



SECOND REPORT

FROM

THE JOINT COMMITTEE OF PUBLIC ACCOUNTS

1952/53

ON

VARIATIONS IN ANNUAL APPROPRIATIONS

UNDER

SECTION 37 OF THE AUDIT ACT 1901-52

Bygrave, 26-3-53

Mr. Deputy President

On behalf of the Committee, I bring up the
Second Report of the Parliamentary Joint
Committee of Public Accounts on Variations
in Annual Appropriation under Section 37
of the Audit Act 1901-52.

JOINT COMMITTEE OF PUBLIC ACCOUNTS:

(appointed 25th September, 1952)

F. A. Bland, Esquire, M.P.	Chairman
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Senator S. D. Paltridge	G. Anderson, Esquire, M.P.
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	H. A. Leslie, Esquire, M.P.
	A. V. Thompson, Esquire, M.P.

N. R. Caffin,
Secretary,
Parliament House,
CANBERRA.

JOINT COMMITTEE OF PUBLIC ACCOUNTS

SECOND REPORT

1952/53

ON

VARIATIONS IN ANNUAL APPROPRIATIONS UNDER SECTION 37 OF THE AUDIT ACT 1901-5

In its first report, your Committee discussed the practice of spending public moneys without prior approval by Parliament. In this report your Committee is concerned with the manner in which the provisions of Section 37 of the Audit Act 1901-52 empowering variations to be made in the annual appropriations are administered.

SECTION 37 - AUDIT ACT 1901-52

The provisions of Section 37 are :-

- (1) If the exigencies of the public service render it necessary to alter the proportions assigned to the particular items comprised under any subdivision in the annual Appropriation Act the Governor-General may by order direct that there shall be applied in aid of any item that may be deficient a further limited sum out of any surplus arising on any other item under the same subdivision unless such subdivision shall be expressly stated to be "unalterable".
- (2) Every order by which such altered application may be made shall be delivered to the Auditor-General within seven days after the making thereof.
- (3) Nothing hereinbefore contained shall authorise the Governor-General to direct that any such sum as aforesaid shall be applied in augmentation of or as an addition to any salary specifically appropriated by the Parliament.

Under the Audit Act, therefore, appropriations may be varied within a subdivision but not so as to increase a salary vote specifically appropriated by Parliament (e. g. Judges' salaries) or where it is expressly stated that the vote for a subdivision shall be "unalterable".

Apart from these two restrictions neither the Act nor the Regulations under the Act impose any limit on what Transfers of funds within a subdivision might be made.

RESTRICTIONS ON SECTION 37 - AUDIT ACT

From its experience of the character of Transfers, and the manner in which Section 37 is applied, the Treasury decided, under Treasury Instruction 202, to impose its own limits upon the classes of votes for which Transfers can be made.

Treasury Instruction No. 202 provides that :-

Transfers will not be permitted by the Treasury under votes headed "Miscellaneous", votes for "Miscellaneous Services" and for "Additions, New Works and Buildings".

Still further restrictions are provided by Treasury Circular.

Until the Audit Act was amended in 1948 every Order of the Governor-General had to be delivered to the Auditor-General and a copy laid before both Houses within seven days after its being made. The amendment however, removed the requirement to lay the Order before the Parliament and it is not until the Auditor-General submits his Annual Report that the Parliament learns of the character and amount of the Transfers made.

ADMINISTRATIVE PRACTICE UNDER SECTION 37 - AUDIT ACT

Treasury Regulation 86 made under the provisions of the Audit Act lays down that :-

(1) Whenever a Transfer under section 37 of the Act (not being a Transfer initiated by the Department of the Treasury) is required, the Authorising Officer shall inform the Secretary, Department of the Treasury, through the Permanent Head and shall set out the necessity for the Transfer.

(2) Transfers approved by the Treasurer shall be submitted for the approval of the Governor-General in accordance with Form 35.

It would appear that this regulation anticipated that the initiative in seeking Transfers would be with the Departments, but your Committee learned that few Transfers are sought by Departments and the bulk of Section 37 Transfers are initiated by the Treasury.

Section 37 of the Audit Act permits the Governor-General to make an Order whenever the exigencies of the public service demand, but it has been found convenient to wait for the Order until after the end of the financial year. When the actual figures of expenditure are available and the audit of the year's accounts is complete the Treasury

calculates the amount of Transfers within the approved limits and to the extent necessary and prepares a schedule of all the Transfers for the year for the Order by the Governor-General. For 1951/52 the Order is dated 11th September, 1952.

TRANSFER PROCEDURE IN THE UNITED KINGDOM

In the United Kingdom the Parliament votes money under divisions only and not under divisions, subdivisions and items as in Australia. The Transfer procedure is :-

(a) Civil Departments

No Transfers between divisions are possible. The United Kingdom Treasury, however, requires civil Departments to account for money under subdivisions and items and it may sanction Transfers between items in a subdivision within a division provided the expenditure falls within the ambit of the wording of the Appropriation Act.

(b) Service Departments

The annual Appropriation Act empowers the Treasury in conjunction with the spending Department to sanction the temporary application of a surplus under any division to meet a deficit on any other division in the same department so long as the total sum voted for that department is not exceeded. The sanction is temporary and subject to confirmation by the Parliament. When the Treasury uses this power, minutes setting out what has been done are laid before the House of Commons as soon as possible and confirmed by a resolution of the Committee of the whole House on Navy, Army and Air Expenditure. Final Parliamentary sanction is given in the Appropriation Act of the year then current.

The United Kingdom Treasury has agreed that save where time is not available, new services should be presented to the Parliament. Further, it agreed in 1950 that any marked change from the picture presented

in the original Estimates should be covered by additional Estimates obtained during the year rather than by a Transfer between votes.

TRANSFER PROCEDURE IN NEW SOUTH WALES

Under New South Wales legislation a section in the Appropriation Act authorises the Colonial Treasurer, or his delegate to permit the transfer of surpluses within and between the Salaries and General Expenses subdivisions. Transfers may be made from item to item or between the two subdivisions and recently restrictions on Transfers to augment salaries have been removed. No transfers can be made in respect of "Other Services Votes" or "Works Votes". In practice, the Transfers are made at the end of each financial year and the Treasurer informs the Auditor-General of the Transfers authorised. The Governor is also empowered by Section 34 of the Audit Act to authorise Transfers from one vote to another but not to public works or to augment salaries. The action must be reported to the Parliament. It is understood that this power is rarely used but the Treasurer uses his authority extensively.

PART II

TRANSFERS FOR 1951/52 UNDER SECTION 37 - AUDIT ACT

The Transfers for 1951/52 listed in Appendix E to the Auditor-General's Annual Report dated 12th September, 1952 total £5.2m., a relatively small amount in a Budget of £1,016m. A comparison with the total of transfers for earlier years is :

	<u>Total Budget Expenditure</u> £m	<u>Total of Transfers</u> £m	£
1938-39	95.1	.41	.44
1939-40	111.9	.54	.48
1949-50	580.7	7.1	1.22
1950-51	841.8	3.9	.46
1951-52	1,016.8	5.2	.51

It will be seen from the following dissection that the bulk of the Transfers for 1951/52 were in respect of votes of the P.M.G's Department and of the Defence Group :-

Group	Expenditure under Ordinary Departmental Votes 1951-52 (a)	Total of Transfers	Transfers within Subdivisions for		
			Salaries and Allowances	General Expenses	Other Service
	£'000	£'000	£'000	£'000	£'000
P.M.G. and Broadcasting Services	63,672	2,540	583	227	1,730
Defence Group	150,320	1,628	145	723	760
Other Departments	68,541	1,102	413	352	337
	282,533	5,270	1,141	1,302	2,827

(a) from Summary of Expenditure Pages xii - xiii of 1952/53 Estimates - in the case of the Defence Group, excluding expenditure on Buildings, etc. and Acquisitions included in these votes.

Your Committee appointed a Sub-Committee to examine explanations obtained from Departments on the larger items of Transfers. It is noted that in many cases both Transfers under Section 37 and Supplementary Estimates had been used to provide authority for expenditure in excess of the original estimates and that the explanations of the excess expenditure covered by the Transfers examined appeared to be similar in character to those considered by your Committee in its examination of the 1951/52 Supplementary Estimates.

Following the report of the Sub-Committee, your Committee examined in more detail the transfers in respect of certain votes of the Postmaster-General's Department and the Repatriation Commission.

POSTMASTER-GENERAL'S DEPARTMENT - Transfers from Votes for Motor Vehicles to Votes for Engineering Stores and other Purposes - £902,164

All expenditure by the Postmaster-General's Department on salaries, general expenses and stores is appropriated in the first place as gross amounts in the ordinary votes of the Department. (See pages 91 to 106 of 1952/53 Estimates). Expenditure under these votes for capital purposes is then deducted from the gross amounts and transferred to the Capital Works and Services votes under the control of the Department. (See page 201 of 1952/53 Estimates).

During 1951/52, expenditure under the Capital Works and Services votes appeared likely to exceed the provision in the original Estimates and Additional Estimates were therefore presented to the Parliament in May, 1952 which authorised a further appropriation of £2.5m..

The additional appropriation did not provide for any adjustment of the gross amounts passed through the original votes although the increase in the gross expenditure and of the amounts actually transferred to the Capital Works and Services votes resulted in the Accounts at the end of the financial year disclosing gross expenditure under the ordinary votes which exceeded the gross provisions obtained for those votes. To meet the deficiency in ordinary votes, Transfers were made under Section 37 of the Audit Act.

That this use of Section 37 is inappropriate was acknowledged by the Treasury and your Committee was informed that, in future, adjustment to the gross appropriation for the ordinary votes will be made either by presenting Additional Estimates or by recourse to Supplementary Estimates.

REPATRIATION COMMISSION

The original estimate under Division 200.C.3 approved by the Parliament for 1951/52 for Maintenance of Departmental Institutions was £4,952,000. An extra £50,000 was obtained for this item in Additional Estimates. Expenditure was actually £4,912,308 i.e. £39,692 short of the original estimate. A Section 37 Transfer of £89,692 (including the amount of the Additional Estimate of £50,000) was made to Division 200.C.6 Miscellaneous.

There is no doubt that the Transfer was within the limits of Section 37 of the Act but your Committee doubts the desirability of using surpluses in an item specifically appropriated by Parliament to meet expenditure for a purpose not directly related to the original vote. It seems to your Committee that Treasury Instruction No. 202 should be expanded to cover cases of this character.

VIEWS OF COMMITTEE

The purpose of Section 37 of the Audit Act is to authorise the use of savings, which would otherwise be surrendered to the Treasury

at the end of the financial year, to meet deficits in related votes. For deficits that cannot be so covered recourse is had to Supplementary Estimates. In both cases public funds have been spent beyond the original estimates.

The difference between the two practices is that while Supplementary Estimates are automatically placed before the Parliament for approval, the Transfers made by Order of the Governor-General in pursuance of the Audit Act, are not brought directly to the notice of the Parliament, which only learns of what has been done when the Auditor-General's Annual Report is tabled. Details of the Transfers, which are very considerable in number, will be found in an appendix to the Report.

The practice authorised by Section 37 is justified on the grounds that exact estimates are difficult to make and some flexibility is necessary and convenient. By the use of Transfers, adjustments can be made within the limits set by the Parliament in the Appropriation Acts.

The problem is to reconcile the principle under which the Parliament appropriates funds for specific purposes with the discretion given to Departments by the Audit Act to spend those appropriations for other purposes. The extent to which the Departments' discretion has been curtailed has already been mentioned. The result, in general, has been that the scope for transfers is more restricted in the Commonwealth Public Accounts than in those of the United Kingdom and of New South Wales.

Nevertheless, your Committee is of opinion that the practice of making Transfers should be reviewed by the Treasury to ensure, in particular, that they should be made only between closely connected items. Even in these cases, however, it is a matter for speculation whether the general use of surpluses to cover deficits does not obscure the much desired duty of public servants to seek savings of public funds consistent with the efficient functioning of their Departments. If Departments were required to seek Additional or Supplementary Estimates, or to wait for next year's budget, it is probable that some of the spending that is not authorised by Parliament might not occur.

Furthermore, the practice by which the Treasury has come to assume the initiative in making Transfers might well be reviewed. Your Committee believes that it is desirable to place more emphasis upon the responsibility of Departments for spending in excess of their appropriations and then seeking relief from that position by the use of Transfers.

It should be the normal procedure for Departments to explain to the Treasury why they have to exceed their appropriations, and to obtain specific approval before the Transfers are made.

A handwritten signature in dark ink, appearing to read 'F. A. Bland', is written over a single horizontal line.

(F. A. Bland)
Chairman.

Canberra.
25th March, 1953.