

1917.
(SECOND SESSION.)

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA.

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

FIRST GENERAL REPORT.

Ordered to be printed, 27th September, 1917 (a.m.).

(Cost of Paper.—Preparation, not given; 825 copies; approximate cost of printing and publishing, £4 10s.)

Printed and Published for the GOVERNMENT of the COMMONWEALTH of AUSTRALIA by ALBERT J. MULLETT,
Government Printer for the State of Victoria.

No. 28.—F.13046.

MEMBERS OF THE COMMONWEALTH PARLIAMENTARY JOINT COMMITTEE OF PUBLIC ACCOUNTS.

First Committee.

MATTHEW CHARLTON, Esquire, M.P., Chairman.
JOHN THOMSON, Esquire, M.P., Vice-Chairman.

Senate.

Senator Thomas Jerome Kingston Bakhap,
Senator Albert Edward Howarth Blakey,
Senator the Honorable James Charles Stewart.

House of Representatives.

Llewelyn Atkinson, Esquire, M.P.
Reginald John Burchell, Esquire, M.P.
The Honorable James Mackinnon Fowler, M.P.
Dr. William Maloney, M.P.

Second Committee.

JOHN THOMSON, Esquire, M.P., Chairman.
MATTHEW CHARLTON, Esquire, M.P., Vice-Chairman.

Senate.

Senator the Honorable John Earle,
Senator George Fairbairn,
Senator Allan McDougall.

House of Representatives.

Llewelyn Atkinson, Esquire, M.P.
James Howard Catts, Esquire, M.P.
James Edward Fenton, Esquire, M.P.
The Honorable Alexander Poynton, M.P.

CONTENTS.

	PAGE
Members of the Committees	2
Introductory	3
Report	3

FIRST GENERAL REPORT

BY THE

JOINT COMMITTEE OF PUBLIC ACCOUNTS, UNDER THE "COMMITTEE OF PUBLIC ACCOUNTS ACT 1913."

INTRODUCTORY.

The Joint Committee of Public Accounts has the honour to submit at the request of the First Committee the following Report of its proceedings, during the term of its appointment :—

REPORT.

The Act providing for the establishment of a Joint Committee of Public Accounts was assented to on 19th December, 1913. Subsequently the appointment of Members of the Committee was made and the names published in the *Commonwealth Gazette*, No. 97, of 5th December, 1914.

The first meeting of the Committee was held on 4th December, 1914, and the final meeting on 27th February, 1917.

During its appointment, the Committee held 168 meetings at various places, namely :—

129	meetings in Melbourne,
31	„ Sydney,
2	„ Lithgow, New South Wales,
2	„ Newcastle, New South Wales,
2	„ Brisbane,
2	„ Adelaide,

and 167 witnesses were examined in connexion with the various matters inquired into and reported upon.

COMPLETED INQUIRIES.

The Committee submitted to both Houses of the Parliament eight Reports arising out of inquiries dealing with the following matters :—

- (a) The Small Arms Factory, Lithgow, New South Wales.
- (b) The Commonwealth Naval Dockyard, Cockatoo Island, New South Wales.
- (c) The expenditure incurred in connexion with the S.Y. *Aurora*, of the Shackleton Expedition, at the Commonwealth Naval Dockyard, Cockatoo Island, New South Wales.
- (d) Stationery, Printing, and Advertising Accounts of Commonwealth Departments.
- (e) Stationery, Printing, and Advertising Accounts of Commonwealth Departments (No. 2 Report).
- (f) Stores and Supplies for Commonwealth requirements.
- (g) Establishing a Commonwealth Public Works Department.
- (h) The manner of submitting the Estimates, the Budget, and the Treasurer's Financial Statement.

Of the above the questions included in (c), (d), (e), (f), and (g) were referred to them by the Government, or the responsible Minister concerned; the remaining inquiries, viz., (a), (b), and (h), were initiated by the Committee as matters "to which they thought that attention should be directed."

(a) *The Small Arms Factory, Lithgow, New South Wales.*

It was decided by the Committee to inquire into the general financial position of this Factory with a view to making certain recommendations for its future working.

After ascertaining that the completed cost of the buildings greatly exceeded the estimate, attention was paid to the cost of machinery and plant, power plant, and cost of supervision.

The supply of stores and materials was inquired into, together with the Factory capacity and output, so as to arrive as nearly as possible at the cost of production. "In attempting to arrive at the actual cost of the rifles, the Committee, owing to various causes (set out in the report), were unable to arrive at a definite cost."

Recommendations.—These covered suggestions regarding the sites in addition to the buildings themselves, and the Committee were of opinion that there should be one authority only, responsible for the erection of buildings for all Departments of the Service—a question which was fully dealt with in a subsequent Inquiry.

The Committee considered that a more satisfactory arrangement for the keeping of sufficient stores and raw material, together with the checking of same, would be for the Manager to take the full responsibility.

As nearly as could be ascertained, the cost of producing rifles was £6 17s. 8d. each, and it was recommended, with a view to reducing this cost, that a second shift should be worked with a view to reducing the overhead percentage charges by increasing the output.

Fuller information in regard to a Statement of Accounts was necessary, showing more detail in various items.

The evidence showed that the rifle itself was a satisfactory weapon.

(b) *The Commonwealth Naval Dockyard, Cockatoo Island, New South Wales.*

The Committee, in undertaking an investigation into the financial affairs of Cockatoo Dockyard, realized that this was a matter regarding which Parliament was desirous of obtaining special information.

The question of the transfer of the Dockyard from the State to the Commonwealth being a matter of policy, did not come within the purview of the Committee, but this was the point from which the investigation proceeded.

The deficiency of plant and equipment on the island, including power plant and machine tools, was found to be a most serious drawback to the efficiency of the Dockyard.

The Committee were unable to arrive at any other conclusion than that there had been undue delay in equipping the Dockyard with the necessary plant to enable the building of warships to be carried on expeditiously and economically.

The system of ordering materials was thoroughly gone into, and also the store accommodation.

The work of the Island was found to be carried on under no fewer than 51 separate industrial awards, and the difficulty of their interpretation had led to a certain amount of friction.

The financial aspect including cost of supervision was fully investigated, as was also the system of costing, which enters so largely into the class of work produced on the Island.

Recommendations.—Taking everything into consideration, the Committee were of opinion that there was something radically wrong with the administration of the Dockyard, and that it should be under the control of the General Manager, subject only to the Minister.

The store accommodation was found to be inadequate, and suggestions were offered regarding the obtaining of materials and the taking of stocks.

The Dockyard should be regarded as a commercial undertaking and carried on under a proper business system.

Regarding the industrial troubles, a conference was recommended to be held between the authorities and the men, with a view to consolidation of the numerous awards.

A Minority Report of the Committee favoured the adoption of the Admiralty systems of piece and premium work on a scale in accordance with recognised rates of pay in Australia.

(c) *The Expenditure incurred in connexion with the S.Y. "Aurora."*

In response to a letter from the Honorable the Treasurer, the Committee inquired into the expenditure incurred in docking and overhauling the *Aurora* at the Commonwealth Naval Dockyard, Cockatoo Island.

The circumstances leading up to the carrying out of the work were investigated, with a view to ascertaining whose was the liability "as to the sum expended and not authorized, and which the Treasurer was not prepared to approve."

This ship was to convey certain members of the Shackleton Trans-Antarctic Expedition, and a request was received by the Treasurer from Professor T. W. Edgeworth David, of Sydney University, that the ship should be docked and overhauled, free of charge, or at the lowest possible cost price. The cost of the work would, in the opinion of Lieutenant Mackintosh (the Officer commanding the *Aurora*), not exceed £500. This sum the Treasurer authorized. The amount actually expended on docking and overhauling was £3,281 4s. 1d.—an excess over sum authorized of £2,781 4s. 1d.

While the *Aurora* was in dock, the ship's officers requested that sea stores and certain fittings should be supplied. Various telegrams and minutes passed regarding this further request, and the Navy Office interpreted a somewhat indefinite minute of the Treasurer as an approval of additional expenditure of £500 in connexion with stores and fittings. The amount expended on this head actually reached £657—an excess of £157.

The Committee found as regards the excess expenditure of £2,781 4s. 1d. under the first authorization of £500, that this was entirely due to the failure of the Naval Board to advise the Manager at Cockatoo Dockyard that the maximum expenditure should not exceed £500, and the Naval Board should take the responsibility.

In regard to the second £500, the Dockyard authorities point out that the amount mentioned for their guidance was only approximate, and that the articles were supplied in great haste, but, after making due allowance for these considerations, the difference is somewhat too large.

The Committee considered the Treasury responsible for the sum of £1,000.

(d-e) *Stationery, Printing, and Advertising Accounts of Commonwealth Departments.*

In consequence of the large expenditure in regard to the above items, viz., £213,534, for the year 1914-15, the Treasurer requested the Committee to inquire into the system of obtaining and distributing supplies with a view to greater economy and efficiency.

The various methods in vogue were investigated, and there seemed to be a diversity of procedure in obtaining requirements. Efforts had been made from time to time to establish a uniform system, but they seem to have met with little success. Standardization and analytical test were matters of importance which had not received their full recognition, and there were various systems of ordering supplies.

The reduction of printing by condensation of official papers and reports also left room for much improvement.

Recommendations.—The Committee recommended the creation of a Board to determine types, qualities, sizes, &c., of stationery and office requisites, keeping in view the necessity of reducing these to the fewest possible varieties and avoiding unnecessary expense.

This Board should supervise contracts and purchases other than by contracts, receiving from Departments estimates of their annual requirements as a basis for the making of contracts.

The services of the Government Analyst should be availed of to establish and maintain definite standards of quality.

In regard to printing, it was considered essential to have expert assistance, and contracts should be referred to the Government Printer.

The voluminous nature of departmental reports and tabulated statistics could, with advantage, be condensed.

Subsequently a further Report was presented, embracing the operations in all the States of the Commonwealth, and proposing Commonwealth Local Boards in the respective States to control the supply and distribution in each State.

(f) Stores and Supplies for Commonwealth Requirements.

The Honorable the Minister for Home Affairs submitted a recommendation to the Cabinet—which was approved—that “The Government would refer to the Public Accounts Committee the matter of the establishing of a Supply and Tender Board, or some effective system of dealing with the stores of Commonwealth Departments.”

The present systems of obtaining stores and entering into contracts was first looked into, along with the various methods of distribution. Certain Departments, such as Defence, Naval, Post Office, and Railway Construction Branch, claimed the necessity of retaining supreme control over their own peculiar requirements, which would necessitate the upkeep of Departmental Stores for the storage in bulk of articles of a technical nature.

The Committee inspected State Government Stores, and investigated the systems in operation. The Associated Chambers of Commerce were also approached in an endeavour to obtain evidence from gentlemen interested in business apart from Government control, but with knowledge of governmental requirements.

Recommendations.—After consideration of various alternative schemes, the Committee recommended the creation of a Commonwealth Central Supply Board, together with the establishment in each State of Commonwealth Local Boards.

Seeing that most of the States have machinery already in existence for the securing and distributing of their own stores, a duplication of such machinery for Commonwealth purposes was not economical nor desirable, therefore negotiations should be entered into with the various State Governments with a view to co-operation in this regard.

The establishment of store premises was considered to be unnecessary; a depôt for the assembling, packing, and despatch of goods being all that is required.

The claims made by some Departments of certain of their requirements being peculiar to themselves, were, on close investigation, found to be unwarranted in the majority of cases.

Provision was also made in the case of emergency or urgent supplies.

(g) Establishing a Commonwealth Public Works Department.

At the request of the Government, the Committee reported upon the question of whether there should be one Works Department for the Commonwealth, and, if so, what its scope should be.

The procedure followed in the execution of works by the several Departments in each State and the costing of same formed the initial stage of the inquiry.

A criticism of the existing system was made, setting forth its various advantages and disadvantages.

The functions of the Department of Public Works under the control of the Governments in the various States were analyzed.

Recommendations.—The Committee favoured one Works Department for the Commonwealth, including the Northern Territory and the Federal Capital Territory, and suggested the conversion of an existing Department into a Works Department, with more decided responsibilities, and transferring to other Departments functions other than those appertaining solely to works.

Certain restrictions were imposed on the scope of the suggested Department by retaining in other Departments the completion of such works as would be peculiar to them.

Recommendations dealing with the organization and control at Head Office and in the various States, together with the matter of competitive designs and independent advice on works of magnitude, were also dealt with by the Committee.

(h) *The Manner of Submitting the Estimates, the Budget, and the Treasurer's Financial Statement.*

In consequence of the delay in submitting the above papers to Parliament, the Committee were compelled to postpone an inquiry into the details of receipts and expenditure; but they carefully considered the possibility of improvement by the earlier presentation of these papers, and other matter which would lead to their being more readily understood.

The delay in presentation of these papers is becoming more marked, as can be seen from the tables incorporated in the Report, and, in consequence of these delays, the undesirable practice of covering a considerable portion of the year by a series of Supply Bills has crept in.

Recommendations.—The latest dates upon which the papers should be submitted to Parliament was a matter of prior consideration. Improvements, such as the incorporation of an Index in the Estimates, and the form of certain abstract statements and the adoption of a uniform system throughout were suggested.

In regard to war expenditure, this should be determined as the excess amount over the expenditure ordinarily incurred on a "peace footing" basis.

The separation of Loan and Revenue Funds is a desirable feature of the accounts.

The accounts should show the Balance-sheets and Statements of the various trading concerns at the close of the year; also a more explicit statement in regard to the Federal Territory accounts.

INQUIRIES INCOMPLETE.

(a) *Kalgoorlie—Port Augusta Railway.*

The Prime Minister on 14th February last, in reply to a question in the House "that a searching investigation into the question of the East-West Railway would be arranged by the Government," said—"The Joint Committee of Public Accounts is to inquire into expenditure in connexion with this Railway."

Parliament, however, was dissolved before the Committee had the opportunity of undertaking the investigation.

JOHN THOMSON,

Chairman.

Melbourne, 26th September, 1917.