

1960.

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA.

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

FIFTY-FIRST REPORT.

EXPENDITURE FROM ADVANCE  
TO THE TREASURER.

Commonwealth Consolidated Revenue Fund for the year 1959-60

and

Treasury Minutes on the Forty-First  
and Forty-Sixth Reports

together with

Summaries of those Reports.

*Presented pursuant to Statute; ordered to be printed, 15th November, 1960.*

[*Cost of Paper*:—Preparation, not given; 715 copies; approximate cost of printing and publishing, £150.]

Printed and Published for the GOVERNMENT of the COMMONWEALTH OF AUSTRALIA by  
A. J. ARTHUR, Commonwealth Government Printer, Canberra.  
(Printed in Australia.)

No. 85 [GROUP B].—F.9670/60.—PRICE 2s.

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.

<sup>1</sup> Resigned 10th March, 1960.

<sup>2</sup> Appointed 16th March, 1960; elected Chairman 17th March, 1960.

<sup>4</sup> Appointed 30th March, 1960.

<sup>3</sup> Resigned 30th March, 1960.

#### DUTIES OF THE COMMITTEE.

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

8. The duties of the Committee are—

- (a) to examine the accounts of the receipts and expenditure of the Commonwealth and each statement and report transmitted to the Houses of the Parliament by the Auditor-General in pursuance of sub-section (1.) of section fifty-three of the *Audit Act 1901-1955*;
- (b) to report to both Houses of the Parliament, with such comment as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Parliament should be directed;
- (c) to report to both Houses of the Parliament any alteration which the Committee thinks desirable in the form of the public accounts or in the method of keeping them, or in the mode of receipt, control, issue or payment of public moneys; and
- (d) to inquire into any question in connexion with the public accounts which is referred to it by either House of the Parliament, and to report to that House upon that question,

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

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# JOINT COMMITTEE OF PUBLIC ACCOUNTS.

## FIFTY-FIRST REPORT.

### PART I.

#### EXPENDITURE FROM "ADVANCE TO THE TREASURER."

Commonwealth Consolidated Revenue Fund for the Year 1959-60.

#### CHAPTER I.—INTRODUCTION—THE 1959-60 INQUIRY.

Again as with the 1958-59 Inquiry, the Department of the Treasury was enabled by its new procedures and equipment to furnish Your Committee by mid-July with a draft statement of expenditure from Advance to the Treasurer together with the departmental explanations.

2. The collaboration of the Department of the Treasury in these matters is greatly appreciated by Your Committee as is the assistance provided by observers from that Department, the Public Service Board and the Audit Office, at the public hearings.

3. After examination of the statement of expenditure Your Committee decided to conduct public hearings on Monday morning and afternoon, 5th, and Tuesday morning, 6th, Monday morning and afternoon, 19th and Tuesday morning, 20th September, 1960. Due to the confidential nature of the particular subject evidence was taken in private on Tuesday morning, 20th September, from the Departments of Works and Customs and Excise. The following appeared before Your Committee at these hearings:—

Postmaster-General's Department ..	Mr. E. W. Easton, Assistant Director-General (Finance and General Services).
Repatriation Department ..	Mr. R. G. Kelly, Acting Secretary.
Department of Works ..	Dr. L. F. Loder, C.B.E., Director-General of Works and Deputy Commissioner of the River Murray Commission.
	Mr. A. T. O'Meara, Director of Engineering.
Department of Health ..	Dr. W. F. H. Crick, Senior Medical Officer.
	Mr. D. G. Dunlop, Assistant Director (Establishment and Finance).
Department of the Treasury ..	Mr. C. L. S. Hewitt, First Assistant Secretary.
	Mr. L. B. Hamilton, First Assistant Secretary.
	Mr. R. S. Gilbert, Chief Finance Officer.
	Mr. G. R. Virtue, Senior Finance Officer.
	Mr. J. B. Stokes, Finance Officer.
	Mr. J. T. Attridge, Chief Finance Officer.
	Mr. R. N. Townsend, Chief Finance Officer.
	Mr. H. S. Amos, Chief Finance Officer.
	Mr. I. M. Reid, Chief Finance Officer.
Public Service Board ..	Mr. F. C. Nordeck, Assistant Commissioner.
Department of National Development	Mr. F. A. J. Frawley, Accountant.
	Mr. H. Temple Watts, Acting Director of the Bureau of Mineral Resources.
	Mr. G. R. L. Rimington, Acting Director of National Mapping.
Department of Customs and Excise	Mr. H. A. Forbes, First Assistant Comptroller-General.
Department of the Navy ..	Mr. C. M. Colgan, Director of Estimates and Audit.
Commonwealth Scientific and Industrial Research Organization	Mr. M. G. Grace, Secretary (Finance and Supplies).
Department of Territories ..	Mr. L. L. Gillespie, Assistant Administrator of the Northern Territory (Administration, Services and Finances).
Auditor-General's Office ..	Mr. V. J. W. Skermer, Secretary and Chief Inspector.

4. Your Committee carefully examined every item appearing in Advance to the Treasurer and obtained written explanations in many cases from the Departments concerned. Certain of these revealed features related to the formal presentation of estimates and to the underspending of votes which were investigated further at the public hearings.

5. A general comment has been made previously on the implications of underspending and Your Committee wishes to emphasize that these are matters which reflect the efficient management of Departments. There has been a marked and general improvement in the formulation of estimates by Departments since Your Committee commenced its series of regular investigations. However, instances still come to notice where the moneys provided by the Parliament for important purposes have not been spent although they could, and should have been.

6. With so many urgent calls on available finances it is indefensible that one activity should be deprived of finance in order to supply funds for another activity which the responsible Department fails without good reason to bring to completion. On the other hand Your Committee is ever hopeful that it will find the underspending to have been the result of praiseworthy efficiency.

## CHAPTER II.—LEVEL OF EXPENDITURE FROM “ADVANCE TO THE TREASURER”.

7. As in the two previous years Treasury did not seek an order in Council in terms of section 37 of the Audit Act 1901–1959. It would appear that this is now an established practice needing no comment and that, in future, expenditures in excess of special appropriation will be met from Advance to the Treasurer pursuant to section 36A of the Audit Act.

8. There was a substantial decline in the level of expenditure met from the Advance in 1959–60 compared with the two previous years.

Financial Year.	Refunds of Revenue.	Defence Services.	Miscellaneous Services.	Business Undertakings.	Other.	Total Ordinary Expenditure.	Capital Works and 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
1959–60 ..	..	0.9	0.3	0.1	0.6	1.9	0.2	2.1

9. In the course of discussing the expenditure totalling £2,100,000 with Your Committee, Mr. C. L. S. Hewitt, First Assistant Secretary, Department of the Treasury was asked—

Q. 225.

“MEMBER: This is the figure that remains not accounted for when adjustments are made and additional Estimates are taken into account to cover what already is charged to the Treasurer’s Advance. Is the remaining figure of very great significance?—(Mr. Hewitt) I do not think that as a total single figure it has any significance. I do not think it is profitable to try to argue that it is high or low or big or small the changes in the components of the figure and the magnitude of amounts reflect decisions to spend money that has not been appropriated for a specific purpose in the First or Second Appropriation Act of the year. I do not think that there is argument to be taken from the total figure itself in this statement. One prima facie argument is that it is only £2,000,000 and the Treasurer’s Advance is £16,000,000. That would be false reasoning.

Q. 226.

MEMBER: Some years ago we spent a great deal of time discussing the general level.—(Mr. Hewitt) I remember that. It was in the context of a very substantial amount I think in the Supplementary Estimates. I think it was the Supplementary Estimates for 1952–53 which led to a discussion in 1954 when expenditure had been about £14,000,000. This year we spent very close to £16,000,000. We made commitments against the £16,000,000 almost up to the hilt in the early days of June.”

10. In reply to a further question relating to the decline in the level of expenditure the same witness stated—

Q. 219.

“... the final figure is the outcome of a series of influences. The level of expenditure over the last ten years has been somewhat erratic—up one year and down another. There were two large items which made a change in the total figure for 1959–60. The first one is that the estimate of refunds of revenue were presumably a good deal more accurate; no amount was required from the Treasurer’s Advance compared with £2,000,000 in last year’s statements. In the Defence Services group there is a decline of almost £4,250,000 of that amount £2,500,000 is accounted for by a change in the method of showing the figures for appropriations that have a gross amount, deduction and a net amount, and the remaining £2,000,000 represents a reduced call in the last months of the year on Treasurer’s Advance by Defence Services—again, for reasons that would be multifarious.

And again later—

“I think it would be quite fair to say that even greater efforts than ever have been directed towards more accurate estimation. I would not like to put an order of magnitude on it. I think it would be equally true to say that there is a modicum of suggestion that if an amount has not been appropriated for particular expenditure it might be worth considering postponing it to the next financial year. But I would not put that too high. Again I would not even attempt to evaluate it.”

11. It is a matter for singular comment that the change in the method of presenting the figures in the appropriation should result in a fall of £2,500,000 in the amount for the Defence Services. Your Committee notes that in its Forty-First Report illustrations were given of the method for presenting the appropriations for the Department of Supply in the Estimates against Division 185 and Division 194 and Division 196 for the financial year and that the amended method emphasizes the importance of the form in which Estimates of Expenditure are presented to Parliament. Paragraphs 126-128.

12. This problem of the mechanics of presenting Estimates is referred to again in this Report in relation to other instances Your Committee has found of unsatisfactory presentation.

### CHAPTER III.—APPARENT UNDERSPENDING IN 1959-60.

#### (a) POSTMASTER-GENERAL'S DEPARTMENT.

##### *Division 711, Sub-Division 3, Item 6—Engineering Stores, Tools and Equipment.*

13. In addition to obtaining written explanations from the Department Your Committee was assisted by verbal evidence from Mr. E. W. Easton, Assistant Director-General (Finance and General Services) of the Postmaster-General's Department.

14. In a preliminary statement Mr. Easton said—

Q. 2.

“ . . . We have in our statement made it clear that this is not an underspending at all. The position is as follows: we are voted our funds for capital works on a Commonwealth basis. This appears in the relevant section of the Estimates but because of the present form of the Estimates these amounts have also to appear as Items under ‘nature’ votes for the Central Office in each State and are transferred out to the Capital Works vote. I must emphasize that the amount for capital works is voted as a Commonwealth vote and that we have to make some allocation over the States. Naturally we have not an unlimited time in which to make that allocation and it would be a very rare year indeed in which the funds voted coincided exactly with the funds sought by the Post Office for Capital Works. Therefore for the last three years we have adopted the following practice with the knowledge and concurrence of the Treasury and the Minister. In the interests of prudent and business like management instead of allocating all the funds to the States at the beginning of the year we keep some amount unallocated. That amount is subsequently allocated to the States in the light of a number of factors including a consideration of where the demands are most pressing. . . . In 1959-60 the amount retained at Headquarters in the early stages of the year was £405,000. It was subsequently allocated to the States and the total Capital Works Vote was spent within £41,000 in a total amount of £35,700,000 which I suggest is not too bad. I therefore feel that it is not a matter of underspending that we are being asked to explain, it is merely a matter associated with the present system of the Estimates.”

Later the Witness stated—

“If you look at Division 712 Sub-Division 3 Item 12 you will note that the appropriation for the amount chargeable to Capital Works and transferred was £9,223,000. The actual sum spent was £9,161,429. If you went back to the original Estimates I think you would find that the amount appropriated for New South Wales was less than £9,223,000. In other words where possible we make the reallocations prior to the Additional Estimates, but it still leaves the Central Office's figure apparently underspent. Actually it is not underspent because it was never intended to be spent at Headquarters but in the various States. . . .”

MEMBER: Does not this in fact amount to an inflation of the Estimates?—(Mr. Easton) Q. 5. No, in no way. I think the net figures are the only figures that are significant and it does not affect the net figures in any way.”

15. Thus, briefly, the votes for the Postmaster-General's Department are appropriated separately for the Central Office and the individual States and a number of deduction items appear in the various sub-divisions—including a deduction for the amounts formally appropriated in accordance with the detail in the Works and Services Section of the Estimates.

16. With regard to the unallotted amount appropriated against the Central Office Vote the Witness when questioned as to the necessity for this stated—

(Mr. Easton) “ . . . We are not given unlimited time between Cabinet's decision on the works and the time of the printing of the Estimates. I will go as far as this: Even if we had much longer, we would still feel that the right thing to do would be to keep a reserve of this nature in the initial stages.”



Q. 67. 17. The present form of the Estimates gives an indication of the expenditure by the Department in the individual States. However, the figures are not strictly accurate as they apply to the distribution of the Department's engineering divisions and it is not practicable for these to be arranged to coincide with State boundaries—nor would this necessarily be desirable in view of the fact that the functions are on a Commonwealth wide basis. Further, as noted above, Parliament appropriates funds for capital works on a Commonwealth basis and not by States.

Para. 14.

18. It would be possible to give, by way of information only in the Estimates, the details of the present appropriations whilst the actual appropriation could take the form of the present Summary—a reversal of the present procedure which would assist in the administration of the Department and avoid a “pseudo-appropriation” in the Head Office vote. However, this would not overcome wholly the complexity resulting from the numerous deduction items.

Q. 53.

19. In the course of pursuing this matter further Your Committee was advised—

(Mr. Easton) “ . . . I might mention another point which can affect the figures and highlights the inadequacy of the present form of the Estimates, if you like to put it that way. In June, 1960 a switchboard worth about £60,000 had had to be put back in store for a little job to be done in Adelaide, which was going to cost £400. If I may, I will describe what happened in these Estimates in regard to it. There is temporarily a credit of £60,000 to the capital works vote. When it is issued to the workshop to have the £400-worth of work done on it, it becomes a £60,000 entry against item 06 of sub-division 3. It then goes into the workshop and when the work is done on it it becomes an expenditure against sub-division 5, item 04 of £60,400. I know this sounds silly, but it is true. When it is transferred back to the trust account temporarily it appears as an item against sub-division 5, item 11. When it is issued out to the shop again, as it was in this case, it goes into sub-division 3, item 6 as another expenditure of £60,400. That is an amount of £120,400 against sub-division 3, item 6. Then when it is transferred out, if it is capital works it appears against item 12, sub-division 3, as £60,400. Four hundred pounds worth of work has been done but in the Estimates there are entries in transfers and items amounting to about £300,000.”

20. In view of the inquiry conducted by the Ad Hoc Committee of Inquiry into the Commercial Accounts of the Post Office, Your Committee has not investigated further the essentiality of these bookkeeping gyrations.

21. Any alterations to the form of accounts which may result from the Post Office Committee's report would impinge on considerations of an alteration to the method of presentation of the Estimates and Your Committee considered that it would be profitless to proceed further until the question of the Post Office accounts generally has been resolved. However, obviously there is scope for improving the form of presentation within the existing system and we trust that progress will be made to that end at an early date.

#### (b) DEPARTMENT OF NATIONAL DEVELOPMENT.

(a) Division 412, Sub-Division 3, Item 3—Division of National Mapping. Other Survey and Mapping Work—Oil Search.

(b) Division 413, Sub-Division 3, Item 1—Bureau of Mineral Resources—Operational Expenses.

(c) Division 644, Sub-Division 2, Item 1—Miscellaneous. Search for Oil—Subsidy.

22. Following the announcement that the Government would provide an additional amount in 1959–60 of £1,000,000 to assist in the search for oil the Department of National Development attempted an assessment of the likely break-up of this additional expenditure. The Department found it was not possible to complete this dissection against the relevant detailed votes in time for inclusion in the 1959–60 Estimates.

Q. 864. 23. Accordingly, and with Treasury concurrence, it was decided to omit the sum of £100,000, which could be appropriated later in Additional Estimates if required, and to allocate the balance of £900,000 as follows:—

						£
Division 412/3/03	..	..	..	..	..	100,000
Division 413/3/01	..	..	..	..	..	200,000
Division 644/2/01	..	..	..	..	..	600,000

The intention was to “transfer” these bulk amounts to detailed specific items at the time of the Additional Estimates whilst their inclusion in the initial Estimates would provide more realistic information in the Budget.

24. The inclusion of amounts in the Additional Estimates in due course resulted in no expenditure being recorded against the initial appropriation—a result similar to that obtained by the procedure adopted with the Postmaster-General's Department vote (Division 711/3/06) mentioned above.

Paragraphs 79 et. seq.

25. In the event, the amounts “transferred” were not fully required and are referred to again later in this Report in Chapter IV.—Underspending.

## GENERAL.

26. It is appreciated that Departments often face difficulties due to the form of the Estimates but the presentation of obscurities and misleading information to the Parliament is to be avoided. Your Committee therefore cannot condone the methods adopted in presenting the Estimates of the two Departments referred to above.

27. In general, items which cannot be specifically appropriated in the first Appropriation Act due to insufficient information, should be omitted and included later, if required, in the second Appropriation Act when the necessary details have become available.

## CHAPTER IV.—UNDERSPENDING IN 1959–60.

## (a) DEPARTMENT OF REPATRIATION.

*Division 890—Item 1.—Buildings, Works, Fittings and Furniture.*

28. Actual expenditure against this Appropriation was £232,185 out of a total amount provided of £326,000.

29. The main features of the procedure in the determination of a Works programme, very briefly, are that fully documented plans are prepared for projects placed on design list A which is compiled some six months before 31st January. For example, for the 1960–61 works programme, works proposals would be submitted to Treasury by 31st January, 1960, but design list A for 1960–61 would be formulated in July 1959.

30. Currently, provision is being made in design list A for half to three-quarters of the specific projects that seem likely to gain admission as “new works” in the following year’s works programme. The ultimate aim is to bring on to design list A the highest possible proportion of works proposals that, in Treasury’s view, stand a good chance of gaining admission to the next works programme. The achievement of this objective, however, depends mainly on the judgment by Treasury, twelve months ahead, of the provision that the Government may make in the next budget for the civil works programme, the capacity of the design section of the Department of Works, and the sponsoring departments’ positive definition of their works requirements and priorities.

31. Your Committee enquired further into the practical application of the established procedure. In reply to a question Mr. R. C. Jones, Assistant Director-General (Construction), Department of Works, stated—

“ . . . I think we would all admit that the ideal works programme will consist only of design list A jobs on which we have come to full agreement and on which we have all the facts and documents. . . . that has not yet been achieved. Q. 99. Q. 100.

MEMBER: But you hope that at sometime it will be achieved?—(Mr. Jones) Yes. One must always give a major department—or even a minor department from our point of view of works expenditure—a right to bring in a brainwave or a clean-skin as we call it—something which has come up as an urgent matter and which must be done. I have always had the feeling that they must be admitted but I would say that 80 per cent. of the jobs comprising the Works programme for a major department should have appeared on the Design List A the previous year. So we enter the programme with 80 per cent. of the jobs fully documented. Q. 101.

MEMBER: In effect you submit to the Committee that although a project may be submitted for consideration in January it has never got on to Design List A by the time your discussions take place and it may be the end of February or mid-March before you say in effect, Yes, put this in the programme we can do it?—(Mr. Jones) That is right. Q. 102.

MEMBER: And that limits you to a couple of months before the commencement of the financial year?—(Mr. Jones) Yes. Q. 103.

MEMBER: And you say that it is undesirable because it is too short a time for the preparation?—(Mr. Jones) Yes, it leads to doubts and difficulties cropping up which in twelve months time may result in under-expenditure.” Q. 104.

32. Later when discussing the delay in completing certain work at the Heidelberg Hospital the witness was asked—

“MEMBER: . . . The Repatriation Department claims that the delay was brought about by the heavy commitments of the Works design staff?—(Mr. Jones) Yes. Q. 150.

MEMBER: Can you assure this Committee that suitable action is taken to impress your officers with the fact that a small job is just as important as a big one?—(Mr. Jones) You would be surprised at the pressure we put on our staff in connexion with sub-requisitions for amounts under £200. There is a tendency for them to be put on the bottom of the pile. Q. 152.

MEMBER: That would be usual routine?—(Mr. Jones) Yes, but we constantly remind our officers of the importance of small jobs . . . Q. 153.

Later the Witness stated—

“ (Mr. Jones) “ The first suggestion I would make which I think I have mentioned earlier is that some of these jobs which are only of a minor nature should perhaps have been incorporated in design list A in order to give us full authority to make enquiries regarding design before they came up for works programme discussion.” Q. 138.



33. Your Committee investigated in detail a number of projects where the failure to make the anticipated progress had resulted in under-expenditure against this Vote.

Qs. 119-122.

34. As a result of these enquiries Your Committee is of the opinion that, in general, too many projects which had been regarded as relatively small jobs had been placed in the Works programme. Although there may have appeared to be reasonable grounds for assuming that substantial progress could have been made with projects of that magnitude it appears obvious that both the Department of Works and the client department were over optimistic in this respect.

Q. 134, 135.

35. It may be that an increase in the Works design staff or in the number of professional officers generally may be achieved in the near future. But failing a definite prospect of this it is considered that a more cautious approach should be made to admitting so many projects straight into the Works programme without closer or more detailed investigation, as it is obvious that the under-expenditure in many cases resulted from a series of unforeseen circumstances and difficulties arising when the actual planning and construction had been commenced.

Q. 169.

36. At one point the Witness stated—

(*Mr. Jones*) “. . . There have been occasions when we could have gone blindly into a project and have spent the money that has been allowed but if we have a feeling that we can economize or improve the design for the same money, we do not mind delaying it.”

37. Your Committee considers this to be a reasonable attitude but notes that it is a further substantial reason for greater care and selectivity when admitting new projects straight into the programme.

#### (b) DEPARTMENT OF HEALTH.

##### *Division 881—Item 1.—Purchase of Laboratory Equipment.*

38. The original appropriation against this Division was £83,000. Later an amount of £11,800 was obtained in the Additional Estimates making a total provision of £94,800 of which £59,081 was expended.

39. During Your Committee's enquiry the departmental representative, Mr. D. G. Dunlop, Assistant Director (Establishment and Finance), stated—

Q. 232.

“. . . the time at which they can place the order for that equipment is probably no earlier than November or December when the Appropriation Act has been passed.

Q. 235.

. . . The order cannot be placed unless there are funds available. Funds are only available if, after taking into account the amount you have spent to date, plus liability on equipment ordered the amounts do not exceed the amounts provided in the Appropriation Act. So you cannot order until funds are available. The only alternative is to get Treasury approval to incur the commitment. With some small item, say replacement items, that procedure would not be a satisfactory way of meeting the situation.”

The Treasury observer informed Your Committee—

Q. 251.

(*Mr. Virtue*) “I should say that it is probably generally true to say that the Department of Health has a peculiar problem which perhaps other Departments do not have . . . Treasury is prepared to consider approving funds pending the passing of the Appropriation so that the Department can certify that funds are available and can place the order early in the year. . . . Otherwise they should use their supply allocation to the fullest extent possible to get their urgently needed equipment and they should come along if they want any more funds approved because of long delivery lag. I think that if they were to do that if there was any likelihood of this recurring they would probably get over some of the problems.”

40. Concerning the further amount of £11,800 sought in Additional Estimates the departmental witness advised—

Q. 266.

“that this amount had been sought about the 2nd December, 1959.”

41. The Treasury observer was then asked—

Q. 269.

“MEMBER: . . . What is the latest date a change can be made in the Additional Estimates?—(*Mr. Virtue*) At the end of March or early in April we would want to know the Department's requirements. In this particular case the requirement for £11,800 was confirmed by the final cut-off date which was say some 6 weeks subsequent to the time when we provided the warrant authority.

Q. 271.

MEMBER: But the Department of Health could have said it did not want the money?—(*Mr. Virtue*) Yes it could.

Q. 272.

MEMBER: As late as April?—(*Mr. Virtue*) Yes.

Q. 273.

MEMBER: You appreciate that position Mr. Dunlop?—(*Mr. Dunlop*) Yes.

Q. 280.

MEMBER: . . . Surely you could have re-allocated the money available to you to absorb this cost falling due for the X-ray laboratory, and then have sought Treasury approval for the other commitment you wanted to enter into?—(*Mr. Dunlop*) All we could have done, knowing what we know now, would have been to seek approval to incur a liability of a certain amount, but we could not have said, “These are the particular items of equipment against

which we want to incur that liability", because of the orders that had been placed and not knowing when they would be delivered and when we would have to pay for them. There would have had to be just a bulk approval for a certain amount. I do not know what the view of the Treasury would be on that."

42. Your Committee appreciates that the Department's position was complicated by the number of relatively small items which were to have been purchased and by the necessity to assure that adequate funds were available at periods throughout the year to purchase replacement equipment.

Q. 250.

43. However in view of the fact that the original appropriation of £83,000 was under-expended by about one-third it should have been possible for the Department to have ascertained by April that it would not need the further amount of £11,800 which had been sought in the Additional Estimates.

44. As the expenditure against this Vote in the previous years had been administered satisfactorily Your Committee does not expect the experience in 1959-60 to be repeated by the Department particularly as it should now be fully seized with the implications of being able to obtain in special circumstances prior Treasury approval to enter into commitments and with the desirability of assuring that a reasonable provision is made for this vote in each Supply Act.

*Division 978—Item 1.—Buildings, Works, Fittings and Furniture.*

45. Your Committee investigated a series of items relating to projects upon which insufficient progress had been made with a consequent under-expenditure of the Vote. The total amount appropriated was £249,000 of which £168,859 was expended.

46. Your Committee considers it worthy of note that only one of the numerous items had been on the Design List prior to its admission to the programme. Q. 292.

47. The investigations revealed that the lack of progress had been contributed to mainly by insufficient investigation prior to certain projects being admitted to the Works programme. In other cases it had been discovered on closer investigation, after the projects had been admitted to the programme, that the works should be postponed or cancelled in order to effect economies or because certain technical aspects made the projects impracticable. Qs. 304, 307 and 327.

48. The Works Department representative also advised Your Committee that there were particular difficulties in—

(Mr. Jones) ". . . Implementing work in the Northern Territory. That also applies to Papua and New Guinea. The Northern Territory is completely different from the States as far as getting work done is concerned. All sorts of difficulties occur. Ninety per cent. of the materials have to come from the South, including from Sydney and Melbourne, and labour is very uncertain. Q. 304.

". . . While we give cognizance to the delays that can occur we have to estimate a reasonable figure. We have to play safe and make sure that we do not run out of cash so that we cannot pay the contractors with the result that they cannot pay the workmen."

MEMBER: What was the total amount under-spent in this Division?—(Mr. Jones) The deficiency on the new programme was £68,115. I suggest—it is only an opinion—that had we had the assurance that cash would be available for commitments we may have made in the early part of the year and perhaps over-spent, that £68,115 could perhaps have been reduced to £30,000." Qs. 347 and 348.

49. Later the same Witness again referred to the peculiar problems attaching in the Northern Territory and stated—

(Mr. Jones) "It is our most difficult area without doubt. Perhaps Papua and New Guinea is equally difficult, but both the Territories are particularly difficult in regard to the recruitment and the retention of staff. I cannot quote the actual figures off-hand, but the turnover of staff in the minor clerical positions and in the professional positions is extremely high." Q. 406.

50. The Witness assured Your Committee—and the observer from the Public Service Board confirmed—that there had been discussions regarding the staffing difficulties in the Territories, but the problem had not yet been solved. Q. 408.

51. As Your Committee has noted above the admission of new works straight in to the Works programmes creates a number of problems, and considers that in future both the client department and the Department of Works would be justified in displaying less optimism than they have to date. Para. 47 above.

52. Your Committee notes also that both the Department of Health and the Department of Works but more particularly the former Department, are carrying out certain clearly defined local functions in the Northern Territory and would recommend that they, and the Public Service Board, give consideration to conducting an early investigation to ascertain whether a greater degree of decentralization may be desirable and feasible, in respect of the operations of these Departments in the Northern Territory. Qs. 307, 308, 328 to 331, 401 to 404, 410.



## (c) DEPARTMENT OF THE NAVY.

*Division 493.—Buildings, Works, Fittings and Furniture.*

53. In this instance there was an expenditure of £933,856 from a total appropriation of £1,300,000.

54. The Department of the Treasury issued a Circular in June, 1960, which detailed procedures required in relation to Defence Works programmes. Witnesses confirmed that this Document was similar to that which had been issued by the Treasury relating to the Civil Works programme and re-stated the principles which had been operating with the Defence Services since 1954.

Q. 453. "MEMBER: Most Departments would have had their individual experience of these requirements, but you have aided and assisted them by bringing the procedure up to date and amplifying it?—(Mr. Reid) Modifying it somewhat, amending it in some aspects of detail but not of principle.

Q. 455. MEMBER: It is aimed at improving the situation, and it is no different from the present practice.—(Mr. Reid) It is aimed at improving the knowledge of departments of how the system runs and what the difficulties are if it is not observed."

55. Again Your Committee investigated in detail a number of projects covering a wide range of expenditures. One involved the sewer main at Nowra—

Q. 481. "MEMBER: . . . Can you explain why the line had to be relocated during the course of the year?—(Mr. Jones) The design was very close to completion when the local naval officer discovered that the effluent line would cross one of their playing fields. He did not like the idea of disturbing their playing field and the job had to be redesigned again."

56. There were other instances of delay arising from failure to fix sites for building projects and from failure to have the departmental requirements established. Mr. C. M. Colgan, Director of Estimates and Audit, Department of the Navy, was asked—

Q. 509. "MEMBER: Looking through the items that we have elected, there are quite a few in which under-expenditure occurred through change of plan.—(Mr. Colgan) Yes. The instruction (Treasury Circular *re* Works Programming) has now been disseminated to all responsible people and we hope that it will have good results.

Q. 521. MEMBER: You would agree that it is rather unfair to expect the Department of Works to agree to a programme if the site is altered once or twice?—(Mr. Colgan) Definitely."

57. Later, referring to a delay from 13th November, 1959, until late February, 1960, by the Department of the Navy, in issuing a requisition for certain works to enable the Department of Works to proceed, the Witness was asked—

Q. 510. "MEMBER: That brings out the second main thread running through these items, the delay in obtaining the necessary funds to put the work in hand.—(Mr. Colgan) . . . There have been considerable delays in obtaining necessary approval from the Naval Staff, technical authorities and others. In a big department, such as Navy, there are many interested people and later—

Q. 551. (Mr. Colgan) "The Department of the Navy is different from many other departments in as much as it has a Naval Board. Naturally, we have our technical authorities, but possibly the circulation of papers in a department of this nature is a little greater than it is in other departments. It may well be that a member of the Naval Board, in his sphere of influence, may have different views from those of the technical man, and consequently there could be quite a good deal of consideration before Treasury is approached or before Works is contacted again. I think that is natural."

Q. 552. MEMBER: But you appreciate the point that Mr. Jones made earlier that tenderers are waiting and ready to go while you are passing the requisition backwards and forwards?—(Mr. Colgan) Yes, but you might recall earlier that one of the instructions that has been issued is that all available detail must be obtained before proposals are proceeded with. I think I mentioned this in connexion with the design list on the works programme. It also applies in this case.

Q. 553. MEMBER: You hope that the introduction of this new procedure will speed up the passage of requisitions through the department?—(Mr. Colgan) We feel that it will."

Qs. 465, 487, 499 and 509. 58. The evidence taken by Your Committee indicates that the major cause of under-spending in this instance is related firstly to the delay or outright failure of the client department to fix firmly its requirements for projects included in the Defence Works Programme; and, secondly, to certain administrative delays related mainly to the forwarding of the necessary requisitions by the Department of the Navy to the Department of Works, to authorize it to proceed.

59. These are administrative deficiencies which are clearly within the power of the Department to remedy. In the light of these facts and with the introduction of a set of clear instructions in the revised Treasury Circular on Defence Works Your Committee expects an early improvement to be shown.



(d) COMMONWEALTH SCIENTIFIC AND INDUSTRIAL RESEARCH ORGANIZATION.

60. In connexion with the underspending Your Committee investigated three separate votes. The Organization was represented at the public hearings by Mr. M. G. Grace, Secretary (Finance and Supplies).

*Division 941—Item 3.—Phytotron.*

61. This vote concerns the construction of the phytotron at Canberra. The Organization encountered unexpected technical difficulties in the design and as the project is unique Your Committee feels that these could not have been foreseen. The expenditure was £32,570 from an Appropriation of £90,000.

*Division 941—Item 2.—Radiotelescope.*

62. In this vote there was a substantial underspending of approximately £134,000 from a provision of £340,000. The project relates to the construction of a giant radiotelescope at Parkes, New South Wales, at a total cost of almost £900,000. The under-expenditure related to the supply of pre-fabricated steel parts from Germany and the position was—

“MEMBER: Did the German firm quote firm delivery dates?—(Mr. Grace) Yes. Q. 661.

MEMBER: It has not honoured that agreement.—(Mr. Grace) Yes, it is right up to its programme. We are not complaining about that. It is up to programme and we expect the telescope will be ready for operation within the period they tendered for. The contractors have not fallen down in that respect but they have not complied with the requirements about the equity we had established in this piece of equipment through progress payments to date by taking up appropriate insurance cover. Until that was done, we refused any further progress payments. Q. 662.

MEMBER: That has been satisfactorily adjusted.—(Mr. Grace) Since the commencement of this financial year, that matter has been adjusted and further progress payments made.” Q. 663.

63. In the circumstances Your Committee consider that the under-expenditure resulted from a reasonable and prudent action on the part of the Organization.

*Division 941—Item 1.—Buildings, Works, Plant and Developmental Expenditure.*

64. Of the major items investigated the first was the solvent degreasing project on which was expended only £3,309 of the £63,000 appropriated. The witness advised Your Committee—

(Mr. Grace) “The story behind that is this, our Wool Textile Research Laboratory at Geelong developed a process for the scouring of wool. We were most anxious for this process to be established in the United Kingdom where so much of our wool is exported. We thought it was in our interest, and the interests of the country, to have this process brought prominently under notice of the mills in England. With that in mind, we started in 1957 and entered into agreements with a well-known machinery firm Petrie and McNaught to cover the design of a machine for the scouring of wool. . . . Although, on the best advice we could get, Petrie and McNaught were chosen as the most suitable manufacturers of scouring equipment in the United Kingdom, our experience has shown that the firm has been far from satisfactory. It contributed very little to the design of the proposed plant. Although the firm was a full partner in the project from which it stood to derive considerable benefits, it was unwilling to take any steps that would involve it in any financial risks. . . . Q. 573.

It was only towards the end of last year that we came to the conclusion that we were getting nowhere with this crowd, so we abandoned our agreement with them—with their consent, of course.” Q. 575.

65. Your Committee considers that this was a most unfortunate experience, the results of which could not have been foreseen—

“MEMBER: . . . they are incapable of producing the type of plant desired.—(Mr. Grace) I would not like to say they were incapable; they were not sufficiently interested to produce it, and they have their own opinion—and it may be quite an honest opinion—that there would not be the demand for the equipment in England that we think there would be. Q. 579.

66. Your Committee was pleased to learn—

(Mr. Grace) “. . . we think that their assessment was wrong. There is an Australian firm, G. H. Mitchell and Sons Limited of Adelaide, which is manufacturing one of these plants, and in fact has completed it and demonstrated it to be quite efficient. Our Chairman only recently returned from England, and he told us that the fact that this plant had been established and was operating satisfactorily had been announced in England while he was there, and had aroused quite considerable interest.” Q. 573.

MEMBER: You spoke of the Mitchell firm in Adelaide doing some work. Did the C.S.I.R.O. have knowledge of that? (Mr. Grace) Yes, we were very interested in it, and we gave them a good deal of assistance. Q. 581.

67. Two other projects investigated by the Committee were the construction of a Protein Chemistry Laboratory at Parkville on which only £4,376 were spent from an appropriation of £31,500 and the Textile Laboratory at Geelong on which nothing had been spent from an appropriation of £40,000.

Qs. 620, 631,  
636, 639, 643,  
645 and 650.

68. Your Committee was informed that in both these instances the design had been entrusted to private architects who had produced plans which were unacceptable to the Organization. They were unacceptable on the general grounds that they were too large and expensive for the Organization at that stage. The evidence indicates that the Organization was not sufficiently specific in its instructions to the architects and that, in future, it will need to investigate its requirements more closely before initiating projects of this nature.

(e) DEPARTMENT OF TERRITORIES.

*Division 751—Sub-division 5.—Stores and Material.*

69. In this instance there was a full expenditure of the net appropriation but the gross appropriations of £615,100 were utilized only to the extent of £110,283. The deduction item was £54,448 compared with the estimated figure of £559,265.

70. The practice prior to the financial year 1959–60 had been for the various Branches of the Administration to purchase their store requirements direct against a vote for the particular branch. The new form of the Estimates was designed to meet the introduction of a system of Central Store purchasing and stockholding which would enable a more expeditious and economic acquisition and distribution of stores.

71. The Treasury observer furnished the following comment:—

Q. 760.

(Mr. Townsend) “ . . . when the estimate for 1959–60 was framed the Treasury was presented with estimates which were said to be based on all stores and material purchased being processed through this vote. I must say that it was with some surprise that we learned subsequently that this old system of direct purchasing from the appropriations was being continued. Perhaps it is a matter for consideration whether we should run a dual system, but the point I make is this: This set of figures was presented to the Parliament, and some other procedure than that which was envisaged at the time the estimates were framed was followed.”

Q. 719

72. Briefly, the introduction of the new procedure had been delayed for five months by the Northern Territory Administration due to the absence on sick leave of the Superintendent of Stores and it had been unable to provide a suitable relief officer.

Qs. 780  
and 781.

73. The result then was that instead of this particular appropriation—Sub-Division 751/5 which had been provided especially for the purpose—being used to purchase items into a central store for re-issue to certain branches of the administration, the items required had been bought and charged direct to the appropriation provided for the branches themselves.

Qs. 787 and  
788.

74. The fact that the absence of one officer should result in an important new procedure not being introduced causes Your Committee some concern. We trust that the recent creation of an additional senior position in the Northern Territory will assure that administrative failures of this nature do not occur in future.

*Division 971—Item 7.—Loans to Church Organizations for Erection of Residential Accommodation.*

75. In 1959–60 there was an expenditure of £49,161 only from an appropriation of £170,000. In the previous year 1958–59 expenditure was only £3,860 from an appropriation of £100,000. The representative from Department, Mr. L. L. Gillespie, Assistant Administrator (Administration, Services and Finance), stated—

Q. 748.

“ . . . In this sort of vote, you do not want too little money and you do not want too much either, but you tend to go to one extreme rather than the other.

76. And later—

Q. 751.

“ . . . but our trouble in the past has been, I think, that we did not go into it as deeply as we might have, or questioned these people as thoroughly as we might have. I would have to admit that. I am not trying to suggest that we have done everything that we should have done. In fact it is very obvious that we have not in some cases.”

Q. 733.

77. The allocation of the necessary land leases is controlled by the Department itself whilst the Organizations' representatives were available locally to supply fuller and more precise details of their projects.

78. It was clear to Your Committee, from our investigations, that adequate realistic investigations had not been made by the Department prior to seeking the amounts which were included in the appropriation.

(f) DEPARTMENT OF NATIONAL DEVELOPMENT.—DIVISION OF NATIONAL MAPPING.

*Division 412—Sub-Division 3—Item 2.—Aerial Survey and Photography.*

79. The original appropriation was £75,000 and a further £80,000 was provided in the Additional Estimates to meet an expanded programme of aerial survey and photography—mainly on projects associated with areas of significance in the search for oil.

80. The Department had closely investigated all possible material factors related to the surveys and was confident that the work envisaged would be completed by 30th June, 1960. However, circumstances beyond its control precluded many of the scheduled flights and the anticipated expenditure was not incurred.

81. The circumstances arose from the weather conditions which were unsuitable for aerial photography—in one case during a period of 157 days, flying was restricted to 42 days and of these 42 only 14 permitted effective photography. The experience was most unusual as the suitable periods were far below the average for the particular areas concerned. Q. 873.

*Division 412—Sub-Division 3—Item 3.—Other Survey and Mapping Work—Oil Search.*

82. As noted previously in this Report, this vote included the sum of £100,000 although it was known that no actual expenditure would be recorded against it. The intention was to “transfer” the actual expenditure to specific votes in the Additional Estimates after the amounts required were ascertained during the course of the financial year. Paragraph 23 above.  
Exhibit No. 51/13.  
Paragraph 4.

83. In due course the sum of £100,000 was “re-appropriated” in the second Appropriation Act against twelve separate votes. Ibid.

84. As noted in the footnote of page 77 of the Estimates for the year ended 30th June, 1961, the actual expenditure against these later appropriations aggregated £80,330. The under-expenditure involves relatively small amounts for each of the individual items comprising the various votes for Salaries, General Expenses and Other Services in the appropriations for the Division of National Mapping and Division 931 Item 1 in the Capital Works and Services votes for the Bureau of Mineral Resources.

BUREAU OF MINERAL RESOURCES.

*Division 413—Sub-Division 3—Item 1.—Operational Expenses.*

85. The circumstances investigated by Your Committee in respect of this appropriation are similar to those referred to above.

86. In this case the sum of £200,000 was provisionally appropriated but the aggregate amount of £67,680 only was “re-appropriated” in the second Appropriation Act against five separate votes. Included in this amount was £65,000 for Division 931 Item 1 (Capital Works and Services). Paragraphs 82 to 84.

87. Of the funds provided in these five new specific appropriations only £27,874 was actually expended. Q. 882 and Footnote (c) page 78  
Estimates 1960–61.

88. The reasons for the under-expenditure were set out in some detail by the Department in a document presented for the information of Your Committee. These explanations were amplified in the course of discussions with departmental representatives and the following is an example, given by the Accountant Mr. F. A. J. Frawley, of the type of difficulty which can arise— Exhibit No. 51/13, page 6.

(Mr. Frawley) . . . drilling actually commenced on 1st August, 1959, and after the hole had been drilled for some time the casing snapped, the bit got stuck in the hole. In trying to pull it out the drilling mast collapsed. So drilling was totally suspended for the time being. The contractor obtained another drilling mast from the Eastern States and tried to work with that, but it was found to be unsatisfactory, and finally he had to make arrangements for the purchase of a drilling mast overseas. . . . Q. 891.

89. Further substantial underspending arose from the fact that certain equipment, being purchased with funds provided in the Capital Works and Services vote, was not received from overseas before the 30th June, 1960. This resulted in the Bureau being unable to carry out a number of projects in the field with subsequent under-expenditure on salaries and other operating expenses. Q. 903.

90. With regard to the recruitment of additional staff the witness was asked—

“MEMBER: . . . when did you initiate the process of recruiting the new staff?— Q. 918.  
(Mr. Frawley) Our detailed proposals went forward to the Board on 2nd November (1959). Q. 919.

MEMBER: When were they finally approved by the Board and the Treasury?—(Mr. Frawley) Q. 920.  
They were finally approved by the Board on 19th May. The Treasury covered it with funds on 10th June, 1960.”

91. Questioned as to why this period had elapsed, having in mind the fact that the Government's decision had been announced in April, 1959, Mr. Temple Watts, Acting Director of the Bureau of Mineral Resources, stated— Q. 921.  
Q. 922.

(Mr. Temple Watts) . . . I believe a question of policy is involved. We were advised that the submission for staff should not go forward until the Act had been passed by Parliament. That was either late October or early November. I think it was assented to on 4th November. As soon as the Act was passed our submission was made.

92. The observer from the Public Service Board was then asked—

Q. 927.

MEMBER: The task of getting the officers required to expand the oil search programme meant a lapse of six months from the time the submission was put up to the time when final approval was given. Is that the usual length of time taken?—(Mr. Nordeck) No. I would say that was exceptional. There were a number of problems associated with this matter. When the scheme was first developed it was pointed out that the additional demands that would be placed on the organization and the paucity of staff would undoubtedly cause considerable delays and accentuate recruitment difficulty. As the organizational programme was developed, it was found that we could not just meet the requirements. We had to consider to what extent the staff already in employment would be used, and to move them over from other activities to the oil side and so on. It was a question of re-planning. It was just not possible to increase the number of positions to the order of 80-odd and get them just like that. They were just not available. Discussions went on between the Department and the Board for a considerable period as to how the organization could best be designed in view of all the attendant difficulties. As Mr. Frawley has pointed out, the position is gradually improving.

93. Your Committee notes that the under-expenditure was attributed by the Department to the lack of staff and equipment. Both the Department of the Treasury and the Department of National Development should have realized that the normal delays in obtaining these made the original appropriations unrealistic.

*Division 931—Item 1.—Plant and Equipment.*

Exhibit  
No. 51/13  
pages 8-9.

94. The original appropriation was £80,000 and a further £75,000 was obtained in the second Appropriation Act. Of the total provision of £155,000 the amount of £62,266 remained unexpended at 30th June, 1960.

Paragraph 86.

95. The amount of £75,000 obtained at the time of Additional Estimates included £65,000 "transferred" under the procedure already noted above. Actual expenditure from these particular moneys was only £4,233.

Exhibit  
No. 51/13,  
page 9.

96. The Department's explanations stated—

"Notwithstanding delays in the delivery of much of the equipment due to the United States Steel Strike, it was confidently expected that substantial deliveries would be made not later than June. As payment is made in New York against shipping documents it was expected that a large amount would be included in the June New York vouchers. This was not the case.

Subsequent investigation has shown that whereas the principal indents were placed with the New York office in December, 1959 to February, 1960 (maximum delivery 120 days from receipt of order) the orders were not placed with the United States suppliers until nearly May, 1960.

The equipment concerned is highly specialized and suppliers were recommended to the New York office on the basis of extensive enquiries by the technical officers of the Bureau. However, by the time that New York office had assured itself that the Bureau's recommendations as to the sources of supply were acceptable the issue of formal orders was held over for the periods indicated above. In the final result the orders were placed with the recommended suppliers."

Q. 909.

97. The Witness later explained that the reference to the New York office meant the office of the Australian Consul-General through which overseas purchasing is arranged.

Q. 906.

98. However, certain major items of equipment were not ordered until 23rd December, 1959 and 25th February, 1960—

Q. 907.

"MEMBER: . . . You had it in mind as part of the programme at the beginning of the year. Why did it take so long to get round to ordering it?—(Mr. Frawley) I would require confirmation on this from Mr. Temple Watts, who is more familiar with the matter, but I would say that with the search for oil all over the world being as it is there is a continuous development in the design of oil search equipment, even seismic equipment, possibly only to the extent of modifications or improvements. Our technical officers who handle our equipment would have to be in communication with the people in the United States regarding specifications, and might find it necessary to have equipment modified specifically for Australian conditions. That would take some little time. Is that a fair statement, Mr. Temple Watts?—(Mr. Temple Watts) Yes."

99. Your Committee consider that the Department, with the knowledge it had of the highly specialized nature of the equipment required, was originally unduly optimistic with regard to supply but could not have been expected to anticipate the delay in fulfilling the orders after deciding on the items to be purchased.

GENERAL.

Paragraphs  
79 to 99.

100. The three appropriations for the Department of National Development which have been detailed above are inter-related and several important features have been noted by Your Committee.



101. Firstly, there is the actual method of presenting the Estimates which did little to provide the Parliament with a clear understanding of the purposes for which the moneys were appropriated. Cryptic footnotes—for example, footnote (c), page 77 of the original Estimates for 1959–60 referring to Division 413/3/01 are not adequate explanations, whilst there was no attempt at any explanation to the appropriation against Division 412/3/03.

102. Secondly, the Department of National Development could not reasonably have expected to obtain the necessary equipment and staff in time to achieve the expenditure proposed. In fact, it could take no steps to obtain the required staff establishment, involving some eighty positions, until November, 1959, for which the personnel had still to be recruited after the Public Service Board had approved the creation of the actual positions involved.

Paragraphs 91  
and 92 above.

103. Thirdly, if there is to be an appropriation by direction of the Government, for a specific purpose and it is not possible to present the details immediately to the Parliament then a one line appropriation, with a meaningful description and covered by adequate explanatory footnotes in the Estimates, is preferable to the obscurities of the procedures encountered in this enquiry.

*Division 644/2/01.—Search for Oil—Subsidy.*

104. The sum of £1,100,000 was appropriated against this vote, including an amount of £600,000 which the Government was prepared to make available to assist in the search for oil. The actual payments totalled £359,893 resulting in an under-expenditure of £740,107.

105. At the 30th June, 1960, the Department had accumulated possible commitments in respect of subsidies of about £1,340,000. These comprised—

	£
Twenty approved applications waiting signing of formal Agreement .. .. .	433,757
Nine applicants who failed to submit claims in time for payment in 1959–60 against work actually completed ..	202,410
Eleven applicants who failed to submit final reports covering work actually completed .. .. .	145,727
Ten applicants who had completed insufficient work in 1959–60 to be eligible for subsidy .. .. .	526,973
	<hr/> 1,308,867

Committee  
Document  
No. T.A. 60/36.

106. The Department explained that the first three categories of applicants would, but for certain formality deficiencies, have been eligible for payment in 1959–60 of subsidies totalling £781,894. As the under-expenditure was £740,107 the inference was that the Department was in no way to blame for failure to expend the full appropriation.

107. Your Committee investigated in detail the position concerning the applicants to whom payments are, in effect, outstanding. Failures by the applicants to make claims or to furnish required reports were, in some cases, outside the effective control of the Department. The Department claims that its requirements are not only reasonable but necessary to protect the interests of the Commonwealth. There had been some delay initially in having the necessary legal agreements drafted and Your Committee was informed that the problem no longer exists to any extent as it has been possible to standardize a number of agreements to cover most of the types of applications being received.

Qs. 930,  
936–938 and  
941–943.

108. Witnesses later indicated that, subject to any further decisions the Government may make, the full amount of the Government subsidy originally offered will be available.

Q. 945.

“MEMBER: The Minister said that the total subsidy allocation for the financial year would be just over £1,000,000. As far as the companies are concerned, the total amount available to subsidize oil search, presuming you are under-spending, is lost for ever. What arrangements have you got?—(Mr. Frawley) We envisaged this possibility, that in accordance with normal estimates procedure if a vote is not spent by the end of the year it lapses. Foreseeing this we had discussions with Treasury officers and we agreed that to allow the votes to lapse would be totally to undermine the Government's intentions, which were over three years to spend £1,800,000 in subsidies. This £1,000,000 is an extension of the Government's intention. For the previous two years the Government has made available £500,000 a year. This £1,000,000 is over and above that and this extra £600,000 in 1959–60 made it £1,100,000, for the year. We have an agreement with Treasury that the total amount of subsidy, commencing 1st July, 1959, will be £3,059,000.”

Q. 944.

(g) DEPARTMENT OF CUSTOMS AND EXCISE.

*Division 880—Item 1.—Building, Works, Fittings, Furniture and Purchase of Vessels.*

109. In view of certain legal formalities under consideration at the time, Your Committee deemed it desirable to conduct these enquiries in private. In the course of these enquiries the acquisition of two motor launches was considered.

Q. 971. 110. In one case a harbour launch for use in Sydney was purchased in the previous financial year 1958-59 for an expenditure of some £5,000 less than the original estimate of £16,000. Economies in construction—mainly in the type of engines fitted—had resulted after consultation with the Australian Shipbuilding Board.

Q. 988. 111. In 1959-60 an amount of £54,000 was provided for the purchase of a sea going launch for Fremantle. A contract for the supply of this vessel was let, after calling open tenders, to an English firm. One tender was received from an Australian firm and this did not conform to the advertised specifications.

Qs. 985 and 1006. 112. Difficulties arose subsequently concerning the details of the specifications agreed to by the successful contractor. The processes of solving these difficulties necessarily caused some delay and resulted in no progress being made with the construction of the launch.

113. The evidence obtained by Your Committee indicates that the circumstances in this case absolve the Department of Works from blame in relation to the under-spending and non-supply of the launch. However, as the Department of Works does not have specialized staff on its establishment to handle this type of contract and, even if its procedure in this case is considered impeccable, Your Committee considers that it would be justified in seeking further and more detailed advice—for example, from the Department of Shipping and Transport—before negotiating contracts of this nature.

#### (h) DEPARTMENT OF NATIONAL DEVELOPMENT.

##### *Division 939—Item 2.—Expenditure under the River Murray Waters Act.*

Qs. 817 and 824. 114. Evidence was given that neither the Department of National Development nor the Department of Works had any part in the formulation of the estimates for the River Murray Commission. The Minister for National Development is the President of the River Murray Commission and Dr. L. F. Loder, C.B.E., whose official position of Director-General, Department of Works, might be said to be irrelevant in this context, acts for the Minister at meetings of the Commission.

Q. 824. 115. The Commission itself is not responsible to any Commonwealth Minister. The individual members are separately responsible to their own Ministers and the Commission acts directly in accordance with the River Murray Waters Agreement.

Q. 825. 116. The members represent the four Governments concerned—those of the Commonwealth and the States of New South Wales, Victoria and South Australia, and the respective Governments are responsible for designing and constructing the works within their States. The Governments are bound under the Agreement to provide the amounts required by the Commission although the Agreement limits the specific works that can be done.

117. With regard to the sharing of costs, the Witness was asked—

Q. 851. “MEMBER: I take it that this sum of £170,000 is a quarter of the amount that would be provided by the Commission. The three States would make an equal contribution?—(Dr. Loder) Three States and the Commonwealth.”

With regard to previous estimating, the Treasury observer indicated—

Q. 845. (Mr. Attridge) “We have felt, looking at past experience, that the Estimates have been on the high side, and we have discussed the figures with the Commission on these occasions.

MEMBER: With which Department would you carry out your correspondence in relation to this vote?—(Mr. Attridge) It has been discussed, I think, with the Commission.

Q. 848. MEMBER: There has been no correspondence between the Treasury and the Department of National Development?—(Mr. Attridge) No.”

Q. 852. 118. The Commonwealth Minister's representative on the Commission (Dr. Loder) indicated during the course of the investigation that the under-expenditure resulted mainly from engineering difficulties arising from the use of new construction techniques, from delays due to wet weather and from the late arrival of vital equipment because of the steel strike in America. This referred to the Hume Weir.

Q. 855. 119. Proposed expenditure in relation to Lake Victoria was not incurred due to new proposals being put forward by South Australia.

120. Your Committee is of the opinion that the under-expenditure in 1959-60 was due largely to unusual circumstances. At the same time however the particular methods by which finance is provided for the River Murray Commission place a special responsibility on the Department of the Treasury and the Minister's representative on the Commission.

Q. 857. (Dr. Loder) “. . . The Commission would say, ‘We will spend a certain amount.’ They must provide for that amount, because expenditure may reach that. I then discuss that with the Commonwealth Treasury. Over the last couple of years we have had difficulty in spending the sum provided for and the Treasury has said, ‘Perhaps if we provide a lesser amount that may be all you will need. If expenditure goes to the full amount, we will have to provide for it in Additional Estimates.’ We have used our joint judgment in regard to the amount to be shown in the Estimates. Of course, I must formally support the Commission as to what it may require. The States do not like an estimate that is going to be exceeded, particularly for their purposes.”

121. Now that Your Committee's investigation has brought this problem more closely under notice, it trusts that the officers concerned will endeavour to produce estimates in future which will prove more accurate than those of recent years.

#### EPITOME.

In the above Report—

122. Your Committee notes that the advances during the year required approximately the full amount of the £16,000,000 provided for the Advance to the Treasurer. The final expenditure figure of a little over £2,000,000 has no particular significance. The main point of interest is that this final figure would have been more than doubled had not changes been made in the form of the Estimates for the Defence Services.

123. Our investigations also revealed existing difficulties relating to deduction and transfer items in the Estimates. Your Committee has already furnished, in its Forty-ninth Report, the results of its inquiry into the Miscellaneous Services section and will continue its general inquiry into the form of the Estimates as circumstances permit.

124. Your Committee expresses concern that some unsatisfactory features associated with both the Civil and Defence Works Programmes have again come under notice. Whilst the Department of Works appears to have shown some over-confidence in its ability to complete relatively minor new works which had not been admitted to design lists, the difficulty relates mainly to such works as were included in the programme by Departments who had not clearly defined their requirements—nor determined the sites in some cases—by the time the Department of Works was ready to proceed with the design.

125. Failure by Departments to furnish the Department of Works with requisitions promptly for the relevant amounts when advised that tenders are ready for acceptance, is administratively indefensible.

#### CHAPTER V.—OTHER ITEMS CONSIDERED.

126. 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. In addition, Your Committee sought from departments explanations for the substantial under-spending of a number of votes. Some we have already reported upon; the remainder we list below.

##### DEPARTMENT OF EXTERNAL AFFAIRS.

Divisions No. 145/1/01, 02; 145/2/03, 04, 08; 628/01.

##### DEPARTMENT OF THE INTERIOR.

Divisions No. 231/2/09; 231/3/01; 860/01, 02.

##### DEPARTMENT OF CUSTOMS AND EXCISE.

Division No. 880/01.

##### DEPARTMENT OF HEALTH.

Division No. 885/01.

##### DEPARTMENT OF PRIMARY INDUSTRY.

Divisions No. 685/01; 686/01, 02; 687/01, 02.

##### DEPARTMENT OF SHIPPING AND TRANSPORT.

Divisions No. 640/08, 09; 906/04; 909/02.

##### DEPARTMENT OF TERRITORIES.

Division No. 975/02.

##### DEPARTMENT OF LABOUR AND NATIONAL SERVICE.

Divisions No. 401/3/03; 689/01, 02, 03.

##### DEFENCE SERVICES.

Divisions No. 533/13; 536/05; 604 (under control of Department of the Interior); 615 (under control of Department of Shipping and Transport).

## PART II.

## FINANCE STATEMENT.

## TABLE OF TRUST FUND INVESTMENTS.

In October, 1959, Your Committee received a memorandum from the Department of the Treasury, in the following terms:—

Committee  
Document.

## “ FINANCE STATEMENT—TABLE OF TRUST FUND INVESTMENTS.

It has been the practice in compiling the Finance Statement to include in the table of Trust Fund investments a column headed ‘ Annual Amount of Interest ’.

In the view of the Treasury, the information is of little worth and, furthermore, not appropriate for inclusion in the Finance Statement.

It might perhaps be argued that the information gives some idea of the earning rate of the respective accounts, but use of the figures from this viewpoint can be very misleading because of the changes that occur during the course of the year in the investments held. As an example, the ‘ Annual Amount of Interest ’ shown against Loan Consolidation and Investment Reserve as at 30th June, 1958, was £13,000,000. The actual amount of interest earned in 1957–58 was £11,200,000 and in 1958–59 £10,300,000.

If anything, the figures are estimates of future receipts rather than an adjunct to a record of accounting transactions in the completed year and as such have no proper place in the Finance Statement.

Advice has been received that there is no Audit objection to omission of the information.

Treasury would be pleased to learn whether the Committee would agree with this comparatively minor change in the form of the Finance Statement.”

Treasury advised subsequently, in answer to a query from Your Committee—

“ The Treasury’s records do not disclose the reason for the introduction of the table or the interest column. However, the table does provide details of the investments included in Table No. 1 of the Finance Statement, Statement of Treasury Balances.

There is no record of any request for the information contained in the column.

There is no evidence in the Treasury records of the information in the interest column being used by anyone at any time.”

After careful consideration Your Committee decided that it had no objection to the proposed amendment which has been introduced into the Finance Statement, 1959–60.



## PART III.

The Sixteenth Report of Your Committee sets out in detail the arrangements that have been made with the Treasurer to ensure follow-up action on Your Committee's Reports. Briefly, a copy of the relevant report is forwarded to the Treasurer with a request that he give it his consideration and inform the Chairman what has been done to deal with Your Committee's comments. The reply is in the form of a Treasury Minute which is submitted to Parliament as a report from Your Committee.

### CHAPTER I.—TREASURY MINUTE ON THE FORTY-FIRST REPORT OF YOUR COMMITTEE.

#### EXPENDITURE FROM ADVANCE TO THE TREASURER FOR THE YEAR 1957-58.

In its Forty-First Report resulting from investigations of expenditure from Advance to the Treasurer for the year 1957-58—

##### *Summary of Committee's Conclusions.*

Your Committee:

##### *Treasury Minute (29th September, 1960).*

The Treasury has examined the Report and where appropriate, has discussed with the Departments the observations and conclusions of the Committee.

#### TOPICS OF SPECIAL INTEREST.

expressed belief that the change in the procedure for informing Parliament of expenditure from the Treasurer's Advance would save costs has been realized but further savings would result if the detailed salary information in the Statement could be reduced or excluded.

As the Committee has noted in its Forty-third Report, revisions in the form of the salary information have been made in the Statement of Expenditure from Advance to the Treasurer for the year 1958-59. In a memorandum to the Committee dated 3rd July, 1959, the Treasury has suggested that further consideration of this matter might form part of the separate investigation that the Committee has resolved to undertake upon the Budget papers and estimates documents.

#### DEPARTMENTAL ESTIMATING.

said that its criticisms and suggestions year by year, the probings of the Treasury and conferences on financial management organized by the Public Service Board are bringing about some improvements in the standard of departmental estimating; and

The need for accurate estimates of expenditure is repeated in the annual Treasury circular concerning the preparation of the draft Estimates. The Treasury notes the Committee's conclusion that the standard of departmental estimating is improving.

from a study of the evidence it felt that in the preparation of estimates some departments have failed to discharge the obligations imposed upon Permanent Heads by the Public Service Act 1922-1957;

#### DEPARTMENT OF EXTERNAL AFFAIRS.

noted that its investigations have disclosed what seems to have been a complete unawareness, by the Department of External Affairs, of the principles of estimating and a failure to profit by past experience of substantial under-spending. In both 1957-58 and 1958-59 the allocations sought by External Affairs were substantially above the amounts finally allotted by the Defence Department.

The Department of External Affairs has advised that it is unable to agree that it displayed "a complete unawareness of the principles of estimating and a failure to profit by past experience of substantial under-spending". The Department states that it finds it difficult to believe that the evidence before the Committee justified statements such as that in paragraph 36, reflecting on the attitude of Departments and Permanent Heads towards the estimating process and that so far as the Department is concerned, the statement has no foundation.

were told that the vote of £600,000 as finally determined for 1958-59, was the result of careful study of the experience of the past two years and of a critical appraisal of the amount of expected expenditure for each project; and are surprised that anything less than this should have been done when preparing the estimates initially.

The Department further states that within the limitations imposed by time, pressure of other demands and availability of staff, the estimates are prepared with the utmost care and are

*Summary of Committee's Conclusions.**Treasury Minute (29th September, 1960).*

discussed in detail with the Permanent Head before submission to the Minister. The Department is well aware that its estimates in the years 1957-58 and 1958-59 were seriously in error and does not expect to escape criticism. It mentions that it did explain in detail to the Committee the real difficulties it faced in seeking accurate estimates.

To ensure a higher standard of estimating in future, the Department has advised that examination has been made of the organization and procedures within its control.

The Public Service Board advised that after an overall review of the Department's needs in the finance area a new senior position of Finance Officer was created and revised procedures were introduced to streamline accounting work at overseas posts and the related examination of accounts at Head Office.

**Your Committee:****DEPARTMENT OF THE INTERIOR.**

considered that the Department of the Interior, as the authority controlling the transport vote, was under an obligation to ensure, within the means available to it, that the expenditure was no more than was necessary, that transport was being used economically and within the limits of the conditions laid down. In our view the Department showed a lack of initiative and a reluctance to take steps to correct a serious situation; and

that the unnecessary, uneconomic and use for unofficial purposes have continued in the face of the Prime Minister's instructions and the criticisms of the Auditor-General is a serious matter and reflects on the user departments concerned.

The expectation that expenditure on official car transport would fall in 1958-59 (other things being equal) as the result of Departments being required to meet their own car transport costs in Canberra was realized.

Expenditure in 1957-58 was £107,610. In 1958-59 expenditure by the same Departments was approximately £94,000, or a reduction of about £14,000. However, in 1958-59 the Service Departments moved to Canberra and incurred additional expenditure on car transport costs to the order of nearly £7,300 over their expenditure in Canberra in 1957-58. The overall reduction was thus about £21,000. In contrast, the average annual increase in expenditure for the three years ended 30th June, 1958, was £8,700.

In his last annual report, the Auditor-General has stated that audit examinations during the year disclosed substantial improvements in the control of official transport costs and that, provided there is no relaxation of present controls, the situation may be regarded as reasonably satisfactory.

**DEPARTMENT OF WORKS.**

questioned the reasons why the return from surplus stock disposals had been so small but did not pursue the inquiries because it understood the Public Service Board had been directed to undertake a review of stockholdings in all Commonwealth departments.

The review of all stockholdings by Commonwealth Departments in collaboration with the Public Service Board is still in progress.

**DEPARTMENT OF SUPPLY.**

recorded in 1957-58 expenditure of £1,123,429 was allocated from the Treasurer's Advance to enable the purchase of houses and flats in Victoria and New South Wales as quarters for married Service personnel; and

that it was possible to do this because of the substantial shortfall in expenditure in other votes within the Defence estimates.

The Department has advised that the Committee's observations on Departmental estimating were distributed throughout the Department for the information and guidance of all officers concerned with the Estimates.

DEPARTMENT OF SUPPLY—*continued.*

While Your Committee did not question the purposes of the expenditure we thought that the Defence estimates might have been more realistic in the first instance.

Your Committee:

## THE DEFENCE WORKS PROGRAMME.

ascertained that the main reasons for the failure of the programme include—

- (a) the way it has been framed; and
- (b) vacillation and delay on the part of sponsoring departments in submitting approvals and essential information to the Department of Works;

and stated that evidence of poor and unco-ordinated planning and of ineffectual operation of the Defence Works Programme is too strong and too persistent to be denied but do not, in this connexion, impute blame to the Department of Works;

have been informed that steps are being taken to remedy permanently an unfortunate situation.

The Defence Works and Civil Works Programming procedures are now in line. Departments are aware of the unsatisfactory results in past years and the necessity for an improved administrative effort. The results for 1958–59 showed a decided improvement and reflected better planning.

## DEPARTMENT OF IMMIGRATION.

noted that the appropriations for payments for services performed by governmental authorities had been substantially under-spent for the years 1956–57 and 1957–58 suggesting that the “commitment” is too indefinite to warrant a full provision in the Estimates, and

noted with reference to the Estimates for expenditure on migration that these were another illustration of a department able to discuss objectively the difficulties associated with carrying out its policy and yet over a period of years seemingly disregarding those difficulties when preparing its Estimates. The evidence indicated that recent estimates of expenditure under these items could have borne a greater resemblance to the facts that they did.

The Department has advised that in the knowledge that claims for the United Kingdom authorities are slow in coming to hand, it will, in future, be in a better position to estimate expenditure in respect of services performed by governmental authorities for each financial year. There was no shortfall in expenditure under this heading for the year 1958–59.

The Department states that it will continue to approach realistically the planning of the annual migration programme and in that task will bring to account all known factors and indications concerning recruitment prospects in each source area.

## THE DEFENCE SERVICES.

drew attention to the fact that a claim for £59,427 from the Admiralty in respect of oil fuel supplied to the Fourth Submarine Squadron between October, 1949, and March, 1955, was met from the Treasurer's Advance; and

recalled comments made in our 20th Report regarding a similar claim and suggest that the matter might be further pursued with the Department of the Navy by the Department of the Treasury.

The Department of the Navy has advised that careful attention is being paid to the recording of liabilities due to the Admiralty for supplies and services rendered overseas.

The advice received from the Admiralty concerning delays in rendering claims is referred to in paragraph 9 of the Treasury Minute relating to the Twenty-fifth Report of the Committee. The Department states that the position has improved and that it is now endeavouring to follow up outstanding claims.

## CHAPTER II.—TREASURY MINUTE ON THE FORTY-SIXTH REPORT OF YOUR COMMITTEE.

### OUTSTANDING CLAIMS. SECTIONS 36 (2) AND 51 (f) OF THE AUDIT ACT 1901-1959.

In its Forty-Sixth Report resulting from investigations of these requirements of the Audit Act for Departments to prepare statements of outstanding claims—

#### *Summary of Committee's Conclusions.*

Your Committee stated :

we do not think that the annual preparation of detailed statements by departments is necessary to detect undue delay in the payment of claims by reason of administrative breakdowns or inefficiency. We do not believe that serious cases in this category would go undetected by the Audit Office and they, too, should be the subject of report to the Parliament. There is also the added protection that dissatisfied creditors of the Commonwealth are themselves unlikely to allow such a matter to rest.

And recommended :

the repeal of sections 36 (2.) and 51 (f) of the Audit Act.

T. H. CRANSTON,

Secretary,

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

15th November, 1960.

#### *Treasury Minute (27th October, 1960).*

The Secretary, Department of the Treasury:

I am directed to state:—

A Bill introduced in the Parliament on 18th August, 1960, proposes to give effect, from 30th June, 1960, to the recommendations of the Committee by the repeal of sections 36 (2.) and 51 (f) of the Audit Act.

For and on behalf of the Committee,

F. J. DAVIS, Chairman.