

1956

THE PARLIAMENT OF THE COMMONWEALTH

JOINT COMMITTEE OF PUBLIC ACCOUNTS

TWENTY-EIGHTH REPORT

SUPPLEMENTARY ESTIMATES
AND
VARIATIONS UNDER SECTION 37 OF THE AUDIT ACT
1901-1955

COMMONWEALTH CONSOLIDATED REVENUE
FUND FOR THE YEAR 1955-1956

JOINT COMMITTEE OF PUBLIC ACCOUNTS

THIRD COMMITTEE

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

A.V. Thompson, Esquire, M.P. (Vice-Chairman).

Senator A.M. Benn
Senator the Hon. H. S. Seward
Senator I.E. Wedgwood

L.H. Barnard, Esquire, M.P.
J.F. Cope, Esquire, M.P.
F.J. Davis, Esquire, M.P.
A.S. Hulme, Esquire, M.P.
H.A. Leslie, Esquire, M.P.

The Senate appointed its Members of the Committee on 16th February, 1956 and the House of Representatives its Members on 22nd February, 1956.

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 1901-1955;
- (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.

JOINT COMMITTEE OF PUBLIC ACCOUNTS

TWENTY-EIGHTH REPORT

SUPPLEMENTARY ESTIMATES AND VARIATIONS UNDER
SECTION 37 OF THE AUDIT ACT 1901-1955.

Commonwealth Consolidated Revenue Fund for
the Year 1955-1956.

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TWENTY-EIGHTH REPORT

SUPPLEMENTARY ESTIMATES AND VARIATIONS UNDER SECTION 37 OF THE AUDIT ACT 1901-1955. 1955-56

CHAPTER I : INTRODUCTION

In our Twenty-fifth Report, Your Committee mentioned the possibility that the Treasurer would bring down Supplementary Estimates for the year 1955-56 at a date earlier than has in recent years been customary. He has in fact decided to bring them in earlier. They will be before the Parliament during the same sittings as the Annual Estimates for 1956-57.

2. Until this year, Supplementary Estimates for one year have not been available for Parliamentary consideration until the end of the following financial year. Your Committee favour their earlier presentation. To be able to consider them in conjunction with the main Estimates for the ensuing year is more satisfactory than was the previous practice: it represents a notable advance on the situation as described by the Select Committee on Public Accounts in its Report on the Form of the Government Accounts :

"The then Commonwealth Treasurer (The Hon. E.G. Theodore) when introducing the Supplementary Estimates for the three year period stated: 'I am afraid that the Commonwealth Parliament has got into a rather bad habit of allowing Supplementary Estimates to accumulate for two or three years, and then to pass them without much consideration being given to them. For some years past the Supplementary Estimates have not been brought down year by year. I think they should be ...'."

3. As envisaged in our Twenty-fifth Report, the advanced date of presentation of Supplementary Estimates has on this occasion caused Your Committee difficulties. Only a short time has been available for us to prepare and consider a Report that will be ready to

For a full discussion, see 25th Report, paras. 5-9: Tabled, 22nd May, 1956.

Q.1

Report Joint Select Committee on Public Accounts, 1932, page 19.

be presented to the Parliament when the Supplementary Estimates are introduced. In order to expedite matters we have this year selected for oral examination rather fewer items than in previous years. Other items to which we gave attention were the subject of correspondence between Your Committee and the Departments. Some of the items reported upon below have, therefore, not been the subject of oral examination: they have been dealt with by correspondence only.

See
Chapter
IV
below.

4. Your Committee record our appreciation of the effective endeavours made by the Department of the Treasury, and the Departments concerned with the detailed inquiries, to meet the exacting time-table made necessary by the advanced date of presentation of the Supplementary Estimates. We record also our appreciation of the services rendered to the Committee before and during the hearings by the Auditor-General and his representatives and by representatives of the Treasury and the Public Service Board.

5. To hasten the process of selecting from hundreds of items in respect of which Supplementary Estimates or Section 37 Transfers are required for 1955-56, Your Committee met during Tuesday 7th, and Thursday 9th August. We reviewed all the items and chose those that we wished to scrutinize further.

6. Departments were advised of the items selected by Your Committee for further consideration. We also told them whether or not we were satisfied with the explanations submitted, or whether we required further documentation or the appearance of a witness.

7. On Monday 27th, and Tuesday 28th August, 1956, we conducted hearings pursuant to the selection made on 7th and 9th August. Those who appeared before Your Committee are as follows :-

Prime Minister's Department	-	Mr. E.J. Bunting, Deputy Secretary Mr. W.R. Cumming, Assistant Secretary.
Public Service Board	-	Mr. L.O. Brown, Assistant Commissioner Mr. A. Harris, former Inspector.
Department of the Interior: Bureau of Meteorology	-	Mr. W.A. McLaren, Secretary Mr. L.J. Dwyer, Director
News and Information Bureau	-	Mr. K.P. Murphy, Director Mr. M. Pratt, Editor.
Department of the Treasury	-	Mr. C.L.S. Hewitt, First Assistant Secretary (Budget and Accounting).
Department of Trade	-	Mr. E.P. McClintock, Director of Trade Services.
Department of Shipping and Transport	-	Mr. J. Russell, Assistant Secretary (Administration).

8. As this is the first Report that will appear since the retirement of Mr. F.H. Cox, formerly Assistant Secretary (Budget and Accounting) of the Department of the Treasury, we wish to make special mention of the assistance and understanding that he has extended to the Committee from its inception. Your Committee will be the losers by his departure: we wish him a full and happy retirement.

X X X X

9. Your Committee have decided to enclose as Appendix No.1 the record of the introductory proceedings of our first public hearings. The record includes an explanation by the Chairman of the form our Inquiries take, of the Committee's relations with the Treasury, the Auditor-General and the Public Service Board, and in particular of the rationale of our Supplementary Estimates Inquiries. It also contains a record of the observations made by the Secretary to the Treasury, Sir Roland Wilson, C.B.E., the Auditor-General, Mr. H.C. Newman, O.B.E., and the Chairman of the Public Service Board, Mr. W.E. Dunk, C.B.E..

CHAPTER II

GENERAL COMMENTS ON SUPPLEMENTARY ESTIMATES
AND SECTION 37 VARIATIONS FOR 1955-56

(a) Reductions in Votes made Pursuant
to Budget Reviews

10. In 1955-56, expenditures from Parliamentary Appropriations were, on the whole, closer to the Appropriation figures than they were in 1954-55. One of the reasons for this was, no doubt, the greater stability in the economy at the beginning of the year, which provided a more certain basis for estimating. Another may have been that many programmes of expansion, initiated in earlier years, had come to fruition and were requiring all the funds available. It seems, too, that funds were, in 1955-56, rather less readily available than they had been in 1954-55.

11. We note in passing that Additional Estimates for 1955-56 amounted to £24.8 million, as compared with £28.6 million in 1954-55 and £32.6 million in 1953-54. Thus additional funds voted during the year were rather less than in 1953-54 and 1954-55. Supplementary Estimates, on the other hand, were larger in aggregate in 1955-56 than they had been since 1952-53. The size and distribution of Supplementary Estimates is discussed later in this Chapter. (Paragraphs 37-42 below).

12. One of the most important aspects of our examination of Supplementary Estimates and Variations under Section 37 of the Audit Act for 1955-56 was connected with reductions made in the draft Estimates at the beginning of the year. Some Departments found it difficult to reduce their expenditure in compliance with Government decisions to make general reductions in the draft Estimates that they had submitted.

13. It was our impression that on some occasions a Department was instructed by the Treasury to reduce its expenditure on all or certain of its items; that the Department complied by submitting reduced estimates of expenditure; but nevertheless spent the amount originally sought. It was even suggested to us that, because a Department's Estimates had been "cut", they were no longer the Estimates of the Department and therefore no longer the responsibility of that Department. Therefore, the applications for Supplementary Estimates implied no error in estimating by the Department: they simply vindicated the accuracy of their original estimate.

14. Your Committee would not like to think that this attitude is prevalent among the officers responsible for framing Departmental Estimates and watching over Departmental expenditures. It may be that in coming years Government funds will be less readily available than they have been, and it would be easy for such an attitude to develop. If it were to become common, the endeavours of a government to reduce or stabilise expenditure would be nugatory. Reductions in expenditure are difficult to make at any time. When they are decided upon by the appropriate authorities, Departmental officers should see that they are put into effect.

15. Although the Treasury is the instrument by which the Government institutes and enforces reductions in expenditure, the reductions are, in fact, the product of decisions made by the Treasurer and the Government. No doubt the draft Departmental Estimates requested by the end of April each year are not in that form the subject of Government discussion. However, they are reviewed by the Treasurer and are only reduced when it is clear that, on any assessment of the funds likely to be available in the year of Estimate, the overall expendi-

ture as envisaged in the Draft Estimates cannot be met.

16. In discussions regarding the functions of the Treasury as the custodian of the Government's financial policy in the scheme of budgeting, financial text writers suggest that the Treasury may play one of several possible roles: (a) It could be merely the channel through which the funds sought by Departments and voted by the Parliament flow to irrigate their several operations. In that case, the Treasury would influence neither the nature nor the amount of the flow.

17. Acting in another role, (b) the Treasury would make funds available to Departments only after it had satisfied itself that the manner of the spending was likely to be the most efficient and economical available, and made in the public interest. It would say, in effect, that if it is to incur the odium of raising taxes, it should have the right to say how much is to be spent. In such a case it will seek to impose conditions on the expenditure proposed by the Departments. This attitude is always strongly opposed by Departments, who see in it a challenge to the principle of Ministerial responsibility.

18. The mean between these extremes (c) is probably the more usual role for the Treasury to play. It is neither a passive instrument nor a ruthless dictator. Its desire is so to investigate and review the character and amounts of Departmental Estimates as to ensure efficient and economical expenditure. In making its preliminary investigations, however, care should be taken not to duplicate the activities of the Public Service Board, whose representatives might well be attached to the Treasury when the Estimates are being considered.

19. When Ministers meet, after the beginning of the financial year, to consider the details of the Budget for the current financial year, it has frequently been

necessary for them to enforce general reductions in proposed expenditures. Departments may resent the Treasury instructions issued to them as the result of Government decisions, but must not forget that they are the decisions of the Government.

20. If, after consideration by the Minister and his Department, it appears that the cut suggested by the Treasury cannot, for good reason, be made without serious consequences, e.g., the need to maintain safety in a service provided by the Department, the appropriate course is for the responsible Minister to take the matter up with the Treasurer or with the Cabinet. Should exploration of all these legitimate avenues to reinstate the proposed expenditure prove to be of no avail, the reduction in expenditure must be made. Naturally it is to be expected that the reductions would be made in services which, if curtailed, would not jeopardise public safety or wellbeing. It is not enough for the Minister or his Department to rest on the original Estimate, hoping, if not confident, that they will be able to obtain an Additional or a Supplementary Estimate for the funds required.

21. An examination of the Estimates time-table suggests that Departments may not always be given adequate time, following the final Budget review by the Government, to reconsider and revise their Estimates and their planned expenditures. Your Committee propose to consider, in a Report to be prepared shortly, the problem of timing as it affects the Estimates of the Defence Services group. If the same factors affect the care or thoroughness with which reductions in draft Estimates of civil Departments can be made, it is inevitably difficult for Departments effectively to make the reductions decided upon by the Government.

22. However that may be, Your Committee will

frown upon any applications for additional funds that appear to be the result of the attitudes and procedures we have been discussing. In the strictly constitutional sense of the word, such attitudes and conduct are irresponsible.

(b) Salaries and Payments in the
Nature of Salaries

23. In examining Departmental requirements for additional funds for 1955-56, Your Committee noticed that Section 37 Transfers were sought for most of the Salaries Sub-Divisions. The effect of the Transfers was usually to increase the funds available for Item 2 (Temporary and casual employees) by Transfer from Item 1 (Salaries and allowances for permanent officers of the Commonwealth). On occasion, funds were transferred from Item 1 to Items 2 and 3 (Item 3 is for Extra duty pay).

24. As this form of Transfer occurs so regularly in Salaries Sub-Divisions of the Estimates, Your Committee requested the Chairman of the Public Service Board to advise us of the chief reasons for it. It appears that the funds voted for Item 1 (Salaries and allowances for permanent officers) are voted according to Departments' forecasts of the number of positions on their Establishments that will be occupied throughout, or during any portion of the year. (The total amount for the approved "establishment" is shown in the Salaries Schedule at the back of the Estimates. Amounts are deducted in respect of positions that it is expected will not be filled during the year, or will be filled for only a part of the year. Only the net figure appears in the Estimates themselves).

25. Funds may not be transferred from other Items in the Salaries Sub-Division of the Estimates to Item 1 (Salaries for permanent officers). However, funds may be

transferred from Item 1 to the other items in the Sub-Division of an Administrative Vote on the basis that the total approved establishment of a Department includes both permanent and temporary positions. The reason for the Transfers from Item 1 to Items 2 and 3 of the Board's Vote for 1955-56 was, the Board advised us, that -

"Staff movements during the year were somewhat greater than anticipated and it was necessary to employ temporary staff to a greater extent than provided in the Estimates. Vacancies in permanent positions existing at the close of the year were heavier than anticipated, due in some measure to the number of staff promotions to positions in other departments."

Exhibit
No. 28/4,
Para. 3

26. A feature common to all the Departments examined by Your Committee has been the discrepancy between the "establishment" fixed by the Public Service Board and the actual staff employed. Although the discrepancy is to some extent reduced by Departments submitting for the approval of the Parliament estimates only for the actual staff they expect to have on their payroll, it usually remains considerable. Unless the estimates made by Departments are carefully controlled, considerable extra funds will continue to be voted for this purpose.

27. At the same time, an establishment that for a period remains unfilled means that Departments are able to appoint new staff without difficulty, and perhaps not as envisaged when the establishment was settled. Your Committee think it desirable that the "establishment" should be reviewed at frequent intervals to take into account changed conditions, in particular :

- (i) the method of forecasting the prospects for obtaining recruits; and
- (ii) the policy of leaving positions unfilled for lengthy periods on the "establishment" strength of Departments.

28. Your Committee think it desirable that Departmental estimates of the funds required for Sub-Division A of their Administrative Votes should be

more accurate.

29. The Board's view is that Transfers from Item 1 to Item 2 of Sub-Division A of Administrative Votes on the Estimates are reasonable :-

"The approval for Section 37 Transfers from Item 1 to Item 2 of Sub-Division A appears to the Board to be reasonable and convenient, as the expenditure related to the payment of staff salaries and wages within the approved establishment, although, through lack of permanent staff to fill within the financial year all vacancies which occurred, some additional temporary staff was needed. The Board feels that the action taken in securing approval for Section 37 Transfers from Item 1 to Item 2 of Sub-Division A in no way infringes Parliamentary control of expenditure as the provisions of Division 11 Sub-Division A are to cover salaries, etc., for the approved establishment as a whole. Similar principles would, in general, apply to other Departments."

Exhibit
No.28/4,
Para.5

30. We note that the Board thinks that it is on the whole preferable to maintain the present practice of separating the Salaries and Allowances Vote for permanent officers from the Vote for temporary and casual employees. The alternative is to provide salaries of permanent and temporary staff in a lump sum provision. To do so would obviate the necessity for Transfers under Section 37, but would give less indication to the Parliament of the respective proportions of the Establishment Vote taken up by permanent and temporary employees. Your Committee discuss further at paragraphs 103-104 below the general problem of conveying staffing information to the Parliament with the Estimates, and will if possible consider the matter in more detail in a later Inquiry.

Exhibit
No.28/4,
Para.6

(c) Incidental Expenditure Items

31. Incidental Expenditure Items are contained in most General Expenses Sub-Divisions of Departmental Estimates. . . In recent Reports, Your Committee have commented upon the inaccuracy of the estimating for some

of these Items. In the following paragraphs we discuss the general question, and in the next Chapter comment upon several Incidental Votes that have come to our notice in respect of the Estimates for 1955-56.

32. Your Committee appreciate that it is necessary to include an Item for Incidental expenditures in the General Expenses Sub-Division of Departmental Estimates. Our comments are not directed to the existence of this Item as an appropriate category of General Expenses; but to the failure by Departments adequately to control the objects of expenditure provided for and the size of the amounts included in it.

33. A list of the objects of expenditure that may be included in the Incidentals Vote is contained in Treasury Instruction No. 372. We understand that the Treasury maintains a general supervision over those Votes and that it requests Departments to advise it of any recurring and relatively substantial expenditures included in them. Where such an expenditure is included, it is usually extracted and shown as a separate Item on the Estimates.

See
Govt.
Printer's
No. 274,
1942.

34. In our Twenty-fifth Report we commented specifically upon Incidental expenditures for various overseas posts of the Department of External Affairs. It was our view that the estimating could have been more accurate. We note that in the Estimates for 1956-57 a new Item, "Motor Vehicles, maintenance and running expenses", is included for overseas posts of the Department. The effect is to remove that substantial head of expenditure from the Incidentals Vote.

Paras.
52-55

35. Your Committee have no desire to be thought to countenance, by our observations, any undue expansion of accounting work in connection with estimating for and controlling expenditure from Incidentals Votes. However,

it is our view that these Votes should be kept under careful scrutiny, in the first place by the Department incurring the expenditure, and in the second place by the Treasury, which is in a position to consider the matter in relation to the Estimates as a whole. We do not expect officers who appear before us to be able to produce, on the spur of the moment, a detailed list of expenditures from their Incidentals Votes. Nevertheless, it seems to us that Departments should be aware of the nature of the major recurring expenditures from them, even if they are not large enough to warrant the creation of separate Items in the Estimates.

36. During the examinations leading up to our Twenty-fifth Report, it was suggested that the Public Service Board is averse from providing additional staff to keep details of the items of incidental expenditure. With the Board's view Your Committee entirely agree, provided it does not preclude accurate estimating. It is important that expenditure under Incidentals Votes, which are by their nature the most difficult of all Votes to predict or control with precision, should be watched carefully to ensure both that the estimates are as accurate as possible and that the expenditures are genuinely "incidental".

M.E.,
25th
Report,
Qs. 38-
40.
Quoted
in 25th
Report,
Para. 54.

(d) Supplementary Estimates for 1955-56
compared with those for earlier
Years

37. Supplementary Estimates for 1955-56 amounted to £7.3 million, of which £6.8 million were for revenue services and £0.5 million for new capital works and services. This is an increase of £3.0 million over 1954-55.

38. The following table sets out the figures for recent years :-

Financial Year	Gross Amount (a) of Supplementary Estimates	Total Budget Expenditure	Gross Amount as % of Budget Expenditure	Net Amount (b) 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
1954-55	4.3	1,067	0.4	4.3
1955-56	7.3	1,138	0.6	7.3

(a) Includes Supplementary Estimates for Ordinary Services and for Capital Works and Services.

(b) Obtained by deducting from the gross amount the amount of savings ("offsets") under Defence Votes. No "offsets" have been made since 1952-53.

39. It will be noted that the percentage of total Budget expenditure represented by Supplementary Estimates is higher than in 1953-54 and 1954-55. But at 0.6 per cent. it still represents a small proportion of the total, and involved, at the end of the year, rather less than one half of the £16 million appropriated for Treasurer's Advance for the year.

Division
205.

40. An analysis of the main categories of expenditure covered by the Supplementary Estimates for 1955-56 reveals some interesting changes from previous years :

	Re-funds of Revenue	De-fence Ser-vices	Misc-ellan-eous Ser-vices	Bus-iness Under-tak-ings	Other	Total Ord-inary Expen-diture	Capi-tal Works & Ser-vices	Gross Sup-ple-ment-ary Esti-mate
	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.
1949-50	-	3.9	0.9	0.2	4.4	9.4	2.5	11.9
1950-51	-	4.5	1.0	0.5	3.6	9.6	2.9	12.5
1951-52	-	9.9	1.0	0.2	4.7	15.8	3.4	19.2
1952-53	8.7	5.4	1.4	0.8	2.3	18.6	1.0	19.6
1953-54	0.1	0.9	0.5	0.9	1.0	3.4	0.7	4.1
1954-55	-	1.9	0.2	1.2	0.9	4.2	0.1	4.3
1955-56	-	2.5	0.8	3.1	0.4	6.8	0.5	7.3

41. The following seem to be the most important features :-

- (i) The amount required for Defence Services increased to £2.5 million in 1955-56 (£1.9 million in 1954-55). The main increases were in the request by the Department of Defence Production for £0.5 million (£0.003 million in 1954-55); by the Department of Air for £0.8 million (£0.4 million in 1954-55); and by the Department of the Army for £0.5 million (£0.09 million in 1954-55). The increased amount of Supplementary Estimates sought by the Defence Services group is no doubt caused by expenditure in 1955-56 being far closer to the estimates.
- (ii) The amount sought for Miscellaneous Services has, regrettably, increased fourfold (to £0.8 million) over 1954-55 figures, mainly because of increases in the amounts requested by the Prime Minister's Department (£23,889 in 1955-56, £17,181 in 1954-55), by the Department of Health (£10,836 in 1955-56 and nil in 1954-55) and the Department of National Development (£14,136 in 1955-56 and £439 in 1954-55).
- (iii) In this Report we have included a new column showing the Supplementary Estimates requested for Business Undertakings. The three undertakings are the Commonwealth Railways, the Postmaster-General's Department and Broadcasting Services and have been the same through the years covered by the table. Whereas in 1950-51 and 1951-52 Broadcasting Services received the major part of the Supplementary Estimates voted, the Postmaster-General's Department has recently

been the chief recipient. It was voted £879,000 in 1953-54 and £1,172,000 in 1954-55, and it seeks £2,852,000 in 1955-56.*

42. Your Committee regard as satisfactory the trend to smaller requests for "other" Items (mainly Departmental).

(e) Variations under Section 37 of the Audit Act for 1955-56 compared with those of Earlier Years

43. The Variations in appropriations made for 1955-56 are a little larger in total than they were for 1954-55. In 1955-56 the total involved was £2.4 million, and in 1954-55 £2.2 million. But because of the increased total Budget expenditure in 1955-56 the Transfers represent virtually the same percentage of the total as in 1954-55 (0.21 per cent. as compared with 0.20 per cent.).

44. The figures are as follows :-

Financial Year	Total of Transfers	Total Budget Expenditure	Percentage
	£m.	£m.	%
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
1954-55	2.2	1,067	0.20
1955-56	2.4	1,138	0.21

45. For 1955-56, the total funds involved in Supplementary Estimates and Section 37 Transfers were £9.7 million, or 0.85 per cent. of the total Budget expenditure, as compared with £6.5 million or 0.61 per cent. in 1954-55.

* In the last two sections of Chapter III, the major items for which additional funds are sought are discussed.

CHAPTER III

EXAMINATION OF SELECTED ITEMS

PRIME MINISTER'S DEPARTMENT

Division No. 14B - Item 6. and
Division No. 14A - Item 3.

High Commissioner's Office, London - Upkeep
of "Australia House", and Overtime paid to Staff

46. Votes for and expenditures in recent years from Item 6 have been as follows :-

	<u>1952-53</u>	<u>1953-54</u>	<u>1954-55</u>	<u>1955-56</u>
	£	£	£	£
Vote	42,120	56,840	61,070	68,920
Expenditure	<u>49,415</u>	<u>58,161</u>	<u>61,366</u>	<u>72,480</u>
Supplementary Estimate	-	-	-	3,560
Section 37 Transfer	<u>+ 7,295</u>	<u>+ 1,321</u>	<u>+ 296</u>	-

47. The cost of upkeep of "Australia House" has risen steadily during the past four years. From an amount of £49,415 in 1952-53 it has risen to £72,480 in 1955-56. Your Committee were informed that the increase was caused by rises in wages as to approximately half, and that fuel, light and power are another large item. In addition, since 1952 a programme of repairs and maintenance aimed at preserving and improving "Australia House" has been carried out, and is only now being completed. Q.53

48. Expenditures provided for in the Vote for upkeep include not only the wages of the permanent staff engaged on maintaining and cleaning "Australia House" but also outlay on alterations to the building. Recently, it has been necessary to provide accommodation for those concerned with the Government's attempts to promote trade with the United Kingdom.

Qs. 53,
58

49. A Supplementary Estimate for £3,560 was requested for 1955-56. The Department informed us that

actual expenditure of £33,000 on wages exceeded the amount provided by £5,400. Against this over-expenditure were small savings on several sub-items, resulting in the net over-spending of £3,560. The over-expenditure on wages was caused by the payment of extra duty pay (£2,370) and by settlement of a pay claim and payment of compensation to an office cleaner.

50. One of the reasons for the over-expenditure on Item 3 (Extra duty pay) of the Salaries Sub-Division of the Vote for "Australia House" was that there was an increase of £5,000 over the estimate for overtime payments.

51. The Supplementary Estimate required for extra duty pay was £15,586, to which should be added £842 provided by way of Section 37 Transfer, making total additional funds required £16,428. Of the amount of £16,428, £6,900 was in fact voted in the 1955-56 Estimates for Item A2 (Salaries for temporary and casual employees). Taking that amount into account, the over-expenditure on Item A3 was £9,528.

52. The Department stated that the over-expenditure was caused in part by an increase in the overtime rates payable and partly because additional work was necessary as a result of the increased migration programme.

Qs. 3-5,
19-29,
58

53. The overtime rates payable are those current for employees of the British Civil Service. It ought to be possible to make the necessary adjustments in rates without allowing arrears of the magnitude indicated to accrue.

Qs. 2, 3,
29, 30

54. Your Committee were assured that the size of the staff at "Australia House" (680 civilians and 50 uniformed servicemen) is kept as low as possible. Mr. Bunting, Deputy Secretary of the Department, said that :

Qs. 21,
22

"In the first place, there are people in Australia observing the numbers, and in the second place, Australia House itself is more than anxious; it takes all deliberate action it can to keep numbers down. The recent increase, for migration and trade promotion mainly, has been somewhat disappointing in that it has put the figures up. The whole emphasis is on keeping the figures down, and the Public Service Board man in London, with the Official Secretary, is the manner by which the staff is kept under control."

Q.62

55. The Deputy Secretary also assured us that the staff at "Australia House" are carrying out their work efficiently. He explained that most of the work performed by the staff relates not to the requirements of Australian visitors in England but to the normal functions of an important overseas post of the Commonwealth. He read an extract from a booklet explaining to the Australian visitor what the Office of the High Commissioner in the United Kingdom does :-

Q.71

"The High Commissioner ... and his officers express the policy of the Australian Government to the Government of the United Kingdom. Consultation goes on continuously between representatives of the two countries on such matters as foreign policy, defence, trade, finance and migration.

Qs.74,
75

Although the High Commissioner's Office is primarily an office for carrying on Australian Government business in the United Kingdom, its staff will welcome enquiries from visiting Australians on any matters of interest to them. It does not have the authority or the means to portray the United Kingdom in any general sense to visitors, but the High Commissioner's staff on the ground floor will endeavour to inform enquirers of the public or private agencies in London and elsewhere in the United Kingdom which provide the particular type of service they are seeking."

COMMITTEE MEMBER: Are they very interested in social engagements over there? Do you concentrate very much on that or do you concentrate more on official duties? --- (MR. BUNTING) I would say there is no concentration on social engagements. Social engagements occur and some representatives must take part but to suggest that there is a concentration in any degree is quite wrong."

Your Committee observe that the social engagements are the interest of Australian visitors to the United Kingdom, not of the staff. Only four or five of the staff are set aside to assist Australian visitors.

Q.76

Division No.16K - Item 8

Official Establishments - Incidentals

56. Before 1954-55 the funds for Official Establishments (Government House, Admiralty House and the Prime Minister's Lodge) were voted as part of the Estimates of the Department of the Interior (Division No.66). In 1954-55 a separate Vote was provided under the Prime Minister's Department (Division No.16K). Votes and expenditures on Item 8 of Division 16K have been as follows :-

	<u>1954-55</u>	<u>1955-56</u>
	£	£
Vote	2,250	4,000
Expenditure	<u>3,887</u>	<u>7,018</u>
Supplementary Estimate	<u>1,637</u>	<u>3,018</u>

57. The Department explained the Supplementary Estimate required in this way :-

"£4,000 was provided in 1955-1956, but there was no provision included for car hire and car maintenance, as these charges had been met in the past from Division 12-B-3. It was thought that these charges were more appropriately related to Division 16K, and were met from this item during 1955-56. £1,800 was involved, and there was an equivalent saving in Division 12-B-3. In addition, £620 compensation was paid from this item, and this liability could not have been foreseen. Water and sanitation charges, also met from this item, increased."

Division No.11B - Item 2

Public Service Board - Office Requisites
and Equipment, Stationery and Printing

58. The Votes for and expenditure in recent years from this Item have been as follows :-

	<u>1952-53</u>	<u>1953-54</u>	<u>1954-55</u>	<u>1955-56</u>
	£	£	£	£
Vote	13,300	9,000	16,000	9,000
Expenditure	<u>13,616</u>	<u>9,211</u>	12,047	<u>12,396</u>
			(Over-est. 3,953)	
Supplementary Estimate	-	-	-	3,345
Section 37 Transfer	+ 316	+ 211	from which 1,768 to Items 2, 3. 5	+ 51
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

59. The Public Service Board advised us that the additional funds, amounting to £3,396, were required for:

	£
Installation of an Intercommunication System	1,060
Printing of Public Service Act and Regulations	1,680
Printing and Stationery costs	<u>656</u>
	<u>3,396</u>

60. An amount of £1,000 was provided for an Intercommunication System in the draft Estimates for 1954-

Exhibit
No. 28/4
Page 2

55. Treasury queried the Item, but gave approval to the inclusion of the amount on the final Estimates. The equipment was installed and in working condition by 17th August, 1955, but by that time the original Vote had lapsed because the financial year had ended.

Qs. 330-
334

61. No provision was made for the Intercommunication System in either the draft or the final Estimates for 1955-56. It was, therefore, necessary for the funds to be obtained by Supplementary Estimate.

62. A similar set of circumstances made necessary the additional funds for printing the Public Service Act and Regulations. £3,000 was provided in the Estimates of 1954-55 to cover the reprint of the Act and Regulations, but by the close of the year part only of the order had been completed and payments totalling £990 had been made.

63. The balance of the cost of printing was, the Board advised us, paid in the financial year 1955-56 :

".... but provision had not been made in the Estimates of that year (1955-56) as it was thought at the time the draft Estimates were prepared in April, 1955, that the full cost would have been met during the financial year 1954-55."

Exhibit
No. 28/4,
Page 2

64. Additional expenditure caused by rises in printing and stationery costs was £656. The Board informed us that price increases were in excess of the forecasts made when the Estimates were prepared.

Division No. 13B - Item 11

National Library - Incidental and Other
Expenditure

65. Votes for and expenditure from this Item in recent years have been as follows :-

	<u>1953-54</u>	<u>1954-55</u>	<u>1955-56</u>
	£	£	£
Vote	7,500	7,500	7,500
Expenditure	6,078	8,780	11,203
	(Over-est. 1,422)		
Supplementary Estimate	-	-	3,703
Section 37 Transfer	-	1,280	-

66. The Librarian advised us that the main reason for the over-expenditure on the Incidentals Item was that an amount provided on the previous year's Estimates had not come to account until August, 1955, and had not been included in the Estimates for 1955-56. It was for the removal of archives from Maribyrnong to Brighton and cost £1,500.

67. The Librarian has decided that in future the expenditures previously included in the Incidentals Item will be allocated to three items :

11. Office requisites and equipment, stationery and printing.

12. Postage, telegrams and telephone services.
13. Incidental and other expenditure.

DEPARTMENT OF THE TREASURY

Division No. 7 - Item 1

Printing of Hansard

68. Votes for and expenditures from this Item in recent years have been as follows :-

	<u>1953-54</u>	<u>1954-55</u>	<u>1955-56</u>
	£	£	£
Vote	53,000	50,000	50,000*
Expenditure	36,380	45,289	65,436
	(Over-est. 16,620)	(Over-est. 4,711)	
Supplementary Estimate	-	-	15,436

* Includes an amount of £6,000 voted in Additional Estimates.

69. The Vote for Parliamentary Printing is under the control of the Department of the Treasury. We were informed that the provision in the Estimates was based on an estimate of 18 sitting weeks for the House of Representatives (£24,480) and of 14 for the Senate (£14,120). Accounts of £4,000 that were unpaid at the end of 1954-55 were included in the Vote, as was an allowance for some savings not immediately operative.

70. An Additional Estimate of £6,000 was obtained to cover the 21 weeks and 16 weeks for which the House of Representatives and the Senate were respectively expected to sit. A further £15,436 was needed, that resulted from increases of 6 weeks and 2 weeks in sitting time over the revised estimate and from rising costs of producing Hansard.

71. The Treasury informed us that in their calculations they made use of the weekly cost of producing Hansard as found by the Select Committee* (£1,240 for the House of Representatives and £985 for the Senate, adjusted to £1,360 and £1,080 respectively, to allow for an increase in tradesmen's wages at the Government Printing Office). The increase in wages that took effect in November, 1955 and February, 1956 and the rising cost levels of materials have meant that the overall cost of producing Hansard has increased by about 10 per cent. since the Select Committee's Report.

Division No. 43

Commonwealth Stores Supply and
Tender Board

72. Votes for and expenditures in recent years from this Division have been as follows :-

	<u>1952-53</u>	<u>1953-54</u>	<u>1954-55</u>	<u>1955-56</u>
	£	£	£	£
Vote	14,100	31,500	29,500	33,100
Expenditure	23,675	30,965	29,193	36,816
		(Over-est. 535)	(Over-est. 307)	
Supplementary Estimate	9,575	-	-	3,716

73. The Commonwealth Stores Supply and Tender Board was created on 30th April, 1918 by decision of Cabinet. Its purpose is to arrange for the consolidated purchase of numerous common user items, such as office equipment and paper, that are required by Commonwealth

Qs. 407,
408

* The Report of the Select Committee of the House of Representatives, "Appointed to inquire into the preparation, production and distribution of the Hansard of this House", was presented and ordered to be printed on 27th October, 1954.

Departments, and to make them available to departments as required.

74. The Board is formed of representatives of the Departments of the Treasury, Interior, Works, Customs and Excise and the Prime Minister's Department. Q.411

75. The Board has no store or warehouse of its own. The Postmaster-General's Department keeps the stores of the Board in association with its own stores and distributes them as required. Qs. 416-419

76. The Vote for the Board is made up of two parts: the first, a direct charge for salaries of certain employees of the Postmaster-General's Department (in 1955-56 £8,600 was payable in Victoria, and £62 in New South Wales); the second, a commission on stocks issued. Exhibits Nos. 28/10 and 11

77. In Your Committee's Fourteenth Report we noted that the percentage of commission charged by the Postmaster-General's Department was raised in 1951 from 1½ per cent. to 9 per cent. Mr. Hewitt, First Assistant Secretary of the Department of the Treasury, told us that the commission : 14th Report, Paras. 47-50.

"is calculated by the Postmaster-General's Department in accordance with a direction given some years ago to revert to the practice of that Department being reimbursed in full for the cost of services carried out on behalf of other departments and instrumentalities. Qs. 430, 431

COMMITTEE MEMBER: Is it sufficient? ---
(MR. HEWITT) We have had no request from the Postmaster-General's Department for an increase. I can only assume it is. They would quickly say if it were not, I am sure."

Thus the Board has no opportunity to decide whether the staffing of the Postmaster-General's Department is appropriate: that rests upon the internal management of the Postmaster-General's Department. Your Committee note that the Board is not in a position to check whether the rate of commission or the total amount payable as a result of the commission charged are reasonable, although

the amount does not seem to be excessive, bearing in mind that it is for the handling and issue of small stores to the value of nearly £300,000 in a year.

78. The 1955-56 Vote for reimbursement by the Board to the Postmaster-General's Department was £33,100, an increase of £3,600 on that for 1954-55. There were three reasons for increasing the Vote :

- (i) a decision to issue certain items, e.g. stencils, from stock instead of obtaining them from suppliers under Australian contract;
- (ii) the increased cost of goods and the consequential increase in commission; and
- (iii) the possibility of greater requirements by departments.

Qs.448-450

79. Discussing the increase, Mr. Hewitt gave the following elaboration of these reasons :-

"COMMITTEE MEMBER: At a time when there is some anxiety for the exercise of the most rigid economy in Government operations, it is difficult to understand the Treasury anticipating any increase other than an increase of costs? --- (MR. HEWITT) One quite clear increase is if some items are provided from the Board's store, having been bought in bulk quantities and re-issued, and in previous years bought under a contract with a supplier which requires the issue from store direct to the user departments; that would increase the issues from the Board's store and therefore the commission, and therefore the expenses of handling in the Board's store.

Qs.451, 452

COMMITTEE MEMBER: A change in policy? --- (MR. HEWITT) No, it depends on who offers the best price and terms of delivery. I use the trivial example of stencils, of which a great number are used by the Commonwealth. In the previous year we had a contract with an Australian supplier who supplied direct to the departments from his own warehouse. In the most recent year it was better to import the goods, and that involved the Board buying goods in bulk and taking them into its own stock and re-issuing them. It is not a change of policy, but an automatic result of buying in the most favourable place."

80. The Treasury advised us that the values of total issues, and the issues subject to commission are :

	<u>Total Issues</u>	<u>Issues Subject to Commission</u>	<u>Issues Subject to Commission as percentage of Total Issues</u>
	£	£	%
1954-55	537,000	228,000	42.5
1955-56	<u>676,000</u>	<u>298,000</u>	<u>44.0</u>
Increase in Issues	<u>139,000</u> (26%)	<u>70,000</u> (31%)	<u>-</u> 1.5

No commission is payable on stores issued for use by the Postmaster-General's Department. Because the issues to that Department comprise more than half of the total issues, the present arrangement appears, in general, to be sound.

ATTORNEY-GENERAL'S DEPARTMENT

Division No. 51B - Item 3

Reporting Branch - Incidentals

81. Votes for and expenditures in recent years from this Item are as follows :-

	<u>1953-54</u>	<u>1954-55</u>	<u>1955-56</u>
	£	£	£
Vote	2,500	2,000	2,500
Expenditure	2,395	<u>3,210</u>	<u>4,720</u>
	(Over-est. 105)		
Section 37 Transfer	<u>-</u>	<u>1,210</u>	<u>2,220</u>

82. The Department informed us that expenditure on reporting varies according to the commitments placed on the Branch. In both the last two financial years additional commitments have been involved in reporting the Royal Commission on Espionage and the Stevedoring

Industry Inquiry. The Department indicated that it is not possible to predict with any more reliability the volume of reporting work the Branch will be called upon to perform: all the General Expenses items, however, will vary in accordance with work undertaken.

83. Postage, telegraph and telephone expenses for the Reporting Branch are contained in Item 3. They were heavier than anticipated because of the increase in the reporting work performed by the Branch. The major item in the over-expenditure of £2,220, however, was an amount of £1,316, which was incorrectly authorised by the Department as a charge to the Incidental Vote instead of to Item A-2 (Temporary and casual employees' salaries).

DEPARTMENT OF THE INTERIOR

Division No. 63B - Item 1

Bureau of Meteorology - Travelling and Subsistence

84. Votes for and expenditures from this Item in recent years have been :-

	<u>1952-53</u>	<u>1953-54</u>	<u>1954-55</u>	<u>1955-56</u>
	£	£	£	£
Vote	24,000	24,000	30,000	33,000
Expenditure	<u>26,510</u>	<u>35,754</u>	<u>37,631</u>	<u>45,211</u>
Supplementary Estimate	-	10,623	7,631	12,211
Section 37	2,510	1,131	-	-
Transfer	<u>(From B-6)</u>	<u>(From B-2)</u>		

85. Your Committee discussed with Mr. Dwyer, Director of Meteorology, the reason for the over-expenditure on this Item in recent years. We were unable to obtain any clear reasons for over-expenditure in earlier

years; but understand that the reasons for the over-expenditure in 1955-56 were :-

- (1) 1955-56 was the end of a three-year period Q.466
dating from the termination of the wartime
organisation in 1946-47 and involved an
abnormal number of transfers to remote
localities;
- (ii) a large number of transfers of weather
officers was necessary following a re-
classification of professional officers' positions;
- (iii) 1955-56 was a year of development, during
which radar equipment was installed near
Brisbane, at Townsville and at Charle-
ville; and
- (iv) additional meteorological services were pro-
vided to meet safety requirements for the
atomic weapons tests at Maralinga.

86. Your Committee consider that, of the reasons adduced by the Director to explain the over-expenditure, only the fourth could have been unpredictable when the Estimates were drawn up.

87. Concerning this last reason, the Director informed us that knowledge of the atomic weapons tests first came to the notice of the Bureau in August, 1955 :

"(MR. DWYER) At that stage, the organization was conceived on very broad lines, without any idea of the detailed picture. The details of the organization that was eventually set up were worked out during succeeding months, and I think it was not until about the beginning of January, 1956, that we were able to work out in detail the men who would be concerned in these exercises.

Qs.468,
469

COMMITTEE MEMBER: In other words, there was no time to include that item of expenditure in the Estimates? --- (MR. DWYER) Certainly not prior to the beginning of the financial year."

88. Your Committee suggest that it might have been appropriate on this occasion for the Bureau to have

applied for an Additional Estimate, because the expenditure on the atomic weapons tests was a new project and involved the Bureau of Meteorology in substantial extra expenditure from this and other Items of its Vote. It should not have been impracticable to provide the Treasury with reasonably accurate Estimates of the additional funds required in time for their inclusion in Additional Estimates: they were not brought down until May, 1956.

89. At the same time we record that the Director informed us that he had hoped to be able to reduce expenditures from Item 1 in order to keep within the Vote of £33,000. He attributed the main increase in expenditure to the atomic weapons tests; but we have no details of the amounts involved.

Qs. 470,
471

Division No. 63 - Item 3

Bureau of Meteorology - Postage.
Telegrams and Telephone Services

90. Votes for and expenditures in recent years from this Item have been :-

	<u>1952-53</u>	<u>1953-54</u>	<u>1954-55</u>	<u>1955-56</u>
	£	£	£	£
Vote	37,500	37,500	37,500	41,000
Expenditure	32,442	42,403	42,551	46,331
	(Over-est. 5,058			
Supplementary Estimate	-	4,903	5,051	5,331

91. The Director of Meteorology informed us that the over-expenditure in 1955-56 was mainly the result of two factors. The first was the additional telegrams made necessary by the projected atomic weapons tests at Maralinga. The second was that approximately £3,500 was added to expenditure from the Vote as a result

Q. 472

of a new charge of 4d. levied by the Postmaster-General's Department on each phonogram lodged for transmission by private observers. The impost came to the notice of the Bureau in May, 1955; but was not taken into account in revising the Estimates for 1955-56.

92. The Director said the reason for the very much larger provision on the Estimates for 1956-57 is that from 1st July, 1956, the Bureau has to pay the Postmaster-General's Department for each meteorological telegram transmitted. Your Committee recall our observations in the Twelfth Report, in which it was suggested that a charge might be made for these telegrams. The estimate of the cost of transmitting meteorological telegrams for 1956-57 is approximately £750,000 (the Vote for Item 3 for 1956-57 is £793,000).

Q.473

12th
Report,
Paras.
319-335
and
Conc. 22.

Bureau of Meteorology - General
Comment

93. Your Committee drew the Treasury's attention to the over-expenditures that occurred on most of the Items in the Vote for the Bureau in 1955-56. The Treasury, we were informed, had already taken the matter up with the Bureau. It appears that the expenditures in excess of the Votes were incurred without proper authority and that those concerned did not seem to appreciate the seriousness of the failure to observe the statutory provisions governing the expenditure of public moneys.

94. From our own examination, Your Committee find ourselves not wholly satisfied that the accounting and financial arrangements for the Bureau of Meteorology are supervised as well as might be desired. We recommend that the responsible Department, i.e. the Department of the Interior, and the Public Service Board, take what-

ever action is necessary to rectify the existing shortcomings.

Division No. 66

News and Information Bureau

95. The News and Information Bureau required minor amounts to supplement its Votes for Office Requisites, Incidentals and Publicity.

96. The two over-expended items of General Expenses were supplemented by a Transfer under Section 37 of the Audit Act :

	<u>Vote</u>	<u>Expenditure</u>	<u>Section 37</u> <u>Transfer</u>
	£	£	£
Office requisites	7,000	7,064	64
Incidentals	2,250	2,279	29
			<hr/>
			93
Obtained from			
Postage, etc. Item	14,000	13,195	- 93
Item	<hr/>	<hr/>	<hr/>

96. The Vote for Publicity, materials and services is contained in the Miscellaneous Sub-Division of Division No. 66 (No. 70 in the Estimates for 1956-57), and for it a Supplementary Estimate of £216 was required. The Vote for this Item was £55,000 in 1955-56 and is £60,000 in 1956-57.

97. The Director of the Bureau, Mr. Murphy, explained that the Supplementary Estimate is for the publication "About Australia". When printing the book, it was found that there was not sufficient paper of suitable size in Government stocks to cover it. The deficiency was made good by the Printer and the additional cost was £286.

Qs. 246,
247

98. The Director of the Bureau informed us that:

"During the war the former Department of Information, in the days when paper was difficult to obtain, built up stocks of paper which have now been virtually exhausted. The intention in connection with the book 'About Australia' was to print it wholly on that paper which had been in store for some years. The body of the book was in fact printed on that paper, but the cover of the book had to be printed on paper supplied by the Printer. The size of the sheet of paper for the cover would not have cut out economically, and there would have been some waste if it had been used"

Q.246

99. The two largest Items in the Miscellaneous Vote for the Bureau are for Publicity, materials and services (Item 1) and for Film production (Item 2). The Vote for each of these for 1956-57 is £60,000, and for 1955-56 was £55,000. Prior to the Estimates for 1956-57, credits had been made to the Sub-Division in respect of earnings by the Bureau from its publications and films. From 1956-57, a Trust Account ("Publicity Services Trust Account") is to be used for these transactions, and the Vote will now be credited to that Account.

Division No. 700.

Qs.273-277

100. Various functions are performed by the overseas posts of the Bureau. There are now posts in London, New York, San Francisco, the Hague, New Delhi, Bombay, Bangkok and Singapore. The Director told us that different functions were performed according to the location of the post. In Europe, for instance, much of the functions of the Bureau's representatives would be in connection with migration.

Qs.200-202

Q.212

101. The function of the post at Bombay is specifically to provide trade information. Thus it prepares for circulation the journal "Austral News". This is a monthly publication circulating widely in the zone of the Indian Trade Commissioner (from the officer of the Bureau attached to the Trade Commission at Bombay). Recently, "Austral News" has been prepared in a variety of editions, including one for Indonesia and one for the Malayan area. Its purpose is to provide information about trade matters

Qs.203-205

and it is circulated mainly among importers.

102. It was only in the Estimates for 1955-56 that a separate Division was included for the News and Information Bureau. Prior to that year, its Administrative Vote had been contained in the Administrative Vote for the Department of the Interior (Division 61). Items now contained in the Miscellaneous Vote for the Bureau were included in the Miscellaneous Vote of the Department of the Interior.

103. Your Committee consider that the estimating for 1955-56, the first year in which the Votes of the Bureau were separated from those for the Department of the Interior, was as accurate as could have been desired. One interesting feature of the Vote is the small amount provided for salaries and allowances of permanent officers. Out of an appropriation for Salaries of £212,000 for 1955-56, only £22,500 was provided for permanent officers. The Director informed us that the total of 171 officers employed as at 30th June, 1956 were divided among permanents and temporaries as follows :-

		<u>Vote for[*]</u> <u>1955-56</u>	<u>Vote for[*]</u> <u>1956-57</u>
		£	£
	<u>Permanent Officers:</u>		
1	Director	2,678	2,958
2	Clerical Officers	3,258	3,414
7	Officers filling unclassified positions	15,306	9,941
	Allowances to Officers performing duties of a higher class	<u>1,490</u>	<u>4,278</u>
		22,732	20,591
	<u>Less amount estimated to remain unexpended</u>	<u>232</u>	<u>591</u>
		22,500	20,000
	<u>Temporary Employees:</u>		
161	Temporary Officers	<u>186,500</u>	<u>207,500</u>
171		<u>209,000</u>	<u>227,500</u>

* The Vote for permanent officers is, in both 1955-56 and 1956-57, for the Director and 3 clerical positions. The permanent "officers filling unclassified positions" occupy positions not permanently created by the Public Service Board, and 13 officers were covered by the entry in 1955-56.

104. The Director told us that :

" the News and Information Bureau has an extremely small permanent staff consisting of myself and one or two others. The great majority of the employees of the Bureau are temporary officers, and many are temporary exempt officers although they have records of service extending over 15 years in some cases.

Qs.248-
250

COMMITTEE MEMBER: I was referring to the unclassified persons. Has the Public Service Board followed its normal practice and classified the positions in your Bureau? --- (MR. MURPHY) Yes, we have an establishment granted by the Public Service Board. There is a very rigid ceiling on that establishment, and we always work within it."

COMMITTEE MEMBER: The positions are not actually unclassified, but in the main temporary people fill those positions? --- (MR. MURPHY) I understand that to be the position. Those positions are in respect of permanent officers who are occupying positions which have not been permanently established."

Your Committee consider that it would be an advantage if the Estimates disclosed at least the total establishment for temporary employees in addition to that of permanent officers. It might also be possible to indicate strengths as at the beginning of the financial year. But this is a complex matter and warrants investigation.

See
also
Paras.
23-30
above.

105. Until 1949-50 there had been a Department of Information. Of its Vote for 1949-50 of £339,000, £216,900 was for salaries. The Votes of the old Department and of the present News and Information Bureau are strikingly similar. The table below sets out for comparison the Estimates for the Department of Information for the last year of its existence (1949-50 - it was abolished in March, 1950) and for the News and Information Bureau of the Department of the Interior for 1956-57 :-

Q.255

Division No. 110 - DEPARTMENT OF INFORMATION

Vote for
1949-50
£

A. - Salaries and Payments -	
1. Salaries and allowances	16,700
2. Temporary and casual employees	200,000
3. Extra duty pay	200
	<u>216,900</u>
B. - General Expenses -	
1. Travelling and subsistence	12,000
2. Office requisites, equipment, etc.	5,300
3. Postage, telegrams, etc.	14,300
4. Incidental and other expenditure	2,200
	<u>33,800</u>
C. - Miscellaneous (Amounts recovered from other Departments and authorities may be credited to the item to which they relate) -	
1. Publicity, materials and services	35,000
2. Short wave series	15,000
3. Film production	32,000
4. Film distribution	2,000
5. Illustrations	4,300
	<u>88,300</u>
	<u>339,000</u>
TOTAL DEPARTMENT OF INFORMATION	

Division No. 70 - NEWS AND INFORMATION BUREAU

Vote for
1956-57
£

A. - Salaries and Payments -	
1. Salaries and allowances	20,000
2. Temporary and casual employees	207,500
3. Extra duty pay	2,500
	<u>230,000</u>
B. - General Expenses -	
1. Travelling and subsistence	12,750
2. Office requisites, equipment, etc.	6,700
3. Postage, telegrams, etc.	14,800
4. Fuel, light and power	3,500
5. Motor vehicles - Upkeep and hire	4,250
6. Incidental and other expenditure	3,500
	<u>45,500</u>
C. - Miscellaneous (For payment to credit of Publicity Services Trust Account) -	
1. Publicity, materials and services	60,000
2. Film production	60,000
3. Film distribution	2,500
4. Illustrations	3,000
	<u>125,500</u>
	<u>401,000</u>
TOTAL DIVISION NO. 70	

106. At the time of the abolition of the Department of Information its total staff was 357. The existing ceiling for the News and Information Bureau for positions at home and abroad is 174. Thus if all the Bureau's positions were filled it would have 183 fewer staff than did the Department at the time of its abolition.

Qs.253-
255

107. The main single responsibility of the former Department of Information not discharged by the Bureau is that of short-wave broadcasting. When the Department was abolished, the Australian Broadcasting Commission assumed control and direction of the instrument known as "Radio Australia". Staff employed by "Radio Australia" were 94. Hence it appears that a reduction of some 90 persons has taken place, in the transition from the Department of Information of 1950 to the Bureau of 1956.

Q.263

Q.268

108. The Director (who was Director-General of the Department of Information) said that he did not think it was fair to say that the purpose of abolishing the Department had been defeated by the growth of the Bureau: whether measured by the expense of the Department or by the number of staff employed, the activities of the Bureau can scarcely be described as "growth" :

Q.262

"COMMITTEE MEMBER: Very largely, the idea of abolishing the department some years ago has been defeated by the growth of another body, with a slightly different name, in its place? --- (MR. MURPHY) I would not say growth.

Qs.264,
265

COMMITTEE MEMBER: The amount has increased to £372,000 for this year's estimates for your Department, which sounds like pretty good growth. --- (MR. MURPHY) Well, in relation to previous departmental spending, at a time when costs were, of course, very much lower, I question whether it can be described as growth, even in financial terms.

COMMITTEE MEMBER: I think that point is well taken."

109. Your Committee were assured by the Public Service Board that the establishment for the News and

Information Bureau is not larger than is required for the effective discharge of the functions allocated to it by the Government. The Director also told us that the Bureau takes all possible steps to ensure that overseas posts do not grow beyond an appropriate level :

Qs. 266,
267

"COMMITTEE MEMBER: Your Estimates this year are in three sections. There is the salaries section and the general section, and then the News and Information Bureau. You were telling Mr. Davis about where you were operating overseas. What is your yardstick for measuring the efficacy of your overseas activities? --- (MR. MURPHY) We have some almost physical yardsticks. We require our overseas representatives to report to us regularly on actual placements of material in the overseas press, the number of films actually put on to the theatrical screens in overseas countries, the number of Australian films that are televised in countries where television exists. We are constantly trying to measure the impact on overseas communities of our various activities."

Q. 272

110. Your Committee were informed that the Bureau has no association with the Advertising Division of the Department of the Treasury and that there is no overlapping in carrying out the activities of the several Departments engaged in publicity.

Qs. 283-
292, 251-
255

DEPARTMENT OF WORKS

Division No. 68A - Item 3

Administrative - Extra Duty Pay

111. Votes and expenditures for this Item during recent years have been :

	<u>1953-54</u>	<u>1954-55</u>	<u>1955-56</u>
	£	£	£
Vote	20,000	22,000	35,000
Expenditure	16,217	28,758	92,615
	(Over-est. 3,783		
Section 37 Transfer	-	6,758 (from A-2)	57,615 (from A-1)

112. The Department of Works informed us that because of the difficulty of recruiting permanent staff in 1955-56 and the need to keep works expenditure under constant review, it was necessary to seek for extra duty pay £57,615 in excess of the original Vote. Considerably more overtime than usual was caused by the need to prepare :

- (i) financial statements for use in calculating expenditure trends; and
- (ii) revised estimates at regular intervals.

We were also advised that the additional work enabled fuller control of expenditure on all projects in progress.

Division No. 69 - Items 4. 4A

Repairs and Maintenance - Treasury and Taxation

113. Votes and expenditures for this Item have been :

	<u>1953-54</u>		<u>1954-55</u>		<u>1955-56</u>	
	<u>Treas-</u>	<u>Tax-</u>	<u>Treas-</u>	<u>Tax-</u>	<u>Treas-</u>	<u>Tax-</u>
	<u>ury</u>	<u>ation</u>	<u>ury</u>	<u>ation</u>	<u>ury</u>	<u>ation</u>
	£	£	£	£	£	£
Vote	9,000	79,000	17,000	75,000	23,000	55,000
Expenditure	6,766	68,164	35,261	45,058	31,117	30,841
	(Over-	(Over-		(Over-		(Over-
	est.	est.		est.		est.
	2,234)	10,836)		29,942)		24,159)
Section 37	-	-	18,261	-	8,117	-
Transfer						

114. The Department of Works advised us that the under-expenditure on Item 4A, Repairs and maintenance for the Taxation Branch, was because the full programme was not executed. Many buildings are occupied by the Taxation Branch and, stated the Department of Works :

"In the new proposals amounting to £52,000, provision of £25,290 was made for unspecified works. Whilst provision must be made for contingencies, it

is difficult to forecast actual expenditure as this naturally depends on the date the necessity for such work arises."

115. Your Committee question the necessity to make such large provisions for unspecified works. Both the Department of the Treasury and the Department of External Affairs included amounts for unspecified minor works and we understand that it is common practice that this provision should be made on the Estimates. It is our view, however, that the amount should be kept as small as possible.

116. Your Committee would prefer to see Departments requesting Additional or Supplementary Estimates if the work in question is urgent. If it is not, they should wait until the ensuing financial year, when funds could be provided in the ordinary way. We regard it as bad practice to ask that provision be made in the Estimates for excessive amounts for unspecified works.

Division No. 69 - Item 18

Repairs and Maintenance - Commonwealth
Scientific and Industrial Research Organisation

117. Votes and expenditures in recent years for repairs and maintenance for the Commonwealth Scientific and Industrial Research Organisation have been :

	<u>1953-54</u>	<u>1954-55</u>	<u>1955-56</u>
	£	£	£
Vote	15,000	20,000	26,000
Expenditure	14,959	21,949	26,703
	(Over-est. 41)		
Section 37 Transfer	-	1,949	703

118. The Department of Works informed us that incomplete works carried forward at the commencement of 1955-56 amounted to £14,926. The Commonwealth Scientific

and Industrial Research Organisation submitted new proposals amounting to £34,000 for 1955-56, stating that they were designed to cover only works essential to preserve Commonwealth assets.

119. Most of the repairs were, it appears, for field stations. The Commonwealth Scientific and Industrial Research Organisation asked the Department of Works to spend beyond the Vote in order to arrest increasing deterioration. We understand that the appropriate procedures to obtain the additional funds necessary for expenditure at a rate above that authorised by the Vote were complied with by the Departments concerned.

120. Work completed for the Commonwealth Scientific and Industrial Research Organisation has, in recent years, been very close to the original estimate of expenditure. Your Committee regard this Vote as an instance of good estimating and co-ordination. We mention it also as an interesting illustration of the size of the incomplete works commitments carried forward from one year to another.

DEPARTMENT OF TRADE AND CUSTOMS

(NOW CUSTOMS AND EXCISE)

Division No. 77B - Item 8

Hire and Maintenance of Launches

121. Votes for and expenditures in recent years from this Item have been :

	<u>1952-53</u>	<u>1953-54</u>	<u>1954-55</u>	<u>1955-56</u>
	£	£	£	£
Vote	7,590	9,000	10,000	10,000
Expenditure	<u>14,277</u>	<u>9,411</u>	5,919	5,806
			(Over-est. 4,081)	(Over-est. 4,194)
Section 37 Transfer	<u>6,687</u>	<u>411</u>	-	-

122. The funds voted in this Item are used for the hire, maintenance and operation of customs launches and in the supply of equipment for them. The Department explained that the over-estimate in 1955-56 occurred for two main reasons :

- (i) two costly major overhauls to New South Wales vessels, for which £5,000 had been provided, were deferred pending a decision whether or not the repairs would be economical or whether replacement was more desirable;
- (ii) careful operation of two launches in Victoria meant that the provision for major overhaul for one of them (£3,000) was not required in 1955-56 (although the Department has been advised that the overhaul will shortly be necessary).

123. Your Committee are impressed by the obvious desire on the part of the Department to effect a saving, a desire that was neutralised by Transfer of the whole of the unexpended funds to other items in the Sub-Division. We draw attention to our comments in our Twenty-fifth Report. We there indicated that we do not favour the transfer of funds under Section 37 of the Audit Act from a very specific purpose, here the repair of launches, to general purposes, here contained in the supplements made to votes for office requisites (£2,700), postage (£1,900), fuel (£989) or uniforms (£1,446). We recall also our suggestion that more attention should be paid to the psychological effects of using sums saved by one Branch to meet deficits incurred in other Branches. These remarks are apposite to the action taken in the present case.

25th
Report,
Para.
26(ii).

Idem,
para.
27.

DEPARTMENT OF HEALTH

Division No. 83KB - Item 6

Commonwealth Serum Laboratories - Stores
and Plant

124. Votes for and expenditures from this Item in recent years have been :

	<u>1953-54</u>	<u>1954-55</u>	<u>1955-56</u>
	£	£	£
Vote	440,000	520,000	1,178,000
Expenditure	529,260	417,282	563,883
		(Over-est. 102,718)	(Over-est. 614,117)
Supplementary Estimate	69,838	-	from which 52,841
Section 37 Transfer	19,422	-	to Items 1, 3, 4, 5

125. All the expenditures from this Vote are chargeable to the Serum Laboratories Trust Account.

126. The Department informed us that the reason for the over-estimate on the Stores and Plant Item for 1955-56 was that at the beginning of the year it had been the intention to import Salk Vaccine to the value of £750,000. However, no vaccine was imported, and instead the Laboratories undertook its production in the latter part of 1955-56. For this reason, several other of the General Expenses Items were over-spent in 1955-56, and were supplemented by Transfers from Item 6.

127. The Transfers from Item 6 were made to the following Items :-

<u>Item No.</u>	<u>Item</u>	<u>Vote</u>	<u>Expend- iture</u>	<u>Transfer</u>
		£	£	£
1.	Travelling and sub- sistence	6,000	7,766	1,766
3.	Postage, telegrams, etc.	10,000	10,956	956
4.	Fuel, Light, power, etc.	65,000	74,460	9,460
5.	Livestock and fodder	18,000	58,659	40,659
				<u>52,841</u>

128. Your Committee note that the actual expenditure from Item 6 was £563,883, leaving an amount unspent of £614,117.

129. In relation to the over-estimate for the previous year, 1954-55, the Department advised that the causes were :-

- "(a) the use of cheaper raw materials in the production of penicillin resulting in a saving of approximately £20,000; and
- (b) a lower volume of production of penicillin than originally estimated, resulting in a decreased expenditure of some £80,000."

DEPARTMENTS OF TRADE AND PRIMARY
INDUSTRY

Administrative Cost of the New
Departments

130. Your Committee noted that the main Administrative Votes for the Departments of Trade and Primary Industry for 1955-56 contained over-expenditures on Votes formerly those of the Department of Commerce and Agriculture. We therefore invited the Public Service Board to indicate whether the division of the Department of Commerce and Agriculture into two new Departments, and the other alterations in functions that took place at the same time, were likely in themselves to involve further expenditure from Consolidated Revenue Fund.

131. The creation of the new Ministries and Departments of Trade and Primary Industry was in pursuance of a Government decision to rationalise certain functions and to set free a Minister whose chief task would be to promote Australian overseas trade. The opportunity was taken to make some changes in the distribution of functions performed by other departments. Thus the

Tariff Section of the Department of Trade and Customs was transferred to the Department of Trade (270 positions were transferred) and the Department of Trade and Customs was renamed the Department of Customs and Excise.

132. The Division of Industrial Development (attached to the Department of National Development) was also attached to the Department of Trade (107 positions were transferred). Of the establishment of the Department of Commerce and Agriculture, 838 positions were transferred to the Department of Primary Industry and 306 to the Department of Trade. Full details of the transfers are contained in Appendix No.2.

Q.301
Exhibit
No.28/3

133. The Board indicated that for purposes of ascertaining what additional costs were involved in the creation of the two new Departments, certain assumptions had to be made. Any positions involving merely a transfer from one Department to another were not taken into consideration, as no increase in administrative costs was thereby involved. Where, however, a position of one classification was abolished in one Department and created at a different classification in another, the costs involved were considered as a saving on the former and an additional cost to the latter Department. The maximum figure of salary ranges was used to calculate money costs.

Exhibit
No.28/3

134. All the variations in administrative costs have been divided into three categories according to whether :

- (i) the cost is directly caused by the split;
- (ii) the cost is not caused by the split; or
- (iii) the cost is caused partly by the split and partly by other factors.

135. The outcome of the Board's examination is that the net increase in positions in the five Departments involved is four. The net increase in annual

salary commitments is £48,601.

136. In terms of the three categories mentioned above, the position is as follows :-

- (a) in the first category, the increase in salaries cost is £3,852, with a decrease of 12 positions;
- (b) in the second category, the increase in salaries cost is £30,765 and the increase in positions is 14; and
- (c) increases caused partly by the split and partly for other reasons involved further expenditure on salaries of £21,688 and an increase of two positions.

A grand summary of variations in administrative costs is included as Appendix No. 3.

137. The main interest centres round the Department of Trade. The Public Service Board advised us that the net increase in cost for this Department was £25,054, although there was a decrease of 5 positions. At first sight these figures suggest that the classifications of the staff of the Department of Trade are higher than were those of their predecessors in the Department of Commerce and Agriculture. However, further analysis of the figures shows that the cost in the first category, that directly caused by the split, involves a decrease of £18,865 (with an increase of 11 positions). There was an increase of £29,675 in salaries cost in the second category, costs not caused by the split, involving fifteen additional positions. The increase in the third category - partly a result of the split and partly not directly caused by it - was £14,244, involving six positions.

138. Mr. Harris, former Inspector of the Public Service Board, who was in charge of the Board's examin-

ation of the effects of the change in departmental structure, told us that :

"COMMITTEE MEMBER: There seems to have been a general up-grading of the positions? --- (MR. HARRIS) It is not only an up-grading of positions, although that does account for some of the cost. It is rather the provision of quite new positions at fairly high level, and a discarding of positions at lower levels. I object to the term 'up-grading' in that sense. They are quite new positions. (Question 91) But they are probably no more expensive than in another department of equal status in the structure, where they are dealing with a large number of policy issues, as this department is. Qs. 90-93

COMMITTEE MEMBER: But some of these are specialist positions that you would not find in an ordinary department? --- (MR. HARRIS) You would not find exactly the same persons, but you would find a range of policy activities which require the attention of a number of people.

COMMITTEE MEMBER: You would find that kind of spread in other departments? --- (MR. HARRIS) Yes."

Naturally enough, the creation of a new department will involve the creation of a number of top-line positions. Thus it is necessary to have an extra Permanent Head, who will probably require at least one additional assistant at a grade proximate to his own, as well as professional and clerical staff.

139. Mr. Harris told us that the increase in the cost of the two new Departments from this cause had been minimised as far as possible by abolishing positions at lower levels :

"COMMITTEE MEMBER: To what extent has there been an increase as a result of the creation of a separate department? --- (MR. HARRIS) It is fairly obvious that if you have two departments, where you previously had one, you must have two permanent heads. That accounts for one of them. You have to have a permanent head for a department. Beyond that, as we see it, it does not follow that the split into two departments necessarily creates these other positions. What we would rather say is this, I think, that in examination of the top-level organization of each department the Public Service Board had regard to the functions which the Government desired should be carried out by each, and after consideration of the departmental proposals approved an organization, which, in the Board's view, would best be able to carry out those functions. It is true that that involved a certain increase in the posts at the top level. We have Q.125

been able to minimise the cost of that by abolishing positions at lower levels, through administrative economies of one kind or another that I have attempted to describe, so that over all the total number of positions has not increased very much, but we have more senior positions, people who are better able to advise the Government on the particular policy aspects for which those departments are responsible, so therefore it should provide a more efficient organisation."

140. The Public Service Board is, it appears, satisfied that the re-distribution of functions has produced a better administrative arrangement. Nevertheless, we note that the present saving in positions is at least in part made possible by the housing of both Departments, i.e. Trade and Primary Industry, in the same building. Functions such as records and accounting can therefore be joint services. Unless the arrangement is policed very carefully, it is probable that the combined total staff will, before very long, be greater than was that under the arrangements applying before the split.

Qs. 301,
304-306

Qs. 105-
111

141. The basis for a new draft Administrative Arrangements Order has now been worked out and Mr. Harris read the relevant sections to us :

Department of Trade

Q. 306

"The Department of Trade is the Commonwealth Department responsible for all external trade policies and for the promotion of export trade - including trade publicity; the growth, progress and protection of Australian secondary industry; the determination of the rates of duty, whether nominal or effective, in the Customs and Excise Tariff, other than revenue items; regulation of import or export trade as may be necessary from time to time; the conduct of Australia's external trade relations activities generally, including international negotiations, conferences, commitments and arrangements of an international trade character or affecting Australian primary or secondary industries.

The Department of Trade will be responsible for the formulation and review of domestic marketing and stabilization policies in respect of primary products, although it will consult and co-operate with the Department of Primary Industry.

Department of Primary Industry

The Department of Primary Industry is responsible for the administration of Commonwealth legislation relating to primary industries. It co-operates with the Department of Trade in the formulation and review of industry stabilization measures, external trade or commodity matters. Its responsibilities for primary industries include production aspects, economics, finance and the operation and administrative requirements of Commonwealth Marketing Boards.

The Department administers War Service Land Settlement and fisheries and supervises Australian based whaling operations. It also administers the Commonwealth Export Inspection Service."

142. Your Committee have reported at some length on the re-organization, because it is often stated in the Parliament that such changes do not necessarily involve additional expense. This is not so in the present instance. We recommend that, when changes are made in Ministries that involve alterations to the existing departmental structure, an indication should be given at the time of the resulting additional cost (or saving). It might be made mandatory upon the Public Service Board to make analyses of the cost and upon Ministers to lay the information before the Parliament.

143. The re-arrangement also emphasizes the growing complexity of the structure of Government Departments and the difficulties encountered by Departments and the Public Service Board in devising the methods and machinery essential for efficient administration, and capable of Parliamentary control. It was suggested that something more was needed than review by the Organization and Methods Branch of the Public Service Board: for example, an examination by an ad hoc authority. There are two lines of inquiry that might be followed by such an authority. One would be to act as a kind of superior Organization and Methods Team to review the machinery of Government, as did the Hoover Committee in the United

Q. 304

States of America. The other would be to review the distribution of functions between the several instruments of government, an inquiry similar to that carried out by the Haldane Committee in England in 1917.

144. Your Committee do not wish at this stage to make any firm recommendations about the investigations that are necessary. We hope to consider the matter more fully in a later Inquiry.

Machinery of Government Committee :
CD. 9230
(1918).

DEPARTMENT OF TRADE

C.W.S. Division No. 24K - Item 6

Residential Buildings in Salisbury.
Central African Federation

145. The Vote for residential buildings for the Commercial Intelligence Service was formerly an Item in Division No. 25 of the Capital Works and Services Estimates, and was under the control of the Department of Commerce and Agriculture. The Department of Trade has now been given a separate Vote, and Item 6 (Item 5 in the 1956-57 Estimates) is for residential buildings for the Commercial Intelligence Service.

146. The Vote for the Department of Commerce and Agriculture for 1955-56 contained an amount of £8,700 and this was over-spent by £14,280. For the sum of £14,280 the Department of Trade now seeks a Supplementary Estimate.

147. The amount is for the purchase of a residence in Salisbury for the Trade Commissioner. The Department informed us that the accommodation position in Salisbury is particularly difficult because of the rapid expansion of the city. Leases are almost unobtainable.

Exhibit
No. 28/5

The lease over the residence hitherto occupied by the Trade Commissioner expired in June, 1956, and as it was impossible to obtain an extension of it, or alternative accommodation, a residence was purchased.

148. Treasury gave their approval to the purchase on condition that no funds additional to those provided for the Capital Works and Services Division of the Department of Trade were spent. A residence in Djakarta, Indonesia, for which the Trade Commissioner had been negotiating, and for which funds had been provided for 1955-56, could not be purchased, and the funds thereby not used enabled the condition to be kept. Approval was given to spend the money from Treasurer's Advance.

Qs. 157,
158

149. The Director of Trade Services, Mr. McClin-
tock, told us that the residence is a house with three bedrooms and a study, that it is in about half an acre of ground close to the Salisbury city area, and in a good residential district. £14,000 seems a large amount for a moderately sized house, but it appears that prices in Salisbury are high :-

Q. 166

"COMMITTEE MEMBER: £14,000 seems quite a large amount for a three-bedroomed house? --- (MR. McCLINTOCK) It is quite expensive. It is part of my problem to obtain a reasonable assessment of actual market costs in overseas posts. We bought in Auckland recently a house that would cost £3,000 or £4,000 more if it were bought in Australia. In Salisbury, because of the rate of expansion and the very high building rate, the market costs are very high. If we were buying this house in Sydney or Melbourne, say in an area such as Camberwell, we would probably pay £10,500 for it. We are forced to pay the market prices. We agree with the Treasury on a type of house that is appropriate to the Trade Commissioner's work, but it is certainly not lavish, and it is not lavishly furnished.

Qs. 168,
169

COMMITTEE MEMBER: You said it was in about half an acre of ground. Who will look after that ground? --- (MR. McCLINTOCK) In all our tropical posts we provide a gardener for official residences."

150. The Director of Trade Services informed us that they have no planned acquisitions programme: they

Qs. 181,
191

purchase properties as circumstances make it necessary. In that sense, he said, there is a programme. But it could only be formulated as an intention to purchase houses for posts at which it is necessary and economical to do so. No list of properties it is proposed to acquire is held by the Department.

Qs. 180-
182, 191

151. It is preferable that amounts for such purchases should be included in the Estimates at the beginning of the year, or that the purchase should be postponed until the commencement of next year. However, we were assured that in this case the situation was urgent, for the Department had no option but to buy when a house became available. It was on this basis that the Treasury approved the expenditure.

Qs. 192,
193

152. Your Committee accept the explanation of the Department of Trade and of the Department of the Treasury on this matter. Parliamentary approval is now being sought for the expenditure. We consider appropriate and desirable the condition imposed by the Treasury, that the total expenditure from the Division during the year should not be greater than the original provision in the Estimates.

Qs. 194-
196

DEPARTMENT OF SHIPPING AND TRANSPORT

Division No. 94B - Item 6

Marine Branch - Cost of Operating
Lighthouse Tenders

153. Votes for and expenditures in recent years from this Item have been :

	<u>1952-53</u>	<u>1953-54</u>	<u>1954-55</u>	<u>1955-56</u>
	£	£	£	£
Vote	255,700	180,000	130,000	120,000
Expenditure	178,771	160,671	119,303	132,583
	(Over- est. 76,929)	(Over- est. 19,329)	(Over- est. 10,697)	
Supplementary Estimate	-	-	-	11,724
Section 37 Transfer	-	-	-	859 (From B-1,5,9)

154. The Department told us that this Vote is to enable the operation of lighthouse tenders from three centres. One ("Cape York") operates from Melbourne around the southern coast of Australia; two ("Cape Leeuwin" and "Swingle") operate from Brisbane along the north eastern coast; and one ("Cape Otway") operates from Fremantle along the coast of Western Australia.

155. The original draft Estimate for 1955-56 was for £135,600. After preliminary discussion with the Treasury, the figure was reduced by £400 to £135,200. A further reduction, to £130,000, termed "arbitrary" by the Department, was later made by the Treasury. A still further reduction, of £10,000, was made at the suggestion of the Treasury, following a Cabinet direction to reduce the Estimates by £1,000,000.

156. Additional funds were requested at the end of May, 1956. However, the additional amount requested was only £10,000 and in the end the balance was made up by increasing the Supplementary Estimate to £11,724 and by obtaining a Section 37 Transfer of £859.

157. The Department advised us that one important reason for the additional expenditure is that a considerable proportion of the funds is provided for maintenance. The effect of the reduction in the Vote was to eliminate the provision for repairs and maintenance work outstanding

Exhibit
No. 28/7

from 1954-55. The Department stated that the service provided by the operation of lighthouse tenders is essential :

"In this connection it is submitted that provision made under this Item covers expenditure in the operation of Lighthouse tenders providing an essential service necessary to ensure the safety of life at sea and any curtailment of this service resulting from insufficiency of funds could have serious consequences."

Exhibit
No. 287,
para. 10.

158. The Assistant Secretary (Administration) of the Department of Shipping and Transport, Mr. Russell, appeared before us to explain the reasons for the Supplementary Estimate sought for the Item. He said that excessive initial Estimates had resulted in repeated over-estimates on this Item. He thought that the over-estimates related to the overall operation of the vessels :

Q.345

"COMMITTEE MEMBER: Do you suggest that the over-estimating was in connection with the normal operations of your ships, or in connection with maintenance and repairs? --- (MR. RUSSELL) The overall operation. The three vessels that we have are getting old, and it is not possible to anticipate the type of repairs and maintenance that will become necessary. The 'Cape Otway' and the 'Cape York' are sister ships more than 30 years old. Previously the Marine Branch was inclined to add a little to provide for unforeseen expenditure on those ships. More recently we have attempted to ascertain the foreseeable amount of expenditure."

Q.346

159. Noting that it had become apparent by about the end of 1955 that Item 6 would be over-spent, Your Committee enquired why an Additional Estimate had not been obtained for the amount. The Treasury representative informed us that the reason was that the request for the money was not received until after the Additional Estimates had been dealt with.

Qs. 400-
404

160. In the case of "Cape York", stewards' stores featured largely in the expenditure over the reduced allocation (the original estimate of expenditure on this Item was £3,185 and actual expenditure was £7,043).

161. We were informed that the only explanation for the increase in this victualling cost that the

Department could give, although it seems anomalous, was that "Cape York" normally has shorter running than the other two vessels. In 1955-56 bad weather was encountered in Bass Strait, and she was away from base rather longer than expected. Q.384

162. Mr. Russell told us that the Department is not satisfied with the position and is investigating :

"(MR. RUSSELL) An investigation of the victualling charges of the three ships is under way....." Q.384

The Treasury will doubtless include a report on the result of the investigation when forwarding a Minute on this Report to Your Committee.

163. Continuing with his explanation of the increase in victualling charges, Mr. Russell said :

"The 'Cape York', for some reason which we have not been able to ascertain yet, has victualling charges that are much higher than those of the other two ships. Mr. Laycock, the Director of Navigation, believes that it is caused by the shorter trips that the 'Cape York' makes." Q.384

164. Your Committee appreciate that estimating the cost of running and repairs for old vessels such as these is a difficult matter, particularly as expenditure is vitally affected by the weather. Nevertheless, it is our view that it should have been possible to keep expenditure more nearly within the reduced figures. We observe that, in the case of the two Queensland-based lighthouse tenders, expenditure was under the original allocation by £9,166 (and £1,866 under the reduced allocation). Exhibit No.28/8 pp.3-4

165. Your Committee note that although the Treasury had "arbitrarily" reduced the Vote, the Department made genuine efforts to give effect to the Treasurer's request for economy. The following instruction illustrates the response of the Department to the reductions:- Page 5

"The Treasury view is that Departments must limit their expenditure to the amounts provided. Exhibit No.28/9 Para.4

It will be difficult to obtain extra funds except for new items of an urgent nature. Please ensure therefore, that your funds are used with care and that progress expenditure is kept under review. If funds are required for any non-urgent item not covered in your draft Estimates they can only be obtained from savings within the Item concerned. If, however, the Vote does not provide enough for our minimum essential needs the matter will have to be taken up with Treasury. It was found last Financial Year that transfers under Section 37 of the Audit Act were approved by Treasury only after detailed examination."

166. Your Committee re-emphasise that it is important not to seek the approval of Parliament to expenditure of amounts that are in fact only possibilities. We recall the terms of the Treasury circular memorandum preparing for the Estimates for 1956-57, in which it was stated that draft Estimates should provide a realistic forecast of probable expenditure, based on current costs. We recall also Treasury Instruction No.169, which reads in part :

4th
April,
1956.

"Estimates shall be prepared with due regard to the strictest economy."

Govt.
Printer,
No. 274
of 1942.

DEPARTMENT OF NATIONAL DEVELOPMENT

Division No.100C - Items 1 and 3

Bureau of Mineral Resources - Operational Expenses

167. Votes for and expenditures from Item 1 in recent years have been :

	<u>1953-54</u>	<u>1954-55</u>	<u>1955-56</u>
	£	£	£
Vote	430,000	340,000	319,000
Expenditure	314,536	296,861	395,041
	(Over-est. 115,464)	(Over-est. 43,139)	
Supplementary Estimate	-	-	76,041

168. The Department advised us that the budgetary

provision for 1955-56 was made up on the following basis:

	£
"Unpaid liabilities carried forward from 1954-55	36,921
Expenditure on 1955-56 Programme	<u>319,000</u>
	355,921
<u>Less unpaid liabilities to be carried forward to 1956-57</u>	<u>36,921*</u>
Vote	<u>319,000</u> "

* Additional funds made available during the year to meet accounts reduced this amount to £16,677. See paragraph 169.

169. The Estimates provided for an amount of £26,400 to cover part of the total estimated cost (£55,000) of a programme of contract scout drilling in the Kimberleys. The programme was completed ahead of schedule, and before 30th June, 1956. Claims totalling £44,667, i.e. £18,000 over the original provision, were received in 1955-56, and authority was given to pay the additional amount from Treasurer's Advance.

170. The remainder of the over-expenditure (approximately £58,000) was to meet commitments in respect of hire charges for vehicles used for field operations. The Department advised us that :

"It is difficult to keep a reliable account of the amount of liabilities incurred for services of this nature which have to be provided throughout the Commonwealth territories and also in States where field operations are programmed.

Nevertheless, immediate steps are being taken towards instituting a more effective system of control over the incurring and recording of liabilities for these services with a view to ensuring that the total amounts of votes for operations expenses in future years are not exceeded."

171. Your Committee note that steps are being taken to institute more effective control over expenditure incurred in the course of field operations.

172. Item 3 of the Miscellaneous Sub-Division of the Vote for the Bureau of Mineral Resources reduces the

funds required by an amount recoverable from the Australian Atomic Energy Commission. The estimate of the amount recoverable for 1955-56 was £146,000, and actual recoveries were £171,178, making necessary a Supplementary Estimate of £25,177. It appears that the increased expenditure under Item 1 (Operational expenses) is the reason for the larger amount of the recovery.

AUSTRALIAN ATOMIC ENERGY COMMISSION

The Vote for the Commission

173. In the Estimates for 1954-55, considerable detail was given of the proposed expenditure of the Australian Atomic Energy Commission. But in the Estimates for 1955-56 and 1956-57, only a single-line entry appears.

174. Your Committee understand that the reason for not including details of proposed expenditure in the Estimates subsequent to those for 1954-55 is that the Australian Atomic Energy Commission is claiming the status and immunity of a quasi-autonomous statutory authority. Consequently, it considers that it is not subject to detailed scrutiny by the Parliament in the same way as are Government instrumentalities or departments.

175. Nevertheless, full details of the expenditure of the Commission are given in a special section of the Budget Papers, as are those for the Australian Broadcasting Control Board and the Australian Broadcasting Commission. In another section of the Budget Papers, the Balance-sheets of the Commonwealth Bank, Commonwealth Trading Bank and Commonwealth Savings Bank are printed. The accounts of the Postmaster-General's Department and Commonwealth Railways are also mentioned.

176. Your Committee drew attention in their Twenty-first and Twenty-second Reports,* on the Australian Aluminium Production Commission, to the absence of precise thinking and a uniform policy in regard to a Statutory Corporation in its relation to the Parliament. The Australian Atomic Energy Commission has apparently decided to claim that its Estimates are not subject to detailed scrutiny by the Parliament, and therefore that it will not submit more than a token statement of its financial activities.

See especially, 22nd Report, page 71, paras. 137-140.

177. The varying treatment given in the annual financial papers of the Commonwealth to the accounts of several Commonwealth Statutory Corporations is adumbrated above and was discussed in a somewhat different context in the Twenty-first and Twenty-second Reports of Your Committee. The creation of additional quasi-autonomous statutory corporations, e.g., the Australian Coastal Shipping Commission, the Export Payment Insurance Corporation and the Australian Stevedoring Industry Authority, all of which were created during the present Session, serves to emphasize our suggestion that the political and administrative implications of quasi-autonomy should be examined by the appropriate authorities.

See especially, 22nd Report, pages 62-63, paras. 59-75 & Concl. No. 17.

Division No. 101KC - Item 1

Atomic Energy Commission: Research -
Salaries and Incidentals

178. The Commission's estimate of expenditure on Research for 1955-56 was £197,100. £216,910 was spent, an over-expenditure of £19,810, which is now sought by Supplementary Estimate. Almost the whole amount sought,

* These are printed together: Papers Nos. 69 and 69A (Group B) - F. 2964/55.

£19,798, is for Salaries and allowances. Over-expenditures also occurred on Travelling Allowance and Incidentals Items; but, except for £12, were offset by under-expenditures on Items for Fares and External Research. The Treasury suggested in August, 1955, when reviewing the Estimates for 1955-56, that the Commission might endeavour to save £15,000 on overseas salaries. The Commission advised us that :

"We agreed after an assurance was given that, should this be not possible, the amount required could be provided for in the revised Estimates. Subsequently, due to the progress being made on the research programme in the United Kingdom and the necessity to recruit and train staff in readiness to man the research establishment at Lucas Heights, the salaries could not be contained within the arbitrary limits set by the Treasury.

On 15th February, 1956, revised Estimates of Expenditure were submitted to the Treasury in which the Commission requested that £26,300 additional be provided for salaries."

Of the amount of £26,300, £12,000 was to meet marginal adjustments, £10,700 was a reduction in the amount expected to remain unexpended when the original Estimates were submitted and £3,600 was for salaries of officers not previously provided for.

179. Your Committee appreciate that the work at Lucas Heights proceeded faster than had been anticipated: but this appears to be another of the cases in which reductions made during the revision of the draft Estimates were not achieved. We recall our comments on this matter in paragraphs 10-22 above.

Item 2

Exploration and Development - Rewards to Prospectors

180. The Atomic Energy Commission sought £20,000 for rewarding prospectors during 1955-56. However,

during the review of the Estimates in August, 1955, the amount was reduced to £13,300. In the end the Vote was over-spent by £30,150.

181. Rewards to prospectors are, naturally, extremely difficult to estimate, as payments to them depend entirely upon the luck they have in their searches.

182. A Supplementary Estimate to appropriate the additional amounts advanced for this Item from the Treasurer's Advance appears entirely legitimate. Your Committee agree that it is better to make conservative rather than optimistic estimates for unpredictable items of expenditure of this kind.

DEPARTMENT OF SUPPLY

Division No. 158B - Item 7

Design and Inspection Branch -
Incidental and Other Expenditure

183. The Votes for and expenditures from this Item in recent years have been :

	<u>1953-54</u>	<u>1954-55</u>	<u>1955-56</u>
	£	£	£
Vote	35,000	43,000	39,000
Expenditure	<u>43,174</u>	<u>38,516</u>	<u>50,078</u>
		(Over-est. 4,484)	
Supplementary Estimate	-	-	11,078
Section 37 Transfer	<u>8,174</u>	-	-

184. The Department advised us that the Vote for its Design and Inspection Branch is for developmental work required by the Department of the Army. Although the principal Item in the Vote for this Branch (Item 6 - Developmental and technical services) was under-spent by £59,000 in a Vote of £160,000, additional funds are

required for the Incidentals Vote. (The Department stated that roughly half of the over-estimate on Item 6 was caused by the deferment of projects as a result of lack of industrial capacity (£7,000) and a lack of staff (£25,000)).

185. The over-expenditure on Item 7 was incurred mainly to cover the cost of drawings relating to a considerable number of new types of stores introduced during the year in the United Kingdom and Australia. It appears that the Design and Inspection Branch is the procurement authority for, and the custodian of, all production drawings for Army equipment of both United Kingdom and Australian design.

186. The Department stated that it had not been possible to foresee with accuracy the increase in new types of stores that were introduced during the year.

Division No. 161B - Item 8

Defence Research and Developmental
Laboratories - Incidental and Other
Expenditure

187. Votes for and expenditures from this Item in recent years have been :

	<u>1953-54</u>	<u>1954-55</u>	<u>1955-56</u>
	£	£	£
Vote	79,000	89,000	84,000
Expenditure	<u>102,355</u>	<u>92,561</u>	<u>99,798</u>
Supplementary Estimate	-	-	14,389
Section 37 Transfer	<u>23,355</u>	<u>3,561</u>	<u>1,409</u>

188. The Department advised us that reductions were made to the 1955-56 draft Estimates in August, 1955. They were made at extremely short notice :

"In the circumstances, an arbitrary proportional reduction was made, a method which was shown

at the review based on expenditure to 31st December, 1955, to leave insufficient funds in the three items (Items 1,5,8) as compared with other items."

189. The Department submitted revised Estimates in January, 1956, but they were inadequate to cover the additional funds eventually required for Item 8. The reasons were, first, that the Aeronautical Research Laboratories did not have sufficient funds in their Salaries Vote (Division No.161A) to engage labour for maintenance. A period contract for approximately £4,000 was therefore entered into for cleaning services. The expenditure was made from Item 8, although it was not covered, the Department stated, in either the original or the revised Estimates. Second, suppliers of goods and services, some of whose claims had been provided for in the Vote, submitted claims sooner after supply than had been anticipated. Thus the estimated carry-forward commitment of £14,000 was reduced to an actual outstanding liability of £9,000.*

190. The Department informed us that savings were made in other Items on their Estimates in order to make these and other payments in excess of the Votes for them, but even so their overall Vote for 1955-56 was not, even taking into account the Supplementary Estimates that were necessary, over-spent.

191. The matters in connection with the Supplementary Estimate and the Transfer for this Item that have attracted the attention of Your Committee are :

- (1) The need to make an arbitrary proportional reduction at the time when the Estimates were revised.

* The main items making up the remainder of the £15,798 obtained by transfer are: electric power (£3,000), essential repairs to plant (£1,500) and purchase of technical books for a new library (£1,000).

- (11) The provision of funds for maintenance work in the Aeronautical Research Laboratories from the "Incidentals" Vote of the Defence Research and Development Laboratories.

As to the first, Your Committee have on previous occasions indicated our disapproval of a time-table which makes necessary arbitrary and hasty reductions in draft Estimates.

192. On the other hand, we do not contemplate with any satisfaction the failure to include in the appropriate Votes an amount for essential maintenance. We note also that because the Aeronautical Research Laboratories did not have sufficient funds to engage the labour for essential maintenance, they had to seek additional funds under the Incidental Vote. Your Committee have already indicated our disapproval of the practice of including expenditures that are not genuinely "incidental" in the Incidentals Item.

Paras.
31-36

DEPARTMENT OF DEFENCE PRODUCTION

Division No. 173B - Item 1

Administrative - Travelling and Subsistence

193. The Votes for and expenditures from this Item in recent years have been :

	<u>1953-54</u>	<u>1954-55</u>	<u>1955-56</u>
	£	£	£
Vote	43,000	63,000	65,000
Expenditure	51,993	68,625	73,960
Additional Estimate	-	-	5,000
Supplementary Estimate	-	-	3,960
Section 37 Transfer	8,993	5,625	-

194. The Department advised that the gross excess expenditure of £8,960 is mainly the result of :

- (i) the increase in tempo of work on Project 590, construction of the St. Mary's Filling Factory; and
- (ii) increased activity at the Aircraft Maintenance Branch of the Division of Aircraft Production.

195. The work at St. Mary's made it necessary for departmental officers to travel to the site and to other places to attend meetings of the Interdepartmental Supervisory Committee.

196. The Aircraft Maintenance Branch of the Division of Aircraft Production is responsible for procuring aircraft spares for the Department of Air. The following information, supplied by the Department of Defence Production, was submitted to indicate the increased activity during 1955-56 :-

	<u>No. of Separate Items requested by Department of Air</u>	<u>Items for which Orders Placed</u>	<u>Items Delivered</u>	<u>Value of Items Delivered</u>
				£
1954-55	37,614	30,829	17,077	1,770,000
1955-56	29,415	40,443	38,188	1,570,000

Officers of the Aircraft Maintenance Branch had to visit the major aircraft establishments with which orders were placed for consultation, inspection and expedition of deliveries.

197. The Department also pointed out that there was a general increase of 5 per cent. in fares charged by airline organisations in 1955-56.

198. Your Committee question whether sufficient foresight was used in preparation of the Estimates for 1955-56. We note that in recent years this Item has regularly been over-spent, and consider that Estimates more

accurate than these might well be presented in the future.

POSTMASTER-GENERAL'S DEPARTMENT

Divisions Nos. 231-236
Sub-Division D - Item 2

Mail Services (by outside Agencies) -
Railway Mail Services

199. Votes for and expenditures upon the carriage of mail by railway in the States, for 1954-55 and 1955-56, were as follows (Item 2 of Sub-Division D of the Votes for each of the States) :-

	1954-55		1955-56	
	Vote	Expend- iture	Vote	Expend- iture
	£	£	£	£
New South Wales	310,000	301,822	310,000	626,502
Victoria	134,000	132,009	135,000	273,551
Queensland	159,000	157,342	158,000	258,750
South Australia	165,000	165,148	166,000	281,213
Western Australia	75,000	71,691	103,200	116,697
Tasmania	15,500	15,148	15,500	23,607
Total	858,500	843,160	887,700	1,580,320

200. The Votes for mails carried (for the Postmaster-General's Department) by outside Agencies were over-spent in all States except Western Australia, where unexpended funds amounted to £1,300 (Vote of £276,500). The table above shows that the Votes for the carriage of mail by railway were over-spent in all States in 1955-56.

201. The over-expenditures in 1955-56 were mainly because the rates payable for the carriage of mail on State railways were revised during the year, and operated

retrospectively. The Department informed us that they were aware, when the Estimates were prepared, that additional funds would be necessary during the year as a result of the revised rates for the carriage of mails by the Railways, but that their Estimates did not include sums for that purpose. They advised the Treasury that :

"The amount sought makes no provision for higher rates being sought by Railway Departments for the carriage of mails. Should the claims of Railway Departments be approved, expenditure on this item would rise considerably as retrospective payments would be involved."

202. The negotiations had been proceeding for some time because of the difficulties experienced in reaching agreement with State railway departments. For this reason the rates, when finally determined, applied from 1st January, 1954. The Postmaster-General's Department estimates that the increases will cost an extra £660,818 for the two and a half years ending on 30th June, 1956 - an average annual amount of £264,327.

203. The Postmaster-General's Department has for many years been paying for the carriage of mail by railways at a rate determined by arbitration in 1917. The rate was fixed at 50 per cent. of railway parcels rates in operation at 1st January, 1917. Reviews at two-yearly intervals have been made since that date. By 1926, the rate of 50 per cent. had been raised to 60 per cent., in 1949 it was 80 per cent., and in 1951, 96 per cent. of the 1917 rate. The railways would like the Postmaster-General's Department to base payments permanently at 50 per cent. of the parcels rates in force at the time of each biennial review. However, the Department has negotiated further rates with them, which represent an increase on present rates of approximately 29 per cent. in respect of South Australia and of 40 per cent. for New South Wales and Victoria and the other railways.

The Department commented :

"It is unlikely that, had agreement not been reached and the matter been referred to independent arbitration, the result would have been more favourable to the Post Office."

Negotiations are now being conducted to fix new rates as from 1st January, 1956. The Department informed us that it is not expected that the increase from this biennial review will be much in excess of £50,000 yearly for the whole of the Commonwealth, and that a tentative provision to cover most of this increase has been included in the Estimates for 1956-57.

204. Agreement has also been reached that future variations in rates of payments will be determined according to a formula based on movements in rail conveyance costs, some allowance being made for increased railway efficiency. Cost investigation officers of the Department and the Victorian Railways (on behalf of the several systems) are to confer shortly on the matter.

Divisions Nos. 232-237
Sub-Division E - Item 1

Engineering Services (Other than Capital Works) - Telephone Exchange Services

205. The 1955-56 appropriation for the Central Office and the State organisations of the Postmaster-General's Department was exceeded as indicated in the following table :-

	<u>Budget Provision</u>	<u>Extra Expenditure</u>	<u>Cost of Margins</u>
	£	£	£
Central Office	32,000	3,488	2,000
New South Wales	4,598,000	150,989	174,000
Victoria	3,107,000	170,869	135,000
Queensland	1,414,000	229,528	54,000
South Australia	858,000	48,026	23,000
Northern Territory	18,000	2,903	500

206. It can be seen that the payment of margins under relevant awards comprises a substantial proportion of the over-expenditure in all States, and involves more than the net over-expenditure in the case of New South Wales. Funds for the margins had been provided in total in Additional Estimates (Division No. 237K), but were not allocated to particular services. The allotment to particular services is being made by the Supplementary Estimates for 1955-56.

207. The Department advised us that another cause of over-expenditure operative in all States was that there were higher charges by public utilities and private contractors for fuel, light, power, water, fares, freights and goods and services generally.

208. Of the expenditure over the Estimate in Queensland of £229,528, some £189,000 was required to repair damage caused by floodings in the Goondiwindi district and in Central Queensland, and by heavy cyclone damage in the Cairns and Townsville areas. Flood damage in New South Wales is estimated to have caused some £150,000 during the year. In South Australia and the Northern Territory a contributing factor to the over-expenditure was that costs of repair and replacement of plant and equipment were greater than expected.

CHAPTER IV

ITEMS EXAMINED BUT NOT REPORTED

209. In Chapter III Your Committee reported on the more important of the Items examined in connection with Supplementary Estimates and Variations under Section 37 of the Audit Act for 1955-56.

210. Many of the Items noted by Your Committee when we were considering the whole list of Supplementary Estimates and Section 37 Variations do not, we consider, call for special comment in the body of our Report. In order that the Report may be complete, we list below the Items examined but not specially commented upon in it:-

Division and Item No.	Reason for Examination	Description of Item
<u>Prime Minister's Department</u>		
9B - 4	Supplementary Estimate and Transfer	Commonwealth Gazette - printing
13B - 3	Supplementary Estimate and Transfer	National Library - Collection of Australian historical records.
<u>Attorney-General's Department</u>		
58A, B	Supplementary Estimate and Transfer	Patent Office.
<u>Department of the Interior</u>		
61A - 5	Additional amounts chargeable to Trust Accounts	Administrative - Salaries Vote
61B - 5	Section 37 Transfer	Administrative - Office Cleaning.
<u>Department of Works</u>		
185	Supplementary Estimate	Maintenance of factories and establishments (Department of Defence Production).

Division and Item No.	Reason for Examination	Description of Item
<u>Department of Trade and Customs (now Department of Customs and Excise)</u>		
77B - 2	Supplementary Estimate and Transfer	Administrative - Office requisites.
<u>Department of Supply</u>		
156A, B	Section 37 Transfers	Government establishments - Administration.
<u>Department of Defence Production</u>		
180B	Supplementary Estimate	Buildings and Works.

CHAPTER V

OBSERVATIONS

1. Your Committee welcome the presentation of Supplementary Estimates at the same time as the Annual Estimates are being considered. (Paragraphs 2, 3.)

"Cuts" in Estimates

2. Your Committee gained the impression that in some cases, when the Treasury insisted upon reductions in the draft Estimates, a Department resisted the reduction, and having adhered to its own Estimate, later sought a Supplementary Estimate to cover the amount expended in excess of the amount voted. (Paragraph 13.)
3. Unless Departments co-operate with the Treasury and live within their appropriations, the endeavour of a Government to reduce expenditure would be of no avail. (Paragraph 14.)
4. The Treasury is the instrument of the Government in instituting reductions, but such reductions are the result of decisions by the Government. (Paragraph 15.)
5. The Treasury, as custodian of the financial policy of the Government, may play a number of roles (Paragraphs 16-18):
 - (a) It may act as a channel through which flow the funds voted to Departments.
 - (b) It may seek to decide what may be spent and for what purposes.
 - (c) It may review the character and amount of draft Estimates to ensure efficient and economical expenditure.

6. If it seeks to review the Departmental Estimates, the Treasury should not duplicate the functions of the Public Service Board. (Paragraph 18.)
7. Reductions in the preliminary Departmental Estimates may be challenged by the Departments concerned, but when the issues are vital, the final decision will be made by the Cabinet.
(Paragraph 19.)
8. It is not enough for the Minister or his Department to rest upon their preliminary Estimates, hoping, if not confident, that they will be given a Supplementary Vote if they over-spend their appropriation: they must take positive steps to see that Government policy is carried out. (Paragraphs 19,20.)
9. Your Committee consider that the Estimates timetable should be reviewed to allow Departments adequate time to give effect to Cabinet directions to reduce their Estimates. (Paragraph 21.)
10. It is proposed to examine the problem of "timing" as it affects the Estimates of the Defence Group of Departments. (Paragraph 21.)

Salaries Votes

11. It is noted that for most of the Salaries Sub-Divisions of the Estimates Section 37 Transfers were sought. (Paragraph 23.)
12. The Chairman of the Public Service Board told us that Salaries Estimates are fixed in the light of forecasts of the number of positions that will be filled throughout the year, or any portion thereof.
(Paragraph 24.)
13. Your Committee think estimating for the Salaries Sub-Division should be more accurate. (Paragraphs 26-28.)

14. The Estimates should show the number of permanent, unattached, and temporary employees. (Paragraphs 30,103,104.)

Incidentals

15. Your Committee have noticed a failure on the part of some Departments adequately to control the objects of expenditure and the size of the amounts included in the "Incidentals" Vote. (Paragraph 32.)
16. Your Committee do not desire an undue expansion of accounting work in connection with Incidentals Items (for a list of Items see Treasury Instruction No.372), but we believe that the objects of expenditure should be watched carefully and expenditure under the heading confined to purposes that are genuinely "incidental". (Paragraphs 33, 35, 36.)

Supplementary Estimates

17. Supplementary Estimates represent a slightly higher percentage in 1955-56 than in 1953-54-55: they are 6.6 per cent. of the total Budget expenditure. (Paragraphs 37-39.)

Section 37 Variations

18. The variations in appropriations for 1955-56 are slightly higher than in 1954-55, and amount to 0.21 per cent. of the total Budget. (Paragraphs 43,44.)

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"Australia House"

19. The cost of upkeep of "Australia House" has risen steadily from £49,000 in 1952-53 to £72,000 in 1955-56. (Paragraphs 46,47.) As at 30th June, 1956, there were 680 civilian staff and 50 Servicemen: Your Committee were told that the numbers employed and their activities are kept under close scrutiny. (Paragraph 54.)

The Commonwealth Stores Supply
and Tender Board.

20. The Commonwealth Stores Supply and Tender Board arranges for the purchase of office equipment, paper, etc., required by Departments. (Paragraph 73.)
21. The Stores of the Board are kept by the Postmaster-General's Department and are distributed as required. (Paragraph 75.)
22. The Postmaster-General's Department is paid a commission of 9 per cent. for handling the Board's stores, but naturally is not paid anything for handling its own stores, which amount to more than half the total issues. (Paragraphs 77-80.)

The Bureau of Meteorology

23. Your Committee noted the consistent over-spending in the past four years on Travelling and Subsistence in the Bureau of Meteorology; the explanations for it were confused. (Paragraphs 84-89.)
24. Over-spending also occurred during the same period in respect of Postage, telegrams and telephone services. Although the extra charges by the Post

Office for transmission of weather reports were known to the Bureau in May, 1955, no provision was made when the 1955-56 Estimates were being revised. (Paragraph 91.)

25. For 1956-57 it is estimated that the cost of telegrams transmitting reports on the weather will be approximately £750,000. (Paragraph 92.)
26. Your Committee were informed by the Treasury that it had discussed the nature of the over-spending with the Bureau. It appears that Votes were over-spent without proper authority, and that those concerned did not seem to appreciate the seriousness of the failure to observe the statutory provisions governing the expenditure of public moneys. (Paragraph 93.)
27. Your Committee recommend that the Department of the Interior, and the Public Service Board, review the accounting and financial arrangements of the Bureau. (Paragraph 94.)

The News and Information Bureau

28. A separate entry for the News and Information Bureau appears in the Estimates for the first time in 1955-56. Prior to that year its expenses were provided in the Votes of the Department of the Interior. (Paragraph 102.)
29. Funds voted for the Establishment for 1955-56 were £27,500 for a permanent staff of 10 and £211,200 for a temporary staff of 161. (Paragraph 98.)
30. The News and Information Bureau takes the place of the Department of Information: in 1949-50 that Department had a vote of £339,000, of which £216,000 was for salaries. (Paragraph 105.)

31. For 1956-57 the Vote for the present News and Information Bureau is £401,000. Its major items of expenditure, apart from salaries, are for Publicity, etc., £60,000, and Film Production £60,000. (Paragraphs 105, 99.)
32. The most important activity of the old Department of Information not carried out by the present Bureau is that of shortwave broadcasting. "Radio Australia" is now the responsibility of the Australian Broadcasting Commission. (Paragraph 107.)
33. The Director (who was Director-General of the old Department of Information) said that he did not think the intention to abolish the Department had been defeated by the things the new Bureau is doing. (Paragraph 108.)
34. The Public Service Board assured us that the establishment of the Bureau is not more than adequate for the functions carried out. (Paragraph 109.)
35. The Bureau is an entity separate from the Advertising Division of the Treasury, and we were told that it does not duplicate the activities of that Division or of other Departments. (Paragraph 110.)

Department of Works

36. The amount of overtime worked (costing £57,615 in excess of the Vote) allowed the Department :
- (i) to prepare essential financial statements of expenditure trends; and
 - (ii) to revise the estimates of costs of jobs.
- (Paragraph 112.)
37. Your Committee do not approve of the practice of including large sums in the Estimates for unspecified works. (Paragraph 115.)

38. If jobs are urgent, a Supplementary or an Additional Estimate should be sought. If not urgent, they should wait for funds in the ensuing year.
(Paragraph 116.)

Department of Trade and Customs
(now Customs and Excise)

39. The over-estimate of the Department on the operation of customs launches resulted from deferring costly overhauls of two New South Wales and one Victorian launch. (Paragraph 122.)
40. Your Committee note that the obvious desire to save was neutralized by the Transfer, under Section 37 of the Audit Act, of the whole saving to meet deficits in other unrelated items. (Paragraph 123.)
41. Your Committee repeat their warning against disregarding the psychological effects of some Transfers made under powers conferred by Section 37 of the Audit Act. (Paragraph 123.)

Department of Health

42. The Vote for Stores and Plant for the Commonwealth Serum Laboratories (Item 6) was underspent by £102,718 in 1954-55 and by £614,117 in 1955-56. (Paragraph 126)
43. The explanation given for 1955-56 was that instead of importing Salk Vaccine to the value of £750,000, the vaccine was manufactured in Australia. (Paragraph 120.)
44. This resulted in over-expenditure on other General Expenses Items (Items 1,3,4 and 5), which was met by Transfers under Section 37 from Item 6.
(Paragraph 127.)

Departments of Trade and
Primary Industry

45. The creation of the new Ministries of Trade and Primary Industry resulted in large transfers of staffs through the abolition of the Department of Commerce and Agriculture and a rearrangement of the functions of the Departments of Trade and Customs, National Development, and Interior. (Paragraphs 131, 132.)
46. In addition, a net increase of four positions and an increase in cost of £48,601 resulted from the rearrangement. (Paragraph 135.)
47. The creation of a new department inevitably involves new top line positions, e.g., a Permanent Head, and at least one deputy. It is also highly probable that additional professional and clerical staff will be required. (Paragraph 138.)
48. It is frequently contended that Departmental rearrangements can be concluded without having to employ additional staff at much greater costs. This is not the case in the rearrangements under discussion. (Paragraph 142.)
49. Your Committee hold that the Parliament should be told the estimated cost of major Departmental changes. It should be mandatory upon the Public Service Board to analyse the cost and upon Ministers to present that information to the Parliament. (Paragraph 142.)
50. The far-reaching changes involved in the re-organization of the five Departments mentioned emphasize the growing complexity of public administration and the difficulties encountered in devising methods and machinery essential for efficient administration and susceptible of Parliamentary control. (Paragraph 143.)

51. It has been suggested that something more is needed to investigate the Commonwealth Departmental organization than periodic reviews of individual departments by the Organization and Methods Branch of the Public Service Board. (Paragraph 143.)
52. An authority constituted ad hoc might conduct -
- (i) an over-all review of the machinery of Government, as did the Hoover Committee in the United States of America; or
 - (ii) an examination of the distribution of the functions between the several instruments of Government, as did the Haldane Committee in England. (Paragraph 143.)

Department of Trade

53. The Vote for residential buildings for the Commercial Intelligence Service, formerly provided for Commerce and Agriculture, is now included in the Estimates of the Department of Trade.
(Paragraphs 145, 146.)
54. For 1955-56, the Vote of £8,700 was over-expended by £14,280, in purchasing a residence in Salisbury, Central African Federation, for the Trade Commissioner.
(Paragraphs 146, 147.)
55. Funds had been provided for buying a residence in Djakarta, Indonesia, which could not be purchased: the amount sought for the Salisbury residence was made available from Treasurer's Advance on condition that the total Vote was not exceeded. (Paragraph 148.)
56. Your Committee regret any departure from the constitutional practice that funds should not be spent otherwise than for the purpose stated. Where, as in

this case, there was apparently no option but to buy the residence that became available, it is possible to acquiesce in the course followed by the Treasury and the Department. (Paragraphs 150-152.)

Lighthouse Tenders
(Department of Shipping and Transport)

57. The Vote for operating the four lighthouse tenders (£120,000) was over-spent by £12,853.
(Paragraphs 153, 154.)
58. The original Departmental Estimate for 1955-56 was for £135,600. This Estimate was reduced, after discussion with the Treasury, by £400; a further reduction of £5,200 was made by the Treasury (termed arbitrary by the Department). Later another reduction, of £10,000, was made at the suggestion of the Treasury as part of a general attempt to curtail departmental expenditure. (Paragraph 155.)
59. The reduction was suggested by the Treasury because previous Estimates had been under-spent.
(Paragraph 158.)
60. The over-expenditure was explained as due to the high cost of maintaining old vessels (two of the tenders are over 30 years old) and to the cost of stewards' stores and victualling. (Paragraphs 157, 158.)
61. The Department made efforts to keep within the reduced Estimate, but without success. (Paragraphs 164, 165.)
62. The application for £12,853 is the measure of the failure of the hopes of both the Treasury and the Department to live within the reduced Estimate of £120,000. (Paragraph 165.)

63. Indeed, the Department has informed us that our examination had brought to light certain features of administration, and that in consequence it is not happy about the costs of the several services discussed above, and is investigating the position. (Paragraph 162.)
64. Your Committee will doubtless be told by the Treasury the result of the investigation when the Minute covering this Report is forwarded. (Paragraph 162.)

Bureau of Mineral Resources
(National Development)

65. The Vote for Operational Expenses (Item 1) for 1955-56 was over-spent by £76,041 (Paragraph 167):
- (i) scout drilling was accomplished ahead of time, and before 30th June, 1956, and claims had to be met from the Treasurer's Advance Account. (Paragraph 169.)
 - (ii) the Department contended that it was difficult to make accurate estimates for field operations; but, following discussions of these Supplementaries, it has told us that an effective system of controls is being instituted to ensure that Operational Votes are not over-spent in future. (Paragraph 170.)

The over-expenditure on this Item illustrates the divergence revealed, throughout our investigation of Supplementaries for 1955-56, between the amounts that the Treasurer tells the Parliament he needs and those to which Departments finally commit him.

Australian Atomic Energy Commission

The Vote of the Commission

66. The entry on the Estimates for 1955-56-57 omits all details. (See page 77 of the Estimates for 1956-57.) (Paragraph 173.) However, details of the over-expenditures for the Commission were given to us in the process of explaining the Supplementary Estimate required. (See No. 71 below.)
67. It seems that the Commission is claiming the status and immunity of a quasi-autonomous Statutory Corporation, relieving it of detailed scrutiny by the Parliament. (Paragraph 174.)
68. Full details of its expenditure are, however, included in the Budget Papers (see Table 53, Part VI). This course is followed for other Corporations, e.g. the A.B.C., the Commonwealth Bank and the Commonwealth Railways. (Paragraph 175.)
69. Your Committee repeat their comment in the 21st and 22nd Reports, on the Australian Aluminium Production Commission, that there is no precise thinking and no uniform policy as to the relation of the Statutory Corporation to Parliament. (Paragraph 176.)
70. The recent creation of other corporate bodies, e.g. the Coastal Shipping Commission, the Export Payment Insurance Corporation and the Australian Stevedoring Industry Authority, emphasize our suggestions that the political and administrative implications of quasi-autonomy should be examined by the appropriate authorities. (Paragraph 177.)

Research - Salaries and Incidentals

71. The amount of £582,000 provided for the Commission in the Estimates for 1955-56 included funds available for

Research of £197,100. The over-expenditure on Research was £19,810, which was met by a Supplementary Vote. (Paragraph 178.)

72. When reviewing the Estimates in August, 1955, the Treasury suggested that the Commission attempt to save £15,000 on overseas salaries. This turned out to be impossible. (Paragraph 178.)
73. This is another illustration of over-expenditure on an Estimate that was presented to the Parliament without its being aware of an understanding that a further appropriation could be obtained if the original Estimate was exceeded. (Paragraph 179.)

Rewards to Prospectors

74. The original estimate for 1955-56 was £20,000. At the August 1955 review, a reduction to £13,300 was made. The Vote was overspent by £30,150; but its nature (depending upon the results of prospecting) made the Supplementary Estimate unavoidable. (Paragraph 180.)

Department of Supply Design and Inspection Branch - Incidentals

75. For developmental and technical services, a Vote of £160,000 was under-spent by £59,000, because, for example, projects had to be deferred (a) for lack of staff (£25,000), and (b) for lack of resources (£7,000).
76. The overspending on Item 7 was to meet the cost of drawings for new types of stores, the large number of which had not been anticipated. (Paragraph 186.)

Defence Research and Development Laboratories - Incidentals

77. The over-expenditure on this Item was £15,798. The Departmental Estimate for 1955-56 was reduced in August 1955 and the Department, lacking time for a complete review of its estimates, made an arbitrary proportional reduction in all items. (Paragraphs 187, 188.)
78. When progress spending was reviewed in December 1955 it was found that the Vote was insufficient to meet the requirements of Items 1, 5, and 8. Supplementary Estimates were therefore submitted, but savings in other divisions enabled the department to keep within its original over-all vote. (Paragraph 189.)
79. Your Committee have on other occasions expressed disapproval of a Time-table for the approval of the Annual Estimates that necessitates hasty and arbitrary reductions. (Paragraph 191.)
80. Another of the excess expenditures included in the Incidental Vote is for the maintenance of the Aeronautical Research Laboratories (£4,000). Because the Laboratories had insufficient funds to provide essential maintenance, they had to seek additional funds under the Incidentals Vote. (Paragraph 189.)
81. It is reprehensible that Laboratories should be left without proper maintenance because of bad estimating practice, and equally improper that funds should be provided under Incidentals when maintenance is not incidental expenditure. (Paragraph 192.)



Department of Defence Production -
Travelling and Subsistence



82. The Vote of £65,000 was overspent by £8,960. The Department's explanation stressed the increased tempo at St. Mary's Filling Factory, which necessitated more travelling, and increased activity at the Aircraft Maintenance Branch of the Division of Aircraft Production. (Paragraphs 193, 194.)
83. This Item has regularly been over-spent in recent years, and Your Committee think that the Department has shown insufficient foresight in preparing its Estimates. (Paragraph 198.)

Postmaster-General's Department

84. Your Committee, noting that the Supplementary Estimates for the Postmaster-General's Department for 1955-56 amounted to £2,908,000 in a total of £7,268,000 for all Supplementary Estimates, inquired about the major over-expended Sub-divisions, i.e. those for carriage of mail by outside Agencies and Engineering Services. (Paragraph 41 (iii).)
85. Your Committee welcome the decision to base the carriage of mail by railways on an actual cost basis: we observe that it has taken a long time for this more rational scheme to be arrived at. (Paragraph 204.)
86. A number of the matters raised by the Committee in their Twelfth Report and connected with the commercial accounts of the Department are, we understand, receiving high level consideration and we, therefore, decided not to discuss them with representatives of the Department at this stage.

For and on behalf of the Committee

 
(F. A. Bland)
Chairman

 
(Peter H. Bailey)
Secretary
Joint Parliamentary Committee
of Public Accounts,
Parliament House,
Canberra.

3rd October, 1956.

1956.

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA.

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

THIRD COMMITTEE.

PROCEEDINGS AT THE COMMENCEMENT
OF THE FIRST PUBLIC MEETING.

23RD MARCH, 1956.

The Chairman of the Committee	Professor F. A. Bland, M.P.
The Secretary of the Treasury	Sir Roland Wilson.
The Auditor-General	Mr. H. C. Newman.
The Chairman of the Public Service Board ..	Mr. W. E. Dunk.

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PUBLIC ACCOUNTS COMMITTEE— SUPPLEMENTARY ESTIMATES AND VARIATIONS UNDER SECTION 37 OF THE AUDIT ACT 1901-1955.

CONSOLIDATED REVENUE FUND FOR 1954-55.

(Taken at Canberra.)

23RD MARCH, 1956.

Present:

Mr. BLAND (Chairman).

Senator Benn.
Senator Seward.
Senator Wedgwood.

Mr. Barnard.
Mr. Cope.
Mr. Davis.
Mr. Hulme.
Mr. Leslie.
Mr. Thompson.

Observers:

Sir Roland Wilson, Secretary to the Treasury.
Mr. W. E. Dunk, Chairman of the Public Service Board.
Mr. H. C. Newman, Auditor-General.
Mr. F. H. Cox, Treasury.
Mr. N. Jobson, Treasury.
Mr. R. W. Mason, Treasury.
Mr. L. O. Brown, Public Service Board.
Mr. V. J. W. Skermer, Audit Office.

1. *The Chairman.*—Senator Wedgwood and Gentlemen—This is the first meeting of the Third Committee. I have asked for representatives of the Treasury, the Auditor-General's Office and the Public Service Board to come here this morning to hear what we propose to do. The Committee, appointed by the Parliament, contains some new members. I have had the privilege of being re-elected Chairman of the Committee, and Mr. Thompson, who is the sole surviving Labour Member of the original Committee, has been elected the Vice-Chairman.

To-day, we are going to deal with Supplementary Estimates and with Section 37 Transfers, as well as with the over-estimating that has occurred during the year. I shall say more about this in a moment or two. As you know, the duties of the Committee are set out in section 8 of the *Public Accounts Committee Act 1951*. That section also enumerates the powers of the Committee. Sub-section (a) of section 8 sets out very clearly what we are to do. We are to examine the accounts of receipts and expenditure of the Commonwealth and each statement and report submitted to the Parliament by the Auditor-General. So we start with the Treasury, dealing with statements of receipts and expenditure, and then the accounts audited by the Auditor-General, and any statement which he submits to the Parliament. In

dealing with these matters, we have adopted the practice of asking the department to let us have a written statement of the matters we are interested in. That is submitted to us as evidence, and becomes the basis of the record. We accept those statements as exhibits, and we use them in the examination of the various witnesses.

We are required to hold our meetings in public and also to take evidence on oath. It will be apparent, therefore, why we want representatives of the Treasury, the Auditor-General's Office and the Public Service Board to be present. If we are to deal with the receipts and expenditure of the Commonwealth, we need representatives of the Treasury, which is responsible for the preparation of the statements. Similarly, if we are to examine statements presented to the Parliament by the Auditor-General, there are many occasions when we want the Auditor-General's counsel on things under discussion by the Committee. The Public Service Board is foundational to the whole organization of government, and we look to the Board to provide the efficient administration of affairs within the limits of the Estimates approved by the Parliament.

Towards the end of our session last year, we were rather concerned about the relationships which had developed between the Auditor-General and the Committee. Arising out of the Bell Bay report, we had some detailed statements from the Auditor-General, which the Committee used to cross-examine the Auditor-General and his officers. In a way, that was rather embarrassing both to the Committee and to the Auditor-General, so we discussed as a Committee what attitude we should adopt in future. We have come to the conclusion that we will want to hear the Auditor-General, the Treasury and the Public Service Board.

The best thing for us is that representatives of those three institutions should be observers here, and they should, when they wish, interpose to say something they think should be said, or they should respond to an invitation by Members of the Committee to explain something which is being discussed. At that stage, those things could be merely observations that they make and could be regarded as purely *ex parte* statements. If we want a detailed examination of matters presented to the Committee, we will reserve the right to ask the officer who has given the information to be sworn and to give evidence on it, and be examined on the statements that have been submitted. I do not want to lay down any hard and fast rule. The Committee wishes me to say that most of these things will be dealt with *ad hoc*. Each time a situation arises, we will decide what sort of attitude we shall take up in regard to it. We are hoping that if the position is left loose and flexible, we will be able to get the best assistance from the officers of the three organizations that I have mentioned and we ourselves will get the most satisfaction from what they say.

To-day, as I said before, we are engaged on a specific project, i.e. the examination of Supplementary Estimates, Section 37 Variations and Over-estimates. We regard this as one of the things the Committee should do at the beginning of the autumn session, so that the Parliament will have a report on Supplementary Estimates and Additional Estimates when these are brought down before the end of the present

financial year. Our practice is to get from the Treasury the whole statement of Supplementaries and Section 37 Transfers and so on, and then we go through them as a Committee; we usually appoint a sectional committee to look at them and from the hundreds of items involved, choose items which would be typical of the departments. After the full Committee has reviewed the selections we ask the various departments to give us further statements about those matters, and they become the basis for discussions. For this year, we have chosen certain items in relation to six or seven departments, out of the hundreds of items involved, and we propose to examine officials over this week-end. We will be sitting to-morrow, Monday and Tuesday; we hope to complete our discussions by Tuesday afternoon.

These Estimates we are dealing with are not particularly significant in the whole total of governmental expenditure, as you will see, but they are important from the whole point of view of the integrity of budgeting. For example, if in connexion with the Supplementary Estimates, a department deliberately excluded, or even accidentally excluded matters from the Budget which is brought down at the beginning of the financial year, you could distort the whole Budget and could get, for example, one picture of the finances (a surplus), as against another picture (a deficit) if you included them. The same thing applies to over-estimating.

Here, I should like to remind the people present of our last Report on the Supplementary Estimates, that is, the Twentieth Report. In discussing the question of over-estimating, I think we would rely still on the dictum of the Public Accounts Committee and the Chancellor of the Exchequer in Great Britain, as revealed in the following paragraph of its Fourth Report:—

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.

That, I think, is important. As I say, it goes to the whole question of the integrity in estimating. If these things were done deliberately, you could have the whole position falsified. But even if they are done ordinarily, they create a problem that appears to be a constant one, and it is the aim of the Committee to see whether this matter can be corrected by more accurate estimating.

Section 37 Transfers are interesting. The Audit Act provides for the Treasury and the department to offset against the surplus in one item of a subdivision a deficit in another item in that subdivision. That can have certain psychological effects upon the departments and the officers, which should not be minimized. A psychological position is created when one division that has shown a surplus sees that transferred to another division that has shown a deficit. The division that has striven for a surplus may weary in well-doing, if it finds its surplus passed to another which has used up all its vote. The Committee thinks that this should be looked at in that way and that those things ought not to be done automatically but, as the Treasury has agreed,

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transfers should be presented to the Treasury with clear recommendations as to the reason why they want to do what they are doing. I think that my statement covers the kind of thing that the Committee would have liked me to say to you this morning on the new attitude we wanted to be adopted in relation to the Treasury, the Audit Office and the Public Service Board in connexion with the working of the Committee. Hitherto officers of those Departments have been sworn and examined. Mr. Cox, for instance, has been a constant witness before this Committee. We think that the desirable thing is to have observers only, and only when we want a formal statement from the Treasury or the Audit Office and so on shall we swear a witness. So, as this is the first meeting of the Third Committee, we took the opportunity of asking you, Sir Roland, as Secretary to the Treasury as well as you, Mr. Newman, as Auditor-General and Mr. Dunk, Chairman of the Public Service Board, to be present, and we thought you might like to say a few words to the Committee?—(*Sir Roland Wilson*) Thank you very much, Mr. Chairman. Unfortunately, I was detained by circumstances beyond my control and did not have the advantage of hearing your introductory remarks. Perhaps some one who was here from the beginning would be in a better position to speak first.

2. *The Chairman*.—I agree that you are handicapped in that way, but perhaps you may care to make an informal statement later.—(*Sir Roland Wilson*) I do not know that there is very much that I can say at this stage because I have not been very intimately involved in a personal way with the activities of the Committee. I think there is a very great advantage in having a number of officers of the Treasury, and also of other departments, sitting in as observers so that they may understand better how the Committee works. Unfortunately we have had a very great change over in staff in the Branch of the Treasury which is mainly concerned with the work of this Committee, due to a number of retirements, deaths, sickness and so on. Mr. Cox is one of the few people left in the Department who has a really exhaustive grasp of the Audit Act and Treasury Regulations, and, perhaps for that reason, he has had to appear before the Committee rather more frequently than we would have wished in other circumstances. In any case there will have to be changes, because Mr. Cox is planning to leave us before very long. I did not have the advantage of hearing your earlier remarks, Mr. Chairman, and it may be that some suggestions were put forward which we could consider, and I am quite sure you can rely on the fullest co-operation of the Treasury in improving the procedures. I cannot say more at this stage because I am still at the disadvantage I have mentioned.

3. *The Chairman*.—Would you like to say something, Mr. Newman?—(*Mr. H. C. Newman*) I listened with a great deal of interest to your remarks to the Committee, Mr. Chairman, and the proposals you have in mind regarding the assistance which the Committee may expect from the Treasury and the Audit Office and the Public Service Board, and I should like to say that I am very

Observations by Mr. H. C. NEWMAN and Mr. W. E. DUNK.

much in agreement with the proposition you have put forward so far as the relations of the Audit Office with the Committee are concerned. On my own behalf, and on behalf of the staff of the Audit Office, I should like to say that we shall extend to this Committee every possible co-operation. I am a great admirer of the work the Committee has done, and during recent months, since I took up duty, I have gone very closely into the magnificent job the Committee did in connexion with the Inquiry on the Bell Bay undertaking. I found that of very great help to me in arriving at a final conclusion which culminated in the Report tabled in the Parliament this week. The Committee did a wonderful and very onerous job and covered the field in a manner which was really magnificent. As the Audit Office and the Committee are working along parallel lines with a common aim we shall be only too happy to extend all the co-operation and assistance possible to the Committee.

4. *The Chairman*.—Would you care to say a few words, Mr. Dunk?—(*Mr. W. E. Dunk*) I am very happy to have the opportunity to meet the Third Committee. As my colleagues have done, I offer the assistance and co-operation of the Public Service Board in the work of the Committee. On your main point of just what the relationships of bodies such as the Board would be with the Committee, I would expect that the matters with which the Board deals specifically, and all its own business, would be treated by the Committee just as those of any other department. We would not expect to have any different treatment. That is, our expenditure should be dealt with by this Committee in the same way as that of any other department which is spending money. On the broader work of the Board, which is its main work, of course we have to deal in a sense semi-detached from the real responsibility of management that rests in the Department. Where the advice of the Board is required by the Committee, I agree completely with you, Mr. Chairman, that it would be better to give it, in the first place anyway, on an informal basis. If it is considered later that the introduction of some formality is necessary the formal procedure of swearing a witness should be adopted. But before the point was reached at which that procedure became necessary, it would suit us to have the observer method used, in the way you have outlined. We have an observer, of course, because Mr. Brown has been associated with the Committee and there is a very close liaison between your Secretary and him, so I think that the observer method would work very smoothly indeed.

5. *The Chairman*.—There is just one matter I might raise which has had consideration by the Committee at other times. That is, the question of what happens to the recommendations that the Committee makes. On occasion there has been criticism that Reports are just pigeon-holed and that nothing else happens as a result of them; but in consultation with Sir Roland Wilson and the Treasurer I, and other members of the Committee, have been able to work out a satisfactory procedure. We submit our Reports to the Parliament and also to the Treasurer. The Treasury then examines the Reports, makes any demands that are necessary from the Departments for information as

Observations by Mr. W. E. DUNK and Sir ROLAND WILSON, C.B.E.

to what they propose to do about the Report and what their view is on the Committee's recommendations. Then we get from the Treasury their conclusions as a result of the investigation made. We find that helpful and, as far as we know, there have been quite a number of occasions on which recommendations have not only been put into effect but have been accepted generously by the Treasurer. In the last Report on the Supplementary Estimates we left two or three matters outstanding. One of them concerned the Advance to the Treasurer Account in relation to which we questioned the method used in financing the expenditure of departments. The Treasury has not been able to see eye to eye with us on all features of that, but has accepted the main recommendations. In regard to offsetting items particularly, in respect of the Service Departments the Treasury has not been able to see eye to eye with either the Committee or the Auditor-General. In the main, however, I think I am justified in saying that all the recommendations that the Committee has made have received the attention of the Treasury, which has impressed on the departments the necessity of carrying out the recommendations. I think that on the whole the results have been satisfactory. Would you let us have your view on that, Sir Roland?—*(Sir Roland Wilson)* I would quite agree. I should have said earlier that the Treasury has found the work of the Committee exceedingly helpful to it in its endeavour to get better practices established, and I think that some very great improvements have been made which have long been cherished by us but which have been made possible only because of the support the Committee has been able to give to the adoption of these new procedures. There are occasions when the Treasury cannot see eye to eye with the Committee, but usually those matters are eventually dealt with satisfactorily in the course of discussions between the Chairman of the Committee and representatives of the Treasury. A subject could arise where there might be a difference of opinion, in which case I would see some advantage, after the whole matter had been thoroughly examined, in having a further discussion at the Committee table in respect of recommendations that the Treasury may not be able to accept. There can, of course, be a certain amount of difficulty in regard to the Treasury's instructing departments to do something in relation to which it might not have jurisdiction to exercise the power of instruction but, on the whole, our experience has been that departments can be convinced by logical arguments of the opinions of this Committee. Up to date I have not come across any cases where a department has said "What has this to do with the Treasury"? In the rare case where that might happen, there is other machinery which could be followed. On the whole, I think the attitude of other departments to the Committee is that if a recommendation looks reasonable and does not run up against some provision which might not have been taken into account, the department is only too happy to adopt it. That has been our general experience, and I should hope that it will be the experience in the future. All I need say now is that our interests at the Treasury and your interests are marching along parallel lines, and if there are ever any difficulties where our paths might appear to be diverging, I think they could be overcome by consultation, perhaps at the committee level.

The Chairman.—Among the important things about which we hope to have an opportunity of collaborating with you is the revision of the Audit Act, and you have indicated, and the Treasurer has indicated in the House, that you are prepared to seek the help of the Public Accounts Committee in that revision. At the moment we have our hands full, and I dare say you have yours as well, but when the time becomes opportune we will be glad to go into the matter of revision of the Audit Act with you.

We are now going on to an examination of the Supplementary Estimates insofar as the Department of External Affairs is concerned. If you would care to remain, you are welcome to do so.

CREATION OF DEPARTMENTS OF TRADE
AND PRIMARY INDUSTRY

Transfer of Positions from Other Departments

Primary Industry

From Commerce and Agriculture

First Assistant Secretary	1
Marketing Division	28
Bureau of Agricultural Economics	98
Division of Agricultural Production	26
Fisheries Division	17
Inspection Branch, Admin. & Inspection Div.	631
Some of Admin. Branch, Admin. & Inspection Division.	37
	<hr/> 838

From Customs and Excise

Sugar and Cotton Branch	3
	<hr/> 3

From Interior

War Service Land Settlement Division	19
	<hr/> 19
	860

Trade

From Commerce and Agriculture

Permanent Head	1
First Assistant Secretary	1
Policy Secretariat	10
Trade Policy Branch	154
Some of Admin. Branch, Admin. & Inspection Div.	140
	<hr/> 306

From Customs and Excise

First Assistant Comptroller-General (Redesigned First Assistant Secretary)	1
Assistant Comptroller-General (Redesignated Assistant Secretary)	1
Industries and Tariff Revision Branch	15
Commercial Policies and Research Branch	13
Trade Agreements Branch	17
Tariff Board Branch	23
Central Import Licensing Branch	195
Some of Commodities Information Branch	5
	<hr/> 270

From National Development

Division of Industrial Development (except Materials Handling)	93
Some of Central Secretariat	2
Some of Administrative Branch	12
	<hr/> 107
	683

