

1954-55.

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA.

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

TWENTIETH REPORT.

SUPPLEMENTARY ESTIMATES

AND

VARIATIONS UNDER SECTION 37 OF THE AUDIT
ACT 1901-1954.

COMMONWEALTH CONSOLIDATED REVENUE FUND FOR
THE YEAR 1953-54.

Presented pursuant to Statute; ordered to be printed, 24th May, 1955.

(Cost of Paper:—Preparation, not given; 990 copies: approximate cost of printing and publishing, £95.)

Printed for the GOVERNMENT of the COMMONWEALTH by A. J. ARTHUR at the
Government Printing Office, Canberra.

(Printed in Australia.)

No. 67 [GROUP B].—F.1812/55.—PRICE 1s. 3d.

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

(Re-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.

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F. CREAN, 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.

PETER H. BAILEY,
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* 1901-1954 ;
- (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 alteration 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.

TWENTIETH REPORT.

SUPPLEMENTARY ESTIMATES AND VARIATIONS UNDER SECTION 37 OF THE AUDIT ACT 1901-1954.

COMMONWEALTH CONSOLIDATED REVENUE FUND FOR THE YEAR 1953-54.

INTRODUCTION.

During 1953 and 1954, the Committee examined the Supplementary Estimates and variations of appropriations under section 37 of the *Audit Act* 1901-1954 for the financial years 1951-52 and 1952-53 respectively. Its conclusions were presented to the Parliament in its First, Second and Fourteenth Reports.

2. For the financial year 1953-54, the Committee, in addition to examining the Supplementary Estimates and section 37 variations of appropriations for that year has reviewed the votes in which over-estimating occurred. The Committee's intention is to make this latter examination each year and it will cover the accounts for the last financial year. Having regard to the wider field covered, the Committee has added a sub-title to its report: "Consolidated Revenue Fund 1953-54". It has not reported upon the accounts of the Trust Fund or the Loan Fund although it has made some preliminary examination of these funds.

3. The Committee obtained from the Treasury its draft of the Supplementary Estimates for 1953-54 which are to be submitted to the Parliament in due course. The list of variations of appropriations under section 37 of the *Audit Act* 1901-1954 is contained in Appendix D of the Auditor-General's Annual Report for 1953-54. Over-estimates of particular votes are shown in the Treasurer's Statement of Receipts and Expenditure for the year ended 30th June, 1954. A sectional Committee examined these documents as well as the departmental explanations of the Supplementary Estimates and variations of appropriations: it selected a number of items for further investigation by the full Committee. This investigation was made in Melbourne on 11th-13th January, 1955, when more detailed statements were discussed with witnesses from the Departments concerned.

4. The observations and comments by the Committee in regard to the individual items examined are listed below.

RESULTS OF THE CONSOLIDATED REVENUE FUND FOR FINANCIAL YEAR 1953-54.

5. The following table sets out the amount of the Supplementary Estimates for 1953-54 compared with those of earlier years. In it are shown the gross amounts of the appropriations approved by the Parliament, and the net amounts, as published by the Treasury, obtained by deducting from the gross amounts, the amount of the savings under defence votes:—

Financial Year.	Gross Amount of Supplementary Estimates.	Total Budget Expenditure.	Percentage.	Net Amount of Supplementary Estimates.
	£m.	£m.	%	£
1949-50 ..	11.9	581	2.0	9.9
1950-51 ..	12.5	842	1.5	12.5
1951-52 ..	19.2	1,017	1.9	9.3
1952-53 ..	19.6	1,027	1.9	14.2
1953-54 ..	4.1	1,023	0.4	4.1

6. The figures show a substantial falling off in the amount and percentage of Supplementary Estimates. The more stable economic conditions prevailing in 1953-54 have contributed to this happy result.

7. The following table analyses the gross amounts of Supplementary Estimates for the years 1949-50 to 1953-54:—

Financial Year.	Refunds of Revenue.	Defence Services.	Miscellaneous Services.	Other.	Total.	Capital Works and Services.	Total Supplementary Estimate.
	£m.	£m.	£m.	£m.	£m.	£m.	£m.
1949-50	3.9	0.9	4.6	9.4	2.5	11.9
1950-51	4.5	1.0	4.1	9.6	2.9	12.5
1951-52	9.9	1.0	4.9	15.8	3.4	19.2
1952-53	8.7	5.4	3.1	18.6	1.0	19.6
1953-54	0.1	0.9	1.9	3.4	0.7	4.1

8. The amount of the variations of appropriations under section 37 of the *Audit Act* 1901-1954 is compared with those of earlier years in the following table:—

Financial Year.	Total of Transfers.	Total Budget Expenditure.	Percentage.
	£m.	£m.	Per cent.
1949-50	7.1	581	1.22
1950-51	3.9	842	0.46
1951-52	5.2	1,017	0.51
1952-53	4.4	1,027	0.43
1953-54	2.5	1,023	0.24

10. Although in the past the Committee has concentrated on the over-spending of votes, it now intends to pay attention to instances where the estimate for a vote is seriously in excess of the actual expenditure. Instances of over-estimating in the accounts of the Consolidated Revenue Fund for 1953-54 and the Committee's comments are given below.

11. It is interesting to note the approach made to over-estimating by the United Kingdom Public Accounts Committee as set out in its Second Report for 1952-53, page xxviii:—

Recent Committees, however, while feeling that some of the excesses reported to them might have been avoided by better procedure, have had more occasion to criticise Departmental estimating on the ground that it has resulted in large surpluses. They have been frequently assured by Departments that they do not deliberately provide in their Estimates margins for contingencies which may not arise. In their Minute on the Fourth Report of the Committee of 1950 the Treasury confirmed that Departments are not permitted to provide in their Estimates more than the amount which they fully expect will come in course of payment during the year. Some Departments, indeed, have explained their excesses in 1951-52 as due to special efforts to avoid surpluses.

Your Committee nevertheless think it possible that, if departments were convinced that Committees of Public Accounts would deal with surpluses arising from bad estimating or other defects of procedure no more leniently than they have previously dealt with excesses, a higher standard of estimating might be achieved. They realize that there may be some risk, if this view is accepted, of departments spending more than is absolutely necessary in order to avoid showing a surplus at the end of the year, but they think that they can rely on the Treasury to check and on the Comptroller and Auditor-General to report critically any overspending of this nature. Present conditions have no doubt greatly increased the difficulties in estimating to which your Committee have referred; but they have also increased the desirability of precise estimating. Your Committee, therefore, while fully endorsing the view so often emphasized by their predecessors that departments should do everything in their power, including postponing or curtailing services, to avoid spending more than their grants, consider that in present circumstances more emphasis might well be placed on the necessity of estimating as accurately as possible the sums needed each year. In their view, large surpluses resulting from serious over-estimates of requirements may well be no

9. These figures show a desired reduction in the amount and percentage of the transfers. The Treasury explained that, in the earlier years, inflationary conditions made it hard to estimate expenditure accurately and greater recourse was had to the machinery of section 37 of the *Audit Act* 1901-1954. It said that the new procedure which it had introduced as a result of the Committee's Second Report was "working quite well" and was effective in bringing about a slight improvement in Treasury control, because the Treasury was able to get a better appreciation of votes.

OVER-ESTIMATING.

less open to criticism in present economic conditions than small excesses, and they have been guided by this view in examining the excesses reported to them.

12. The Minute of the United Kingdom Treasury in reply to these views is set out in the Special Report of the United Kingdom Public Accounts Committee for 1953-54, page vi, and is as follows:—

My Lords feel, however, that it is important that the effect which this change of view will have in reducing surpluses should not be over-estimated. The main bulk of surpluses arises not from unnecessary or unnecessarily large supplementaries taken in the closing weeks of the financial year, but from what in the event proves to have been excessive provision in the original Estimates themselves. It will be appreciated that, once the excessive provision has been voted by Parliament, there is no procedure by which it can be reduced analogous to the procedure by which an inadequate provision can be supplemented by a further vote. These original Estimates are prepared well over a year before the end of the period they cover, and in present circumstances there will obviously be some cases of practical difficulty in making an accurate forecast of requirements. For instance, neither the availability of resources in times of scarcity, nor the future course of prices and demand in a free market, is a matter lending itself to scientific prediction. Indeed, the factors which, in one year, produce an unavoidable excess on a Departmental Vote may be those which, in another year, will tend to cause a substantial underspending. In considering the severity with which surpluses should be criticized, regard must be had to the extent to which these practical difficulties have been present in any case under examination.

My Lords are in entire agreement with the Committee on the importance to be attached to the avoidance of surpluses. They have regularly called the attention of Accounting Officers to it. The Circular calling for the submission of Estimates for 1954-55 refers to the subject in the following terms:—

"Although it remains essential that Supplementary Estimates for unavoidable excesses over the provision made in original Estimates should only exceptionally be required, the risk of having to take a Supplementary Estimate must not be avoided by excessive provision in the original Estimates. Estimates which err 'on the safe side' derogate from the efficiency of parliamentary control over expenditure, and a multiplicity of Estimates so framed will be seriously misleading in the determination of financial policy."

They will continue to impress on all concerned the cardinal importance of close estimating.

EXAMINATION OF SELECTED ITEMS.

TREASURER'S ADVANCE.

13. In its Fourteenth Report, the Committee set out its views on the purpose and use of the Treasurer's Advance in these terms:—

The Treasury comment raises the question of the character of the Treasurer's Advance and the Expenditure to be financed from it. Section 36A of the *Audit Act* 1901-1953, the Appropriation itself, and the Treasury Instruction No. 198 (all of which are quoted above), indicate that the Advance is for emergency payments or in anticipation of payments to be provided in the Estimates, both of which will subsequently be approved by the Parliament in an appropriation, either an Appropriation Bill or an appropriation clause in other legislation. In the light of the comments of the Auditor-General and of the explanations by the Treasury, it would seem that the "Advance Account" is changing its character, and, instead of being used primarily for emergent and unforeseen expenditure, is being used as a sort of "Departmental Working Account" or as a departmental bank account to make

available funds that should have been provided in the original estimates. As such, it finances expenditure—

- (a) which is subsequently recovered, either from other Administrations or from other Commonwealth Departments or authorities, or
- (b) which is in anticipation of a Governor-General's Warrant for expenditure already appropriated.

These transactions do not appear in the Additional or Supplementary Estimates unless the recovery is delayed beyond the end of the financial year.

The Committee believes that the intention of the Parliament is to appropriate an amount in the nature of a fund from which the Treasurer will be able to make emergency payments (£15,000,000 in 1952-53), and that, at any time during the year, the amounts charged against the appropriation, less any amounts refunded or transferred by appropriation by the Parliament should not exceed the appropriation. The Committee considers that the Treasury should review the concept of the Treasurer's Advance, and the legislation involved, in the light of these comments.

14. In its reply in the Committee's Sixteenth Report, page 21, the Treasury has stated:—

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

The Treasury understands from paragraphs 39-40 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 36A 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.

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."

15. The area of disagreement between the two points of view is whether or not the Advance should, in addition to meeting emergency payments, be used for payments in anticipation of the Governor-General's Warrant or for departmental recoverable advances. The Treasury claims that the new narration for the vote for the Advance permitted the Treasury to use it for these purposes. The Committee does not dispute this: it is aware that the Appropriation Bill is based on the estimates which originate in the Treasury. It is concerned with the broader question of whether or not the Parliament should be asked to authorize the use of the Advance for those purposes.

16. In regard to the use of the Advance for emergency payments, the Committee discusses in later paragraphs the degree to which the Advance is, at times, used in preference to the submission of an additional estimate to the Parliament during the course of the year.

17. To illustrate the matter the following table shows the amounts of Warrant Authorities debited to the Advance at various dates during the year:—

AMOUNTS OF WARRANT AUTHORITIES DEBITED TO TREASURER'S ADVANCE 1953-54.
(Treasurer's Advance £16,000,000.)

Warrant Authority.	At 26th October, 1953.	At 28th December, 1953.	At 29th March, 1954.	At 29th June, 1954.
Pending Appropriation ..	£'000. *15,755	£'000. 126	£'000. ..	£'000. ..
Pending Recovery ..	751	1,103	1,117	1,515
Pending Governor-General's Warrant ..	4	† 3,063	2,752	419
Pending Supplementary Estimates ..	33	485	819	5,147
Pending Additional Estimates ..	..	..	§ 4,652	..
Total ..	16,543	4,777	9,340	7,081

NOTE.—Warrant Authorities are authorities to incur expenditure—the actual expenditure will follow. What the actual expenditure is under warrants at the dates set out above is not possible to say as most of the expenditure is debited direct to votes and not Treasurer's Advance.

* Refunds of Revenue—£5.1m. † For example, Army—Christmas Pay; Treasury—Interest on State Debts; Commerce and Agriculture—Dairy Subsidy; Miscellaneous Services. § Refunds of Revenue—£3.4m.

18.—(i) *Debits to Treasurer's Advance Pending Governor-General's Warrant.* Sections 31-34 of the *Audit Act 1901-1954* authorize the spending of public funds and the specific power to do so, after the Parliament's approval has been obtained, is the Warrant of the Governor-General. This power is expressed in the form contained in the Second Schedule of the *Audit Act 1901-1954* and the Warrant is countersigned by the Auditor-General and the Treasurer.

19. The Governor-General's Warrant for expenditure from ordinary appropriations is usually obtained quarterly although it could be obtained more frequently. The amounts are calculated by fixed proportions and no attempt is made to provide for variations in expenditure from period to period. The Treasury explained that it preferred to continue the present procedure because:—

- (a) it wished to avoid the need to obtain Warrants more frequently. To do so, would mean that it would have to trouble more frequently the high officers involved,
- (b) it avoided clerical work by doing away with the need for each Department to examine its quarterly requirements,
- (c) the present system required a Department to make a special request to the Treasury for funds in excess of the quarter's proportion. This would bring the vote concerned to the notice of the Treasury and an examination of it would usually follow.

Even if the Governor-General's Warrant were obtained more frequently, the Treasury feels that there would still be occasions when payments in anticipation of the Governor-General's Warrant for the period, admittedly smaller, would be exceeded.

20. For special appropriations, Warrants are obtained as convenient and not necessarily by quarters.

21. The Committee's point of view stems from the belief that the purpose of votes by the Parliament should be scrupulously observed. If a specific vote is provided for a specific purpose, Warrants for expenditure from that vote should be authorized from that vote and the Warrant confined to the limit established by the Parliament. The Committee has proceeded on the assumption that the Treasurer's Advance is a special fund approved by the Parliament for emergency expenditure. In that case, it ought not to be used to provide a working fund to overcome the difficulties of the machinery of payment established by the *Audit Act 1901-1954*. If that machinery does not allow Warrants to be issued against the funds voted for a particular purpose at a particular time, as appears to be the case, the provisions of the *Audit Act* should be reviewed. A revision of the *Audit Act* is at present proceeding and this revision might well include the provisions now under discussion.

22.—(ii) *Debits to Treasurer's Advance Pending Recovery.* Expenditure may be incurred overseas or in Australia by one Department on behalf of:—

- (a) another Commonwealth Department, or
- (b) a Commonwealth instrumentality.

23. The Treasury explained the procedure now being followed, and its views in regard to that procedure are set out in the following statement* :—

The main overseas accounting centres are in the United Kingdom, North America and the Indian continent. In each of these areas a Commonwealth of Australia bank account is maintained under Treasury control. Lump sums are remitted to these accounts from time to time to meet estimated requirements, the cash account of the country concerned being debited in Treasury books.

At the close of each month schedules of receipts and expenditure from each centre are despatched to the appropriate Authorizing Officers in Australia and the transactions

* Treasury statement, dated 7th February, 1955.

are brought to account in the Departmental and Treasury books for Journal Entry as a contra entry to the cash account. A coded telegram is also despatched to the Treasury from the United Kingdom and North America summarising the month's transactions for inclusion in the Treasury monthly statement of the Consolidated Revenue Fund. June transactions are advised by special telegram so that they may be brought into the accounts of the year.

There is, however, a considerable number of Commonwealth establishments in countries other than those mentioned in paragraph 1. These posts serve mainly the requirements of the Departments of External Affairs, Commerce and Agriculture and Immigration. The accounting officer at the principal post in each of these countries (and in some cases, at other posts) is provided with an imprest bank account from which all local payments are made. This account is reimbursed monthly by the Head Office of the Department in Australia on receipt of the vouchers. Occasionally, special remittances are also necessary to meet large prospective payments.

When the month's transactions are being brought to account in Australia any expenditure on account of another Department is debited temporarily to "Treasurer's Advance" pending recovery. This type of expenditure covers a wide field ranging from recurring salary payments to isolated items such as the purchase of periodicals and advances to officers passing through the post. The amount outstanding at any one time would not exceed £50,000.

Alternative procedures by which expenditure would be debited direct to the relevant departmental vote and not Treasurer's Advance are:—

(a) *Establishment of a Commonwealth of Australia Account at Additional Overseas Centres.*—The remittance of funds and the general control of the accounts would then be maintained by the Treasury.

(b) *Transmission of vouchers direct to the Department concerned.*—Each department would then directly reimburse the overseas centre for the amount of expenditure on its behalf. Several monthly remittances, some for small amounts, would then be made instead of one. If the receipts for a department in any month exceed the expenditure a remittance to Australia would be necessary. The imprest accounts are now being reimbursed each month; separate remittances by each department would probably involve some delays necessitating an increase in the imprest advance.

The Treasury is convinced from its experience that neither alternative could be adopted universally and that the use of Treasurer's Advance pending recovery from departments of expenditure made at some smaller posts will remain unavoidable.

The Committee's inquiry also extends to payments made on behalf of authorities as distinct from Commonwealth departments. Authorities whose transactions are included in the Treasury system of accounts (e.g., Commonwealth Scientific and Industrial Research Organization) follow the same procedure as departments. Expenditure is also incurred overseas for other authorities whose transactions are outside the Treasury system of accounts, e.g., the Snowy Mountains Authority, the Joint Coal Board, the Aluminium Commission and the Australian Airlines Commission.

Some of these authorities do derive the major part of their funds from parliamentary appropriations and it may be claimed that overseas expenditure on their behalf could be debited to the relative appropriation. Exception could be taken, however, to departmental intrusion into the authorities' accounting processes and, moreover, the departmental certifying and authorizing officers would not be able to give the certificates as to correctness of service, &c., that would then be required by the Audit Act. A system of advance payments would not be feasible as the exact amounts involved and approximate dates of payment are often not known.

The Treasury considers that there is no practical alternative to the use of "Treasurer's Advance" for the temporary financing of this expenditure.

24. In regard to payments overseas for Departments, it seems to the Committee that it can be argued with equal force that no more inter-departmental transactions would be necessary under the suggested system of transmission of vouchers direct to the Department concerned than at present. Nor should there be any greater delay in reimbursements than is now the case.

25. In the case of payments overseas for other Commonwealth authorities, whose finances lie outside the Treasury system of accounts, there seems to be no reason why a system of advances, supplemented by direct reimbursements, should not operate. As the

overseas posts would be acting as agents, it is difficult to understand what "departmental intrusion into the authorities' accounting processes" would take place.

26. An alternate proposal considered by the Committee was that separate appropriations should be obtained for the various purposes for which the advance is at present used. The Treasury considered that it would lead to additional clerical work and to a greater monetary appropriation being required than the present amount (1954-55, £16,000,000).

27. The Committee feels that the replies made by the Treasury do not give sufficient weight to the principles expressed in the Committee's Fourteenth Report and in preceding paragraphs.

OFFSETTING OF DEFENCE VOTES.

28. The Treasury has followed the practice of offsetting against excess expenditure under votes for the defence services savings which have been made under other Defence Services Votes. In its Fourteenth Report, pages 7-8, the Committee criticized this practice because it allowed the amount of the Treasurer's Advance to be exceeded. The Treasury has conceded this point.*

29. Furthermore, the Committee wished to know why the Defence Services Votes and not other votes should be singled out for this treatment in order to avoid the appearance of heavy Supplementary Estimates. The Treasury, in reply, reiterated its support of the practice:—†

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.

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.

This method of presentation is considered specially 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.

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.

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.

30. The Auditor-General has pointed out to the Treasury that a lump sum saving to offset the additional votes would not comply with the provisions of section 32 of the *Audit Act* 1901-1954. To comply with the section, the savings should be shown by detailed votes. The Treasury stated that this would require the savings to be made under the votes listed and would take away the choice of what votes would produce savings, now believed to be available to the Treasury under the lump sum method.

31. "For practical reasons", the Treasury thought that this procedure was "not capable of general application".

* Paragraph 13 of the Treasury Minute, dated 3rd September, 1954, printed in Sixteenth Report of the Committee, page 22.

† Paragraphs 8-12, *ibid.*

32. The Committee makes the following comment:—

- (a) In its Thirteenth Report, it drew attention to the doubts cast on the legal force of deductions from votes. If these doubts are confirmed, the system of "offsets" would appear to require revision;
- (b) it is difficult to appreciate the "practical reasons" which urge the maintenance of a ceiling on the amount of the Defence Services Votes by means of "offsetting" and do not apply with equal validity to other votes.

33. The Committee proposes to return to this matter when it examines questions on the form of the Estimates raised in its Thirteenth Report.

DEPARTMENT OF AIR.

Division 143A, Item 1: Royal Australian Air Force Pay and Allowances.

34. The estimate for 1953-54 was £12,172,000, and the actual expenditure was £12,340,146; an over-expenditure of £168,146, to be authorized by a supplementary appropriation.

35. The Department explained that the over-expenditure has arisen largely from:—

	£
(i) an under-estimate of the average per capita rate of pay of £23 on the average strength for the year of 15,150	+ 348,450
(ii) an over-estimate of the average strength to be paid for in the year of 440	- 348,480
(iii) the payment to the Commissioner of Taxation of tax deductions in excess of the amounts listed on group certificates for 1953-54	+ 154,516

36. In regard to (i), the number of married and single personnel, mustering and lower-paid ratings in the Royal Australian Air Force in 1953-54, varied from that of 1952-53. The Department explained that it prepared its estimate on the basis of an examination of past expenditure. It had not been able to foresee the changes in composition of the force in 1953-54.

37. In regard to (iii), the Department explained that basic pay records are maintained in Area Finance Offices and these records contain all information on members' pay, allowances and deductions, including tax deductions. The Department went on to explain that:—

Up to date the amounts so paid have been based on the fortnightly rate of tax deduction shown on the Pay History Cards and adjustment is made in respect of any one financial year in the first payment (in July) made the following financial year.

This adjustment actually reconciles the amounts deducted from members' pay (Group Certificates) and amounts paid to the Taxation Department in respect of the previous financial year.

As regards the year in question, viz., 1953-54 the actual deductions and payments made to Taxation Department were:—

	£	£
Adjusting payment for 1952-53	309,122	
Quarterly Payments	614,800	

Total payments during financial year		923,922
Group certificate for financial year		769,406

It will be noted that the extra large adjusting payment for 1952-53 was the main reason why the actual payments to the Taxation Department during 1953-54 exceeded the total of Group Certificates for that year.

The following set of circumstances which arose during 1952-53 and 1953-54 combined to upset to a greater extent than usual the assessments of quarterly payments:—

- 7.8.1952.—Royal Australian Air Force adult daily rate of pay increased by 1s. 2d. with reduced rates for juniors, apprentices, cadets and the women's services.
- 2.10.1952.—Reduced rates of taxation deductions.
- 13.11.1952.—Royal Australian Air Force adult daily rate increased by 3d.
- 4.12.1952.—Members serving in Momote were exempted from Tax (Instalments refunded).

14. 5.1953.—Royal Australian Air Force adult daily rate increased by 6d.

6. 8.1953.—Royal Australian Air Force adult rate increased by 3d.

29.10.1953.—Reduced rates of taxation deduction. Increased allowances for dependants, e.g., wife from £104 to £130.

Departmental Action.

As verbally intimated to the Committee, investigation has been made into the question of streamlining and spreading tax deduction work in Finance Offices.

Under the new procedure the provisional quarterly payments to the Taxation Department will be more accurate than in the past, and will eliminate large adjustments affecting the pay vote of the subsequent financial year.

It is still not apparent to the Committee why the adjusting payment, the origin of which has now been traced back to the years 1952-53, should be of the magnitude it is. However, the Committee notes that the Department has introduced a new procedure to enable more accurate payments to be made and it will look with interest at the results of the new procedure for the year 1954-55.

Division 145, Item 7: General Services—Compensation for hired properties and equipment.

38. The estimate for 1953-54 was £80,000 and the actual expenditure was £192,756, an over-expenditure of £112,756, which was approved by use of section 37 of the *Audit Act 1901-1954*.

39. The excess expenditure arose in regard to hired equipment, the estimate for which was based on the actual expenditure of the previous year, less a deduction of £50,818 for the hire of trucks paid in 1952-53. This was deducted because it was expected that in 1953-54 the Department would have its own trucks instead of hired ones. There was delay in the procurement of the departmental trucks and others were hired for the full year. In addition, Department of Supply vehicles were hired to transport explosives (£40,611) and greater use was made of that Department's vehicles because of a shortage of suitable Royal Australian Air Force transport and personnel.

40. The Committee consider that it would not have been a difficult matter to have made a forecast of some of these factors if suitable interdepartmental inquiries had been made at the time of the preparation of the Estimates.

Division 145, Item 11.—General Services—Incidental and other expenditure.

41. The estimate for 1953-54 was £35,000 and the actual expenditure was £66,259, an over-expenditure of £31,259, which was approved by the Treasury under section 37 of the *Audit Act 1901-1954*.

42. The Department found it hard to establish a firm basis for the estimate for this item. In this instance, £15,258 of the excess resulted from "a normal backlog in the adjustment of charges with the Department of Supply for expenditure on the Long Range Weapons Project". The re-imburement from that Department had lagged behind the recovery and had to be "carried" in this vote on the closing of the year's accounts. The Committee is concerned that no specific reasons could be given for the balance of the excess expenditure.

43. The item is a small one in the total expenditure votes of the Department but, nevertheless, it illustrates two points to which the Committee has drawn attention more than once:—

- (i) in its Thirteenth Report, the Committee drew attention to the doubtful legal force of the system of crediting receipts or recoveries to votes. If this legal doubt is substantiated by the inquiries which the Committee has in hand, some alteration to the present system would seem to be inevitable; and

- (ii) the vote "Incidental and other expenditure" is understood to be for minor items of expenditure which do not justify separate votes. It seems scarcely in keeping with the purpose of the vote that charges and re-imburements of this nature between Departments should be made by using this vote, and without disclosure of the action to the Parliament.

*Division 147, Item 3: Equipment and Stores—
Mechanical and transport equipment.*

44. The estimate for 1953-54 was £1,152,000 and the actual expenditure was £1,323,870, an over-expenditure of £171,870 which was approved by the Treasury under section 37 of the *Audit Act 1901-1954*.

45. Since 1952, the Department had been considering the replacement of its electric generating sets, but technical investigations and inter-service departmental discussions on the type of sets to be obtained delayed a decision until February, 1954. The cost of the immediate requirements was assessed at £440,000 of which £426,391 was paid out in 1953-54. Slower progress on the purchase of other equipment made available some surplus funds in this vote for the purchase of the sets.

46. The official order was placed by the Australian High Commissioner in United Kingdom on 11th March, 1954, and the first consignment was shipped on 2nd June, 1954. Payments of £128,260 and £248,292 were made on 22nd and 25th June, 1954, respectively.

47. No funds on account of the purchase had been provided in the estimates for 1953-54 despite the apparent urgency of the need for the sets and the large sum involved.

*Division 147, Item 4: Equipment and Stores—
Communications and radar equipment.*

48. The estimate for 1953-54 was £1,825,000 and the actual expenditure was £1,559,236, an over-estimate of £265,764.

49. The Department explained that it considered the main factors leading to this result were:—

	£
(a) Transfer to overseas suppliers of orders on which manufacture in Australia had been desired but found impossible	130,000
(b) Changes in design and specifications and other contract difficulties ..	480,000
	<hr/>
	610,000
(c) Cost of Air Search Radar = £532,000	
Expenditure in 1953-54	440,000
	<hr/>
	170,000

The air search radar purchase was approved by the Cabinet in January, 1954.

Division 148: Aircraft Projects.

50. The estimate for 1953-54 was £14,875,000 and the actual expenditure was £11,976,893, an over-estimate of £2,898,107.

51. The Committee was provided with information on the details of this vote which the Department asked to be regarded as "confidential". As provided by section 11 of the *Public Accounts Committee Act 1951*, the Committee decided that the Department's request should be approved and, accordingly, its report on this vote is in general terms only.

52. The vote is for the purchase of aircraft overseas by the Department of Air and for the payment to the Department of Defence Production for the manufacture

of aircraft within Australia. This purpose is not revealed in the bald terms of the vote: "Aircraft Projects", and the Committee considers that it would be useful for the Parliament to be provided with adequate information by means of more explanatory wording for that vote. The over-estimate appears to have been largely because of:—

- (i) a too-optimistic forecast, at the time of the preparation of the estimates, of the labour and material which would be available for aircraft production in the year;
- (ii) decisions taken during the year to slow down or to stop temporarily production of a particular type of aircraft.

DEPARTMENT OF THE ARMY.

*Division 127A, Item 1. Australian Regular Army—
Pay and Allowances.*

53. The estimate for 1953-54 was £19,057,000 and the actual expenditure was £19,466,614, an over-expenditure of £409,614 for which a supplementary appropriation is to be sought from the Parliament.

54. Although the purpose of the vote is stated in the Appropriation Acts as for the pay and allowances of the Australian Regular Army—whether in Australia or overseas, it has been used for other purposes, including:—

- (a) Financing the expenditure of the British Commonwealth Forces in Japan and Korea. When accounting statements are received from the chief paymaster in Japan, the expenditure is apportioned to Division 221: Other Administrations—Recoverable Expenditure and to the Royal Australian Air Force votes, the balance remaining as a charge against the vote for the cost of the Australian Regular Army.
- (b) Serving as a means of remitting canteen receipts in Japan to the Australian Army Canteens Service in Melbourne.
- (c) Purchasing in London sterling credits to meet the expenditure for the British Commonwealth Forces in Japan.

55. The estimate itself makes no allowance for any delay in the speedy and up-to-date settlement of these transactions. It assumes that the funds will be used temporarily and replaced during the financial year.

56. In 1953-54, the estimate for the Australian Regular Army pay and allowances was reasonably accurate: e.g., the forecast of the average strength was 25,550 and actual average strength was 25,300. However, the amount owing for the purchase of sterling credits at 1st July, 1953, was £774,795, and the amount owing at 30th June, 1954, was £272,002: a difference of £502,793. The Department considered that this factor was the main cause of the over-expenditure.

57. The use of this vote for the purposes other than the pay and allowances of the Australian Regular Army did not have any legal authority. The Department referred the Committee to a Treasury direction that this vote should be used in this way and the Treasury gave the following reasons to justify its action:—

- (i) the major part of the expenditure would remain as a charge to the vote when the allocation had been made;
- (ii) there must be some fund to which the debits can be posted temporarily: and in view of the size of the debits, the fund must be a large one;
- (iii) the alternative would appear to be a trust account, a method not favoured by the Treasury; and

(iv) the arrangement for the purchase of sterling credits through the United Kingdom was part of the agreement governing the B.C.F.K. In any case, the amounts of the Australian transactions are taken up in the exchange of calculations of the sterling pool.

58. The Committee acknowledges the difficulty of the accounting problem which confronted the Treasury on this occasion. Nevertheless it points out that the method the Treasury adopted was not disclosed to the Parliament. There is no Parliamentary approval for payments other than for Australian Regular Army pay and allowances. This represents a disregard of Parliamentary authority and the Committee recommends that the Treasury should review the position in order to arrive at a procedure in keeping with that authority.

Division 127B, Item 6: Australian Regular Army—General Expenses—Petrol, Oil and Lubricants.

59. The estimated expenditure for 1953-54 was £250,000 and the actual expenditure £171,173, an *over-estimate* of £78,727.

60. The Department explained that:—

All purchases of petrol, oil and lubricants for the Australian Regular Army, Citizen Military Forces and National Service Training are charged to this vote in the first place. Issues to the Citizen Military Forces and National Service are credited to the vote on a predetermined *per capita* basis, i.e., numbers in camp. Any variation between the actual costs of issues and the predetermined rate affect the expenditure under this item. The gross expenditure for the year was £349,476 and £178,303 was transferred (to Division 129B) for issues to the Citizen Military Forces and National Service.

61. The estimate was based on the expenditure of the previous year and the planned strength for the year in question. The over-estimate was attributed to:—

- (a) unforeseen fall in prices of petrol and oils, estimated to have produced a saving of about £25,000; and
- (b) issues for the Citizen Military Forces and for National Service Training were charged at an assessed *per capita* rate without reduction to take account of the fall in prices.

62. The fact that the vote is used for bulk purchases for the Australian Regular Army and the Citizen Military Forces is not disclosed in the estimates. The Committee thinks that it is desirable that this practice should be brought to the notice of the Parliament. Whether or not the vote should be in the form of a debit and a credit for the transfer to the Citizen Military Forces votes is a matter for consideration in connexion with the issues raised in the Committee's Thirteenth Report.

Division 129: Citizen Military Forces and Cadets.

63. The estimate for the Citizen Military Forces and for the National Service Training for 1953-54 and the actual expenditure for each were as follows:—

	Citizen Military Forces.	National Service Training.	Total.
	£'000.	£'000.	£'000.
Estimate	5,269	4,428	9,697
Actual Expenditure ..	3,596	4,449	8,045
<i>Over-Estimate</i>	1,673	—21	1,652

64. The Department stated that it was able to prepare accurate estimates of the cost of National Service Training because it knew the number to be trained and

the rates of pay involved. The estimates for the Citizen Military Forces are prepared in the Units and Commands and consolidated and reviewed by the Director of Military Training. These estimates were prepared for a training schedule of fourteen days' camp training, twelve days' obligatory home training and twelve days' voluntary training, in the latter case, allowing for an average of six days only. The Government decided that, from 1st January, 1954, home training should be reduced to seven days and it was then estimated that provision should be made for an average of nine days' camp training for the year.

65. In the upshot, this estimate was far in advance of actual results, both as to numbers and days of training.

Division 130: Item 5: General Services—Freight and Cartage.

66. The estimate for 1953-54 was £440,000, and the actual expenditure was £163,220, an *over-estimate* of £276,780.

67. When the estimate was being prepared, the Department assumed that the transfer and disposal of stores and the dumping of ammunition would continue at the rate of the previous years, and the estimate was based on the expenditure of those years (1951-52—£391,649 and 1952-53—£402,637). Subsequently a special investigation was made of the falling off in expenditure in 1953-54. It was ascertained that heavy movements of stores were necessary at the inception of National Service Training and these took place in 1951-52 and 1952-53. By 1953-54, a balanced distribution of stores had been achieved.

68. The Committee believes that, if the Department had prepared its estimate in the light of the facts which were in its possession, instead of on the previous year's expenditure, the heavy over-estimate would have been avoided.

Division 130, Item 8: General Services—Medical and Dental Services.

69. The estimate for 1953-54 was £700,000 and the actual expenditure was £602,129, an *over-estimate* of £97,871.

70. The Department provided the following explanation:—

The main expenditure under this item was for hospitalization at repatriation and civil hospitals. This cost £484,903 against this Department's estimate of £575,000. With the more stringent medical standards adopted for recruiting National Service personnel and the increased capacity of Army Camp Hospitals to cope with injuries and illnesses which formerly would have meant transfer to another hospital the actual expenditure under this vote will tend to reduce.

71. The estimate was prepared originally by the Director-General of Medical Services on the basis of his medical statistics and programme of development of camp hospitals at £900,000; it was reduced subsequently to £700,000 (the amount in the printed estimates) on the grounds that the sum appeared to be excessive.

72. The major error was in the estimate of the number of personnel likely to go into civil and repatriation hospitals.

73. The Committee draws attention to the fact that the wording of the item could suggest, to those without technical knowledge of the Estimates, that the vote is for the whole medical and dental services for the Army, which of course is not the case.

74. This criticism applies to a number of votes of the Department of the Army. The Committee considers that a more explanatory wording should be provided for this class of vote, e.g. "Payments to the Repatriation Department, civil authorities and others for medical, hospital and dental examinations and services".

Division 130, Item 12: General Services—Recruiting Campaign.

75. The estimate for 1953-54 was £250,000 and the actual expenditure was £175,363, an *over-estimate* of £74,637.

76. The Department explained that, although the vote was listed among its votes and without any qualifications, in fact it was for the recruiting campaign for all three service departments. It was controlled by the Department of Defence but the accounting organization of the Department of the Army handled the paying and recording of accounts.

77. A review of the recruiting organization had been put in hand in June, 1953 and, pending the completion of the review, a figure of £250,000 was included in the estimates. That figure was based on an estimate by the Director-General of Recruiting of £251,000 for the year. When the review had been completed, the Minister for Defence, in November, 1953, directed that the expenditure should be reduced to £190,000 for the year.

78. The Committee noted that this Item is included in the votes under the control of the Department of the Army instead of in the votes under the control of the Department of Defence. The Minister for Defence stated that the vote for recruitment would more appropriately be included in the votes of the several Services than in that for Defence. He thought that the Department of the Army could continue to be responsible for all the accounting as at present, and recover from the Departments of Navy and Air their shares of the expenditure. (See Appendix No. 2.)

Division 130, Item 13: General Services—Incidental and other Expenditure.

79. The estimate for 1953-54 was £100,000 and the actual expenditure was £43,527, an *over-estimate* of £56,473.

80. As with the Department of Air referred to in paragraph 42 above, the Department stated that the vote was a difficult one to estimate. Two specific matters explained part of the over-estimate:—

- (i) £30,000 had been included for army recruiting and publicity of which only £1,570 was spent,
- (ii) £12,359 was credited in respect of debits raised against other Departments in previous years.

81. In regard to (i), the Department explained that some small amount was included in this Item for publicity purposes but the larger sum of £30,000 for recruiting had been provided in 1953-54 as an "insurance" in case the national recruiting organization was abolished. It is a matter of doubt whether the provision of funds in this way for a contingency fund is warranted and whether the presentation of the amount in Item 13 is the most desirable in view of Item 12—Recruiting Campaign.

82. In regard to (ii), the credit was not allowed for in the estimate of the vote. The Committee draws attention to its comments on a similar procedure of credit to votes in paragraph 43 above.

Division 134: Arms and Equipment—Maintenance.

Division 135: Arms, Armament, Ammunitions, Mechanization, and Equipment.

83. Because of the similarity in the material purchased from the funds provided by these votes, the Department gave the Committee an explanation which covered both.

84. The estimated expenditure and actual expenditure under the two votes for 1953-54 was:—

	Division 134.	Division 135.	Total.
	£	£	£
Estimated Expenditure	11,000,000	8,795,000	19,795,000
Actual Expenditure ..	7,341,675	7,859,424	15,201,099
<i>Over-Estimate</i> ..	3,658,325	935,576	4,593,901

85. The *over-estimate* was distributed over funds for the following sources of supply and Japan/Korea transfers:—

	£
Overseas orders	500,000
Local Production Orders	1,993,000
Department of Defence Production	1,100,000
	3,593,000
Credits on account of Japan and Korean transfers	1,000,000
	4,593,000

86. The Department said that the main reasons for the position were as follows:—

(a) In the absence of an approved programme of authorizations in the early months of the financial year, new authorizations were limited to current requirements until the passing of the estimates in October, following which approval was given by the Defence Preparations Committee of Cabinet on 18th November to proceed with items in the programme which the Minister concerned could approve within a Department's allotment. New authorizations involving expenditure extending into subsequent financial years were limited to a conservative basis pending a decision on the extent of the commitments that could be approved for 1954-55 and subsequent years.

(b) The placing of orders, arranging of contracts takes time and where major items are concerned it is not uncommon for a period of four months to elapse. Taking into consideration the time of passing of the Estimates and approval for new Authorizations, together with the placing of firm orders, four months production only is available in respect of certain orders authorized from the current financial year's funds.

(c) Supplies from local private industry are largely affected by the conditions of trade. When trade is buoyant Army deliveries fall away considerably. It is understood that the Department of Defence Production experienced difficulties in the recruitment of man-power and delays occurred in the procurement of essential materials. Changes in specifications have also contributed to delays and supplies from outside contractors have also been affected by the buoyancy of industry.

87. In connexion with changes in specifications, the Department of Defence Production estimated that no orders were affected to a major degree by this cause and that less than 2 per cent. of the short-fall in production would be attributable to that cause in 1953-54.

88. To illustrate its difficulties, the Department of the Army supplied a statement of the new orders placed in 1953-54 month by month for new armaments under Division 135:—

Division 135.

Month.	Overseas.	Local and Defence Production.	Total.
	£'000.	£'000.	£'000.
July	11	Cr. 552	Cr. 541
August	Cr. 16	Cr. 255	Cr. 271
September	83	Cr. 746	Cr. 663
October	Cr. 1	164	163
November	145	910	1,055
December	Cr. 1	42	41
January	Cr. 28	816	788
February	Cr. 124	194	70
March	Cr. 48	809	761
April	Cr. 1	37	36
May	146	181	327
June	320	455	775
Total for 1953-54 ..	486	2,055	2,541

It is apparent that there was a substantial banking up of orders until the Estimates and the Defence Programme were passed in November, 1953, and some significant increase in the level of new orders in the last month of the financial year.

89. The Committee draws attention to its Eighteenth Report Part 1* where it recommended that estimates of expenditure should be presented to, and approved by, the Parliament before the beginning of the financial year. It finds here further practical support for its earlier recommendation and it urges that earnest consideration should be given to it.

DEPARTMENT OF COMMERCE AND AGRICULTURE.

Division 25, Item 6: Nitrogenous Fertilizers— Purchase of Stocks £265,353.

90. No provision had been made in the Estimates for 1953-54 for this sum and a supplementary appropriation is sought from the Parliament for the full amount.

91. Nitrogen Pool Pty. Ltd. was established in 1937 by private interests for the joint handling of nitrogenous fertilizers. In 1942, to meet a war-time need, the Commonwealth took control of the pool through the company and supplemented the supplies of the fertilizer by production from munition factories.

92. The sources of supply and the costs in 1953-54 are, in approximate figures, as follows:—

	Purchase in tons.	Approximate Cost per ton.
		£ s. d.
(a) Department of Defence Production Munition Factories	49,953	33 10 0
(b) Imports (including stocks in transit)	23,324	31 0 0
(c) Private Industry and By-products (approx.)	26,500	28 0 0
	99,777	

93. The Department of Defence Production stated that its costs over the last few years had been:—

	Per ton.
	£ s. d.
1951-52	39 8 0
1952-53	41 2 0
1953-54	33 8 0
Current price	29 10 0

Further decline in prices will depend on the costs of labour and material and the quantity produced in the factories. The costs of imported fertilizer have also fallen over recent years.

94. The Commonwealth handled the purchasing of the production of the Government factories and of imports and the private producers paid into the pool the surplus of selling price over their costs of production. The Department of Commerce and Agriculture stated that it did not check the costs of production of the private and by-product producers of the fertilizer.

95. The wholesale selling price was £35 per ton in 1953-54 and distribution costs brought the price to £37 5s.-£37 8s. in Queensland where over half the production was used.

96. In a statement supplied subsequently by the Department, it was pointed out that the practice of green manuring is not by any means limited to Western Australia, but has, in fact, been advocated and practised extensively for many years throughout the rest of Australia in the agricultural and pastoral districts where it is considered desirable and economically feasible.

97. The Department continued:—

Two recent research articles illustrate this statement. For instance, the Bulletin *C.S.I.R.O. Rural Research* for June, 1954, includes reference to the enormous quantities of valuable plant nutrients which are added to the soil each year by leguminous crops, and includes estimates made in New South Wales, Victoria and South Australia of these amounts in terms of added nitrogen. Again, the Queensland Cane Growers' Quarterly Bulletin recorded in October, 1954, that for many years the Bureau of Sugar Experiment Stations has been supplying inoculum to farmers to inoculate legume seeds for green manure crops.

It could perhaps be inferred from the question that Western Australia was regarded as using less ammonium sulphate per acre, and that the use of less nitrogenous fertilizer was desirable as an economy measure in the eastern States. However, the reverse is indicated by the following figures of usage:—

The estimated percentage consumption of ammonium sulphate for various crops in Australia is—

	Per cent.
Sugar	60
Orchards	20
Vegetables	10
Vines and Miscellaneous	10

The average yearly usage of nitrogenous fertilizers by States since the early 1940's has been—

	Tons.
Queensland	37,000
New South Wales	12,000
Victoria	10,000
South Australia	4,000
Western Australia	3,000
Tasmania	2,000
	68,000

The average annual acreage since the 1940's under orchards, vegetables and vine crops by States is (very approximately) as follows:—

	Acre.
Victoria	205,000
New South Wales	175,000
South Australia	110,000
Queensland	70,000
Tasmania	60,000
Western Australia	50,000

The number of acres fertilized per ton of ammonium sulphate is, therefore, roughly as follows in the non-sugar-growing States—

	Acre.
Tasmania	30
South Australia	27
Victoria	20
Western Australia	15

Leaving out the tonnages used for sugar, New South Wales and Queensland are about on a par with Western Australia, averaging about 15 acres to the ton of ammonium sulphate.

On the average, about 60 per cent. of ammonium sulphate is sold straight and about 40 per cent. in mixtures. Australian usage for 1953-54 was just on 100,000 tons of ammonium sulphate, and the actual tonnages in mixtures in the various States were—

	Tons.	Per cent.
New South Wales	3,749	42
Victoria	5,543	43
Queensland	23,287	42
South Australia	968	16
Western Australia	2,765	55

Tasmanian figures are not available.

98. The wholesale selling price had increased as follows:—

	Per ton.
	£ s. d.
June, 1949	18 10 0
September, 1949	20 10 0
1950	24 10 0
1951	32 0 0
1952-53 to date	35 0 0

The price was assessed by the Treasury on the basis of the amount of subsidy which the Commonwealth was prepared to pay from time to time to offset the higher costs of the production by Government factories. As those factories are in Victoria, heavy transport costs were involved in the distribution of the product, in

* Eighteenth Report, Part 1, paragraphs 96 and 155 (6).

particular, to Queensland. On this point, it was emphasised to the Committee that, as a defence measure, the particular plants concerned should be maintained in going order.

99. On the figures placed before the Committee, it would seem that no Commonwealth subsidy will be required for 1954-55.

100. The Committee examined the matter briefly in its First Report on Supplementary Estimates for 1951-52 and, as a result of the comments it then made, the votes in the Estimates have been divided to show for 1953-54:—

(a) Division 206: Ordinary Votes—Subsidy £175,147, and

(b) Division 25, Item 6: Capital Works and Services Votes—Stock purchases £265,353.

In 1953-54 the additional amount of £265,353 was required to finance the purchase of additional stocks, the demand for which was not anticipated when the Estimates were prepared.

101. The Committee agrees that the presentation of the votes for nitrogenous fertilizer to the Parliament in this fashion is preferable to that formerly adopted. Nevertheless, the financing of trading operations through the Appropriation Act can lead to undue fluctuations in the Estimates from year to year. This question was discussed by the Treasury, which supplied the Committee with a statement dated 15th July, 1953, as follows:—

A case for handling the subsidy on nitrogenous fertilizers through a Trust Account can be argued with some validity. The Treasury would, however, prefer to avoid taking this step on general grounds and because it seems likely that the present system of purchasing, distributing and subsidizing this fertilizer may shortly be changed. True, expenditure in 1951-52 was inflated by the need to retain substantial quantities of this fertilizer in stock, but the consequent effect on the Commonwealth's accounts in the following year was met by crediting to Consolidated Revenue the receipts obtained from the liquidation of the carry-over stocks and providing in the subsidy vote for the net loss on the fertilizer distributed during the year. It is considered that this treatment adequately reflects the financial transactions involved. If the present system of purchasing, distributing and subsidizing nitrogenous fertilizers is not changed and it is again necessary to provide for an increase in the Commonwealth's stock-holding, the money required to pay for the carry-over stocks will be shown under a separate vote, the loss on distribution being provided under the subsidy vote.

102. The Committee is not disposed to pursue this particular aspect at this stage, for it is contemplating a review of the Trust Fund. It would, however, draw attention to the lack of information provided to the Parliament on the transactions of the pool. Statements of the trading and subsidy for the year and the balance-sheet at 30th June, 1954, have been placed before the Committee (see Appendix No. 1), and these enable those interested to obtain some idea of what are the purposes of the votes. The Committee considers that similar returns should be presented to the Parliament, either with the Budget (under the present time-table) or as separate returns to be tabled in the Parliament.

DEPARTMENT OF THE INTERIOR.

Division 61c, Item 3: Water Supply and Sanitation for other Departments in Canberra.

103. The estimated expenditure for 1953-54 was £1,500 and the actual expenditure was £1,976, an excess of £476 for which a supplementary appropriation is to be sought from the Parliament.

104. The excess expenditure was attributed by the department to a heavier consumption of water at Parliament House than in previous years. This was

based on meter readings during the earlier part of the year and, as the meter then proved defective, on estimates for the balance of the year. The Department explained:—

The higher consumption for the July-September, 1953, quarter came under the notice of the meter reader but was not reported to higher authority. The accountant became aware of the situation when it became necessary to seek supplementation of the vote (July, 1954).

The main factor contributing to the recorded increases is considered to be faulty meters in earlier years, which necessitated "estimated" instead of actual readings. This estimating now appears, in the light of later readings, to have been substantially lower than actual consumption.

Future readings will be watched to ensure that abnormal consumption figures are quickly investigated. A senior officer will confirm the accuracy of any estimated readings necessary through faulty meters.

105. The Committee's interest in this particular item was in the glimpse which it afforded of departmental administration at a routine level. It found that a story, told by statistics carefully collected by the Department, was not properly appreciated until the machinery of the Committee was set in motion.

Division 254c, Item 24: A.C.T.—General Services—Transport—Loss on City Omnibus Service.

106. The estimated expenditure for 1953-54 was £55,000 and the actual expenditure £60,000. A supplementary appropriation for £5,000 is required.

107. The vote is for funds to pay into the Australian Capital Territory Transport Trust Account to meet the loss on the operation of the Canberra bus service by the Department of the Interior.

108. The bus service has never paid its way and the losses are increasing in amount; for example, the losses for the past ten years have been—

	£
1944-45	13,645
1945-46	15,662
1946-47	14,801
1947-48	26,146
1948-49	26,667
1949-50	26,503
1950-51	35,119
1951-52	62,617
1952-53	59,837
1953-54	60,381

The loss for 1954-55 is estimated at £60,000. For the year 1953-54 the receipts and expenditure are:—

Receipts.		Expenditure.	
	£		£
Earnings ..	133,622	Wages ..	92,845
Loss ..	66,381	Fuel, &c. ..	43,217
	200,003	Overhead* ..	49,240
		Depreciation ..	14,701
			200,003

109. The Department supplied the Committee with information concerning the operation of the service and the endeavours which had been made to make it pay. Attention is drawn to the following comments made in the statement of the Department:—

From—	1st Section.	Each Additional Section.	Maximum Fare.
	<i>d.</i>	<i>d.</i>	<i>d.</i>
1st November, 1949 ..	3	1	8
1st January, 1951 ..	4	1	9
15th September, 1952 ..	6	1	..

* No interest on capital investment.

The Department thought that a further increase in fares would be inadvisable as it would probably bring about a steeper decline in patronage. Nevertheless, it proposed to review fares when the new marginal increases in wages are known.

Passengers and Mileage.

The patronage of the buses has fallen steadily as follows:—

Year.	Estimated Number of Passengers.	Mileage.	Miles per Passenger.
1950-51	4,400,000	1,042,971	0.24
1951-52	4,200,000	985,188	0.23
1952-53	4,015,000	954,243	0.24
1953-54	3,800,000	971,250	0.26
Six months to 31st December, 1954 ..	1,990,850*	513,958*	0.26*

* Estimated.

During this period, the population of Canberra increased rapidly so that, in proportion to the increased

population, the decline in patronage of the buses was the more marked, as follows:—

31st December—	Estimated Population.(a)	Estimated Number of Passengers.(b)	Passenger Trips per Head of Population.
1950	23,629	4,400,000	186
1951	25,036	4,200,000	168
1952	28,481	4,015,000	141
1953	30,983	3,800,000	123
Per cent. Movement, 1950-53	+ 31.1	— 13.6	— 33.9

(a) For the Australian Capital Territory, See Year Book No. 40, page 330 and Monthly Australian Demographic Review.

(b) For financial year.

The decline in passenger trips per head of population is striking and the Department attributed it largely to the increase in fares noted above, the greater use made of motor cars and bicycles and the establishment of shopping centres in the suburbs.

Comparison of Fares with those of other Services.

The fares charged in Canberra are not, on a mileage basis, as high as those charged in other capital cities. For example, a rough comparison of the sections and fares charged in Canberra, Sydney and Hobart is as follows:—

—	Approximate Length of Sections.	Fare for—				
		1 Section.	2 Sections.	3 Sections.	4 Sections.	5 Sections.
Canberra	Miles. 1.5	6d. (1.7 miles)	7d. (3.0 miles)	8d. (4.3 miles)	9d. (5.5 miles)	10d. (6.7 miles)
Sydney	1	4d. (1 mile)	6d. (2 miles)	8d. (3 miles)	9d. (4 miles)	10d. (5 miles)
Hobart	1	5d. (1 mile)	7d. (2 miles)	9d. (3 miles)	11d. (4 miles)	1s. 1d. (5 miles)

Other Causes of Losses.

The Department thought that the losses could, in addition, be due in part to the following reasons, although the proportion of loss from each cause could not be estimated:—

- the layout of the city with runs of about 20 per cent. through non-residential areas,
- the low population density in Canberra (670 persons per square mile compared with, for example 6,400 per square mile in Sydney and 1,020 in Hobart),
- the Royal Visit gave rise to some loss,
- penalty rates and overtime.

110. The Department reviewed for the Committee possible means of arresting the loss, either wholly or in part, and these are canvassed briefly in the following paragraphs:—

Sale to Private Enterprise.

A sale was attempted in 1932 but, as a subsidy would still have been required, the proposal was dropped. The Department doubted whether a sale would be advantageous to it, in view of the interchangeability of the personnel of the buses and other transport services. Private enterprise would probably withdraw unprofitable bus services; the Department indeed, doubted whether an adequate transport service could be run at a profit.

One-man Buses at Off-peak Periods.

The proposal has been rejected by the Department for a number of reasons, such as the need to supplement the drivers with cleaners and increased accident risk.

Small Buses at Off-peak Periods.

The proposal has been rejected by the Department for a number of reasons, such as the cost factor, inferior riding comfort and the desirability of standardized vehicles.

111. Losses are made on the school buses for which the fare is 1d. per journey, irrespective of the distance travelled. In 1953-54 receipts for this service were £4,048 and the cost over £30,000. The Department believed that this policy was in line with educational policy generally.

112. At present, time-tables do not quite pay their way, costing 6.8d. each and selling for 6d. each. The Department is to review the price when the cost of the next issue is available.

113. The Department has drawn the attention of the Committee to a report made on the bus service by Messrs. Chapman and Schumer and most of the facts and proposals and answers noted above were raised in that report.

114. The Committee has gone to some length to record factors which have determined the service given and the alternatives which have been explored in an endeavour to make the service pay. The question is whether or not the service is so operated that the best use is made of public funds. The Committee's concern, therefore, is with the methods adopted to measure the efficient use of those funds. The Department stated that, as the service operates at present, the Government provides the funds to bridge the gap (between receipts and expenditure). Messrs. Chapman and Schumer suggested that, instead of showing large deficits, a subsidy to account for the peculiar conditions

of Canberra should be assessed and paid into the service's trust fund. Any debit balance then remaining would be properly disclosed as a deficit. The Department did not believe that there would be any material advantage in this proposal.

115. The Committee considers that the Treasury should assess what would, in its opinion, be a reasonable subsidy to account for the special conditions of the national capital and for developmental areas. This amount should be shown separately in the Estimates. Any additional debit, or, a more remote possibility, credit, should be shown as a distinct item. By this means, there would be established some rough measuring rod to the efficiency of the service. As suggested above in paragraph 102 for the nitrogenous fertilizers pool, an annual return should be presented to the Parliament.

116. The Department should make greater use of statistics for recording such things as light mileage, empty running, and time lost in servicing than appears to be the case at present.

DEPARTMENT OF THE NAVY.

Outstanding Accounts with the Admiralty.

117. In a number of instances examined by the Committee, problems arose in connexion with payments under arrangements made with the Admiralty. The following examples were placed before the Committee:—

(a) Personnel of Royal Navy Submarine Stationed at Sydney.—The agreement with the Admiralty provides for the Commonwealth to pay any costs over the normal running costs of the submarine. The amount is calculated by the Admiralty and the Department waits until it receives an account. In March, 1954, an account for £59,000 for the period October, 1949, to March, 1954, was received and, as no provision had been made in the vote (Division 109A Item 1), a supplementary appropriation is to be sought from the Parliament.

(b) R.A.N. Personnel training in Naval Aviation in the United Kingdom.—The Department explained that R.A.N. personnel were trained in naval aviation in the United Kingdom. The Admiralty established a charge for each course. The Department was aware of the courses taken by its officers and of any variations in the courses. At the time the Estimates for 1953-54 were prepared for this item (Division 114, Item 6), the Department understood from the Admiralty that an advance payment made in March, 1953, would meet all claims outstanding at that date. During 1953-54, further claims amounting to £163,000 for the years 1950-52 were received from the Admiralty.

The Department explained that although it kept records of all courses, it appeared that it did not have accurate records of the outstanding liabilities. It had not provided for any further liability and accordingly a supplementary appropriation is necessary.

(c) Purchase of Victualling Equipment in the United Kingdom.—Victualling equipment is purchased in Australia and in the United Kingdom through Admiralty contracts. In this instance, the estimated expenditure under this item (Division 115, Item 1) for 1953-54 was £100,000 and the actual expenditure £143,958—a supplementary appropriation for the excess of £43,958 being required. The Department explained that the reasons for this excess were as follows:—

	£
(a) Increased prices	16,000
(b) Error in accounting necessitating an adjustment in respect of a former year	7,000
(c) Over-expenditure on orders in Australia	8,000
(d) Under-estimate of outstanding liability at 1st July, 1953, overseas	13,000
	44,000

A detailed examination of all the individual orders for victualling equipment overseas discloses that the amount allowed in Estimates 1953-54 for expenditure on these outstanding orders was under-estimated as shown at (d) above, some of the orders being omitted in error from the list of outstanding liabilities.

(d) *Purchase of Naval and Air Stores in the United Kingdom.*—The estimated expenditure for 1953-54 under this item—Division 115, Item 2—was £5,166,000 and the actual expenditure £5,863,723—an excess of £697,723, from which a supplementary appropriation is to be sought. Of this, the major part (£572,528), was attributed to increased claims from the Admiralty for air stores purchased in the United Kingdom.

The Department explained:—

The constant difficulty in estimating the cost of Air Stores (which are largely procured in the United Kingdom) because of the conditions under which supplies are arranged by the Ministry of Supply in London, i.e., not on a fixed price, but on a cost plus agreed percentage basis, and the difficulty in ascertaining the true outstanding liability in London owing to the long delay by Admiralty in pricing vouchers and rendering claims for supplies to the Royal Australian Navy. Efforts have been made to produce much earlier settlement of indebtedness for Air Stores supplied from the United Kingdom and a system of progress payments is at present under negotiation.

Recently, the Director of Air Stores of the Department had visited the United Kingdom and had discussed the situation thoroughly with the Admiralty and the United Kingdom Department of Supply.

The Department also stated that the commitments in 1953-54 for naval and air stores were £14,362,623, but that the overseas commitments would probably be understated.

118. The Committee considers that careful attention should be paid to the recording of liabilities in the books of the Department and that endeavours should be made to have more up-to-date accounting arrangements made with the Admiralty.

Division 117: Naval Construction.

119. The estimated expenditure for 1953-54 was £5,830,000 and the actual expenditure £5,995,759; an excess of £165,759 for which a supplementary appropriation is to be sought.

The Department explained the excess as follows:—

	£
Progress payments towards purchase of fleet tanker in the United Kingdom	733,180
Less: Under-expenditure on other projects	567,421
	165,759

In regard to the fleet tanker, the Department stated that in 1951 the Government had decided to buy a fleet tanker. In December, 1953, the Cabinet had decided to dispose of the tanker. The Department stated:—

At the time of preparation of the Estimates, it was considered that the shipbuilders would be prepared to accept cancellation of the order as a R.A.N. liability because the ship could be taken over as it stood by commercial oil interests. This was a reasonable assumption because the tanker was one of four tankers, which had been ordered by oil companies but had been taken over by the Admiralty in 1951 on account of the then existing tense international situation. Delivery dates for new orders for tankers would have been too long and would not have met requirements. The oil interests at the time were reluctant to surrender their orders and intimated that compensation might be claimed to cover their loss of lifting power or carrying capacity caused by deferment of delivery dates of replacement tankers.

It was considered also that there was a reasonable possibility even if the oil companies did not want to resume the order, the Admiralty or the Canadian Navy would favourably consider taking over the tanker. A semi-official signal from the Naval Attaché, Washington, indicated that the Canadian Navy were interested in the purchase of the tanker.

Provision for £150,000 only was, therefore, made in the Estimates, the sum considered sufficient to meet inescapable commitments before transfer of liability could be arranged.

Efforts to dispose of the tanker commercially were, however, unsuccessful because a world surplus of tankers had rapidly developed at this time. In addition the Admiralty and the Canadian Navy were in turn unable to accept the liability in the circumstances which had developed since their earlier interest. It was also ascertained that if the contract were cancelled, the cancellation charges would involve an amount which it would have been uneconomical to accept.

120. In December, 1953, the Department was informed £720,000 would be required for 1953-54. In May, 1954, the Department was informed that the provisional price for the tanker had been increased and instalments to be paid in 1953-54 were accordingly the greater as follows:—

	£
Instalments	858,755
Ancillary equipment	24,425
	883,180

The total cost estimated in 1951 was £2,000,000, but the cost was now estimated by the Admiralty at £2,600,000. The original date of completion was early 1954, but the Department now expected the tanker to be completed in March, 1955.

121. In a subsequent report, the Department stated that:—

The fleet tanker is a mobilization requirement.

As it would be a reserve requirement, it would be necessary for the vessel to be completed with all fittings and equipment originally ordered so as to be ready for an emergency.

It was, and still is, thought that the tanker can be leased. To enable this to be done all the fittings and equipment would need to be supplied and fitted.

Latest information is that it is likely the tanker will be leased and that it will be possible to arrange for it to engage in exercises with the Fleet for some weeks each year.

Division 120: Miscellaneous Expenditure.

122. The estimated expenditure for 1953-54 was £70,000 and the actual expenditure £20,722 an *over-estimate* of £49,278.

123. Of the estimate, £30,000 was provided for gun stiffening in merchant ships under construction but only £2,000 was spent. The Department explained that of five ships involved, doubts arose as to whether the work on one should be a naval liability. As to three others, the expected rate of progress of construction was not achieved.

124. The balance of the over-estimate of about £21,000 was due to a falling off of claims in respect of World War II. The estimate of expenditure had been based on that of the previous year.

Division 115, Item 6: Repair and Refit of Ships.

125. The estimated expenditure for 1953-54 was £1,092,000 and the actual expenditure was £1,210,944, the excess of £118,944 being approved by the Treasury under the authority of section 37 of the Audit Act.

126. The vote provides funds for the repair and refit of a large number of ships in shipyards other than of the Commonwealth. The Department provided the Committee with a statement of the estimated expenditure and actual expenditure by ships. The major variations, with the Department's comments, were as follows:—

Vessel.	Estimated Expenditure.	Actual Expenditure.	Variation.	Department's Comments.
	£	£	£	
Rockhampton	150	33,201	+ 33,051	Refit was expected to be completed in 1952-53, but extended into 1953-54
Warrego	500	90,540	+ 90,040	It was originally expected that this ship would go to Garden Island but other commitments there made a contract necessary
Hobart	300,000	401,371	+101,371	A higher rate of expenditure than expected was achieved at the State Dockyard, Newcastle
Ararat	60,000	116,889	+ 56,889	Further work was found necessary as the job progressed
S.D.M.L. 1321	35,000	..	— 35,000	Refit deferred
M.S.L. 703	50,000	12,910	— 37,090	Expenditure limited by direction of the Naval Board
Navy Office and Contingencies	129,000	31,371	— 97,629	

127. The Department drew attention to the difficulties of estimating for this vote arising from the uncertainties of foreseeing what work may be required on a vessel until it is opened up and of the rate of progress to be made.

DEPARTMENT OF WORKS.

Civil and Defence Capital Works.

128. The Department of Works controls the votes for capital works for the civil and defence Departments. The estimated expenditure for 1953-54 and the actual expenditure for these works was as follows:—

	1953-54 Estimated Expenditure.	1953-54 Actual Expenditure.	Over-estimate.
	£'000.	£'000.	£'000.
Civil Works	16,300	12,356	3,944
Defence Works	16,322	9,841	6,481
	32,622	22,197	10,425

The *over-estimate* was £10,425,000, the greater part being in the votes for the capital works for the defence Departments. Details of these votes are as follows:—

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Division.	Department.	Estimated Expenditure 1953-54.	Actual Expenditure 1953-54.	Over-estimate.
125	Navy	£'000.	£'000.	£'000.
141	Army	2,148	974	1,174
153	Air	5,157	2,893	2,264
168	Supply	4,000	3,233	767
169		400	171	229
184		3,117	1,515	1,602
	Defence Production	1,500	1,055	445
		16,322	9,841	6,481

129. The Department of Works explained the *over-estimate* in this way:—

- (a) Incomplete works carried forward from the previous financial year did not proceed to extent originally estimated because of factors (c), (f) and (g), hereunder.
- (b) Changes in sponsoring Departments' requirements and specifications delayed the commencement of certain works.
- (c) Deferment of certain projects in pursuance of the Government's decision for the re-balancing of the Defence Programme.
- (d) Lack of an approved works programme hindered the orderly planning by Department of Works to carry out new projects for the financial year. Each project requisitioned by the Service Department concerned involved individual submission to reviewing Authorities for approval to commence the work.

- (e) Marked increase in activity in the private and commercial section of the building industry (because of inducements to labour and higher prices to contractors) made it more difficult to interest large contractors in tenders for Commonwealth works, with the result that only the smaller contractors lodged tenders for our works. They took much longer to complete the projects.
- (f) Scarcity of materials and lengthening in the delivery dates for essential materials, consequential on (e).
- (g) Difficulties experienced in obtaining man-power for works. It can be stated that if the contracts let were normally manned, the funds, as budgeted for the year, would have been fully expended.

130. In regard to (d), the Department stated that it did not have during the year an approved defence works programme. It did receive an approved civil works programme, although the approval was not obtained until December, 1953. Concerning (e), the Department explained at some length, details of the upsurge which had taken place in the demand for private building, a state of affairs which it had not been able to foresee but which it expects to continue into 1954-55.

131. The Department also supplied the following figures of labour employed on departmental works to illustrate (g) :—

	Departmental Labour.	Private Contractors.	State Instrumentalities.	Total.
June, 1953 ..	9,850	6,512	533	16,895
June, 1954 ..	7,950	5,615	242	13,807

132. The Committee was impressed by these reasons and inquired how they had been taken into account in the preparation of 1954-55 Estimates. Figures for civil works prepared during the first quarter of 1954-55 are as follows :—

	Civil Works.	
	1953-54 (actual).	1954-55 (estimate).*
	£m.	£m.
Incomplete works, 1st July ..	20.0	14.6
New commitments during year ..	7.0	16.5
	27.0	31.1
Less Expenditure ..	12.4	17.7
Incomplete works, 30th June ..	14.6	13.4

133. The amount of new contracts to be let in 1954-55 is to be more than double that in 1953-54 and the expenditure in 1954-55 is to be about 50 per cent. higher than that in 1953-54. The evidence given by the Department to explain an over-estimate in 1953-54 appeared to the Committee to constitute reasons for a reduction in its estimated programme and expenditure; the Department was therefore asked to explain the grounds for the more optimistic outlook for 1954-55. In a letter to the Committee dated 28th January, 1955, the Department stated :—

The 1954-55 programme was prepared during the March to May period of 1954, and approved by the Cabinet Committee on Works in June, 1954.

The actual amount appropriated for 1953-54 was used as a guide when considering the extent of works to be admitted for each Department. From this amount was deducted the estimated expenditure in the ensuing year on works expected to remain incomplete at 30th June, 1954. New projects were then admitted to the programme until the estimated expenditure in 1954-55 on the individual projects, absorbed the balance of funds. No project was admitted unless the estimated expenditure thereon was substantial compared with the total cost.

Subsequently, Cabinet itself approved of the appropriations for several departments, following, no doubt, direct representations by these departments being increased and further works admitted to the programme.

The commitment of £7,000,000 during 1953-54 is a net figure after allowing for cancellations during the currency of the year, reductions of authorizations and the writing back of unexpended balances on completed works; consequently, the initial 1954-55 programme figure of £15,323,000 without such deductions, appears high comparatively. This 1954-55 programme, however, includes the following major projects which will extend over a period of some years and increase the programme for the year in which they are approved, whereas £7,000,000 of 1953-54 did not include any such major works :—

	£
Arbitration Court, Melbourne	420,000
Commonwealth Offices, Perth	900,000
Brisbane Aerodrome, Taxiways	1,272,000
	<u>2,592,000</u>

When the 1954-55 programme was being prepared it was confidently expected that expenditure equal to the 1953-54 appropriation could be achieved even though the 1953-54 appropriation was not fully expended in that year. It was known that the position with regard to labour and materials had deteriorated to a certain extent and due allowance made; however, the expansion in the building industry and tightening of labour and materials is greater in January, 1955, than was anticipated in the March to May period of 1954. It is pointed out that the 1953-54 programme was not approved until December, 1953, and with the anticipated approval of the 1954-55 programme prior to July, 1954, it was not unreasonable to expect that increased expenditure could be achieved in 1954-55.

The estimated expenditure of £15,900,000 includes an amount of £3,243,000 for Division 59 in Canberra compared with an expenditure of £2,037,000 in 1953-54, an increase of £1,200,000. This increased amount was appropriated so that the funds would be available if the department, as a result of the strenuous efforts then being exerted by the Minister for Works and Interior, with Cabinet approval, were able to attract more contractors to Canberra to construct the urgent works required within a limited time.

When this increase of £1,200,000 is deducted from the £15,900,000 the result of £14,700,000 is not unreasonable when compared with the expenditure of £12,356,000 achieved in 1953-54 under the circumstances explained above.

(Committee's italics.)

134. The figures for the defence works programme are as follows :—

	Defence Works.	
	1953-54 (actual).	1954-55 (estimate).
	£m.	£m.
Incomplete works, July	17.9	14.4
New commitments during year ..	5.8	8.8
	23.7	23.2
Less Expenditure	9.8	13.1
Incomplete works, 30th June ..	13.9	10.1

135. A further explanation was given by the Department in respect of the appropriation of £13,100,000 for 1954-55, an amount which is £3,300,000 greater than the actual expenditure of £9,800,000 in 1953-54. The Department stated that it had based its programme of new works of £8,800,000 on an expenditure of £9,500,000 but that it was allocated £13,100,000.

136. The Committee will scrutinize with interest the actual results for 1954-55.

Division 68A: Item 7—Amount Chargeable to Works Votes.

137. A charge of 6 per cent., a figure established arbitrarily, on expenditure on capital works is made to each capital works vote under the control of the Department of Works and the amount is credited to that

Department's administrative votes. The effect is to transfer a part of the Department's administrative and technical costs from its administrative votes to its operating votes.

138. For the year 1953-54, the estimated transfer was £1,800,000 and the actual transfer was £1,448,928, an *over-estimate* of £351,072.

139. As the transfer is a percentage of expenditure, it declines or increases with the actual expenditure figures. The explanations provided by the Department for the decline in expenditure in 1953-54 help to account for the over-estimate in this item. The Department went on to explain why the staff strength had not decreased to the same extent as works expenditure, the following figures showing the position:—

—		Works Expenditure.	Staff. (Excluding day-labour.)
		£m.	
1951-52	.. ..	47.7	30th June, 1951—4,148
1952-53	.. ..	42.5	30th June, 1952—3,913
1953-54	.. ..	33.5	30th June, 1953—3,929 30th June, 1954—3,677

Its explanation was as follows:—

... it was not possible to obtain the additional staff required commensurate with the increase in the works programme in the immediate post-war years and it was only with difficulty that our past efforts have been achieved.

COMMENTS OF THE COMMITTEE.

141. It is with regret and some concern that the Committee mentions that a number of statements prepared by Departments for its examination did not provide adequate explanations of the need for a Supplementary Estimate, a variation of an appropriation under section 37 of the Audit Act, or of an over-estimate. In some cases, subsequent inquiries revealed that the explanations offered were incorrect. Furthermore, the Committee was disturbed to find that some witnesses lacked familiarity with the particular subject-matter in respect of which they represented their Department.

142. In the past the Committee has confined its attention to over-expenditure, but it has considered that it should now pay attention also to instances where the estimate for a vote is greatly in excess of the actual expenditure. The Committee notes that the United Kingdom Public Accounts Committee took up this matter in its Second Report for 1952-53.

143. The following are the conclusions of the Committee in respect of the matters mentioned:—

TREASURER'S ADVANCE.

1. *Governor-General's Warrant.*—If a specific vote is provided by the Parliament for a specific purpose, Warrant Authorities for expenditure should be authorized against that vote. If the machinery established by the Audit Act does not, in connexion with the Governor-General's Warrant, permit this to be done and requires Warrants to be issued against the Treasurer's Advance, the relevant provisions of the Audit Act should be reviewed.

2. *Inter-departmental Advances.*—The Treasury should give further consideration to the Committee's view regarding the use of the Treasurer's Advance Account.

3. *"Offsetting" Defence Expenditure.*—The Treasury should give further consideration to terminating the practice of "offsetting" savings under Defence Services votes against additional expenditure sought under other Defence Services votes.

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The staff organization of the department is under constant and detailed review to harmonize with the overall work load or to shifting work load as between one area and another. In addition, our procedures and systems are being revised section by section to achieve the maximum of efficiency and economy in administration.

During recent years, because of the extremely heavy volume of works and its urgency, particularly in relation to Defence and Immigration projects, supervision was inadequate and many safeguards and controls to ensure against wasteful expenditure could not be applied to the necessary degree owing to the shortage of well-qualified and experienced personnel. For current activities, it is in the interests of the Commonwealth to maintain staff at the required measured level rather than to reduce it proportionately to any reduction occurring in overall expenditure without regard to job costs and efficiency. At present, our best efforts are being directed to essential pre-planning of works prior to construction, to the preparation of the working drawings and specifications leading to the execution of the maximum of work by the contract method and to the elimination of the expensive faults which have unfortunately occurred in the past owing to undue pressure and inadequate staffing.

140. The Committee also questioned whether or not the transfer should be made at all since transfers of this nature are not made by other Departments providing comparable services. This is a matter which the Committee proposes to deal with further in the light of its comments in the Thirteenth Report.

DEPARTMENT OF AIR.

4. *Division 143A, Item 1: R.A.A.F. Pay and Allowances.*—The payment to adjust the amounts of tax deductions from pay and allowances and payments to the Taxation Department is large and dates back to 1952-53. The Department of Air has assured the Committee that a new procedure, adopted in 1954-55, should avoid a similar situation recurring.

5. *Division 145, Item 7: General Services—Compensation for hired properties and equipment.*—It should not have been a difficult matter to have anticipated some of the factors causing the over-expenditure if suitable internal inquiries had been made when this estimate was being prepared.

6. *Division 145, Item 11: General Services—Incidental and other expenditure.*—

- (i) Doubts as to the legality of credits to votes, as in the case of this particular vote, have already been expressed by the Committee in its Thirteenth Report.
- (ii) The use of this vote for charges and re-imburements between Departments is not disclosed to the Parliament and does not seem to be in accord with its purpose.

7. *Division 147, Item 3: Equipment and Stores—Mechanical and transport equipment.*—No funds had been provided in this vote in the 1953-54 estimates despite the apparent urgency of the need for the equipment and the large sum involved.

8. *Division 147, Item 4: Equipment and Stores—Communications, and radar equipment.*—The over-estimate of this vote has been attributed to the transfer of orders to overseas firms, charges in design and specification, and the cost of air search radar.

9. *Division 148: Aircraft Projects.*—

- (i) A wording that more aptly describes the purpose of the vote might be adopted.
- (ii) The over-estimate of this vote can be attributed to optimistic forecasts at the time of the preparation of the estimates and changes in plans during the year.

DEPARTMENT OF THE ARMY.

10. *Division 127A, Item 1: Australian Regular Army—Pay and Allowances.*—The use made of this vote, at the direction of the Treasury, indicated a disregard of Parliamentary authority, an action which is hardly justified by accounting difficulties.

11. *Division 127B, Item 6: Australian Regular Army—General Expenses—Petrol, Oil and Lubricants.*—The use made of the vote for supplies for the Citizen Military Forces, the cost of which is transferred from this item to Division 129B, is not disclosed to the Parliament. In 1953-54, the over-estimate is attributed to a fall in petrol and oil prices, a factor not allowed for in the transfers to Division 129B.

12. *Division 129, Citizen Military Forces and Cadets.*—The estimate of the cost of training for the Citizen Military Forces was far in advance of the actual results for the year, both as to numbers of personnel and the number of days of training.

13. *Division 130, Item 5: General Services—Freight and Cartage.*—If the Department had prepared its estimate in the light of the facts which were in its possession, instead of on the previous year's expenditure, the heavy over-estimate could have been avoided.

14. *Division 130, Item 8: General Services—Medical and Dental Services.*—The estimate of the extent of hospitalization to be financed by this vote appears to have borne little real relation to what actually happened.

The wording of the item should explain that the funds are for payments to the Repatriation Department, civil authorities, and others for medical, hospital and dental examinations and services.

15. *Division 130, Item 12: General Services—Recruiting Campaign.*—The over-estimate on this item was, the Department explained, associated with expenditure on the recruiting campaign conducted by the Defence Department for all three services. The Minister for Defence stated that the vote for recruitment would more appropriately be included in the votes for the several Services than in that for Defence. He thought that the Department of the Army could continue to be responsible for all the accounting as at present, and recover from the Departments of Navy and Air their shares of the expenditure.

16. *Division 130, Item 13: General Services—Incidental and other expenditure.*—The Committee questions the propriety of including in this vote estimates of a "contingency fund" for recruiting.

17. *Division 134: Arms and Equipment—Maintenance.*

18. *Division 135: Arms, Armament, Ammunition, Mechanization and Equipment.*—The substantial over-estimate of expenditure was explained as being due to the delay in 1953-54 in obtaining Government approval to a programme, and the failure of supplies to come forward as readily as anticipated. Estimates of expenditure presented to and approved by the Parliament, earlier than at present, would be of material assistance.

DEPARTMENT OF COMMERCE AND AGRICULTURE.

19. *Division 25, Item 6: Nitrogenous Fertilizers—Purchase of Stocks.*—The Parliament receives scanty information on this matter, an omission which should be corrected by the presentation of annual returns to the Parliament.

DEPARTMENT OF THE INTERIOR.

20. *Division 61c, Item 3: Water Supply and Sanitation for other Departments in Canberra.*—The Department paid little attention to the statistics which it built up but a new procedure has been established to remedy the failure.

21. *Division 254c, Item 24: Australian Capital Territory—General Services—Transport—Loss on City Omnibus Service.*—There seemed to have been no endeavour to establish a means of measuring the efficiency of the service. A subsidy should be assessed by the Treasury to recognize the special conditions of Canberra. The subsidy and any balance on the year's transactions should be shown separately in the Estimates; annual returns should also be submitted to the Parliament. Greater use should be made of operating statistics.

DEPARTMENT OF THE NAVY.

22. *Outstanding Accounts with the Admiralty.*—Liabilities to the Admiralty should be carefully recorded by the Department. Endeavours should be made to establish up to date accounting arrangements with the Admiralty.

23. *Division 117: Naval Construction.*—A fleet tanker, originally ordered as a mobilization requirement and likely to cost about £2,600,000, is now required only as a reserve ship.

24. *Division 120: Miscellaneous Equipment.*—The over-estimate was accounted for by under-expenditure on gun stiffening and claims in respect of the 1939-45 War.

DEPARTMENT OF WORKS.

25. *Civil and Defence Capital Works.*—The heavy over-estimate was attributed to delays arising from administrative processes and a strong increase in competition for labour and materials for private construction.

144. During the period of the Committee's investigations recorded in this Report, Mr. A. S. Hulme was Chairman of the Committee appointed to consider depreciation allowances for taxation purposes. For this reason and much to the regret of the Committee he was not able to participate in these investigations.

For the Committee,

F. A. BLAND, Chairman.

PETER H. BAILEY, Secretary,

for NEIL R. CAFFIN,

Parliament House,

Canberra, A.C.T.

21st February, 1955.

APPENDICES.

APPENDIX No. 1. (See paragraph 90.)
NITROGENOUS FERTILIZERS SUBSIDY ACCOUNT.

(Department of Commerce and Agriculture and Nitrogen Fertilizers Pty. Ltd.)

<i>Dr.</i>	Tons.	Tons.	£	Tons.	£	<i>Cr.</i>
Stock on hand 1.7.53—						
Defence Production ..	22,936					
Imports ..	237					
		23,173	829,030			
Purchases—						
ex Munition factories ..		49,953	1,670,551			
Imports ..		23,324	724,346			
Transport, handling, &c. ..			472,860			
Pool management expenses ..			2,748			
		96,450	3,699,535	96,450	3,699,535	
			COST OF SUBSIDY.			
Loss on trading brought down ..			320,431	Surcharge on by-product, sulphate of ammonia ..	185,600	
Subsidy on nitrate of soda 1953-54 ..			4,203	Cost of subsidy, 1953-54 ..	139,034	
			324,634		324,634	
BALANCE-SHEET, 30TH JUNE, 1954.						
Sundry Creditors (Munitions factories, £26,798) ..			26,800	Cash in bank ..	61,618	
Treasury Advances—				Cash in transit ..	90,000	
To 30.6.53 ..		3,510,106		Sundry Debtors ..	151,618	
1953-54 ..		440,500		Stock—Shipments in transit ..	414,097	
		3,950,606		Accumulated cost—		
				To 30.6.53 ..	2,958,440	
				1953-54 ..	139,034	
			3,977,406		3,097,474	
					3,977,406	

APPENDIX No. 2. (See paragraph 78.)

COMMONWEALTH OF AUSTRALIA.

Minister for Defence,
4th April, 1955.

Dear Mr. Bland,

I refer to your letter of 1st February on the question of whether the vote for the Recruiting Organization should be included in the Estimates under the Department of the Army as at present, or under the Department of Defence.

In July, 1950, Cabinet decided that there should be a special drive for recruits for each of the Services, including both the Permanent and Citizen Forces. A national recruiting campaign was accordingly launched under the direction of Sir Edmund Herring whose services were obtained on loan from the Victorian Government, and a centralised recruiting organization was set up under his control. As Director-General of Recruiting Sir Edmund was directly responsible to a Cabinet Committee comprising the Minister for Defence, (Chairman), the Service Ministers and the Minister for Labour and National Service.

Recruiting remains a basic responsibility of each Service. However, having regard to the great difficulty in obtaining sufficient recruits for the Permanent forces under conditions of full employment, it has been decided, at least for the time being, to retain the central organization set up in 1950. It was felt that the necessary advertising campaign could most effectively and economically be handled for the three Services by the Director of Recruiting and his organization which is linked with the Commonwealth Loans Organization. It is in effect an *ad hoc* organization, its continuance and cost being subject to review in the light of any future variation of existing circumstances. It does not form part of the structure of the Defence Department, and the Director continues to be responsible direct to me; the financial allocation for the Recruiting Vote each year is determined by me in consultation with Service Ministers.

In regard to the provision of funds for the Recruiting Organization, and accounting for the expenditure, the following arrangements were approved by the Treasury in August, 1950:—

“A special vote under the Department of the Army has been allotted for expenditure of the campaign.

Funds will be available for all expenditure of the Campaign Directorate.

The Department of the Army has agreed to undertake all accounting work, and to process through Army machinery all financial requirements of the Directorate.”

The Organization is engaged exclusively on recruiting for the three Services, and the expenditure involved is therefore essentially part of the cost of the Service Departments. In my view, the correct arrangement from the aspect of the principles governing the Estimates, would be to apportion the approved annual amount of the Recruiting Vote over the Estimates of the Departments of the Navy, Army and Air, in proportion to their recruiting requirements for the financial year, or on such other appropriate basis as may be determined. As the expenditure relates to the Services, such an arrangement would conform to the principle of showing in the Estimates the total cost of each Department. The Department of the Army could continue to be responsible for all the accounting work as at present, and recover from the Departments of Navy and Air their shares of the expenditure.

In my opinion, it would not be appropriate to place the funds under the Defence Department's Estimates, as this would not only infringe the principle referred to above, but would also inflate the Department's Vote with expenditure on an activity which is not a function of the Department. The position of the Recruiting Organization is not analogous to the Joint Intelligence Bureau mentioned by you. The Bureau is an integral part of the Defence Department's organization in accordance with the latter's assigned functions. It is responsible for the provision of Intelligence common to the three Services and Defence, and is also a contribution to British Commonwealth defence; each Service remains responsible for its own specialized requirements. This is also the position in the United Kingdom, where the Joint Intelligence Bureau is under the Ministry of Defence.

In regard to the statement in paragraph 1 of your letter, that the Recruiting Vote for 1953-54 was seriously over-estimated, it is desired to advise you that the amount of £250,000 in the Estimates was based on the then existing Organization and scale of advertising. Subsequent to the Estimates and following a review of the Organization by the Defence Committee, I directed that the financial allocation for the Recruiting Organization in 1953-54 was to be limited to £190,000. Owing to savings effected during the financial year on this amount, the actual expenditure for the year amounted to £175,363, which was £14,637 below the approved allocation.

Yours sincerely,

(Sgd.) P. A. McBRIDE.

F. A. BLAND, Esq., M.P.,
Chairman,

Parliamentary Joint Committee of Public Accounts,
Parliament House,
Canberra, A.C.T.