

1959.

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA.

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

FORTY-THIRD REPORT.

EXPENDITURE FROM ADVANCE
TO THE TREASURER.

COMMONWEALTH CONSOLIDATED REVENUE FUND FOR
THE YEAR 1958-59.

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JOINT COMMITTEE OF PUBLIC ACCOUNTS

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The Senate appointed its Members of the Committee on 19th February, 1959 and the House of Representatives its Members on 24th February, 1959.

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 1951-1955;
- (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.

FORTY-THIRD REPORT

EXPENDITURE FROM THE ADVANCE TO THE TREASURER 1958-59

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JOINT COMMITTEE OF PUBLIC ACCOUNTS

FORTY-THIRD REPORT

EXPENDITURE FROM "ADVANCE TO THE TREASURER"

Commonwealth Consolidated Revenue Fund
for the Year 1958-59

CHAPTER I

INTRODUCTION - THE 1958-59 INQUIRY

Aided by changed accounting arrangements utilising new equipment installed in the Central Office of the Treasury, the Department of the Treasury was able to provide Your Committee, on 15th July, 1959, with the draft of the statement of expenditure from Advance to the Treasurer, together with the departmental explanations. See paragraphs 12-14 below.

2. A Sectional Committee appointed by the Committee at its Eleventh Meeting met in Sydney on Wednesday, 22nd July, 1959, to consider the statement and to examine certain votes where final expenditure had fallen substantially below the estimate for the year. Your Committee approved the Sectional Committee's selection of items for consideration, whereupon the departments concerned were advised and asked to make arrangements for their representatives to appear before us.

3. Your Committee conducted public hearings on Monday afternoon, 14th, and Tuesday morning, 15th September, 1959, and took further evidence in private on a confidential matter from the Departments of Supply and Works on the morning of Friday, 18th September. Those who appeared before Your Committee were as follows:

Attorney-General's Department	Mr. N. E. J. Scainsbury, Acting Assistant Secretary (Administration). Mr. J. F. Knox, Finance Officer.
Postmaster-General's Department	Mr. E. W. Easton, Assistant Director-General, Finance and General Services. Mr. I. Tarbit, Director, (Buildings).
Department of Shipping and Transport	Mr. J. Russell, Assistant Secretary (Administration) Mr. W. L. Tynan, Accountant Mr. L. T. Kelly, Assistant Secretary (Shipping) and Chairman, Commonwealth Explosives Port Facilities Committee.
Department of Supply	Mr. R. W. McG. Boswell, O.B.E., Controller, Weapons Research Establishment. Mr. D. J. O'Connor, Acting Assistant Secretary (Finance.)

Department of the Treasury Mr. C. L. S. Howitt, First
Assistant Secretary.

Department of Works Mr. C. D. Osborne, Director
of Architecture

Mr. A. T. O'Moara, Director
of Engineering

Mr. R. B. Lewis, O.B.E., Deputy
Director-General

Mr. K. M. Delaney, Administr-
ative Officer (Works).

4. In addition to considering the reasons for expenditure from the Advance, Your Committee, in this Inquiry, again devoted considerable attention to the underspending of votes. We also examined why certain departments had, without proper authority, expended moneys in excess of the legal appropriation and because of our concern with a situation in the Attorney-General's Department, discussed with that department and representatives of the Public Service Board, changes which had been made as a result of Your Committee's Thirty-Third Report.

P.P. No.39
of 1957,
tabled 9th
October,
1957.

CHAPTER II

TOPICS OF SPECIAL INTEREST

(a) Some comments on the level of expenditure from "Advance to the Treasurer"

5. Again in 1958-59 as in the previous year, the Treasury did not seek an Order-in-Council in terms of section 37 of the Audit Act 1901-1959 and all expenditure in excess of specific appropriation was met from Advance to the Treasurer pursuant to section 36A of the Act. There was little change in the overall level of expenditure from the Advance but some substantial variations did occur in the incidence of expenditure: this is apparent from the following table:

See 41st Report, pages 7 & 8. P.P.No.65 of 1958. Tabled 25th September, 1958.

Financial Year	Refunds of Revenue	Defence Services	Miscellaneous Services	Business Undertakings	Other	Total Ordinary Expenditure	Capital Works & Services	Total
	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.
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	0.1	3.1	1.1	6.8	0.5	7.3
1956-57	-	0.2	0.5	1.4	1.3	3.4	0.3	3.7
1957-58	-	5.1	0.2	1.5	0.8	7.6	1.0	8.6
1958-59	2.0	5.4	0.3	0.1	0.8	8.6	0.3	8.9

6. The most notable variation involved expenditure of £2,015,897 charged to the head, Refunds of Revenue (Division 231). This was in addition to an amount of £25,000,000 included in the Appropriation Act 1958-59 and a further amount, £5,300,000 provided in the Appropriation Act (No.2) 1958-59. The Treasury explained the need for the additional expenditure as follows:

Act No.60 of 1958. Act No.34 of 1959.

"2. The estimates which formed the basis of the additional appropriation of £5,300,000 may be compared with actual expenditure for the year as follows:

Committee Document T.A.59/4, paragraphs 2 and 3.

	<u>Estimates</u> <u>(April 1959)</u>	<u>Actual Ex-</u> <u>penditure</u>
	£m.	£m.
Taxation (Income, Sales, Payroll, Estate, Gift)	23.2	25.2
Customs and Excise	5.8	5.8
Business Undertakings	1.0	1.0
Other items	0.3	0.3
	<u>30.3</u>	<u>32.3</u>

Refunds of Income Tax (other than that collected by instalment deductions which is refunded under a special appropriation) amounted to £15.7 million in 1957-58 and rose to £24.4 million in 1958-59. The Taxation Branch has advised that the increase in refunds has followed the decline

in certain incomes, particularly in rural industries, for 1957-58 compared with 1956-57. The decline in incomes has led to the refunding of excess provisional tax and although a higher level of refunds was foreseen, the full extent of the increase did not become apparent until after the Additional Estimates had been presented to Parliament."

In this context Your Committee note that in 1958-59 Income Tax receipts from individuals fell over £14,000,000 short of the estimate of £403,400,000 while the final receipts from Income Tax on Companies exceeded the Estimate of £207,000,000 by £13,000,000 approximately.

7. Defence Services were again responsible for approximately 60% of the total expenditure met from the Advance. However, of the amount of £5,377,591, £2,510,933 involved in three items did not represent, in fact, increased expenditure. An amount of £1,019,901 charged against Division 158, Forces Overseas - Maintenance, item 2 "Currency advances and other expenditure to be charged to this Division pending recovery" was largely offset by increased recoveries credited to the deduction item 3 "Recoveries". Division 158 is discussed in more detail in Chapter VI. Amounts of £403,094 charged against Division 185, item 2 and £1,087,938 charged against Division 194, item 2, represented not increased expenditure, but reductions in the contribution of the United Kingdom to the United Kingdom/Australia Joint Project. An explanation of the financial basis of this project was given in Your Committee's Forty-First Report and it is again discussed in Chapter V below.

Op.cit.
paragraphs
126-128.

8. The demands upon the Advance by the Postmaster-General's Department for Revenue items were reduced sharply from £1,486,245 in 1957-58 to £86,240 in 1958-59. This reduction was largely a result of the increased use made by the department of the Additional Estimates of Expenditure during 1958-59 (£1,875,000 in 1958-59 against £39,000 in 1957-58), a change which accords with principles enunciated by Your Committee from time to time. As departments take advantage of more modern techniques for financial management and control, so their need to resort to the Advance to the Treasurer in the closing stages of each financial year should diminish, a development which would meet with the approval of Your Committee.

(b) Changes in the Form of the Statement of Expenditure

9. In Your Committee's Forty-First Report we referred to discussions we had had with Mr. C. L. S. Howitt, First Assistant Secretary, Department of the Treasury, regarding the nature of the salary information appearing in the Statement of Expenditure. Those discussions covered a wide range and many of the points then canvassed have yet to be resolved. However, it was at that time suggested to the Treasury that the existing salary information could be re-arranged in such a way as would avoid duplication of detail and result in worthwhile savings. The Treasury has acted upon those suggestions in the 1958-59 Statement and as well has used smaller type for the salary particulars.

Op.cit.
paragraphs
23 to 27.

41st Report
M. of E.
Qs.555,559
& 566-569.
Q.9.

10. Directly as a result of these revisions in the form of the salary information, the size of the document was reduced from 97 pages in 1957-58 to 63 pages in 1958-59, while the cost of each copy was reduced from £1.12.11 to £1.1.8.

Treasury
Memorandum
BA59/1745
of 28th
September,
1959.

(c) Changes in the form of the Estimates of Receipt and Expenditure 1959-60

11. Your Committee discussed with the Treasury the changes made in the means of identifying divisions, subdivisions and items in the Estimates of Receipt and Expenditure for the year ending 30th June, 1960; a numerical classification has been introduced in place of the numerical and alphabetical system hitherto in use. The following example shows the effect of the change: Qs.13-27.

1958-59

DIVISION NO.137 - PERMANENT NAVAL FORCES

A. - Pay and Allowances in the nature of Pay -

1. Pay and allowances as per Schedule, page 211.

1959-60

DIVISION NO.471 - PERMANENT NAVAL FORCES

1. - Pay and Allowances in the nature of Pay -

01. Pay and allowances as per Schedule, page 212.

The substantial difference between the two Division numbers, 137 and 471, has resulted from the introduction of frequent gaps in the sequence of numbering.

12. The changes which have been made are connected with the introduction of new equipment to the Central Treasury and Sub-Treasuries throughout Australia and the utilisation of electronic installations in Canberra. About them, Mr. C. L. S. Hewitt, First Assistant Secretary, Department of the Treasury, said:

"The change had two purposes. The first was to identify the printed estimates uniformly with the code which is the most convenient one to use for our monthly accounting purposes throughout the Commonwealth. It is convenient, on the teletype equipment, which the Committee saw in use at the Treasury, to change from figures to letters and to use 'A' and 'B' as descriptions of divisions and subdivisions of divisions. The field for error was too great and also the time waste in transmission, so over the last year or more we used a numerical code throughout the year, converting to the mixture of numeral-alphabet code. That continued until the end of this year. Then we considered it worthwhile to have uniformity and to print the estimates as they were printed 30 odd years ago with figures throughout, and drop the alphabet. That was the first reason. The second reason was to provide for the problem that has occurred from time to time over the years connected with new items, subdivisions and divisions in the Estimates. They used to be numbered numerically in sequence and if a new division had to be inserted at the beginning of the new financial year, it created a mechanical problem of re-numbering from '1' to '199' through 209 divisions and changing the order of divisions with which people had become familiar during the year. In the Estimates this year, we introduced also a series of block numbers. They do not run completely in numerical sequence from '1' to whatever the last number is. There are gaps at the end of the departments to provide for additional divisions to be introduced if, and when, necessary."

Q.13

The Treasury expects to retain the new classifications indefinitely. Q.18

13. Earlier this year at the invitation of the Treasurer, Your Committee inspected the new equipment in the Treasury and were shown how it operated. Use of the equipment has resulted in the more rapid and effective closing of the accounts at the conclusion of the financial year, has simplified the preparation of major financial statements and has avoided duplicated effort. There have been also worthwhile savings in cost and an important diminution in pressure upon staff at the close of the financial year.

14. We were told that the financial transactions of the Commonwealth in 1958-59 were of the order of £5,000,000,000 which were analysed and recorded under some 4,000 different headings. Further developments in the use of the special equipment are projected, of which Your Committee expect to be kept informed.

Treasury
Memorandum
B.A.58/633
of 24th
September,
1959.

CHAPTER III

CONTROLLING EXPENDITURE WITHIN THE LIMITS OF THE APPROPRIATION

(a) Introduction

15. Of the many items of expenditure listed in the Statement of Expenditure from the Advance to the Treasurer there were a number which related to votes where the amounts provided by the Appropriation Act 1958-59 and Appropriation Act (No.2) 1958-59 had been exceeded, without adequate authority. While the amounts concerned were not unduly large they involved infringements of certain basic principles of Parliamentary control of expenditure, which Your Committee considered should be brought to the notice of the Parliament.

Acts
Nos.60 of
1958 and
34 of
1959.

16. Section 83 of the Commonwealth Constitution, in part, provides that:

"No money shall be drawn from the Treasury of the Commonwealth except under appropriation made by law."

Sub section 2 of section 34 of the Audit Act 1901-1959 reads:

"No (Authorising Officer) shall authorise the payment of any account ... until he shall have ascertained that the payment thereof, in addition to any accounts already authorised for payment, will not exceed the amount of the appropriation."

Your Committee have accepted the view that each of the itemised amounts appearing under divisions and subdivisions in the annual appropriation measures, is an "appropriation", a view which is in line with that taken by the Treasury.

Qs.39
and 311-
313.

17. In the absence of further appropriations approved by the Parliament there are two ways in which amounts in excess of specific appropriation may be legitimately expended by departments;

(i) as a debit against the head "Advance to the Treasurer" for charging to such other heads as directed by the Treasurer, in pursuance of section 36A of the Audit Act; and

(ii) by utilisation of the unspent balance of another item under the same sub-division in the terms of section 37 of the Act; these transfers, however, require the approval of the Governor-General.

As we have previously stated, an Order-in-Council in terms of section 37 was not sought in respect of the financial year 1958-59 and the Treasury informed departments of that intention from time to time during the year.

See para-
graph 5
above.

18. It is the responsibility of the authorising officer appointed by the Treasurer for the particular vote to ensure that expenditure does not exceed the appropriation without proper authority. Should more than one authorising officer operate on a particular vote, the final responsibility rests upon the authorising officer in the Central Office of the department concerned.

Q.61.

19. The need to control expenditure within the limits of the appropriation, unless specifically authorised to exceed it, is one restriction placed by the Constitution and the Parliament upon the spending of departments. Yet another, but one which relates not to appropriation items but only to divisions or subdivisions of expenditure, is the requirement to limit expenditure to the available warrant authority issued in the terms of sections 32 and 33 of the Audit Act, and the Treasury Regulations. Governor-General's warrants may be issued as often as is necessary but the amount shown in each warrant under each head of expenditure is limited, by section 32 of the Audit Act, to expenditure requirements for a period of not more than three months.

20. Paragraph (1) of Treasury Regulation 90 specifies that "an Authorising Officer shall not authorise expenditure ... until a Warrant Authority for expenditure ... has been obtained from the Secretary, Department of the Treasury", while Regulation 92 places the responsibility upon each Authorising Officer to see that the total amount which he has authorised to be paid out of a particular head of expenditure (which by definition in the Regulations means, broadly, a division or sub-division in the Schedule to the annual Appropriation Act) does not exceed the total amount included in warrant authorities for that head of expenditure. Thus the authorising officer has a dual responsibility - to keep expenditure within the limits of the quarterly warrant authority issued in respect of the particular division or sub-division and at the same time to ensure that the appropriation for 12 months for any item within that division or sub-division is not exceeded. These twin duties of authorising officers were explained to us by Mr. C. L. S. Howitt of the Treasury:

"... There are two distinct and separate problems here. Regulation 90 refers to warrant authorities which limit the amount of money to be spent every three months under a sub-division. Four or five years ago instructions were issued to the effect that if there were more than one authorising officer operating upon a vote, the warrant authority for the quarterly amount to be spent should be split up among the authorising officers. That is one control and a relic of old times. Whether it is good or bad I think should be left on one side for debate at some other stage and should not confuse this present issue. Warrant authority and warrant advice deal with the rate of expenditure under a subdivision for three months, in the ordinary course, but distinct from that there is a provision in the Audit Act itself which says to an authorising officer that the amount of money that can be expended under an item of Parliamentary appropriation is the amount that the Parliament has appropriated. That lapses at the 30th June. It is current for twelve months. If you were to look through the ledgers you would find cases where money might be spent under an item during the quarter at a much greater rate than one-quarter of the year's vote but it is still within the warrant authority and warrant advice because the warrant authority gives a flexibility within the entire subdivision. ... But the amount (could be) in excess of the Parliamentary appropriation which is something separate. It could be written into the instructions, if the Committee considered it necessary, but the normal practice, independently from a warrant authority and a warrant advice is to advise the branches what their share is, item by item, of the Parliamentary appropriation for a period of twelve months. It is a fairly straightforward thing to do because for the most part the Estimates of Expenditure which are put up for consideration in

Q.77

advance of the financial year are composed of the various requests which come from the spending outposts. They are added together to make the total; they go to the Treasurer who goes through the normal procedures for arriving at the Estimates for the year. The normal practice is to write them to the outposts and to say, 'The grand total is this, and your portion is that. That is what you are to spend under that item during the year.'

In the case of the three authorities who appeared before us, the Attorney-General's Department, the Audit Office and the Department of Shipping and Transport, we found that, while conscious of the need to live within the available warrant authority, they had overlooked the necessity to limit expenditure to the legal appropriation.

(b) Attorney-General's Department

21. We considered six votes under the control of the Attorney-General's Department where the appropriation was exceeded without proper authority during 1958-59. The appropriations concerned, together with information about the breaches which occurred, were as follows:

Head of Expenditure	Date expenditure first exceeded appropriation.	Date additional warrant authority sought from the Treasury.	Date on which additional warrant authority provided.	Final excess over specific appropriation.	Exhibit No.43/6, page 1.
57.B.1	April, 1959	26th June, 1959	29th June, 1959	8,969	
59.B.1	May, 1959	25th June, 1959	29th June 1959	4,112	
59.B.3	May, 1959	27th June, 1959	29th June 1959	2,171	
59.B.8	May, 1959	26th June, 1959	29th June 1959	2,274	
63.B.1	April, 1959	2nd July, 1959	14th July 1959	251	
276.A.1	May, 1959	1st July, 1959	16th July 1959	3,656	

The Department noted that although expenditure first exceeded the appropriation in the months shown in the second column of the table above, this was not apparent to the Central Office until the following month when expenditure returns had been received from each State and the information on the returns had been aggregated and examined.

22. The Department admitted that the breaches were the result of inadequate control within the department; we were told that, in the past, it had been the department's practice only to issue warrant advice on a divisional or subdivisonal basis to authorising officers and not to allocate to them a share of each of the annual appropriations appearing as items in the subdivisions. In at least one case an authorising officer had also exceeded the available warrant in anticipation of the provision of further funds. Authorising officers for the various State branches of the Attorney-General's Department are situated in the Sub-Treasuries. /

Ibid

Ibid, page 2, Q.110

23. The department agreed that the infringements were serious and told us that new procedures had been introduced as from 1st July of the current financial year (1959-60).

Q.106.

" In order to avoid expenditure in excess of appropriation, the Department has instituted the practice of issuing warrant advices under items. In the past, the practice has been to issue these advices on a sub-divisional basis only, with the result that Sub-Treasuries and State Branches have not been aware of the limit placed on expenditure for each item within a subdivision.

Exhibit
No.43/6,
page 4.

2. As a further measure of control, and to facilitate the forward funding of requisitions for supplies, it is proposed to advise Authorising Officers in the Sub-Treasuries and State Branches of the State allocation under each item, as provided in annual estimates.

3. In addition, Treasury has been asked to instruct Sub-Treasuries -

(a) to refrain from passing any accounts for payment where insufficient funds are available under warrant advices held; and

(b) to advise this Department as soon as it is apparent that the annual allocation under an item will be insufficient to meet accounts presented by Branches for payment and known liabilities to be met during the year.

4. This action should enable adjustment of allocations between States, or additional funds to be sought, as the case may be, before over-expenditure occurs."

(c) The Audit Office

24. Our discussions with the Audit Office concerned item 4 of Division 11B - "Audit Office, General Expenses - Freight and cartage including removal expenses". Expenditure of £1,760 in excess of specific appropriation totalling £2,560 was met from the Treasurer's Advance in the closing stages of the financial year.

25. We were informed that the appropriation was first exceeded without authority during May, 1959, and this became apparent to the Central Office of the Audit Office early in June when returns of expenditure for the month of May were received from the various expenditure points in Australia, the Australian Territories and overseas. Warrant authority for £1,600 from Treasurer's Advance was sought on 10th June, 1959 and a further application for £160 was made on 7th July, 1959, when financial returns for June were received following the close of the financial year. The warrant authority for £1,600 was received by the Audit Office on 18th June, 1959, and that for £160 on 14th July, 1959.

Exhibit
No.43/4.

26. Like the Attorney-General's Department, the expenditure limits which the Audit Office had established (by the issue of warrant advice) for the officers authorising expenditure on votes under its control, related to divisions or subdivisions of the annual Estimates. Having regard, however, to its experience in 1958-59, it became evident to the Audit Office that unauthorised expenditure

* In amplification the Department later said:

"(Mr. Sainsbury) The reason for that request to the Treasury was that we had actually expensed the payment of accounts in excess of warrant advice; I want to make that point clear - warrant advice, not necessarily warrant authority. ..." (Q.111)

in excess of appropriation could not be effectively prevented unless the authorising officers concerned were informed of the amounts which they would be permitted to spend under each item of appropriation. Q.62

27. Accordingly, the Audit Office has amended its procedures, with effect from the 1st July, 1959, to avoid a recurrence of the happening. Exhibit No.43/4

(a) Department of Shipping and Transport

28. Your Committee considered one appropriation item under the control of the Department of Shipping and Transport where the appropriation was exceeded during the year without authority. In respect of the item concerned - Division 114B, Item 9 - "Marine Branch - General Expenses - Incidental and other expenditure" £14,600 was provided in the Appropriation Act 1958-59 and a further £1,500 in the Appropriation Act (No.2) 1958-59 making a total provision of £16,100. However, final expenditure charged to the vote amounted to £18,136.

29. We were informed that the appropriation was exceeded during May, 1959. On 5th June the Department sought from the Department of the Treasury an additional warrant for £2,280 to meet unforeseen additional expenditure. A warrant for £1,780 was provided on 12th June and a further warrant for £500 on 23rd June.

30. While the Department may have been under some misapprehension as to what constituted an "appropriation" within the terms of section 34 of the Audit Act and considered that its actions were governed principally by Treasury Regulation 92, it was clear also that, in this field, the department did not properly appreciate its responsibility to comply with the existing law and to live within the limits of the funds from time to time made available to it specifically by Parliamentary appropriation or from "Advance to the Treasurer".

31. The following extract is taken from the initial statement submitted to the Committee by the Department:

"... Estimates when submitted to Treasury by this Department are based on known minimum requirements after careful examination of all likely commitments during the year concerned. In the process of examination by Treasury Officers ... it sometimes happens that the actual amount provided is reduced to the extent that it is insufficient to meet requirements for the year.

Exhibit No.43/9, page 3.

The allocations given to the States based on the annual appropriation would in that case be less than the original estimates submitted by them and it is likely that, towards the close of the financial year, the allocations may be fully expended.

At that stage any over-expenditure could be avoided by instructing all authorising officers that their expenditure must be limited to the amount of funds actually available.

Under this arrangement, however, there would be a distinct danger of the State being deprived of some essential requirement or service. It could also result in some underspending in that while one State may spend its full allocation another may not and, as a result, surplus funds which might have been made available to other States remain unexpended.

This Department therefore, does not favour any action on these lines and considers that it is not desirable or prudent for any such restrictions to be placed on officers who are responsible for the operations of the Branch in the various States."

This attitude of the department is contrary to the whole concept of Parliamentary control of finance. As Your Committee have on other occasions stated, the existing arrangements for provision of funds, viz., an annual appropriation and additional appropriation, coupled with a substantial appropriation to "Advance to the Treasurer", provide a large degree of flexibility to departments. To operate effectively within this frame-work of control involves only a relatively simple problem of management but requires an insistence by departments that their officers comply with certain rules.

32. Towards the conclusion of our discussions on this subject the Department told us that it would, in the future, insist upon its authorising officers immediately notifying the central office if their allocations were in danger of being overspent. We also would expect the Department to make such other amendments to its procedures as might be necessary to avoid any further infringements of section 34 of the Audit Act.

Q.277

(c) Conclusions

33. Had these various infringements of section 34 of the Audit Act resulted from simple errors they could, to a large extent, have been discounted. What is important is that, of the three authorities concerned, two did not have procedures in operation designed to avoid such occurrences, while the third was prepared to ignore the law.

34. The Audit Office suggested to Your Committee that some clarification of the existing provisions of the Audit Act, the Treasury Regulations and Treasury Instructions dealing with the control of expenditure within the limits of the appropriation and available warrant authority, was necessary. Although the Treasury Instructions include a number of references to warrant authority and currently provide for the allocation by the Head Office of a department of warrant authority amongst a number of authorising officers where more than one operate on a particular vote, the need also to inform authorising officers of an annual allocation of each appropriation item, has not been made clear.

See Treasury Instruction 22/1 - Government Printer, Canberra.

35. While, perhaps, it could be argued that section 34(2)(b) of the Audit Act is sufficient in itself and should not require clarification, we consider that the Treasury might make clear in the Treasury Instructions:

- (i) what constitutes an "appropriation" in the terms of section 34, and
- (ii) that, when more than one authorising officer is operating on a particular vote, it is the responsibility of the department controlling the vote to ensure that procedures are in force which will avoid the appropriation being overspent without authority.

CHAPTER IV

THE ATTORNEY-GENERAL'S DEPARTMENT -

A FOLLOW-UP OF THE COMMITTEE'S THIRTY-THIRD REPORT

36. In the Thirty-third Report Your Committee criticised the financial methods of the Attorney-General's Department. Amongst other things Your Committee said that the Department did not seem to appreciate the necessity for accurate estimating nor had it used the best methods for properly controlling expenditure; it proposed that the Department should immediately review its methods and suggested that it might be wise to seek the assistance of the Public Service Board and of the Treasury in such a revision.

P.P. No.
39 of
1957
tabled
9th Oct-
ober,
1957,
page 32.

37. Following the presentation of the Report to the Parliament on 9th October, 1957, the then Attorney-General - now Senator the Hon. Sir Noel O'Sullivan, K.B.E. - said in the Senate on 25th October, 1957:

"When I read the Report of the Public Accounts Committee I asked the Department for an explanation and I understand, after consultation with officers of the Public Service Board, that what was commented upon adversely by the Public Accounts Committee is not likely to occur again."

Parlia-
mentary
6 BLIZ.II
Vol. S.11
p.854.

However, our preliminary inquiries into the accounts for the financial year 1958-59 indicated to us that the position of the Department's finances was still unsatisfactory and we deemed it desirable to pursue the matter further. Those further investigations confirmed our opinion that, during 1958-59, the standard of the Department's financial administration had left much to be desired and that there had been little improvement since Your Committee's Thirty-third Report.

38. The lack of control mentioned earlier is one indication of the state of affairs which has existed. Yet another is the nature of the formal explanations Your Committee received regarding serious underspending of the vote 57/A/1 - "High Court, salaries and allowances", in 1957-58 and a significant underestimate of the vote for 1958-59, which drew attention to the neglect to use quite elementary forms of checks and controls. The explanations were:

See
paragraphs
21 to 23
above.

- (i) Underspending 1957-58 (Vote £23,500, Expenditure £9,173).

" It has been the practice in the past to include in this item the salaries of the Associates and Tipstaves to Justices of the High Court. However, as the occupants of those positions are exempt employees, their salaries have been paid from Division 57/A/2. The result has been that the amount estimated to remain unexpended was too low. It should have included the total amount of the salaries of the Associates and Tipstaves. The present practice of including those employees in a special line in the Schedule of Salaries and Allowances in the Estimates' Papers is being discontinued. It is unlikely, therefore, that this error will occur again."

Exhibit
No.43/8,
para.1.

- (ii) Underestimate 1958-59 (Initial vote £9,000; Expenditure £15,380).

- (a) The Department's first explanation was:

" The Department's original estimate of £16,200 was reduced by £6,000 at the Revision of the Estimates on the grounds that the expenditure of £9,173 the previous year did not warrant an appropriation of more than approximately £9,000. However, subsequent investigation disclosed that incorrect chargings of expenditure had reduced what should have been the normal figure of approximately £15,000 to the lower amount of £9,000. Additional funds (£6,000) were obtained from Additional Estimates. ..."

Exhibit
No.43/7

(b) Following a request for further information, the Department said:

" The explanation furnished to the Committee on 1st August, 1958, was correct in so far as it related to the incorrect estimate of the amount estimated to remain unexpended. However, the initial inquiries did not reveal that incorrect chargings had been made.

Exhibit
No.43/5.

Subsequent investigations disclosed that the salaries of several permanent officers located in Melbourne were being debited to Division 57A/2 in lieu of Division 57A/1, and this incorrect charging had commenced during 1957. Also that in the financial year 1957-58 an amount of £5,536 had been incorrectly debited to Division 57A/2 in lieu of Division 57A/1. The further investigation also revealed that for the same financial year an amount of £935 had been debited to Division 57A/1 in lieu of Division 57A/2. In addition, it was found that an unauthorised arrangement was in existence whereby the salaries of the cleaning staff in the High Court Building, which are appropriated to Division 57A/2, were being apportioned and debited against the votes of other Branches of the Department located in the High Court Building, Melbourne.

The expenditure shown against Division 57A for the year 1957-58 was as follows:

57A/1	£9,773
57A/2	£ 21,720

If the allocation of expenditure was corrected on the basis outlined in the preceding paragraph the true expenditure for 1957-58 would have been:

57A/1	£13,774
57A/2	£20,365

It is clear that the incorrect debiting of expenditure would have been revealed if checks had been instituted to ensure that salary payments were being debited to the correct item of expenditure. A system of check has been instituted."

39. The Department did not deny that the occurrences of two years before, about which Your Committee had been so critical, had been repeated.

"COMMITTEE MEMBER: You have already referred to the Thirty-third Report of this Committee and I take it that you are aware that in the conclusions to that report your department was rather strongly criticized on one or two points? --- (MR. SAINSBURY) I think you are being kind there.

Qs.161
and
162.

COMMITTEE MEMBER: I want to remind you that the main criticisms fell under these headings: Faulty estimating as a result of using incorrect information and unreliable figures, the impression that over-expenditure had not been carefully investigated, the possibility that the department did not appreciate the necessity for accurate estimating nor had it used the best methods for properly controlling expenditure and, finally, the opinion was expressed that the Department should immediately review its methods and it might be wise to seek the assistance of the Public Service Board. The explanations which your department has already submitted on several queries raised by the Committee on this occasion would suggest that, in fact, these matters which were raised two years ago have occurred again. Would you, in general terms, concede that?—(MR. SAINSBURY) I think that is possibly right."

40. The nature of the action taken by the Department following Your Committee's Thirty-third Report was explained to us by Mr. Scainsbury:

".... As suggested by the Committee, we had discussions, and were very fortunate indeed in being able to have discussions, with the Board's representative who was then the Observer on the Committee, Mr. L. O. Brown. He gave us quite a lot of advice. One of our difficulties has been that we have, in the Central Office, been functioning on a temporary organization, and one of his suggestions was the creation of the position of Finance Officer in the Central Office to strengthen our establishment. It was not until November (1958) that we were able to get this post filled and occupied so really, as far as the last financial year was concerned, we had the strengthening of our organization to assist us on the finance side for only about half the year. Another matter he suggested which will be implemented as soon as we have time, is the issue of an accounting booklet or brochure to our branches containing instructions on the preparation of estimates, responsibilities and so forth. A third suggestion made by Mr. Brown was to include in our organization methods work in the States, checking on the financial aspects. Unfortunately, we have not had such an officer for the last eighteen months. We have not included those items in our minute to the Committee. A further step which it is proposed to take is to ask the Permanent Head to call together the branch heads and discuss with them general estimating and financial control throughout the various divisions."

Q.185.

41. Thus, at the time of the public hearings, the action taken by the Department in the two years approximately since our Report could be summed up as follows:

- (i) With the approval of the Public Service Board a position of Finance Officer in the Central Office of the Department had been established and filled. A chronological record of this activity appears in the Appendix to this Report.
- (ii) The accounting instructions recommended by the Public Service Board had not been issued.
- (iii) There was still no organisation and methods work in the financial field.
- (iv) There was an intention to propose to the Permanent Head that he call together the heads of the Department in the various States for discussions on estimating and financial control.

See page
42 below.

In addition we were informed that prior to the presentation of Your Committee's Thirty-third Report in October, 1957, the Department had proposed to the Public Service Board that positions of Administrative Officer be created in Sydney and Melbourne. The Sydney position has been established on a temporary basis for some time but the Melbourne position is still the subject of discussion between the Department and the Board.

42. This case raises the question upon whom does the responsibility lie for dealing with Your Committee's criticisms and suggestions. Primarily it is a matter for the Department concerned; but it is also clearly the responsibility of the Public Service Board, under the Public Service Act, to ensure that prompt action is taken to correct a serious area of weakness such as was disclosed in the Attorney-General's Department.

43. Your Committee view with concern the seeming indifference shown both by the Department and the Public Service Board to a position that has been so patently unsatisfactory. It is difficult to understand why they should have permitted the situation to have continued as long as it did.

44. During Your Committee's discussions on the position in the Attorney-General's Department our attention was once again drawn to the fact that there is a shortage of properly trained, experienced and competent accounting and financial officers in the Commonwealth Public Service. Your Committee recall that in the course of our inquiry into the Northern Territory Administration in 1957-58, we discussed with the Departments of Treasury and Territories the provision of short term assistance to enable the Administration to overcome a back-lag in work and to place its accounting methods on a satisfactory basis.

See
Thirty-
seventh
Report,
P.P.No.
26 of
1958,
paragraph
262.

45. Mr. C. L. Hewitt of the Treasury spoke then of a dearth of people in the Public Service within this field and he has since re-affirmed this view.

"... I think that there is a dearth of well-trained and well-qualified people in this field. Like most things, the law of supply and demand comes into it. I think that you will get quality according to the price that you pay. I think that there is a considerable shortage, in relation to the amount of skilled work called for in the Public Service and outside the Public Service, of people who have a knowledge of and training in accountancy.

Q.208

COMMITTEE MEMBER: Is the position worsening year by year or is it improving a little?---(MR. HEWITT) I find that question very difficult to answer primarily because the tasks which are called for in this field are increasing at a greater rate than the supply of trained people who are competent to do them. When you ask me whether the position is becoming better or worse, I do not think that it is becoming any better, not because of complete failure to do something about the supply problem but because of the rate of increase in the work to be handled."

Q.211.

46. In the case of the Attorney-General's Department, the problems are both short and long term. The short term problem involves the remedial action that should have been taken to deal with a condition that the Department seemed incapable of handling. The immediate answer in such a case is not the appointment of additional staff; as Your Committee have so frequently found, for a number of reasons, the process by which a position may be created

and an officer appointed in the Public Service is long-drawn and thus does not usually provide, as it did not in the Attorney-General's Department, a means of promptly remedying an unsatisfactory situation.

47. What seems to be needed is recourse to a specialist staff which can be sent out to aid a department in difficulties. This staff would prepare appropriate internal instructions, and establish necessary controls and so forth while longer term remedies such as re-organization of, and additions to staff, are being sought.

48. The Public Service Board has the power in Section 17 to take the action mentioned, and it has an appropriate agency at hand in its Organisation and Methods staff.

49. We repeat that it is a matter of concern to Your Committee that the Public Service Board did not take more positive action to ensure that the situation in the Attorney-General's Department was remedied quickly.

50. The long term problem is also primarily a matter for the Public Service Board which is responsible for staffing the Public Service. The Board should, therefore, see to it that there are available adequate numbers of properly trained persons capable of meeting the ever increasing demands of post-war financial administration. In the second case, it is a matter of organisation and management which are becoming increasingly complicated as a result of the rapid post-war growth in Commonwealth activity and of modern developments in equipment, methods and techniques.

51. We note Mr. Howitt's view that the tasks in the field of accounting, control and financial management are increasing at a greater rate than the supply of trained people who are competent to do them, and it seems clear that the position will deteriorate further unless positive action is taken to ensure that there is available a larger number of persons able to do this type of work. It has been suggested to us that one reason for the shortage of properly skilled personnel in the field is relatively low salary classifications which result in a tendency for better class staff to gravitate to more recently developed fields which offer more attractive long term prospects.

52. We ourselves have observed an inclination on the part of some departments that have appeared before us, to regard accounting purely as a matter of recording transactions rather than in terms of the modern concept of financial management. From those observations, we believe that there is ample scope for improved methods in some departments and generally for improvement in the attitude of the Public Service to the question of financial management. In our view, effective financial management in the modern sense forms the basis for the efficient operation of departments, irrespective of their functions.

53. Your Committee consider that the time is appropriate for a full and co-ordinated investigation of this subject which, we suggest, might be undertaken jointly by the Public Service Board and the Treasury, aided by representatives from the Audit Office and departments, and outside experts if necessary. We would expect such an investigation should cover:

- (i) the application of modern techniques of accounting and financial management to the operations of departments;
- (ii) the further use of mechanical and electronic equipment for accounting and control purposes;

- (iii) financial organisations within departments;
- (iv) the availability of suitably qualified and trained staff to man those organisations; and
- (v) other staffing aspects such as selection of personnel for finance and accounting work, financial rewards, qualifications and training.

CHAPTER V

UNDERSPENDING IN 1958-59

DEPARTMENT OF SUPPLY

Division No.194 - Item 1 - Defence Research and Development - Buildings, works, fittings and furniture - gross expenditure.

54. Division 194 was one of three divisions of appropriation in 1958-59 which made provision for the United Kingdom/Australia Joint Project. The other divisions were 185 - Defence Research and Development, and 196 - Defence Research and Development - Maintenance. Division 194 comprised two appropriation items: Item 1, which represented the gross expenditure on buildings, works, fittings and furniture and Item 2, a deduction, which represented the amount expected to be recovered from the United Kingdom under the Agreement.

55. The position for the financial year 1958-59 was as follows:

<u>Item</u>	<u>Appropriation</u>	<u>Expenditure</u>	
	£	£	£
Gross Expenditure	4,056,000	2,993,583	1,062,417 gross underspending
Less amount recoverable from the United Kingdom.	1,171,000	83,063	-1,087,937 under-recovery debited against Treasurer's Advance.
Net Expenditure	2,885,000	2,910,520	25,520 net overspending.

56. In Your Committee's Forty-first Report we explained that the Agreement between the two governments provided that in each year of the Agreement the Commonwealth Government would meet expenditure up to a limit of £9,500,000, the United Kingdom being responsible for expenditure in excess of that amount. In view of the complicated and obscure manner in which the cost of the Joint Project was reflected in the annual Estimates, Your Committee then set out in detail the way in which the respective contributions of the Australian and the United Kingdom Governments had been assessed in that year. We note that the votes concerned have been re-arranged in the 1959-60 Estimates in such a way as to make readily apparent the cost of operating the Weapons Research Establishment and the respective contributions of the two governments under the Agreement.

Presented
25th
September
1958,
pages 32
and 33.

See P.P.
No.46 of
1959

presented
11th Aug-
ust, 1959,
p.91.

57. Division 194 formed part of the Defence Works Programme, the operation of which was examined by Your Committee in the course of their inquiry into expenditure from Advance to the Treasurer in 1957-58, and strongly criticised in the subsequent Report, the Forty-first. Although this vote could not then be investigated in detail, the Department of Supply agreed that, in common with the remainder of the Defence Works programme, certain programming techniques had not been properly applied in framing the programme of works represented by the vote. In the light of the substantial short fall in the gross expenditure in 1958-59, which resulted in a much smaller recovery from the United Kingdom than anticipated (a pattern which has been repeated in each of the last three years) Your Committee considered it desirable to look further at this vote for the years 1957-58 and 1958-59.

Minutes
of Evi-
dence to
Forty-
First
Report,
Govern-
ment
Printer
Canberra.
Gs.326-
331.

58. In framing the works programme it is customary to differentiate between works in progress and new works which are to be commenced during the financial year. In each of the years 1957-1958 and 1958-59 there was substantial underspending of both works in progress and new works provisions in Item 1 of Division 194, as the following figures show:-

1957-58

	<u>Appropriation</u>	<u>Expenditure</u>	<u>Underspending</u>
	£	£	£
Works in progress	1,641,000	816,000	825,000
New works	1,222,000	827,000	395,000
	<u>2,863,000*</u>	<u>1,643,000*</u>	<u>1,220,000</u>

1958-59

	<u>Appropriation</u>	<u>Expenditure</u>	<u>Underspending</u>
	£	£	£
Works in progress	2,038,000	1,523,000	515,000
New Works	1,788,000	1,302,000	486,000
	<u>3,826,000*</u>	<u>2,825,000*</u>	<u>1,001,000</u>

* Note: The difference between these amounts and the total appropriation and expenditure represents the Department of Works' administrative charge, which varies in direct relation to the level of expenditure.

59. By reason of the nature of the Joint Project Your Committee deemed it proper to conduct our investigations of this matter in private and we are therefore not reporting in any detail upon them. However, we consider it appropriate to say that at a private hearing on Friday, 18th September, Your Committee had most frank and interesting discussions with representatives of the Departments of Supply and Works, led respectively by Mr. R. W. McGill, O.B.E., Controller Weapons Research Establishment, and Mr. R. B. Lewis, O.B.E., Deputy Director-General, Department of Works, when the bases of the appropriations for the two years were examined closely. While emphasising that circumstances associated with the Joint Project present many obstacles to accurate estimating, there was clear evidence that more reasonable estimates of the likely gross expenditure on works could have been made had established principles of programming been applied, where appropriate, by the Department of Supply. As a result of our discussions, we are sure that more care will be taken in the preparation of the Estimates in the future.

DEPARTMENT OF SHIPPING AND TRANSPORT

Division 213K - Construction of Jetty for handling of explosives

60. This vote provides the funds for an explosives jetty being constructed at Port Wilson in Port Phillip Bay, Victoria. As the following statistics show, over the last three financial years, actual expenditure has represented something less than one-third of the appropriations provided:

	<u>1956-57</u>	<u>1957-58</u>	<u>1958-59</u>	<u>Three years</u>
	£	£	£	£
Appropriation	185,000	500,000	550,000	1,235,000
Expenditure	28,634	172,672	204,670	405,976
Underspending	<u>156,366</u>	<u>327,328</u>	<u>345,330</u>	<u>829,024</u>

61. The Department of Works, under the general direction of the Department of Shipping and Transport, in which the Commonwealth Explosives Port Facilities Committee is located, is the constructing authority for the project including design, calling of tenders, acceptance of contracts, supervision of contractors and so forth. However, the vote is under the control of the Department of Shipping and Transport, which, we were told, relied heavily upon the Department of Works for advice as to the annual allocation of funds required.

62. The following extracts taken from a statement by the Chairman of the Commonwealth Explosives Port Facilities Committee and submitted to Your Committee in 1958, give the background to the project and the Chairman's reasons for the underspending in 1956-57:

" The original submission in 1955 was based on an estimate prepared by the Department of Works for an expenditure of £1,305,000 for construction, plus £30,000 for land acquisition. It was realised that the estimate prepared was based on incomplete information and it might have to be varied in the light of later investigations and my Committee decided that details of the estimate and annual expenditure should be subject to review by a Finance Sub-Committee which was set up in 1956. (The estimate was altered in 1957 to £1,607,300.)

Exhibit
No.43/12,
pages 1
and 2.

The Sub-Committee's first task was to review estimates of expenditure for the financial year 1956-57, for which the Department of Works had supplied an estimate of expenditure of £171,000. Following the Sub-Committee's review, this figure was reduced to £159,000 which amount was included in the departmental estimates. The Sub-Committee also referred back to the Department of Works the design of the office and amenities block on the jetty, the cost of which was originally estimated at £16,000 and with modifications suggested by the Sub-Committee was ultimately reduced to £10,000.

During the year 1956-57 periodical reviews indicated that the full amount provided, of £151,000 (plus a rebate of £8,000 provided in 1955-56 for preliminary investigations) for construction and £26,000 for acquisition, would not be spent in that year. The Department of Works was asked for an explanation. In reply it was stated that expenditure of the full amount was unlikely owing to difficulties that had arisen in the preparation of plans and specifications

prior to the calling of tenders. In December, 1956, a review was made of the probable expenditure as a result of which the Department of Defence was advised that the estimate of the amount to be expended by 30th June, 1957, should be reduced to £99,000, for construction and £26,000 for land acquisition, a total of £125,000. The balance of £60,000 was diverted by the Department of Defence to other projects of the defence programme.

At the end of the financial year advice was received from the Department of Works that because of additional design work necessary in the preparation of plans and delays which had occurred in the checking of estimates, expenditure for the full year had been only £9,473.0.11. The Department of the Interior advised that expenditure on land acquisition had been £19,160.15.9. The balance of the acquisition would be delayed pending completion of plans by the Department of Works for the overpass on the Princes Highway. ..."

63. Explanations received from the Department of Works indicate that the Department expected to incur expenditure on the embankment to the jetty, electricity and water supplies and the access road in 1956-57. Of the £159,000 provided for works, £40,000 was set aside for road works with a balance of £119,000 for other works.* In the event, the only works expenditure incurred during the year was approximately £3,500 on the access road and £6,000 on other works. Commencement of work on the embankment and water and electric supplies was deferred because it was found economic, on the completion of detailed designs, to amend these sections of the project. Work on the access road was slow to start as a result of a need to negotiate with the lowest tenderer before his tender could be accepted.

Exhibit
No.43/14

64. The main items making up an appropriation of £500,000 and expenditure of £172,672 in 1957-58 were*:

	<u>Appropriation</u>	<u>Expenditure</u>
	£	£
Main Contract	200,000	Nil
Dredging	180,000	112,000
Road Works	80,000	50,000
Water Supply	30,000	Nil

About this the Chairman of the Explosives Committee said in his 1958 statement:

"... A meeting of the Finance Sub-Committee was held in April, 1957, to review a preliminary estimate of expenditure for the financial year 1957-58. The Department of Works had asked for £150,000 for the first four months of the year and the Sub-Committee felt that in view of the low expenditure in the previous year, this amount might be excessive. Advice was subsequently received that this figure included £81,000 reverted from the previous year and the Sub-Committee's objections were then withdrawn.

Exhibit
No.43/12,
page 2.

The first estimate submitted by the Department of Works for expenditure in 1957-58 was for £400,000 which included the whole cost of the dredging, the construction of the access road and some expenditure on other big contracts. This figure was later amended to £500,000 on

* For detailed information see paragraph 72 below.

advice from the Department of Works that a contract for the approach embankment would be let and some expenditure incurred.

A review was made by the Sub-Committee at the end of 1957 indicating that the anticipated expenditure would not be made and the Department of Works was asked to review the position. As a result, the provision for the financial year was reduced to £300,000. The reduction was necessary because of delays in letting the contracts for the approach embankment, etc. because of a decision by the Department of Works to call one tender for a number of items rather than separate tenders for individual items and by the deletion of expenditure on the water supply arising from the rejection by the Finance Sub-Committee of a proposal put forward by the Geelong Waterworks and Sewerage Trust, which was considered to be unreasonably favourable to the Trust. ..."

65. The various reasons given by the Department of Works for the underspending in 1957-58 are:

(a) Main Contract

"... Tenders for the main contract closed on 18/2/1958; however, acceptance of a tender was delayed until 14/4/1958 due to necessary negotiations with tenders. The contractor, whose tender was finally accepted, imposed originally certain conditions which were unacceptable to the Department and had to be withdrawn before the tender could be considered. The contractor finally withdrew the conditions and the tender was accepted.

Exhibit
No.43/14

The contractor then requested a reduction in the amount of embankment specified, with a similar increase in the length of piled structure, and offered a reduction in his price of £11,000.

This was not finalized until 27/5/1958, and with the contractor's delay in commencing site work there was no progress possible to warrant a progress payment in 1957-1958. ..."

(b) Dredging

The underspending represented a saving. We were told that after dredging commenced rock pinnacles and tongues were un-expectedly encountered resulting in a relocation of the area to be dredged. Concurrently a small reduction in the size of the basin was made.

(c) Water Supply

Protracted negotiations with the Geelong Water Trust, from whose main the water supply was to be obtained, prevented work being commenced.

(d) Road Works

The contractor did not maintain his scheduled progress and the contract did not provide for damages to the Commonwealth in the event of late completion.

66. The main items of ^{the} appropriation and expenditure in 1958-1959 were:

* For detailed information see paragraph 72 below.

	<u>Appropriation</u>	<u>Expenditure</u>
	£	£
Main Contract	468,000	167,000
Road works	15,000	20,000
Water supply	35,000*	Nil
Electricity	25,000*	Nil
Land acquisition	7,000	3

* Combined as a provision of £60,000

The lag in expenditure on the main contract resulted from the contractor being unable to maintain the schedule on which the estimate for the year was based. About this the Department of Works said:

" Based on the contractor's anticipated progress the cash requirement was £616,000, but the Department reduced this to £550,000; however, the contractor was unable to maintain his schedule.

Exhibit
No.43/14
page 2.

The Department executed continual pressure on contractor to revise his methods, plant, etc., to achieve progress but contractor maintained that job was undergoing initial troubles which would be overcome, and that completion date would still be met. He maintained that he had provided adequate equipment, plant and labour and had changed his resident engineer several times because targets were not being met, and that his progress would improve. He then supplied the Department with a revised weekly production schedule which he stated he could meet and would have ensured satisfactory progress.

The Department suggested that the contractor commence work on the wharf head at the same time as the approach was being constructed but to date the contractor although giving favourable consideration to the suggestion has been unwilling to act. His unfamiliarity with the type of marine construction, although he has had experience in bridge work, caused a lot of initial difficulties and trial and error methods and the onset of the winter contributed to this decision. He is now in the process of transferring a spud barge from Sydney to expedite the pile driving and is seriously considering a 'second grant' by commencing work on the wharf head. He still maintains that completion date (14/11/1960) will be met and this is considered possible if the contractor uses adequate resources which are understood to be available to him. However, he is many months behind schedule. It is again pointed out that the alteration in the length of the embankment was at the contractor's own request and against the advice of the Department. The initial difficulties have been almost totally concerned with the pile structure and the contractor lost a great deal of time in abandoning the embankment which presented no construction difficulties."

67. Again the negotiations with the Geelong Water Works Trust precluded any expenditure being incurred on water supply. However, it was pointed out to us that, by reason of these negotiations, the Commonwealth had since been able to accept a contract for £27,000 approximately, which represents a saving of over £7,000 on the original estimate. Contributions from the Trust and private consumers will increase this saving to something over £15,000.

Exhibit
No.43/
10.

68. The provision of £25,000 for electricity covered:

- (a) an anticipated contribution of £10,000 to the State Electricity Commission of Victoria for construction of a high voltage line to take supply to the area; and
- (b) the purchase, but not installation, of transformers, switch gear and high voltage and low voltage cable.

Department of Works Memorandum 59/1627 of 30th September 1959.

However, when the Electricity Commission was approached it would not offer any terms or conditions for supply until the project was reasonably advanced. An offer was received from the Commission late in June, 1959, which required the payment of £7,602, returnable over a period of years; this offer was accepted and the amount paid in July, 1959. Because of the delay in arranging for the supply of electricity, the purchase of the items of electrical equipment was deferred.

69. An unts of £10,000 and £7,000 were provided in 1957-58 and 1958-59 to purchase the balance of land not acquired in 1956-57. The land is required for the building of an overpass on the Princes Highway and the acquisition has been delayed pending completion of plans by the Department of Works. Mr. O'Meara of the Department of Works said:

".... final plans cannot be prepared until we get a requisition for the job. That reached us in January 1957 but that does not say that we started planning that piece of work in January 1957 because we have not completed the plans yet. We have so much work to do for all departments that we have to parcel work out among the engineers available, and we are short of staff. We cannot recruit engineers nowadays. Another complication in connexion with this item is that it is tied up with the Country Roads Board's plans for converting Princes Highway into a super highway with a four-lane roadway. Part of that work has been done already. This particular part is included in the section that is being converted, but, at the beginning of 1957, the Country Roads Board did not have firm plans for it. It could only give us an approximate idea of the layout. That is being worked out with the Country Roads Board. In fact, I am not sure that eventually we will not get the Country Roads Board to do the job for us."

Q.319

70. Your Committee discussed this project with the Departments of Works and Shipping and Transport at some length. We have concluded that the representatives of the parties mainly concerned (the Departments of Works, of Shipping and Transport, and the Department of the Treasury, which is represented on the Commonwealth Explosives Port Facilities Committee and the Finance Sub-Committee appointed by it) have failed to ensure that the estimates represented an accurate assessment of the funds likely to be required to finance the project, in the light of the information available to them, the stage their preparations had reached and what they themselves, as well as the various contractors, could fairly expect to achieve. Their judgement on each of these matters, we believe, was unsound.

71. On the evidence before us we are of the opinion that the Departments failed in their duty to offer to the Government the best possible advice on the financial requirements for the periods in question. There is room in the time that remains to retrieve the situation by presenting more realistic estimates of expenditure from this vote.

72. Your Committee wish to refer to one other aspect of this matter. It appeared to us that the Department of Shipping and Transport sought to avoid criticism by claiming that it was in the hands of the Department of Works and it could only accept what it was told by that Department. In fact, the vote has been under the control of the Department of Shipping and Transport, and it has been within its province to check and to accept or reject the advice of the Department of Works. The responsibility to proffer advice to the Minister lay with the Department of Shipping and Transport. In this regard we record that, at the time of Your Committee's public hearings, the Department of Shipping and Transport did not have a knowledge of the break up of expenditure amongst the various components of the project while some of the information provided to us by the Department of Works was inaccurate. Since then, at our request, the Department of Shipping and Transport has submitted the following statement which sets out the position in detail.*

Qs.315-320.

" POINT WILSON PROJECT

Statement of Appropriations and Expenditure

	<u>1956-57</u>		<u>1957-58</u>		<u>1958-59</u>	
	<u>Appropriation</u>	<u>Expenditure</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Appropriation</u>	<u>Expenditure</u>
	£	£	£	£	£	£
Acquisition of land	26,000	19,161	10,000	Nil	7,000	3
Main Contract	80,000	Nil	200,000	Nil	468,000	167,499
Dredging	Nil	Nil	180,000	111,992	Nil	877
Road works	40,000	3,515	80,000	49,685	15,000	20,071
Water supply	10,000	Nil	30,000	Nil	} 60,000	Nil
Electricity	11,000	Nil	Nil	Nil		
Other	18,000	5,958	Nil	Nil	Nil	Nil
Supervision etc. ^p	Nil	Nil	Nil	10,995	Nil	16,220
	<u>185,000</u>	<u>28,634</u>	<u>500,000</u>	<u>172,672</u>	<u>550,000</u>	<u>204,670</u>

^p Note: Expenditure of £10,995 in 1957-58 and £16,220 in 1958-59 are the amounts charged by Department of Works for Supervision fees and Works office expenditure. Provision for those had been included within the appropriation for the particular Works items in each year. The Department of Works intends showing Supervision fee as a separate item from and including financial year 1959-60.

* Shipping and Transport memorandum No.55/193 of 13th November, 1959.

BROADCASTING AND TELEVISION SERVICES

Capital Works and Services Division No.58 -
Item 1 - Buildings, works, fittings and furniture
for sound-broadcasting transmission

73. On Tuesday, 15th September, 1959, Your Committee discussed with representatives of the Postmaster-General's Department and the Department of Works, the substantial underspending of this vote in the three financial years 1956-57, 1957-58 and 1958-59. However, as a result of the evidence then adduced and later developments, we have decided to extend our investigations and to make the operation of this vote in recent years the subject of a later and separate Report.

CHAPTER VI

EXPLANATIONS OF SOME MAJOR ITEMS OF EXPENDITURE
FROM "ADVANCE TO THE TREASURER"

Concessional Postage for Servicemen - Payments to
Postmaster-General's Department

Division 141/9 - Department of the Navy	£65,230
Division 155/13 - Department of the Army	£138,400
Division 169/11A - Department of Air	£ 84,870
	<u>£ 288,500</u>

74. Prior to the financial year 1958-59 concessions on postage, telegraph and telephone services extended to members of the forces both within and outside Australia were a charge against the accounts of the Postmaster-General's Department. Following consideration of the matter by the Government, it was decided during the year that the costs of those concessions should be borne by the Service Departments concerned as from 1st July, 1958. The amount of £288,500 provided from the Advance represents the assessed cost for the twelve months and was apportioned between the three Departments on a per capita basis.

Committee
document
T.A.59/26.

75. This decision of the Government is in line with the proposals made by Your Committee in the Twelfth Report, and subsequently adopted by the Government, that the Postmaster-General's Department should receive payment from the Department of the Interior for meteorological telegrams and the carriage of electoral matter.

P.P. No.
14 of
1954,
page 50.

Department of the Army

Division 158 - Forces Overseas - Maintenance - Item 2
Currency advances and other expenditure
(Charged to the Division pending recovery)

76. There are three related appropriation items under Division 158 of the Estimates. Appropriations and expenditure in 1958-59 were as follows:

<u>Item</u>	<u>Appropriation</u>	<u>Expenditure</u>	
	£	£	£
1. Maintenance of forces overseas	1,674,000	1,444,355	229,645*
2. Currency advances etc. (recoverable)	1,475,000	2,494,900	1,019,900 [†]
	3,149,000	3,939,255	
3. <u>Less</u> recoveries	1,475,000	2,411,309	936,309 [‡]
	<u>1,674,000</u>	<u>1,527,946</u>	

* Underspent
[†] Additional Advances
[‡] Additional recoveries.

The additional advances of £1,019,900 were charged to Item 2 in pursuance of Section 36A of the Audit Act. Your Committee sought from the Treasury a written explanation for the additional expenditure under item 2 and recoveries under item 3 and, as well, asked why these items did not appear under the comparable Division 509 in the Estimates for 1959-60.

77. The explanations submitted by the Treasury were in the form of a memorandum from the Department of the Army which read as follows:

"... 3. Items 2 and 3 were introduced in the 'Forces Overseas, Maintenance' Vote in 1955-56 following criticism by the Joint Committee of Public Accounts in its Twentieth Report, of the earlier practice of charging advances to overseas Army Paymasters to the A.R.A. Pay Vote. The Committee pointed out that although the latter vote is for pay and allowances of A.R.A. personnel, it had been used for other purposes, including:-

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

4. The Committee pointed out that the use of the A.R.A. Pay Vote for purposes other than the pay and allowances of the Australian Regular Army had no legal authority and, whilst acknowledging the difficulty of the accounting problem confronting the Treasury, recommended that the Treasury 'should review the position in order to arrive at a procedure in keeping with that authority.'

5. As a result, the 1955-56 Army Estimates made special provision for this type of expenditure and the resulting credits under the Army Vote for 'Forces Overseas, Maintenance'. Item 1 of the vote provided for the expenditure on maintenance of Australian Army Forces overseas which was ultimately to remain a charge to Army votes. The currency advances to overseas paymasters and other recoverable expenditure were provided for separately under Item 2 of the vote. A third item (Item 3) was included to separately record the 'recoveries'. The wording of this item in the Printed Estimates was as follows -

'3. Loss recoveries',

so that it would be clear that the item represented 'credits' arising from the advances etc. recorded in Item 2.

6. Each item was separately estimated. In the earlier years in which the system operated it was extremely difficult to assess what total advances the paymaster would need because of the many extraneous factors beyond our control. As to the estimate of recoveries, this was usually fixed at the same

amount as the total of advances on the basis that the arrears of recoveries at the end of any financial year would approximate the arrears at the end of the previous year. The estimate for both items 2 and 3 being the same, the net effect was that the estimate for the Division as a whole was as for Item 1.

7. At the time that this alteration was made, the principal overseas Australian Army Force was the contribution to the British Commonwealth Forces in Korea. The Australian Army Chief Paymaster in Japan was the controlling paymaster for the various national components, and his accounts included many high value transactions which were not directly related to the Australian Army participation in B.C.F.K.. These transactions involved considerable expenditure on behalf of other countries which was the subject of later recovery from the Other Administrations concerned.

8. The current situation is quite different. The only overseas paymaster is with the Australian Army Force in Singapore/Malaya. The difficulties which gave rise to the procedure for charging advances to Item 2 of the Forces Overseas, Maintenance Vote are not present. All transactions now relate to the Australian Army Force only and subsequent recoveries from Other Administrations do not arise. The Australian Army Canteens Service (now merged in the Australian Services Canteens Organisation) does not operate in Singapore/Malaya, the canteens service for Australian servicemen in that area being provided by the United Kingdom N.A.A.F.I. Organization.

9. With this change it became possible to institute a procedure under which currency advances to the Australian Army Paymaster in Singapore are dissected into amounts which are for pay of the Australian Army Force and those which are for the other maintenance costs of that Force. Such advances can therefore be charged immediately against the A.R.A. Pay Vote and the Forces Overseas Maintenance Vote respectively.

10. Following some queries raised by the Auditor-General in 1957 relating, mainly, to the accounting for yen balances held by the then Paymaster in Japan, and having regard to the complete change in the situation following the withdrawal of Australian troops from Japan/Korea, representations were made to the Treasury on 13th January, 1958, proposing that, as from the beginning of 1958-59, Items 2 and 3 of Division 158 be omitted. It was proposed that advances in 1958-59 be charged direct to the A.R.A. Pay Vote and the Forces Overseas Maintenance Vote 'in accordance with the classification of the disbursements which have given rise to the need for reimbursement' (of the paymaster's advances).

11. However, the change was not introduced for the 1958-59 Estimates, but was subsequently approved for the current (1959-60) Estimates.

12.The Estimate provided by this Department for both Item 2 (advances) and Item 3 (recoveries) was £1,475,000. Unfortunately, the working papers showing how this estimate was arrived at cannot be located. However, from a check of the information which would have been available at the time the estimate was made, it would appear that the £1,475,000 must have related only to payments and recoveries expected to be made through the transactions of the Paymaster in Singapore other than for A.R.A. pay. A.R.A. Pay and Allowances paid

by the paymaster during 1958-59 totalled £998,870. If this were taken as a round figure of £1 m. the resultant estimate of £2,475,000 would have been fairly close to the actual expenditure and recoveries figures (0.8% and 2.6% error respectively).

13. The error should have been picked up in later reviews. However, it is a fact that the expenditure reviews were concentrated on establishing the correctness or otherwise of the appropriations reflecting actual expenditure which would remain debited to this appropriation. For this reason, attention was focused on Item 1 of Division 158, and Items 2 and 3 were watched mainly to see only that recoveries did not lag too far behind the advances. This aspect was, in fact, very closely watched by means of continuous scrutinies of the record of advances to paymasters.

14. Whatever the reason, it is, unfortunately, a fact that the reviews failed to draw attention to the inadequacy of the original estimate until late in the year when recourse became necessary to Treasurer's Advance."

CHAPTER VII

OTHER ITEMS CONSIDERED

78. As in previous years, Your Committee were provided with and considered the departmental explanations for the many hundreds of items appearing in the Treasurer's Statement of expenditure from advance to the Treasurer. But, as well, Your Committee sought from departments explanations for the substantial underspending of a number of votes. Some we have already reported upon; the remainder we list below.

Prime Minister's Department

National Library - Division No.14/B/7, 8 and 9.

Department of External Affairs

Divisions No. 20/B/3; 21/B/2 and 7; 26/B/7; 31/B/1;
40/B/5; 42/B/3; 209K; 217/14; C.W.S.4/2.

Attorney-General's Department

Divisions No. 54/B/4; 58/B/5; 64/B/2 and 3; 219/7.

Department of the Interior

Divisions No. 65/B/2; 65/C/3; 66/B/5; 69/B/6; 70/B/2; 210.

Department of Civil Aviation

Division No.75/12

Department of Primary Industry

Division No.224/15.

Department of Social Services

Division No. 112/B/2.

Department of Immigration

Division No.227/B/1.

Department of Labour and National Service

Division No.126/C/3.

Department of the Navy

Division No.144

Department of Air

Divisions No.169/9; 172/4.

Department of Supply

Divisions No.183/A/1 and 2; 183/B; 188.

CHAPTER VIII

COMMENTS AND CONCLUSIONS

Topics of Special Interest

1. Again in 1958-59, the Treasury did not seek an order-in-Council in terms of section 37 of the Audit Act. (Paragraph 5.)
2. Expenditure in excess of specific appropriation made from the Advance to the Treasurer reached £8.9 million, an increase of £0.3 million over the level of the previous year. (Paragraph 5.)
3. Your Committee briefly commented upon some of the major expenditures from the Advance and record the reasons for the additional expenditure of £2,015,897 charged to the head, Refunds of Revenue (Division No.231). (Paragraphs 6 and 7.)
4. We note with approval the sharp reduction in the demands upon the Advance by the Postmaster-General's Department as a result of the increased use made by that department of the Additional Estimates. (Paragraph 8.)
5. Your Committee draw attention to changes in the form of the Statement of Expenditure following suggestions made by the Committee in 1958. The size and cost of the Statement have been substantially reduced as a result. (Paragraphs 9 and 10.)
6. The reasons for changes made in the method of identifying divisions, sub-divisions and items in the Estimates of Receipts and Expenditure for the year ending 30th June, 1960, are discussed. (Paragraphs 11 - 14.)

Controlling expenditure within the limits of the appropriation

7. Your Committee accept the view that each of the itemised amounts appearing under divisions and sub-divisions in the annual appropriation measure is an appropriation within the terms of the Audit Act and the Constitution. (Paragraphs 15 and 16.)
8. In the absence of a further appropriation approved by the Parliament there are two ways in which amounts in excess of specific appropriation may be legitimately expended by departments:
 - (i) from the Advance to the Treasurer in pursuance of section 36A of the Audit Act; and
 - (ii) with the approval of the Governor-General in terms of section 37 of the Act. (Paragraph 17.)
9. It is the responsibility of the authorising officer appointed by the Treasurer under the Audit Act, to ensure that expenditure does not exceed the legal appropriation without proper authority. (Paragraph 18.)
10. Your Committee note the distinction between the control of expenditure within the appropriation and the limiting of expenditure to the available quarterly warrant authority issued in terms of sections 32 and 33 of the Audit Act and the Treasury Regulations. (Paragraph 19.)
11. We note also that the authorising officer has a dual responsibility - to keep expenditure within the limits of warrant authority for the division or subdivision issued on a quarterly basis and at the same

time to ensure that the appropriation for twelve months for any item within the division or subdivision is not exceeded. (Paragraph 20.)

12. Your Committee found that the Attorney-General's Department, the Audit Office and the Department of Shipping and Transport, while conscious of the need to live within the available warrant authority had overlooked the necessity to limit expenditure to the legal appropriation. (Paragraph 20.)
13. We examined six votes under the control of the Attorney-General's Department where the appropriation was exceeded without proper authority during 1958-59. (Paragraph 21.)
14. The Department admitted that these breaches of section 34 of the Audit Act were the result of inadequate control within the Department and agreed that the infringements were serious. (Paragraphs 22 and 23.)
15. New procedures have been introduced as from 1st July, 1959. (Paragraph 23.)
16. The authorising officers for the various State Branches of the Attorney-General's Department are stationed in the Sub-Treasuries. The Department has had experience of accounts being paid in excess of warrant advice and has found it necessary to ask the Treasury to instruct its Sub-Treasuries to refrain from passing accounts for payment where insufficient funds are available under warrant advice held. (Paragraph 23.)
17. Your Committee examined an appropriation under the control of the Audit Office which was exceeded without authority during the year. (Paragraphs 24-27.)
18. The Audit Office has amended its procedures with effect from 1st July, 1959, to avoid a recurrence of the happening. (Paragraph 27.)
19. An appropriation under the control of the Department of Shipping and Transport was also exceeded during the year without authority. (Paragraphs 28-32.)
20. It was apparent that the Department did not properly appreciate its responsibility to comply with the existing law. (Paragraph 30.)
21. We comment that for a department to operate effectively within the existing frame-work of controls involves a relatively simple problem of management and a compliance with certain rules. (Paragraph 31.)
22. Your Committee expect the Department of Shipping and Transport so to amend its procedures as to avoid any further infringements of section 34 of the Audit Act. (Paragraph 32.)
23. In reviewing these various infringements of section 34, we consider it important that, of the three authorities concerned, two did not have procedures in operation designed to avoid such occurrences, while the third was prepared to ignore the law. (Paragraph 33.)
24. As a result of a suggestion by the Audit Office that some clarification of the existing rules was necessary, Your Committee consider that the Treasury might make clear in the Treasury Instructions:
 - (i) what constitutes an appropriation in the terms of section 34 of the Audit Act.
 - (ii) what responsibility the departments have to ensure that procedures are in existence for preventing appropriations being overspent without authority. (Paragraphs 34 and 35.)

The Attorney-General's Department - A Follow-up of the Committee's Thirty-third Report

25. In the Thirty-third Report Your Committee criticised the financial methods of the Attorney-General's Department. We proposed that the Department should immediately review its methods and suggested that it might be wise to seek the assistance of the Public Service Board and of the Treasury in such a revision. (Paragraph 36.)
26. Our latest investigations into certain transactions in 1958-59 indicate that there had been little improvement since Your Committee's Report in 1957. (Paragraphs 37 and 38.)
27. The Attorney-General's Department did not deny that the actions of two years before, which had provoked criticism from Your Committee, had been repeated. (Paragraphs 39.)
28. Your Committee investigated what the Department and the Public Service Board did to remedy that situation and record our concern at the seeming indifference shown both by the Department and the Board to a position which has been patently unsatisfactory. (Paragraphs 40-43.)
29. While primarily the Attorney-General's Department should have dealt with Your Committee's criticisms and suggestions, the Public Service Board also had a responsibility under the Public Service Act to ensure that action was taken promptly to correct the serious weaknesses in the financial arrangements of the Attorney-General's Department. (Paragraphs 42 and 43.)
30. In our Thirty-third Report we indicated the role of the Public Service Board might play in such cases.
31. The weaknesses disclosed in the administration of the Attorney-General's Department reveal both short and long term problems. (Paragraphs 45 - 53.)
32. The short term problem involves the remedial action which should be taken when a department is in difficulties. The immediate answer in such a case seems to be not to rely upon the appointment of additional staff - a time consuming operation - but could be found in detailing a body specially trained to meet such situations. (Paragraphs 46 and 47.)
33. The Public Service Board has the power under Section 17 of the Public Service Act to take such action and already has an appropriate agency at hand in its Organization and Methods staff. (Paragraph 48.)
34. In examining the long term problems Your Committee discuss again statements made that there is a shortage of competent accounting and financial officers in the Commonwealth Public Service. (Paragraphs 44, 45, 50 and 51.)
35. We believe that there is ample scope for improving financial methods in some departments and for a change in the attitude of the Public Service generally to the question of financial management. (Paragraphs 51 and 52.)
36. Your Committee accordingly propose that a full investigation of the financial organisation and requirements of departments be undertaken jointly by the Public Service Board and the Treasury, aided by representatives from the Audit Office and departments, and outside experts if necessary. (Paragraph 53.)

Underspending in 1958-59

37. Your Committee consider that more reasonable estimates could have been made of the likely gross expenditure on buildings, works, fittings and furniture connected with the United Kingdom/Australia Joint Project. Your Committee does not doubt but that more care will be taken in the preparation of these estimates in the future. (Paragraphs 54-59.)

x x x x x

38. We report upon the substantial underspending, over three financial years, of the vote Division 213K, which has provided funds for the construction of a jetty for the handling of explosives at Port Wilson in Victoria. (Paragraphs 60 to 72.)
39. Your Committee conclude that the parties mainly concerned (the Departments of Works, Shipping and Transport and Treasury) did not ensure that the estimates represented an accurate assessment of the funds likely to be required to finance the project in the light of the information available to them. It seems to us that their judgment in those matters was unsound. (Paragraph 70.)
40. We consider that the Departments failed to offer to the Government satisfactory advice regarding the financial requirements for this project. (Paragraphs 70 and 71.)
41. We note the attempt of the Department of Shipping and Transport to evade responsibility for advice to the Minister on the administration of the vote in question. (Paragraph 72.)

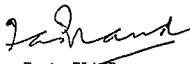
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42. Your Committee report that we are continuing our investigations into the underspending, over a period of years, of the vote providing funds for buildings, works, fittings and furniture for sound-broadcasting transmission, and this will be the subject of a later and separate report. (Paragraph 73.)

Explanations of some major items of expenditure from Advance to the Treasurer

43. Your Committee record the reasons for expenditure of £288,500 from Advance to the Treasurer representing payments to the Postmaster-General's Department for concessions on postage for Servicemen. (Paragraphs 74 and 75.)
44. An explanation is given for the amount of £1,019,901 debited against the Advance and charged to Division 158 - Forces Overseas, Maintenance; Item 2 - Currency Advances and other expenditure charged to the Division pending recovery. (Paragraphs 76 and 77.)

For and on behalf of the Committee.


F. A. BLAND
Chairman


R. C. Davey, Esq.,
Secretary,
Joint Committee of Public Accounts,
Parliament House,
CANBERRA. A.C.T.

12th November, 1959.

A chronological record of the processes involved in creating and filling a position of Finance Officer in the Attorney-General's Department.
(A statement taken from Attorney-General's memorandum of 16th September, 1959.)

- 21st January, 1958 - The Department formally recommended to the Board the creation of the position in this office, the duties of which would be primarily concerned with the preparation of estimates and financial control.
- 6th March, 1958 - Following discussions with the Board as to the level of classification of the post a position was advertised to test the field before a firm decision was given in the matter.
- 26th May, 1958 - After interviewing all the applicants (fourteen) and making enquiries as to their suitability for such a position the Department discussed the merits of the applicants with the Board and it was then agreed that a position should be created at the level advertised. The Department of the Treasury was asked to make the necessary funds available to enable the position to be created.
- 4th June, 1958 - The Department of the Treasury advised that funds were available.
- 9th June, 1958 - The Board was advised that funds were available and asked to issue the certificate for the creation of the position.
- 27th June, 1958 - The Board issued its recommendation to the Governor-General for the creation of the position.
- 3rd July, 1958 - Formal recommendation submitted to the Executive Council for the creation of the position.
- 19th July, 1958 - Executive Council approved the creation of the position.
- 7th August, 1958 - Provisional promotion of the successful applicant was notified in the Gazette.
- 5th September, 1958 - The provisional promotion was confirmed and the Department to which the officer was attached was asked to release him for duty.
- 21st October, 1958 - The officer was released for duty in the Department and by arrangement with the Board he immediately attended at a training school (2 weeks) on financial management conducted by the Public Service Board.
- 3rd November, 1958 - The officer commenced duty in the Department."