interim accounts totalling \$67,257 were on hand at that stage and the Department had requested an extra provision of \$57,909 to pay them. Approval was granted to the provision of additional funds on the understanding that action would be taken to recoup the relevant costs once the method of allocating costs had been determined.

DIVISION 629 - TUBERCULOSIS

98. Item 3.1 - State Sanatoria - Maintenance and treatment expenses including payments to consultants, Australian Red Cross Society, etc., for visiting services

Original Appropriation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, s. 25	
\$560,000	\$195,191	\$188,191	\$7,000	\$755,191

Upon examining the relevant Treasury file the Committee ascertained that the Budget allocation for this vote was set at \$560,000 pending a review of the State's tuberculosis program by the Department of Health. The review was requested when the Commonwealth Government gave notice of its intention to

terminate the funding of tuberculosis expenditure on 31st December, 1976 under the terms of the Commonwealth/State Tuberculosis Arrangement.

On receipt of advice from the Chief Health Officer and the Director of Health, negotiations commenced with the Commonwealth for the continuation of hospital and outpatient facilities associated with the care and treatment of tuberculosis sufferers, and the funding of the costs of these services under the Medibank Arrangement as from 31st January, 1977. This proposal was accepted by the Commonwealth Minister for Health on 2nd February, 1977 and Heatherton Sanatorium was subsequently included as a recognised hospital under the Medibank Arrangement. On the basis of this approval the Department advised Treasury that expenditure under this vote would amount to \$756,080, of which \$466,489 related to the period from 1st July to 31st December, 1976 and was subject to a Commonwealth subsidy under the terms of the Tuberculosis Arrangement. The balance of \$289,591 was the estimated cost for the period from 1st January to 30th June, 1977 and this was to be jointly funded on a fifty-fifty basis by the State and Commonwealth Governments under Medibank Arrangements.

On 22nd June, 1977 the Assistant Director of Finance (Budget) advised the Treasurer that the high expenditure for the period from 1st July to 31st December, 1976 reflected the Department's policy of ensuring that as much expenditure as possible qualified for rebate under the Tuberculosis Arrangement before its cessation, as well as the Commonwealth's direction that all expenditure committed prior to 31st December, 1976 be brought to account for funding under the Arrangement. He also advised that the Commonwealth share of this expenditure during the period from 1st January to 30th June, 1977 would be brought to account as revenue and recommended the provision of an extra \$196,080. The Treasurer approved the recommendation on 28th June, 1977.

99. Item 3.2 - Preventive measures concerning tuberculosis - Publicity, bureaux maintenance, diagnostic facilities, research, etc.

Original Appropriation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, s. 25	
\$770,000	\$255,319	\$255,319	-	\$1,025,319

The Committee ascertained that further provision was required to cover additional spending on mass x-rays and bureaux maintenance. During preparation of the Budget the original Treasury allocation of \$400,000 for mass x-rays was reduced to \$100,000. This action was taken following advice from the Commonwealth that it intended to terminate the arrangements for subsidizing expenditure on tuberculosis on 31st December, 1976. Treasury's original allocations, the final Budget provision and the Department's revised estimates were

as follows: -

Item	Treasury Allocation	Budget Provision	Departmental Revised Estimate	Additional Funds Sought
	\$	\$	\$	\$
Mass X-rays	400,000	100,000	337,970	237,970
Bureaux Maintenance	670,000	670,000	687,350	17,350
				<u>255,320</u>

The Department advised Treasury that, on notification of the Commonwealth's intention to terminate funding on 31st December, 1976, a policy was adopted of incurring as much expenditure as possible prior to this date. As a result, the Department built up significant stocks of drugs and medical supplies.

HOUSING

DIVISION 680 - MINISTRY OF HOUSING

100. Item 3.3 - Urban Renewal Authority - Operating Expenses.

Original Appropriation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, s. 25	
\$305,000	\$68,823	\$31,338	\$37,485	\$373,823

The Committee ascertained that in the 1975-76 financial year the Authority's operating expenses were met from the Works and Services Account and final expenditure figures for 1975-76 were not available at the time of preparation of the 1976-77 Budget. At that time there was therefore some doubt as to the extent of the amount to be finally charged to the Authority.

On 24th June, 1977 the Secretary of Housing requested a further allocation of \$68,823 to meet the Authority's expenses. On 30th June, 1977 the Assistant Director of Finance (Budget) advised the Treasurer that the Authority's revised estimate appeared to be a proper assessment of costs and recommended the provision of these additional funds.

On 30th June, 1977 the Deputy Director of Finance forwarded a letter to the Secretary of Housing expressing concern at the lateness of the request for additional funds, particularly in view of the amount involved. From the Committee's inquiries it appears that the late request stemmed from the fact that

the Authority had previously not been involved directly with Treasury and was not familiar with Treasury requirements as to the need for continual review of the item and regular reporting at monthly budget discussions. Treasury is satisfied that the problem has now been overcome.

FUEL AND POWER

DIVISION 700 - MINISTRY OF FUEL AND POWER

101. Item 2.3 - Books and publications, other incidental expenses.

Original Appropriation	Additional Provision Approved	<u>Funds provided by way of -</u> Treasurer's Advance Transfer Audit Act, s. 25		Final Expenditure
\$5,900	\$8,544	\$8,544	-	\$14,444

The additional funds were required to meet the costs of art work, printing and consultants fees prior to completion of the White Paper on Victorian Energy Resources and Estimated Requirements. The production of this paper was estimated to cost \$63,000 and appropriate provision was made in the 1975-76 Budget. However, accrued commitments for the White Paper were not anticipated nor included in the Department's estimates of expenditure for 1976-77.

102. Item 3.1 - Contribution to Victorian Brown Coal Research Trust Account.

Original Appropriation	Additional Provision Approved	<u>Funds provided by way of -</u> Treasurer's Advance Transfer Audit Act, s. 25		Final Expenditure
\$569,000	\$178,000	\$178,000	-	\$747,000

On 5th May, 1976 an agreement was signed between the German Democratic Republic and the State of Victoria relating to the supply of certain technology and knowledge for the upgrading of brown coal. Under the Agreement the State receives the required technology from the Republic for a total sum of \$199,950. On 24th November, 1976 the Premier approved the provision of up to \$200,000 to meet financial liabilities under the Agreement.

103. Item 3.2 - Victorian Brown Coal Research and Development Committee - Fees and expenses.

Original Appropriation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, s. 25	
\$17,500	\$21,992	\$21,992	-	\$39,492

On 6th May, 1977 the Assistant Director of Finance (Budget) advised the Acting Treasurer that it had been agreed, at the time of preparation of the Budget, that an additional amount of \$22,000 would be provided in 1976-77 to cover the costs of the Committee's expanded activities in the field of brown coal research and for the publication of the 1976 edition of "Brown Coal in Victoria". This amount was inadvertently omitted in the final stages of Budget preparation and it was therefore necessary to provide funds by way of Treasurer's Advance.

TRANSPORT

DIVISION 720 - MINISTRY OF TRANSPORT

104. Item 2.3 - Books and publications, other incidental expenses.

Original Appropriation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, s. 25	
\$4,500	\$15,053	\$14,348	\$705	\$19,553

The additional funds were required to cover the following items; -

- (a) the fee and expenses of a former Chief Stipendiary Magistrate who was appointed by the Government to inquire into allegations by two Members of Parliament concerning various aspects of Transport Regulation Board operation; and
- (b) an account for \$14,631 from the consultants who conducted a study into the privately operated bus network in Victoria. An amount of \$300,000 was provided in the 1975-76 Budget to cover the cost of the study, of which \$287,693 was expended. However, no provision was made to meet a final account of \$14,631 when the 1976-77 estimates were prepared.

105. Item 3.6 - Subsidy payment in lieu of increase in certain freight rates - Payment to Railways Department.

Original Appropriation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, s. 25	
Nil	\$1,304,238	\$1,304,238	-	\$1,304,238

The Committee ascertained that, in connection with the preparation of the 1976-77 Budget, the Victorian Railways Board proposed an increase in freight rates of 20 per cent for grain and superphosphate and 25 per cent for livestock. However, approval was given by the Government to a 15 per cent increase in grain and superphosphate freight rates from 12th July, 1976, but no increase was approved for livestock freight rates. The Treasurer undertook at the time to meet the difference in the amount of revenue actually collected on this traffic and the amount the Railways would have recovered had their proposals been approved. The loss of revenue from July, 1976 to May, 1977 resulting from the reduction in the proposed increases in these freight rates was calculated at \$1,304,238 and it was necessary to provide this amount by way of Treasurer's Advance.

FORESTS

DIVISION 730 - FORESTS COMMISSION

106. Item 1.3 - Overtime and penalty rates.

Original Appropriation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, s. 25	
\$125,000	\$62,492	\$62,492	-	\$187,492

The Committee ascertained that two requests were made for additional funds. An amount of \$20,000 was approved on 23rd June, 1977 and a further \$42,492 was approved on 27th June, 1977. The additional provision was required to cover payments due to staff who worked overtime or were required to be on standby during the 1976-77 fire season. The Committee understands that it is difficult to estimate this expenditure because it is governed by the duration and severity of the fire season.

107. Item 2.3 - Books and publications, other incidental expenses.

Original Appropriation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, s. 25	
\$57,820	\$36,915	\$36,915	-	\$94,735

The Committee's examination of the relevant Treasury file indicates that \$39,000 of the Forests Commission allocation for this item in the 1976-77 Budget was provided to meet expenses involved in its use of the State EDP Centre and that this provision was based on information provided by the Centre. However, on 26th November, 1976 the Commission provided Treasury with an analysis of charges levied on it by the Centre which indicated that this provision was inadequate.

On 29th March, 1977 a Treasury Budget Officer recommended to the Assistant Director of Finance (Budget) that the Commission be advised that EDP Centre costs associated with general administrative systems in the Commission such as plant hire, finance and stores, be met from this vote, and that the Forestry Fund carry the cost of technical and marketing edp costs. Accordingly, on 13th April, 1977 the Treasurer approved the provision of up to \$61,000 by way of charge to Treasurer's Advance.

WATER RESOURCES

DIVISION 740 - STATE RIVERS AND WATER SUPPLY COMMISSION

108. Item 3.10 - Subsidies to Waterworks Trusts and Local Governing Bodies in certain cases where the effective water rate exceeds the equivalent of 17.5 cents in the dollar, net annual valuation.

Original Appropriation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, s. 25	
\$8,000	\$9,557	\$9,557	-	\$17,557

The Committee ascertained that, with a view to enabling Country Town Water Authorities to limit their rates to a maximum of 17.5 cents in the dollar of net annual valuation, the Government agreed to make financial assistance available to these authorities from 1st January, 1958. An amount of \$8,000 was provided in the 1976-77 Budget for this purpose. On 24th June, 1977, the Commission advised Treasury that payments which would normally be made during the 1976-77 financial year totalled \$10,278. In addition, certified statements of revenue and expenditure for the year ending 30th September, 1975 and 31st

December, 1975, respectively, had been received from the Shire of Korong - Wedderburn and Korong Vale Water Supply District and the Gellibrand Waterworks Trust which indicated a shortfall in operating and maintenance costs and interest and loan redemption payments resulting from the striking of this rate. Subsidies totalling \$7,278 were accordingly paid to these bodies. On 30th June, 1977 the Treasurer approved the allocation of \$9,557 to this item to cover the additional costs.

109. Item 3.12 - Laboratory Expenses.

Original Appro- priation	Additional Provision Approved	Funds provided by way of -		Final Expenditure
		Treasurer's Advance	Transfer Audit Act, s. 25	
\$200,000	\$567,933	\$567,933	-	\$767,933

Two requests were made for additional funds. Provision of \$550,000 was approved on 11th January, 1977 and a further provision of \$18,000 was approved on 27th June, 1977.

In relation to the provision of \$550,000 the Committee ascertained that, following acceptance by Cabinet of the Report of the Committee on Laboratory Services for Environmental Studies in Victoria, the State Rivers and Water Supply Commission became the principal agency for fresh-water analysis within the public service. The Commission's laboratory now undertakes routine fresh-water analysis programs required by the Environment Protection Authority whereas these analyses were previously conducted under contract with private laboratories. In the 1976-77 Budget \$200,000 was provided under this new item to cover additional costs, other than salaries, travelling expenses and consumables provided under various other relevant items, which would have to be met during the year as a result of the new obligations placed upon the laboratory. To enable a proper assessment to be made of the costs of running the laboratory, it was considered that all expenditure directly related to it should be brought together under the one item and, in order to implement this proposal, it was necessary to charge the amount to Treasurer's Advance. No additional cost was involved to the Consolidated Fund as there were commensurate savings in other items.

A further \$18,000 was required to meet certain salary and overtime costs, together with the costs of testing of samples by a private laboratory. The relevant Treasury file shows that the Commission charges the Environment Protection Authority on a work unit basis for all laboratory services it provides. On 14th June, 1977 Treasury estimated that revenue received by the Commission for laboratory services during the 1976-77 financial year would amount to approximately \$300,000.

110. Item 3.14 - Tapping Services - Expenses.

Original Appropriation	Additional Provision Approved	Funds provided by way of - Treasurer's Advance Transfer Audit Act, s. 25		Final Expenditure
Nil.	\$245,081	\$245,081	-	\$245,081

The Committee ascertained that in submitting its estimates of revenue and expenditure for the 1976-77 Budget, the State Rivers and Water Supply Commission proposed that a connection fee be charged to cover not only the tapping of a main, but also the supply of the meter. At that stage the meter was supplied free to the landowner and only the cost of tapping the main was recouped. Accordingly, the Commission requested additional funds under item 740.2.9 (Contour surveys, private services, tapping mains, excavator hire and other recoverable expenses) to cover the cost of providing these meters. At that stage, however, the Treasurer was not prepared to provide the additional finance unless a uniform approach was adopted by the Melbourne and Metropolitan Board of Works and the Commission. As a result of a meeting between representatives of the Commission, the Board and Treasury, general agreement was reached on a co-ordinated approach to the proposals for service connections to water mains. In view of this agreement the Treasurer agreed to make \$200,000 available to enable the Commission to provide meters when tapping mains.

111. An examination of the relevant Treasury file indicates that all costs associated with the tapping of mains have in the past been charged to item 740.2.9. Costs associated with contour surveys, private services and some other areas where costs are recoverable are also charged to this item. However \$180,000 of the total provision of \$230,200 in this item for the 1976-77 financial year related solely to the tapping of mains. In order that attention would be properly focussed on the costs associated with the tapping of mains and provision of meters, and a comparison made with the revenue from the fees charged to the landowners for the provision of this service, Treasury and the Commission agreed that a separate item should be created in order that all costs associated with the service could be clearly identified. To achieve this \$380,000 was charged to the new item via the Treasurer's Advance. However, the additional net cost to the Budget amounted to only \$200,000, as there was a saving of \$180,000 in Item 740.2.9.

UNEXPENDED FUNDS

112. During the course of the inquiry the Committee raised the question as to whether Departments deliberately spend unused funds close to the end of the financial year, rather than end the year in "surplus". The First Assistant Director of Finance, Mr. Hopkins, advised the Committee that most Departmental estimates relate to normal on-going requirements and there is little scope for variation in estimating. As Departmental estimates are based on current costs at 30th June, and Departments are required to operate within these estimates, he maintained that it was most unlikely that under-spending would occur in normal circumstances. In some cases it is possible that decisions to purchase particular items may be delayed until late in the financial year because of uncertainty as to whether sufficient funds would be available, and towards the end of the financial year orders may be hastened to complete spending within the financial year. It is also possible that a vote item may be underspent because goods on order have not been delivered. In other cases, savings may be deliberately achieved in one item in order to supplement another item by way of Order-in-Council transfer. The Committee's attention was also drawn to the fact that some Departments and statutory bodies, for example, the Mental Health Authority, wait until presentation of the Budget before entering into contracts for the purchase of certain provisions and supplies. As a result, a greater number of accounts will be paid towards the end of the financial year.

113. Although no evidence was tendered to the Committee to show that there is excessive spending at the end of each financial year merely for the purpose of exhausting all available funds, it is concerned at the dangers inherent in the present system. The danger exists that Departments may feel it necessary to expend all allocated funds, irrespective of whether the expenditure is in fact necessary, for fear that such funds will be lost to it and the appropriations for the ensuing year reduced.

114. A matter of further concern to the Committee is the extent to which account is taken of commitments carried forward to the ensuing financial year. Treasury officers informed the Committee that on some occasions Departments have ordered goods which have not been delivered when expected and they have been forced to carry forward a commitment. In these circumstances, and if it is informed of the position by the Department, account is taken of such commitments by Treasury in formulating estimates. However, provision is not always automatically made in the next financial year to cover such commitments. The officers indicated to the Committee that there is some scope for redirection of funds where items on order are not delivered. For example, surplus stocks of normal provisions can be purchased and paid for, and the funds allocated for these provisions become available to meet the cost of the item on order when it is delivered in the new financial year.

115. The Committee considers there should perhaps be greater concern on the part of Treasury as to the level of Departmental commitments at the end of each financial year. The Committee would certainly be concerned if allowance was not made for commitments where factors beyond a Department's control have led to delivery delays, as it believes that a situation could arise whereby payments are made in advance of delivery in order to utilize unexpended funds. This practice is undesirable. The Committee therefore recommends that Treasury investigate ways and means by which commitments carried forward can be best monitored in order that Departments do not expend funds merely because they are concerned to preserve the level of their future vote items.

UNPAID ACCOUNTS

116. For some time the Committee has followed the practice of obtaining information from Departments in relation to unpaid accounts as at the end of each financial year. The Committee's aim has been to compare the level of unpaid accounts for any item with any provision of additional funds for that item in order to obtain some guide as to Departmental budget and accounting performance. The information presently sought from Departments is confined to subdivisions 2 and 3 of each Division of the Estimates and, in respect of these subdivisions in 1976-77, the Committee sought the following information: -

- (a) total funds available (including those made available by way of Treasurer's Advance and Order in Council transfer);
- (b) final expenditure;
- (c) the amount and number of unpaid accounts as at 30th June, 1977, together with a written explanation as to why the accounts remained unpaid at that date;
- (d) the percentage of unpaid accounts to final expenditure; and
- (e) the number and total amount of unpaid accounts as at 30th June which were received prior to 30th April, 1977.

117. Although the information furnished to the Committee in response to the above questions is of some use it can also be quite misleading. The serious deficiency is that each Department takes its own view as to the meaning of the term "unpaid account". In a significant number of cases it is obvious that "unpaid account" has been taken to mean accounts on hand in the accounts branch and at some advanced stage of the payment process, probably with full documentation and ready for payment. It is quite clear that no regard is had to unpaid accounts on hand in the Department as a whole; it being beyond the realms of possibility, for example, that the Public Works Department had only \$7,303 in unpaid accounts on hand at 30th June, 1977. The Committee has not specifically defined what it meant by the term "unpaid account" and is there-

forepartly to blame for varying interpretations. It also recognises that the task of obtaining detailed information in relation to all unpaid accounts could prove difficult for some Departments. Nevertheless, the Committee sees a need for a much clearer and more accurate statement as to the level of unpaid accounts.

118. Treasury officers advised the Committee that information in respect of unpaid accounts is not usually sought from Departments by Treasury but is sometimes volunteered. In addition, Treasury has no routine procedure for checking the time taken for the processing of accounts for payment and only becomes involved if it receives complaints about any undue lag in payments.

It is obvious that undue delays in the payment of accounts are undesirable and result in poor public relations. They can lead to the situation where some suppliers either refuse to supply goods and services to offending Departments or increase their prices to compensate for the credit they are being required to extend. The extension of the account payment cycle in the Social Welfare Department, adverted to earlier in this report, is the type of unsatisfactory situation which must be avoided.

119. The Committee considers it important that greater effort should be made to monitor and report in an appropriate fashion on the carry-over of unpaid accounts and commitments at the end of each financial year, believing that great benefit would result, and bearing in mind that this information is not usually requested by Treasury during the formulation of the Budget. In addition, greater monitoring of account payment cycles in Departments is desirable. The Committee therefore recommends that an investigation be undertaken to determine the best approach which can be adopted -

- (a) to improve payment procedures; and
- (b) to develop appropriate policies which would facilitate effective monitoring and assessment of account payment performance.

VARIATIONS OF ANNUAL APPROPRIATIONS

120. During the course of its inquiry the Committee noted the following reference at page 21 of the Auditor-General's Report for 1976-77: -

"Variation of the purposes or services specified in certain items of the *Appropriation (1976-77, No. 1) Act 1976* were authorised by the Treasurer. Details are: -

<i>Division, &c.</i>	<i>Purpose specified in Appropriation Act</i>	<i>Amended purpose authorised by Treasurer</i>
591-3-5 \$4,000,000	Skim Milk and Casein Production - Contribution towards cost of underwriting sales under Joint Commonwealth-State arrangement.	Skim Milk and Casein Production Underwriting Trust Account - Contribution towards cost of underwriting sales under Joint Commonwealth - State arrangement.

620-3-31 \$15,000	National Heart Foundation - National Blood Pressure Study - Grant	National Heart Foundation Victorian Division - Grant
666-3-1 \$50,000	Ethnic Groups - Grants to assist in the development of community service and welfare projects.	Ethnic Groups - Grants to persons, organisations and institutions to assist in the development of community service and welfare projects

There does not appear to be legislative authority for variation by the Treasurer of the purposes and services specified in the Appropriation Act."

121. The Committee followed up the above reference in discussions with the First Assistant Director of Finance, Mr. Hopkins. He advised that the long-standing practice of Treasury has been to use "read-in-lieu" variations of the terms of the actual wording of appropriations to rectify inadequacies or mistakes in wording or effect variations of purposes. At the time of presentation of the Auditor-General's report to the House legislative action had not been completed to authorize the variations but the matter was rectified by the passage of the *Appropriation (1977-78, No. 1) Act 1977*. At pages 243, 244 and 247 in the Schedule - Expenditure from Advance to Treasurer, 1976-77 - "read-in-lieu" variations have been made in relation to each of the items referred to by the Auditor-General. For example, the following entry appears on page 243: -

"Read -

5. Skim Milk and Casein Production Underwriting Trust	\$
Account - Contribution towards cost of underwriting sales under Joint Commonwealth-State arrangement	4,000,000

In lieu of -

5. Skim Milk and Casein Production - Contribution towards cost of underwriting sales under Joint Commonwealth-State arrangement	4,000,000"
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122. In discussing the above matter with Mr. Hopkins it became obvious to the Committee that there are advantages in operating in this fashion provided there is ample justification and the number of changes is minimal. However, there is doubt as to whether the existing wording of the Treasurer's Advance - "to meet urgent claims that may arise" - covers the situation. It can readily be argued that the amounts are not actually charged to the Advance and cannot properly be classified as urgent claims. The Committee

recommends that the matter be examined to ensure that there is adequate statutory authority to enable the practice to continue where absolutely necessary.

EXPLANATIONS OF OVER EXPENDITURE

123. For some years the Committee has examined Treasury files relating to requests for additional funds and has noted gradual improvement in the standard of written submissions supporting Departmental applications for supplementary provision. The development and expansion of the Treasury Budget Branch has also contributed to a more searching and thorough examination of such requests. It seems to the Committee, however, that further improvement is still needed in this area, as some of the explanations it has examined are lacking in necessary detail. This must lead to additional work on the part of Treasury and the Department concerned in correctly establishing justification for an additional provision. Inadequate information and explanations on Treasury files also involve this Committee in unnecessary time and effort.

124. The Committee would expect that Departments do establish their estimates on sound bases after taking into account all of the known factors expected to affect each vote item during the year ahead. It would greatly assist Treasury, Departments and the Committee if explanations in support of the provision of additional funds were always developed on the basis of an outline of original plans in relation to the year's expenditure, and the factors which have led to a changed direction of spending or have unexpectedly led to cost increases in particular sub-items. The Committee believes that this practice must be encouraged by Treasury.

MATTERS OF PARTICULAR INTEREST

125. In concluding this report the Committee wishes to direct particular attention to the comments contained in paragraphs 17, 25, 27 to 32, 36 to 47, 51, 52, 64 to 77, 86, 93 and 112 to 124.

COMMITTEE ROOM,

31st October, 1978.

APPENDIX
UNPAID ACCOUNTS - 1976-77

	Final Expenditure Subdivision 2 and 3	Total Unpaid Accounts 30. 6.77	Percentage of Total Unpaid Accounts to Final Expenditure Subdivision 2 and 3
	\$	\$	%
<i>Parliament -</i>			
Legislative Council	152,666	748	0.49
Legislative Assembly	273,817	725	0.26
Legislative Council and Legislative Assembly House Committee	507,112	1,145	0.23
Parliamentary Printing	980,350	13,294	1.36
Parliament Library	25,416	264	1.04
Parliamentary Debates	8,805	-	-
<i>Premier -</i>			
Governor's Office	132,350	36	0.03
Premier's Office	2,395,285	2,539	0.11
Agent-General	159,200	-	-
Public Service Board	770,856	11,449	1.49
Public Service Board Electronic Data Proces- sing Service Bureau	260,110	-	-
Promotions Appeal Board	11,391	167	1.47
Audit Office	134,361	211	0.16
<i>Arts -</i>			
Ministry for the Arts	3,569,619	2,598	0.07
National Gallery	408,000	6,173	1.51
State Film Centre	180,367	20,340	11.28
State Library	438,015	12,435	2.84
State Library, National Museum and Science Museum Administration	110,200	1,761	1.60
National Museum	133,150	615	0.46
Science Museum	65,699	1,588	2.42
<i>Chief Secretary -</i>			
Chief Secretary's Office	911,389	568	0.06
State Emergency Service	166,665	342	0.21
Registrar of Estate Agents, Money Lenders and Finance Brokers	10,519	41	0.39
Government Shorthand Writer	90,153	-	-
Government Statist	142,382	1,213	0.85
Police	11,712,628	115,122	0.98
Public Record Office	60,960	2,167	3.55

UNPAID ACCOUNTS - 1976-77 - continued

	Final Expenditure Subdivision 2 and 3	Total Unpaid Accounts 30. 6.77	Percentage of Total Unpaid Accounts to Final Expenditure Subdivision 2 and 3
	\$	\$	%
<i>Social Welfare -</i>			
Social Welfare Administration and Research and Statistics	19,035,741	19,579	0.10
Regional Services	1,089,951	21,802	2.00
Family Welfare	16,508,215	85,405	0.52
Youth Welfare	2,101,474	86,432	4.11
Prisons	2,297,725	213,804	9.31
Training	305,083	12,327	4.04
Probation and Parole	81,418	2,978	3.66
<i>Youth, Sport and Recreation -</i>			
Youth, Sport and Recreation	136,107	4,911	3.61
Racing Administration	27,128	138	0.51
<i>Labour and Industry -</i>			
Labour and Industry	1,237,889	35,421	2.86
<i>Consumer Affairs -</i>			
Ministry of Consumer Affairs	73,063	206	0.28
<i>Education -</i>			
Education Administration	88,469,878	243,837	0.28
Teacher Education	30,960,726	16,992	0.05
Primary Education	30,906,603	80,839	0.26
Secondary Education	25,745,934	86,593	0.34
Technical Education	47,057,540	12,471	0.03
Special Education	2,059,096	23,227	1.13
Education Special Services	1,802,361	72,163	4.00
Teachers Tribunal	16,170	316	1.95
Teacher Registration	27,024	628	2.32
<i>Attorney-General -</i>			
Attorney-General	1,726,563	47,249	2.74
Crown Solicitor's Office	95,719	4,613	4.82
Courts Administration	4,279,677	85,806	2.00
Registrar-General and Registrar of Titles	299,394	9,442	3.15
Corporate Affairs Office	578,127	64,728	11.20
Rent Control	3,573	72	2.02
Public Trustee	155,948	773	0.50

UNPAID ACCOUNTS - 1976-77 - *continued*

	Final Expenditure Subdivision 2 and 3	Total Unpaid Accounts 30. 6.77	Percentage of Total Unpaid Accounts to Final Expenditure Subdivision 2 and 3
	\$	\$	%
<i>Treasurer -</i>			
Treasury	29,087,950	797	0.003
Payments to Commonwealth Government on account of Loans and Advances	13,436,976	-	-
Tender Board	484,808	4,927	1.02
State Superannuation Board	495,715	2,956	0.60
Taxation Office	287,709	3,341	1.16
Stamp Duties	557,925	2,031	0.36
<i>Conservation -</i>			
Ministry for Conservation	4,436,290	19,507	0.44
Environment Protection Authority	2,296,235	8,780	0.38
Soil Conservation Authority	380,458	10,113	2.66
Fisheries and Wildlife	593,633	18,675	3.15
Port Phillip Authority	7,598	961	12.65
Land Conservation Council	186,427	291	0.16
Victoria Archaeological Sur- vey	53,245	240	0.45
<i>Lands -</i>			
Crown Lands Administration	8,956,563	34,356	0.38
Survey	960,848	19,023	1.98
Botanic and Domain Gardens and National Herbarium	318,198	2,387	0.75
<i>Public Works -</i>			
Public Works	20,459,979	3,483	0.02
Ports and Harbors	7,277,136	3,820	0.05
<i>Local Government -</i>			
Local Government	4,263,145	1,044	0.02
Valuer-General	205,257	201	0.10
Weights and Measures	109,255	2,035	1.86
<i>Planning -</i>			
Ministry for Planning	342,685	339	0.10
Town and Country Planning Board	650,442	1,722	0.26
<i>Mines -</i>			
Mines	1,416,880	9,728	0.69
Explosives	48,045	2,153	4.48

UNPAID ACCOUNTS - 1976-77 - *continued*

	Final Expenditure Subdivision 2 and 3	Total Unpaid Accounts 30.6.77	Percentage of Total Unpaid Accounts to Final Expenditure Subdivision 2 and 3
	\$	\$	%
<i>Agriculture -</i>			
Agriculture Administration	1,286,097	18,099	1.41
Agricultural Education	3,207,184	5,736	0.18
Agriculture	1,360,823	3,820	0.28
Horticulture	1,300,072	15,008	1.15
Animal Health	2,086,008	18,141	0.87
Animal Industry	542,146	4,487	0.83
Dairying	4,739,683	6,098	0.13
Extension Services	190,207	84	0.04
<i>Health -</i>			
Health Administration	156,076,497	7,241	0.005
General Health	13,218,362	149,985	1.13
Tuberculosis	1,780,699	18,781	1.05
Early Childhood Development	21,600,125	1,825	0.01
Dental Health Services	1,215,915	22,939	1.89
Maternal and Child Health	3,967,514	15,473	0.39
Alcoholism and Drug Dependency Services	1,462,674	19,879	1.36
Mental Hygiene	14,267,967	645,616	4.52
<i>State Development and Decentralization -</i>			
State Development	3,838,643	1,064	0.03
Immigration	127,833	6,292	4.92
Industrial Development	18,531,636	10,447	0.06
<i>Housing -</i>			
Ministry of Housing	466,535	30	0.01
Registry of Co-operative Housing Societies and Co-operative Societies and Home Finance Adminis- tration	45,201	294	0.65
<i>Fuel and Power -</i>			
Ministry of Fuel and Power	820,188	336	0.04
<i>Railway Construction -</i>			
Railway Construction Board	38,475	-	-

UNPAID ACCOUNTS - 1976-77 - *continued*

	Final Expenditure Subdivision 2 and 3	Total Unpaid Accounts 30. 6.77	Percentage of Total Unpaid Accounts to Final Expenditure Subdivision 2 and 3
	\$	\$	%
<i>Transport -</i>			
Ministry of Transport	34,396,840	483	0.001
<i>Forests -</i>			
Forests Commission	1,454,215	28,013	1.93
<i>Water Resources -</i>			
Ministry of Water Resources and Water Supply	24,335	994	4.08
State Rivers and Water Supply Commission	20,362,364	17,470	0.09