

**Public Accounts Committee**  
**Parliament of New South Wales**



**Inquiry into**  
**Matters Raised in the**  
**Auditor-General's Report**  
**1981-82**

**Report Number 9**

**December 1983**

1983

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PARLIAMENT OF NEW SOUTH WALES

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NINTH REPORT

OF THE

PUBLIC ACCOUNTS COMMITTEE

OF THE

FORTY-SEVENTH PARLIAMENT

Matters investigated in relation to the 1981-82  
Report of the Auditor General of New South Wales  
under the provisions of Section 16D  
of the Audit Act, 1902

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Ordered to be printed, December, 1983

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MEMBERS OF THE COMMITTEE

MR M.R. EGAN, B.A., M.P. (Chairman)

MR J.J. AQUILINA, B.A., Dip.Ed., M.P.

MR J.C. BOYD, M.P.

MR P.E.J. COLLINS, B.A., LL.B., M.P.

MR S.T. NEILLY, AASA, M.P.

## INTRODUCTION

Under the amendments to the Audit Act in December 1982, the Public Accounts Committee is empowered to examine the Auditor-General's Reports to the Legislative Assembly and to report to the Assembly on any item in, or any circumstances connected with, those reports.

At the time that the Auditor General's 1981-82 Report was published, the Committee had not yet been given such powers, and this Report was therefore examined some months after its publication.

In examining the Auditor General's 1981-82 Report, the Committee discovered that qualifications or adverse comments had been made by the Auditor General about twenty-eight organisations. The Chairman of the Committee then wrote to each of these organisations, seeking their comments about the Auditor General's remarks.

Upon receipt of the replies, the Committee decided to further investigate seven of these matters, and to hear witnesses from each of the selected organisations. Thus, evidence was received from:

Department of Educations  
Maritime Services Board  
State Dockyard and Public Works Department  
Bathurst Orange Development Corporations  
Department of Industrial Relations  
Department of Agriculture  
Department of Health

The transcript of proceedings from these hearings are tabled together with this Report.

The present report contains the Auditor General's comments on each of the organisations, followed in each case by the organisation's reply to our queries about the Auditor General's remarks. Some of these matters have been resolved, while others continue to be of concern to the Auditor General. The Committee will further examine any outstanding issues which have recurred in the Auditor General's 1982-83 Report, together with other matters newly arising in that report.

M.R. Egan, B.A., M.P.,  
Chairman

**MATTERS INVESTIGATED IN THE PUBLIC ACCOUNTS**  
**COMMITTEE'S EXAMINATION OF THE 1981-82 REPORT OF THE**  
**AUDITOR GENERAL**

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THE ABORIGINAL LANDS TRUST

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Including the effects of an increase in rental rates from 1 October, 1981, collections for rent, electricity and gas rose by \$23,219 (9.6 per cent). However, according to figures supplied by the Trust, a comparison of rental receipts against rental raised in respect of 1981-82 disclosed a shortfall of \$228,189.

This shortfall was lower by \$14,612 (6.0 per cent) than in 1980-81. The Trust's efforts in inducing a better payment rate by its tenants for the services received by them have produced some results as evidenced by the improvement in the collection ratio from 48.4 per cent in 1980-81 to 52.9 per cent in 1981-82. Some formal recovery proceedings, initiated during the year, have been opposed in the Courts and had not been finalised as at 30 June, 1982.

As stated in my previous report, the current rate of collections is not sufficient to maintain and pay for the accommodation and services which are provided. The continued operation, and any prospect of improvement and extension, therefore depends upon the extent of allocations from the public funds. In the presently tight economy, self-help through further improvement of current rent collections, will be very important in maintaining services.



# ABORIGINAL LANDS TRUST OF N.S.W.

MINISTER

ABORIGINES ACT, 1969

76 Penshurst Street,  
Penshurst N.S.W. 2222.  
P.O. Box 105 Penshurst 2222.  
Telephone 579 4288

Your ref.

Our ref. RJ:JK

26th May, 1983

30 MAY 1983

The Hon. M. Egan, B.A., M.P.,  
Chairman,  
Public Accounts Committee,  
Parliament House,  
SYDNEY, N.S.W. 2000

Dear Sir,

I refer to your letter dated the 8th April, 1983, addressed to Mr. Ian Kingsley, Administrator, The Aboriginal Lands Trust requesting comments in respect of rental matters raised in the Report of the Auditor General for the 1981/82 year.

As you may now be aware the Aboriginal Lands Trust has been dissolved by the Minister for Aboriginal Affairs in invoking Section 10K of the Aborigines Act, 1969.

The Minister for Aboriginal Affairs is now the Corporate Sole responsible for the operations and assets of the former Aboriginal Lands Trust, pending the appointment of Local Aboriginal Land Councils. These functions and responsibilities will be transferred to the Local Councils as they are formed.

Comments similar to those now sought by your Committee were contained in correspondence addressed to the Ministry for Aboriginal Affairs in response to a query following the Auditor General's comments.

A copy of this correspondence is enclosed for your information.

In the area of sub-standard housing, which the former Aboriginal Lands Trust has inherited, poor rent collections are a very real problem a fact which had been experienced by the Housing Commission during its management of these same houses.

However, current housing construction and repair programmes should, significantly improve the standard of Aboriginal Housing in the State of New South Wales in the foreseeable future thus resulting in an improvement in the rental collection rate.

26th May, 1983

Following transfer of management of the former Trust's housing to local communities over the next six (6) to nine (9) months it is expected that "peer-group" pressure will add further to an improvement in the rental collection rate.

It is hoped that the foregoing comments and the attachment will provide sufficient information for your Committee's purposes.

Yours sincerely,

  
T. E. BOYD  
DELEGATE

Encl.



ICK/CM

25th August, 1982.

Mr. J. Isaacs,  
Assistant Secretary,  
Commonwealth/State Liaison,  
Ministry for Aboriginal Affairs -  
New South Wales,  
Box 6, G.P.O.,  
SYDNEY, N.S.W., 2001.

Dear Mr. Isaacs,

I refer to your letter of the 12th July, 1982, particularly in respect to the matter of rental arrears. I advise that when I stated that the rate of increase of arrears had been reduced, what I was trying to say was that the Trust was achieving a better collection rate and was collecting more dollars in rental for less cottages, even though the actual total of rental arrears due had increased as a lump sum.

I am pleased to include a schedule of rental collections for the twelve months ended 30th June, 1982, with percentages shown along side, viz.:

	<u>Rents Due</u>	<u>Rents Paid</u>	
July 1981	\$43,568.00	\$20,436.71	47.02%
August	\$34,619.00	\$20,992.50	60.63%
September	\$42,833.00	\$22,248.40	51.94%
October	\$34,676.00	\$21,229.70	61.22%
November	\$41,277.50	\$21,202.11	51.36%
December	\$36,428.00	\$16,240.19	44.58%
January 1982	\$48,290.00	\$17,999.00	37.27%
February	\$38,941.00	\$23,726.06	60.92%
March	\$37,743.50	\$25,838.35	68.59%
April	\$48,091.80	\$21,537.90	44.78%
May	\$39,300.30	\$23,744.73	60.42%
June	\$39,050.00	\$21,634.00	55.40%
	\$484,813.60	\$256,929.65	53.00%

Rental Collection Shortfall - 1981/82 = \$227,838.95

Rental Collection Shortfall - 1980/81 = \$242,800.49

	<u>1980/81</u>	<u>1981/82</u>
Rents Due -	\$470,995.60	\$484,318.60
Rents Paid -	\$228,195.11	\$256,929.65
	<u>\$242,800.49</u>	<u>\$227,888.95</u>

The average rental return for the year trimmed out at 53% compared with 48.45% for the previous financial year.

The rise in the amount collected was due to several factors; an overall improvement in the payment of rents, generally, partly due to a rise in the level of rental payable and, in fact, total collections increased for the year ended 30th June, 1982, by \$28,734.54 over and above the year ended 30th June, 1981.

The rental collection shortfall for 1981/82 was \$227,888.95 compared with the shortfall in rental collection for 1980/81 of \$242,800.49.

Please also note the amounts for rents due and payable for 1980/81 compared with 1981/82.

You will note that the shortfall for the year ended 30th June, 1982, was markedly less than in the previous year, even though the amount of rent due increased by \$13,820.00. The shortfall for the year ended 30th June, 1982, was slightly affected by backdated rental adjustments due to overall rent concessions at Greenhill and also the granting of some rebates.

If the Trust could collect the arrears presently outstanding, then it would be in a position to build new houses and repair the balance of the existing ones. However, the Trust recognises that it is working in a welfare housing area, that it has secured what Senator Chaney agreed was the "welfare welfare housing" of the public housing sector, and that the alternatives available to the Trust for the enforcement of rental collection other than eviction are very limited when 90% of the tenants are on fixed incomes, such as pensions, etc.

The Department of Social Security has not seen fit to operate a voluntary deduction system even though it provides rebates of \$6.00 to \$10.00 per week for recipients of its funds to go towards the cost of accommodation.

In the area of reserve housing, the Department of Aboriginal Affairs has encouraged communities to undertake self-management with no regard for rental that may have been previously due, and they are now reaping the "benefit" since local companies are not achieving sufficient rental to overcome their own commitments.

The Trust will continue to pursue a vigorous rental enforcement policy with compassion. The Trust has made a submission to the Aboriginal Development Commission at the present time for funds to enable it to undertake rental prosecution work

through the Courts with regard to the defaulting tenants/occupants at La Perouse, whom the Legal Service is defending even though the tenants/occupants have breached undertakings given by them to the Legal Service.

The Legal Service intends to argue land rights in these actions and, of course, that question may well be arguable in view of the proposed changes in legislation under consideration by the Ministry at the present time.

If this occurs then it is anticipated that it will cost the Trust \$25,000.00 in legal costs alone to pursue five such actions, plus the costs of appeal, which the Legal Service has stated it will do.

Should the Trust not be able to secure funding from the Commonwealth for this purpose then it will not be able to pursue the matters any further. It will then be up to the Commonwealth to decide its priority in funding and whether it will defend its own policies in the rental area against an attack by the Aboriginal Legal Service also using Commonwealth funds.

I trust the above satisfies your enquiry at the present time.

Yours sincerely,

(I.C. KINGSLEY)  
Administrator

DEPARTMENT OF AGRICULTURE AND FISHERIES

Auditor General's Report  
Page 31

Inspection of Meat - Receipts for this service totalled \$6,599,676 compared with \$7,824,446 for the previous year. According to figures compiled by the Department of Agriculture, expenditure on the service for the year under review was \$8,925,460.

Of fees outstanding as at 30 June, 1982, (\$3,308,076) approximately \$2 million had been owing for 90 days or more. No follow up letters were sent to debtors during a period of approximately four months when the Department of Agriculture was converting debtors accounting from a manual to a computer system. The Department has now commenced action to recover the outstanding amounts.

Apiaries Act, 1916

Page 405

The regulations require that registration fees based on the number of hives shall be charged in respect of each apiary, whereas charges are made on the total number of hives kept by a beekeeper.

Page 406

Cattle Compensation Act, 1951

1. Section 5 directs that compensation shall be payable for cattle which have been ordered to be destroyed but die of disease before the order is complied with. Compensation has been paid for cattle, ordered to be destroyed, which die from causes other than those specified under the Act.
2. In addition to compensation prescribed in Section 6, owners of brucella reactor cattle, which are disposed of other than by slaughter at an abattoir, and to the satisfaction of the Regional Veterinary Officer are paid \$6 per head. In some cases higher compensation has been paid where the actual disposal costs are greater than \$6.
3. Compensation is paid to owners of cattle which die during, or as a result of, testing for Brucellosis although Section 5 of the Act makes no provision for such payments.



30 MAY 1983

Sydney

Mr M. Egan, B.A., MP.,  
Chairman,  
Public Accounts Committee,  
Parliament House,  
SYDNEY, N.S.W. 2000

23 MAY 1983

Dear Mr Egan,

I refer to your letter of 11th April, 1983 in which you requested comments on several matters contained in the Auditor-General's Report on the Accounts of this Department for 1981/82 and advise the following:-

Inspection of Meat (Page 31)

As part of an overall review of accounting procedures in early 1982, the manual Meat Inspection Sundry Debtors system was converted into a computerised system using existing visual record facilities. Unfortunately, the system devised for converting existing information, based on model systems already in operation in other Departments and on the advice of a Consultant Officer of the Public Service Board, could not encompass all features relative to the recording of Meat Inspection Sundry Debtors. This resulted in the programme requiring extensive modification. All outstanding debts owed by Meat Companies had to be extracted from ledger cards, reconciled, and placed on a new programme. These factors resulted in delays in the following-up of unpaid accounts.

The Department has actively pursued the collection of outstanding Meat Inspection Fees and of the amount outstanding at 30th June, 1982 only \$222,622 representing the amount due by nine firms now in receivership, is considered to be at risk in respect of payment. Negotiations are being conducted with Managers/Receivers in an endeavour to recover the maximum amount possible from these firms.

All other fees are believed to be recoverable and firms with fees that have been outstanding for 90 days or more have been, and will continue to be, referred to the Crown Solicitor for recovery action and, in a number of cases, court process has been commenced.

The prolonged drought experienced by most areas of rural New South Wales has also effected revenue from Meat Inspection.

Stock losses on properties have resulted in the number of carcasses passing through abattoirs to fall substantially with a resultant adverse effect on the cash flow of meat companies.

Apiaries Act, 1916 (Page 405)

Although the legislation provides that fees are payable for the registration of each and every apiary on the basis of the number of hives thereon, the Department has not strictly followed this requirement in all cases for practical reasons.

The Department has registered apiaries on the basis of the total number of hives kept by a beekeeper rather than the number of hives kept on each apiary. The basis for this decision is that the industry is migratory in nature and difficulty is experienced in ascertaining the number of apiaries kept by each beekeeper.

....2/

Following an extensive review of the operation of the Act, by Officers of the Department, a Cabinet Minute is currently being prepared requesting amendments to the Apiaries Act including changes to the registration procedures. It is proposed that beekeepers be registered rather than apiaries and that they contribute towards the cost of Bee Compensation on the basis of hives kept.

Cattle Compensation Act, 1951 (Page 405)

From time to time in disease control programmes unforeseen contingencies arise in which a cattle owner experiences loss but as they were not foreseen when preparing the legislation do not fit into the circumstances defined. As they are generally within the purpose of the legislation, payments for these purposes have been approved by the Minister as "ex-gratia" payments from the compensation fund, subject to a report to Parliament by the Auditor-General as a variation in statute. Periodically the circumstances resulting in ex-gratia payments are incorporated as amendments to the Act.

In respect of the following points raised -

1. There are a number of animals which are ordered to be destroyed at an abattoir because of a compensatable disease which die prior to slaughter usually as a result of injuries received during handling, transport or at the abattoir. Generally the injuries result from circumstances out of the control of the owner, and as the death of the animal resulted from no negligence or action on his part, it is considered reasonable that he should receive compensation as if the animal had been actually destroyed.

These circumstances have now been regularised by a recent amendment to the Act.

2. When the Brucellosis Eradication Campaign commenced, difficulties were experienced in arranging slaughter at abattoirs which resulted in cattle having to be destroyed on properties. Additionally the condition of some animals, particularly in drought time, is so low that the value of the carcasses for meat purposes would not cover the cost of transport to abattoirs and slaughter charges. Animals falling into this category are also destroyed on properties.

As the Department requires that the carcasses of these cattle be rendered non-effective by burial or burning, the then Minister, the Hon. D. Day approved on 16th February, 1978 of the payment of an amount of \$6.00 per head to cover the additional costs of carcase disposal above those normally practiced on the property. The approval also allowed that in special circumstances costs above \$6.00 be met, provided the Regional Veterinary Officer certified that these were necessary and reasonable. I have attached a copy of this approval for the Committee's perusal.

It is anticipated that with the success of the Brucellosis Eradication Campaign, there will be no need to continue this facet on a permanent basis and no further payments of this nature will be made.

3. In the Brucellosis Eradication Programme, cattle are occasionally injured during the course of testing which results in the owner suffering a financial loss either resulting from their immediate destruction, subsequent death or partial condemnation at abattoirs. In November 1979 the former Minister, the Hon. D. Day, stated that he would

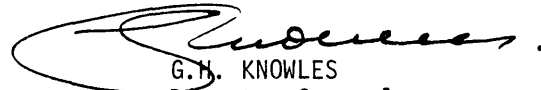
.....3/

approve ex-gratia payments for losses of stock occasioned by the disease eradication programme. Mr Day indicated that compensation would only be paid when adequate facilities were provided by the owner and that the cattle had been handled humanely; compensation would not be paid where the loss resulted from the fault of the owner. A copy of the former Minister's approval in this matter is also attached.

Regularisation of circumstances such as these and validation of previous payments was effected in the March, 1983 amendment to the Act.

I hope the above information is of assistance to the Committee in it's examination of the Auditor-General's Report for 1981/82, so far as it effects this Department.

Yours faithfully,

  
G.H. KNOWLES  
Director-General

Disposal of Brucella Reactors.

As you are aware, the campaign of test and slaughter in New South Wales for Brucella reactors is now well under way.

In the northern portions of the State, the abattoir workers are prepared to handle the reactors, subject to appropriate reimbursement. However, in the central and southern parts of New South Wales, there is still some reluctance by abattoirs to handle positive reactors because of the objections raised by the slaughtermen.

Until the position is resolved, it will be necessary to adopt other methods of dealing with and disposing of positive reactors as they are found, no matter where, within the State of New South Wales. There are two approaches open to the Department; firstly where possible, the positive reactors will be sent to those abattoirs that will slaughter them, subject of course to the distance from the abattoir not being a limiting economic factor; secondly, where abattoir facilities are for certain reasons not available, then the animals be killed and disposed of as follows: the animals slaughtered on the property and disposed of, with the owner receiving a flat rate of \$6.00 per head, or alternatively forwarded to a boiling down works for conversion into fertiliser and by-products.

Should there be a number of reactors to be dealt with on a property, then the owner be allowed to employ a contractor to deal with the situation, again with a payment of a flat rate of \$6.00 per head. Should the contact fee be in excess of \$6.00 per head and the reasons advanced are considered adequate, then a fee above \$6.00 be permitted, but only under exceptional circumstances.

Compensation for reactors is at the present time being met by the Commonwealth and the State on the ratio of 75% for the Commonwealth contribution to 25% for the State in the eradication areas. The Commonwealth have indicated that in view of the difficult situation that exists in portions of New South Wales, finance would be provided to pay for 75% of the disposal rate of \$6.00 per head. The point now arises as to the payment of the remaining 25% and I would recommend that this be paid from the Cattle Compensation Fund as an ex gratia payment.

Previously where there are problems in regard to the disposal of animals with diseases that fall within the Cattle Compensation Act, certain ex gratia payments have been made, so there is a precedent for such action.

Submitted for your approval to pursue this course, at the discretion of the Chief, Division of Animal Industry, in respect of the problem areas that arise from time to time.

*R.M. Watts*  
R.M. WATTS  
DIRECTOR-GENERAL

7/2/1978

The Hon. D. Day, M.L.A.  
Minister for Primary Industries.

*Approved*

CDA

PVO

*[Handwritten signature]*

- 11 -

16 FEB 1978

Accu



Cattle Compensation Act - Claims for Ex gratia Payments.

In past years it has been the policy of the Department to make ex gratia payments to owners of cattle which die during or as a result of testing for brucellosis (and to a much lesser extent now to tuberculosis). Deaths have resulted from a number of causes but most commonly are associated with injuries when cattle go down in the crush.

Recently the Minister was asked to approve of ex gratia payments for a number of losses which covered a wide range of circumstances, the only point in common being that the stock were required, under the terms of the Stock Diseases Act, to be presented for blood sampling. The Minister did not approve the ex gratia payments and stated that he would not agree to subsidise losses due to incompetence, lack of adequate facilities or cruelty.

The Minister's direction prevents payment of compensation in virtually all cases where cattle die as a result of testing in the brucellosis and tuberculosis campaigns.

The stand taken by the Minister in this matter is well appreciated and in fact the general principles expressed by the Minister are supported by this Division. There are, however, two factors which should not be overlooked and which have influenced the Division in submitting recommendations to the Minister for ex gratia payments.

Firstly, there is the extremely important question of public relations. The Minister well appreciates the size, scope and complexity of the brucellosis eradication campaign and the essential need to have producer support. Producers have generally well accepted the legal compulsion to present stock for testing but they consider that it is only right and just to be compensated for any losses of stock attributable to or associated with yarding and testing stock. Payments for this purpose in the 12 months to June 1979 were \$7,000 compared to total payments for compensation for all purposes of \$1.3 million. These payments involved 63 injured animals out of a total of 3.4 million cattle handled during the year.

Any failure on the part of the Department to accept responsibility will undoubtedly result in a backlash of unfavourable reaction from owners and although few claims are made the matter would be magnified out of proportion by industry groups, particularly Livestock and Grain Producers Association and Cattlemen's Union of Australia. There would be Ministerial representations and all in all the image of the Department would suffer and the brucellosis campaign would be seriously disrupted.

Secondly, there is the question of responsibility of the Department under Common Law. In the circumstances under review the Department could be involved in costly litigation and while the responsibility of the Department is open to legal argument once again any litigation of this nature would react adversely on the Department.

I therefore respectfully suggest that the Minister might be asked to give further consideration to ex gratia payments

DEPARTMENT OF AGRICULTURE, N.S.W.

involving the brucellosis and tuberculosis eradication campaigns.

RECOMMENDATION

It is recommended that -

- (i) the Minister be requested to review his decision of 22.11.79 because of the adverse effect this would have on the Department, and
- (ii) the Minister continue to consider recommendation from this Division for ex gratia payments for losses of stock directly associated with the brucellosis and tuberculosis eradication campaigns where there has been no gross negligence on the part of the owner.



D.H. MUMFORD.

Chief, Division of Animal Health.

26.11.79.

Director-General.

SUBMITTED FOR MINISTER'S  
CONSIDERATION.



26 NOV 1979

The legal opinion comments would indicate that the Dept would not be liable, but this would not prevent civil action being taken

I will approve ex gratia payments only where it is certified that the mustering was handled in a competent way, there was no cruelty involved & that the facilities available did not contribute to the loss - ie - genuine accident

ALBURY WODONGA (NEW SOUTH WALES) CORPORATION

Auditor General's Report  
Page 158

Assets are recorded in the balance sheet at cost of acquisition with holding charges added to the cost of acquired land and buildings and land held for development. It was previously reported that having regard to the movement in property values generally over the period since the Corporation first commenced operations, it was considered most desirable that the Corporation's real estate holdings be subject to an independent valuation by a qualified valuer and that cognizance be taken of these valuations in further financial statements. The Corporation's recently published annual report states that the Ministerial Council has endorsed a note to the accounts recognising that "book value may be at variance with market value" and that independent valuations have not been obtained.

It seems probable that reduction of the area proposed to be developed may have brought the real value of the Corporation's holdings below the book value. No provision has been made in the accounts for such an eventuality which, if factual, would mean that the Corporation's accumulated loss has been understated. Therefore until the values of real estate holdings are confirmed, adjusted or noted on the accounts, I continue unable to state as auditor that the financial position of the Corporation is fairly stated in its accounts.

After bringing to account the year's operating deficiency of \$8,638,256, the accumulated deficiency at 30 June, 1982, amounted to \$41,876,761. At that date, the capital debt of the Corporation, \$101,709,831, exceeded the book value of its net assets by \$41,446,761 - which is approximately equal to the unpaid interest which has been capitalised as an addition to capital debt.

26 APR 1983



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Telephone (060) 24 0222

our ref  
your ref

21st April, 1983.

Mr. Michael Egan, B.A., M.P.,  
Chairman,  
Public Accounts Committee,  
Parliament House,  
SYDNEY NSW 2000

Dear Mr. Egan,

In response to your letter of 11th April, 1983 addressed to Mr. L.T. Muir in which you advise that your Committee has resolved to examine the quoted extract from the N.S.W. Auditor-General's report in relation to the Albury-Wodonga (N.S.W.) Corporation, I offer the following comments on the matters raised.

Valuation of Land

When this matter was first raised by the N.S.W. Auditor-General it was felt, that in the interests of consistency between the States and because of the considerable importance of the matter, the course of action to be followed should more appropriately be determined by the Ministerial Council responsible for Albury-Wodonga rather than to have any one of our three Corporations making an unilateral decision.

I attach a copy of the submission to the Ministerial Council meeting of 13th March, 1980 which spells out in some detail the basis on which consideration was given to the question.

As a result of their consideration of the submission the Ministers resolved "To appoint a committee of Commonwealth and State Officers to investigate and report on the options available bearing in mind the attitude of Ministers as expressed at the meeting".

The Committee of officers concluded their investigations and reported to the Ministerial Council at its meeting held on 7th August, 1980. A copy of the Committee's submission is attached.

The Ministerial Council agreed to resolve exactly in accordance with the recommendation made by the officers' submission and the Corporation has included the note in all subsequent accounts.

So as to ensure that the Committee is aware of the scale of holding charges it is perhaps worthy of comment that the book value of acquired land and buildings and land held for development is \$28,002,099 of which \$1,628,650 is capitalised holding charges.

Accumulated Deficiency and Capitalised Interest

Under the terms of an Agreement between the Commonwealth, New South Wales and Victorian Governments for the provision of financial assistance for urban and regional development, loan funds were advanced by the Commonwealth Government to the State Government in accordance with approved programmes of land acquisition and development. Loan funds were advanced at an interest rate of the Commonwealth Government long-term bond rate applicable at the date of the advance. The term of the loans is for a period of 30 years from the year in which the advances are made. For the first 10 years of each loan, interest accrued is capitalised on a half-yearly basis, the capitalised interest then converting to loans bearing interest at the then current long-term bond rate.

At the end of the first 10 years of the advances made under that arrangement, principal and capitalised interest, for which payment has been deferred, become repayable by equal half yearly instalments over the last 20 years of the loan period.

As the Auditor-General has commented this capitalised interest, which amounts to \$41,086,011 is approximately equal to the amount by which the capital debt exceeds the book value of assets.

The financial arrangements described above have been closely examined by the three Governments with the result that the Ministerial Council on 20th February, 1981 agreed in principle to a Heads of Agreement document which was to form the basis of a revised intergovernmental financial agreement.

This new agreement has been drafted, approved by the Ministerial Council subject to minor amendments at its meeting on 3rd September, 1982, accepted by the Commonwealth and Victorian Governments and has for some time been waiting on acceptance by the New South Wales Government.

In effect the new agreement redefines Commonwealth financial assistance as capital invested in the project rather than as loans subject to interest and future repayment. Therefore the introduction of the new agreement will mean that previously capitalised interest will be written off and the situation identified by the Auditor-General will no longer exist.

I trust that this information is sufficient  
for your purposes.

Yours sincerely,



(G.F. Craig)  
Chairman.

The submissions to the Ministerial Council meetings  
of 13 March, 1980 and 7 April, 1980 have not been  
included in this printing.

Public Trustee Act, 1913

Section 53D requires that the costs of acquisition, alteration, etc., of the Public Trust Office building, financed from the Special Deposits Account "Public Trustee - Unclaimed Balances of Intestate Estates Account", be repaid to that account with interest. Having regard to the nature of the account, Treasury decided that it should not be credited with an amount substantially in excess of the sum originally drawn from it. As the sum advanced has been repaid, pending amending legislation further instalments (representing interest) are being paid to Consolidated Revenue Fund. The last instalment will fall due in 1996.

Workers' Compensation (Dust Diseases) Act, 1942

Grants totalling \$50,000 and \$22,000 were made to the Thoracic Unit, Prince Henry Hospital, and the School of Public Health and Tropical Medicine, University of Sydney, respectively, for research. The Act makes no provision for such a contribution.

# Public Trust Office



19 O'Connell Street, Sydney

Postal Address:  
Box 7, G.P.O., Sydney  
N.S.W. 2001 DX.1367

In your reply please quote estate and

Our reference: FG:CC

Your reference:

Telephone: 2 0523 or  
2400 750

17th May, 1983.

M. Egan Esq., B.A., M.P.,  
Chairman,  
Public Accounts Committee,  
Parliament House,  
SYDNEY. GCS

Dear Sir,

I refer to your letter dated 11th April, 1983 and the reference to the acquisition and financing of the property 19 O'Connell Street, Sydney for the purposes of the Public Trust Office as provided in terms of Section 53 of the Public Trustee Act.

Section 53(1) Provides that any sum of money, lying unclaimed for 6 years or upwards to the credit of any intestate estate under the control of the Public Trustee, and the Public Trustee has no knowledge of the existence of any person entitled, shall be paid into the Treasury and carried to a special trust account.

Section 53A Authorises the Minister for Public Works to expend the whole of such moneys in the acquisition of suitable land and building for the purposes of the Public Trust Office.

Section 53D Provides for the recoupment of the cost of the purchase to the Special Trust Account together with interest at 3% p.a. over a period not exceeding 50 years by payment of annual instalments.

In 1959 Treasury advised that whilst it was considered equitable that interest should be charged on advances from the Special Trust Account the accumulation of surplus moneys in the account because of this requirement could not be supported. It was stated that the legislation clearly intended interest would be paid to the Consolidated Fund but this was not practicable because of the terms of Section 53D. Amending legislation would overcome the position but it would require to have retrospective application.

Treasury suggested that once the amount expended from the Special Trust Account was recovered further repayments would be surplus to the requirements of the account and accordingly be available for transfer to the Consolidated Fund as a "part balance not required".

This proposal was referred to the then Public Trustee and no objection was raised. Subsequent correspondence from Treasury confirmed that the proposal would not require an amendment to the Act.

Yours faithfully,

W.J. Darwen  
Public Trustee





## The Workers' Compensation Commission of N.S.W.

131 Macquarie Street  
Sydney, N.S.W. 2000

Telephone: 237 4888



Mr M.R. Egan, B.A., M.P.,  
Chairman,  
Public Accounts Committee,  
Parliament House,  
SYDNEY 2000 00

Our reference: R.W. Hogan

Your reference:

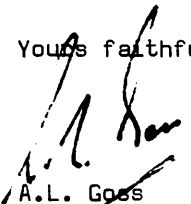
23 May 1983

Dear Mr Egan,

I have been asked to respond to your letter of 11th April, 1983, to the Under Secretary, Department of the Attorney-General and of Justice, in which you sought comments on matters raised in the Auditor-General's 1981/82 report.

In relation to grants made to the Thoracic Unit, Prince Henry Hospital, and the School of Public Health and Tropical Medicine, University of Sydney, I have enclosed for your consideration reports prepared by the Chairman and Executive Member, Dust Diseases Board.

Yours faithfully

  
A.L. Goss  
Registrar

Enc.

WORKERS' COMPENSATION (DUST DISEASES) BOARD

Prince Henry Hospital -  
Comments to Public Accounts Committee

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In 1969, Associate Professor Bryan Gandevia of Prince Henry Hospital raised with the then Minister and the Board a proposal that the Board provide funds for research to maintain and extend the research activity by the Thoracic Unit of Prince Henry Hospital into all types of broncho-pulmonary disorders of inhalation origin and to investigate occupational processes and environments which were the apparent cause of many such disorders.

Approval was given in 1971 after consultation with the Health Commission of New South Wales, the Division of Occupational Health and the then Department of Labour and Industry to the initial grant of \$10,000. Such approval was given by the Minister subject to the need for validating legislation and this approval was endorsed by the Cabinet of the day.

The need for the provision of funds to the Thoracic Unit became evident following the valuable assistance and information provided by the Unit to the Board and the Dust Diseases Medical Authority since the commencement of the Dust Diseases Act in 1967. Specifically, it had furnished advice and opinions on individual workers referred to it by the Dust Diseases Medical Authority. The Unit has also advised and assisted in the selection of the best available equipment for limited pulmonary function testing and has provided the technical expertise for the operation of this equipment. When required, it has conducted the more comprehensive cardio pulmonary function testing of workers and other specialist investigation of workers in cases considered desirable by the Medical Authority.

Over the years, this association and need has developed to the point where co-operation between the Thoracic Unit and the Board is absolutely necessary in order that applicants for compensation may be given every consideration in the determination of whether or not they are disabled by a dust disease.

.../2

The increase in the number of disabled workers brought about by the exposure of workers to harmful asbestos dust has necessitated even closer liaison with the Thoracic Unit in that such workers are required to undertake more extensive pulmonary function testing than workers disabled by other dust diseases. Because of this, the Thoracic Unit provides a technician on at least one and sometimes two days per week to operate the complex equipment in the Board's office when such workers are undergoing medical examination. During the year ended 30th June, 1982, 462 applicants for compensation were required to undergo the more intensive pulmonary function tests. In conjunction with a system of computerisation, the tests are evaluated by Specialist Thoracic Physicians at Prince Henry Hospital and reports issued to the Board's Medical Authority for consideration in their determination of applicants for compensation.

Of these 462 applicants, the lung function tests in the Board's office were inconclusive and 43 were required to undergo further "in depth" evaluation tests at the Thoracic Unit's Headquarters at Prince Henry Hospital. All of these facilities have always been provided by the Thoracic Unit to the Board at no cost and it would not be unreasonable to suggest that if the Board were required to have these necessary tests undertaken elsewhere, the cost would be substantial.

In addition, over the years, the Unit has conducted research to establish the natural progression of pulmonary asbestosis, to disclose the way in which the disease first affects the function of the lung and to link impairment of function to the onset of disability. The Unit undertakes periodic surveys of asbestos workers at the Barraba Asbestos Mine. Studies have been done by the Unit on jackpick operators exposed to silica dust and reports prepared on the respiratory syndrome associated with aluminium smelting. Surveys were conducted in the cotton industry and reports prepared and issued by the Unit.

Each year, Professor Gandevia submits a report on the work of his Unit for the year outlining what has been achieved and what is proposed for the forthcoming year, which is noted by the Board prior to consideration being given to the annual grant.

The research undertaken by the Unit and its expert support has been of invaluable assistance to the Board over the years and, indeed, is

essential in assisting the Medical Authority in the diagnoses of applicants for compensation.

Since 1971, the grant has been increased periodically to the point where a \$50,000 grant was made in 1982.

B. Vírгона  
Chairman and Executive Member.

WORKERS' COMPENSATION (DUST DISEASES) BOARD

Commonwealth Institute of Health - Research Grant -  
Comments for Public Accounts Committee

In 1979, the Board's Medical Authority was approached by the School of Public Health and Tropical Medicine of the University of Sydney regarding the possibility of support for an investigation of the lung fibre counts in lung cancer subjects. This proposal arose from a discussion regarding the suspected and observed ratio of lung cancers (bronchogenic carcinomas) in applicants for compensation as compared to mesotheliomas (another type of cancer) attributed to asbestos exposure.

Overseas research has shown that far more asbestos-exposed workers suffer lung cancers than those found suffering mesotheliomas. The Board's experience showed a somewhat different picture in that for the year ended 30th June, 1979, more sufferers of mesothelioma (20) were encountered as compared to cancers of the lung (12). There were two inferences which could be drawn from these statistics:-

1. The conditions of work of asbestos workers in Australia and the type of asbestos to which they were/are exposed may differ greatly from those overseas.
2. Many workers and medical practitioners in New South Wales may not be aware that lung cancer may occur, in addition to other causes, also as a result of the exposure of a worker to asbestos dust and, therefore, such sufferers fail to approach the Board for compensation.

It was ascertained that no research studies had been undertaken in New South Wales which would provide an answer to these problems. An approach was made to Professor Ferguson of the School of Public Health and Tropical Medicine who indicated the School's willingness to undertake the research providing the Board supplied the necessary funds of up to \$12,000 to enable a laboratory technician, suitably skilled in electron and light microscopy, to be employed. The School was to provide the required supervision and equipment.

By providing the necessary funds, the Board not only considered that it would be contributing to the knowledge of occupational lung disease in Australia but, more importantly, would be in a position to know and take action if a certain section of asbestos-exposed workers were not being compensated when disabled.

Ministerial approval was given on 14th August, 1979, to the Board making a grant of \$12,000 and, at that time, the Board brought to the Minister's attention the need for validating legislation.

In 1980, the School recruited a technician to undertake the necessary asbestos fibre counting of lung specimens. Such lung fibre counting was necessary in order to ascertain the amount of asbestos fibre in a gram of lung tissue in an industrially exposed worker, compared to that found in the lung tissue of a non-industrially exposed person. From this research, the School was able to determine the amount of asbestos fibre which could be expected to be found in normal circumstances in persons not industrially exposed. In addition, in setting up the methods to be adopted, it was found that the project, as originally intended, could be expanded to provide significantly more information relevant to the effects of asbestos dust on lungs by establishing the distribution of fibres by type within the lung and the variability of this distribution. From a cancer point of view, it is known that certain types of asbestos are more hazardous to inhale than other types.

Approval was given in 1980 and subsequent years to the Board continuing to provide funds for the employment of the technician on asbestos fibre counting which has enabled the School of Public Health and Tropical Medicine, now known as the Commonwealth Institute of Health at the University of Sydney, to continue their research and also to provide the Board with the expert facility whereby the Board can refer to the Institute specimens of lung tissue for fibre counting in cases where diagnosis by the Medical Authority is difficult. For example, both exposure to asbestos and smoking are carcinogenic and, therefore, a difficulty arises when a smoker, who has also been exposed to asbestos in his working life, applies for compensation. By being able to have the facility of counting asbestos fibre in lung specimens, the Medical Authority, through the Institute, can now ascertain whether or not the applicant for compensation

has an asbestos fibre count in his lungs more than what could be expected in the non-exposed population. This greatly assists the Medical Authority at arriving at a diagnosis and is carried out at no cost to the Board by the Commonwealth Institute. If the Board were to have this facility provided elsewhere, the cost would be quite significant as fibre counting can only be done by using electro-microscopy, the equipment for which is extremely expensive.

The Board considers that its association with the Institute should continue so that continued research can be undertaken to confirm findings already made and to investigate additional areas in this complex field of the effects on workers of exposure to asbestos dust. In addition, the grant enables the Board to obtain information, free of cost, which is becoming increasingly necessary for the Medical Authority to reach a diagnosis.

With increasing costs since 1979, the grant for 1983 was approved by the Minister in the amount of \$20,000. As each accepted claim for compensation could cost the Board up to \$150,000, the Board considers the grant essential having regard to the benefits it provides.

B. Virgoña

Chairman and Executive Member

13 MAY 1983

BATHURST ORANGE DEVELOPMENT CORPORATION

Auditor General's Report  
Page 158

Based on preliminary accounts for 1981-82 prepared by the Corporation, my officers have estimated that the operating surplus (before allowing for interest payable and reserve transfers) could be approximately \$735,000, with the resultant overall deficiency for the year of approximately \$6,700,000.

Operations again failed to generate sufficient revenue to meet the annual interest commitment which includes deferred interest on Government advances. Moreover in 1984, the Corporation will be faced with a need to commence repayment of principal instalments. Unless there is a substantial increase in demand and/or price for land and buildings in the growth centre - or some other material change such as remission of debt - it is difficult to see how the Corporation can acquire the cash needed to avoid defaulting on its payments at some time in the future.

Property sales in 1981-82 amounted to \$4,890,727 and included seven properties in the Vittoria (New City) area, 88 residential settlements, 14 industrial lots 23 residential houses and 21 units.

The preliminary estimate of deficiency, \$6,700,000, would bring the accumulated deficiency at the close of the year to \$37,082,000. At that date, the recorded capital debt of the Corporation, \$71,282,071, exceeded its net assets by approximately \$34,721,000.





**Bathurst/Orange**  
Development Corporation

25 MAY 1983

107 Bentinck Street,  
BATHURST. 2795  
Telephone: (063) 33 4245  
247 Anson Street,  
ORANGE 2800  
Telephone: (063) 63 8299  
DX 3006 ORANGE

Mr. Michael Egan, B.A., M.P.  
Chairman,  
Public Accounts Committee,  
Parliament of New South Wales,  
Legislative Assembly,  
Parliament House,  
SYDNEY NSW 2000

Our reference:  
Your reference:

23rd May, 1983.

Dear Mr. Egan,

I am aware that you have previously written to me on the matter of your review of our Corporation Accounts.

The nature of my appointment being Part Time Chairman generally requires that I do not enter into correspondence of an administrative nature, particularly where such correspondence is likely to generate the necessity for further exchanges of letters. The reason for the adoption of this practice results from the fact that being "part time" I am not on hand as a rule to deal expeditiously with correspondence.

Accordingly, as a rule my correspondence is addressed only to the Minister for Industrial Development and Decentralisation, the Hon. Don Day, to whom I am totally responsible.

However, the nature of your letter of 8th April is such that it appears to be a letter of demand, requiring information of a type which relates to the present standard of our Corporation Accounts. The format of these accounts is almost entirely the result of my own requirements and disciplines. Accordingly, I have decided to reply personally to your letter.

With regard to the Auditor-General's 1981/82 Report, it will be noted that the preliminary figures published by him are somewhat different from the final accounts which have now been published after audit. It will be noted, for example, that the operating surplus in the Auditor-General's report mentions a figure of \$735,000, whereas the final income or operating surplus before interest amounted to \$1,033,800.

However, it appears unlikely that the nature of your letter enquires into the actuarial aspects of our accounts, but most likely reflects a query as to why a Corporation which is declared to be technically bankrupt continues to carry on business with the public, despite the fact that the Corporation's commitments are guaranteed by the State. I must say that I share your concern. In fact, it was as a result of my concern in the matter that the Auditor-General made his report in the terms to which your attention has been drawn.

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The question as to whether the Corporation should remain in business under the present circumstances is one which is extremely complex and I doubt whether any legal opinion has been sought on the matter. I also doubt under the circumstances whether such legal opinion is warranted.

However, as a result of my private sector training and disciplines relating to full disclosure, I ensured that in the first report made under my Chairmanship that there was set out in a prominent section of that report a detailed reference to the Corporation's difficulties. The following words appeared and have been highlighted on a copy of the report which is attached hereto:

"Since the holding charges capitalised over previous years have not been offset by a growth in land values during the period until 30th June, 1980, it must be stated that the Corporation is unlikely to be equal to the task of repayment of loans in accordance with the original formula - - - it must be admitted that the volume of funds invested is out of proportion to development prospects for some years to come. .... Therefore it would appear meaningful for State and Commonwealth Governments to agree to the restructuring of the Balance Sheet and to reducing the debt to both State and Commonwealth by relieving the Corporation of accumulated losses amounting to \$18.1 million."

"Despite the impracticability of the expectation that repayment of loan funds and advances as well as interest due to the Commonwealth and State could commence as presently required in 1983-84, the Corporation implemented policies aimed at building sufficient liquid funds to allow it to contribute towards any restructured repayment programme."

It will be noted that the implementation of those policies enabled the Corporation to stem the deterioration of its liquid resources and to remain in business as required.

It is a matter of record that although the Auditor-General had been responsible for the audit of the Corporation's Accounts for the previous five years, it was not until the publication of the remarks in my report (1980-81) that the Auditor-General reported to Parliament in the terms which are known to you.

In other words, during the previous years prior to the appointment of myself as Chairman, the Auditor-General did not report in respect of the Corporation's basic financial position when it was clearly evident that the assessment of the assets and liabilities indicated that the liabilities exceeded the assets by a significant amount. It must be admitted, however, that the omission by the Auditor-General probably reflected the doubt as to whether the founding funders of such a Corporation, which directed the investment of its funds,

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could cause that Corporation to be bankrupt because it failed to meet the aspirations of the partners who created the position.

It was unfortunate that in the 1981-82 report that the Auditor-General, when mentioning the matter for the first time, in my opinion went too far when he did not qualify his statement in sufficient detail so as to indicate that the Corporation could avoid defaulting in its commitments in the event that the Commonwealth and State funding partners did not require the payment of principal or interest as scheduled.

The above-mentioned outline of the situation is intended to assure you that the publication of the Auditor-General's report merely resulted from a disclosure by the Chairman, who in his opinion was required to make such a disclosure, although previous Chairmen had not done so.

It appears to me that the question as to whether the Corporation is in fact bankrupt in legal terms should take into account the following considerations:

- i. In my opinion the funding documents allegedly requiring the payment of interest and the repayment of principal are sufficiently vague to cast some doubt as to whether these repayments can actually be enforced. It will be noted that I am not legally qualified to make such an assessment but it is pointed out that there is some divergence of expert legal opinion in the matter.

However, it follows, of course, that where there is any shadow of doubt as regards the Corporation's contingent liability in respect of these loans, that unless the liability is shown to be totally non-existent, then the alleged contingency must be shown in the Balance Sheet.

- ii. It appears to me that the situation could be illustrated by reference to the following alternative scenarios:

(a) A mother and father could say to their son:

"Here is a significant amount of money which we direct you to invest in property and in due course we wish you to pay interest on the money and in addition account to us for 100% of the profit plus the final return of these moneys which we are lending to you."

The son, having no say at all in the investment of these funds, in my opinion could hardly be held to be bankrupt by the requirements of the

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parents to return the funds at times when he may be completely unable to do so, as a result of the then disposition of the property market.

- (b) Whereas the above is a possible exaggeration, it is not far removed from a not unusual situation of two partners deciding to create a corporate trading unit and to advance to that corporate unit sufficient funds to enable it to trade according to their directions and aspirations.

In my view, it is quite wrong then that this corporate unit should be cast into bankruptcy to the disadvantage of its trading creditors by the withdrawal of those funds by the partners from the corporate unit.

Obviously, it will be in reflection of the question as to whether the obligation is to return funds to funding partners that the Auditor-General deferred from referring to the parlous nature of the Corporation's financial position prior to the commencement of my Chairmanship and my positive reference to it.

I suggest that in relation to the above-mentioned matters your committee may care to review in full the 1980-81 and 1981-82 reports for which as Chairman I am totally responsible. In my opinion, they reflect a transition into a properly controlled Corporation, accounting in a proper manner to the persons to whom it is required to account.

With regard to the 1980-81 report, it should be noted that this was the first full year which reflected by administration. I had been appointed in the latter half of the previous year and immediately became aware of some problems resulting from previous accounting practices, following which I immediately required the appointment of an accountant known to me who, in my opinion, could prepare the accounts in such a form as would meet the strictest requirements of the Authorities. It is a matter of record that despite an enormous amount of effort, the accounts relating to the years prior to my appointment were not lodged for some time and some delays occurred in arriving at a precise financial record of the activities of the Corporation prior to 1979-80.

It is also a matter of record that the precise and accurate recording of accounts from the records available to us was finally declared to be impossible, and in negotiation with the Auditor-General and with his assistance, we prepared accounts for 1978-79 and 1979-80, being the best and most accurate account which was possible under the circumstances.

However, the 1980-81 accounts properly recorded the assets and liabilities of the Corporation and adopted new policies, such as the non-capitalisation of interest and other holding charges. It also reflected the reassessment of the values of the properties held by the Corporation and for the first time showed these properties in the Balance Sheet at cost or current market value, whichever was the lower.

It will be noted in reading the notes to the 1981-82 report that the Auditor-General became concerned that as a result of the unusual method of valuation by the Valuer-General, that some of the properties may now be reflected in the books at lower than current market value and that therefore some of the write-downs may have been a little harsh. However, the above-mentioned note adequately covers the possibility that such an occurrence may have taken place.

It was as a result of my expressed concern regarding the financial situation of the Corporation that it then established a study team in order to determine whether an orderly disposal of some of its properties might result in the possibility that the Corporation could then meet its commitments, providing that its two funding partners, i.e. the State and Commonwealth Governments, did not press for the payment of interest or the repayment of principal.

It is also a matter of record (or perhaps more accurately of opinion) that some of the land stocks held by the Corporation could not be absorbed into development for periods in excess of 50 years. The recommendation of this in-house study team therefore recommended to the Minister that the Corporation should dispose in an orderly fashion of all properties which in its opinion would not be absorbed into development within a period of 20 years. It was felt that those properties which were therefore rendered surplus on such a test should be gradually disposed of over a period of five years.

The Corporation felt that this was the best and most responsible course open to it.

Subsequently, the Hon. Don Day, after taking into account the Auditor-General's report (being that to which your letter refers) and after looking at the Corporation's in-house recommendation, decided to obtain an independent opinion from members of the Development Corporation of N.S.W.

I am aware of the fact that as a result of the receipt of these independent recommendations, the Minister has decided to refer to Cabinet his recommendations concerning the future financial structure of the Corporation.

I also understand that one of his recommendations will be that the Corporation become a closed Corporation, and therefore an arm of his Department. I understand that such a change would require the introduction of legislation and that such legislation will be introduced in due course.

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Under these circumstances, the Corporation's accountability to the public in regard to any creditors which it may create in the course of its business will be covered by the usual Government guarantees which operate ordinarily.

Accordingly, the aspect of technical bankruptcy to which the Corporation and I have referred should no longer be of concern.

Whereas the adoption of the responsibility by the State of the total financial commitments of the B.O.D.C. might come under question by a Commonwealth Government if it did not acquiesce in this scheme, it seems likely that the Minister's intention is the only course available under the circumstances.

Finally, I would like to point out that I applaud the formation of the Public Accounts Committee and its present activities, merely as a result of my own experience and discovery of the poor accounting standards in force within the Corporation when I was appointed Chairman early in 1980. Accordingly, if I can be of any further assistance in any manner, please let me know.

Yours faithfully,



T. A. Dalton  
Chairman



The objects of the Company, which is an adjunct of the Cumberland College of Health Sciences, include: to establish a public fund exclusively for providing money for the acquisition, construction or maintenance of a building or buildings to be used as a school or college, to establish and maintain a research institute, and to make donations to the College.

INCOME AND EXPENDITURE ACCOUNT for the year ended 30th June, 1982

Previous Year \$	Income-	\$	Increase %(-)
47,700	Donations	35,400	(25.8)
21,000	Grants	18,000	(14.3)
	Activities Income-		
2,287	Fund Raising	6,819	198.2
.....	Sponsorships	32,594	*
.....	Contributions	13,586	*
157	Interest	502	219.7
.....	Miscellaneous	20	*
<hr/>		<hr/>	
\$71,144		\$106,921	50.3
	Expenditure		
10,861	Salaries & Administrative Charges	17,869	64.5
	Direct Costs-		
26,084	Fund Raisings	2,987	(88.5)
.....	Sponsorships	46,180	*
.....	Seminars	353	*
2,359	Grants	43,132	†
588	Stores & Provisions	1,308	122.4
609	Printing, Postage & Telephone Expenses	6,036	891.1
.....	Donation	8,000	*
300	Audit Fees	600	100.0
16	Miscellaneous	1,254	†
<hr/>		<hr/>	
40,817		127,719	212.9
	Operating Deficiency	<hr/>	†
30,327		20,798	†
(Surplus)	Transfer to Building Fund	.....	(100.0)
3,575			
<hr/>		<hr/>	
\$26,752	Reduction of Accumulated Funds	\$20,798	†
(Addition)			
<hr/>		<hr/>	

\* Nil in previous year - not calculable.

† More than 1,000 per cent.

† Surplus/Addition in previous year-not applicable.

Donations, \$35,400, included \$19,763 received upon the winding up of an Art Union conducted to raise funds for the Foundation. The direct costs of fund raising activities decreased by \$23,097 and reflect the termination of an agreement with a fund raising organisation.

As a contribution to the 1981 International Year of Disabled Persons, the Foundation organised and sponsored a tour of Australia by an American puppet troupe. Expenditure on the tour was \$46,180 and exceeded the income from performance admission fees, grants and donations. The Cumberland College contributed \$13,580 to help meet the excess costs.





DEPARTMENT OF EDUCATION

Auditor General's Report  
Page 405

AUDIT ACT, 1902

Payments have been made by the Education Department to school passenger and charter bus operators, to owner/drivers conveying handicapped children to school, to voluntary association schools for intellectually handicapped children on account of supervisors' salaries, to transferred officers and teachers for cost of removal and to various suppliers of services and stores and materials without first obtaining the certificate, required by Section 41, that services have been faithfully performed.



# Department of Education



Mr M. Egan, B.A., M.P.,  
Chairman,  
Public Accounts Committee,  
Parliament House,  
SYDNEY. 2000

35 Bridge Street, Sydney  
Please address all  
communications to  
N.S.W. Department of  
Education,  
Box 33, G.P.O., Sydney, N.S.W. 2001

Our reference: 83/31926

Your reference:

Telephone: 20584 Ext.  
Telegrams: "Schools Sydney"  
Telex: 24420

27 MAY 1983

Dear Mr Egan,

I refer to your letter of the 27th April, 1983, in which you sought comments on matters raised by the Auditor-General in his report for the financial year 1981/82. These comments related specifically to the Department's practice of making certain payments "without first obtaining the certificate, required by Section 41, that service had been faithfully performed".

The procedures adopted are designed principally to prevent financial embarrassment and hardship to individuals and organisations with established entitlements under programs administered by the Department. Payments are made subject to the required evidence being furnished, in due course, that the services have been faithfully performed. Any necessary adjustments are determined upon receipt of that evidence and are effected in subsequent payments.

In some cases the approval of the Treasury and the agreement of the Auditor-General has been obtained to the procedures. It is appreciated that, even in these circumstances, the Auditor-General is required, by statute, to report on departures from the requirements of the Audit Act, as he has done over previous years.

The following comments are offered in respect of the programs mentioned in the Auditor-General's report.

#### School Charter Bus Operators

##### Owner/Drivers of Handicapped Children to School

Progress payments are made each month to bus proprietors and owner/drivers who must, of necessity, outlay funds to run and maintain their vehicles in order to provide services to the Department. The former are also required to pay wages and associated overheads in respect of drivers and others in their employ, whilst for many owner/drivers the remuneration paid by the Department may be their only source of income.

Previous systems whereby certificates of performance were required before payments could be made proved to be most cumbersome and operators were often severely disadvantaged financially by delays inherent in these procedures.

Annexures "A" and "B" contain documentation and approvals to these procedures.

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#### Passenger Bus Services

In 1966 the Government of the day extended the conveyance subsidy scheme to provide free travel to country children residing more than two miles from their school. Prior to that time parents paid bus operators the full fare in respect of each child and were refunded these costs less 2 pounds 5 shillings per term.

As a result of the new initiatives fares were to be paid directly to the bus proprietors and thus any outlay by parents was to be avoided. During negotiations concerning implementation of the scheme the proprietors successfully sought to receive monthly progress payments rather than payment in full after the close of term, to compensate for the loss of regular income previously derived from daily or weekly payments by parents. The scheme was extended to other bus operators with the extension of free travel for city children in subsequent years.

The arrangements were endorsed by the Minister for Education at the time. The view is held that the approval given by the Treasury in its letter of 8th March, 1973 (A73/170) applies equally to passenger bus services as charter bus services since the Premier and Treasurer had asked that appropriate action be taken to overcome administrative delays in the payment for school services provided by bus operators. In overcoming such delays the concept of making advance payments to passenger bus operators has equal weight with such action in respect of charter bus operators.

#### Supervisor Subsidies - Handicapped Children's Centres

Voluntary associations which conduct handicapped children's centres are dependent on donations and subsidies for their existence. To enable those groups to meet the salaries of supervisors, advances are issued early each term based on previous entitlements and any known decline in enrolments at those centres. This arrangement was agreed to by senior management and endorsed by the then Minister for Education in April 1975.

However, there is no evidence available of any approval having been obtained to these procedures from the Treasurer and/or Auditor-General.

Annexure "C" contains copies of documents relating to the acceptance of these procedures.

#### Removal Expenses - Teachers

Teachers transferred at Departmental expense are often not in a position to meet the considerable cost of removal of their families, furniture and effects to the location of their new schools. Advances are issued to help defray these costs.

Annexure "D" contains copies of papers relating to the implementation of this scheme and its acceptance by the Treasurer and the Auditor-General.

#### Suppliers of Services, Stores and Materials

The practice of paying claims before securing evidence of performance of service or the actual receipt of stores and materials, is one which was adopted to resolve a serious problem which existed within the Supply Branch of the Department in June 1973.

.... /3

At that time evidence of performance was a prerequisite to payment but due to a number of disputes, failure of principals to acknowledge supply and other factors a large number of claims, extending over a period of years, remained unpaid. Suppliers were, naturally, aggrieved by the situation and threatened to withhold supplies until a satisfactory solution was found to the problem. The value of discounts foregone was considerable.

The present system commenced, as a pilot scheme, with the concurrence of the Treasurer and the Auditor-General and has proved to be a most successful arrangement. Relationships with suppliers are good, accounts are current, losses from disallowed discount are non-existent and disputes regarding supply are few.

Other Departments and members of the Public Service Finance and Accounting Officers Group have shown interest in the scheme which has been commented on, quite favourably, by representatives of the Auditor-General's Department.

In 1976, the Treasurer sought a report on the operation of the scheme but although internal reports have been submitted to management, a reply has not yet been furnished. This aspect has been discussed with Treasury officers and will be attended to in the near future.

Annexure "E" contains copies of the relevant submissions, correspondence, etc. in relation to the scheme.

#### Conclusion

All of the above policies have been adopted to avoid delays which would occur should the Department strictly adhere to provisions of Section 41 of the Audit Act. The Department's requirement that evidence of satisfactory performance be obtained following payment is seen to counter any loss of control by departing from those provisions.

I trust that the information that I have provided satisfies your enquiry on this occasion.

Yours sincerely,



D. Swan,  
Director-General of Education

Annexures from the Department of Education are not included in this printing.



# Department of Education



Mr M. Egan, B.A., M.P.,  
Chairman,  
Public Accounts Committee,  
Parliament House,  
SYDNEY. 2000.

35 Bridge Street, Sydney

Please address all  
communications to  
N.S.W. Department of  
Education  
Box 33, G.P.O., Sydney, N.S.W. 2001

Our reference: 83/31926

Your reference:

Telephone: 20584 Ext.  
Telegrams: "Schools Sydney"  
Telex: 24420

10 OCT 1983

Dear Mr Egan,

I refer to previous correspondence and discussions between the Department and the Committee in regard to matters raised by the Auditor-General in his report for the financial year 1981/82.

At my last meeting with the Committee I indicated that the Department would be writing to the Treasury concerning the payment for goods and services in advance of receiving acknowledgement as to the performance of services. A copy of my letter and a reply which has now been received from the Treasury are enclosed for your information.

Yours sincerely,

D. Swan,  
Director-General of Education

The Secretary and Comptroller of Accounts,  
The Treasury,  
State Office Block,  
Macquarie Street,  
SYDNEY, N.S.W., 2000.

73/46913

T80/2021

PILOT SCHEME FOR PROCESSING CLAIMS FOR PAYMENT

Since 1st August, 1973, the Department, with the concurrence of the Treasury and the Auditor-General, has conducted a pilot scheme in its Supply Branch for the payment of claims without awaiting acknowledgements of performance of service. On 21st June, 1976, you sought an assessment of the scheme in order that the Treasurer might be fully informed before reaching a decision as to whether the scheme should be continued on a permanent basis. Regrettably, although there have been continuing discussions with the representatives of the Auditor-General's Department on the scheme, the report has not been furnished.

The procedures introduced have proved to be most beneficial to suppliers and the Department, and have permitted full advantage to be taken of substantial discounts available. Applications for restoration of discount deducted have been kept to an absolute minimum, whilst procedures adopted to establish the performance of service, after payment has been made, have proved to be most successful.

The scheme has been favourably received by the Auditor-General's representative for this Department, and excellent relationships now exist with suppliers. Since 1973 there has been no change in circumstances which would warrant reverting to the statutory obligations required under Section 41 of the Audit Act.

From discussions with your officers, I am aware that the proposed Public Finance and Audit Act (which will repeal the Audit Act):

- . does not contain a provision corresponding to Section 41; but
- . does provide for the Treasurer to be able to issue directions with regard to principles, practices and procedures to be observed and for any such direction to apply generally or be limited in its application by reference to specific exemptions or factors.


Approval is therefore sought:

- (a) To continue the scheme on a permanent basis under existing legislation; and
- (b) For inclusion of that approval in the Treasurer's Directions, upon adoption of the new Act.

PILOT SCHEME FOR PROCESSING CLAIMS FOR PAYMENT

Attached for your information is a report on the scheme containing the following information:

- . Background Information
- . Operation of the Scheme and Internal Controls
- . Payment of Claims
- . Statistical Information
- . Audit Check



V. Delany,  
Secretary.





# The Treasury, New South Wales

The Secretary  
Department of Education  
SYDNEY

State Office Block      Box 5285 G.P.O.  
Macquarie Street      Sydney 2001  
Sydney, NSW 2000      DX 22 Sydney

Contact **Wal Roach**

Our reference: **T80/2021**

Your reference: **73/46913 ✓**

Telephone: 2 0576

Extension: **4461**

## Pilot Scheme for Processing Claims for Payment

I refer to your letter of 24 August, 1983, concerning a pilot scheme conducted in the Department's Supply Branch, with regard to the processing of claims for payment without awaiting acknowledgement of performance of service.

The findings outlined in the Report attached to your abovementioned letter have been noted. In view of the imminent enactment of the Public Finance and Audit Bill, which as you state does not have an equivalent to section 41 of the Audit Act, no objection is raised to the continuation of the scheme under the existing Act. Further consideration will be given to the adoption of the scheme on a permanent basis when the Directions under the proposed Bill have been finalised.

for Secretary and  
Comptroller of Accounts

ELECTRICITY COMMISSION OF NEW SOUTH WALES

Auditor General's Report  
Page 127

For Employees' Accrued Entitlements, an amount of \$24,294,000 was provided for the year, higher by \$5,640,000 than in 1980-81. The aggregate Provision at 30 June, 1982, was \$103,454,262 which was considered adequate by the Commission to cover the total assessed liability. For State Superannuation component, the amount in the Provision at 30 June, 1982 was \$31,640,056 and is the amount calculated for the employer's deferred contribution for the remaining estimated pensions payable to current pensioners or their widows, and for the estimated total liability for current contributors aged 60 or more (55 or more in the case of females electing to retire at 55), calculated on life expectancy tables. Provision is also made for the Commission's liability for the current year's movement in existing pensions because of changes in the Consumer Price Index. The sufficiency of the provisions has not yet been confirmed.

As the issue of the superannuation liabilities of statutory authorities is currently the subject of a separate inquiry by the Public Accounts Committee, responses relating to this topic have been omitted in this Report and will be examined further by the Committee during the Superannuation Inquiry.

DEPARTMENT OF ENVIRONMENT AND PLANNING

Auditor General's Report

Page 406

Environmental Planning and Assessment Act, 1979

Contrary to Section 130 (3) payments have been made from the Sydney Region Development Fund for land acquired and for works and services outside the Sydney Region Development Area.

4 May, 1983

Mr. M. Egan,  
Chairman,  
Public Accounts Committee,  
Legislative Assembly,  
Parliament House,  
SYDNEY N.S.W. 2000

B7/1 Pt.7

Dear Mr. Egan,

I refer to your letter of 5th April, 1983, dealing with the examination by the Public Accounts Committee of the Auditor General's 1981/82 Report to Parliament and its decision to examine further a number of particular matters from that Report.

As requested, I now provide comment on the matter concerning my Department, extracted from Page 406 of the Report, referring to payments from the Sydney Region Development Fund for land, works and services outside the Sydney Region Development Area contrary to Section 130(3) of the Environmental Planning and Assessment Act, 1979.

The statement by the Auditor General comes from information provided by officers of the Department as a routine annual return of activities involving such payments. In the main, the payments represent technical rather than real or significant breaches of the Act arising from practical necessity.

Transactions involving such payments occur typically as a result of the Department acquiring land as agent for other Government Departments, Authorities or Funds or as executive body for particular Government schemes.

A good example of this agency function is the Department's role in the operation of the Coastal Lands Protection Scheme which involves the acquisition of reserved land anywhere along the New South Wales coastline on behalf of the Department of Lands and, on occasions, the National Parks and Wildlife Service. For reasons of administrative and financial convenience and economy, settlement and related payments are made, firstly, from the Sydney Region Development Fund to be subsequently reimbursed to the Fund by Treasury. Thus, while payments, in a purely technical sense, may be said to have been made from the Fund for acquisitions outside the Sydney Region they are, in fact, reimbursed automatically throughout the year. These Coastal Protection Scheme payments account for most (approximately 98%) of the payments referred to by the Auditor General.

The Auditor General's reference to payments for Works and Services concerns payments related to land acquisition such as survey and legal fees, land clearances, etc.

.../2

At the present time the Department is also required, as a temporary measure, to acquire land lying within the Illawarra Region Development Area which was constituted by the new planning legislation of 1979. This requirement arises from the inclusion in the Illawarra Region of land reserved for public use under the County of Cumberland Planning Scheme and previously situated in the Cumberland Development Area (now Sydney Region Development Area). These reserved lands, by statute, must be acquired on request from owners and this is being done on an agency basis by the Sydney Region Development Fund as a continuation of its previous role in this area. Responsibility for the servicing of loans raised to acquire these lands will be assumed by Illawarra Region Development Fund when financial machinery (now being negotiated with Treasury and local Councils) is established.

I trust you will find the above information meets your needs. Any further information required will be readily provided.

Yours faithfully,

(signed R.B. Smyth)

R.B. Smyth  
Director

Stamp Duties Act, 1920

1. Powers of attorney over debentures and inscribed stock of the Electricity Commission of New South Wales have been exempted from the stamp duty otherwise payable.
2. Cheques issued by Consular Officers in the performance of their official duties have been exempted from stamp duty.
3. In several cases payment of death duty has been postponed pending death of the beneficiary, subject to payment should real estate be sold earlier, and the liability for interest occasioned by such non-payment has not been enforced.
4. Agreements in accordance with forms four, nine and eleven of the Schedule to the Marketable Securities Act, 1970, have been exempted from stamp duty.
5. Ad valorem stamp duty on credit insurance policies has been charged on notional sums, arrived at by capitalizing at a determined rate the premiums actually received, instead of on the sums insured.
6. When an item of property is substituted for another or is added to a schedule of property insured under a particular policy of insurance, duty is charged on the value of the substituted or new item of property only. Strict compliance with the law would require that duty be charged on the new full value of the policy.
7. The duty which would otherwise be applicable to a "discount arrangement" is not charged on short term bills and notes for amounts not less than \$50,000 and to which a bank or a short-term money market dealer is a party.
8. Instruments have been exempted from the loan duty payable under Section 82c where the loan is for a term not exceeding 180 days and is for an amount of not less than \$50,000.
9. Where a loan made by a bank and/or an associated finance company, is partly at an interest rate exceeding the prescribed rate (17.75 per cent at 30th June, 1982), duty is charged only on that part.
10. Duty under Section 84D is not charged on debentures, whether issued in accordance with a trust deed or not, at call or at less than 30 days and at reduced rates where the term does not exceed 6 months.
11. Ad valorem duty is not charged in the case of a motor vehicle certificate of registration issued to a person who is engaged principally in the trade or business of buying or selling motor vehicles and who is registered under the Motor Dealers Act, 1974, or is licensed in Victoria.

12. Certificates are issued under Section 122, without payment of death duty, in respect of additional assets up to the value of \$250, provided duty and interest already assessed has been paid in full.
13. General Exemption 10 in the Second Schedule of the Act was applied to a body conducting a public hospital in New South Wales which purchases property for purpose of furthering its objectives.

Page 406

Land Tax Management Act, 1956

Section 47 of the Land Tax Management Act, 1956, was varied to allow land sold by a council for unpaid rates in terms of Section 602 of the Local Government Act, 1919, to be free of any debt for land tax in the hands of the purchaser conditionally upon prior payment of the Land Tax share of a distribution of the net proceeds of the sale under Section 606 of the Local Government Act, 1919.



## Department of Finance

Mr. Michael Egan, B.A., M.P.,  
Chairman,  
Public Accounts Committee,  
Parliament House,  
SYDNEY. N.S.W. 2000

Export House  
7th Floor  
22 Pitt Street  
Sydney 2000  
P.O. Box R201  
Royal Exchange  
Sydney, N.S.W. 2000

Our reference:

Your reference:

Telephone: 27 7235  
27 9551

25th May, 1983.

Dear Mr. Egan,

I refer to your letter dated 18th April 1983 concerning a number of matters raised in the 1981-82 Auditor General's Report which relate to my Department and specifically to the Land Tax and Stamp Duties Office.

Each of the fourteen matters which you have extracted from the report represented at the time a departure from the strict terms of the relevant statute. The departures in each had been approved by the Treasurer as the responsible Minister or by Cabinet.

Justification for sanctioning such departures has been that the existing legislation was harsh or anomalous. Normally the decision to approve of the alternate action being taken also involves an approval to amend the Act in due course.

In fact in respect of items numbered 7 to 9 inclusive, legislation on discount arrangements and loan transactions over an interest of 14% has been withdrawn with effect from 1st January 1983. In respect of the item numbered 10, approval to charge a graduated rate of duty on short term debentures issued under a trust deed was validated by Act No. 134 of 1982 (Schedule 5(2)(a)). The validation did not extend to debentures issued otherwise than under a trust deed.

Similarly the same Act validated the approval not to charge duty as specified in the item numbered 11 (Schedule 6(2)). The validation did not extend to Victorian dealers licensed under that State's corresponding legislation relative to motor dealers, but a Cabinet minute designed to meet this gap is now under consideration.

The 1982 Act at Schedule 9(3) has now validated the approval underlying the item numbered 13.

This leaves the following items not dealt with:

(a) the Land Tax item which is actually the first of your requisitions and (b) the items numbered 1 to 6 inclusive and 12.

As to (a) it is proposed to seek to incorporate an appropriate amendment validating this procedure in the next Act amendment which is likely to be this year.

/2....

As to (b), opportunity will be taken to validate 1, 2, 4, 5, 6 when convenient. Items 3 and 12 relate to death duty, which has been abolished in the estates of persons dying since 30th December 1981. It may be that the government decides not to act specifically to validate the practices under these items, since the duty is being phased out completely.

I have sought to explain the justification for the anomalies drawn to notice by the Auditor General. Please let me know if your Committee requires any further explanation or relevant material.

Yours sincerely,



D.A. HORTON,  
Secretary.

Friends of the University of Wollongong Limited was incorporated under the Companies Act, 1961, on 1st December, 1980, as a company limited by guarantee. An object of the Company, which is an adjunct of the University of Wollongong, is to assist the governing body of the University to preserve, develop and maintain the standard, position and facilities of the University. It may also engage in research projects and develop inventions made or acquired by the Company.

INCOME AND EXPENDITURE ACCOUNT for the period ended 31st December, 1981

	\$
Income	
Fees-Research Projects .. .. .	10,955
Subsidy-University of Wollongong.. .. .	19,167
Commission .. .. .	1,011
	<hr/>
	\$31,133
	<hr/>
Expenditure-	
Payments for Assistance to the Company .. .. .	9,742
Salaries .. .. .	19,167
Legal Fees .. .. .	1,786
Travel .. .. .	162
Advertising .. .. .	267
Insurance .. .. .	858
Printing and Stationery .. .. .	178
Audit Fee .. .. .	500
Miscellaneous .. .. .	110
	<hr/>
	32,770
Deficiency .. .. .	1,637
	<hr/>
	\$31,133
	<hr/>

BALANCE SHEET as at 31st December, 1981

	\$	\$
ACCUMULATED DEFICIENCY-		
Deficiency for period ended 31st December, 1981		\$1,637
		<hr/>
REPRESENTED BY-		
Intangible Assets-		
Formation Expenses .. .. .		1,553
Current Assets-		
Debtors .. .. .	4,124	
Cash .. .. .	428	
	<hr/>	
		4,552
		<hr/>
		6,105
Less-Current Liabilities-		
Creditors and Accruals .. .. .		7,742
		<hr/>
		\$1,637
		<hr/>



Rec 1/6/83

THE UNIVERSITY OF WOLLONGONG

VICE CHANCELLOR DR. K. R. MCKINNON

13 May 1983

Mr Michael Egan, B.A., M.P.,  
Chairman,  
N.S.W. Public Accounts Committee,  
Parliament House,  
SYDNEY 2000

Dear Mr Egan,

I am writing in response to your letter of 13 April seeking comment on the Friends of the University of Wollongong Limited.

The University since its establishment in 1975 has been concerned to develop a meaningful relationship with the external community including its immediate region. Ways and means of developing that relationship have been considered and implemented. In 1978-79, the University looked for a formal means by which the interaction could take place: an external consultant was appointed to advise the University: the views of prominent citizens including the present Prime Minister, Mr R.J.L. Hawke and Sir Roderick Carnegie were canvassed.

The Council of the University by resolution decided to establish the Friends of the University of Wollongong Limited as a company limited by guarantee. Accordingly the Friends of the University was incorporated under the Companies Act 1961 as a company limited by guarantee: it is therefore subject to the provisions of the Act. (A copy of the memorandum and articles of Association of the Company is attached).

The Company has functioned effectively to date in bringing about closer relationship between the University and its community. The attached copies of the 1981 and 1982 Annual Reports detail the Company's activities.

I have also attached a copy of the Auditor-General's report on the 1982 accounts of the Company.

The present members of the Board of Directors of the Company are: myself (Chairman), The Hon. Justice R.M. Hope (Chancellor), The Hon. L.B. Kelly (Deputy Chancellor), Professor J.B. Ryan (Chairman of the Academic Senate), Alderman F.N. Arkell, Mr M. Booth, Mr G.H. Roberts and Mr J.D. Peedom.

/2

Mr Michael Egan

-2-

13 May 1983

If there is any further information you require, your Secretary Mr Sheather is most welcome to contact Mr Moldrich, the University Secretary.

Yours sincerely,



Ken McKinnon

Copy to Secretary/Manager,  
Friends of the University of Wollongong Limited

Audit Observations - Reference was made in previous reports to the fact that internal control problems existed at a number of institutions and regional offices. The improvement mentioned in the last report has generally continued in the current year. However, towards the close of the year, there were indications, at least at one large metropolitan institution, of deterioration in effective internal control procedures.

The Commission has used the services of private computer bureaux for some years to process and record salaries and wages of ambulance and hospital employees. Although negotiations are continuing, contracts with the bureaux have not been executed. This leaves the Commission exposed to risk of disruption without express redress should there be failure by any of the bureaux-and for whatever reasons-to perform adequately the required services. The lack of contracts may also inhibit control over prices charged for the bureaux services.

In addition to responsibility for its own institutions, the Commission is required by Section 11(1) (b) of the Public Hospitals Act, 1929, to cause every hospital to be inspected on a regular basis. During 1981-82 Commission officers performed full inspections at approximately 30 per cent of hospitals and partial inspections at a further 20 per cent. This compares with 54 per cent and 7 per cent respectively in the previous year and represents a marked reduction in the extent of inspections performed.

Page 406

Medical Practitioners Act, 1938

Because of the late issue of renewal notices, the due date for payment of the annual roll fee by medical practitioners was set at 31st July, 1982, whereas Section 24 provides that payment be made on or before 30th June each year.



See 1/6/83

Department of Health

C.3380

Mr. M. Egan, B.A., M.P.,  
Chairman,  
Public Accounts Committee,  
Parliament House,  
SYDNEY. 2000 00

Dear Mr. Egan,

I refer to your letter of 11 April 1983 concerning a number of matters contained in the Auditor-General's 1981-1982 Report. The following information is supplied:-

Deterioration of effective internal control at one large metropolitan organisation

The Auditor-General, in his report, stated that whilst there was a general improvement there were indications at least at one metropolitan institution, of deterioration in effective control procedures.

Enquiries of the Auditor-General revealed that whilst his report referred to at least one institution he was in fact referring to Rozelle Hospital.

When representatives of the Auditor-General carried out an examination at Rozelle Hospital weaknesses were observed in areas of payroll procedures, receipting, purchasing, disbursements and investment of funds. The audit was systems based and as a result of these findings the Department was asked to carry out a detailed examination to determine what matters required attention. This examination was carried out and as a result some changes have been recommended but generally the concern expressed by representatives of the Auditor-General was not substantiated. A copy of the report was furnished to the Auditor-General.

Lack of contracts for computer services

This matter relates to criticism by the Auditor-General regarding the failure to finalise computer contracts with private computer bureaux.

The formalisation of contracts with private computer bureaux is being dealt with as rapidly as possible and discussions are continuing between the Crown Solicitor, the Auditor-General, Computer Technology and the Department. All financial matters have been satisfactorily resolved and at the time of the Auditor-General's report there still remained four clauses in the proposed contract which were under dispute. Three of these have now been resolved and it is felt that agreement on the remaining clause is imminent. The clause involved is Clause 4(q)(ii) and on 4 May 1983 the Auditor-General submitted the following proposal:-

"A report at least once a year, by the Auditor of the Company on the result of audit review of Hospay processing or other work performed for the Department of Health by Computer Technology, detailing, if any, matters which in the opinion of the auditor should be brought to the attention of the Department's Auditor or the Auditor-General."

.../2,

The Department is confident that this condition will be acceptable to all parties and that the formal contract will then be finalised.

#### Inspections of Second and Third Schedule Hospitals

The Auditor-General in his report mentioned the reduction in the number of inspections of Second and Third Schedule Hospitals for the 1981/82 financial year.

Inspections achieved in 1980/81 were a vast improvement on previous years and the results achieved in 1981/82 whilst being an improvement on previous years, with the exception of 1980/81, nevertheless fell below the target set.

The reason that Regions failed to meet the set target was that when staff shortages occurred and replacements were not allowed under the "staff freeze" it was necessary to suspend inspection work. Due to the specialised nature of this work approaches were made to have the "staff freeze" lifted for inspectorial staff and when such approaches were not successful the inspection work naturally suffered.

In the current (1982/83) financial year the situation has remained unchanged but I am happy to say that approval has been granted to fill vacant positions and I have issued a clear directive to all Regions that an achievement similar to that set in 1980/81 must be reached in the 1983/84 financial year.

#### Contravention of the Medical Practitioners Act in regard to renewal fees

The Auditor-General commented that because of the late issue of renewal notices, the date due for payment of the annual roll fee by medical practitioners was set at 31 July 1982, whereas Section 24 provides that payment be made on or before 30 June each year.

Section 24 of the Act states:-

"that every registered person shall, on or before the 30th day of June in each year, pay a roll fee for the year commencing on the 1st day of October next, following the said 30th day of June."

This Section then goes on to provide for the issue of a second notice notifying the registrant that if the fee is not paid before the 30th day of September his/her name will be removed from the Register.

On 25 May 1982 a requisition was lodged with the Public Service Board to produce the medical practitioner roll fee notices. This requisition was delayed until the increased fee was known. By this date it was evident that the Minister had approved a new fee of \$70 and that this would be gazetted on Friday, 28 May. At the time of lodgement of this requisition, the reference file for the first notice's due date was set at 31 July instead of 30 June. This date had been set back one month, twelve months earlier, to delay the production of second notices until outstanding remittances received had been processed.

Had the reference file not shown due date at end of July, it is felt that it would have been altered to that date in any event, due to the very short notice medical practitioners would have been given by the Board for this fee to have been paid. It was anticipated that the increase from the previous year from \$10 to \$70 would generate a great number of complaints and to demand payment of this large increase with such short notice would have added to the anticipated difficulties.

.../3,



- 3 -

The computer-produced notices were delivered to the Boards on 1 June and those with an overseas address were immediately despatched. The rest were held for the correction of a programming error whereby approximately 2,000 notices which should have made reference to a credit being held had been incorrectly printed. This considerable task has to be manually undertaken.

The notices were despatched by the McKell Building mail room, together with an enclosure letter concerning a statement of professional practice on 4 and 7 June 1982. By the time many of these had reached their destinations, some up to a week later, thirteen (13) working days would have been given for the receipt and processing of approximately 18,000 remittances by 30 June.

I would report for your information explanations for each of these matters was furnished to the Auditor-General by letter dated 3 December 1982.

Yours faithfully,



B.V. McKay,  
Secretary.

Unfunded Liability for Long Service Leave and Superannuation Contributions - Prior to August 1979, Commonwealth policy was that only moneys actually spent in providing approved courses could be treated as recurrent expenditure under financial assistance legislation. This policy prevented institutions from setting aside any portion of their Commonwealth recurrent funds to meet future payments.

In August, 1979, the policy was relaxed to allow transfers of recurrent funds to provisions for long service leave and superannuation liability-provided that the amount allocated in a year did not exceed that year's increase in liability. This allowed some universities and colleges to make limited annual transfers from recurrent funds to provisions for long service leave. A much smaller number also made some provision for deferred superannuation contributions.

The amounts transferred fall short, and usually far short, of the progressive increases in accrued liability. Further, as the Commonwealth approval does not allow transfers in respect of the large accumulated liability that existed at 1st January, 1979, the amounts presently held are only a small part of the total which will be needed. The absence of reserves will mean that an increasing share of future recurrent grants will be committed.

Long service leave payments are significant but deferred superannuation contributions constitute a far greater financial burden. Long service leave can cost more than eighteen months' salary but it is paid out when the employment ceases. The liability for deferred superannuation contributions, however, continues throughout the lifetime of the ex-employee and his or her spouse. Moreover, the Superannuation Act, 1916, provides that pensions be adjusted each year by the full amount of variations in the Consumer Price Index (C.P.I.), and that the entire cost of these adjustments be met by employer contributions.

During the year I wrote to the Minister for Education regarding the unfunded liability of universities and colleges for future leave and superannuation costs and suggested the prudence of annual financial provisions being made towards this liability.

In its report for 1980 (tabled 9th April, 1981), the Higher Education Board also expressed concern at the increasing liability of universities and colleges for superannuation. The Board offered the view, with which I agree, that if inflation continues at the present level, the financial implications for the future are very serious. A committee has been established by the Board to further investigate this matter.

Acquisition of Computer Facilities by Colleges of Advanced Education - In 1980, a number of colleges purchased substantial computer installations. On the recommendation of a computer advisory committee established by the Higher Education Board the equipment acquired was of the same manufacture, the stated objective being "to maximise hardware and software economies."

It was intended that the new installations be used for student instruction and for administrative and accounting purposes. In the event, due to the non-availability of adequate software facilities, the colleges had not been able, at 30th June, 1982, to process the bulk of their accounting transactions on the new equipment.

Since the computers were acquired early in 1980, a great deal of time and resources have been devoted by colleges in efforts to develop satisfactory software accounting packages. Results, however, have been disappointing and there would seem to be little doubt that the benefits derived, thus far, from the installations have not been commensurate with the costs incurred.

Speaking generally, difficulties similar to those of the colleges, have been encountered over recent years by a variety of organisations acquiring new computer equipment. Reviews have highlighted the need for management, prior to entering into any substantial commitment, to satisfy itself not only as to the performance of the computer, but also as to the adequacy of supporting software facilities.

An expression of my views regarding this matter has been conveyed to the Minister for Education and the Higher Education Board.



13th Floor, A.D.C. House  
189 Kent Street  
Sydney 2000

Our reference: 72/1004, 83/5092

Your reference:

Telephone: (02) 237 6500  
Direct Line: 237

25 May, 1983.

Mr. M. Egan, B.A., M.P.,  
Chairman,  
Public Accounts Committee,  
Parliament House,  
SYDNEY. N.S.W. 2000

Dear Mr. Egan,

Further to my letter of 26 April, and in response to your letter of 12 April, 1983, I write now to convey comments on the two matters concerning this Board referred to in the report of the Auditor-General to the Legislative Assembly for 1981-82.

The comments are in the form of a separate attachment for each item.

Whereas the Auditor-General's remarks about unfunded liabilities in universities and colleges are timely and proper, you will note from the tone of our comments that we are rather dismayed that he should have remarked as he did on the matter of computer acquisition. We have responded on the latter issue in some detail, including background information, because we believe that it was not quite proper of the Auditor-General to make certain of his remarks on such frail grounds.

I should be pleased to make available any further information which your Committee might wish to have, or to wait upon it personally, if required.

Yours sincerely,

(R. E. Parry)  
Chairman.

As the issue of the superannuation liabilities of statutory authorities is currently the subject of a separate inquiry by the Public Accounts Committee, responses relating to this topic have been omitted in this Report and will be examined further by the Committee during the Superannuation Inquiry.

COMMENTS ON REFERENCES IN AUDITOR-GENERAL'S 1981-82 REPORT DEALING WITH  
"ACQUISITION OF COMPUTER FACILITIES BY COLLEGES OF ADVANCED  
EDUCATION" (PAGE 320)

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SUMMARY

1. In the material under reference the Auditor-General has called into question certain policy decisions of the Higher Education Board and management decisions of several colleges of advanced education in connection with expenditure related to the acquisition and subsequent use of computers.
2. It is maintained that, not only is there no evidence that an alternative course of action would have resulted in greater value for the public funds expended, but the college councils concerned and the Higher Education Board implemented the most appropriate decisions in the interests of higher education in the State in the light of all relevant factors at the time.

DETAILED COMMENTS

3. Since the Commonwealth Government assumed full responsibility for the funding of higher education in January, 1974, approval to expend the Commonwealth funds by universities and colleges of advanced education has rested with the Commonwealth Tertiary Education Commission. In the case of equipment in the advanced education sector, the Commission has adopted a procedure by which, in New South Wales, the Higher Education Board has the role of recommending approval of expenditure to the Commission's Advanced Education Council, after consideration of submissions from individual institutions. Commonwealth approval is required for both the global equipment figure and for expenditure on individual items costing \$30,000 or more.
4. Until 1978, recommendations to the Board on all equipment matters were generally made by its Finance and Buildings Committee. During 1978, however, at a time when Commonwealth funding for equipment was not only inadequate but uncertain from year to year, the Board recognised that it was facing a need to develop or enhance computing facilities in at least eleven colleges of advanced education over a relatively short (two or three-year) period. Because it was clear that the potential total cost would far exceed the equipment sum available, and because of the complexity of evaluating rival computer configurations, the Board established a special Computer Advisory Committee to assist it by making recommendations concerning expenditure on, and development of, computer-related activities in the college sector. A number of people with acknowledged expertise in the field were among those who accepted invitations to membership of the Committee.
5. After assembling data about existing college computer holdings and expectations, the Committee, by mid-1979, had produced some preliminary guidelines on development and had held a meeting with college representatives to discuss these guidelines and encourage co-operation, for it was obvious that valuable opportunities to gain optimal value for the capital available would be lost if all colleges pursued their independent interests.

6. At the practical level, the Committee was required to consider issues such as:
  - (i) how to assess an approximate amount to allow for the purchase of an appropriate computer configuration to meet each college's reasonable immediate teaching and administrative needs and how much to allow, if anything, for future development in the initial outlay;
  - (ii) how to evaluate tenders, in view of the important differences between various computers and between available software and the widely-differing claims made for them by their suppliers and other protagonists;
  - (iii) how to choose between conflicting individual views for and against particular proposals when assessed in terms of the ease and cost of preparation or conversion of suitable software and the likely impact on these costs of co-operation by users of common hardware; and
  - (iv) in assessing cost implications, what weight to give -
    - (a) to non-quantifiable factors (quality of hardware, availability and quality of proven software, ease of student use, power-for-money, performance and service, institutional autonomy and differences in teaching and management approaches);
    - (b) to partially quantifiable factors (cost of various software options with different makes of computer); and
    - (c) to fully quantifiable factors (initial cost, maintenance costs, upgrade pathway - if any - and its cost and time frame - 3 years? 5 years?).
7. During 1979 three colleges allocated a portion of their equipment grant<sup>(1)</sup> for the purchase of computers (Kuring-gai College of Advanced Education, Cumberland College of Health Sciences and Newcastle College of Advanced Education). These were the first institutions to come within the constraints of the emerging Board policy aimed at establishing a co-ordinated approach which would enable suitable hardware and software to be purchased at the best possible price (based on discount for quantity) and result in at least some of the colleges having interchangeable software and minimizing the cost of development of new software by sharing resources. Approximate expenditures were indicated for each college and they were asked to call tenders and to seek prices for both individual and multiple purchases.
8. While not all of the interested companies tendered for each contract, some did. In each case the lowest tender deemed acceptable by the Board's Committee was from PRIME Computer of Australia Limited. In addition, the company offered a further discount and assistance in the preparation of software if all three colleges purchased PRIME.
9. For reasons mainly associated with the availability of software (academic software in the case of Kuring-gai and academic,

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(1) Subsequently the method of funding was changed so that the Committee recommended up to 80% of the purchase price of a supported computer from a computer "pool" which the Board set aside each year.

- administration and finance software in the case of Cumberland) two colleges expressed a wish to purchase hardware which was substantially more costly than the tendered PRIME hardware (especially if the multiple purchase discount applied). See Attachment I.
10. The Committee was of the view that the available administrative software for use in colleges at the time was generally not well regarded and it was also very conscious of the urgent need to get acceptable computing hardware into as many colleges as possible, primarily for teaching purposes. The importance of a teaching role to be fulfilled by the new computers in the colleges cannot be stressed too strongly. The use for student records and finance was seen very much as a secondary role, as most colleges had reasonably acceptable approaches to administration at the time of purchase which would continue for as long as needed. The teaching needs were either not being met or being met inadequately.
  11. The lack of a significant number of PRIME users in higher education at the time and the lack of established, available software were factors considered carefully by the Computer Advisory Committee. Reported results of tests, comments from PRIME users and inquiries made by several members satisfied the Committee as to the quality and potential of the hardware. As to software, having regard to the scope for conversion of much existing software to run on PRIME and the anticipated need to prepare new purpose-designed software for a number of procedures, this was not regarded as a major obstacle to supporting the purchase of PRIME equipment.
  12. In addition to the capital cost advantage the Committee indicated that PRIME equipment had educational and other advantages. It was modern, terminal-based hardware which was well adapted to handle a large interactive load (the trend in educational institutions being for interactive use to increase once an installation becomes established), it could be upgraded to more powerful configurations quite simply and at reasonable cost and it had potential for a network facility to enable direct communication between institutions. It was also geared for more rapid generation of software than the older-technology computers. The view was also held that, having regard to the relative lack of computing facilities in colleges and readily usable quality software in several areas, here was a unique opportunity in the State to foster the acquisition of modern hardware and the development of rich software, with associated educational and administrative advantages. In addition, with multiple purchases and software co-operation between a number of institutions substantial long-term savings were envisaged.
  13. In dealing with this matter, the Committee and the Board were concerned to respect the autonomy of colleges granted to them by the Colleges of Advanced Education Act, on the one hand, and to ensure that best and most responsible use was made of the available equipment funds, on the other. This is typically the position in which the Board finds itself, as a co-ordinating authority. The Board's final decision was that it would support funding from the legislated equipment funds to a level which would enable each institution to purchase the lowest tendered PRIME computer. If the institution wished to purchase another computer, it would need to fund the differences from its college reserve funds.
  14. In the event, Kuring-gai and Newcastle purchased PRIME (models 400 and 350 respectively) and Cumberland provided \$20,000 (approximately) from its own funds and purchased a Hewlett Packard 3000/33 computer.



Subsequently, by the end of 1980, Nepean College of Advanced Education and Hawkesbury Agricultural College had each purchased a PRIME 400 computer, Riverina had purchased two DIGITAL VAX 11/780 computers (the most favourable tender; the College already had DIGITAL PDP equipment and associated software) and Mitchell College of Advanced Education purchased a FACOM M150F (after considerable discussion it was accepted that sound reasons - particularly its IBM compatibility and the fact that it was the lowest acceptable tender - existed to approve this purchase, rather than a higher-priced PRIME).

15. Despite the formation by the colleges of a Computer Users Group and early indications that, among other things, this Group would pool resources in the development of academic and administrative software, little progress was made on the administrative side, especially in regard to financial systems.
16. Of the colleges with PRIME computers, for a number of reasons (including the priority and demand for the use of the computer for teaching work - especially at Kuring-gai and Nepean - and the lack of urgency for the development of software to handle college finances on their own computer), little progress was made in development of finance systems, except at Hawkesbury. That College has partially (approximately 60%) converted an existing software package, developed by the University of New England in 1968 for operation on an ICL computer, to run on their PRIME. On the other hand, Kuring-gai has developed software for a significant range of student record matters.
17. With regard to overall use of the computers, by the end of 1982 the Board had approved enhancement of the initial computer configuration for each of the colleges referred to in paragraph 14.
18. Although the Board had anticipated that colleges would move to have their financial systems processed on their own computer fairly quickly, it recognised that this must be seen as only one of a number of competing considerations. Most colleges had acceptable arrangements for processing their financial matters and the Board was in no doubt that each college was best placed to allocate priorities in discharging total responsibilities within the funds allocated to it.
19. In focussing on the fact that a number of colleges have not yet put their financial matters on their own computer, the Auditor-General appears to have ignored vital factors to which those concerned with the educational use of computers would give greater priority. Emphasis on the availability of software for finance matters to the extent where it becomes the most important factor considered in purchasing a computer which is to serve a number of purposes is a distortion of the situation. Such an emphasis would also imply that appropriate software was available for New South Wales college purposes at the time a decision to purchase was made. It carries the implication that, if administration software were not available, no computer at all should have been purchased.
20. It is appreciated that the finance and accounting potential of computer utilisation is the area which is of close concern to the Auditor-General and the one in which his Office has expertise. If that were the only proposed use of the computer equipment at a college of advanced education, the emphasis on available finance software would be appropriate; indeed, in early 1981 one college (Northern Rivers) was given approval to purchase low-cost hardware and associated software dedicated to this purpose.

21. To the extent that other administrative requirements can also be defined fairly precisely and are similar at a number of institutions, the general approach could apply, although some problems due to institutional differences in management requirements and doubts about quality of software would complicate decision making.
22. However, where an institution has a major commitment to teaching involving the use of the computer, it becomes more difficult to prepare specifications when the hardware is intended to service all three areas (finance, general administration and teaching). Further, it frequently emerges that acceptable proof of performance cannot be obtained for any of the tendered machines in every area, especially if it is insisted that the hardware is modern-technology equipment having acceptable reliability and maintenance support and that it falls within approved funding limits.
23. In short, it is contended that the Auditor-General's comments greatly oversimplify the situation. They pay no regard to the academic computing objectives of complex institutions and to the difficulty in gaining agreement about what constitutes acceptable proof of performance. Experienced administrators are aware that computing experts frequently differ considerably as to the comparability of technical data and/or the quality of software available. It would be very hard to demonstrate that one particular approach is the only correct one. Even with the benefit of hind-sight and notwithstanding the comments of the Auditor-General it is maintained that the policy decisions of the Board and the management decisions of the colleges were at least as sound as any alternative available.
24. Another important factor to be considered in computer acquisition (but not referred to at all by the Auditor-General) is the cost-effectiveness of upgrade and enhancement of the initial equipment. Academic institutions have a propensity to use all the capacity available in a very short time and funding bodies have, for many years, been seeking to devise ways and means of introducing some financial constraints while, at the same time, determining an appropriate developmental plan which has regard to the size and activities of the institutions and the central importance of the place of information processing in a modern education system.
25. Thus, the Committee placed considerable weight on ensuring that low-cost upgrade was possible, if and when greater need was demonstrated. The general policy was to set the initial purchase at what appeared to be the appropriate level to meet existing needs, and to use the limited funding available from year to year to establish reasonable computing facilities for teaching purposes in several institutions where facilities were either inadequate or non-existent. The severe financial constraints and the many other non-computing demands on the limited equipment funds, caused the Committee to require very strong grounds for supporting funds in excess of the lowest acceptable tender.
26. The Auditor-General has made his observations without seeking detailed information as to why certain actions were taken as the best available at the time. For instance, in 1979 the only reasonably acceptable software for finance and general college administration was a University of New England package which was being used on Hewlett Packard equipment. However, because of its initial cost, cost of annual maintenance contract and, the design of the hardware, the Board Committee was not supportive of the purchase of Hewlett Packard

hardware for most colleges at that time. Also, the particular software package was not considered a suitable one to foster State-wide since it had all the limitations of an early programme (developed about 1968), including lack of a data base, and hence it was cumbersome in operation and expensive to maintain and modify. One College - (Cumberland) - went ahead and is now using a modified University of New England programme for financial, payroll and administration purposes on its Hewlett Packard computer and, as indicated in paragraph 16, another (Hawkesbury) is in the process of converting the same programme to run on its PRIME.

27. As to general software related expenditure, at Kuring-gai and Nepean Colleges funds have been expended on the preparation or conversion of software for academic purposes and student record systems. These are all reported as working satisfactorily. As well, the staff of several colleges co-operated in the preparation of specifications for evaluating finance and staff software packages. Suitably modified this has formed the basis of the specification to be used in the software evaluation project referred to in paragraph 30.
28. The Board has not been made aware of the grounds upon which the Auditor-General has drawn the generalised conclusion that "there would seem to be little doubt that the benefits derived, thus far, from the installations have not been commensurate with the costs incurred". On the contrary, it is submitted that the testimony of the colleges concerned establishes that overall the equipment was fully utilised quite quickly and while not without problems (a characteristic of most computer installations) has provided good value for money.
29. It remains to make one final comment with regard to the last paragraph of the comments under reference. While officers of the Board have, from time to time, had valuable contact with officers of the Auditor-General's Department and correspondence from the Auditor-General to the Minister for Education is usually referred to the Board for advice, the Board has no record that the views of the Auditor-General regarding this particular matter were ever conveyed direct to the Board. A senior officer of his Department spoke with the Board Chairman briefly by phone after the Auditor-General's comments on the Kuring-gai College had been submitted, but that is all.
30. The use of computers has increased exponentially in recent years and it seems that at most institutions the computer purchased in the 1979-81 period (even after enhancement or upgrading) will not have sufficient capacity for all teaching and all administrative work. Further, some reasonably good software packages, suitable for most administration purposes in colleges in the State, now appear to be available. The Board has been successful in gaining a special Commonwealth grant to evaluate administration computer software options for colleges of advanced education during 1983. This project should be of considerable value to the Board as it seeks to foster further the development of the use of computers over the next few years, when a number of colleges have laid claim to further major expenditure. During this period, the transfer of most, if not all of the financial administration to a college computer is likely to occur relatively economically. It could not have occurred during 1981-82, and it is a matter of regret that the Auditor-General was not able to perceive this.

COMPARISON OF TENDERS FOR COMPUTER EQUIPMENT

	<u>Single Purchase</u>	<u>Multiple Purchase</u>
<u>Kuring-gai College of Advanced Education</u>		
PRIME 400 + PACE	\$103,250	\$ 86,000 (3 purchases)
<u>College Choice</u>		
DIGITAL PDP 11/70	\$144,879	\$130,000 (4 purchases)
<u>Cumberland College of Health Sciences</u>		
PRIME 350	\$ 99,250	\$ 82,000 (3 purchases)
<u>College Choice</u>		
HEWLETT-PACKARD 3000/33	\$106,059 for single or multiple purchases	

Unaudited accounts for 1980-81, showing a preliminary assessment of an aggregate loss of \$5.9 million, were published for information in my previous Report. Examination showed that the accounts eventually presented to me were unacceptable. The Corporation has not been able to confirm the accuracy of the amounts included as owing by debtors and the accounts contained a number of relatively minor errors of expression. These matters have still not been resolved and it has not been possible yet to regard the 1980-81 accounts as satisfactory.

Draft accounts for 1981-82 incorporate features which still require resolution. As presented, they show an operating deficiency of \$4.3 million but this has not yet been confirmed.

Substantial cash advances have been paid to the Corporation from Consolidated Revenue. Including \$3,868,000 received in 1981-82, the total so advanced was \$19,262,000.

*Homebush Abattoir Corporation 20/6/83*

*Please address all communications to*  
THE SECRETARY AND TREASURER  
PHONE: 764-0279

*State Abattoir and Meat Works*

HOME BUSH BAY, N.S.W. 2140

*Telegraphic Address - MEATIB SYDNEY*

*Telex A423282*

17th June, 1983

Mr. M. Egan,  
Chairman,  
Public Accounts Committee,  
Parliament House,  
SYDNEY. N.S.W. 2000

Dear Mr. Egan,

Reference is made to your letter of the 8th April, 1983 concerning the extract from the Auditor-General's 1981/82 report on the Accounts of the Homebush Abattoir Corporation.

To follow up our verbal evidence of the 3rd May, 1983, I would like to reiterate that the 1980/81 Accounts were authorised by the Auditor-General on the 15th October, 1982 after increasing the Provision for Doubtful Debts by an amount of \$99,490, being the difference between the general ledger control and the individual debtor accounts.

This increase in the Provision for Doubtful Debts in the 1980/81 Accounts has subsequently been reversed in the 1981/82 Accounts.

This and the Accounts for 1981/82, including the new format for the accounts for future years and the revaluation of assets, have been resolved at officer level between the Corporation and the Auditor-General's Department, but now await the Auditor-General's final authorization.

It is not expected that there will be any problems with the Corporation's Annual Accounts in the future.

Yours faithfully,

*D.A.W. Marshall*

(D.A.W. Marshall)

General Manager

HOUSING COMMISSION OF NEW SOUTH WALES

Auditor General's Report

Page 406

Local Government Act, 1919

The Housing Commission of New South Wales in its own behalf and acting on behalf of the Public Servant Housing Authority has ceased to claim from rating authorities in terms of Section 139(9) (a) for refund of that portion (if any) of rates paid on land acquired by the Commission or Authority that relates to the period after the date of acquisition of the land.



**THE HOUSING COMMISSION  
OF NEW SOUTH WALES**

MARK FOY'S BUILDING, 302 CASTLEREAGH STREET, SYDNEY, 2000  
TELEGRAPHIC ADDRESS "HOMCO" SYDNEY  
TELEPHONE: 266 0281 • TELEX: 24052

DATE: 31 MAY 1983

Mr. M.E. Egan, B.A., M.P.,  
Chairman,  
Public Accounts Committee,  
N.S.W. Legislative Assembly,  
Parliament House,  
SYDNEY. 2000.

Dear Mr. Egan,

I refer to your letter of 5th April, 1983 requesting comments in relation to P.406 of the Auditor-General's 1981-82 report concerning variations or suspensions of the provisions of statutes - "Local Government Act, 1919.

The Housing Commission of New South Wales in its own behalf and acting on behalf of the Public Servant Housing Authority has ceased to claim from rating authorities in terms of Section 139(9)(a) for refund of that portion (if any) of rates paid on land acquired by the Commission or Authority that relates to the period after the acquisition of the land".

In terms of Section 132(1)(g) of the Local Government Act, 1919, land owned by the Commission which is not let to a tenant or leased to a lessee is non-rateable. Where land which was rateable becomes non-rateable as a result of acquisition by the Commission, part of the rates paid thereon proportionate to the period of the year during which the land is non-rateable should be refunded by the rating authority (Local Government Act S.139(9)(a)). Land which is let or leased is rateable and, in terms of Section 145(3), rates are payable by the Commission.

Up until April, 1976, it had been the practice of the Commission to claim on rating authorities for a refund of rates in respect of which the Commission had recouped former owners, in all cases in which the land to which the rate recoupment related was unleased. However, the Commission at its Meeting on 12th April, 1976 resolved:

"THAT, in future, no claims be made on rating authorities for refund of that proportion (if any) of rates paid on land acquired by the Commission that relates to the period after the date of acquisition of the land by the Commission:

THAT this decision be reported to the Auditor-General".



Advice of this decision was given to the Auditor-General on 7th May, 1976 and he has reported the resultant departure from the provision of the statute ever since.

In considering the above resolution, the Commission took into account the amount of money involved, the administrative effort required by both the Housing Commission and rating authorities and existing Commission policy in relation to the increasing concern felt with regard to the adverse effects on the income of rating authorities in shires and municipalities in which it has acquired large areas of land for future development, by reason of the land becoming non-rateable in consequence of the Commission's acquisition thereof.

Current Housing Commission practice in relation to rates and charges to Local Government and Water Supply Authorities may be summarised as follows:-

- (1) Rates and charges are paid by the Commission on properties which it has leased to lessees or let to tenants, whether the land be built upon or vacant.
- (2) Rates are not paid on unleased vacant land, except in the year of acquisition, as indicated in (3).
- (3) The Commission does not claim on any rating authority, in terms of Section 139(9)(a) of the Local Government Act, for refund of any rates paid by a former owner of land acquired by the Commission which cover any period after date of acquisition when the land acquired has become non-rateable in consequence of its acquisition by the Commission. (The Commission will, of course, have reimbursed the former owner in respect of any rates that may have been paid by the former owner which are applicable to the period after date of acquisition by the Commission.)

The relief under (3), as stated, had regard to the diseconomies in demanding refunds of relatively small amounts, and Councils often needed considerable persuasion that the Housing Commission was entitled to a refund. The administrative processes were thus costly, and some ill-will was engendered on an issue about which Councils were in any case generally concerned, viz., the non-rateability of land owned by the Crown. Larger amounts usually related to land in fast developing areas where Councils were facing considerable problems in providing community facilities, and disposed to be critical of the State for lack of support.

Some changes in the intervening period warrant review of the current policy. The Housing Commission expects in the near future to incur its first commitments to make contributions under Section 94 of the Environmental Planning and Assessment Act, and could generally conclude that any concessions to Councils which are founded on Councils' subsequent responsibility to service the resultant housing development could not be justified. Each property transaction will be reviewed

individually from now on to determine whether a claim for rates refund is justified in relation to the administrative effort.

However, in relation to the Public Servant Housing Authority I wish to advise that it has been that Authority's policy since 22nd August, 1978 that claims on rating authorities for refund of that proportion (if any) of rates paid on vacant land acquired by the Public Servant Housing Authority that relates to the period after the date of acquisition of the vacant land by the Authority be made on the rating authorities concerned and recouped by the Housing Commission on its behalf. Prior to that date and since the Authority's inception it had been the policy of the Authority to adopt Housing Commission policy and not make such claims on the various rating authorities concerned.

A review of the Commission's records indicates that the Housing Commission has, in fact, claimed for such refund of rates for Public Servant Housing Authority land since August, 1978, where appropriate, except in the case of four instances, one in July, 1981 and three during October, 1981. The failure to claim for refund of rates in these instances was an oversight by the Commission and action has been taken to recover the total amount of \$572 from the various rating authorities as well as report the matter in terms of Treasury Regulation No.31.

Yours sincerely,



(V.E. HELBY),  
Chief Executive.

Building and Construction Industry Long Service Payments Fund

As a result of some improvements in the Board's records and systems the qualification in the audit certificate on the accounts of the Long Service Payments Fund for the 1980-81 year changed from 1979-80 and was in the following terms:

"It is probable that the income received from the long service charges and employer debtors and creditors is less than the full amounts due in terms of the Act. Because of inadequacies in the Board's records and the unreliability of some of its systems it is not possible accurately to assess the amounts involved. Loss of income, the extent of which cannot be determined, has resulted from the absence of action by the Board to identify and recover unpaid long service charges."

Significant improvements to the Board's records and systems were made during 1981-82 and will have a long term beneficial effect. The extent to which these will enable easing of any qualification for 1981-82 is still being assessed.

Page 405

Building and Construction Industry Long Service Payments Act, 1974

Refunds of excess long service charges applied for after the two-year period allowed by Section 27, have been made by the Builders Licensing Board.

Page 406

New South Wales Retirement Benefits Act, 1972

Section 19(1) of the Act requires contributions deducted by employers to be remitted to the Board within 14 days of the date of deduction, while Section 53(2) provides for interest to be charged on moneys overdue for payment, unless the Board in special circumstances, and in a particular case waives payment of interest. Whilst enquiries are made in cases of late payment of contributions, the Board has neither charged nor waived the payment of interest.



Department of Industrial Relations



Mr M R Egan BA MP  
Chairman  
Public Accounts Committee  
Parliament House  
SYDNEY

1 Oxford Street,  
Darlinghurst  
Box 847, P.O., Darlinghurst 2010  
Telegrams: "Labind" Sydney

Our reference:

Your reference:

Telephone:

Dear Mr Egan

I refer to your letter of 18th April, 1983, in respect of comments made by the Auditor-General in his 1981-82 Report about the Long Service Payments Fund, and apologise for the lateness of my response thereto.

Your Committee is seeking my comments on the three matters referred to in your letter and in respect thereof I reply as follows:-

1. The extract from page 231

The following action has been taken by the Building and Construction Industry Long Service Payments Corporation to remedy the matters complained of:-

(i) ADP System

System enhancements and data repair projects have been undertaken. The ADP system will reach a stage by June 1983 where it will be in the best condition, consistent with economic considerations, that it can be in view of its basic design faults.

(ii) Inspection Procedures

A planned inspection programme has been developed. Action has been taken to identify unregistered employers through the inspection process and by the proposed creation of a process and by the proposed creation of a "compliance group" to carry out continuing research to identify unregistered employers.

Defaulting employers are now identified and inspected as part of the ongoing programme.

(iii) Long Service Charges Outstanding

A debt recovery group has been established and has proven to be effective. Action is now being taken to recover all identifiable debts through legal process.

Identification of employers who are not complying with the Act is being achieved through the various activities of the Inspection group.

.... /2

I am somewhat bemused at the Auditor-General's statements -

".... income received ..... is less than the full amounts due in terms of the Act"; and

"it is not possible accurately to assess the amounts involved".

I point out that similar comments might equally be made in respect of identifying and quantifying breaches of industrial legislation involving the underpayment or non-payment of salaries and wages, including annual holiday pay and long service leave pay. Failing the receipt by my Department of complaints from employees concerning such matters, I must rely on the activities of my inspectorial staff to bring such matters under notice. In other words, there is no way of quantifying amounts outstanding as a consequence of breaches until they are discovered.

I am simply highlighting the fact that the comments made by the Auditor-General have equal application to the area of industrial relations as indeed they would have if applied in respect of the activities of the Commissioner for Taxation.

2. The extract from page 405

I am informed that on 17 November, 1977, the Builders Licensing Board resolved:-

- " - to authorise the processing of all applications for refund received outside the two (2) year limit under Section 27.
- that the Auditor-General be informed of the departure from the provisions of Section 27 of the Act."


I should advise your Committee that the whole question of the penalty interest appropriate to be levied is presently receiving the urgent consideration of the Minister for Industrial Relations and that he proposes shortly to seek Cabinet's approval to amend the present legislation on this subject.

3. The extract from page 406

"Action has been taken to modify the computer program charging penalty interest so that interest is levied strictly in accordance with the Act."

I would be pleased to supply any additional information the Committee may require.

Yours faithfully

  
J. M. RIORDAN  
Under Secretary

DEPARTMENT OF LEISURE, SPORT AND RECREATION

Auditor General's Report

Page 406

Constitution Act, 1902

Collections of the Department of Sport and Recreation for community programmes and various other activities were paid into the Sport and Recreation Service Account in Special Deposits and not into the Consolidated Revenue Fund.

# Department of Leisure, Sport and Tourism

M.L.C. Building  
105-153 Miller Street  
North Sydney  
P.O. Box 422, North  
Sydney 2060  
Telex: 51 Sportrec

Our reference RLF:VVD 83/701

Your reference

Telephone 923 4234  
Extens...

24 May, 1983

Mr. M. Egan, B.A., M.P.,  
Chairman,  
Public Accounts Committee,  
Parliament House,  
SYDNEY 2000

Dear Mr. Egan,

I refer to your letter dated 5 April 1983, concerning an extract which appeared on page 406 of the Auditor General's Report for 1981/82, concerning the collections of the Department for community programmes and various other activities which were paid into the Sport and Recreation Service Account, a Special Deposits Account, and not into the Consolidated Revenue Fund.

This Department has been concerned for some time regarding the accounting of various expenditures and revenues for activities which have developed over a number of years, and the Minister therefore sought clarification from the Treasurer in a letter dated 21 April 1982 for the actual matters raised in the Auditor General's Report referred to above.

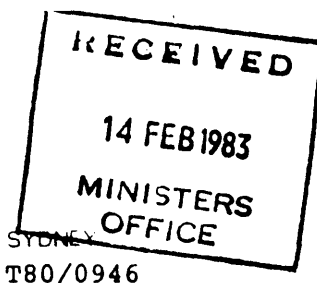
The Treasurer replied on the 10 February 1983 outlining the funding arrangements which were to be complied with for the various financial activities concerned. I am enclosing a copy of the Treasurer's reply for your information..

Following receipt of this reply, this Department took immediate action to ensure that the Treasurer's directions were complied with forthwith.

Should you have any further queries concerning this matter, you could contact Mr. R. Fitzgibbons, Senior Finance Officer, of the Department on 9234368.

Yours faithfully,

  
K. M. Brown  
Director



The Hon M Cleary MP  
Minister for Leisure Sport and  
Tourism  
SYDNEY

11 FEB 1983

RECEIVED  
14 FEB 1983

1983

194

Dear Mr Cleary

I refer to your letter dated 21st April, 1982 and subsequent discussions between officers of our Departments regarding the operation of the Sport and Recreation Service Account.

I regret the delay in advising you of the outcome, however the matters raised required careful consideration on our part having regard to the relevant statutory requirements and the respective roles of our two Departments.

Following a review of the relevant provisions of the Constitution Act the Audit Act and recent amendments to the Soccer Football Pools Act three guidelines were derived which act as underlying constraints for deciding whether fees generated in respect of each activity raised in your letter are to be accounted for through the Consolidated Fund or through the Service Account. The guidelines are:

- Fees resulting from expenditure from the Consolidated Fund shall be regarded as revenue of the Crown and therefore require receipting into the Consolidated Fund.
- Fees resulting from expenditure from a specific Act of Parliament which is silent on the manner in which the fee is to be treated, shall be regarded as revenue of the Crown and therefore require receipting into the Consolidated Fund.
- Fees coming to the Department in its capacity as trustee or custodian shall be regarded as revenue of the Crown which require receipting to a Special Deposits Account, in accordance with the Audit Act, 1902.

Based on these guidelines I have decided that:

1. All fees generated from Community Use should be paid into the Consolidated Fund and all expenditure (including overheads) relating thereto should be grouped under a C Item in the Budget. My Department will favourably consider meeting Budget Estimates provided there is a matching revenue amount brought in from fees for Community Use.

2/..

*M. Cleary*



- 2. The Sport and Recreation Service Account continue to account for the following miscellaneous trading activities: sale of books, posters and badges purchased from the Royal Life Saving Society, sale of T-shirts and badges for Centres and sale of authorised uniforms.
- 3. All fees resulting from programmes and training courses funded through the Sport and Recreation Fund be receipted into the Sport and Recreation ~~Service Account~~.  
*FUND*
- 4. The Sport and Recreation Service Account continue to hold grants and subsidies for the Life Be In It Programme.
- 5. All fees held on trust for private contractors, the National Parks and Wildlife Service and the Health Commission be receipted into the Sport and Recreation Service Account.
- 6. The purchase and sale of promotional material for Sports House and other revenue generated from Sports House, (i.e. hire of sport facilities, hire of films and rent charges if implemented), operate through and/or be receipted into the Sport and Recreation ~~Service Account~~.  
*FUND*

I hope that the arrangements outlined will overcome the problems which have emerged in the administration of the various activities of your Department.

Yours sincerely

*Ken Booth*

Treasurer

AMENDMENT IN ACCOUNTS WITH TREASURY ORIGIN  
 AS A RESULT OF AMENDMENT TO SOCIAL POOLS ACT  
 12/3/83

Broken Hill Proprietary Company Limited (Steelworks)  
Agreement Ratification Act, 1950, and Broken Hill  
Proprietary Company Limited (Reclamation and Exchange)  
Agreement Ratification Act, 1950.

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The statutory exemption from payment of tonnage rates and berthing charges under the Port Rates Act, 1975, conferred upon vessels carrying cargoes the property of Broken Hill Proprietary Company Limited or other companies in which it holds at least one-third of the share capital has been extended to vessels carrying cargoes the property of certain other companies where Broken Hill Proprietary Company Limited does not directly hold such one-third interest, but in which controlling interests are held by its subsidiaries.

Valuation of Land Act, 1916

Amendments to the Act, operative from 1st January, 1982, require fees payable in respect of applications for the lifting of restrictions on the transfer of land under the Crown Lands Consolidation Act, 1913, Closer Settlement Act, 1904, and Returned Soldiers Settlement Act, 1916, to be assessed on the basis of the land value. The Registrar General's Office continued to assess fees on the basis of the unimproved value of the land to 31st May, 1982. Fees collected on the 300 applications involved totalled \$396,794 but it is considered that it would not be economical to calculate the fees lost.

## Department of Local Government and Lands

23-33 Bridge Street, Sydney, N.S.W.

Mr. Michael Egan, B.A., M.P.,  
Chairman,  
Public Accounts Committee,  
Parliament House,  
SYDNEY N.S.W. 2000 00

Address correspondence to  
Box 39, G.P.O., Sydney, N.S.W. 2001  
Telegrams: "Landep", Sydney

Our reference: SE 83/41

Your reference:

30 MAY 1983  
Telephone: 2 0579  
Extension:

Dear Mr. Egan,

I refer to your letter of 5th April, 1983, wherein the Public Accounts Committee seeks my written comments on two matters in the 1981-82 Auditor-General's report relating to:-

- (i) Broken Hill Proprietary Company Limited (Steelworks) Agreement Ratification Act, 1950, and Broken Hill Proprietary Company Limited (Reclamation and Exchange) Agreement Ratification Act, 1950 (P.405);
- (ii) Valuation of Land Act (P.408)

In relation to item (i) I wish to advise that whilst the two Acts mentioned are shown as the responsibility of the Minister for Local Government and Lands the particular exemption under sections 11 of the Broken Hill Proprietary Company Limited (Steelworks) Agreement Ratification Act, 1950, and 16 of the Broken Hill Proprietary Company Limited (Reclamation and Exchange) Agreement Ratification Act, 1950, is granted by the Maritime Services Board under its administration of the Port Rates Act, 1975.

I have had discussions with officers of the Maritime Services Board regarding the matter and attach for the Committee's information a copy of the Board's letter of 23rd May, 1983. From the outset the granting of tonnage rate exemptions to either Broken Hill Proprietary Company Limited or its subsidiary companies has been done by the Maritime Services Board. As the issue has now been raised steps are being taken to formally transfer this administration to the Board.

With regard to item (ii), Valuation of Land Act, the Registrar General's Office has responsibility for the collection of fees paid on applications for certificates by the Minister for Local Government and Lands for the removal of restrictions on the transfer of land.

Prior to 1st January, 1982, the basis for the assessment of fees on derestriction applications was five per cent of the unimproved value of land.

The Valuation of Land Act, 1916, was amended by Act No. 118 of 1981 replacing "unimproved value" with the "land value" concept. Land value is more directly related to productivity than unimproved value, which required hypothetical calculation of the value of land in its virgin state. The object of the legislation was to remove rating inequities between rural ratepayers by providing a more equitable distribution of the rating burden.

The Miscellaneous Acts (Rating and Valuation) Amendment Act, 1981, No. 119 effected consequential amendments to 18 acts, including the Crown Lands Consolidation Act, 1913. The effect of the amendment to the Crown lands legislation was to require fees on derestriction applications to be assessed on land value.

The Cabinet Minute which proposed the amendments originated from the Department of Local Government shortly before its amalgamation with the Department of Lands. The Registrar General's Office did not receive a copy of the Cabinet Minute for consideration or comment prior to its passage through Parliament and assent on 18th December, 1981.

Although the new basis for calculating fees on derestriction applications commenced on 1st January, 1982, the Office continued to assess fees calculated at five per cent of the unimproved value for a further five months. In this regard, the Auditor General's report is essentially correct. However, I consider it necessary to clarify two aspects of the extract from the Auditor General's report.

Firstly, only those applications actually registered prior to the 31st May, 1982, were ultimately assessed by the Office on the basis of unimproved land value. The fees on applications lodged prior to, but awaiting registration at that date and initially assessed on unimproved values, were re-assessed to comply with the new legislation.

Secondly, in those cases where local councils complied with the provisions of the amended legislation and issued certificates of valuation based upon the land value after the 1st January, 1982, the correct fees would have been assessed by the Registrar General's Office in the normal course of processing as this would have been the only figure available for assessment. The number of applications received during the relevant period which were accompanied by a land valuation certificate, and hence correctly assessed for fees, is not ascertainable from records maintained by that Office, as valuation certificates were returned to lodging parties.

The Registrar General's Office has a longstanding practice of systematically reviewing new legislation to identify changes to its functions and responsibilities. When the amending legislation was considered on 5th January, 1982, the full significance of its effect was not appreciated.

When the effect of the legislation was fully understood, I wrote to the Auditor-General alerting him to the fact that the incorrect fees had been collected, indicating that it was considered impractical to collect the additional fees in view of the fact that the records of the Registrar General's Office did not enable assessment of the correct fees. It would have been necessary in each case to obtain a new valuation. Further, many of the properties would have been sold and the current owners would hold the land free of any restrictions on transfer in view of the indefeasibility provisions of the Real Property Act, 1900.

The procedure by which new legislation is reviewed has been re-appraised and steps have been taken to increase the scrutiny of new legislation to ensure that its effect is fully investigated.

I appreciate the opportunity you have given me to comment on these matters, and I trust that this report will prove sufficiently informative to satisfy the Committee in its examination.

Yours sincerely,



Under Secretary  
and Registrar General



THE MARITIME SERVICES BOARD OF N.S.W.

CIRCULAR QUAY WEST,  
SYDNEY.

The Under Secretary for Lands  
and Registrar General,  
Registrar General's Office,  
Prince Albert Road,  
SYDNEY. N.S.W. 2000.

Telephone No. 2-0545 (All Hours)  
Telex No. AA24944 JS  
Telegraphic Address  
'Marboard Sydney'  
OFFICE HOURS: 8.30am - 4.00pm  
Address Correspondence to:-  
The Solicitor,  
Box 32, G.P.O.,  
SYDNEY. 2001  
Please Quote No. 83/34254.

For oral enquiries ask for  
Mr. Blair. Ext. 305

23 MAY 1983

Dear Sir,

Attention : Mr. I. Ramsay.

Re: Broken Hill Proprietary Company Limited  
(Steelworks) Agreement Ratification Act,  
1950, and Broken Hill Proprietary Company  
Limited (Reclamation and Exchange)  
Agreement Ratification Act, 1950.  
Payment of Tonnage Rates by B.H.P. at  
Newcastle.


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I refer to discussions between Mr. I. Ramsay of your Department and Mr. Blair of this Office and confirm that during 1952 The Treasury advised the Board that the Minister had approved of Stewart and Lloyds (Aust.) Pty. Ltd., British Tube Mills (Aust.) Pty. Ltd., and Southern Portland Cement Ltd., being regarded as subsidiary companies of the Broken Hill Pty. Co. Ltd., for the purposes of the abovementioned Acts. Accordingly, there was to be no objection to the extension of the exemption from tonnage rates as provided in the Acts, in respect of vessels loading or discharging cargo which was the property of those three companies.

I would also confirm that the section contained on page 405 of the Auditor General's report for 1981-82, dealing with the abovementioned Acts, has appeared, verbatim, in each of his annual reports since 1952-53.

Should the Public Accounts Committee desire any further information on the matter, it might take the matter up directly with the Board.

Yours faithfully,

  
J. E. BRADSTREET  
Secretary.

DIRECTOR, MACARTHUR GROWTH AREA

Auditor-General's Report  
Page 156

Due to severe liquidity problems during the year, exacerbated by the interruption to land sales as a result of a flood line study, overdrafts were incurred on several occasions without the requisite approvals of the Governor as required by Section 8 (2) of the Public Authorities (Financial Accommodation) Act, 1981. At other times during the year and in order to avoid or reduce the need for such overdraft facilities, investments of the Loans Repayment Reserve, as they matured, together with interest earnings, were paid into the Trading Account of the Director, Macarthur Growth Area. At the close of the year, the Growth Area held interest bearing deposits to an amount in excess of the balance of the Loans Repayment Reserve, \$4,450,308.

In relation to the cash position it is important to note that for some months prior to June, 1982, moneys of the Sydney Region Development Fund (administered by the Minister for Planning and Environment) were used to pay loan instalments (\$2,398,397) due by the Growth Area. Furthermore, land owned by the Sydney Region Development Fund in the area and awaiting transfer to the Director, Macarthur Growth Area was sold and the proceeds, \$2,360,920, retained by the Macarthur Growth Area. Land acquired prior to the establishment of the Board has not been included in the balance sheet pending settlement of the transfer values. The total indebtedness to the Sydney Region Development Fund for land, payments made, etc., is yet to be determined.

Land holdings (\$86,993,809) are recorded in the balance sheet at cost of acquisition plus holding charges and development expenditure. Having regard to the movement in property values generally over the period since the Board first commenced operations, it is considered most desirable that the real estate holdings be subject to an independent valuation by a qualified valuer and that cognizance be taken of these valuations in future financial statements. An undertaking was given during the previous year by Department of Environment and Planning that all residential, commercial and industrial land would be identified at current value on an annual basis commencing 30 June, 1982, and this undertaking has not been fulfilled by the Macarthur Growth Area. The primary cause appears to be the inability to agree upon the transfer value of land holdings. Accordingly, I am unable to assess whether the carrying amount of real property in the balance sheet is fairly stated.

After bringing to account the deficiency for the year, \$1,065,979, the accumulated deficiency at the close of the year amounted to \$6,857,881.

Public Authorities (Financial Accommodation) Act, 1981

1. Contrary to the Act, and similar provisions operating under the Growth Centres (Development Corporations) Act, 1974, which applied until November, 1981, the Macarthur Development Board lodged funds of the loan repayment reserve in the working account and thereby utilised these funds for operating expenses.
2. On three occasions, the bank account of the Macarthur Development Board was overdrawn without obtaining through the Treasury or the Minister, the authority of the Governor as required by Section 8 (2).



## Department of Industrial Development and Decentralisation

The Chairman,  
Public Accounts Committee,  
Parliament House,  
SYDNEY. 2000

139 Macquarie Street  
Sydney, N.S.W. 2000  
Box 4169 G.P.O., Sydney, N.S.W. 2001  
Telegrams: Dido Sydney  
Telex: AA20972

Our reference:

Your reference:

Telephone: 27 2741 27 4836

Dear Sir,

I refer to your letter of 12th April, 1983 seeking my written comments on a number of matters raised by the Auditor General in his 1981/82 report in respect of the financial management and accounts of the Director, Macarthur Growth Area. These matters can be grouped under the following headings: Liquidity Problems; Observance of Acts and Procedures; Content of Accounts.

### Liquidity Problems

The Auditor General refers in his report to severe liquidity problems experienced by the Director, Macarthur Growth Area during 1981/82. These problems arose in the second half of the financial year following the decision by Campbelltown City Council to refuse to approve development and building applications for the Ingleburn Industrial Estate until the 100 year flood line was determined. This refusal was associated with the implementation of the State Government's 1 in 100 year flood prone zone policy and the Council's internal policy following the decision Shaddock vs Parramatta City Council which highlighted the vulnerability of Councils to compensation claims. The sale of land on this Estate was a key element in Macarthur's budget and at the time of Council's decision there were a significant number of sales in progress and in prospect. Initially these were frozen whilst negotiations were entered into with Council. After some lapse of time it became clear that certain of the sales had been lost.

In the interim I established a Task Force on 6th May, 1982 headed by an Acting Senior Assistant Director of the Department, two other senior officers and a representative of the Treasury to "investigate, identify and report on:

- (a) the financial situation in the period to 31 December 1982;
- (b) necessary action to correct any deficiencies in the financial management and financial operations of the Division".

In respect of the acute liquidity problem emerging at Macarthur, the Task Force recommended a number of steps to alleviate the position. These included the temporary deferral of interest payments to the Department of Environment and Planning, the establishment of an overdraft facility and the seeking of official approval to borrow from the sinking fund. Each of



these steps were taken, approval was received and the short term cash requirements of Macarthur met. These liquidity problems have not occurred in 1982/83. The Treasury's loan allocation was substantially higher - \$9 million as compared with \$2 million for 1981/82 and whilst the level of activity has not been high, - sales to date have exceeded budget and expenditure has been kept well within the funds available.

#### Observance of Acts and Procedures

The Auditor General also referred in his report to the over-drawing of the bank account of the Director, Macarthur Growth Area without obtaining through the Minister and the Treasurer, the Authority of the Governor as required by Section 8(2) of the Public Authorities (Financial Accommodation) Act 1981. He also reported that contrary to that Act and the Growth Centres (Development Corporations) Act 1974 funds forming part of the loan repayment reserve were lodged in the working account and utilised for operating expenses. These events were in fact brought to the attention of the Auditor General by myself upon receipt of the Report of the Task Force.

In reaching an understanding of the circumstances in which these events occurred it is pertinent that responsibility for the Macarthur Operation first came under my control on the 1st July, 1981. The Macarthur Growth Area's operations had previously been conducted through the Department of Environment and Planning's bank account and ready access had been available to that Department's total overdraft facilities. There had also been some flexibility in the timing of the servicing of loans raised by the Minister for Planning and Environment for the Growth Area's operations. Both of these facilities had been of considerable assistance in meeting short term surges in cash requirements.

The circumstances leading up to the overdrawing of the Bank Account for the Director, Macarthur Growth Area also included in addition to the problems associated with the flood line, extended delays in obtaining settlement of loan funds due to omissions in the Public Authority (Financial Accommodation) Act 1981. These omissions appear to have arisen because that Act was introduced about the same time as the amendments to the Growth Centres (Development Corporations) Act 1974 which established the corporate sole, Director, Macarthur Growth Area. The situation was finally resolved with the gazettal of the "Public Authorities (Financial Accommodation) Director Growth Area Regulation, 1982, on the 2nd April, 1982.

The initial overdrawing of the bank account was triggered by delays in the depositing of a State Bank loan of \$500,000 - against which cheques had been drawn. Shortly afterwards a similar situation arose when a purchaser failed to complete on a sale according to an agreed schedule and again when the State Superannuation Board deferred settlement of a loan of \$1 million by a month.

Shortly before the Task Force was established I froze the operation of the bank account and personally maintained a close watch over any payments from it. Following receipt of the Task Force Report I instituted new procedures designed to monitor the operation of the account. These included detailed cash forecasts updated on a regular basis and the transmission each day to a senior officer of my Department of details of the accounts and cheques drawn on it.

The use of part of the sinking fund for working capital purposes resulted from confusion over the ambit of an authority obtained from the Governor to borrow from the sinking fund to buy back a specific block of industrial land which had been sold conditional upon development taking place. This purchase did not proceed and the approval thereby lapsed. The funds were temporarily applied however to meet a shortfall in the working account. After receiving the Working Party's Report on this I instituted procedures which should ensure that a repetition does not occur.

#### Contents of the Accounts

The Auditor General states in his report that he is "unable to assess whether the carrying amount of real property in the balance sheet is fairly stated." In this context he reports that land is shown in the balance sheet at cost of acquisition plus holding charges and development expenditure and refers to an undertaking given by the Department of Planning and Environment that "all residential commercial and industrial land would be identified at current value on annual basis commencing 30th June 1982."

Whilst I totally agree that a current valuation of the land is necessary and have made arrangements for this to be undertaken for the 1982/83 accounts, it was not practicable to do so for the 1981/82 accounts. Considerable difficulty has been experienced in fully determining which land would be transferred to the Director, Macarthur Growth Area and how it would be transferred. Although the basis of transfer has not been finally resolved, agreement has been reached on the land to be transferred and the task of valuation has already commenced.

I hope that the foregoing explanations are of assistance to the Committee.

Yours faithfully,



N.P. Hanckel  
Director

MARITIME SERVICES BOARD

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Page 104

As indicated in the notes accompanying the 1981-82 accounts, no provision has been made for the employer's deferred liability to the State Superannuation Fund which emerges upon an officer becoming eligible for a pension. The notes and best estimates available also point to very substantial shortfalls in the provision held for long service leave and retirement benefits. It is one of the defects of the previous "budget" or cash accounting practice, that the amounts set aside were aimed to cover the cash outflow of the next year or so, and did not aim to charge each year's operations with its full share of the accretion to the accumulating deferred liabilities. It must be expected that the process of overtaking the arrears out of current revenues will be a slow one unless there are further increases in charges.

As the issue of the superannuation liabilities of statutory authorities is currently the subject of a separate inquiry by the Public Accounts Committee, responses relating to this topic have been omitted in this Report and will be examined further by the Committee during the Superannuation Inquiry.

POLICE DEPARTMENT

Auditor General's Report  
Page 33

When offences are committed, which are to be punished by monetary penalty, the collection rate of those penalties drops off sharply if there are any delays in enforcement. My two previous reports referred to delays in issue of commitment warrants for offences dealt with at the largest Metropolitan Court.

Estimates made by my officers from statistical records at the Police Department and the Magistrates Courts Administration, show that while the calendar year 1981 showed an increase of 34.3 per cent in the number of warrants issued, the success rate of enforcement did not match this rise:

	1979	1980	1981	Increase
Warrants issued	172(000)	172(000)	231(000)	34.3%
Warrants executed, withdrawn, or expired	148(000)	152(000)	178(000)	17.1%

This suggests that delays are still evident at various stages between commission of offences and enforcement of penalties. A survey in late August at the largest Court showed that warrants then being issued related to cases heard in May, 1982.



# Police Department

## POLICE HEADQUARTERS



Mr. M. Egan, B.A., M.P.,  
Chairman,  
Public Accounts Committee,  
Parliament House,  
SYDNEY. 2000.

14-24 College Street  
Sydney,  
Box 45, G.P.O.  
Sydney, N.S.W. 2001  
Telegrams and Cables:  
"Nemesis" Sydney

Our reference: BG:SO'D CP1

Your reference:

Telephone: 31 0277  
Extension: 5627

30 May, 1983

Dear Mr. Egan,

I refer to your letter of 11 April, 1983, addressed to the Secretary, Police Department, regarding delays in the issuing of warrants and problems associated with enforcement activity. The issue of warrants is a matter, of course, which comes within the responsibilities of the Magistrates Courts Administration whereas any delay which may occur in enforcement is clearly one for my administration. However, apart from the responsibilities of Police in warrant execution action there is another factor to be taken into consideration and that is that the Warrant Index Unit of the Police Department is predominantly Public Service. Because of this this submission has been prepared on a combined basis by myself and the Secretary of the Department. It is mentioned that matters relating to the Magistrates Courts Administration have been discussed with the Director of that organisation.

Certainly, the Secretary and I share the Auditor General's concern about collection rates and support his contention that the shorter the time between the commission of an offence, the issue of a warrant and enforcement action the better the prospects of collection. Also, we have addressed ourselves to improving administrative procedures and intensifying Police enforcement action.

The hub of the warrant system in the Police Department is the Warrant Index Unit and its central computer system. This Unit functions to record on computer the receipt, despatch and file or movement of warrants until execution, satisfaction or return to the court of issue unexecuted. The Unit processes warrants received from New South Wales, interstate and Federal Courts for execution in New South Wales. There is an establishment of 14 Police and 51 Public Servants.

A warrant, in the context of this report, is a document, ordinarily issued by a magistrate, for the apprehension of a person. In this regard there are a number of types of warrants, but almost all (about 95%) dealt with by the Warrant Index Unit are either warrants in the "first instance" or warrants of commitment. In order that you may be aware of the terms used it is advised that "first instance" warrants are issued for the apprehension of a person where the matter for which he is to be arrested has not been dealt with by a court, whereas a commitment warrant is issued where a matter has been dealt with by a court and is usually issued where a fine has been imposed

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but not paid. In such cases, the warrant may be satisfied by the payment of the fine and, failing payment, the person may be arrested. Approximately 90% of commitment warrants in the system arise from unpaid/contested traffic and parking infringements.

Commitment warrants are held within the Police Department for 12 years from the date of issue, and warrants in the "first instance" for 20 years. This is an administrative arrangement between the Police Department and the Department of Attorney General and of Justice.

The Warrant Index Unit also deals with warrants issued in other States for execution in New South Wales, warrants for commitment of persons before a court directly to gaol and warrants issued in certain family law matters, but these comprise a relatively minor proportion of the Unit's work.

Within the Department a "new warrant" means a warrant received at the Warrant Index Unit direct from the court of issue for processing into the Police warrant system, whilst an "old warrant" concerns a warrant previously processed into the Police warrant system which has been returned to the Warrant Index Unit.

Many problems exist regarding the execution of warrants and it is proposed, at this point, to deal with the specific areas involved and the action proposed.

#### Increased Work Volumes and Related Problems

There are considerable difficulties in accurately determining the execution rate of new warrants compared with old warrants, but a recent sampling suggests that the ratio is of the order of 75:25. However, the incontestable fact is that since 1979 there has been such a growth in the number of new warrants issued that commitment warrants within the "file" have increased from 252,000 to 397,000 (as at 30 April, 1983), with an additional 44,000 in circulation. The monetary value of these warrants approximates \$32 million.

As far as the operation of the Unit is concerned, the increased work volumes, exacerbated by work flow problems, and at a time of financial and staffing constraints, have resulted in substantial arrears developing from time to time. Initially, overtime was used in an attempt to overcome arrears, but since November, 1982 funds for Public Service overtime have been confined, as far as practicable, to operational areas. However, assistance has been provided by re-deploying staff from other areas, using temporary assistance, and contract punching. Additional permanent staff, mainly Terminal and Communications Operators, as well as additional visual display units, are being sought and it is hoped that they can be made available early in the next financial year. Also, "Wage Pause" staffing is being sought to assist in the Unit.

So far as the uneven work flow from the Magistrates Courts Administration is concerned, discussions have been held with the Director of that organisation to see if his administration can provide a more regular flow of warrants,

particularly from the Castlereagh Street Court of Petty Sessions, which is the source of approximately 50% of warrants of commitment. A steady flow of warrants, in comparison with the present irregular flow, would aid in overcoming difficulties in keeping up to date their recording and distribution and enable staff to give appropriate and consistent time to other essential recording of the progress of warrants. Also, considerable delays have been noted in the time between court action, the issue of warrants, and their receipt at the Unit. Apart from the administrative problems these delays cause, the lengthened time factor militates against the successful execution of warrants.

From discussions with the Director, Magistrates Courts Administration, it is evident that there is inadequate advantage being taken of automated aids to processing and unfortunately it will be some twelve months before the Magistrates Courts Administration has the computer capacity and systems to interface with this Department's computer and provide the automatic production and transmission of warrants. In the meantime, the Director has undertaken to take whatever steps are necessary, and practicable, to minimise delays in warrant issue and transmission to the Unit and even-out the work flow.

As an aid to overcoming mutual problems and improving working relationships, arrangements have been made for the Deputy Commissioner (Administration), the Secretary, Police Department, Director, Magistrates Courts Administration, and another representative of top management of the Department of Attorney General and of Justice, to meet on a regular basis to discuss issues and priorities and to see that every advantage is taken of improved systems and technological advances.

#### Police Enforcement Activity

There is no doubt that Police enforcement activity is being inhibited by the need to perform the detailed clerical processes associated with warrant recording at Police Stations. Again, Public Service staffing is being sought to free Police, as far as practicable, from this work. Also, I am issuing a direction, copy attached, to all District Superintendents, stressing the need for heightened warrant execution activity, which will involve a reassessment of duty times and the deployment of Police to optimum advantage.

As a further initiative aimed at monitoring the current level of Police enforcement activity and determining appropriate and achievable levels, I have agreed to the establishment of a Task Force of Police, exclusively devoted to warrant execution. This Task Force will report direct to the Superintendent in Charge, Management Review Unit. In this regard the recently established Management Review Unit, with a Police/Public Service work force, has a charter to regularly and systematically review work being performed in all areas throughout the State with a view to ensuring the efficiency and continued relevance of systems, procedures and controls. Concurrent with the activities of the Task Force, the Management Review Unit and officers of the Planning and Research Branch will be looking at the processes associated with warrant activity at Police Stations and at whether or



not Police and Public Service staff are being used to best advantage in this area.

#### Introduction of Self Enforcing Infringement System

The computerisation envisaged for processes within the Magistrates Courts Administration, mentioned earlier in this submission, concerns the involvement of that Administration with this Department in the introduction of the Self Enforcing Infringement Notices System. This system provides for the motorist to elect to have the matter dealt with by a court but if such election is not made the matter is disposed of administratively. If the penalty remains unpaid 21 days after the date of the offence, a courtesy letter is issued giving the motorist extra time to pay. Unless the penalty is then paid, a Justice issues a Court Order confirming the original penalty with added costs. Payments for such orders are to be made to the Castlereagh Street Court of Petty Sessions. If, after a further 21 days the matter is not finalised, the computer will automatically prepare a warrant for issue by a Justice, and execution by Police. Details of warrants will be automatically transferred to the Warrant File and the transmission of details for checking and subsequent update of Department of Motor Transport records will also be automatic.

The introduction of this system will substantially reduce the time between commission of the offence and enforcement action, thus enhancing collection prospects, but as Regulations have yet to be finalised, it will be some 12-15 months before the system can be fully developed and implemented.

#### The Size Of The Warrant Index Unit "File"

The number of warrants unexecuted or filed is a cause for concern and accordingly I have directed that a special survey be undertaken (commencing immediately with reporting by 31 July, 1983) by officers of the Planning and Research Branch to see what problems, other than those traversed earlier herein, exist and what can be done to improve the rate of execution or otherwise reduce the size of the "file".

Areas to be looked at will include:-

- \* a review of the retention periods;
- \* an assessment of the number of warrants in respect of which costs of enforcement would far outweigh the value of collections made;
- \* an estimate of the incidence of persons who have been convicted of multiple offences for parking and traffic matters, and who are taking advantage of the present legislation and expunging their accumulated penalties by a single period of short-term detention;
- \* the use of bankcard by persons wishing to satisfy warrants of commitment; and

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- \* to see what other avenues of address up-dating can be used without contravening privacy guidelines.

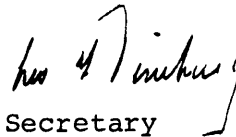
In conclusion, steps are being taken to collect more meaningful and detailed statistics in respect of warrant activity to better monitor enforcement, identify and compare inter and intra District performance and generally provide much better management information than is now available.

You may be assured that a progress report on the measures introduced will be submitted to the Public Accounts Committee before the end of November, 1983, but should any further information be required by the Public Accounts Committee, the Secretary and I would be quite happy either to furnish this in writing or appear before a public hearing of the Committee.

Yours sincerely



Commissioner



Secretary

# POLICE HEADQUARTERS

The Superintendent in Charge

Reference: BG:SO'D CP1

Telephone: 31 0277 ext 5627

30 May, 1983

Execution of warrants.

- - -

The Chairman, Public Accounts Committee of the Parliament of New South Wales, has expressed concern over comments contained in the Auditor General's 1981/82 Report regarding reduced execution rates for warrants of commitment, and from an examination of the records relating to the period 8 January to 8 April, 1983 it is evident that there is cause for concern regarding execution/satisfaction rates respecting warrants and it would appear that this type of duty is being given low priority by some Divisional Officers.

Whilst I appreciate that the need to exercise economy would have had some possible impact on the working times of Police allocated to warrant duty, I am concerned at the situation as it now exists, particularly having regard to the large amount of revenue involved.

Accordingly, in an effort to ensure that warrants are executed with the least possible delay, I now look to each District Superintendent to ensure that the following action is taken:-

- (a) sufficient staff resources are allocated to cope with number of warrants received;
- (b) Police performing warrant duty are allocated sufficient 'C' and 'A' shifts per week to enable contact to be made with persons named in warrants at times when they are likely to be at home;
- (c) warrants are receipted and inquiries made towards finalisation without delay; and
- (d) arrears of warrants are not allowed to accrue.

As an added measure of support it is mentioned that an approach has been made by the Minister to the Premier for 30 additional Public Service staff to undertake warrant processing work at Divisional Head Stations in the metropolitan area to permit more police time to be devoted to inquiries. It is hoped that these will be appointed shortly after 1 July, 1983. Also, as a further control function, aimed at assisting with work arrears, monitoring the current level of Police enforcement activity and determining appropriate and achievable levels, I have agreed to the establishment of a Task Force of Police, exclusively devoted to warrant execution. This Task Force will report direct to the Superintendent in Charge, Management Review Unit.

Full details of the Task Force will be furnished at a later date but in the meantime the Superintendent in Charge, Management Review Unit, will closely monitor progress made with a view to ensuring that the position does not deteriorate.

You might please, as a matter of urgency, bring the contents of this direction to the notice of your Divisional Officers in order that they may implement appropriate action.

A handwritten signature in black ink, appearing to read "G. Albert". The signature is written in a cursive style with a large initial "G".

Commissioner

DEPARTMENT OF PUBLIC WORKS

Auditor General's Report

Page 169

New South Wales Government Engineering and Shipbuilding Undertaking  
Floating Crane and Slipways - Newcastle

Accumulated Financial Position - These operations have been chronically unable to break even on costs, and substantial subsidies have been needed from the Consolidated Revenue Fund to keep the facilities operating. Additional advances of \$200,000 in 1981-82 brought total payments towards losses, including those of the old floating dock taken out of service in March, 1977, to \$9,500,303, at 30th June, 1982.

To the extent that work is done on behalf of private hirers, it needs to be recognized that they obtain in effect a continued subsidy from public funds. To the extent that the work is on behalf of the operator, i.e., the Shipbuilding Undertaking, there is a need to recognize that losses are not reflected through the Undertaking's accounts, but that there is a subsidy coming directly from Consolidated Revenue Fund.

In this context it is useful to set out and review the incidence and history of contribution from State funds to these activities. Up to 30th June, 1972, a total of \$2.125 million had been provided for losses on the old floating dock as well as the crane and slipways. The years 1972-73 and 1973-74 each drew loss contributions of about \$0.55 million. The next four years showed rapid escalation, culminating in disposal of the old floating dock during 1977-78.

State Contributions  
\$

1974-75 .. .. .	1,043,833
1975-76 .. .. .	1,200,000
1976-77 .. .. .	1,400,000
1977-78 .. .. .	1,325,000

At 30th June, 1978, the total of State contributions was \$8.25 million. Operating only the crane and slipways in the subsequent four years to June, 1982, has added \$1.25 million to the cost.

Page 408

State Brickworks Act, 1946

Contributions equivalent to the amounts which would, but for exemption, be payable as local government rates were made to Consolidated Revenue and to Blacktown City Council. The Act makes no provision for such contributions.

Page 406

New South Wales Government Engineering and Shipbuilding Undertaking Act, 1943

A contribution equivalent to the amount which would, but for exemption, be payable as local government rates was made to Consolidated Revenue. The Act makes no provision for such a contribution.

30 MAY 1983



STATE OFFICE BLOCK PHILLIP STREET SYDNEY 2000

Mr. Michael Egan, B.A., M.P.,  
Chairman,  
Public Accounts Committee,  
Parliament House,  
SYDNEY. N.S.W., 2000. 00

28.5.83

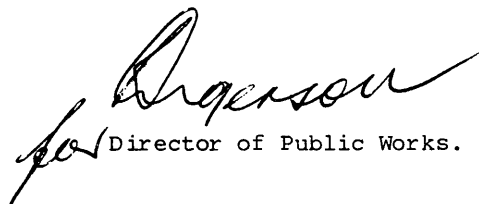
Dear Mr. Egan,

I refer to your letter of 12th April, 1983 relating to certain extracts from the Auditor General's 1981/82 report concerning the financial position of the Floating Crane and Slipways - Newcastle.

The viability of maintaining these installations has been again examined by the State Dockyard and the General Manager's comments are attached. The possibility of returning the crane to the Commonwealth will be further considered in the light of the information requested from the Maritime Services Board.

The other matter raised in your letter has been the subject of a separate reply.

Yours faithfully,

  
Director of Public Works.



# STATE DOCKYARD NEWCASTLE

OFF BOURKE STREET, CARRINGTON  
ADDRESS ALL CORRESPONDENCE TO:  
██████████ THE GENERAL MANAGER,  
P.O. BOX 59, CARRINGTON, N.S.W. 2294  
TELEGRAMS: STATEDOCK, NEWCASTLE  
TELEX: AA 28073  
PHONE: (049) 610-401

The Secretary,  
Public Works Department,  
State Office Block,  
Phillip Street,  
SYDNEY. NSW. 2000

PLEASE QUOTE: JFK:DW

YOUR REFERENCE

23rd May, 1983.

Dear Sir,

AUDITOR GENERAL'S REPORT ON THE ACCOUNTS OF THE FLOATING CRANE AND  
SLIPWAYS, NEWCASTLE FOR THE YEAR ENDED 30TH JUNE, 1982.

Further to your letter of 21st April, 1983 requesting our comments on the above matter we respond under two headings:-

Floating Crane

In the eight months to 28th February, 1983 floating crane hirings amounted to \$66,676 whilst expenses were \$130,681. All of the 14 hirings comprising that total were associated with development projects in the Hunter Valley area. In April this year we increased the hire rates for the crane by approximately 50% in an effort to reduce the deficit on the operation, however, it is anticipated that hirings in the coming year will be considerably reduced due to the completion of most development projects in the area. A summary of past and forecast financial position as set out below shows that further deficits can be expected.

<u>YEAR ENDED</u>	<u>HIRINGS</u>	<u>EXPENSES</u>
30th June, 1981	\$ 29,237	\$112,999
30th June, 1982	\$187,290	\$231,206
30th June, 1983 12/8 of 8 months	\$100,014	\$196,022
30th June, 1984 Forecast	\$ 60,000	\$102,000

We cannot see justification for maintaining this crane service as in our opinion all recent work could have been carried out by alternative means without severe cost penalties had the crane been known to be not available. We have requested an opinion on utilisation from the Maritime Services Board and will advise you promptly if that should change our opinion.

We enclose a copy of the Agreement dated 3rd December, 1948 between the Commonwealth of Australia and the State of New South Wales for the loan of the crane. Under Clause 8(1) of this Agreement the State may terminate the loan by giving three months notice in writing in which case the crane shall be returned in good order. We would claim that for the purposes of the Agreement the crane is in good order.

Our recommendation is that the crane be returned to the Commonwealth unless the Maritime Services Board sees value in retaining its services in the Port of Newcastle in which case they should be the operators of the crane. We would of course assist them as required.

.... /2

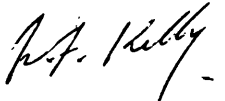
Slipways

Whilst the slipways have operated at a deficit they have generated revenue and a gross contribution for the Dockyard from repair work on vessels on the slipways. Utilisation of the slipways has been low due to various labour restrictions hampering private hirers and high cost of Dockyard repair work. We are endeavouring to overcome these problems and have appointed a Slipways Manager with a profit responsibility for the Slipways operation. This should result in increased hirings and increased contribution to Dockyard accounts which should offset the maintenance expenses.

The larger slipway does enable work on tugs, barges and dredges in Newcastle which would otherwise have to go to other ports with significant diversion costs.

In these circumstances we recommend that the Slipways continue to be operated by the Dockyard and the question of their ownership and operation be reviewed in twelve months time.

Yours faithfully,  
STATE DOCKYARD

  
J.F. KELLY  
General Manager





30 MAY 1983

STATE OFFICE BLOCK PHILLIP STREET SYDNEY 2000

Mr. Michael Egan, B.A., M.P.,  
Chairman,  
Public Accounts Committee,  
Parliament House,  
SYDNEY. 2000

26 MAY 1983

Dear Mr. Egan,

I refer to your letter of 12/4/83 in relation to certain extracts from the Auditor General's 1982 report which concern the State Brickworks and State Dockyard.

A separate reply is being prepared on the matter of losses being sustained by the Floating Crane and Slipways at Newcastle. However, you sought comment also on the references at Pages 406 and 408 of the Auditor General's report.

As a result of a Cabinet decision in 1963, both the State Dockyard and State Brickworks (Homebush) were required to pay into a local government assistance fund an amount equivalent to the amount of rates which would have been applicable had they been declared industrial undertakings for purposes of Section 132 of the Local Government Act, 1919. These payments commenced in 1963 and when the aforementioned fund was reconstituted in 1968, the Department was instructed to pay the contributions into the then Consolidated Revenue Account at the Treasury.

In 1965 the Treasurer approved an 'ex gratia' payment to Blacktown Municipal Council on a similar basis in respect of land utilised by the State Tileworks at Blacktown. A portion of this amount was paid by State Brickworks from the time they occupied part of the site in 1970.

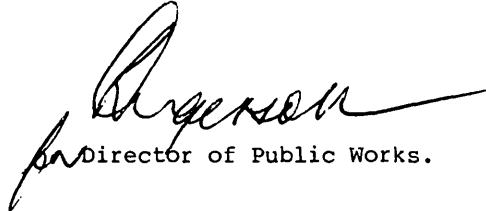
The State Brickworks Act provides at Section 5(2b) that inter alia there shall be debited to the Working Account '... all costs or expenses whatsoever of and incidental to the administration, management and conduct of the State Brickworks ...'. A similar provision is made in the N.S.W. Government Engineering and Shipbuilding Act, 1943.

The Undertakings and the Public Works Department, took the view that the making of 'ex gratia' payments in lieu of rates or equivalent payments to the Consolidated Fund were normal costs or expenses incurred in the operation of these industrial Undertakings. In this regard in 1964 verbal advice was obtained from the Legal Officer, Department of Local Government, that the Auditor General regarded the approval given by Cabinet as providing sufficient authority to making payments. Moreover, the Legal Officer, Public Works Department, advised at the time that the contributions were not a suspension or variation of statute in view of the specific provisions referred to in the respective Acts.

In 1976 when the Auditor General again raised the issue in 'Variations and Suspensions of the Provisions of Statutes etc. ...', the Department's then Legal Officer advised that following further investigation he concurred with the Auditor General that there was no legislative sanction. However, in discussion with the Auditor General it was agreed that there was no immediate need for legislative action, but the matter should receive attention when it was appropriate to amend the Acts generally.

.../2

As from the commencement of the 1982/83 financial year, the Government has decided to no longer provide funding to Councils per the medium of the Local Government Assistance Fund. In the circumstances the Department has raised with the Treasury the question of the appropriateness of continuing to make contributions in lieu of rates to the Consolidated Fund. When a response is received, appropriate recommendations will be submitted to the Minister for consideration.

  
for Director of Public Works.

STATE RAIL AUTHORITY

Auditor General's Report  
Page 88

Land is recorded in the accounts of the Authority at cost of acquisition, with many of the values being at least 20-30 years old. Whilst it is acknowledged that there may be difficulty in setting a valuation basis for permanent way land, it should be recognized that the Authority has considerable holdings of land which have a commercial value in their present state and other holdings where an alternative use valuation could inspire managerial review and enable external consideration (e.g. by Parliament) of whether the present use is economically justified.



Chief Executive  
State Rail Authority  
of New South Wales  
11-31 York Street  
Sydney NSW 2000

27th May, 1983

Mr. M. R. Egan, B.A., M.P.,  
Chairman,  
Public Accounts Committee,  
Parliament House,  
SYDNEY. 2000.

Dear Mr. Egan,

I refer to your letter of 11th April, 1983, in which you mention that your Committee has now resolved to examine a number of matters in the Auditor-General's report to Parliament for 1981/82. The particular matter concerning the State Rail Authority which your Committee has resolved to examine, relates to the evaluation of the Authority's real estate.

The issue concerning evaluation of land held by the Authority was first raised by the Auditor-General in his Report to the Minister and the Authority with respect to the Authority's financial position at 30/6/1981.

In that Report, which covered the first year of operation of the Authority, the Auditor-General invited attention to the comments he had included as Appendix I of his Report to Parliament in 1979/80, concerning the basic information needed in the accounts or in the accompanying notes to show "a true and fair view". In particular, the Auditor-General referred to the need to show the current market value of each class of real estate with date and method of valuation.

In the accounts of the Authority for the year ended 30/6/1981, land was recorded at cost of acquisition with many of the values shown being at least 20/30 years old. The Auditor-General, in noting that position, recognized that there may sometimes be difficulty in setting a valuation basis for permanent way land; however, he also noted that the Authority possessed considerable holdings of land which have a commercial value. He suggested also, that other holdings existed where an alternative use valuation could inspire a managerial review of whether the present use is economically justified.

On the basis of the comment submitted, the Auditor-General in the Report to the Minister and the Authority for 1980/81, stated that he would like to be assured that the Authority would take action in future years to conform with the minimum standards of disclosure as set out in his 1979/80 Report to Parliament. He stated, moreover, that .. "Without this, it will be increasingly difficult to support a claim that the accounts do present a true and fair view of the Authority's financial position".

Following careful consideration, the Authority informed the Minister for Transport and the Treasurer that the value of land held by it, shown at the cost of acquisition, related in the main to its

needs for the day-to-day operation of the total rail system. Its value at balance date could, therefore, only be measured in terms of its usefulness to the Authority and should not be valued in the normal commercial manner. That peculiarity was acknowledged by the Auditor-General in his Report and the Authority was of the opinion that the most practical valuation of the real estate required for the operation of the railway was at historical value.

Land which is utilized for commercial purposes by third parties, is usually only a part of a large area which is required for normal rail operations and may not be able to be disposed of in separate parcels. In addition, a number of parcels of land which are of a commercial nature are subject to long term leases and it would be misleading to show a market value for assets which were not wholly at the Authority's disposal.

The Authority's Property Officer had previously advised that a valuation from the Valuer General would be inappropriate for such properties, as it refers only to the unimproved value. This aspect has again been recently considered and the opinion expressed has not changed. The most practical method of accounting for land holdings still is, in the Authority's view, at cost of acquisition.

The Authority has consistently taken the view that there are practical difficulties in determining current market values, particularly in a period where values are fluctuating. The cost of this exercise and the need to continue it from year to year could not be justified in view of the uncertainty of the benefits it would achieve. The principal objectives of commercial valuations, as enunciated by the Auditor-General in his Report to Parliament for the year ended 30/6/1982 and earlier, that "an alternative use valuation could inspire managerial review and enable external consideration (e.g., by Parliament) of whether the present use is economically justified" are already being secured by the Authority. This is achieved by the interaction of the Property Branch which controls real estate usage, and the Property Advisory Board whose function it is to oversight the effective and economical management of the Property Portfolio. It should be mentioned that the Property Advisory Board, established by Ministerial direction, includes three external members with property management expertise, one of whom acts as Chairman. The Authority's Deputy Chief Executive (Industrial Relations), the Director of Finance and the Secretary, are also members of the Advisory Board.

In the notes to and forming part of the Authority's accounts for the year ended 30/6/1981, the following information is recorded with respect to land:-

"(a) Land

The value for land represents the net cost at the time of acquisition which, in many cases, would now be less than current market value. It is noted that the Auditor-General takes the view that current market value of at least the Authority's commercial properties should be disclosed by note to the Accounts. The Authority's view is that practical difficulties exist in determining and maintaining current market values for such assets which are spread throughout the State.

As real estate usage is controlled by the Property Board and as effective and economical management of the Property Portfolio is reviewed by a Property Advisory Board (including external

members) established by the Minister, the Authority takes the view that the principal objectives of commercial valuations, that of inspiring managerial review and enabling external consideration, are already being secured."

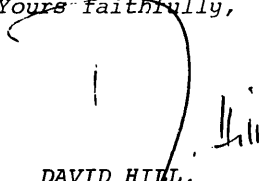
In his Red Rule Report to the Minister and the Authority for the year ended 30/6/1982, the Auditor-General acknowledged that somewhat different views are held by the Authority and his Office concerning real estate valuation and that it was proposed to continue discussion with the Chief Executive and his officers during 1982/83.

With a view to finally resolving the issues involved, I have requested the Director of Finance in consultation with the Property Advisory Board to determine whether, in future, the whole or part of the Authority's property should be valued for accounting purposes on market value rather than on historical cost.

In undertaking that task, it has been proposed that it may be more practical to consider commercial type properties as a first step in a current evaluation process and that it may well be considered of questionable value to embark upon the evaluation of those properties that are directly associated with railway operations.

I have also suggested that special consideration may need to be given to properties that have a link with railway operations but, subject to consolidation of those operations, might well have alternative uses.

Yours faithfully,

  
DAVID HILL,  
Chief Executive

SYDNEY COUNTY COUNCIL

Auditor General's Report  
Page 133

Perhaps of greater significance in this context is that there is a large part of the accrued liability for employee benefits, for which provision has not been made in the accounts.

As indicated by Note 8 to the Council's published accounts, improvements granted in 1981 in employees' leave and retiring allowance conditions almost doubled the estimate of accrued liability. Of greatest significance was the introduction of optional early retirement at age 55 in lieu of 60. In 1980 the liability had been assessed at \$58.2 million, against which a provision of \$53.2 million had been built up. Increases in employee benefits in 1981 brought the liability estimate up to \$105.2 million, but at the same time the amount available in the provision to meet the liability slipped back to \$51.2 million. This leaves a balance of accrued liability of \$54 million for which no provision has been made. Unless and until this can be made good out of future income, the general reserve needs to be regarded as hostage for the cost of employee payments and, to that extent, as not available to cushion the impact of price rises.

In 1981, the Employees' Accrued Entitlements Fund received an allocation of \$4.3 million out of earnings and \$5.2 million as interest on investments - a total of \$9.5 million. For the same year payments from the Fund to employees ceasing employment totalled \$11.5 million.

As the issue of the superannuation liabilities of statutory authorities is currently the subject of a separate inquiry by the Public Accounts Committee, responses relating to this topic have been omitted in this Report and will be examined further by the Committee during the Superannuation Inquiry.



TRANSPORT DEPARTMENT

Auditor General's Report

Page 408

Transport Act, 1930

1. In a number of cases gratuity entitlements of employees who retired or died were paid otherwise than as provided for in Sections 123(5) and 132A(5).
2. Section 202A(2)(b) of the Act provides for the transfer of amounts from the Road Transport and Traffic Fund Advance Payments Account to the Road Transport and Traffic Fund at the end of the financial year. In order to meet payroll commitments following retrospective award adjustments, the Treasury approved of a transfer of \$3 million in November, 1981.



Managing Director

Urban Transit Authority  
of New South Wales

11-31 York Street  
Sydney NSW 2000

Box 5301 G.P.O.  
Sydney NSW 2001

Mr M Egan, B.A., M.P.  
Chairman  
Public Accounts Committee  
Parliament House  
Macquarie Street  
SYDNEY NSW 2000

19 MAY 1983

Dear Mr Egan,

I refer to your letter of 5th April, 1983 (directed to the Secretary, Ministry of Transport) concerning the Auditor General's 1981/82 report - specifically the extract relating to the Transport Act, 1930 and payment of gratuities by this Authority.

As you would know, it is a requirement that the Authority advise the Auditor General of instances affecting the Public Accounts where the provisions of any Act or Regulation are varied or departed from in respect of each financial year.

When providing the advice for Financial Year 1981/82, reference to Section 123 (5) of the Transport Act, 1930 was incorrectly made. Section 123 (5) of the Transport Act has been superseded by Schedule 4 of the Transport Authorities Act, 1980. The advice should have correctly referred to Schedule 4 of the Transport Authorities Act and Section 132A (5) of the Transport Act, 1930. The Auditor General's Representative has since been advised of the error.

Schedule 4 refers to leave and extended leave payment as gratuity, and Section 132A (5) refers to Transport Gratuity payment. The provisions require that payments be calculated at the rate of salary or wages payable immediately prior to retirement or death. A longstanding legal ruling has interpreted this to mean the employee's "classified" rate.

A number of Authority employee categories by agreement receive special allowances above the classified rate. These employee categories include -

- Bus Operator - One person bus allowance (Atlantean)
- Bus Operator - Driver Articulated Bus
- Driving Instructor (salary) - Special Allowance
- Bus Operator - Shed driver's allowance
- Bus Operator - Wall timetable clerk's allowance.

... /2

In accord with the concurrence of the then Minister for Transport, it has been practice for many years in respect of these employee categories to make the payment of gratuities at the classified rate plus the allowance, and thus outside Statute. It is mentioned that the qualification for entitlement to inclusion of the allowance in the gratuity payment is that the employee has received payment of the allowance for a minimum of 130 days in the twelve months immediately preceding retirement or death.

Most of the instances of payments outside Statute have been in respect of the one person bus allowance and have diminished rapidly in recent years. The reasons are two -

- \* In May, 1981 the classification "Bus Operator" was introduced to the Government Bus Traffic Employees Award. Now, as a result only drivers of Atlantean and Articulated buses receive a special allowance. They are few in number.
- \* There are now only some 1,000 employees (predominantly in the older age group) with Transport Gratuity entitlement. Their numbers are diminishing.

In respect of financial year 1981/82 only two such payments outside Statute were made by the Authority.

I trust that this information will clarify the position for the members of your committee.

Yours sincerely,

  
K. EDGAR,  
MANAGING DIRECTOR.



83/M17/205

30 MAY 1983

50 ROTHSCHILD AVENUE  
ROSEBERY N S W

Mr. M. R. Egan, B.A., M.P.,  
Chairman,  
Public Accounts Committee,  
Parliament House,  
SYDNEY. 2000.

26 MAY 1983

Dear Mr. Egan,

I refer to your letter of 5th April, 1983 to the Secretary, Ministry of Transport, regarding matters in the Auditor General's 1981/82 report relating to the Transport Act, 1930. The matter that concerns my Department was in respect of the Road Transport and Traffic Fund Advance Payments Account.

Section 202A of the Transport Act, 1930 provides for the establishment of the Road Transport and Traffic Fund Advance Payments Account into which is paid in the case of a three year driver's licence that part of the fee payable for the second and third years of the currency of the licence. At the end of each financial year the amount of that part of the fee attributable to that year is paid into the Road Transport and Traffic Fund.

During the 1981/82 financial year the position arose where, because of abnormally large payroll payments arising as a consequence of retrospective award variations, there were insufficient funds available at the time in the Road Transport and Traffic Fund to meet commitments.

Consequently, after enquiries revealed that a special advance could not be made available from the Treasury and that the Road Transport and Traffic Fund could not become overdrawn, approval was given by the Treasury for the transfer of \$3 million from the Road Transport and Traffic Fund Advance Payments Account to the Road Transport and Traffic Fund before the end of the financial year and on the understanding that prompt action be taken to amend the Transport Act to enable transfers to be effected at times other than the end of the financial year.

Subsequently, the Transport (Road Transport and Traffic Fund) Further Amendment Act, 1982 was enacted in November 1982 to validate the above payment and to enable future payments to be made to the Road Transport and Traffic Fund at any time during a financial year.

I have since written to the Secretary and Comptroller of Accounts, Treasury pointing out advantages to the State in abolishing the Advance Payments Account and enabling the utilisation of the revenue at an earlier time than at present. For example, increased amounts could be paid towards the cost of police supervision and control of road transport and traffic.

Apart from the obvious advantages to the State from the financial viewpoint, the abolition of the Account would also enable the Department's accounting systems to be simplified and resources reallocated.

If any additional information is required, please let me know and I will provide the necessary details.

Yours faithfully,

  
Commissioner

TREASURY

Auditor General's Report  
Page 32

Where they are chargeable by law, Audit Fees have been brought up progressively to a full cost recovery basis - including all overheads. Collections in 1981-82 totalled \$1,728,750, but related only to commercial type and other statutory authorities whose costs are not met directly from Consolidated Revenue. Audit fees have not been charged where the result would be a transfer from one Consolidated Revenue Account to another. In the interests of accountability, it is strongly recommended that the Office be put on a commercially competitive, self-funding basis by charging fees for all audit work.

Page 45

Group Votes - Payments are detailed at page 109 of the Public Accounts where they are attributed to various Ministerial activities. In a summary form, comparison of the past two years shows:

	1980-81	1981-82	Increase
	\$	\$	%(-)
Advertising	2,669,394	2,604,082	(2.4)
Cleaning	117,192,855	134,632,938	14.9
Printing	15,501,959	16,196,758	4.5
Repairs, Maintenance, and Renewals of Public Buildings	17,727,572	29,682,483	67.4
Electricity, Gas, etc.	21,499,937	25,760,439	19.8
Telephones	14,766,166	14,651,918	(0.8)
	<u>189,357,883</u>	<u>223,528,618</u>	18.0

A major increase occurred in repairs, etc., of public buildings where the budget allocation of \$18.3 million was exceeded by \$11.4 million paid out as "unauthorised in suspense". This will, of course, be subject to review by the Public Accounts Committee. General increases were experienced for most departmental areas but the largest was the \$10 million expenditure for the Education Department against an average level of \$0.5 million in each of the two previous years. Primary and secondary schools' maintenance work accounted for \$9.5 million of the total. This roughly matched the decrease from \$36.6 million in 1980-81 to \$28.8 million, in the direct budget allocation to the Education Department.

Although the principle of group votes is of long standing, and is simple to administer, it also contains defects. These are becoming of some importance under present economic conditions. The group vote is another step in the fragmentation of cost disclosure. As well as combining primary Consolidated Revenue votes, Loan expenditure, and any payments made through Special Deposits Account, the group vote is another place to look if one seeks to assess the total cost of an activity.

A second defect is that because group vote charges are not directly in the sight and control of departmental managers (as they would be if treated as direct charges against their available funds), there is less scope for monitoring and justifying the costs.

Recognising these problems, Treasury is currently moving towards requiring departments to find funds within their budget framework to meet "group vote" costs.



# The Treasury, New South Wales

M R Egan, Esq BA MP  
 Chairman  
 Public Accounts Committee  
 Parliament House  
 SYDNEY 2000

State Office Block Box 5285 G.P.O.  
 Macquarie Street Sydney 2001  
 Sydney, NSW 2000 DX 22 Sydney

Contact

Our reference: T83/1862

Your reference:

Telephone: 2 0576

1000 Extension:

Dear Mr Egan

I refer to your letter of 27th April, 1983, seeking my comments on certain matters raised in the Auditor General's Report on the Public Accounts for 1981/82.

With regard to the Group Votes scheduled by the Auditor-General, you will be aware that with effect from 1st July, 1982, the former Group Votes for Advertising, Printing, Electricity and Gas and Telephones have been abolished and appropriate provisions made within the various 1982/83 Consolidated Fund departmental allocations. The Group Votes abolished accounted for a total expenditure of roundly \$59.2 million in 1981/82.

Of the remaining two Group Votes specified by the Auditor-General, viz, Cleaning and Repairs and Maintenance, etc, currently charged against the Government Cleaning Service and Public Works Department's Votes respectively, the adoption of a system of charge-outs to Consolidated Fund Departments is being considered. However, as far as repairs and maintenance costs are concerned, there are a number of factors which require close consideration.

Because of the nature of this item, i.e. expenditure on behalf of individual departments can vary considerably from year to year, the process of determining Budget allocations for repairs and maintenance is made most difficult. There is also the problem of allocating the cost of maintenance, repairs etc. carried out in common areas of buildings occupied by more than one department. From a program budgeting viewpoint, there could be some advantages in having the cost of repairs, maintenance, etc. on government buildings generally (as distinct from schools and technical colleges, prisons, etc.) being regarded as a separate and distinct program.

In addition, there are sound technical reasons to support the control of expenditure of this nature residing with the B.C.&M. Branch, viz:-

- : the Branch has built up an expertise in the maintenance requirements peculiar to public buildings,
- : it operates in remote areas of the State where it is often difficult to engage private contractors,
- : it can ensure that maintenance is of uniform standard, and

.. 2/

: it has the advantage of economies of scale.

On the general subject of Group Votes, as indicated by the Auditor-General, the Treasury is reviewing other "common" expenditure areas to see whether, on efficiency and economy grounds, they should be charged against user departments. This matter has also come under close scrutiny in conjunction with the work currently being done with the introduction of program budgeting. Although not a matter of principle, there is the practical difficulty of establishing reliable base figures upon which to determine future departmental allocations.

There are a number of other features which have some bearing on the decision to disband individual group votes. These include:-

- : Administrative and accounting costs,
- : Possible loss of advantages of scale,
- : Advantages of centralised control,
- : The extent to which departments can influence costs.

The general considerations outlined above apply of course to any question of charging Consolidated Fund departments with audit fees, as raised specifically by the Auditor-General. I understand, however, that none of the Commonwealth or other State Governments is proposing to charge their Public Service departments for the cost of Government audits.

The excess expenditure of \$11.4 million on the Department of Public Works item "Cl. Maintenance of Public Works and Services, including Renewals, Surveys and Investigations - Public Buildings Generally" has, of course, already been the subject of a detailed examination by the Public Accounts Committee and the Committee's comments have been included in its Report tabled in the House on 14th September, 1982.

Yours faithfully



Secretary and  
Comptroller of Accounts



URBAN TRANSIT AUTHORITY

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Assets - Land valuations in the accounts are at cost of acquisition and some are over 30 years old. For the reasons set out at page 88 in relation to the State Rail Authority, it is considered that reference in notes to the accounts showing current values of commercially useable properties would be of assistance to managerial and external review.



803260

Managing Director

Urban Transit Authority  
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Mr M R Egan, B.A., M.P.  
Chairman  
Public Accounts Committee  
Room 919  
Parliament House  
Macquarie Street  
SYDNEY NSW 2000

19 MAY 1983

Dear Mr Egan,

I refer to your letter of 6th April, 1983 in which you sought comment on a matter raised in the Auditor General's 1981/82 report concerning the valuation of the Authority's commercial land holdings. In particular, the Auditor General took the view that current market values of the Authority's commercial properties should be disclosed by way of note to the Accounts.

The Authority considers that the Auditor General's recommendation is appropriate and the whole question of the current market value of the real estate of this Authority is being kept under consideration.

The notes to the Annual Accounts of the Authority for 1981/82 included the Valuer General's U.C.V. for those parcels of land identified as being held by the Authority at 30th June, 1982.

Considerable work has since been done in identifying and registering all land holdings of the Authority. When completed this work will form the basis for preparation of a comprehensive asset register which should facilitate the identification and cyclical revaluation of the Authority's commercial properties. This register will also facilitate periodical review as to effective utilisation of such land holdings. The function of administration of this Authority's real estate is currently undertaken by the Property Branch, State Rail Authority as a joint service.

With regard to the 1982/83 accounts, it is not anticipated that the above work will be sufficiently advanced to permit the determination of current market values of all commercial properties.

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... /2

It is proposed that the notes to and forming part of the Accounts include a note as to the method of valuation of the Authority's land holdings and the latest Valuer General's U.C.V. of service land and commercial land disclosed separately.

The whole issue of the frequency and method of valuation of real estate is under consideration by the Authority and several discussions have been held with the Auditor General's representative on the matter. With regard to this issue, the Authority is in agreement with the recommendations of the Working Party on Public Sector Accounting and Reporting Standards and with the guidelines published by the Auditor General in his 1979/80 Report.

Yours sincerely,

  
K. EDGAR,  
MANAGING DIRECTOR.

DEPARTMENT OF YOUTH AND COMMUNITY SERVICES

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Child Welfare Act, 1939

Section 23 provides for payments in respect of children and young persons boarded out to be "as prescribed" but in the absence of relevant regulations, the rates of payments have been by administrative determination.



# Department of Youth and Community Services



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24 MAY 1983 Extension:

Dear Mr Egan

I am writing with reference to your letter of 5 April 1983 concerning Section 23(1)(c) of the Child Welfare Act, 1939.

Although the provision has, as far as I am aware, existed in its present form in the Child Welfare Act since 1939, I have been unable to ascertain from the departmental records of this era the reason why the rates were not prescribed when regulations were first made under the Act on 3 May 1940, or indeed in subsequent years. However the plain fact is that the prescription has not in all those years been included in regulation. Consideration is being given to having this rectified by an appropriate regulation. However, as such a regulation will involve some additional expenditure, not provided in the 1982/83 Budget, the matter is being raised with the Treasury. Such a regulation, if made, may have to commence at a date which would enable funding under the 1983/84 Budget.

The rates paid to foster parents are in fact fixed annually as part of the Budget and have frequently been alluded to in Budget speeches delivered by Treasurers down the years. Although the standard rate now stands at \$33 per week (and this is paid in respect of the majority of wards in foster care) there are variable rates paid and these are set out in the attached schedule. In some of these instances, for example in relation to those designated by the departmental code B4, the actual rate paid is settled on a case basis as there is so much variation between the needs of individual children in particular circumstances.

Yours faithfully

  
W C Langshaw  
DIRECTOR-GENERAL

SCHEDULE

Classification	Current Rate	Eligibility
Departmental Code A.A. (Standard Boarding Out Allowance)	\$33 p.w.	All wards in foster care who are either under school age or attending full-time schooling
Code B4 Special Rate (Boarding Out Allowance)	Varies depending on need	A special rate payable to foster mothers who have to incur expenditure in excess of AA rates, to meet the special needs of a ward in their care (e.g., special diets).
Code B5 (Allowance for ex-wards)	Varies depending on need	Payable in respect of ex-wards over the age of 18 years who are full-time students, where a boarding out allowance has been paid up to 18 years.
Code D.A. (Boarding Differential Aboriginal)	To School Certificate \$25.77	All Aboriginal Wards, in secondary schooling, for whom the foster parent is receiving the Aboriginal Secondary Grant from the Commonwealth Department of Education.
Code F.A. (Boarding Differential Aboriginal)	To Higher School Certificate \$22.68	
Code B.A. (Boarding Differential Orphan)	\$20.00	All wards for whom the parent is in receipt of the Double Orphan Pension from the Commonwealth Department of Social Security.
Code C.A. (differentiating for identification purposes)	\$20.00	Where the foster mother is in receipt of <u>both</u> the Aboriginal Secondary Grant and the Double Orphan Pension, this Department will pay the lesser of the two rates.