

1952-53-54.

DEPT. OF THE SENATE
No. 630
presented 2 NOV 1954
Acting CLERK OF THE SENATE

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA.

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JOINT COMMITTEE OF PUBLIC ACCOUNTS.

---

SIXTEENTH REPORT

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TREASURY MINUTES ON REPORTS OF THE  
1952-54 JOINT COMMITTEE OF PUBLIC ACCOUNTS.

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THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA.

Mr. President

On behalf of the Committee, I bring up the Sixteenth Report of the Parliamentary Joint Committee of Public Accounts on Treasury Minutes on Reports of the 1952/54 Joint Committee of Public Accounts.

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

(Appointed 11th August, 1954.)

F. A. BLAND, Esquire, M.P. (Chairman).

Senator C. B. BYRNE (Vice-Chairman).

Senator S. D. PALTRIDGE.  
Senator the HON. H. S. SEWARD.

G. ANDERSON, Esquire, M.P.  
F. CREAM, Esquire, M.P.  
F. J. DAVIS, Esquire, M.P.  
A. S. HULME, Esquire, M.P.  
H. A. LESLIE, Esquire, M.P.  
A. V. THOMPSON, Esquire, M.P.

NEIL R. CAFFIN,  
Secretary,  
Parliament House,  
Canberra, A.C.T.

THE DUTIES OF THE COMMITTEE.

Section 8 of the *Public Accounts Committee Act 1951* reads as follows:—

8. The duties of the Committee are—

- (a) to examine the accounts of the receipts and expenditure of the Commonwealth and each statement and report transmitted to the Houses of the Parliament by the Auditor-General in pursuance of sub-section (1.) of section fifty-three of the *Audit Act 1901-1950*;
- (b) to report to both Houses of the Parliament, with such comment as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Parliament should be directed;
- (c) to report to both Houses of the Parliament any attention which the Committee thinks desirable in the form of the public accounts or in the method of keeping them, or in the mode of receipt, control, issue or payment of public moneys; and
- (d) to inquire into any question in connexion with the public accounts which is referred to it by either House of the Parliament, and to report to that House upon that question,

and include such other duties as are assigned to the Committee by Joint Standing Orders approved by both Houses of the Parliament.

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JOINT COMMITTEE OF PUBLIC ACCOUNTS.

SIXTEENTH REPORT

TREASURY MINUTES ON REPORTS OF THE 1952-54 JOINT COMMITTEE OF PUBLIC ACCOUNTS.

1. The Joint Committee of Public Accounts constituted by the *Public Accounts Committee Act 1951*, was elected on the 26th September, 1952, and held office until the House of Representatives of the Twentieth Parliament was dissolved on the 24th April, 1954. During this period the Committee submitted fifteen reports to the Parliament as follows:—

- First Report—  
Supplementary Estimates 1951-52.
- Second Report—  
Variations in Annual Appropriations under section 37 of the *Audit Act 1901-1952*.
- Third Report—  
Administrative Arrangements Order.
- \*Fourth Report—  
Department of National Development.
- Fifth Report—  
Department of Works.
- Sixth Report—  
Department of External Affairs.
- Seventh Report—  
Administration of Sales Tax.
- Eighth Report—  
Parliamentary Procedure in the House of Representatives on the Supply and Appropriation Bills.
- Ninth Report—  
"Stephan" Prefabricated Buildings.
- \*Tenth Report—  
Further Report on Department of National Development.
- Eleventh Report—  
Joint Coal Board.
- \*Twelfth Report—  
Postmaster-General's Department.
- Thirteenth Report—  
The Form and Content of the Financial Documents Presented to the Parliament—Progress Report.
- Fourteenth Report—  
Supplementary Estimates and Variations under section 37 of the *Audit Act 1901-1953*, for the year 1952-53.
- Fifteenth Report—  
Repatriation Department.

2. In examining witnesses and discussing material presented, the full Committee, and its sectional committees, met on 24 days during the period October, 1952-30th June, 1953, and 60 days during the period 1st July, 1953-24th April, 1954.

ARRANGEMENTS WITH THE TREASURER FOR DEALING WITH THE COMMITTEE'S REPORTS.

3. The 1952-54 Committee arranged with the Treasurer the procedure to ensure that its reports would be

considered. The terms of the arrangement, which were reported to the Parliament in the First Report presented on the 10th March, 1953, are—

- (1) the report of the Committee should be tabled by the Chairman and Vice-Chairman in the House of Representatives and the Senate respectively and a motion moved that the report be printed as a Parliamentary Paper,
- (2) the Chairman of the Committee should thereafter forward a copy of the report to the Treasurer for his consideration with a request that he inform the Chairman of the action taken,
- (3) the replies received from the Treasurer should be included in a later report to the Parliament.

4. Circumstances prevented the Treasurer from completing his discussions with departments reported upon by the Committee before the Twentieth Parliament was dissolved. At that time, only three replies had been received from the Treasurer in the form of Treasury Minutes. When this Committee, after being elected by the Twenty-first Parliament, commenced its investigations, it was clear that the procedure for dealing with the Treasury Minutes would need consideration. Accordingly, the Committee again approached the Treasurer and the following arrangements were made with him for handling his Minutes, viz.:

- (a) A Treasury Minute in reply to the Committee's report should be submitted to the Parliament as soon as possible after it is received.
- (b) The Committee should not usually make any comment on the Treasury Minute other than to note recommendations not dealt with or subject to a further Minute. In special cases where comment is thought to be desirable, the Committee would make it.
- (c) The Committee should review a Minute, if necessary, when it again examines the department concerned.

The Committee decided that the above procedure should be reviewed in the light of subsequent experience.

5. The Chairman of the Committee mentioned the arrangement at the first public meeting of the new Committee on the 6th September, 1954; a copy of his remarks is attached to this Report as Appendix No. 1.

6. The Treasury Minutes, which are the subject of these arrangements, record a satisfactory measure of co-operation from the Commonwealth departments in dealing with the Committee's recommendations. The main burden of this work falls on the Treasurer and the Committee appreciates the willingness with which that Department has assisted it. The Committee has also looked for and obtained valuable aid from the Auditor-General and the Public Service Board.

\* Treasury minutes in respect of these Reports have not been received.

TREASURY MINUTES REPORTING THE ACTION TAKEN ON THE RECOMMENDATIONS OF THE 1952-54 COMMITTEE.

7. On behalf of the Treasurer, the Treasury has submitted to the Committee a number of Minutes on its recommendations. In examining the Minutes, it should be emphasized that some matters may take a long time to determine. The Treasury, in agreement with the Committee, has not delayed submitting its Minutes until every issue has been settled. It has been ready to send a provisional Minute in order that it

might be speedily submitted to the Parliament. Of the Treasury Minutes, three have already been printed,<sup>(1)</sup> but as the Committee believes it would be convenient for the Parliament to have the Minutes in one document, they are all included in this Report, prefaced by the major recommendations of the Committee.

(1) Treasury Minute on First Report is printed with Ninth Report. Treasury Minute on Second Report is printed with Tenth Report. Treasury Minute on Third Report is printed with Eleventh Report.

FIRST REPORT OF THE COMMITTEE (5TH MARCH, 1953)—SUPPLEMENTARY ESTIMATES 1951-52.

8. The First Report of the Committee dealt with—  
(a) the procedure the Committee intended to follow in its consideration of the accounts of the Departments and its arrangement with the Treasurer (already reported above), and  
(b) the Supplementary Estimates submitted to the Parliament for the year 1951-52.

9. The Committee selected a series of items which represented the various purposes for which the Supplementary Estimates were appropriated. The principal criticism of the Committee was the need for ensuring that public moneys should not be spent without prior Parliamentary appropriation.

TREASURY MINUTE.

10. The Treasury Minute covering this Report is dated 7th October, 1953, and is as follows:—

The First Report of the Committee is made under two Parts. Part 1 deals with procedural matters and does not call for any special Treasury comment. This Minute is accordingly directed to the Committee's observations under Part 2 which relates to the Supplementary Estimates 1951-52.

2. The Committee selected for special examination a range of items as typifying the various classes of expenditure which required to be provided in the Supplementary Estimates. Detailed statements on these items were presented to the Committee by the responsible Departments and where necessary it heard evidence from Departmental officials.

3. In view of the information already furnished, the Treasury believes that the Committee does not desire a recapitulation of the circumstances leading up to the provision of funds in each case. Rather it would wish the Treasury to discuss the questions of general principle emerging from the Committee's examination of the accounts. With this in mind, the following comments are offered:

4. General Observations on 1951-52 Transactions. The year under review, viz., 1951-52, was a particularly difficult one from the point of view of the control of funds. The price spiral was at its height and wages and other expenses increased considerably during the year. Furthermore, owing to an improvement in the supply position, goods and materials which previously needed to be ordered well in advance came along earlier than was anticipated. As a result the accounts of the year were called upon to meet many costs which could not be foreseen when the Budget Estimates were prepared. To meet the situation, Additional Estimates totalling £27,597,600 were presented to Parliament prior to the close of the year. For various reasons, however, items of expenditure amounting to £3,268,000 required appropriation by Parliament in the Supplementary Estimates.

5. Additional Estimates (i.e. those presented before the end of the financial year) as opposed to Supplementary Estimates (presented after the financial year).—The Committee referred to the fact that certain items might have been included in Additional Estimates rather than in Supplementary Estimates. The regular presentation of Additional Estimates to Parliament is a comparatively recent practice which had its origin in the war years. Subsequently it was extended to cover items of civil expenditure. The basic principles adopted by the Treasury have been as follows:—

- (1) The amount of the item is comparatively substantial.
(2) The proposed expenditure is covered by proper approval.
(3) A reasonable estimate of the expenditure can be made.
6. The amount of detail which should be included in the Additional Estimates having regard to the above principles is under review. The Additional Estimates presented to Parliament in respect of the financial year 1952-53 which were in course of preparation at the time the Committee was considering the 1951-52 Supplementary Estimates contained a wider range of items than those of previous years and the matter will be further examined next year.

7. Fixed Statutory Appropriations as opposed to provision in the Annual Appropriation Act.—In three instances (Dairy Efficiency Grant, Dairy Produce Subsidy and Nitrogenous Fertilizers Subsidy) the Committee commented that the payments rested for their statutory authority on the Annual Appropriation Acts. While not questioning the legality of this procedure, it suggested that it would have been preferable for them to have been authorized by specific legislation which would detail the conditions under which the grants were to be made.

8. The Treasury agrees that, as a general principle, it is desirable that payments extending beyond a financial year should be subject to specific conditions should, as far as is practicable, be authorized by special statute, particularly where the amount involved is considerable. The extent to which special legislation authorizing expenditure should be presented to Parliament is a matter for consideration by the Government of the day. A limiting factor may sometimes be the difficulty which would be encountered in adding to an already over-full legislative programme.

9. The importance of this issue is appreciated and the Committee's observations will be brought under the notice of the Government.

10. Forward Ordering Supplies and Services.—The Committee commented on supplementary provisions necessary to cover certain over-expenditures for supplies and expressed the opinion that no commitment of Commonwealth funds should be made until the authority of Parliament had been obtained or that of the Treasurer for payment from Treasurer's Advance Account.

11. The increases in expenditure referred to were brought about in the main by the easing in the supply position referred to earlier in paragraph 4 of this Minute. As a result, the necessity for the year were called upon to meet charges that could not be foreseen when the Estimates were being prepared.

12. In the interests of efficient and orderly administration Departments are permitted under Cabinet or Treasury approval to incur liabilities for goods and services, the cost of which would be met from the Appropriation of a subsequent year. Otherwise, because of the time lag in delivery, Departments would not be able to expend within a year the moneys allotted them by Parliament for the purpose of their functions.

13. The operation of the "Programming Procedure" as it is termed is discussed fully in paragraphs 110 and 120 of the Annual Report of the Auditor-General for 1951-52 and 1952-53 respectively.

14. Expenditure in Anticipation of Parliamentary Authority.—The Committee referred to an item, viz., Grant to Boy Scouts Association, £5,000 as representing a number of similar items in the Supplementary Estimates. In this case the grant was approved in January, 1952. Because of the small amount involved it was not included in the Additional Estimate which were presented to Parliament in May, 1952, but was provided in the Supplementary Estimates. The Committee commented that it believed that Parliamentary authority for the expenditure of Commonwealth funds should be sought before the money is spent.

15. While the Treasury is in general agreement with the principle that expenditure should not be incurred without specific Parliamentary approval, there are circumstances which make it impossible to lay down an inflexible rule in these terms. Adoption of such a procedure would result in the situation that an urgent or unavoidable expenditure, either in the administrative field or for other purposes, even if deliberately directed as a matter of Government policy, could be incurred during periods when Parliament is in recess. Moreover, Parliamentary procedure which allows unrestricted debate on Supply matters renders impracticable the presentation and discussion of Additional Estimates at frequent intervals throughout the financial year.

16. The vote in the Annual Estimates under the head "Advance to the Treasurer" contains the following narration:—

"To enable the Treasurer to make advances and meet expenditures, particulars of which will afterwards be included in a Parliamentary appropriation."

17. Under this vote Parliament authorizes the Treasurer to incur expenditure in anticipation of subsequent appropriation and, so long as the expenditure is ratified in the Additional Estimates or the Supplementary Estimates, legal requirements are met.

18. In view of the wide ramifications of the financial activities of the Commonwealth, the Treasury believes that it is necessary for the Treasurer to be vested with authority to incur expenditure in anticipation of the approval of Parliament. The present procedure provides the only practical method under which this result can be achieved.

FURTHER TREASURY COMMENTS ON INDIVIDUAL ITEMS.

19. International Development and Relief—Division No. 100, Item 7—U.N.R.R.A.—Contribution £177,464.—This item relates to expenditure during 1951-52 arising out of the re-negotiation of an uncompleted contract originally entered into for the supply of 50 locomotives made "McArthur" locomotives to China as part of the Commonwealth Government's contribution to the U.N.R.R.A. scheme. Following a change in the international situation the contract was re-negotiated and the number of locomotives was reduced to twenty of which ten were for the Commonwealth Railways and ten for the South Australian Government. The amount voted for 1951-52 represented portion of the loss to the Commonwealth under the modified contract.

20. In discussing the details of this transaction, the Committee expressed the view that the wording of the item in the

Supplementary Estimates was not sufficient to inform Parliament of the true nature of the transaction.

21. During the hearing Treasury informed the Committee that the head of deficit was a temporary one pending examination of the full circumstances of the contract with a view to determining what would be a reasonable charge against the U.N.R.R.A. vote in respect of the cancellation of the original contract.

22. This investigation has now been completed and an appropriate adjustment has been made in the 1952-53 Supplementary Estimates. Of the total expenditure to 30th June, 1952 (after allowing for credits from the proceeds of the sale of the locomotives and unused material) an amount of £500,000 has been determined as a reasonable charge to the U.N.R.R.A. vote. The balance of £333,938 was provided under a special Treasury vote designated "net loss on McArthur locomotives".

DEPARTMENT OF COMMERCE AND AGRICULTURE.

23. Division 100, Item 1—Subsidies—Dairy Products £1,043,307.—In the course of its comments the Committee observed that the statutory authority for the payment of the bounty rested on the Annual Appropriation Acts.

24. The Department of Commerce and Agriculture has advised that the authority for paying bounties on Dairy Products was the Dairying Industry Assistance Act 1943, now repealed and replaced by the Dairying Industry Act 1952.

25. Division 100, Item 4—Subsidies—Nitrogenous Fertilizers £231,183.—The Committee commented that the wording of the item did not state adequately the purpose of the expenditure for which approval was sought. In addition, it suggested that the method by which procurement and distribution are financed should be examined.

26. This item was reviewed when the 1952-53 Budget was under consideration, and a change was introduced in order to reflect the true amount paid by the Commonwealth as subsidy on nitrogenous fertilizers. Last financial year the loss incurred in distributing these fertilizers (this amount being the subsidy) was debited to the item. The revenue obtained from the sale of stocks carried over from 1951-52 was credited to Consolidated Revenue. Unless the system of subsidizing nitrogenous fertilizers is altered, this method will be applied in future years. In the event that it is again necessary to finance carry-over stocks, the money required for this purpose will be shown under a separate vote, the subsidy vote carrying only the loss on distribution.

11. In the 14th Report, which was the second occasion on which the Committee examined Supplementary Estimates and variations of appropriations (this time for 1952-53) and which was presented to the Parliament on 7th April, 1954 (paragraphs 5-8), the Committee stated that these comments did not, at that stage, necessitate further action.

SECOND REPORT OF THE COMMITTEE (26TH MARCH, 1953)—VARIATIONS IN ANNUAL APPROPRIATIONS UNDER SECTION 37 OF THE AUDIT ACT 1901-1952.

12. The Second Report dealt with variations in annual appropriations under section 37 of the Audit Act, the provisions of which are as follows:—

(1) If the exigencies of the Public Service render it necessary to alter the provisions assigned to the particular items comprised under any subdivision in the annual supplies the Governor-General may by order direct that there shall be applied in and 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 authorize the Governor-General to direct that any such sum as aforesaid shall be applied in augmentation of or as an addition to any salary.

13. After an investigation of a representative selection of transfers made in 1951-52, the Committee expressed the following views:—

The purpose of section 37 of the Audit Act is to authorize 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 authorized 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 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 authorized by the 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 greater 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.

#### TREASURY MINUTE.

14. The Treasury Minute covering this Report is dated 13th May, 1953, and is as follows:—

The Treasury has examined the Second Report of the Joint Committee on Public Accounts 1952-53 on Variations in Annual Appropriations under section 37 of the Audit Act, and makes the following comments:—

##### AUTHORITY TO DEPARTMENTS TO ANTICIPATE TRANSFERS.

2. The Committee has drawn attention to the current practice under which most transfers are initiated by the Treasury after the close of the financial year, departments in the meanwhile being authorized to anticipate authority for transfers under specified votes. The Committee suggests that there might be a better control of expenditure if departments obtained prior approval in each case.

3. The Treasury agrees that there is scope for improvement in the present procedure. This has now been reviewed and amended instructions have been issued. Apart from the total restriction on transfers under certain votes referred to later, civil departments have been advised that, for the financial year 1952-53 and until further notice, it will be necessary for them to make individual application to the Treasury in each case where the proposal supplementation of an item of a sub-division under which transfers are permitted is in excess of 10 per cent. of the amount of the item, or £10,000 whichever is the less. Application will not, however, be necessary if the amount to be transferred, together with any previous transfer, to the item is less than £100.

4. Departments have been further informed that they are not to assume that a transfer will be approved solely because of the fact that a saving will be made on another item, and the necessity for the additional funds must be clearly demonstrated.

5. The adoption of these procedures will result in a closer scrutiny of departmental expenditure and ensure that any appreciable variation from the original appropriation will receive careful Treasury examination.

6. In view of their special problems, separate instructions will be issued for Post Office and the Defence Services.

##### SUGGESTED REVISION OF PROCEDURE.

7. The Audit Act and Treasury Regulations impose only very minor restrictions on the transfers that may be made within a sub-division of the Estimates. Having regard to this fact the Committee suggests that the Treasury practice of making transfers might be reviewed with the object of restricting transfers to closely connected items. In considering this suggestion the following points might be borne in mind.

8. Firstly, the Treasury by administrative action has already imposed certain limitations on transfers. The general effect of current restrictions is that transfers are restricted to items within Salaries and General Expenses sub-divisions of Administrative votes.

9. Secondly, the Australian transfer procedure is already much more rigid than that observed in the United Kingdom, where money is voted by Parliament under Divisions only and not under divisions, sub-divisions and items as is the case in Australia.

10. The itemization of votes is not governed by any set rule and the number and description of items in a sub-division are determined by the Treasury, in consultation with departments. Regard is then had to the nature of the expenditure, the sum involved, the need for uniformity as between departments, and convenient accounting classifications.

11. It is impossible to estimate with precision requirements under each item of Administrative votes, e.g. postage, office requisites, travelling expenses and the like. The Treasury has no evidence that the system of section 37 transfers is being abused and it believes that departments should be permitted some flexibility within a sub-division. To lay down a general rule requiring prior Treasury approval in every case would involve departments in a considerable amount of work and expense which it is considered would not be justified by the results achieved.

12. Recent instructions provide, however, that in all cases where the amount is considerable in relation to the provision, prior Treasury approval must be sought. Such requests will then be considered by the Treasury on their merits, both as regards the amounts to be transferred and the items from which transfers are proposed.

##### POSTMASTER-GENERAL'S DEPARTMENT

Transfers from Votes for Motor Vehicles to Votes for Engineering Stores and Other Purposes.

17. The Treasury has considered the Committee's comments in consultation with the Postmaster-General's Department and a future procedure has been decided upon under which:—

- (a) Adjustments to gross appropriations for "Ordinary Votes" will be made either by presenting Additional Estimates or Supplementary Estimates.
- (b) Requirements for section 37 transfers will be submitted to the Treasury for approval at intervals during the financial year following the periodical reviews of expenditure by the department.
- (c) Section 37 transfers will not be permitted between certain items of Post Office Estimates.

Full details of the proposals with which the Treasury is in general agreement, have been conveyed to the Committee by the Postmaster-General's Department.

13. The Treasury feels that these instructions will go a long way towards meeting the points of criticism raised in the Report. In the circumstances, it believes the Committee will agree that no further review of transfer procedure is necessary.

##### REPATRIATION COMMISSION—DIVISION 200C.

14. The Committee's comments in this case are directed at the fact that an amount of £30,000 provided in the Additional Estimates 1951-52, which proved to be in excess of the requirements of the item for which it was appropriated, was used to supplement the provision for another item within the sub-division by means of a section 37 transfer.

15. As a matter of law, section 37 of the Audit Act does not discriminate between amounts appropriated in the Additional Estimates as contrasted with the appropriation in the Original Estimates.

16. Nevertheless the Treasury agrees that in view of their individual character it is undesirable that amounts appropriated in the Additional Estimates should be used to supplement other items. The Treasury Instructions are being amended accordingly.

THIRD REPORT OF THE COMMITTEE (10TH JULY, 1953)—ADMINISTRATIVE ARRANGEMENTS ORDER.

15. In this Report, the Committee examined the administrative, legal and constitutional significance of the Administrative Arrangements Order. The conclusions of the Committee were summarized as follows:—

- (a) The significance of the Order has not been appreciated by all departments.
- (b) The Order as such does not possess authority on which to base claims for staff and funds to carry out the functions stated.

TREASURY MINUTE.

16. The Treasury Minute is dated 14th October, 1953, and is as follows:—

1. Reference is made to Treasury Minute of 30th September, 1953, in which the Committee was advised that the contents of its Report on the Administrative Arrangements Order had been brought under the notice of the Departments concerned.

2. The Committee is informed that advice has been received from the Prime Minister's Department that action

is being set in train to prepare a draft revision of the Administrative Arrangements Order for consideration by the Government.

3. The Committee is informed that the Treasury is guided by the conclusion expressed in Paragraph 53 (b) that the Order as such does not possess authority on which to base claims for staff and funds to carry out the functions stated.<sup>12</sup>

- (c) the Governor-General's Order listing acts and fields of activity of departments is important in Commonwealth legal proceedings and a statement of the fields of activity is valuable for departments and the public,
- (d) the statements in the existing Order should be reviewed, and
- (e) whatever form the Order takes in future, the documents should be in precise terms and should be subject to effective and regular scrutiny.

FIFTH REPORT OF THE COMMITTEE (25TH AUGUST, 1953)—DEPARTMENT OF WORKS,

17. The Committee did not attempt to cover every aspect of administration of the Department, but contented itself with an examination of selected activities by which to test the effectiveness of the administration of the Department.

18. The more important of the activities examined were:—

- (1) The general administration and organization of the Department, which revealed a reliance upon the technical officers to the exclusion of the administrative officers,
- (2) inefficient and inadequate control over labour and material, and an insufficient appreciation of the cost involved in, and large variations between, estimated and actual costs of projects,
- (3) the excessive demands on the Department by client departments for designs and the use of private architects,
- (4) deficiencies in the accounts and operation of industrial undertakings.

19. The general conclusions of the Committee were as follows:—

Functions—

- (1) The Administrative Arrangements Order, so far as it relates to the Department of Works, should be reviewed.

Design—

- (2) Client departments should not call for the preparation of sketches and plans, until there is a reasonable prospect of the projects concerned being carried out without undue delay.
- (3) Client departments should define their requirements clearly before they approach the Department of Works.
- (4) A constant review should be maintained of the arrangements between the design staffs of the Department of Works and other Departments.
- (5) The question of the employment of private architects should be examined by the Public Service Board.

Administration—

- (6) Regular inspections of the industrial practices of the Branches of the Department of Works should be maintained.

(7) Consideration should be given to an amendment of the *Commonwealth Public Works Committee Act 1915-1931* to permit the Committee to review the reports under special circumstances and to ensure that all major works are examined by the Public Works Committee.

(8) The Committee feels that there is insufficient appreciation of cost control at all levels of technical executives. The Committee emphasizes the need for effective controls over expenditure and costs and considers that, as one way to this end, the necessity for cost consciousness and the basic principles of cost and expenditure control should be brought to the notice of all officers of the Department.

(9) Bills of quantity should be used more comprehensively in the control of projects, and bills of quantity or suitable schedules of labour and materials should be prepared in all States for all jobs, contract or day labour, over a minimum figure, irrespective of the standard adopted by the local architects and building industry.

(10) Adequate consideration should be given to cost when proposals are being made to overcome short-term situations.

(11) In regard to the industrial undertakings of the Department:—

- (a) the presentation of the balance-sheets of the industrial undertakings should be improved.
- (b) the question of charging interest on capital invested in the industrial undertakings should be considered.
- (c) the pricing policy of the industrial undertakings should be kept under supervision by the Treasury and the Auditor-General by a regular inspection of accounts.
- (d) the annual accounts of the industrial undertakings should be submitted to the Auditor-General by a certain date each year for audit and comment in the Annual Report of the Auditor-General.
- (e) the financing of their activities should be provided for by a number of separate Trust Accounts.
- (12) The amount of the balance of the Works Suspense Trust Account should be kept under review by the Department of Works and the Treasury so that repayment of advances to the Consolidated Revenue Fund could be made when considered appropriate.
- (13) The Department should consider whether a greater proportion of stores should be purchased for delivery direct to jobs, and whether there should be more collective purchasing.

TREASURY MINUTE.

20. The Treasury Minute is dated 3rd September, 1954, and is printed below:—

1. The Treasury agrees generally with the conclusions reached by the Committee and set out in paragraph 152 of the Report. An account follows of the action taken or proposed in accordance with the Committee's suggestions.

Design.

2. In October, 1953, on the joint recommendation of the Treasurer and the Minister for Works, the Government approved the introduction of new procedures for Commonwealth Works Budgeting which were designed *inter alia* for the purpose of eliminating wasteful expenditure on planning. The procedures limit the preparation of sketches and plans to projects forming part of the "Current Works Programme" for the current financial year or the "Design Lists" approved during the year. The composition of the Current Works Programme and the Design Lists is determined ultimately by Cabinet.

3. The arrangements between the design staffs of the Department of Works and other Departments and the question of employment of private architects have been investigated by the Organization and Methods Section of the Public Service Board. As a result the Board has certain tentative proposals on these matters which it wishes to discuss with the Director-General of Works before reaching any firm conclusions.

Industrial Undertakings.

4. Treasury proposes that the operations of these undertakings be financed from a separate Trust Account. This Account will be sectioned, the sections recording separately transactions for timber milling activities, quarries and sand wash, and cement products.

5. Proposed amendments to the Audit Act and Treasury regulations now under consideration will require the Department of Works to submit annually to Treasury and to the Auditor-General (for audit and comment in his Annual Report to Parliament) in the form prescribed financial statements relating to the operations of these undertakings. In the meantime the Department has been asked to submit to Treasury financial statements for these undertakings for the year 1953-54. The statements will, in the ordinary course, be available to the Auditor-General from the Department, and no doubt he will comment upon them (if he sees fit to do so) in his Annual Report for 1953-54.

6. Practically the whole of the output of these undertakings is used for buildings and other engineering works financed from the Commonwealth Budget. If interest on the capital investment were charged into the cost of the products and recovered, together with other operating costs, from the projects on which the products are used, the result would be an indication of expenditure and the accumulation of cash balances in the Trust Account which is considered to be undesirable. For sales to private persons—which take place on a very small scale—Treasury agrees that the price asked should be sufficiently high to recover interest on the capital investment, except in special circumstances.

#### Works Suspense Trust Account.

7. The amount of the balance of the Works Suspense Trust Account is, and will continue to be, kept under review by Treasury. Repayment of advances to the Consolidated Revenue Fund will be requested by Treasury as considered appropriate, with due regard for overall budgetary policy. As well as excluding from the Trust Account transactions in respect of industrial undertakings, as mentioned above, it is proposed to record transactions in respect of messes and hostels operated by the Department in a new and separate Trust Account. This new Trust Account and the separate Trust Account for industrial undertakings will operate from 1st January, 1955.

#### Functions.

8. As stated in the Treasury Minute dated 14th October, 1953, relating to the Third Report upon the Administrative Arrangements Order, the whole of the Administrative Arrangements Order including that part relating to the Department of Works is under review.

#### Administration.

9. The advice received from the Department of Works regarding action taken on other conclusions in the Report is—

#### Conclusion No.

#### Advice.

6. "Regular inspections of the industrial practices in each branch of the Department are now maintained on an efficient basis. Furthermore, industrial staff from Head Office made periodic checks to ensure that the branch inspections are maintained on the level that is considered desirable."

### SIXTH REPORT OF THE COMMITTEE (7TH SEPTEMBER, 1953)—DEPARTMENT OF EXTERNAL AFFAIRS.

7. "The question of the amendment of the Commonwealth Public Works Committee Act is now under consideration by the Minister for this Department".
8. "A great amount of effort has been expended in an effort to instil cost consciousness and the basic principles of cost and expenditure control into all responsible officers of the Department. Moves to bring this about have been initiated by Head Office and the Assistant Director-General (Construction) has personally visited branches and individual projects to check the effectiveness of the measures adopted. It is considered that these efforts are having a beneficial effect".
9. "Due to the shortage of quantity surveyors it has not been possible to prepare full bills of quantities for contract jobs over the minimum figure set by the building industry in the State concerned. On the other hand, material lists for all day labor projects over an estimated value of £200 are now prepared and requisitions for materials are carefully checked against these material lists. Any discrepancies are checked before authorization".
10. "The Department has considered this question and believes that the greater proportion of stores should be purchased for delivery direct to jobs and this policy has been developed to the fullest extent. The Department considers that certain lines of materials are eminently suited to collective purchasing under the yearly contract system and some contracts on this basis have already been arranged".
11. "The Department has considered this question and believes that the greater proportion of stores should be purchased for delivery direct to jobs and this policy has been developed to the fullest extent. The Department considers that certain lines of materials are eminently suited to collective purchasing under the yearly contract system and some contracts on this basis have already been arranged".

21. The Committee paid particular attention to the cost of the department as a whole and the cost of overseas establishments, including the allowances payable to the overseas staff. The provision for salaries for 1952-53 under Division 17/A/1, the new buildings at New Delhi, India, and the training of diplomatic cadets were other issues specifically examined.

22. The conclusions of the Committee were—

#### Functions.

(1) The statement of functions of the Department of External Affairs should be reviewed.

#### Cost of Department.

(2) The expenditure on representation is in line with that of other British Commonwealth countries if the cost of external representation is taken as a percentage of national income.

#### Review of Overseas Staff.

(3) A system of regular inspections of overseas posts by a selected officer should be introduced.

(4) The views of the Committee expressed in paragraph 20 should be carefully noted by the Treasury.

#### Overseas Allowances.

(5) There should be an examination of costs in Australia and at overseas posts to determine a satisfactory basis for allowances.

- (6) The system of regular inspection of overseas posts should include the assessment of the information upon which allowances are determined at each post.
- (7) The difference in rates of allowances paid to officers of the Department of External Affairs and to those of the Department of Commerce and Agriculture respectively should be examined.
- (8) The exchange increment introduces an unnecessary complication; the practice already adopted for employees stationed in North America should be extended, i.e.—(a) the allowances should be expressed in the currency of the country where the officer is stationed, and (b) the salary should be expressed in Australian currency and converted at the current rate of exchange.
- (9) The scale of rent allowances is unrealistic and should be revised for use whether in Australia or overseas.

#### New Delhi Project.

(10) The New Delhi project should be examined by the Parliamentary Standing Committee on Public Works.

#### Diplomatic Cadets.

(11) The method of training diplomatic cadets should be reviewed having regard to (a) the proposal to reduce the rate of recruitment and (b) the possible heavy per capita increase in cost in 1954.

### TREASURY MINUTE.

23. The Treasury Minute is dated 5th April, 1954, and is as follows:—

The Treasury has noted the contents of the Report and has examined the several conclusions of the Committee in consultation with the Departments concerned.

2. In paragraphs 25-29 of its Report the Committee referred to an assurance which the Treasury had given to the Department that a reduction of £10,000 made in the draft estimate for Salaries under Division 17/A/1 would be restored if the reduced amount proved insufficient for requirements and commented that actions of this nature should be closely examined as they may be one way of defeating decisions of the Government to reduce the Estimates. In view of the Committee's comments and the importance of the issue it is considered desirable to explain the circumstances of this arrangement which were not fully disclosed in the evidence before the Committee.

3. In compiling the Salary estimate for permanent employees (Item 1 of the Salaries vote) it is the practice for Departments to calculate as a commencing point the cost for the year of the approved establishment. From this total is deducted an amount which it is estimated will remain unexpended during the year as a result of staff movements and other causes. These savings may arise from delays in filling positions, replacement of senior officers by officers on a lower salary, absences on leave without pay, &c. The assessment of such a saving is a difficult matter as it is subject to many unpredictable factors.

4. Experience over an extended period has proved that Departments are ultra-conservative in their estimating of this saving and as a result the Treasury is frequently asked to provide an amount for salaries greater than is actually required. The cumulative effect of these over-provisions may be substantial and therefore of some consequence to the Government in its Budget planning. It is not unusual, therefore, for the Treasury to suggest to a Department that its salary estimate might be reduced by increasing the amount estimated to remain unexpended with the assurance that the question of provision of further funds would be later examined in the light of actual experience.

5. The justification for this practice is evidenced in the instance under notice by the fact that the reduction of £10,000 made in the estimate it was only necessary to restore £3,000.

6. The Committee's attention is invited to the fact that there are many items throughout the Estimates for which the

amount needed to meet the cost for the year of an approved supply or service must be a matter of judgment. Considerably to over-estimate such expenditure merely to ensure that the estimate will not in any circumstances be exceeded would result in a most undesirable inflation of Budget figures, besides providing an invitation to excessive expenditure.

7. The Treasury believes that the course which it is following is the only practical one in the circumstances. It may be necessary in some cases to provide further funds in the Supplementary Estimates but this is considered preferable to the alternative of a substantial inflation of the over-all figure of Budget expenditure.

8. Following is a statement of the action taken in relation to the other matters referred to in paragraph 73 of the Report:

Item (1) A revised statement of the functions of the Department is now being prepared. This will be used for the purpose of the revision of the Administrative Arrangements Order referred to in Treasury Minute of 14th October, 1953, relating to the Third Report of the Committee.

Item (2) An inspection has been made of a number of posts in Asia and further inspections will be made during 1954 of other posts.

Items (5) to (9) The Overseas Allowance Committee has been examining these and other matters related to the determination of allowances. The Public Service Board is at present considering a revision of its scale of living costs quoted in paragraph 52 of the Committee's Report.

Item (10) Treasury and Department of External Affairs are at present reviewing the New Delhi building project and consideration is being given to the Committee's suggestion that the proposal should be examined by the Parliamentary Standing Committee on Public Works. It may be noted that, while the Commonwealth Public Works Committee Act 1953-1947 is not restrictive in this respect, inquiries of the Committee have hitherto been confined to works in Australia.

Item (11) The method of training diplomatic cadets has been reviewed concurrently with the selection of cadets for entry in 1954. The formal course at the Canberra University College has been discontinued but some cadets will be required to study individual subjects provided at the Canberra University College.

24. The Committee has since been informed that officers of the Public Service Board have made two tours of inspection, covering eight posts of the Department of External Affairs. Staffing and allowances were dealt with and, as well, posts of the Trade Commissioner Service in the areas visited were inspected. The



Department of External Affairs considered that the inspections were satisfactory. Further tours of inspection were planned.

25. The Public Service Board has promulgated a new scale of nominal living expenses under Public Service Regulation 97 (Public Service Board Notice No. 1954/10 dated 7th June, 1954), effective from 1st July, 1954.

26. In regard to the New Delhi building project, a significant portion of the 11.88 acres of land for which a premium of ₹95,117 had been paid, has been found to be surplus to the requirements of the High Commission but the conditions of the lease prevent any disposal of the surplus portion. The scale of the project has been reduced considerably by the deletion from the plans of the staff mess, and by adoption of plans for a considerably smaller Chancery and residence of the High Commissioner than had first been contemplated. The reduction in the estimated cost would be considerable.

27. The Department re-affirmed its agreement to the reference of the project to the Parliamentary Standing Committee on Public Works for consideration, but pointed out that the decision to do so did not lie in its hands.

## SEVENTH REPORT OF THE COMMITTEE (SEPTEMBER, 1953)—ADMINISTRATION OF SALES TAX.

28. The observations which the Committee made in this Report are summarized in paragraph 37 in these terms—

- (1) The Commissioner has been asked to consider the inclusion of certain statistical information in his annual reports.

- (2) The Committee has discussed the adequacy of field investigations of taxpayers' returns but regards this as a matter of "policy".
- (3) The Committee suggests that the definition of "Aids to Manufacture" might be reviewed for a possible re-statement in more concise terms.
- (4) The Committee suggests that the extension of the scope of Boards of Review should receive further consideration.

### TREASURY MINUTE.

29. The Treasury Minute is dated 2nd September, 1954, and is as follows:—

1. The Seventh Report of the Committee, which relates to the Administration of Sales Tax has been referred to the Commissioner of Taxation for examination and comment. He has now made the following comments on Observations (3) and (4) contained in paragraph 37 of the Committee's Seventh Report:—

#### Definition of "Aids to Manufacture".

This definition which is included in the First Schedule to the Sales Tax (Exemptions and Classifications) Act 1939-1952 was first enacted in 1945, in substantially its present form. Under that Act "aids to manufacture" are exempt from sales tax, the purpose of the exemption being to remove the double sales tax which had previously occurred where sales tax was payable, in the first instance, on manufacturing plant and, in the second instance, on goods manufactured by the plant.

There are, however, many classes of goods which are capable of being used as aids to manufacture and capable also of being used for the purposes other than manufacturing. Accordingly, it became necessary by way of definition to distinguish the goods to be exempt from those which would continue to be taxable.

A definition of this nature is unavoidably lengthy and complex and could not be materially shortened or simplified except at the expense of precision and consequent dispute between the revenue authority and the taxpayer.

The suggestion advanced by the Committee had its origin in representations by the Taxpayers' Association of New South Wales which considered that the definition could be re-drafted in more concise language. However, the Association did not indicate either to the Committee or later, in response to inquiries by my officers, how this end could be achieved without widening or narrowing the scope of the exemption.

It should be mentioned that the criticism of the exemption over the past nine years has not been addressed to the form of the definition but to the limits placed by the definition on the goods that are exempted. Manufacturers have sought to have the exemption extended not only to include goods which may be used in the process of manufacture but also for other purposes such as repair plant, lighting equipment and equipment for cleaning buildings, and also goods which are brought into use after manufacture has been completed, such as delivery trucks.

It is possible that the request for the re-casting of the definition may have as its major objective the enlargement of the scope of the exemption. Such an enlargement would not only involve a revenue loss dependent on the degree of the increased exemption but it might also prove to be fruitful of anomalies. By way of example, the exemption of repair plant for use by a manufacturer would mean discrimination against purchasers of similar plant for use in businesses other than manufacturing.

At this stage, I am not in a position to recommend, with confidence, any alteration to the definition that would lead to legislative simplification while at the same time preserving the existing level of revenue and avoiding anomalies such as the one I have mentioned.

#### References to Boards of Review.

The Joint Committee of Public Accounts has suggested that the scope of Boards of Review should receive further consideration. This suggestion also has its genesis in representations made to the Committee by the Taxpayers' Association of New South Wales.

Broadly, as stated by the Committee, the present position is that the taxpayer may appeal to a Board of Review on sale value, but must go to the courts on questions whether the item is taxable. This position is the same to-day as at the inception of sales tax in 1939.

Sale value in more than 90 per cent. of transactions is the amount for which the goods are sold by a manufacturer or a wholesaler to a retailer of those goods. There is little scope for dispute between the revenue and the taxpayer in these cases, so long as correct accounts are kept by the taxpayer.

There is room, however, for differences of opinion as to sale value where goods are manufactured in Australia and taken into stock for sales by retail by the manufacturer or where the goods are applied by the manufacturer to his own use. In these cases, the sale value, for sales tax purposes, is the amount for which the goods would be sold by the manufacturer if sold by wholesale or the amount for which the goods could have been purchased wholesale from another manufacturer. The taxable value becomes a matter for opinion on which a dissatisfied taxpayer may contest his case before a Board of Review.

It should be added that reference to a Board is not limited to the amount of sale value. Access to a Board is available on such questions as whether certain operations constitute manufacture as statutorily defined or whether the goods concerned are "goods manufactured in Australia". In cases such as these, the basic argument by the taxpayer would be that the sales tax law did not apply and consequently the goods had no sale value for sales tax purposes.

Although an enlargement of the rights of taxpayers to refer disputed classifications to Boards of Review may, at first glance, seem reasonable, the practical results of such an enlargement need close examination.

In the first place it would be generally accepted, in principle, that the benefit of a refund of tax should be made available only to the person who has either directly or indirectly borne the burden of that tax. There appears to be no sound argument for refunding the tax to a manufacturer or wholesaler who has passed on the tax to the purchasers of the taxable goods and who is either unable or unwilling to pass on the refund also.

Thus a wholesaler pays the tax on a sale to a retailer but shows that tax on the invoice as an addition to the sale price of the goods and recovers the tax from the retailer who in turn includes the tax, as a general rule, as a corrected element in the sale price at which the goods are sold to the customers.

There are exceptions to this general rule, for example, sale prices of some makes of motor cars are quoted inclusive of a declared amount of sales tax, but in nearly all transactions, the ultimate purchaser of taxable goods does not know, and probably does not wish to know, the amount of sales tax included in the price he has paid.

However, it is this ultimate purchaser who is morally entitled to any tax that may be refunded in consequence of a Board decision favorable to the wholesaler.

There is, in my view, no machinery that could be designed to operate in a practical manner to ensure that a refund of sales tax would, in all cases, be passed on to the purchaser who had borne the tax. There would, of course, be relatively isolated cases where the purchaser would be identifiable but in practically all cases, this would not be so.

The principle that the refund should go to the person who has borne the tax is already partially recognized in the sales tax legislation which authorizes the Commissioner of Taxation to refund overpayments of tax if he is satisfied that the tax has not been passed on by the taxpayer to some other person or, if passed on, has been refunded to that person by the taxpayer. This provision does not apply, however, to refunds made in consequence of a decision by a court or a Board of Review.

Another aspect of this matter is that practical experience has shown that traders are not so vitally concerned with the taxable sale value of goods as they are with uniformity of taxation treatment of goods

throughout the trade. This is evidenced by the fact that in the 24 years that the tax has operated, sale value as such has been contested before a Board of Review on four occasions only although three additional cases are pending. In all there have been 43 cases decided by the Boards and a summary of these cases is attached.

Assuming that rights of reference to the Boards in sales tax matters are to be extended, it is desirable to consider the possible effects on trading activities. At present, there is certainty and uniformity in the official classifications so that traders know exactly the official requirements as regards the tax that is to be paid. The knowledge that disputes on classifications were awaiting adjudication by the Boards would have a most disturbing influence on trade. The broad effect might be expected to be similar to those disturbances to manufacturing, wholesale and retail trade which occur when pre-budgetary rumours predict rises or falls in the tax or the expansion or contraction of exemptions. Manufacturers and traders and their representatives have been loud in their protests when such occasions arise.

There are literally thousands of official decisions classifying exempt and taxable goods and the rate of tax applicable. It is unavoidable that many of these involve fine distinctions and, if these are exposed to contests before Boards of Review, it may easily result in trade dislocation arousing resentment in those traders who have no desire to participate in the contest.

The final aspect of this subject is the additional administrative costs which would be involved if the scope of the activities of Boards of Review were widened along the lines suggested.

At present, there are three Boards of Review, each comprised of three members with secretarial assistance. The annual cost of these Boards is approximately £38,000. Each of the Boards is fully occupied with cases, which are practically all income tax cases, and one of the Boards is approximately two years in arrears in hearing and determining cases which have been referred to it. Within the foreseeable future, it would be beyond the capacity of the existing Boards to assume additional duties and indeed it may prove to be necessary to create an additional Board.

The additional pressure on Boards by expanded rights of reference by sales taxpayers would, of course, depend on the extent to which taxpayers availed themselves of those rights. It is possible that those rights would be exercised in many cases and, if this is so, a further increase in the number of the Boards may be expected as well as an increase in the number of taxation officials who would be required to defend the official decisions contested before the Boards.

Although the provision and preservation of rights of access by citizens to present legitimate grievances to appropriate tribunals is incontestable, it is felt that there is not a strong case to support the proposal advanced to the Joint Committee of Public Accounts by the Taxpayers' Association of New South Wales.

2. The Treasurer agrees with the conclusions reached by the Commissioner and believes that the Committee will find them satisfactory.

#### SALES TAX.

##### REFERENCES TO BOARDS OF REVIEW.

Since Sales Tax was first imposed in 1930, there have been forty-three references heard and decided by Boards of Review on the following issues:—

A. Questions involving sale value only:	
(i) Total volume of taxable sales ..	16
(ii) Sale value of individual taxable transactions ..	4
(iii) Whether there was a taxable sale value of certain goods manufactured in Australia and applied by the manufacturer to his own use ..	2
(iv) Whether the sale value of certain goods sold by wholesale should have included charges in respect of freight and/or services ..	5
B. Questions in which sale value is indirectly affected:	
(i) Whether certain operations constituted manufacture ..	7
(ii) Whether a person was liable to effect registration as a "wholesale merchant", as defined for the purposes of the Sales Tax Assessment Acts ..	1
(iii) Whether certain sales were made:	
(a) by a partnership or an individual member thereof ..	1
(b) by a person acting on his own behalf or as agent for another ..	3
(iv) Whether materials used in manufacture have been sold or merely supplied ..	1
(v) Whether certain transactions involved the sale of goods or were merely the supply of service ..	1
(vi) Whether certain goods were treated as stock for sale by retail ..	1
(vii) Whether certain processes were applied to goods before or after sale of those goods ..	1
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## EIGHTH REPORT OF THE COMMITTEE (15th OCTOBER, 1953)—PARLIAMENTARY PROCEDURE IN THE HOUSE OF REPRESENTATIVES ON THE SUPPLY AND APPROPRIATION BILLS.

30. Witnesses before the Committee frequently drew attention to the question of the Parliamentary procedure for the review of public finance. The Committee obtained views on the matter from Mr. Speaker, the Hon. A. G. Cameron, M.P., the Solicitor-General, Professor K. H. Bailey, the Clerk Assistant to the House of Representatives, Mr. A. A. Tregear, and the Treasury and concluded, as follows:—

##### Summary of Witnesses' Views.

It will be seen that there is a common belief that the present procedure of the House of Representatives when dealing with the Supply and Appropriation Bills could be improved. Furthermore, there is a general agreement that changes should be along the lines of prescribing that a greater proportion of the time of the House of Representatives spent

on financial measures should be devoted to an examination of the Estimates, which, in turn, would involve fixing a timetable insisting upon relevancy in debate.

##### Conclusions of the Committee.

Whether or not the Committee is to go further in its discussions of procedure is a matter for the decision of the Parliament. It is probable that the Parliament will prefer to limit the question in the first instance to the Standing Orders Committee, which is the instrument created by the Parliament for recommending the forms and procedures for the conduct of its business.

The Committee has, therefore, refrained at this stage from making any definite proposals for altering the procedure of the Parliament, but it will be very glad, if it is required by the Parliament in terms of section 8 (d) of the Public Accounts Committee Act 1951, to submit specific suggestions for the consideration of the Standing Orders Committee and subsequently of the Parliament.

#### TREASURY MINUTE.

31. The Treasury Minute, dated 9th April, 1954, is as follows:—

The Treasury has examined with interest the information provided in the Report and notes the Committee's conclusion that whether it is to go further in its discussions on procedure is a matter for decision by Parliament.

The manner in which Supply legislation is prepared in the Treasury is governed by constitutional and Parliamentary requirements. Parliament itself determines the procedure which it follows in dealing with such legislation.

Should Parliament see fit to review existing procedures the Treasury's duty would be to facilitate the review by all means within its power.

The Standing Orders Committee has not yet considered the matter.

NINTH REPORT OF THE COMMITTEE (13TH NOVEMBER, 1953)—"STEPHAN"  
PREFABRICATED BUILDINGS.

32. The storage of materials for prefabricated buildings in the open at the Botany Store of the Department of Supply, and their consequent deterioration, were examined by the Committee. Its conclusions were as follows—

*Responsibility for the care of Materials in Store.*

- (1) The Snowy Mountains Hydro-Electric Authority was the owner of the material from the date of purchase to 1st August, 1952. It was aware of the nature of the material and the storage arrangements and cannot direct itself of responsibility to care for the materials during this period.
- (2) The Department of Works was the owner of the materials from 1st August, 1952. It was aware of the nature of storage and must accept responsibility for the lack of care of the materials during this period.
- (3) The Department of Supply had justification for making strong representations to the owner Departments to take steps to give full protection to the materials stored.

- (4) Responsibility for the care of goods placed in store with the Department of Supply should be so closely defined as to be understood by all concerned.
- (5) The loss involved was no small part of the total cost of the twelve buildings, but large or small, the buildings were Commonwealth property, and once again the Committee is as much concerned with the departmental attitudes towards their public responsibilities as with the methods and practices adopted by them.

*Defective Organization.*

- (6) The fact that the deterioration of the materials occurred while in store indicates a weakness in organization that should be rectified.

*Lack of Records.*

- (7) Some record should have been kept by the parties of the more important telephonic discussions involving contractual obligations.

TREASURY MINUTE.

33. The Treasury Minute is dated 3rd September, 1954, and states—

1. The Departments concerned and the Snowy Mountains Hydro-Electric Authority have been made aware of the conclusions of the Committee.
2. The Department of Supply has advised that—  
Appropriate instructions have been issued to officers

of this department in all States who are dealing with matters concerning the storage of goods with a view to avoiding a repetition of the matters to which attention has been drawn by the Committee.

3. The Department of Works and the Snowy Mountains Hydro-Electric Authority have been requested to have full regard to the findings of the Committee in their future operations.

ELEVENTH REPORT OF THE COMMITTEE (4TH DECEMBER, 1953)—JOINT COAL BOARD.

34. The Joint Coal Board had purchased a large quantity of coal-mining equipment which subsequently was found to be surplus to the coal industry's requirements. The Committee examined the circumstances of the purchase, the storage and disposal of the equipment

and commented as follows:—

Having regard to the quantum of sales in a nine-month period in relation to the total amount of plant involved, the Committee is very doubtful whether the Board will be able to sell the surplus plant within two years without loss to the Government.

TREASURY MINUTE.

35. The Treasury Minute is dated 3rd September, 1954, and is as follows:—

1. The Treasury has examined the Report and notes that the Committee was concerned mainly with certain administrative results of the Board's open-cut coal activities. It is also noted that the information obtained by the Committee indicated that the Board interpreted its obligations in a reasonable manner.

2. The Treasury has no comment to offer on the Report, which relates to the period preceding the 30th June, 1953. Since that date there have been further developments in the

disposal of the plant and the Board's advice in this regard is set out below for the Committee's information:—

- (a) The Board has now a total of 23 selling agents located in all States of the Commonwealth to assist with disposal;
- (b) Sales of plant, equipment and stores for the year ended the 30th June, 1954, amounted to £1,875,421. The book value of this plant, &c., was £2,023,579 and the original cost was £2,559,837; and
- (c) The Board revalued tenders in April, 1954, in order to test the state of the market. The tender prices were, however, unsatisfactory and the Board has been obliged to continue negotiating sales privately.

THIRTEENTH REPORT OF THE COMMITTEE (25th MARCH, 1954) THE FORM AND CONTENT OF THE FINANCIAL DOCUMENTS PRESENTED TO THE PARLIAMENT—PROGRESS REPORT.

36. The Committee received evidence which gave rise to questions as to the validity of the present form of the Governor-General's Message, of the Estimates of Receipts and Expenditure and the Budget Papers. The Thirteenth Report was a progress report to inform the Parliament of the situation.

37. The Committee has already initiated a further examination of the matter and agrees with the Treasury that no Minute is required.

FOURTEENTH REPORT OF THE COMMITTEE (25th MARCH, 1953)—SUPPLEMENTARY ESTIMATES AND VARIATIONS UNDER SECTION 37 OF THE AUDIT ACT 1901-1953, FOR THE YEAR 1952-53.

38. The Committee returned to the question of Supplementary Estimates and variations of appropriations under section 37 of the Audit Act, originally examined in the First Report, when considering those for 1952-53. Particular attention was paid to the Treasurer's Advance and Refunds of Revenue and a number of other selected items.

39. The main features of its Report are summarized as follows:—

*Refunds of Revenue.*

- (1) (a) There should be prompt payment of a refund of revenue and there seems to be no reason why there should not be uniformity of treatment by special appropriation for all refunds in order to achieve this end.
- (b) Information on the amounts of Refunds of Revenue should be provided for the Parliament in the Estimates of Receipts and Expenditure, and of refunds of taxation revenue in the annual Reports of the Commissioner of Taxation.

*Treasurer's Advance.*

- (2) (a) The practice of "off-setting" savings under some Defence Services votes against excess expenditure under other Defence Services Votes in the Additional and Supplementary Estimates should be reviewed by the appropriate authorities.
- (b) The amount of any "off-set" under this practice should be ignored when calculating the amount of the debit to the Treasurer's Advance.
- (c) The Treasurer's Advance has been exceeded on a number of occasions since the war without Parliamentary authority.
- (d) The amount of the Treasurer's Advance should not be exceeded at any time during a financial year.
- (e) The existing methods available to vary parliamentary appropriations by the authority of section 37 of the Audit Act, the use of the Treasurer's Advance, or by additional appropriations should provide sufficient flexibility between votes.
- (f) The amount of warrant authority issued for expenditure under the Treasurer's Advance should not, at any time, exceed the amount of the Advance currently available. If the Audit Act is not sufficiently clear on this matter it should be amended.

*Department of the Treasury.*

- (3) Commonwealth Stores Supply and Tender Board—Division 43 Item 1—£3,474.—No review of the rate of commission payable to the Postmaster-General's Department was made between 1928 and 1951.

*Defence Services Votes.*

- (4) In relation to the Defence Services, Parliamentary control of the purse should be interpreted as meaning that the amount of each vote should be accepted (as in other Departments) as the limit of expenditure for the year, unless authority is obtained to exceed the vote by way of the methods set out in 2(c) above.

40. The Treasury Minute is dated 3rd September, 1954, and is as follows:—

1. The Treasury has noted the conclusions of the Committee and, where appropriate, has discussed them with the Departments concerned. Comments on the matters raised in the Report are set out in the following paragraphs.

*Advance to the Treasurer.*

2. The vote in the 1953-54 Appropriation Act reads—  
Division No. 205—Advance to the Treasurer. "To enable the Treasurer to make advances and to meet expenditure, particulars of which will afterwards be included in a Parliamentary appropriation."

3. The vote for "Advance to the Treasurer" is used as a temporary measure to provide funds for the following purposes:—

- (a) pending appropriation either by specific legislation or by the Main, Additional or Supplementary Estimates,
- (b) pending the receipt of Governor-General's Warrant for expenditure already appropriated when the payment is urgent or the amount so small as not to warrant the preparation of a special Warrant,

*Department of Air.*

- (5) Temporary and Casual Employees—Division 144 Item 2—£20,833.—The item does not show that the need for the bulk of the money arose as a result of a special situation involving the emergency employment of Italian migrants outside the control of the Departments of Air and of Labour and National Service.

*Department of the Army.*

- (6) (a) Petrol, Oil and Lubricants—Division 127b Item 6—£56,216.—The Treasury approval for further excess expenditure of £30,000 obtained on 29th June, 1952, does not appear to have been obtained prior to the need for funds to pay outstanding accounts.
- (b) Replacement of Existing Arms, Ammunition, Clothing, Equipment and Stores—Division 134 Item 1—£301,072.—The rapid increase in liabilities incurred under this item has led inevitably to the overspending of the votes in the year and has called for large votes in succeeding years.
- (c) Temporary, Casual and Except Employees—Division 128a, Item 2—£59,255.—The item does not show that the need for the bulk of the money arose as a result of a special situation involving the emergency employment of Italian migrants outside the control of the Departments of the Army and of Labour and National Service. The situation disclosed is similar to that described in (5) above.

*Department of the Navy.*

- (7) Naval and Air Stores—Division 115 Item 2—£425,008.—The rapid increase in liabilities incurred under this item has led inevitably to the overspending of the vote in the year and has called for large votes in succeeding years.

*Department of the Interior.*

- (8) Acquisition of Sites and Buildings—Division 21 Item 1—£80,255.—The building "Red Cross House", Swanton-street, Melbourne, was purchased in April, 1952, allegedly for desperate needs but had not been used by the Commonwealth by January, 1954.

*Repatriation Department.*

- (9) Tuition, Text-books, Equipment, &c.—Division 216 Item 1—£78,791.—The vote should show the Parliament the amounts of the expenditure by the Repatriation Department and by the Department of Labour and National Service respectively on these services.

*Department of Works.*

- (10) The system of dual responsibility for the Northern Territory Cold Stores and Water Supply leads inevitably to administrative frustrations. The arrangement should be terminated and a single authority established as has been done with the Australian Capital Territory Electricity Supply.

*General.*

- (11) As a result of its review of the claims for Supplementary Estimates the Committee draws attention to the fact that amounts had been overlooked, understated or omitted from the original estimates.

TREASURY MINUTE.

- (c) to permit Departments to incur expenditure on behalf of other Departments and Authorities which will be recovered within the financial year.

4. The Treasury understands from paragraphs 38-40 of the Report that the Committee believes the use of "Treasurer's Advance" should be confined to emergency payments authorized by the Treasurer in anticipation of a Parliamentary appropriation. The Treasury is unable to share this view, as such a limited purpose would deny the use of "Treasurer's Advance" for the classes of expenditure referred to in (b) and (c) above. Obviously there must be some appropriation machinery to cover these types of payment and "Advance to the Treasurer" is considered an appropriate vote. While the insertion of the comma in the narration of the vote in the Estimates may give rise to some ambiguity, Section 30A of the Audit Act clearly refers to repayments to "Treasurer's Advance" as distinct from transfers to appropriations, thus establishing the validity of the present practice which has been in operation over a long period.

5. To make the intention clearer, however, the wording of the vote for "Advance to the Treasurer" has been amended and in the 1954-55 Estimates reads—

"To enable the Treasurer to make advances which will be recovered within the financial year and also to meet expenditure, particulars of which will afterwards be included in a Parliamentary appropriation."

FIFTEENTH REPORT OF THE COMMITTEE (25TH MARCH, 1954)—REPATRIATION DEPARTMENT.

6. The Treasury agrees that—

- (1) The desirable interpretation of section 30A of the Audit Act is that expenditure from "Advance to the Treasurer" after deduction of amounts of repayments and transfers to heads for which specific appropriations exist must not at any stage of the year exceed the Estimates provision.
- (11) There should be some clear legislative provision restricting the issue of Warrant Authorities (including Warrant Authorities in force for "Advance to the Treasurer") to amounts available under Governor-General's Warrants.

Consideration is being given to these two matters in the general revision of the Audit Act.

7. In paragraph 129 (2) (c)—the Committee notes that "Treasurer's Advance" has been exceeded on a number of occasions since the War without Parliamentary authority. The objective of the Treasury is to restrict the provision under this head to the minimum amount consistent with anticipated requirements. As explained in evidence, the excess in 1952-53 was due to heavy refunds of Income Tax, which required the provision of £5,700,000 from "Treasurer's Advances". But for this technical requirement, expenditure from the Advance would have been well within the Estimates provision. Excess expenditure in earlier years was mainly due to the economic conditions existing at the time, which resulted in a substantial increase in Government expenditure over the Budget provision. With the advent of more stable conditions, a repetition of the situation is not expected.

Treasurer's Advance—"Offsetting" Savings under Defence Service Votes.

8. The Treasury notes the Committee's conclusion that the practice of "offsetting" savings under some Defence Services against excess expenditure under other Defence Services Votes in the Additional and Supplementary Estimates should be reviewed. The Treasury finds itself unable to agree that there is anything wrong or open to objection in a practice under which Parliament, when approving additional funds in a certain direction, makes it a condition that the amount of the grant shall be offset by savings elsewhere.

9. Although, for practical reasons, the procedure is not capable of general application, it appears to the Treasury to be most appropriate whilst total expenditure on the Defence Services is to be limited. By this means Parliament ensures that, although approving of increased expenditure under certain specified votes, the total of the original grants for Defence Services will not be exceeded. But for the offsetting provision the Executive would be given statutory authority to incur expenditure in excess of the total of the amounts previously granted.

10. This method of presentation is considered especially suitable in the case of the Additional Estimates, which are submitted to Parliament before the close of a financial year. A similar treatment in the Supplementary Estimates is a logical extension of the procedure.

11. The Treasury also finds a good deal of merit in a device which avoids conveying the impression that additional amounts are required for the Defence Services when in fact the original total vote will not be exceeded, although it may be allocated for particular purposes slightly different from those originally contemplated.

12. The Treasury believes the method employed to appropriate additional defence expenditure to be a matter for decision by the Government of the day, which would undoubtedly have regard to the circumstances existing at the time.

13. It is agreed that until the Additional Estimates or Supplementary Estimates are approved by Parliament any "offset" represented by savings on other Defence Votes cannot be regarded as a credit to "Advance to the Treasurer" and should not be taken into account in calculating the total expenditure under that head.

14. The Treasury shares the opinion of the Committee that an aggregate vote for each of the Defence Services is not desirable, consequently the question of a new approach to the form of the Defence estimates referred to in paragraph 58 of the Report does not arise. Revised Estimates provide a useful basis for financial control. It is inevitable that, because of policy changes and supply difficulties, there will be, on occasions, some appreciable departures from the Estimates provision. Nevertheless, so long as the authority of the Treasurer to re-arrange appropriations by section 37 transfers or through Treasurer's Advance is acknowledged, the present procedure is considered to meet requirements satisfactorily.

Refunds of Revenue.

15. Particulars of refunds of revenue from Special Appropriations will be provided in the Annual Estimates in the manner indicated in paragraph 24 (a) of the Report. The

41. The Committee notes that a further submission will be supplied by the Treasury after the question of the administration of public utilities in the Northern Territory has been reviewed.

Commissioner of Taxation proposes to include a statement of the refunds of Taxation revenue in his Annual Report to Parliament.

Naval and Air Stores: Division No. 116, Item 2 Replacement of Existing Arms, Ammunition, &c.—Department of the Army, Division No. 134, Item 1.

16. Under these items reference is made to increased expenditure arising because of liabilities carried forward from a previous financial year and to increased liabilities carried over to a subsequent financial year.

17. This situation under present conditions is unavoidable. It is particularly so in regard to supplies and equipment ordered from overseas and also in the case of supplies and equipment from Australian sources, where manufacture of which requires special techniques or involves long-term production. In these cases orders must be placed well in advance of required delivery dates.

18. Orders for equipment and supplies are placed on the authority of a programme of requirements approved by the Government. Where liabilities involving expenditure in a subsequent financial year are included in the programme they are approved only to the extent that expenditure in respect of such liabilities together with current requirements of the Department for the financial year concerned will be well within the amount likely to be appropriated for that year.

19. Sometimes happens that because of unforeseen circumstances deliveries may be made earlier than was planned, or that for other reasons the amount required to meet the programme may be in excess of the sum provided in the Estimates. In these events the Department is expected to report the variation to the Treasury and seek financial provision of the additional amount required. Treasury approval in most instances will be subject to an equivalent saving being made under some other item or items of the Departmental Estimates.

Commonwealth Stores Supply and Tender Board, Division No. 33.

20. The Committee remarks that no review of the rate of commission payable to the Postmaster-General's Department was made between 1928 and 1951. The 1928 reduction of the rate of 14 per cent. was consequent upon a Government decision that there should be a percentage reduction on all charges made by the Post Office to Commonwealth Departments for services rendered. The 1951 increase in the rate of commission charged to the Stores Supply and Tender Board was the outcome of a general review of earlier policy with the object of bringing the Post Office "Treasury" and "Commercial" accounts more closely in line.

Acquisition of Sites and Buildings, Division No. 21—Red Cross House.

21. The Government has allotted Red Cross House to the Commonwealth Statistician for use in connexion with the 1954 Census and has decided that the future of the property is to be further considered when it is no longer required for Census purposes.

Tuition, Text-Books, Equipment, &c., Division No. 210, Technical Training.

22. As the provision under this Division is now almost entirely expended by the Department of Labour and National Service the vote will be shown in future under the control of that Department.

Northern Territory Cold Stores, Water Supply and Electricity Undertakings.

23. The Committee's observations have been brought under the notice of the Departments of Territories and Works.

24. The Department of Territories has advised that, while it agrees with the conclusions of the Committee, the Northern Territory Administration has not the technical resources necessary to operate and maintain water, electricity and coal store undertakings at the present time. It therefore proposes immediately to procure the maximum co-ordination of the functions of the Department of Works and the Northern Territory Administration, and as soon as practicable to place the responsibility for each undertaking on a single authority.

25. In the case of electricity and water the Department of Territories is examining the possibility of establishing independent authorities, on which consumers would be given representation, as an alternative to continuing these services entirely as Government undertakings.

26. The Darwin Coal Stores were operated for defence purposes during the war period and have since been continued by the Northern Territory Administration. The Department of Territories favours the disposal of the Coal Stores to private enterprise provided this could be arranged upon satisfactory conditions, and that Department is pursuing the matter with this object in view.

27. The Treasury considers the action proposed by the Department of Territories to be a reasonable approach to the problems involved, and will further review the position when the results of the action being taken become known.

42. As with its examination of the Department of Works, the Committee selected a number of aspects of the Repatriation Department for examination. These ranged from the change which had taken place in the status of the Repatriation Commission to the weaknesses in the administration of the Department's institutions, particularly in regard to the absence of any critical examination of costs.

43. The detailed comments of the Committee are as follows:—

Status of Commission—

(1) The status of the Repatriation Commission should be reviewed in the light of recent changes.

Staff—Repatriation Department—

- (2) (a) The delay in fixing the "establishment" of the Repatriation Department is regrettable.
- (b) Although the proportion of staff in the higher age ranges is greater than is normal in other departments, future retirements should not, under existing circumstances, present any serious long term problem of staff replacement.

Staff—General.

- (3) (a) In the Commonwealth Public Service generally, "establishments" should be adjusted to actual "callings" now operating and should be constantly reviewed.
- (b) Margins between "establishment" and actual staff of Commonwealth departments in excess of 4 per cent. to 5 per cent. should be examined by the Public Service Board and action taken.
- (c) The general issue of the employment of Commonwealth employees beyond pre-set retiring ages should be examined.

Pensions Administration.

(4) The cost of administering service pensions by the Repatriation Department appears to be relatively higher than the costs of administering pensions by the Department of Social Services, even allowing for differences between the two departments. This matter might suitably engage the attention of the Public Service Board.

Unit Costs.

(5) Statistics, and particularly the unit costs of institutions, supplied by the Repatriation Department can be used to apply test checks of the Department's administration.

Hospitals.

(6) (a) It seems clear that in existing circumstances, the Repatriation Department should not require additional hospital beds to handle the estimated future demand under the Repatriation Act 1920-1953 for acute hospital treatment.

(b) The prospect of mounting costs of maintenance of excess hospital beds should receive consideration.

(c) The comparisons of figures of the average stay of in-patients in the various departmental hospitals should be used to a greater degree than at present by the Repatriation Department in its management of the hospitals.

(d) The Repatriation Department should co-operate with the State Health Authorities to study and discuss the methods, statistics and costs of the leading State public hospitals in an endeavour to improve the administration of Repatriation hospitals.

(e) The staff "establishments" of the Repatriation hospitals, including ward staff, should particularly engage the attention of the Public Service Board.

(f) In view of the importance of unit costs the Repatriation Department, with the Department of the Treasury and the Public Service Board, should examine methods of obtaining satisfactory unit costs of in-patient treatment at departmental hospitals.

(g) If the Repatriation Department had examined the causes of high unit costs at individual Repatriation hospitals, it is possible that some of the criticisms of the Committee might not have been made.

(h) Overtime paid to staff at Repatriation hospitals ought properly to be costed as "salaries and payments in the nature of salary" and not regarded as "incidental expenses".

(i) The Repatriation Department and the Department of the Treasury should investigate the possibilities of obtaining cheaper supplies of medicines by using central or local procurement agencies or by making arrangements with the State Drug Stores.

(j) The Repatriation Department, with the Department of the Treasury and the Audit Office, should co-operate with the State Health Authorities to survey the methods of leading State hospitals in purchasing provisions.

(k) The Repatriation Department should exercise constant surveillance over the costs incurred by the Department of Works in raising steam for and maintaining Repatriation hospitals.

(l) Repatriation laundries should be separately costed and only the cost of laundry actually used by Repatriation institutions should be charged against the relative institutions.

(m) The Repatriation Department should consider extending the system of supervision now operating at the Concord Hospital to other Repatriation hospitals.

(n) The amount charged in the costing statements of the Repatriation institutions for maintenance of equipment, improvements and buildings, should have been much greater for the purpose of avoiding the large debit balances in the reserve accounts for the year ended 30th June, 1953; the Repatriation Department should maintain a rigorous oversight of the reserve accounts.

(o) The Repatriation Department, with the Department of the Treasury and the Audit Office, should consider the necessity for reserves for depreciation for the Repatriation institutions.

Sanatoria.

(7) (a) Because of the trends in the use of Repatriation hospitals the Department should consider the growing needs for sanatoria and convalescent homes, especially for the chronic cases and the aged sick to relieve or replace existing general hospitals.

(b) Staffing at Repatriation Sanatoria under present conditions should be examined by the Public Service Board.

Out-patient Clinics.

(8) (a) The Repatriation Department should seek to establish its out-patient statistics on the basis of the practice of leading State public hospitals.

(b) The variations in unit costs of Repatriation out-patient clinics under the differing costing headings should be investigated by the Department.

Laundries.

(9) The Repatriation Department and the Department of the Treasury, with the other departments concerned, should consider urgently the provision of laundry facilities for the Department in South Australia.

Limb Factories.

(10) The Committee agrees that an expert investigation should be made into the differences in costs of production at the different Repatriation limb factories, and the current costs should be constantly reviewed.

Scrutiny of Institutional Costs.

(11) (a) The Public Service Board and the Repatriation Department should consider the appointment of an expert to scrutinize unit costs of Repatriation institutions.

(b) Statements of the unit costs of operating Repatriation institutions should be distributed monthly to State Branches of the Repatriation Department and managers of Repatriation institutions.

Pharmaceutical Benefits.

(12) (a) The Repatriation Department might with advantage consider the new methods in the Department of Health's pharmaceutical benefits schemes and consider adapting them to its own scheme.

(b) The Repatriation Department, with the Public Service Board and the Department of the Treasury, should speedily determine whether it should undertake the responsibility of pricing prescriptions under its pharmaceutical benefits scheme.

(c) The Committee suggests that the Government should investigate the working of the two pharmaceutical benefits schemes to avoid differing prices being paid by the Commonwealth under the two schemes for the same prescriptions, and also the possibility of overlapping since benefits from both schemes may be available to the same patient.

#### Medical Specialists Outside Repatriation Institutions.

(14) The Department, with the Public Service Board, should investigate ways of providing additional medical specialists at Repatriation institutions, either full time or on a seasonal basis.

#### Annual Report of the Department.

(11) (a) Statistics, costs and other information on the Repatriation Department's activities and institutions should be included in the Repatriation Department's Annual Report.  
(b) The Repatriation Department should eliminate the present delay in submitting its Annual Report to the Parliament.

### TREASURY MINUTE.

44. The Treasury Minute, which is dated 3rd September, 1954, states that the examination of a number of matters raised by the Committee has yet to be completed and that they will be dealt with in a later Minute. The Minute to hand is as follows:—

1. The Treasury has examined the conclusions of the Committee in the light of comments on those conclusions by the Repatriation Department.

#### Unit Costs.

2. In its Report the Committee emphasizes the need to prepare and examine statistics and particularly unit costs with a view to improving management of the various Repatriation institutions. The Treasury agrees fully with the views expressed by the Committee on the value of the examination and comparison of statistics and unit costs as an aid to management. The Repatriation Department has taken steps to give effect to the Committee's proposal; a departmental Costing and Accounts Committee has been set up under the chairmanship of one of the Repatriation Commissioners who is a qualified accountant and a new position of Cost Accountant has been created. Costing returns and procedures are being revised to ensure the production of unit costs on a strictly uniform and, consequently, comparable basis.

3. The Department agrees with the Committee's conclusion that statements of the unit costs of operating Repatriation institutions should be distributed monthly to State Branches of the Department and managers of Repatriation institutions.

#### Staffing.

4. The Committee's conclusions relating to staffing have been brought to the notice of the Public Service Board. The Board has advised that the Committee's recommendations are currently under investigation by the Board's Organization and Methods Section, and that the Board will, in conjunction with the Department, make such staffing and establishment adjustments as may be found necessary or desirable as the results of its investigations are completed.

5. The Department is at present formulating proposals for submission to the Public Service Board which will give effect to the Committee's proposals for extending the Concord system of supervision to other Repatriation Hospitals and providing additional medical specialists at institutions.

#### Hospital Methods.

6. At the request of the Minister, the Prime Minister has written to all State Premiers requesting their cooperation in the matter of a study by Repatriation Department officials, and discussion with State officers, of methods of administering State hospitals, procuring medicines and provisions and taking out unit costs and statistics. The Repatriation Department has already taken certain action to ascertain State methods, but will conduct a more detailed survey on the receipt of replies from all the Premiers.

#### Pharmaceutical Benefits.

7. Arrangements have been made by the Repatriation Department for a departmental pharmacist to make a complete investigation into the Repatriation pharmaceutical services, and the Committee's suggestions that the Repatriation Department might adapt the new methods in the Health Department's pharmaceutical benefits scheme; undertake responsibility for pricing prescriptions under its pharmaceutical benefits scheme and revise its system of purchasing drugs.

#### Repatriation Accommodation.

8. With one qualification, the Repatriation Department agrees with the Committee's conclusion that the Department should not require additional hospital beds to handle the

estimated future demand by eligible persons for acute hospital treatment in Repatriation institutions. The Department's qualification is that some further beds are required at the Repatriation General Hospital, Hobart, where for some time it has not been possible to admit all eligible patients as required. A firm proposal is being prepared by the Department for submission to Cabinet during 1954-55. The Department is keeping a close review of bed strength and will ensure there is no increase in maintenance costs due to an uneconomical excess of empty beds.

9. The Department has looked into the possibility of Repatriation General Hospitals being occupied by persons requiring convalescent rather than hospital attention. A survey made at Repatriation General Hospitals at Heidelberg and Hobart earlier this year showed that these institutions were then being used for the treatment of sick persons requiring hospital treatment for their illnesses and not as convalescent homes, homes for the aged or as sanatoria. There is, in the Department's view, no indication from that survey that the progressive ageing of the ex-service population will materially reduce in the near future the number of beds required for remedial hospital treatment.

10. The Department is making a census as at 30th June of all patients in Repatriation General Hospitals and the statistics obtained will be studied under the headings of surgical, general medical, tuberculosis, psychiatric, otitis media and report, and whether these types are bed or ambulatory patients. The Department will also conduct a further detailed study of the necessity to provide sanatoria and convalescent homes for the chronic cases of the aged and sick when the details of the census are to hand.

#### Annual Report.

11. The Department will include various additional statistics and costs, &c., in its future Annual Reports and will make every effort to produce the Annual Report without undue delay.

#### Cost of Administering Service Pensions.

12. The administration of Service Pensions by the Repatriation Department is one of the matters at present under examination by the Public Service Board's Organization and Methods Section, which will endeavour to ascertain whether the processes of the Repatriation Department can be changed to give more economical administration.

#### Miscellaneous.

13. The Committee's proposals on the costing of overtime as "salaries and payments in the nature of salary", the exclusion of depreciation from cost statements, and the separate costing of Repatriation liabilities have been given effect. The Repatriation Department will take up with the Department of Works the question of the cost of steam raising for Repatriation institutions, and is actively considering the provision of separate Repatriation laundry facilities in South Australia. The Repatriation Department will continue to keep under surveillance the Reserve for Maintenance Accounts.

#### Policy Matters.

14. The Report raises the following matters involving policy considerations:—

- the Status and functions of the Repatriation Commission and the Repatriation Department;
- the employment of Commonwealth employees beyond retiring age;
- the working of the Health and Repatriation pharmaceutical benefits schemes under which differing prices are being paid for the same prescriptions; and, since benefits from both schemes may be available to the same patient, the possibility of overlapping between them.

At least two other conclusions involve matters of policy, namely, the question whether further hospital accommodation

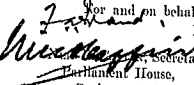
is necessary, for example, at Hobart; and the administration of Service Pensions. It might be that the latter could be handled more economically by the Department of Social Services, which is now making payments for other authorities, e.g. Health Department and the Superannuation Board.  
15. These are matters for determination by the Government. Action has been taken by the Public Service Board to bring

the first two matters ((a) and (b) above) before the Government. At appropriate times decisions on other policy matters will be sought from the Government.

#### Further Action.

16. The examination of a number of matters raised by the Committee and referred to above is not yet complete. These will be dealt with later.

The Committee is continuing its inquiries into several of the matters referred to in the above minutes.

For and on behalf of the Committee  
  
 F. A. BLAND, Chairman.  
 Secretary,  
 Parliament House,  
 Canberra, A.C.T.  
 20th October, 1954.

## APPENDIX No. 1.

OFFICIAL REMARKS BY THE CHAIRMAN OF THE  
LEGISLATIVE JOINT COMMITTEE OF PUBLIC  
ACCOUNTS (PROFESSOR F. A. BLAND, M.P.) AT ITS  
FIRST PUBLIC MEETING ON 6TH SEPTEMBER, 1951.

This is the first meeting of the new Public Accounts Committee, which was elected by the Parliament about three weeks ago, and the Committee has considered that it would be best, as well as it should make a preliminary statement for the purposes of the record to indicate what has happened and what we propose to do.

You will remember that when the Twentieth Parliament was dissolved, the members of the Public Accounts Committee elected by that Parliament, ceased to hold office. The Twenty-first Parliament having been duly sworn in, the several Parties proceeded to choose their members for the Committee. They chose, unanimously, the members who had represented the several Parties on the first Committee, and subsequently those members were elected by the Parliament to be the Committee of Public Accounts for 1951-52.

At the first meeting of the new Committee, I was elected Chairman, and I am glad to say that my colleague, Senator Gordon Byrne, was elected Vice-Chairman of the Committee. Since the old Committee was carrying on its work recalling the purposes of the record, the manner in which it worked.

In pursuance of the powers prescribed in section 8 of the Public Accounts Committee Act 1951, the Committee commenced an examination of the current finance statement of the Treasurer, and the report of the Auditor-General. It selected departments and matters which would give the Committee a representative range of topics for inquiry. In all cases, it asked the Department whose accounts were being examined, to supply a statement showing the activities of the Department, the functions with which it was entrusted, the personnel engaged in discharging those functions, and the expenditure incurred in connexion with them. These and other statements were presented to the Committee by the Departmental Head, or his representative, under oath.

On occasions the Committee sat in private session, but in general the meetings were open to the press and the public. At other times the Committee constituted sectional Committees, as permitted by the Act, for the purpose of examining and reporting to the full Committee on specific matters that could best be handled by a small sectional committee.

The Committee was assisted by the Auditor-General, the Treasury, and the Public Service Board at most of its meetings. The new Committee doubts not but that it will receive similar valuable help from the agencies referred to.

The old Committee was unable to complete its examination of all the material presented to it, but, in accordance with the powers conferred by section 12, the Committee proposes to resume its examination of that material where the old Committee left off.

The Act entrusting the Committee says nothing, and perhappily, about what is to be done with the Committee's report after they have been presented to the Parliament. In the absence of any directions, the Committee approached the Treasurer, who agreed to help the Committee by taking whatever action he thought necessary, within the limits of his responsibility for the public accounts of the Commonwealth, to give effect to the Committee's recommendations. Accordingly, after a report is presented to the Parliament by the Chairman and Vice-chairman in the respective Houses, a copy of the report is sent to the Treasurer for his examination and discussion with the Departments and bodies affected. Later, the Treasurer informs the Committee of the action he has taken, and these replies from the Treasurer are included in a later report to the Parliament by the Committee.

Parliament and the public are, then, in a position to know what is being done in relation to the reports of the Committee.

(c) 11th August, 1954.

In moulding its procedure, the Committee has examined the methods of the House of Commons Public Accounts Committee, where those methods are appropriate to our circumstances. For example, there is no Joint Committee because the Constitutional powers of the House of Lords and the Australian Senate with regard to money bills are different. In Great Britain, the Committee makes a number of reports, in each session which are laid on the table of the House and ordered to be printed. After publication, the reports are considered by the Treasury and discussed with the Departments affected. Some months later the Treasury furnishes a minute to the new Committee—a new Public Accounts Committee is appointed each session of the House of Commons—in which, on behalf of the Government, it comments on all the reports of the previous Committee.

In a covering Treasury circular, the Treasury issues instructions to the Departments, where necessary, for carrying out the recommendations of the Public Accounts Committee. It has become the practice for the Public Accounts Committee to present the Treasury Minute to the House of Commons at the earliest opportunity after its appointment.

The Committee believes that the methods it has worked out with the Treasurer will accomplish similar results to those achieved in England, although, of course, the Commonwealth Treasurer may not have all the powers of the English Treasurer.

To-day's meeting is of a somewhat similar character to that which takes place in England; that is to say, the new Committee takes up the reports of the previous Committee, particularly the minutes which it has received from the Treasury, and it has asked the representatives of the Department here to-day to tell us what has happened to the Reports which we made.

The Treasury has submitted a number of reports which the Committee has not yet had an opportunity of studying, but it has already received others which have been printed in reports of the Committee.

Following the meeting referred to above, the Committee discussed the procedure it should adopt in dealing with the Minutes submitted by the Treasury discussing the recommendations or comments of the Committee.

The Committee agreed that there were three courses open to it, viz.:

- (1) It could call departmental representatives to explain what had been done about the recommendations and comments of the Committee, and about the Treasury Minute dealing with those recommendations and comments and thereafter make a report to the Parliament.
- (2) It could consider the Treasury Minute covering the Committee's recommendations and comments and submit it to Parliament with such further comments as it deemed necessary.
- (3) It could submit the Treasury Minute to the Parliament without any comment.

The Committee decided that it should, in general, follow the second course and submit to the Parliament, as early as possible, any minute received from the Treasury. In submitting the Minute, however, the Committee would relate the Minute to the Committee's report, and draw attention to any features of the Minute that called for mention, such as recommendations of the Committee not dealt with, or matters deferred by the Treasury for a later Minute. When in the course of its work, the Committee comes to re-examine the finances of the department it will be able to discover what has been done by the departments with the original recommendations of the Committee. In order to facilitate examination of the Minute of the Treasury, the recommendations of the Committee, the subject of the Minute, will be briefly mentioned.

Such a procedure will enable the Parliament to know what has been done about the recommendations of the Committee, and to take such action as it deems desirable to have the matters discussed.