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THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

MEMBERS OF THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

SECOND GENERAL REPORT.

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MEMBERS OF THE COMMONWEALTH PARLIAMENTARY JOINT COMMITTEE OF
PUBLIC ACCOUNTS.

Second Committee.

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

Senate.

Senator Thomas William Crawford,
Senator the Honorable John Earle,
Senator Allan McDougall.

House of Representatives.

Llewelyn Atkinson, Esquire, M.P.,
James Howard Catts, Esquire, M.P.,
James Edward Fenton, Esquire, M.P.

Third Committee.

Honorable JAMES MACKINNON FOWLER, M.P., Chairman.
JAMES EDWARD FENTON, Esquire, M.P., Vice-Chairman.

Senate.

Senator Thomas William Crawford,
Senator the Honorable John Earle,
Senator Allan McDougall.

House of Representatives.

James Garfield Bayley, Esquire, M.P.,
William Montgomerie Fleming, Esquire, M.P.,
John Henry Prowse, Esquire, M.P.,
John Edward West, Esquire, M.P.

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SECOND GENERAL REPORT

BY THE

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

INTRODUCTORY.

The Third Joint Committee of Public Accounts, at the request of the previous Committee, has the honour to submit the following Report of that Committee's proceedings during the term of its appointment :—

REPORT.

Members of the Second Committee were appointed in the Senate on 25th September, 1917, and in the House of Representatives on 21st September, 1917, and were gazetted in the *Commonwealth Gazette*, No. 212, of the 6th December, 1917.

During the Committee's tenure of office, the Honorable Alexander Poynton resigned, and also Senator George Fairbairn. Senator Thomas William Crawford was appointed to fill the vacancy caused by the latter resignation on 29th May, 1918.

The first meeting of the Committee was held on 25th September, 1917, and the final meeting on 6th October, 1919.

During its term the Committee held 115 meetings at various places, namely :—

97	meetings in	Melbourne.
5	„	Sydney.
5	„	Perth.
3	„	Adelaide.
3	„	Port Augusta, South Australia.
2	„	Flinders, Victoria.

One hundred and seven witnesses were examined, and various inspections made in connexion with matters inquired into and reported upon.

COMPLETED INQUIRIES.

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

- (a) First General Report.
- (b) Papuan Oil Fields.
- (c) Expenditure in connexion with establishing Naval Bases.
- (d) Expenditure on Premises in the Capital Cities, owned and rented, by the Commonwealth for office accommodation.
- (e) Commonwealth Finance—
 - (1) Credit Balances.
 - (2) Method of Departmental Payments.
- (f) Commonwealth Railways.

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

(a) First General Report.

In the First General Report was outlined the work of the First Committee in connexion with the eight inquiries conducted by them, together with a synopsis of recommendations submitted in each case.

Generally speaking, the recommendations of the Committee have been adopted, in whole or in part, and put into operation by the Government.

Dealing seriatim with the eight Reports, viz. :—

- (1) *Small Arms Factory*.—The Committee made certain recommendations in regard to sites and buildings, and the working of a second shift. These were adopted.
- (2) *Naval Dockyard, Cockatoo*.—Recommendations covered control, piece-work (adopted 1st February, 1919), store accommodation (new building erected), and industrial conferences (held).
- (3) *Expenditure on s.y. "Aurora"*.—The allocation of such was dealt with in accordance with the Committee's findings.
- (4, 5, and 6) *Stationery, Printing, Advertising, Stores and Supplies Expenditure*.—A Board to standardize and control contracts for these items, &c., was constituted on 5th December, 1918, under the title of "The Commonwealth Stores, Supply, and Tender Board."
- (7) The establishment of a Commonwealth Public Works Department, together with proposed organization and control, was recommended by the Committee and brought into operation on 14th November, 1916.
- (8) *Estimates, Budget, and Finance Papers*.—Various improvements suggested by the Committee in compilation and index, War Expenditure (Loan and Revenue), &c., were adopted by the Treasury.

(b) Papuan Oil Fields.

The Committee deemed it advisable to elicit information concerning the expense and extent of Commonwealth activities in its search for oil, as a period of about six years had elapsed since the first indications of petroleum were discovered in Papua.

The Commonwealth's operations on the fields were investigated. Future prospects and development were discussed with a view to furthering the project.

Recommendations.—The Committee urged that prospecting should be carried on with greater vigour; this could be assisted by better provision being made in the supply of materials, repairs, and transport facilities; they were also of opinion that details of all expenditure should be kept at the head office in Melbourne.

Since the Committee presented their Report a departmental memorandum (dated 3rd July, 1919) was issued, stating "that the Prime Minister and the Minister for the Navy had discussed with the Admiralty the question of the oil development in Papua, and had suggested that the Admiralty should join in future accelerated operations. General willingness to help with both expert and financial assistance was expressed, and a scheme of co-operation is definitely settled and is well under way."

(c) Expenditure in connexion with establishing Naval Bases.

Considerable works having been undertaken at Henderson Naval Base, at Cockburn Sound, and Flinders Naval Base, at Western Port, the Committee inquired into the expenditure incurred thereon, and the rate of progress made.

It was found that at the commencement operations were hampered by dual control, which has now been abolished.

Statements of costs at each base are shown in the Report, accompanied by remarks on the compilation of the estimate of such costs.

The various schemes proposed in connexion with the bases were examined, as also were accounts, staffs, plant, dredging operations and costs of works, completed or in course of completion. The Committee thought that the "hesitating method of carrying out authorized works results in a waste of public money, and made various recommendations with a view to providing expedition, efficiency, and economy."

Recommendations.—As a fundamental reform the Committee thought that the authorities should know exactly what their objective was in regard to base construction, as they were unable to find any definite evidence of such. Greater care should be taken in making important staff appointments, as serious errors of judgment have resulted in considerable loss in the past.

It was pointed out that considerable expenditure on certain plant had been incurred, which could have been obviated if more business acumen had been displayed.

The Committee were of opinion that improved methods of working, and a more complete plant, would tend to greater economy and efficiency.

An annual audit was also considered necessary. As an outcome of this Report certain action was taken by the Department in regard to the disposal of unsatisfactory plant (tugs.)

(d) *Expenditure on Premises in the Capital Cities, owned and rented, by the Commonwealth for Office Accommodation.*

In pursuance of an investigation undertaken at the request of the then Treasurer (the late Lord Forrest) the Committee presented a Sectional Report dealing with "Office Premises."

The costs relating to the various buildings owned and rented, together with the number of employees housed, were gone into, and inspections of such buildings were carried out in Melbourne and Sydney.

Detailed analysis of rental value per square foot revealed anomalies, and various alternative proposals were investigated from a financial aspect with a view to remedy the defects manifestly existing.

The conclusion arrived at was that the present accommodation does not tend to either economy, efficiency, or public convenience, that the distribution of the many branches and offices over such a large area prevents that close co-ordination and ready communication between officers which is essential to effective economical administration.

The Committee were of opinion that the time had arrived when the Government should consider the desirability of erecting premises of their own in Melbourne on the costly and suitable lands already owned but not fully developed; and, while not expressing preference for any one of the suggested schemes, recommended that the present system should be superseded as early as possible.

In Sydney it was recommended that a suitable site be secured for the erection of premises which would entail a less annual outlay than that now paid in rents.

(e) *Commonwealth Finance—(1) Credit Balances; (2) Method of Departmental Payments.*

The Committee presented a further Sectional Report dealing with the above matters in pursuance of the investigation undertaken at the request of the then Treasurer (the late Lord Forrest).

Under the first item "Credit Balances," detailed examination of the sums held as Treasury balances was made, with a view to devising some scheme whereby the moneys not earning interest could be utilized to better advantage. The importance of this may be at once seen when it is stated that the sums held on current account in banks in Australia and not bearing interest amounted on 30th June, 1918, to £18,851,189.

This was due, to a large extent, to the then existing system of advances by the Treasury to the various Government Departments. Investigations were made with a view to—

- (1) The fuller employment of Treasury balances for the purpose of earning interest.
- (2) A more economical method of departmental payments.

The Committee recommended that action should be taken by the Treasury to make arrangements whereby Treasury balances not immediately required should be invested on a reciprocal basis so as to return interest to the Consolidated Revenue Fund.

The second point in the Committee's considerations dealt with a more economical method of departmental payments. After outlining the systems then existing in the Commonwealth and in various States, the Committee recommended that the Commonwealth system should be discontinued, and the Treasury be directly responsible for payment of all moneys, with the exception of salaries and wages of officers and others employed by Departments, thus reducing the number of paying officers and preventing the accumulation of balances in numerous bank accounts.

This recommendation was adopted as from 1st July, 1919, under Treasury Regulations.

(f) *Commonwealth Railways.*

The Prime Minister (the Right Hon. Wm. M. Hughes) stated in the House that "the Public Accounts Committee was to inquire into expenditure in connexion with the East-West Railway."

The Railways of the Commonwealth comprise four separate lines, and, in consequence of the loss which is being entailed annually on each, the Committee undertook an investigation on all lines in an endeavour to ascertain the reason thereof, and, if possible, suggest remedial measures.

The facts relating to the acquisition of each line were fully dealt with, and also the control that the various lines have been subject to, during and since their transfer or construction.

Estimates and costs were investigated, together with the general method of working, revenue and expenditure, staff, rolling-stock, local conditions, stores and supplies, accounts, travelling facilities, fares and freights, publicity, housing of employees, land settlement, and future expenditure, &c.

The total loss incurred on all Commonwealth Railways, including interest on capital for the year ended 30th June, 1919, was £499,302.

Recommendations.—While it was recognised that the construction of the Trans-Australian line was undertaken for the purpose of linking up the remote parts of the Commonwealth, and that a return of the capital expended could not be looked for for some considerable time, it was considered that with careful administration and a general endeavour by all parties concerned considerable reduction in the annual loss could be made.

Opinion was expressed relative to the location of the administrative head and his staff. Alterations in the system of accounting, *i.e.*, time-sheets and costs, were recommended, and also a closer and more careful expenditure of public moneys in the purchase of rolling-stock.

Other recommendations refer to the various items covered in the Report.

In regard to the Oodnadatta line, a great difficulty under which it was working was the existence of an agreement restricting the rate of fares and freights to be charged.

The Committee recommended that a new agreement should be arrived at between the Commonwealth and the South Australian Government with a view to re-adjustment of fares and freights, and the necessary amending Bills submitted to the respective Parliaments.

Such Bills have been presented and passed, and a new scale of rates came into operation on 1st January, 1920.

Cattle traffic freights on the Northern Territory line are governed by an agreement existing between the Commonwealth and Messrs. Vestey Brothers. The Committee recommend that, as soon as arrangements will permit, a revision of rates should be made on the basis of similar rates ruling on the Queensland Railways, which are considered equitable.

CONCLUSION.

The last Report of the Committee was presented on 8th October, 1919, and shortly afterwards Parliament was dissolved.

J. M. FOWLER,
Chairman.

Melbourne, 10th May, 1920.