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1961

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

FIFTY-EIGHTH REPORT.

THE REPORTS OF THE  
AUDITOR-GENERAL—FINANCIAL  
YEAR 1960-61.

By Authority:

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JOINT COMMITTEE OF PUBLIC ACCOUNTS

FOURTH COMMITTEE.

F.A. Bland, Esquire, C.M.G., M.P. (Chairman)<sup>1</sup>

F.J. Davis, Esquire, M.P. (Chairman)<sup>2</sup>

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Senator H.W. Wade 5  
Senator I.E. Wedgwood  
Senator G.C. McKellar 6

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L.H.E. Bury, Esquire, M.P.  
J.F. Cairns, Esquire, M.P.3  
R. Cleaver, Esquire, M.P.  
J.F. Cope, Esquire, M.P.  
A.S. Luchetti, Esquire, M.P.4

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

1. Resigned 10th March, 1960.
2. Appointed 16th March, 1960; elected Chairman  
17th March, 1960.
3. Resigned 30th March, 1960.
4. Appointed 30th March, 1960.
5. Resigned 16th March, 1961.
6. Appointed 16th March, 1961.

## 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-EIGHTH REPORT.

THE REPORTS OF THE AUDITOR-GENERAL - FINANCIAL YEAR 1960-61.

CHAPTER I.- INTRODUCTION.

Your Committee have recorded the intention to conduct a series of enquiries each year relating to matters arising from comments in the Reports of the Auditor-General. The procedure commenced with enquiries based on matters raised in the Reports for the year ended 30th June, 1959, which were presented in our Fiftieth and Fifty-Second Reports. This Fifty-Eighth Report presents the results of the third of such annual enquiries and relates to matters raised in the Reports of the Auditor-General for the year ended 30th June, 1961.

2. The Reports of the Auditor-General for 1960-61 were presented to the Parliament on 16th August, 1961. In view of the fact that the present Parliament is nearing its end we decided to investigate, and report on, matters included in the first Reports of the Auditor-General as there would be insufficient time for matters in the Supplementary Report to be investigated by this Fourth Committee - it had not been presented to the Parliament when Your Committee prepared this Fifty-Eighth Report. We suggest that the new Fifth Committee might review the comments in the Supplementary Report for 1960-61 at some convenient future time.

3. Your Committee considered the comments which appeared in the first series of Reports immediately they were tabled on 16th August, 1961 and selected a number of items which appeared to warrant further enquiry. These items were discussed with the Auditor-General on 17th August, 1961.

4. Some further information was obtained from the Department of the Treasury, and written explanations were requested from certain Departments, before Your Committee decided to investigate in detail the matters referred to in this Report.

5. Our detailed investigations were made at a series of public hearings on Monday, 25th September, 1961 and Tuesday, 26th September, 1961 with the assistance of the following witnesses:-

25th September, 1961.

Department of Trade	- Mr J. Gothe - Assistant Secretary
	- Mr D.P. Cleary - Finance Officer
Department of Works	- Mr G.D.B. Maunder, Director, A.C.T.
Department of Territories-	Mr C.E. Reseigh - Assistant Secretary (Finance and Economics)
Department of the Navy	- Mr C.M. Colgan - Director of Estimates and Audit.
Department of the Army	- Mr W.J. Curtis - Assistant Secretary (Melbourne).
	- Mr N. Evans - Finance Inspector (Southern Command).

26th September, 1961.

Department of Air	- Mr F.C. Sutherland - Assistant Secretary (Finance).
	- Mr F.J. Mulrooney - Assistant Secretary (Legal).
Department of Repatriation	- Mr R.J.P. Daffy - Assistant Commissioner.

#### CHAPTER II.- DEPARTMENT OF TRADE - PUBLICITY

6. In paragraph 81 of his Reports for 1960-61 the Auditor-General reported that payments from the Overseas Trade Publicity Trust Account had exceeded the amounts paid into that Account by £6,096.

7. The Department advised Your Committee:-

"The Overseas Trade Publicity Trust Account was established under Section 62A of the Audit Act 'for the purpose of expenditure on overseas trade publicity.'

Exhibit  
No.58/1

Since 1953 the moneys made available to the Trust Account have been used for trade publicity in the United Kingdom and for small flour export promotion campaigns overseas on an ad hoc basis.

Funds for the United Kingdom publicity campaigns are provided by annual contributions from the Commonwealth and seven (7) Australian Commodity

Marketing Boards. The Commonwealth, the Australian Wheat Board and the Flour Miller's Association contribute to the flour export promotion campaign.

Co-ordinated publicity programmes for the United Kingdom are prepared annually by a publicity committee in London for consideration by the Department of Trade and the Overseas Trade Publicity Committee. The final programme and the amount of the Commonwealth contribution to be made available is recommended to the Minister for Trade and submitted to the Government for approval.

Flour export promotion programmes are planned by the Flour Export Promotion Committee and approved by the Minister for Trade."

8. Divisions 637/03 and 637/04 (in the 1961-62 Estimates these appear as Divisions 301/2/04 and 301/2/05) appear in the Estimates without notation as to the method of passing the appropriations through the Trust Account. The departmental witness Mr D.P. Cleary, Finance Officer, stated:-

(MR CLEARY) I understand that the Treasury is considering putting in an explanation following Division No.637/03 to indicate that the amount is the Commonwealth's agreed contribution to United Kingdom publicity. Over the past three years, the Commonwealth has also been contributing to a flour promotion campaign together with the Australian Wheat Board and the Flour Millers Association. That contribution has been provided for and taken from Division No.637/04 which is appropriated for publicity other than the United Kingdom. It was transferred to the trust account because flour publicity was a separate campaign to which both the Commonwealth and the industry contributed. As there were other contributions, we used a trust account for the accounting work involved. Q.2

MEMBER.- There is no explanation in the Estimates to indicate the form of the provision? ---(MR CLEARY) No, that is correct. Q.3

MEMBER.- With regard to Division No.637/04 - Trade Publicity other than the United Kingdom - you mentioned that an amount of £2,098 from that had to pass through the trust account?---(MR CLEARY) That £2,098 is expenditure which passed through the trust account in respect of flour. The amount of £2,500 was the Commonwealth's contribution which we made available from Division No.637/04. Q.4

MEMBER.- That was for flour promotion?--- (MR CLEARY) Yes. Q.5

9. The observer from the Department of the Treasury, Mr R.N. Townsend, added:-

"In regard to Item 03, I think that probably the position is simply that this was overlooked. The Committee recommended the use of notations and other indexing in the Estimates document in its Thirty-Fourth Report. Although we have not yet formally responded to the Committee on this matter, in fact we have adopted this practice and you will see throughout the Estimates notations to the effect that the amount is for payment to the credit of such-and-such a trust account. This matter was also raised at a recent hearing. Following that we made a search in the Department to find out whether there had been a deliberate omission of the words from this particular item. We could find no trace of that. Therefore, I think it can be accepted that the standard notation will be inserted in future. As far as Item 04 is concerned, as you have heard, this passing of moneys from that appropriation to the trust account is a fairly recent operation. I should think we may have to consider establishing a separate item to show, as the Committee wishes, the passage of moneys from the Consolidated Revenue Fund to the Trust Fund."

Q.13

10. The explanations received from the Department had stated:-

"...the reasons for the over-expenditure from the Trust Account were that the outstanding contributions from two Marketing Boards were not received before 30th June, 1961; also the Department, due to an oversight, omitted to transfer to the Trust Account from Division 637 Item 03 - Trade Publicity in the United Kingdom, an additional amount of the Commonwealth Contribution necessary to cover the expenditure incurred in London in June and brought to account in the Canberra Office ledgers on 28th June, 1961."

Exhibit  
No.58/1

11. If it had been aware of the situation, as it should have been, the Department could have avoided the occurrence simply by transferring a further amount to the Trust Account but proper checks had not been made of outstanding commitments in June. It had been considered that there were sufficient funds in the Account although it was known that two contributions from Marketing Boards were outstanding. Those were received soon after the end of the financial year.

Q.17

Q.16

12. The oversight in determining correctly the actual commitments arose from checking one, instead of two accounts. The witness stated:-

(MR CLEARY) "That was purely a human error in the rush at the end of the year. We have some hundreds of appropriation items, and the review at this stage was done late at night. This was one of those things that just happen."

Qs.23,24



MEMBER - It was a human error that crept in? --- (MR. CLEARX) Yes."

13. Your Committee were told that a new procedure had been introduced in an attempt to avoid this form of error in future and when the question of the adequacy of procedures was referred to the observer from the Audit Office we were advised by Mr. W.A. Harper, Secretary and Chief Inspector :- Q 25

"My information is that they will be adequate, but, of course, there is always the human element, as you mentioned. This was purely an accounting oversight, probably in the rush of last-minute transactions. But it should not occur again." Q 26

14. In investigating this matter Your Committee were concerned firstly with the question of assuring that adequate notations should appear in the Estimates for the two appropriations concerned and secondly with the cause of the over-expenditure and the question of avoiding such an occurrence in the future.

15. We note that the Department of the Treasury will give consideration to the first matter and, with reference to the second, that satisfactory procedures have been introduced to avoid, as far as humanly possible, this form of error in the future.

#### CHAPTER III - DEPARTMENT OF WORKS

16. The Auditor-General's Reports for 1960-61 contained the following comment in his paragraph 63 :-

"During September, 1960 a departmental review of contracts let to a certain company revealed that overpayments had occurred in making related progress payments.

The overpayments, which amounted to £41,307 arose from departmental over-assessment of the value of work completed on two of the contracts. Normally, the overpayments would have been adjusted, before making the final payments, within the contract amount. However, the contracting company, which had undertaken ten contracts with the Commonwealth in the Australian Capital Territory, approximating £2,000,000 subsequently advised its inability to complete the contracts, which were cancelled on 28th October, 1960.

The Company has gone into liquidation and a proof of debt has been lodged with the liquidator.

Disciplinary action initiated by the Department against certain officers resulted in a supervising architect being fined £10.

Subsequent to these overpayments, the Department issued further instructions, re-stating and amplifying the procedures to be followed in the preparation of progress payments and emphasizing the responsibilities of personnel associated with the preparation of progress assessments for the purpose of such payments."

17. Your Committee were assisted by Mr. G.D.B. Maunder, Director of Works, L.G.F. who advised us that his Department under the terms of a contract, may make progress payments during the course of construction but not exceeding 95 per cent of the value of the work completed. These payments do not in any way bind the Commonwealth to the acceptance of any part of the work - they are based on 95 per cent of the assessed value but that assessment is never intended to be an exact value. Q.29

18. We were informed that the early stages of construction were the most difficult to assess accurately but this fact was realized fully by the Department's officers. However, the witness advised that the overpayment in connection with the Primary and Infants School at Campbell had occurred during the early stages - in his opinion probably when the construction was less than 25 per cent complete. On the other hand the overpayment in connection with the other contract - 29 houses in the suburb of Dickson - occurred after the project was more than 50 per cent complete. Both contracts had been let to the same construction company. Q.44  
Q.47  
Q.48

19. The procedures in relation to progress payments are very similar to those adopted by private architects, engineers etc. However it is essential, as Your Committee appreciated, for payments to be made at regular intervals to assure that the Department can control the expenditure of the funds provided, on an annual basis, by the Parliament. The Department had found from experience that if the initiative was left to the contractors they would claim at intervals varying from two to seven weeks. Q.52

20. The overpayments totalling £41,307 were made in connection with two contracts - £5,604 relating to the housing project and £35,703 relating to the school project. Of this sum, total of £10,221 was recovered from materials, security deposits etc., forfeited by the contractor. Exhibit No.58/2

21. Mr. Maunder produced for the information of your Committee the Bill of Quantities, some two inches thick and containing over 1000 items, for the main construction project involved - the Campbell Primary and Infants School for which the contract price had been £280,888. The witness further explained :-

(MR. MAUNDER) - The bill of quantities is not part of the contract - the blank bill of quantities is issued with the contract documents. When we are ready to accept a tenderer, he is instructed to complete this bill before the Q.30

contract is signed. The completion of the bill merely means the addition of all his rates for each of the items, and these rates, when extended against the set quantities, add up to the total amount of his tender price. At no time, then, can a summation of the individual items in the bill ever vary from the tender price that has been accepted. The practice at the time when these events occurred required the officer in charge of the project, whom we call a works supervisor, to measure, at fortnightly intervals, the work carried out. The instructions required that this work should be measured in association with the contractor's representative, so that we can say, having completed a measurement, that there was agreement between the two parties, and the payment, therefore, can be made on that basis. This valuation was to be made against a summation of various items in this bill. Instead of treating each item individually, it was customary to group items into what might be called workable components of a building. For example, up to foundation level, or including the foundations, there might be quite a number of items in the bill covering that work. But for convenience, they are grouped. The total amount of money which they represent on the builder's price is taken as a percentage of the whole, and for the purpose of assessment the proportion of that part to the whole is assessed .....

22. The witness added that assessments were expected to be accurate to within three per cent. Overheads, including leave, insurance etc., are included proportionally for each stage of the construction. Qs.35 and 37
23. We were advised that the practice had been for the Department, with the contractor, to prepare a joint valuation at fortnightly intervals. Apparently this work is done by a Works Supervisor of the Department, after which a progress report is completed and certified by a Project Officer. Your Committee were advised also that a Works Supervisor is an officer of the Department who is a qualified tradesman and has had foreman or supervising experience. A Project Officer is a qualified architect and may have the control of up to six Works Supervisors. The line of control or responsibility within a section of this nature is completed by a Supervising Architect. Q.32 Q.115 & 118
24. The evidence indicated that the overpayments had arisen mainly from errors in assessing by certain officers of the Department which had taken disciplinary action against them under Section 55 of the Public Service Act. However, following hearings before the Appeals Board the charges against two officers were not upheld and that against a third officer was modified by reducing the penalty imposed. Q.184
25. The contracting company concerned in these two particular projects has been carrying out work for the Department in the Australian Capital Territory Q.174

since 1957 and had completed works costing about £5,000,000 in that period. All previous contracts had been carried out satisfactorily.

26. Your Committee were informed that the standard practice of examining the financial position of the contractor is carried out always and that this particular company had been checked immediately prior to placing the contracts concerned. This was at the commencement of 1960 and it was towards the middle of the year that the Department became aware of the possible difficulties the company might be experiencing. The actual overpayments by the Department had occurred in the period from February to April, 1960. Q.175

27. The Department had taken steps to review the position and to have the work and progress payments checked by its quantity surveyors. The last progress payment, in respect of the school, for example, was made on 18th August, 1960. After that date attempts were made to recover the overpayments without success. Q.114

28. During the period 17th October, to 28th October, the Department made certain payments direct to employees, suppliers and sub-contractors from progress payments falling due on various contracts. At this time the company had, in all, ten contracts with the Department and the National Capital Development Commission valued at over £2,000,000. Exhibit No. 58/2

29. The contracts were cancelled on 28th October and in an endeavour to keep men employed and to complete the projects the Department proceeded either by negotiating contracts or using its own day labour staff in conjunction with the previous sub-contractors to the company.

30. The two particular contracts on which overpayments had been made were completed by day labour and sub-contractors in the case of the houses and by a new contract for completion in the case of the school. In each case it was inevitable that the final costs exceeded the original contract prices.

31. The explanation received from the Department stated :-

"Progress payments are made under Condition No. 29 of the Departmental General Conditions of Contract which provides that, from time to time, at periods approved by the Director of Works, the Contractor shall be entitled to receive 95 per cent. of the value of work done as determined by the Director of Works and the Commonwealth shall retain the remaining 5 per cent. which are referred to as "retention moneys". In implementing this condition in the A.C.T., it was the practice for regular fortnightly valuations of the progress of the work to be measured jointly by the Departmental Works Supervisor and a representative of the Contractor and an agreed statement of the value was then submitted by the Contractor. An Exhibit No. 58/2

official statement of the value of the work completed is prepared by the Works Supervisor and this value is confirmed by a Project Officer, who supervises a number of Works Supervisors. This valuation of the work completed is then used by administrative staff to calculate the value of the progress payment, the amount of retention money to be withheld and the amount to be paid to the Contractor."

32. The "agreed statement" is related to the details contained in the Bill of Quantities referred to in paragraph 21 above. The effect was to work on a joint assessment, made by the Department and the contractor, and a specific claim had not been required from the contractor. The witness considered that the overpayments in connection with the contract for the school may have been made because this requirement to prepare the "agreed statement" had not been observed. Q.33
33. Your Committee were advised that some amendments had been made to the procedures adopted by the Department. The contractors are now required to submit a claim for progress payments and the necessity for the preparation of an agreed statement has been continued. Also, on major contracts, the Department's quantity surveyors make a check at three-monthly intervals. The other main amendment is that claims are to be made at monthly instead of fortnightly intervals. The witness advised :- Qs.54, 55
- (MR. MAUNDER) .... I felt that on a large project the fortnightly interval involved quite a lot of time to do the work accurately. In my opinion there could have been a tendency to merely try to measure the increment of work and add it on to what they had assessed on previous occasions, instead of measuring the whole of the work each fortnight. With monthly measurements, that is more difficult because the increment is harder to identify. The monthly one was introduced as a means of trying to ensure that the whole of the work is measured, rather than the increment of work. The reason for that is that we do not want them to be building on the errors of the past. They may make a mistake on one payment, but they should pick it upon the next. If they start measuring increments they can carry errors on and on and on. Q.127
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#### CONCLUSIONS

34. On the evidence received Your Committee consider that the Department of Works, in the circumstances at that time, was correct in allocating to the company concerned the two contracts we have investigated. Further, the Department's actions in making payments to the creditors of the company prior to cancelling the contracts and in arranging for the completion of these two contracts were satisfactory.

35. However, the fact that two overpayments amounting to £41,307 - indicating gross errors in assessing the value of work completed - had been made causes Your Committee grave concern. The practice of making progress payments is a vital procedure in the management of contracts let by the Commonwealth and it is essential that effective measures be devised to assure the control of these expenditures of public money.

36. Your Committee consider that errors of this nature and magnitude should not have been made by technical or professional officers in the first place - but, having occurred, they should have been detected by administrative procedures within the Department of Works. We note that the departmental procedures have since been amended and suggest that Your Fifth Committee might make further enquiries at a later date to determine whether these are proving to be satisfactory.

#### CHAPTER IV. - DEPARTMENT OF TERRITORIES

##### (a) INTERNAL AUDIT

37. In his Reports for the year ended 30th June, 1961 the Auditor-General commented:-

"Previous Reports have mentioned the lack of an effective internal audit section.

The staffing position deteriorated even further during the year, causing concern that adequate internal audits were not operating in the Administration.

However, when this Report was compiled the position had improved and the Administration had made submissions to the Public Service Board with a view to ensuring that staff will be available, in future, effectively to carry out the internal audit programme."

38. The Departmental witness, Mr C.E. Reseigh, Assistant Secretary (Finance and Economics) advised Your Committee that internal audit was almost non-existent some three years ago. Although some improvement had been made the section, comprising five positions, had been at only about half-strength in 1960-61. The explanations received earlier from the Department had stated:-

Q.193

"When insufficient staff is available the checking functions are those which suffer first. Nevertheless the importance of maintaining the Internal Audit section at full strength is appreciated.

Exhibit  
No.58/3

Because of the continuing difficulty in staffing the Internal Audit Section an approach was made to the Public Service Board for the creation of three additional positions of Clerk £1078-1298 to be used for internal audit duties in the field in the Dry season and for relief purposes in the Wet season. The Board

has approved of the creation of these positions and it is expected that certificates for creation will be issued in the near future. Not only will these positions be of tremendous value in bringing internal audit work up to date but they will be extremely useful for relief purposes in the Wet season when great difficulty is always experienced in maintaining an adequate staff."

39. Your Committee has expressed concern previously on the practice in Departments of using officers from the internal audit section on other duties. We appreciate that this action is sometimes unavoidable and often given the officer concerned an opportunity to obtain wider experience or to act in a more senior position. However, there are grave implications if the work of the internal audit section suffers in consequence - and the result very often is to leave the section under-manned and the audit programme unfulfilled.

40. The view of the Audit Office was expressed by Mr. W.A. Harper, Secretary and Chief Inspector as follows :-

(MR. HARPER)".... I see that it is stated that it is intended to use any staff supplied to fill other positions during periods of short supply. The position has improved overall, but until this staff is properly established and doing nothing else but internal audit work we shall not be completely happy about the position." Q.205

41. The witness assured Your Committee that the Department's objective was to keep the positions on the section's establishment filled and the work up to date. Q.206

42. The request for the three additional positions was made to the Public Service Board in July, 1961. They were approved in August, 1961 but it was too early at the time of Your Committee's investigations to know what success the Department might have in recruiting for these positions. Q.202

43. Your Committee shares the concern of the Auditor-General in this matter but appreciates the difficulties faced in obtaining the staff required. We trust that staff recruitment in the current financial year will enable the Department to realize its objective to keep the internal audit section fully manned.

(b) Motor Vehicle Registry.

44. The Auditor-General stated :-

"Unsatisfactory accounting and delays in processing remittances for motor vehicle registrations have occurred. The Administration has instituted remedial action and at the date of compiling this Report the position was much improved."

45. The Department's explanations had advised that two temporary positions had been provided to enable the arrears to be cleared and the witness added that these positions would not become permanent as the work had been brought up to date at the time of Your Committee's enquiries. The Section should not fall into arrears again as the procedures had been improved greatly following an Organization and Method investigation. In addition, a separate motor vehicle registry had been established in Alice Springs which reduced the volume of work to be done in the Darwin office. Q.208

46. The Audit Office confirmed that there had been a considerable improvement which was expected to continue. Q.210

47. Your Committee note that the main difficulties appear, from the evidence received, to have been due to poor procedures and that the situation had been dealt with by administrative processes which should ensure efficiency in the future without the need for any additional staff.

(c) Housing

48. The Auditor-General stated :-

"The Report for 1959-60 referred to the lag in the execution of repairs and maintenance to dwellings. At 30th June, 1961, the amount required to effect major repairs and maintenance recommended by the Department of Works as a result of their inspections was estimated to be in excess of £500,000."

49. The departmental witness advised Your Committee that at 30th June, 1960 there were 1086 houses in all, provided for public servants, key artisans etc. in the Northern Territory. About three-quarters of these houses are situated in Darwin and the total rentals received in 1959-60 was £131,806. Expenditure on maintenance in that year was £126,995. Q.245  
Q.214  
Q.220

50. Your Committee were informed that the amount of maintenance outstanding at 30th June, 1961 was £593,000. The witness added :-

"(MR RESEIGH) We have been told by the Administrator and the Director of Works that some of the repairs which we have to carry out on an emergency basis cost more than would have had to be spent had the maintenance been done when it should have been done, and if arrears of maintenance had not been allowed to accumulate. " Q.221

51. An amount of £186,000 has been included in the Estimates for 1961-62 against Division No. 756/01 for expenditure on the repairs and maintenance of these dwellings. Q.235

52. The rents for houses occupied by public servants and artisans are calculated at 10 per cent of the minimum of the salary range of the officer concerned plus the district allowance. The cost of erection in 1959-60 was about £6,200 for each house. Q.246



53. The Reports of the Auditor-General also record the fact that under the terms of the Housing Ordinance 1959-60 the Northern Territory Housing Commission has erected for letting to residents other than public servants the following number of dwellings :- 15 in 1959-60; 70 in 1960-61 plus 80 in the course of construction at 30th June, 1961.

54. Your Committee were advised that these dwellings cost approximately £4,000 in Darwin and £3,400 in Alice Springs. The Commonwealth makes a capital subsidy of £500 on each dwelling before a form of economic rental is assessed for each dwelling and we were advised that rentals are about £4.10.0 per week for a Darwin house and somewhat less at Alice Springs. Q.248

(MEMBER) . . . . a rental of £4.10.0 a week is charged for a house that is worth £3,400 and an average rental of £157 a year is charged for houses worth £6,250 each? --(MR. RESEIGH) I may say that the £157 is not all-inclusive. The Housing Commission rent is. In addition to the rent that is paid to the Government for staff houses, the tenant pays directly to the authority concerned sewage rates, which are about £10 a year, garbage rates of about £9 a year and water rates, which are a minimum of £10 a year. That amounts to about another 12s. a week above the average of approximately £3.2.0 a week paid directly to the Government. Q.252

55. It would appear, therefore, that a repair and maintenance component is included in the rentals of Housing Commission dwellings. As the major proportion of this rent would be the amortisation component the maintenance component cannot represent a proportion anywhere near the equivalent of the proportion of rental income being expended on the repair and maintenance of departmental dwellings.

56. In reply to a series of questions from Your Committee the witness advised that no separate trading accounts were kept for departmental dwellings. Some improvements had been made in the 1961-62 Estimates by showing separately expenditure on construction and maintenance. There is still no provision to indicate what subsidy, if any, is being paid to housing activities. Q.222  
Qs.225,  
226

57. The observer from the Department of the Treasury, Mr. J.M. Wark, Chief Finance Officer, was asked whether the Treasury agreed that proper accounts should be kept and he replied :-

"(MR WARK) We have not been satisfied. As Mr. Reseigh has said, we arranged this year to show the housing maintenance expenditure separately for the first time, and that should reveal precisely what will be spent. On the question of commercial accounts, as far back as August, 1960, we raised this problem in the Territory. In January, 1961, we were informed that it would be practicable to prepare those accounts and that the Administrator was giving some attention to it. We have not yet Q.233

heard the outcome, but we have just this week inquired again about the matter.

58. The views of the Audit Office were stated :-

"(MR. HARPER) The position as I see it is that public accountability for housing in the Australian Capital Territory and the Northern Territory is at present under consideration between the Department of the Treasury and the other departments concerned. Eventually we hope to get something out of it."

Q.234

59. In his Reports for 1958-59 the Auditor-General, referring to housing in the Australian Capital Territory, had stated :-

".... Apart from the requirements of efficient departmental administration, the interests of public accountability necessitate the annual submission of complete audited financial statements."

## COMMENT

60. Your Committee noted that the rentals charged for departmental and Housing Commission dwellings were assessed on different bases causing higher rentals to be paid on the latter despite the standing subsidy paid on their capital costs by the Commonwealth. Further, the details, although incomplete, of the rental income and maintenance expenditure on departmental dwellings as compared with what must be the proportion for repairs and maintenance component of Housing Commission rentals indicate a marked disparity. The inference is that there is a much higher rate of expenditure incurred on maintenance of departmental houses.

61. This position may be due to an accumulation of maintenance arrears but Your Committee did not have time to investigate this matter fully. However, it is one we would recommend for close review by the Department of Territories, Department of Works and the Department of the Treasury.

62. Also, we were surprised to learn that Housing Commission dwellings are being constructed for approximately £4,000 compared to £6,200 for departmental dwellings. It would appear that some revision could be made of the standards of departmental dwellings - or perhaps a wider range of standards might be considered.

63. Your Committee's main objective was to investigate the financial aspects of accounting for transactions concerning departmental housing - particularly in view of the apparent disproportionate expenditure on repairs and maintenance. In our Fifty-Second Report we stated in paragraph 196 :-

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"In principle, we agree with the comment of the Auditor-General that the interests of public accountability warrant the annual submission of complete audited financial statements covering the Commonwealth's investment in housing in the Australian Capital Territory. Any such statements prepared should be made available to the Parliament."

64. Your Committee would not disagree with the principle of subsidy payments where they appear warranted but consider that any form of subsidy should be clearly revealed to the Parliament. Further, we consider that the magnitude of the expenditures on housing in the Northern Territory require the preparation of complete financial statements just as do the housing activities in the Australian Capital Territory.

65. We are pleased to note that the Department of Territories appear to have agreed readily to the suggestions of the Department of the Treasury that such statements should be prepared.

#### CHAPTER V - DEPARTMENT OF THE NAVY

##### (a) Stores and Accounting.

66. In paragraph 118 of his Reports the Auditor-General stated :-

"A reasonable standard of accounting and storekeeping has been maintained by the Department, but some instances of unsatisfactory accounting for victualling stores have been noticed. In one Victorian establishment it was observed that short deliveries of provisions had occurred because of the failure by stores personnel to observe standing orders. The Department has advised that remedial measures have been taken and that the prescribed procedures are now being followed ..."

67. The laxity observed by the Auditor-General in this instance related to the failure, in some cases, to issue official orders for goods; to give receipts when goods were received; and to the fact that standing instructions for the inspection of fresh provisions as soon as they were received had not been followed. It was mentioned also that as at 7th December, 1960, when the Auditor-General's inspection was made, no entries had been made in the appropriate record of fresh provisions purchased in that month.

Exhibit  
No.58/4

68. Mr. C.H. Colgan, Director of Estimates and Audit informed Your Committee that departmental internal audit checks are usually carried out at half-yearly intervals. More frequent checks are made, if previous inspections reveal any unsatisfactory features, to ensure that the weaknesses noticed have been rectified. We were informed that follow-up checks made at the establishment in January and March, 1961, revealed that prescribed procedures were being observed.

Q.259

Exhibit  
No.58/4

69. Following the inspection made by the Auditor-General it was ascertained that a senior rating had been responsible for the irregularities that had occurred. It was also established that the supply officers, part of whose duty is to make periodical checks to see

Q.260

Q.261

that the procedures laid down are being followed, had failed to carry out the checks prescribed under standing instructions.

70. We were informed also that fresh instructions have since been issued on the procedures to be observed in the future.

71. Your Committee note that suitable action appears to have been taken to remedy the matters commented upon by the Auditor-General.

(b) Replacement of Mess Gear in Royal Australian Naval Messes.

72. On this matter the Auditor-General reported that the cost of issues of consumable mess gear to naval messes in excess of the replacement allowances determined by the Naval Board totalled £8,040 as at 31st March, 1961. He added that since September, 1958, all such issues have been made at public expense in spite of the limitations prescribed by Naval Regulation 163(6).

73. We were informed that, in the past, action could be taken under Naval Financial Regulation 143A(1) to recover any loss from officers or ratings in cases where the loss had occurred by neglect or misconduct. This Regulation was repealed in December, 1956, following an opinion expressed by the Senate Committee on Regulations and Ordinances as to the legality of that provision. Exhibit  
No.58/4  
  
Q.288

74. The view expressed by the Department's Legal Division is that the repeal of that Regulation has in turn nullified the effect of Naval Regulation 163(6) which reads :- Q.313

"Articles of mess gear of a mess, other than permanent mess gear, may - Exhibit  
No.58/4

(a) to the extent that the replacements do not exceed the replacements that the Naval Board considers reasonable; or

(b) where, in the case of replacements due to breakages, the Naval Board is satisfied that the breakages occurred in exceptional circumstances, not due to neglect;

be replaced at the expense of the Department."

75. The Department considers that there is no legal authority to charge "messes" for excess losses unless there is legal authority to charge individual members of the messes for such losses. Q.306

76. In view of these circumstances the Department's opinion is that it has no power to recover losses. The witness was asked :-

(MEMBER) - Take the case of breakages of crockery and other things in a mess. Can you briefly outline to me how strong is the action that your Department is able to take against culprits? --- (MR. COLGAN) At the present time we feel that we are in an extremely difficult position in attempting to enforce any recovery of losses in messes. The Naval Financial Regulation 163(6) of the Naval Defence Act empowers the Naval Board to recover excess losses caused by negligence or neglect. That regulation operated until September 1958 when, because of the repeal of Naval Financial Regulation 143A, which empowered the Naval Board to recover losses caused by negligence, made the previous regulation to which I referred inoperative. As a consequence, from September 1958 we have felt that we have not the necessary legal power, or the practical power to recover from those members who cause breakages of crockery or utensils in messes.

Q.288

He added that he is unaware of any other regulation under which recoveries could be made and that it would be impracticable to ask the Auditor-General to apply his power of surcharge under the Audit Act or to take court action against an offender because in most cases the individual breakages that occur consist of small items.

Q.295

Q.289

77. The explanation furnished by the Department gives details of the action taken to restore the Naval Board's Authority to charge members for losses.

"After initial consideration of the problem it was decided that legislation - on the lines of that included in Queens Regulations - to restore the Naval Board's authority to charge members for losses, could be included in the proposed draft Navy Bill issuing from the still current review of Defence legislation. However, as it became evident that a long time would elapse before the Navy Bill could be completed and be made law it was decided in September, 1958, that existing Naval legislation be amended appropriately to fill the gaps left in that legislation by the repeal of Naval Financial Regulation 143(A).

Exhibit.  
No.58/4

In letter of 6th March, 1959, however, Treasury advised that it has now been decided that it would be preferable to rely on the proposed new Defence legislation to fill the gaps left by the repeal of the service regulations in question rather than bring forward amendments to the Defence Act at this stage'. As an interim measure Treasury suggested a stop-gap procedure along the lines of the 'Solicitor's letter' procedure as used by the Department of the Army.....

In February, 1960, the Secretary, Department of Defence, advised that doubt existed whether the introduction of amendments to the Defence and Service Acts should be made in advance of the new draft Defence legislation. Since that date the problem of the procedure to be adopted has been the subject of considerable correspondence between the Ministers for Defence and of the Navy; also between the former and the Attorney-General. The problem was also the subject of Parliamentary debate in the 1960 Budget Session. This Department is awaiting a decision from the Department of Defence."

78. We were informed also that the latest development is that the Department of Defence has given certain advice to the Attorney-General's Department with a view to issuing regulations under the existing Naval Defence Act. Q.300

79. It appears evident from the information given to Your Committee that an unnecessary amount of time and expense has been wasted in an attempt to find a solution to a relatively simple and minor matter. The solution to this question appears to have become involved with the complex of considerations relating to the review being made of Defence legislation. Your Committee trusts the matter will be brought to finality in the near future as a result of the approach made to the Attorney-General's Department by the Department of Defence.

#### CHAPTER VI.- DEPARTMENT OF THE ARMY

(a) Sub-standard stores accommodation - Kapooka, N.S.W.

80. The Auditor-General stated in his Reports for 1959-60 that "equipment valued at approximately £150,000 is held at No.1 Recruit Training Battalion, Kapooka in sub-standard store-housing. The Department is appreciative of the need for adequate storage security and is seeking the necessary funds for this purpose." In his latest Reports the Auditor-General drew attention to his previous comment on this matter and added that the position is unchanged.

81. Mr W.J. Curtis, Assistant Secretary (Melbourne), Q.325 confirmed the fact that the buildings are sub-standard. He added that the buildings, erected during the war and consisting of wooden huts with galvanized iron roofing, are rapidly reaching the end of their economic life and need replacing. We were also informed that action has been taken to provide permanent buildings. A master plan for the reconstruction of Kapooka has been drawn up and is at present awaiting submission to Cabinet. Estimated cost of the total project is £1,800,000 and this has been included in the design list for the current year. It is expected that the first stage of the project will be a new 'Q' store and ancillary buildings estimated to cost £88,000. Exhibit No.58/5

82. The witness also mentioned that in the meantime the Department has endeavoured to improve security Q.325

measures by repairing the buildings and by the placement of Dannert barbed wire to discourage unauthorised entry. All reasonable precautions have been taken to guard against outbreaks of fire. Q.343

83. The Audit observer stated that while losses have occurred at Kapooka, these have not been abnormal. Audit's concern was directed primarily at the lack of security that existed because of the conditions of the buildings. Q.331

84. In these circumstances Your Committee agree that the Department is taking reasonable steps to remedy the situation described in the Auditor-General's Reports.

(b) Losses by Theft or Suspected Theft - Victoria.

85. The Auditor-General stated also in his Reports (paragraph 120) that during the year 74 cases of petty theft were reported to Audit as compared with 31 in 1959-60, and that investigations disclosed that the losses were often due to inadequate security.

86. The witness disagreed with the Auditor-General's remarks concerning inadequate security. He stated that in many instances items have been lost by means that cannot be avoided despite the strict security precautions taken. He referred to the fact that the Army has approximately £600,000,000 worth of items in Army depots and stores throughout the country and that the nature of many of these particularly attract theft - "there would be hardly an item in the country that the Army does not include in its stocks". He mentioned also that in some cases articles were stolen from training depots situated long distances from unit headquarters which are used periodically by the C. .F. In other cases goods were lost in transit by rail and sea; were stolen from the homes of cadets; or were lost by individuals on training exercises. Q.344 Q.345

87. The witness was unable to give any explanation for the increased incidence of losses in Victoria in 1960-61. We were informed that the position fluctuates from area to area but taking Australia as a whole there was a decrease in the number of losses reported in 1960-61 over the number in the previous year. We were advised also that the Department takes a very serious view of thefts realizing that because of the wide dispersal of stores and equipment it is extremely vulnerable in this respect and that:- Q.348 Q.344

".... The Committee may be assured that the security of stores is considered of prime importance by the Department and that every effort is made to see that the opportunity for theft is minimised. When theft does take place the circumstances are reported to both the Civil and Service Police and a departmental investigation is held to ascertain the cause and recommend any corrective action that may be necessary or practicable to prevent a recurrence." Exhibit No.58/5

88. In its explanations, the Department gave details of fifty-one cases of the seventy-four reported by the Auditor-General. These show that the value of the losses incurred amounted to £2,562. It was also mentioned that ten of the cases reported occurred in Tasmania and that the figure of seventy-four includes instances of stores which were reported stolen and which were subsequently recovered.

89. Your Committee consider, in the light of the explanations given, that the Department is conscious of its responsibility and appears to be taking reasonable steps to review and satisfy itself that existing measures adopted are effective. However, the dispersal of items and the type and situation of the storage available must necessarily confirm the Auditor-General's view that the security is inadequate in some cases as complete security measures of 100 per cent effectiveness appear to be impracticable. Constant reviews of the situation are necessary to minimise the dangers inherent in store holdings of this nature.

(c) Army Apprentices School, Balcombe -  
Unsatisfactory Accounting.

90. The Auditor-General reported:-

"An audit of the Army Apprentices School, Balcombe during April, 1961, disclosed that a satisfactory standard of accounting had not yet been achieved and delays in effecting stocktakings and in submitting results to competent authority were still evident. Matters requiring attention have been referred to the Department."

91. Your Committee were informed that accounting at the School has not been entirely satisfactory for some years but improvements have been made progressively. The main weaknesses remaining are the failure to maintain adequate subsidiary records and to adhere closely to the prescribed stocktaking and internal checking programmes. Exhibit No.58/5

92. The witness explained that this is the only school operated by the Department to train apprentices in various trades, and technicians. The School caters for up to 400 students at one time and their period of training extends up to three years depending on the courses undertaken. The value of the stores and equipment held at the School is approximately £1,600,000 and these are located in 150 buildings spread over an area of three acres. Q.353  
Q.354  
Exhibit No.58/5

93. Following the investigations made by the Auditor-General and the internal audit staff of the Department the accounting staff at the School was increased and new procedures were introduced to remedy the inadequacies revealed. As a result of these measure we were informed by the Audit observer that the matters referred to the Department by the Auditor-General have been satisfactorily resolved. Q.355  
Q.356



94. Your Committee therefore accept the explanations given.

(d) Register of Assets.

95. The Auditor-General commented in his Report:-

"The departmental Register of Assets has now been completed except for items controlled by the Army Design and Inspection Establishment. Although this Unit was transferred from the Department of Supply to the Department of the Army in March, 1959, the change to Army accounting procedures is not yet complete."

96. In its explanations the Department advised that the transfer of this unit required a 100 per cent stocktaking of stores and also the progressive preparation of approximately 40,000 ledger cards to bring the stores accounting into line with standard Army procedures. Exhibit No.58/5

97. Further details of plant and buildings valued approximately at £2,000,000 have not yet been incorporated in the departmental Register of Assets. One of the reasons for this was the fact that when the Establishment was transferred to the Army it occupied some buildings and sites which were attached or adjacent to premises to be retained by the Department of Supply.

98. Agreement on the various items to be transferred was not reached until September, 1960. Also, plans of a number of the sites and buildings taken over, which were required for the Department's records, were not available. It was necessary also to discuss with the Department of the Interior the basis on which the buildings should be transferred and to prepare new site plans. This contributed further to the delay. Q.361 Q.362

99. It is now estimated that the Register of Assets will be completed by early next year. Q.364

100. Your Committee again accept the explanations given.

CHAPTER VII - DEPARTMENT OF AIR

Replacement of Crockery and Glassware at Royal Australian Air Force Messes.

101. In paragraph 123 of his Report the Auditor-General stated:-

"From 1956/57, successive Annual Reports have referred to the non-observance of Air Force Regulation 552 in relation to the recovery of the cost of breakages of crockery and glassware in excess of a prescribed allowance.

The matter is still under consideration by the Treasury and the Department."

102. The explanations forwarded by the Department revealed that prior to 1942 all Air Force Messes were fully equipped by the Commonwealth but each mess was required to replace glassware and crockery in excess of 15 per cent of its total value as provided by Air Force Regulation 522, which came into force on 28th June, 1932. Funds to meet these replacement costs were accumulated from social functions and from the allowance paid to messes on a per capita basis for the purchase of rations.

103. After 1942 the daily ration allowance was replaced by the present system under which the Commonwealth provides rations. Regulation 522 was suspended and all replacements were made at public expense except where breakages occurred through carelessness or neglect.

104. In 1947 the Air Board decided that the principles of Regulation 522 should be re-applied but it was found that the alterations in messing procedures made this impracticable. In 1949 an inter-departmental conference, convened by the Treasury recommended, inter alia, that a percentage of the total value of each item should be replaced at government expense. Following that conference a further recommendation was made, apparently by the Department to the Air Board that the annual replacement at public expense should be 100 per cent for crockery and glassware and 25 per cent for all other table appointments. Further consideration of this recommendation was deferred pending compilation of statistics on which equitable rates could be based. In February, 1953 it was decided that the replacement rates should be 25 per cent and 5 per cent respectively and these rates were adopted as from 1st October, 1953.

105. Up to September 1953 therefore, all replacements were made at public expense except where losses occurred through carelessness or neglect.

106. Certain Officers and N.C.O's messes were able to meet the charges raised in excess of the new allowances approved, but airmen's messes were unable to do so because of lack of mess funds. However debits continued to be raised pending investigation of possible sources of funds.

107. In view of the increasing total of debits accumulating a recommendation was made in 1956 that the procedure introduced from October 1953 be rescinded; that the amounts of all accumulated deficiencies be written off; and that Regulation 522 be amended. These proposals were approved by the Minister in August 1957. The question of adopting that policy has since been under discussion with the Department of the Treasury.

108. We were informed by Mr F.C. Sutherland, Assistant Secretary (Finance) that the main problem of the Department of Air has not been the question of recovering losses from individual members but the determination of an equitable recovery rate from messes. viz:-

MEMBER.- Prior to 1956, I understand that your department had power under Regulation 515 to effect recovery from pay and allowances. This Regulation was repealed following the Tenth Report of the Senate Committee on Regulations and Ordinances, which was tabled in May 1956 and debated in September 1956. The reason for its repeal was that it was illegal or unconstitutional. Since the department was unaware of that fact before the end of 1956, why was no action taken under Regulation 515 before its repeal in 1956 following this report?---(MR SUTHERLAND) I do not think that Regulation 515 affects the issue at all. We are dealing primarily with the determination of an equitable breakage allowance. That has been the whole problem. The department is not worried about recovering moneys for wilful damage, negligence, or anything else outside normal breakage. We can do that. We have other regulations that enable us to do it.

Q.374

109. In reply to a question asked by Your Committee as to the reason why the Department has been so concerned with recovery from messes rather than the individual members we were advised:-

(MR SUTHERLAND) Because we are dealing with a collective organization which is fluctuating in personnel and numbers throughout the year, with a fluctuating entitlement in the mess, and with numbers of people who are constantly moving. After all, the Air Force has developed from the pre-war days of old Regulation 522 to a highly mobile force today. We have two large areas, Richmond and Laverton, where there are many transient personnel. You can imagine what the individual feels like if he is charged for something which is not perhaps entirely his responsibility.

Q.382

110. We were informed also that the Department does not consider that any debits exist at the moment because the Air Board policy, approved by the Minister in 1957, cancelled the accrued deficiencies up to that date and accepted the principle that repayment should be made from public funds. Further:

Q.383

(MR SUTHERLAND) .... The only reason we have kept these debits going is in an endeavour to get further information to find a reasonable breakage rate. I have explained in the explanatory notes that when we talk of breakage we talk rather loosely. There we are referring to all kinds of damage to crockery. We refer to such things as chips, crazing of glazing and so on. We also refer to losses and straight breakages ....

The witness added that articles destroyed because they were condemned by the departmental medical officers have considerably inflated the debits raised.

Q.386

111. However, despite the decision given in 1957 Regulation 522 still stands unamended, even though it is not being observed. Whilst this situation exists the Auditor-General is bound to draw attention to that fact in his Reports. Q.422  
Q.419

112. The witness also informed us that before Regulation 522 can be amended, Treasury's approval must be obtained on the breakage rate that is to be observed. This matter has been the subject of discussion with the Department of the Treasury for some years but a decision has not been reached because the Treasury, in endeavouring to determine a uniform procedure to apply to all three service departments, has been unable to resolve the conflicting views of those departments. The subject has since become absorbed into the overall defence legislation which is being considered by the Treasury, the three Service Departments and the Department of Defence. This procedure was queried with the observer from the Treasury:- Q.426  
Q.427  
Q.452

MEMBER.- We think this is important enough to be resolved as one item standing on its merits?--- Q.454  
(MR HERRING) I agree, but Treasury has a co-ordinating function. The Department of Air has said that it considers it desirable for the mess to be responsible for breakages above a certain percentage. Endeavours have been made to arrive at some uniform percentage, but that seems a very difficult thing to achieve. While Treasury has a co-ordinating function in these financial matters, it does not have an administrative function of amending a regulation or an act. That function belongs either to the Service departments themselves or to the Department of Defence, which, at the present time, has a major responsibility in relation to this general question which I mentioned.

113. Your Committee were informed that the departments had not yet approached the Treasury with a suggested solution and:- Q.458

(MR HERRING) We have not made any suggestion ourselves because the factual situation is in the service departments. Q.459

114. Your Committee is disturbed by the delay that has taken place in an attempt to reach a solution to a problem such as this. It appears that the situation has been reached where a uniform policy on breakage rates cannot be adopted until the new defence legislation has been settled. In the meantime there can be no change in the present circumstances in the Department of Air unless and until a decision is made to amend Regulation 522.

115. Despite this emphasis on uniformity, the procedures in the three service departments remain dissimilar. The Department of the Navy claims that since they have lost the power to recover losses from

members, they have no power to make recoveries from messes (paragraphs 74 and 75).

116. The Department of Air is in a somewhat similar position to the Department of the Navy with regard to excess breakages etc. which are accidental. However it appears that the Department of the Army does not have a similar problem as all breakages are being replaced at public expense. The repeal of a regulation would have placed the Department of the Navy and Air in a similar position but a seemingly interminable argument since 1956-57 on the question of uniformity has led to consistent criticism by the Auditor-General for failure to observe an unworkable regulation.

Q. 460

Q. 432

117. Your Committee are concerned that a situation which has been the subject of criticism by the Auditor-General should be taking such a lengthy period to remedy and that a matter which should be settled with promptness has become involved with other and wider issues relating to defence legislation which are of a more complex nature. These comments do not apply only to the Department of Air but to all Departments which have become involved.

118. However, we note that the situation has now reached a stage where completion might reasonably be expected in the near future. We trust that this finality will be reached following the approach to the Attorney-General's Department by the Department of Defence for the drafting of new Defence legislation, by the introduction of the necessary consequential legislation. In the current circumstances there is no point in Your Committee pursuing the matter further as the solution rests with decisions to be made by the relevant Ministers.

#### CHAPTER VIII - REPATRIATION DEPARTMENT

119. In paragraph 137 of his Report the Auditor-General stated:-

"As at 30th June, 1961, action has not been completed to promulgate regulations to give statutory authority to the payment of certain benefits and allowances, viz:-

Interim Forces Benefits Regulations. - The rate of sustenance allowance being paid while undergoing medical treatment has been varied.

Seamen's War Pension and Allowances Regulations. - Medical treatment is being provided in accordance with instructions issued by the Repatriation Commission. (The relevant Act is administered by the Department of Shipping and Transport).

Repatriation (Far East Strategic Reserve) Act 1956. - This Act confers the power to make regulations prescribing assistance and benefits which may be granted to eligible members. Pensions are being paid under the Act but the scales of assistance and benefits have not been prescribed.

Repatriation Regulation 104A.— With Ministerial approval the maximum monthly rate has been paid for transport for recreation of severely incapacitated members irrespective of actual cost. Existing Regulations provide for actual cost only."

(a) Interim Forces Benefits Regulation

120. With regard to the Interim Forces Benefit Regulations we were informed Regulation 12 of those Regulations provide that medical sustenance be paid at the same scale as the General (100 per cent) Rate of War Pension under the Repatriation Regulations. No amendment had been made to Regulation 12 since 1953 but payments equivalent to the General Rate, which has increased over the years, were being made under that regulation. Consequently, although the increases had been approved by Cabinet and no loss of payment was suffered by the recipients, the increased payments were in fact illegal since they were not covered by statutory authority or by the regulations. Exhibit  
No.58/7  
  
Qs.479,  
480
121. We have been informed, however, that draft amendments to the Interim Forces Benefit Regulations have been prepared and are awaiting submission to the Minister and the Governor-General. Exhibit  
No.58/7

(b) Seamen's War Pension and Allowances Regulations.

122. Payments made for the medical treatment of Australian seamen and eligible dependants between 1952 and 1961 were also illegal because, although they were made on the authority of the Cabinet, they were not covered by regulations. Q.481
123. In this case it was explained to Your Committee that the Seamen's War Pensions and Allowances Act, was amended in 1952 to enable regulations to be made under that Act for, inter alia, the medical treatment of seamen, suffering from war injuries, and certain dependants. A preliminary draft of the regulations was made in 1953 but delays occurred in settling the regulations within the Department and with the Department of Shipping and Transport. Q.482  
  
Exhibit  
No.58/7
124. Agreement in the matter was not reached until late in 1960 and the regulations were finally promulgated on 2nd August, 1961. Q.483

(c) Repatriation (Far East Strategic Reserve) Act 1956.

125. Your Committee were informed that the Repatriation (Far East Strategic Reserve) Act came into force on 1st September, 1957. However, delays occurred in drafting the regulations under that Act as a result of difficulties encountered in regard to the precise nature and scope of the regulations. Final instructions were given to the Parliamentary Draftsman on 7th September, 1961. Exhibit  
No.58/7

126. In view of the delay that has taken place we were advised that payments under these regulations will be made retrospective to the date of the operation of the Act. Q.484

(d) Repatriation Regulation 104A.

127. Mr R.J.P. Daffy, Assistant Commissioner, explained that differing views were held by the Department on the question of the legality of the payments made under Repatriation Regulation 104A. In view of the doubt that had been raised Ministerial approval was obtained on 31st March, 1960, for payments to be continued at the maximum amount pending an amendment to the regulation. Q.487

128. Your Committee were informed that the intention had been for the regulations to provide for payments to be made at the maximum rate.

MEMBER.- At the time this regulation was first drafted, was it intended that payments should be made at the maximum rates rather than at the actual cost of recreation transport?---(MR DAFFY) No, it was intended that it would be a flat payment. It was fixed that way because of the fairly obvious difficulties of trying to police actual payments. It would have cost far more to administer an actual reimbursement claim than it would to pay a flat rate. I suppose the most obvious example is the question of how you would reimburse a man who owned and used his own motor car for recreation purposes. You would be faced with all the difficulties of different horsepower, the age of the vehicle, wear and tear, to what extent he should take into account depreciation if mum and the family used the car; and it was always intended and thought to be a flat rate payment for that reason. Q.488

CONCLUSIONS

129. Your Committee are concerned that delays of the extent revealed at this enquiry should have occurred. We have been informed that the main reason for the delays was the pressure of work in the Department and the fact that priority was accorded to work considered to be of a more urgent nature. The Department is aware of the necessity for assuring that proper legislative authorities are held for payments of benefits and has since taken action to overcome the deficiencies that have existed within the Department in this regard.

130. We commend the frankness of the witness in accepting full responsibility for the laxity in administration that has occurred and the prompt action taken to remedy these matters once they were brought to notice. We would remind departments generally however of the importance of observing the requirements of the law and of avoiding delays in implementing amendments to statutes and regulations.

## CHAPTER IX. - THE AUSTRALIAN WOOL REALIZATION COMMISSION.

131. In our Fifty-Third Report reference was made to the following comment in the Supplementary Report of the Auditor-General for 1958-59:- P.P. No. 65 of 1960

"During the year the Commission paid from wool profits money an amount of £5,980 as an addition to an Employees Retirement Fund. It has been represented to the Treasury and the Department of Primary Industry that this payment was for a purpose contrary to section 25 of the Wool Realization (Distribution of Profits) Act 1948-1957."

132. The Auditor-General commented in his Supplementary Report for 1959-60 that the matter was still outstanding and Your Committee investigated the matter as part of our enquiries into the Reports for 1959-60. Included in the information furnished to Your Committee was reference to the fact that the Department of the Treasury was awaiting legal advice on the question raised by the Auditor-General.

133. In paragraph 142 of our Fifty-Third Report we stated:-

"Your Committee are concerned at the possibility of a statutory authority acting or being able to act outside the terms of the relevant legislation, and will make further inquiries into this matter to ascertain the action taken after the legal opinion sought by the Department of the Treasury has been given."

134. Further advice on this matter has now been furnished to Your Committee and we take this opportunity to present the information to the Parliament.

135. On the 23rd January, 1959, the Department of Primary Industry referred to the Australian Wool Realization Commission the query raised by the Auditor-General. In reply on 6th February, 1959 the Commission claimed that there was no necessity:-

".....to submit the payment of retirement allowances to the Public Service Board for approval. In this regard, it is stressed that although the Commission has generally followed along the lines laid down for employment in the Commonwealth Public Service it has always reserved the right to modify the application of conditions should special circumstances, as in this case, justify such action."

136. The Department again wrote to the Commission, on 20th March, 1959 and said:-

"... The statements in your letter conflict completely with the understanding of this Department and the Public Service Board because it is considered that Section 20 of the Wool Realization Act 1945/52 requires the approval of the Public Service Board for all terms and conditions of employment of officers and employees and this includes the question of allowances."



137. The Commission's reply of 3rd April, 1959 indicated that it had submitted all staff positions to the Public Service Board for approval but considered that section 20 related only to the creation of new positions and the appointment of officers at the commencement of the Commission. It was of the opinion that section 20 did not apply to payments such as retirement and higher duty allowances and added "that payment of the retirement allowances has extended progressively over the past seven years and all payments have been completed."

138. The matter was referred by the Department of the Treasury on 28th November, 1960 to the Attorney-General's Department. The legal advice, furnished on 29th December, gave the opinion that section 20 was applicable to retiring allowances and that the approval by the Public Service Board was a condition precedent. The view was held that the retiring allowance had been paid without authority. The advice continued:-

"... I understand from the Department of Primary Industry, however, that the balance of moneys in both the Commission's bank account and the Wool Disposals Profit Fund are to be paid into the Wool Research Trust Fund. In these circumstances, the question of recoupment appears to be an academic one and the expression of a definitive view on the matter generally seems to be unnecessary. ...."

139. The Department of Treasury advised Your Committee on 5th October, 1961:-

"... As the Australian Wool Realization Commission has ceased operations, Treasury can see no alternative but to write-off the amount of £5,980."

140. It appears from the information furnished to Your Committee that illegal payments have been made and that nothing further can be done in this matter.

141. Your Committee appreciate that the operations of statutory authorities cannot be kept under surveillance continuously by some other government department or agency. Further, the concern we expressed in our Fifty-Third Report (see paragraph 133 above) has been fully justified.

142. We feel therefore that we should make some recommendations to the Parliament for avoidance of these difficulties in the future but which will not infringe on the degree of autonomy the Parliament wishes to provide.

143. In view of the many matters common to the establishment and control of authorities Your Committee consider that consideration might be given to altering the form in which the initiating legislation is prepared. The common features generally include provisions, such as section 20 of the Wool Realization Act 1945-1952, and the requirements for the keeping, auditing and publishing of accounts.

144. These matters, and possibly others, we suggest might be incorporated into one standing legislative measure which will apply to all future statutory authorities. Where, for particular reasons, some departure from the standing procedures is considered warranted the initiating legislation for the authority concerned could clearly provide for the alternative requirements which are to be followed.

145. Meanwhile Your Committee suggests that, unless they are aware that the requirements of the relevant legislation are now being observed meticulously, departments concerned should immediately warn all statutory authorities of these requirements.

#### CHAPTER X.- ACKNOWLEDGMENTS.

146. In 1956, the Third Committee considered further the arrangements which had applied to the conduct of public hearings. After discussions with the Auditor-General, the Chairman of the Public Service Board and the Secretary to the Treasury a procedure was adopted which assured that a representative of each of these three important agencies, which also have responsibilities in the control of Public finance, would be present at all times as observers to assist Your Committee.

147. The advice of the observers is available whenever requested or whenever they consider it appropriate to intervene with further comment or explanation. These arrangements are, of course, in addition to the procedure whereby representatives of these same three agencies may be called as witnesses to give sworn evidence whenever that course appears to Your Committee to be desirable.

148. This Fourth Committee are pleased to report that the arrangements have been continued and the procedures have been used at all our public enquiries. We wish to record our sincere thanks to the Heads of the three organizations mentioned and to their officers who have attended and assisted us so ably with their expert knowledge.

149. Your Committee's enquiries are based on written explanations and oral evidence obtained from Departments. We are greatly indebted to all Departments who have assisted us in this way over the past three years and congratulate them on the manner which they have presented the data required by Your Committee.

150. Finally, we wish to thank the Principal Parliamentary Reporter and his staff for their efficient services and the great co-operation they have shown at all times in reporting the hearings of Your Committee.

## CHAPTER XI.- EMERITUS PROFESSOR F.A. BLAND, C.M.G.

151. Francis Armand Bland, C.M.G., M.A., LL.B., was elected to the House of Representatives for Warringham, New South Wales in 1951. This new member of the House of Representatives was one of ten members appointed in 1952 to serve on the reconstituted Joint Parliamentary Committee of Public Accounts.

152. The First Committee appointed F.A. Bland as its Chairman on 25th September, 1952. He occupied this office with successive Committees until his resignation from the Fourth Committee on 10th March, 1960.

153. The new Committee had to establish itself in 1952 as a new and effective agency of the Commonwealth Parliament. This required decisions on the manner in which it would function in order to carry out its statutory duties and the determination of the details of the procedures it would adopt to achieve that end.

154. The First Committee, and subsequent ones was singularly fortunate in having F.A. Bland as Chairman and the success of the Public Accounts Committee in the following years owes much to his ability and strenuous endeavours. No better man could have been found to guide the activities of this body which the Parliament had appointed to watch its interest in the field of public finance and administration.


155. F.A. Bland had had a distinguished academic career extending over many years and had been one of the pioneers of the study of government and public administration in Australia. It was fitting that he should have been a pioneer in the development of a parliamentary instrument designed to grapple with the practical realities of a large, complex and growing Commonwealth Administration.

156. His colleagues on this Fourth Committee are confident that members of former Committees share their admiration for his zeal and energy and would agree that his experience, integrity and scholarship have eased for them the burden of the onerous work which members of the Committee have often undertaken.

157. We feel that his work with us has been one of the greatest single contributions to have been made by an ordinary Member of this Parliament. We consider that the efficiency and prestige of the Commonwealth Administration have increased, and will increase further, as a result of the objective investigations that have been, and will be, carried out by Your Committees. And we trust that the work of past and succeeding Committees will always preserve a record, as F.A. Bland has done, of tenacious fidelity to the ideal of service to the Parliament and of efficiency in public administration.



For and on behalf of the Committee,  
F.J. DAVIS, Chairman.



T.H. CRANSTON,  
Secretary,  
Joint Committee of Public Accounts,  
Parliament House,  
CANBERRA, A.C.T.

18th October, 1961.