



1960.

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA.

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

FIFTY-THIRD REPORT.

THE REPORTS OF THE AUDITOR-
GENERAL—FINANCIAL YEAR 1959-60.

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JOINT COMMITTEE OF PUBLIC ACCOUNTS

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FIFTY-THIRD REPORT.
FOURTH COMMITTEE.

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A. V. THOMPSON, ESQUIRE, M.P. (Vice-Chairman).

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J. F. COPE, ESQUIRE, M.P.
A. S. LUCHEITZ, 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.

Resigned 16th March, 1960. ¹ Appointed 16th March, 1960; elected Chairman 17th March 1960. ² Resigned 20th March 1960. ³ Appointed 20th March 1960. ⁴ Resigned 20th March 1960.

THE REPORT OF THE AUDITOR
GENERAL FINANCIAL YEAR 1959-60

DUTIES OF THE COMMITTEE.

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

8. The duties of the Committee are—

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

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

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

FIFTY-THIRD REPORT.

THE REPORTS OF THE AUDITOR-GENERAL—FINANCIAL YEAR, 1959-60.

PART I.

CHAPTER I.—INTRODUCTORY.

In our Fiftieth Report Your Committee recorded the intention of conducting a series of inquiries each year on matters arising from comments in the Reports of the Auditor-General. The results of the first of these inquiries, based on matters raised in the Reports for the year ended 30th June, 1959, were presented in our Fiftieth and Fifty-second Reports. This Fifty-third Report presents the results of our inquiries on matters raised in the Reports of the Auditor-General for the year ended 30th June, 1960.

2. The Reports of the Auditor-General for 1959-60 were presented to the Parliament on the 17th August, 1960, and the Supplementary Reports on the 19th October, 1960. Your Committee considered the comments in these Reports as soon as they were available and selected a number of items which appeared to warrant further inquiry. These items were discussed with the Auditor-General and the Secretary and Chief Inspector, Mr. V. J. W. Skermer, on 22nd September, 1960, and with the Acting Auditor-General on 24th October, 1960.

3. The series of public hearings was commenced on 11th October, 1960, and continued on 24th and 25th October, 1960 and 6th December, 1960, with the assistance of the following witnesses:—

11th October, 1960— Department of the Treasury ..	Mr. F. A. Stanton, Assistant Secretary. Mr. T. A. Wharton, Chief Finance Officer. Mr. J. M. Henderson, Assistant Secretary. Mr. R. N. Townsend, Chief Finance Officer.
24th October, 1960— Department of the Interior ..	Mr. H. A. Barrenger, First Assistant Secretary. Mr. P. F. Alexander, Rating Clerk.
25th October, 1960— Department of Territories ..	Mr. L. L. Gillespie, Assistant Administrator (Finance and Administration), Northern Territory. Mr. C. E. Reseigh, Assistant Secretary (Finance and Economics).
6th December, 1960— Department of National Development Overseas Telecommunications Commission (Australia) Department of Primary Industry	Mr. E. L. McCay, Assistant Secretary. Mr. F. A. J. Frawley, Accountant. Mr. T. A. Housley, General Manager. Mr. J. D. MacFarlane, Assistant Secretary and Director of Inspection Services. Mr. D. P. Cleary, Finance Officer. Mr. C. E. Reseigh, Assistant Secretary (Finance and Economics).

4. After consideration of certain particular comments made in the Auditor-General's Reports, and conducting preliminary inquiries, Your Committee selected the matters in the following chapters for further investigation at the series of public hearings mentioned in the foregoing paragraph 3.

CHAPTER II.—GRAFTON-SOUTH BRISBANE RAILWAY.

5. This rail link was part of a standard gauge unification plan proposed in 1920. Pending a decision by all the States on the adoption, or otherwise, of the proposal the Commonwealth entered into an arrangement with the States of Queensland and New South Wales for the completion of this particular section of the overall plan. The Commonwealth

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PART II.

I. TREASURY MINUTE ON THE TWENTY-SEVENTH REPORT OF YOUR COMMITTEE	24
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agreed that, in addition to its basic proportion of 20 per cent. of the cost of the whole plan, it would also assume the proposed proportion of the other three non-participating States. The final cost of some £4,519,000 was allocated approximately in the proportion of Commonwealth 56 per cent., New South Wales 32 per cent. and Queensland 12 per cent.

6. The line comprises some 112 miles within New South Wales and 69 miles within Queensland.

7. The Department of the Treasury has advised that the total debt incurred in constructing the line, which was opened on 27th September, 1930, and the annual debt charges are as follows:—

	Debt.	Annual Debt Charges.	
		To 1944-45.	From 1945-46.
	£m.	£	£
Commonwealth—			
Basic proportion (20 per cent.)	904	102,235	66,843
Non-participating States	1,631	56,654	26,825
	2,535	158,889	93,668
New South Wales	1,443	90,494	58,821
Queensland	541	33,888	22,027
	4,519	283,271	184,126

8. The Agreement concluded between the three parties is included in the First Schedule to the *Grafton to South Brisbane Railway Act 1924-1930*.

9. Under the terms of the Agreement any surplus of revenue over working expenses in a particular year is to be distributed in reimbursement of the debt charges payable by each party in accordance with the following priority:—

- (1) The Commonwealth for the share of the non-participating States.
- (2) New South Wales and Queensland.
- (3) The Commonwealth for its own basic share.
- (4) New South Wales and Queensland on a mutually agreed basis (at present, pro rata to respective mileages).

10. The calculations are restricted to the results for each particular year and revenue and working expenses are—

(Clause 13 (1)) on the basis and in the manner determined by the Railway Commissioners of Australia for calculating the revenue and working expenses of separate sections of the railways of the said Commissioners, and in force for the time being. If at any time no such determination is in force the basis on the manner in which the revenue and working expenses of the said railway or portion thereof shall be calculated shall be determined by the Commonwealth Railways Commissioner, the Chief Railway Commissioner of New South Wales, and the Commissioner for Railways, Queensland, or a majority thereof.

11. Clause 13 (4) of the Agreement states—

(4) For the purposes of this clause New South Wales and Queensland shall as early as practicable after the end of each financial year furnish to the Treasurer of the Commonwealth a statement certified by the Auditor-General of each party hereto showing in detail the revenue and working expenses of such railway or of any portion thereof which is opened for traffic as the case may be.

12. The Commonwealth Auditor-General, in paragraph 102 of his Report for the year 1959-60 commented—

Reference has been made in previous Reports to accounting practices which do not comply with the terms of the agreement. The position was unchanged at date of compiling this Report.

13. In amplification of this statement the Auditor-General advised Your Committee—

The accounting practices referred to are as under—

- (a) The method of allocating working expenses of the Traffic and Mechanical Branches of the New South Wales Railways.
- (b) The inclusion by the Queensland State Government in working expenses of interest and redemption charges on capital expenditure items in excess of £100 financed from that State's loan funds.

These two items are the remainder of several questions which first appeared in the Auditor-General's Report many years ago and which have been commented upon as necessary in succeeding Reports.

Exhibit No. 571.

With regard to the first item, the New South Wales Railways Department has not since 1940 found it practicable to maintain costing records in sufficient detail to enable allocation of the working expenses to be made in conformity with the agreement under the Act but has made an apportionment of those expenses on the basis of past experience and in accordance with an arrangement entered into with the Queensland Railways.

It is understood that the New South Wales Railways proposes as from 1st July, 1960, to allocate the costs of the Traffic Branch in accordance with the Agreement but it would appear that it will not be practicable to comply with the Agreement in respect of the Mechanical Branch.

The second item is contrary to a determination by the Railways Commissioners of Australia that the interest and sinking fund charges are not chargeable to working expenses within the meaning of the Agreement.

14. The Department of the Treasury confirmed that the Auditor-General had been reporting on unsatisfactory features of the accounts regularly since 1948-49 and added "but it should be pointed out that in only four of the years concerned was there any possibility of Commonwealth revenue being affected adversely by the practices to which exception has been taken . . . in each of the six years to 30th June, 1959, there was a substantial operating deficit which could not have been converted to a distributable surplus by disallowance of contentious items, which generally speaking are of a minor nature."

Exhibit No. 572, para. 2.

15. The Acting Auditor-General for the Commonwealth, Mr. V. J. W. Skermer, agreed that it was the responsibility of the Audit Office to see that the Commonwealth observes the Agreement and that its interests under the Agreement are protected so far as the financial aspects are concerned. He further agreed that an Agreement of this nature should be observed meticulously.

Ex. 5, Q. 12.

16. Mr. Skermer advised Your Committee that, in addition to reporting to the Parliament, the Auditor-General would look to the Treasury to initiate positive action to rectify items mentioned in his Reports as causing concern. With regard to the comments in the Auditor-General's current Report he stated—

Ex. 15 and 16

Over the years, a lot of attention has been given to these various matters, both by the Treasury and the railway authority. One by one, quite a lot of observations have received appropriate attention but these two main items are left to receive satisfaction.

Q. 17.

17. Mr. Skermer was then asked—

MEMBER: Where an agreement such as this one that relates to this legislation, after some years shows deficiencies, or some people believe that it may show deficiencies, what action do you consider should be taken? Would revision of the act and the agreement be the answer?— (Mr. Skermer) I should say that consideration should be given to revision of the agreement. I am not aware of any necessity to amend the act; but the agreement, to my mind at any rate, does seem to need some overhaul.

Q. 21.

18. The reference to possible deficiencies in the Agreement arose from information given to Your Committee by the Treasury indicating that no provision had been made in the Agreement covering expenditure of a capital nature on either section of the line since 1930. The Acting Auditor-General thought some provision might be inserted in the Agreement to cover this expenditure "because it does leave an element of doubt in regard to certain items as to just whose responsibility it is to meet this expenditure."

Exhibit No. 572, Attachment.

Q. 23.

19. Mr. F. A. Stanton, Assistant Secretary, Banking, Trade and Industry Branch, Department of the Treasury, confirmed this position when he stated—

It is the lack of any definite provision for subsequent capital expenditure which has given rise to most of the difficulties experienced in implementing this agreement. . . . If there is no more capital expenditure, the Commonwealth's possibilities of getting reimbursements from this line are rather slim. . . . subsequent capital expenditure is at least maintaining, if not adding to, the earning power of the railway on which the Commonwealth depends for its periodical distribution.

Q. 20.

20. Mr. Stanton added later—

This particular standardization project is the only one in which the Commonwealth has taken a rightful share in the operating results of the line. In subsequent standardization agreements, the Commonwealth makes a contribution and that is that.

Q. 22.

and continued with illustrations of some of the difficulties which had been encountered in the administration of the Agreement. Some of these had been overcome, in conformity with a provision in the Agreement, by the three Railway Commissioners conferring and arriving at a majority or unanimous decision.

Q. 42.

21. The financing of this rail link, as envisaged in 1924, was undertaken by the Commonwealth apparently on the basis that it would carry the share of the three non-participating States whilst they were considering the overall unification plan which had been proposed. As the other States did not participate the sharing of the profits was provided for in the Agreement as set out in paragraph 9 above. The detailed provisions in the Agreement are complicated further by the 1927 Financial Agreement, later ratified in the Financial Agreement Act 1928, which resulted in the State's portions of the debt becoming

Ex. 64 to 66.

part of the State public debt and subject to the sinking fund provisions of the "1927 Financial Agreement". As a consequence the State's share of the cost will be amortised some twenty years from now.

22. However, the terms of the original Agreement are sufficiently explicit to establish certain rights and responsibilities of the three parties. Witnesses cited a number of years in which accounting practices, which may have affected the rights of the Commonwealth, were adjusted to conform to the Agreement. The matters presently outstanding would not affect Commonwealth revenues and the Treasury witness stated—

Q. 74.

(Mr. Stanton) I agree fully that the Auditor-General's job is to point out where an agreement is not being adhered to in a meticulous fashion. But when it comes to the Treasury attitude, I think you will agree that we cannot overlook the realities of the situation. If a technical breach does not affect Commonwealth revenues in a certain year, personally I do not get as hot up over it as if it is going to result in a loss of revenue to the Commonwealth. The years in which Commonwealth revenue has been affected have been dealt with by positive action on the part of the Treasury

and later—

Q. 84.

. . . . I make the point, not as an apology, that the staff I have is limited and we cover quite a big field. Where there is no actual financial effect on the Commonwealth coming up immediately, you do not give a subject as high a priority as something, where millions are involved day by day. So, there is a little delay in it.

23. This latter statement was in reply to a question concerning the delay in respect of a query raised with one of the States in 1957 and in respect of which the Commonwealth was still awaiting the information sought.

24. Your Committee did not canvass the possible amendments which might be considered desirable to the present Agreement as this is a matter of Government policy. On the other hand, it did not receive any evidence to support the necessity of any particular amendments as there is a standing Agreement and its provisions should be meticulously observed by all the parties. However, some problems arising from the terms could no doubt be simplified by making amendments to those terms.

Q. 92.

25. With regard to the possible deficiencies of the present Agreement the Treasury witness was asked—

MEMBER: At one stage this morning you mentioned that some time ago this matter was put up at a ministerial level. I do not want to discuss policy with you It is quite evident from our discussion that many of the problems arise from the agreement. Have any submissions been put up lately at policy level?

26. In reply Mr. Stanton stated—

Not for a number of years. The last occasion was in 1956.

CONCLUSION.

Qs. 10, 21 and 40.

27. We noted that witnesses from the Treasury and Audit Office agreed strict compliance with the terms of an agreement is necessary and that they thought some amendment of the Agreement originated about 35 years ago may be desirable.

28. The question of the details of possible amendments to the present Agreement involves matters of policy and is not one for consideration by Your Committee. However, the witnesses considered that its administration had now become a complex matter.

29. In view of the difficulties of the past and the opinions expressed by the witnesses Your Committee consider that action should be taken by the Department of the Treasury and the Department of Shipping and Transport, after consultation with the Auditor-General, to have these problems considered at ministerial level.

CHAPTER III.—COMMONWEALTH STORES SUPPLY AND TENDER BOARD.

30. The Commonwealth Stores Supply and Tender Board was established in 1918 to facilitate the economical purchasing of departmental requirements such as typewriters, stationery, office requisites, &c. A local board operates in New South Wales whilst the tender boards of the Postmaster-General's Department perform the functions on its behalf in the other States.

Exhibit No. 317.

31. The operations are financed through a Trust Account—the Commonwealth Stores Suspense Account—and a section of this Trust Account is maintained in six Sub-Treasuries, The Department of the Treasury advised, on 6th October, 1960—

During the latter part of June, accounts were authorized for payment in Adelaide and Melbourne beyond the level of the credit available in their sections of the Trust account.

This overspending was contrary to the provisions of Treasury Regulation 92 and should not have occurred. The full circumstances are still being investigated and in the meantime steps have been taken to avoid any further recurrence.

32. Treasury Regulation 92 states—

92. Every Authorizing Officer shall see that the total amount which he has authorized to be paid out of a particular head of expenditure does not exceed the total amount included in Warrant Authorities for Expenditure (Form 30) or Trust Fund Credit for that particular head of expenditure.

33. In his Report for the year ended 30th June, 1960, the Auditor-General recorded that the transactions for the year involved expenditure of £956,347 and receipts of £867,567. At 30th June, 1960, the balance of the Trust Account was Dr. £2,715.

34. Your Committee's inquiries revealed that the over-expenditure had resulted from the action of one officer in paying accounts in June when sufficient funds were not available at that time. No application had been made for additional funds to meet an increased volume of expenditure and the officer concerned had been admonished. The departmental inquiry into the particular circumstance had not been completed at the time of our inquiry but the investigation was being continued and Your Committee were assured by the witness, Mr. T. A. Wharton, Chief Finance Officer, Department of the Treasury—

Qs. 125, 127.

Q. 109.

(Mr. Wharton) and in my opinion there is no question of its ever happening again.

CONCLUSION.

35. Your Committee are satisfied that reasonable provision is made to avoid the type of situation which arose in this instance and that it was a human error, not a deficiency in procedures, which led to the circumstance reported by the Auditor-General.

CHAPTER IV.—DEFENCE SERVICES.

(A) LOSSES OR DEFICIENCIES OF PUBLIC MONIES OR PROPERTY.

36. In paragraph 121 of his Report for the year ended 30th June, 1960, the Auditor-General stated—

Since 1942-43, Annual Reports by successive Auditors-General have referred to the need to introduce uniform conditions into the regulations of the three Services to provide, in certain circumstances, for recovery from servicemen of the value of losses of public moneys and stores. Past efforts to achieve this objective are set out at paragraph 117 of my Report for 1957-58.

During the year further discussions took place between the Treasury and the Service Departments. However, the necessary legislation had not been enacted when this Report was compiled despite Treasury representations as to the urgency of the matter.

37. In the course of its inquiry Your Committee was informed by Mr. J. M. Henderson, Assistant Secretary, Department of the Treasury, that—

Treasury has been endeavouring to get legislation passed to cover this deficiency. We tried to get the individual service regulations amended. Various opinions were held about that. Ultimately it has developed into an agreement or an understanding that the Defence Act itself will be amended to cover the deficiency.

Q. 135.

MEMBER.—Is that a view with which the Treasury concurs?—(Mr. Henderson) We are accepting that position.

Q. 136.

MEMBER.—You agree that this should not be treated in isolation, but it should be treated as a general review?—(Mr. Henderson) It affects the three services and the overriding act is the Defence Act, so I think it is appropriate that it should be done under that Act.

Q. 137.

38. Earlier the Department of the Treasury had advised Your Committee—

The Departments of the Army and Air intended to include a provision in new Defence legislation being considered by an interdepartmental committee under the chairmanship of the Solicitor-General. In recognition of the time required to complete that review, the Treasury communicated to the Service Departments in September, 1958, the necessity for amendment of the existing legislation. The urgency of appropriate amendments was put again to the Department of Defence on 7th September, 1959.

Exhibit No. 313.

Conclusion.

39. In our Fiftieth Report, Your Committee reported at some length on the delays which had occurred in promulgating regulations and in paragraph 73 of that Report commented that one factor in the delay "came from not dealing with pay regulations alone—of associating them with other amendments or reviews of regulations".

P.P. No. 84 of 1960.

40. The delay in this instance has been aggravated by the failure to amend existing legislation to meet a particular requirement. Instead the Departments waited on a long term review which had the objective of introducing a new and complete set of legislation. Your Committee view with concern the fact that this was done in the face of continuing criticism by the Auditor-General and that the important principle of safeguarding public property and moneys was involved.

41. In view of this situation and the comments of Your Committee in our Fiftieth Report on a parallel set of circumstances we trust that this attitude will not persist. If the overall review of the Defence Act cannot be completed in the immediate future action should be taken now to amend the existing regulations.

(B) SICK LEAVE AND ENTITLEMENT TO FREE MEDICAL TREATMENT.

42. The Auditor-General in his Report for the year ended 1959-60 (paragraph 122) stated—

Australian Military Regulations and Air Force Regulations prescribe the entitlements of members of those Services to leave of absence and medical treatment in respect of illness or injury.

Since the end of the 1939-45 war, sick leave and medical treatment in excess of statutory entitlement have been granted to members by the Departments of the Army and Air on the basis of war-time provisions. Substantial expenditure also has been incurred for medical treatment of members injured whilst off duty or absent without leave.

Following repeated Audit representations the matter was reviewed by the Treasury Finance Committee and uniform conditions for the three Services were recently approved, operative from 1st July, 1960. However, the necessary Statutory Rules had not been promulgated at the date of compiling this Report.

43. The position had been that a decision of the Government to continue, for the time being, the war-time sick-leave and free medical treatment entitlements had resulted in a substantial expenditure of public moneys not authorized by legislation. The position arose because enlistees after the war were members of the permanent forces and their entitlements should have been determined by the existing legislation as the decision of the Government in 1945 had not been made legal by covering amendments to the regulations.

44. Discussions between the three services and the Department of the Treasury continued to the date of the establishment of the Allison Committee in 1957 when they were suspended in expectation that that Committee would consider the matter. However, the Allison Committee did not report on it and considerations of the problem with the services were reviewed through the Treasury Finance Committee.

45. The Treasury Finance Committee's recommendations were approved by the Treasurer on 30th May, 1960, and concurred in by the Minister for Defence on 3rd June, 1960. On 16th June, 1960, the three service departments were asked to promulgate by regulations the details of the new agreed conditions. The witness stated—

(Mr. Henderson) We hope they will be promulgated in the very near future.

Conclusion.

46. As the new uniform conditions are intended to apply as from 1st July, 1960, Your Committee trust, particularly in view of the already excessive delays which have occurred, that the Auditor-General will not have to comment again on this matter in his next Report.

(C) DEPARTMENT OF THE NAVY REGULATIONS.

47. The Reports of the Auditor-General for the year ended 30th June, 1960, contained comments, similar to these in his Reports for the previous year, concerning the failure to promulgate regulations giving statutory authority to the rates of pay and allowances for members of the defence forces.

48. Your Committee, in its Fiftieth Report, reported at length on this situation in relation to members of the three services. These comments included reference to the Permanent Naval Forces and in this inquiry we investigated further a similar situation in relation to members of the Naval Reserve Forces. The regulations requiring review and amendment were—

- (a) Naval Reserve Regulations;
- (b) Naval Reserve (Seagoing) Regulations;
- (c) Royal Australian Fleet Reserve Regulations;
- (d) Naval Volunteer Reserve Regulations.

49. At our inquiry the witness for the Department of the Treasury stated—

(Mr. Henderson) . . . There are five sets really, but one is now defunct. That dealt with National Service trainees. We propose to reduce the four sets into two sets, which we think would be more appropriate. One has been completed and is before the Draftsman, and the other is still being considered.

MEMBER.—Will the consideration of the second set delay action on the first set?— (Mr. Henderson) I hope not. They have been separated. They are related to two different sets of people. I do not see any reason at all why one should not go through and the other follow later.

50. The witness went on to explain that a large volume of regulations had, in recent years, been under review in the Defence Division of the Department of the Treasury and that a lesser priority had been given to the Naval Reserve Regulations than to others, including those relating to pay and allowances of permanent members of the three services. In fact relatively few members are affected by the regulations. The witness stated—

(Mr. Henderson) . . . overall this problem of reserve does not compare in size with the problem we had with the main body of the forces, and that was the reason that the attention that we would have liked to give to the regulations, was not given to them. They were put on one side and the bigger task dealt with.

51. Your Committee were assured that the Department of the Treasury would, as far as it was able, endeavour to have the matter completed as early as practicable.

(D) GENERAL CONCLUSION.

52. In paragraph 76 of our Fiftieth Report Your Committee commented—

Although evidence was presented showing that the staffing of the drafting branch of the Attorney-General's Department had been seriously depleted for some years, adequate action had not been taken to overcome the shortage. (This lack of action to correct a serious area of weakness in the Attorney-General's Department is similar to a situation found and reported upon by Your Committee in the Forty-Third Report.) Immediate attention should be given to this matter by the Department and the Public Service Board.

53. This situation causes delay in the promulgation of legislation. However, the circumstances investigated in relation to the Auditor-General's comments on the failure to complete certain regulations refer to further serious delays arising from the failure of the services departments to reach agreement on certain matters which had to be settled before instructions could be issued to the Parliamentary Draftsman.

54. Decisions had still not been made on some of these matters at the time of our enquiries and Your Committee consider that those outstanding should be reduced to instructions to the Parliamentary Draftsman, at least, before the Auditor-General presents his next Reports to the Parliament. We will continue to watch the situation.

CHAPTER V.—POSTMASTER-GENERAL'S DEPARTMENT.

POST OFFICE STORES AND SERVICES TRUST FUND.

55. In paragraph 144 of his Reports for 1959-60 the Auditor-General stated—

In my Report for 1958-59, I mentioned that no decision had been taken as to the suggestion by the Joint Committee of Public Accounts in its Thirty-Fourth Report that a Committee representative of the Treasury, the Audit Office and the Postmaster-General's Department be established to examine the necessity for the continued operation of the Post Office Stores and Services Trust Account. At the date of preparation of this Report the position was unchanged.

56. At the time of holding its public hearings associated with the Auditor-General's Reports for 1959-60 Your Committee understood that consideration was being given to a report of the ad hoc Committee of Inquiry into the Commercial Accounts of the Post Office. Consequently we were of the opinion that the matter should be given attention after a decision was known on the report of that Committee.

57. The Auditor-General was in agreement with Your Committee's decision.

CHAPTER VI.—DEPARTMENT OF THE INTERIOR.

(A) CONTROL OF ASSETS.

58. In his Reports for the Year Ended 30th June, 1959 (paragraph 52), the Auditor-General stated—

Reference was made in my Annual Report for 1957-58 to the inadequate records of assets maintained by the Department of the Interior in the Australian Capital Territory.

During 1958-59 the Department gave the matter special attention. Satisfactory procedures have now been introduced and some progress has been made towards establishment of adequate records.

In New South Wales, unsatisfactory features associated with stocktakings have been the subject of correspondence with the Treasury and the Department. At the time of compiling this Report, the matter was still in action.

59. His Reports for the Year Ended 30th June, 1960, commented on the progress being made on his previous criticisms in the following terms:—

My annual Report for 1958-59 mentioned that progress was being made with the establishment of adequate records of assets for the Australian Capital Territory branch of the Department of the Interior. Progress continued during the year under review although action has not been completed, due to delays in finalizing sectional stocktakes. Of 62 stocktakings scheduled for action before the end of 1959, 18 were still outstanding at 30th June, 1960.

The unsatisfactory features associated with stocktakings in New South Wales, also referred to in my 1958-59 Report, remain unresolved. At the time this Report was prepared correspondence between the Department and the Treasury had not reached finality.

60. At the public hearings held by Your Committee on 24th October, 1960, the Secretary, Auditor-General's Department, advised—

(Mr. Skermer) I should say that the position is moving towards satisfaction. There are still several stocktakings that require to be finalized. At the date of the Auditor-General's report, there were eighteen stocktakings. For the information of the Committee, perhaps I should mention that eight of those have been completed under the approval of competent authority. Three are with the Audit Office for comment—for submission to competent authority—one is in abeyance pending completion of police inquiries, four are in the course of being undertaken, and two have been deferred because of special circumstances. That, very briefly, is the current position with regard to the stocktakings.

61. In reply to further question concerning instructions for the keeping of an "assets register" the witness stated—

(Mr. Skermer) Treasury instructions to date have not defined the keeping of an assets register. Treasury instructions provide that the chief officer of the department shall prepare and issue rules for the purpose of accounting for assets and stores. There is a draft circular which was prepared and issued to departments by the Treasury for the purpose of obtaining the comments of departmental heads. I do not think Treasury action in that regard has yet been completed. I think the Treasury is awaiting the full comments from the permanent heads,

and the Treasury representative added—

(Mr. Hewitt) . . . I do not think all the comments are yet to hand, but they have been sought.

62. With regard to stocktakes and records of assets in the Australian Capital Territory, the Department of the Interior informed Your Committee that the physical stocktakings had been the responsibility of the Department's Internal Audit Section. However, the work had got into arrears due to pressure of other work and a new procedure was adopted in 1958 when "it was decided . . . that the physical stocktaking should be carried out by the staff of the branches (other than the actual stockholder) responsible for the custody of the assets."

63. However, the arrears in the work had continued, although to a lesser extent, and a series of further explanations were sought from the witness, Mr. H. A. Barrenger, First Assistant Secretary, Department of the Interior—

MEMBER: . . . you refer to the inexperience of the staff available and you advance that as a reason for the delay in carrying out the stocktakings. Can you say why the staff was not competent to deal with what is really a routine matter?—(Mr. Barrenger) We found that when they were checking internal audit stocktakings became quite experienced at picking out various items. Clerical staff working in branches like Parks and Gardens were put on to this work, but although they were in the branch concerned they would have little idea of the types of plant and probably would not know the names of some things. They have found it very difficult to pick up the general idea of names more than anything else.

MEMBER: But they have been able to pick it up rather quickly in recent months?—(Mr. Barrenger) We have put on extra staff, and they have had the assistance of the field staff to help them.

64. The Department also informed us that—

A new system of recording stock in the stockledgers of the accounts section has been instituted on the recommendation of the Department's O & M staff. Revised instructions under Treasury Instruction 29/2 for use in the Canberra branches have been drafted.

65. However, at the date of our enquiries the revised instructions had not been issued. In fact there were not any existing instructions.

66. Obviously the situation was still not satisfactory at the time of our enquiry but progress was being made towards the completion of stocktakes and the eventual maintenance of proper records of assets.

67. Reference had been made to the "rapid growth of branch activities in recent years" in the Australian Capital Territory and the departmental witness was asked—

MEMBER: . . . I was wondering whether any attempt had been made in your department to forecast the consequences of that development. It was evident that you would be faced with recurring staff problems unless you could take some action in anticipation of it.—

(Mr. Barrenger) I should say that we did not do that. As a matter of fact, we find it very difficult to get enough staff to meet immediate requirements, without looking ahead. We are always short of staff.

68. The observer for the Public Service Board assured us that, when departments were unable themselves to recruit staff, the Board made every endeavour to assist and would obtain temporary staff, if possible, to fill vacant positions. Qs. 220 to 224.

69. Two particular matters referred to by the Auditor-General concerned stocktakes—

- (1) At the Film Division of the News and Information Bureau, Sydney; and
- (2) At the Fire Brigade Head-quarters, Canberra.

70. When the Film Division was transferred from the Department of Information in 1950 no stock records were made available on which to base an assets register. The first stocktake was not made until 1954 and this was followed by one in 1956 and again in 1958. The Department, therefore, had not observed Treasury Instruction 29/10 which reads— Exhibit No. 33/8.

10. Stores shall, unless the Treasury otherwise approves, be subject to a stocktaking at least once annually in accordance with rules of procedure formulated by the Chief Officer . . .

71. The witness was asked—

MEMBER.—Your head office here was not aware of the fact that stock was not taken?—(Mr. Barrenger) We had no knowledge of it. It was first brought under notice by the Chief Auditor in Sydney. Q. 261.

72. The position had arisen that, lacking basic records, the Chief Property Officer, Sydney, had not been able to bring stocktakings to finality and, as a consequence, the Chief Auditor, Sydney, submitted the matter through the Auditor-General to the Department of the Treasury to allow the results of the 1958 stocktake to be used as the basis of future stores recording. The Head Office of the Department claims that it had no knowledge of the situation until the Treasury wrote to it in February, 1959. There was a further unexplained delay of almost four and one-half months before the Head Office completed a formal proposal for submission to the Treasury. Q. 277. Exhibit No. 53/12. Qs. 265 and 279. Qs. 265-268.

73. Subsequently annual stocktakes have been carried out and a set of instructions drafted for use in New South Wales. At the time of our enquiry the instructions had not been issued by the Department of the Interior and the Auditor-General was, consequently, unable to state, at that stage, whether the instructions or latest stocktakes were satisfactory. Q. 226.

74. With regard to the Canberra Fire Brigade the Department advised "It is proposed to adopt the system employed for stock recording in other Fire Stations under the control of the Commission". The Department was referring to the fact that some eighteen months previously arrangements had been made for the Brigade to be staffed entirely by employees of the Board of Fire Commissioners of New South Wales. Exhibit No. 53/8. Q. 216.

75. The witness advised that his Department had been corresponding with the Board on the question and that no stocktake had been made at the time of the change over. He was then asked— Qs. 223, 218.

MEMBER.—What has delayed the stock taken and setting up of records for so long?—(Mr. Barrenger) I should say that it has probably been overlooked, that is about the only answer I can give. We were waiting for advice from the Board of Fire Commissioners as to the system they adopt. Q. 222.

Conclusion.

76. Your Committee's investigations have revealed an unsatisfactory situation of long standing. The information furnished at the time of our enquiry indicates that the matter should be brought to a satisfactory conclusion in the immediate future but we are concerned—

- (1) That such a situation should have arisen at all and then been allowed to remain in existence for so long;
- (2) That the cause of the situation should have been attributed by the Department largely to the shortage of staff but there was no evidence of positive action to obtain staff or to forecast staffing requirements to meet increasing activities;
- (3) That directions required by Treasury Instruction 29/2 had not been issued by the Chief Officer of the Department of the Interior for "the receipt, custody or disposal of, or accounting for public stores". (T.I. 29/2.)

77. Further, Your Committee consider that Treasury Instructions concerning the keeping of assets registers should be issued as early as possible.

(b) CANBERRA ELECTRICITY SUPPLY

78. The Auditor-General reported—

My 1958-59 Supplementary Report mentioned that the Treasury had advised the Department of the Interior that moneys held on account of depreciation and interest charges up to the end of 1958-59 were to be paid to Revenue as soon as possible, and thereafter yearly payment is to be made after the close of each financial year.

However, as the calculation of the respective charges awaits a determination of the valuation of the fixed assets and of the net capital indebtedness of the Undertaking to the Commonwealth no such payments have been made. These matters have been the subject of correspondence between the Treasury and the Department of the Interior and are as yet unresolved.

Pending decision thereon, further Audit action on the annual financial statements for 1957-58, must remain in abeyance. Financial statements for 1958-59 and 1959-60 have not been received for audit.

79. The question of fixing the capital indebtedness of the Undertaking had been considered by the Department of the Interior and after consultation, on matters affecting the undertaking in general, with an officer of the State Electricity Commission of Victoria it placed a proposal before the Treasury for consideration on 3rd December, 1959.

80. The reply of the Treasury on 24th May, 1960, expresses succinctly the nature of the proposal—

I refer to your memorandum 59/583 of 3rd December, 1959.

This Department is somewhat surprised at the suggestion that the capital investment in the Canberra Electricity Undertaking should be reduced by more than £2 million—that is by approximately 80 per cent. The proposed assessment of £455,278 at 1st July, 1959, is less, by more than £200,000 than the capital expenditure on the Undertaking in the two preceding financial years. So far as this Department is aware assets of the value proposed to be written-off have not been retired or lost. Consequently the proposal raises new policy issues which it is considered are of an importance warranting consideration by the Government. Accordingly if you wish to pursue this proposal it is suggested that consideration be given to a submission to the Government on the matter.

If there are any particular points on which you wish to have the views of this Department I need hardly say that we would be pleased to discuss them with you.

Conclusion.

81. At the time of our enquiry Your Committee understood that further action on this matter was then under active consideration by the Department of the Interior. As satisfactory financial statements cannot be prepared until the question of the capital indebtedness has been determined we trust that that matter can be brought to finality during the current financial year.

CHAPTER VII.—DEPARTMENT OF TERRITORIES.

(A) NORTHERN TERRITORY.

82. On 25th October, 1960, Your Committee continued its public hearings with an enquiry into the critical comments on certain aspects of the Northern Territory Administration made by the Auditor-General in paragraph 105 of his Reports for the Year Ended 30th June, 1960. We were assisted by evidence from Mr. L. L. Gillespie, Assistant Administrator of the Northern Territory.

83. The Auditor-General had stated—

Previous Reports have referred to continued general improvement in accounting by the Northern Territory Administration. However, little progress in this connexion was noted during 1959-60.

The Administration continues to encounter difficulties in the recruitment and retention of suitable staff, due partly to acute shortage of housing and to some extent, to inadequate and unsuitable office accommodation. At the date of compiling this Report 108 positions were unfilled in a staff establishment of 817. The desired standard of accounting will not be achieved whilst present staffing problems continue.

84. In response to a request from Your Committee the Administrator furnished the following figures on staffing—

	Positions			Staff		
	Positions	Temporarily	Total	Permanent	Temporary	Total
30th June, 1958	531	130	661	275	245	520
30th June, 1959	570	158	728	339	256	595
30th June, 1960	646	171	817	381	328	709

and stated—

The figures above related to Commonwealth Public Service positions only. In the Northern Territory Public Service there was an increase in staff from 100 at 30th June, 1958, to 131 at 31st June, 1960.

85. The witness provided further information—

(Mr. Gillespie) Our difficulties have been largely on the staffing side, I would say, but the position is fortunately improving. I have tabulated some figures which indicate that our organization is expanding, and at the same time we are staffing positions at a better rate than we were previously. I think that the present staffing position is something like 86.7 per cent. of establishment whereas with a much smaller establishment two years ago it was less than 80 per cent. So there is an improvement on the staffing side.

I had some figures taken out before I came down which showed that we were recruiting something like 25 to 30 staff per month and losing something like 20 per month. That will give you an idea of our problems in staff turnover. With a turnover like that it is quite difficult to get people properly trained in their jobs, particularly in the lower level positions, and it is a problem that we are attacking.

86. With reference to the staffing figures the witness advised—

(Mr. Gillespie) Part of the increase only takes care of expansion, so our overall position is not improved nearly as much as those figures might indicate. I think the increase, by the way, over those two years is more than 145. The staff was 520 at 30th June, 1958, and it was 709 at 30th June, 1960, which is a difference of 189, plus the increase in the Northern Territory Public Service.

(Mr. Gillespie) We need more staff as time goes by; as development is proceeding, we are doing more work. Q. 375.

87. Your Committee were advised of the following figures for turnover of staff for one period of six months in 1959:—

	Permanent		Temporary	
	On.	Off.	On.	Off.
July	6	3	9	16
August	10	6	19	18
September	8	3	22	10
October	9	6	24	17
November	7	Nil	16	18
December	9	2	27	11

88. In paragraph 96 of our Thirty-seventh Report Your Committee commented "that one of the main causes of inefficiency of Commonwealth staffs in Darwin has been the primitive conditions in which many officials have been required to work for many years." P.P. No. 26 of 1958.

89. The witness advised—

(Mr. Gillespie) We are alive to that situation and a new building contract was let some time ago. Unfortunately, the contractor is only just about to make a start on it. Two new buildings are being erected, one for the Department of Works and the other, at least substantially, for the Administration. That will not enable us to accommodate all the people who are in what I would regard as sub-standard accommodation, but it will absorb a big proportion of them. Further improvement, of course, will occur. There are plans for the erection of further office buildings; but there is a certain amount of money available for work in the Territory each year and we have to plan these things to fit in with that. Furthermore, there is only a certain amount of potential for doing work in the Territory and you must also fit in with that. Even if we could get unlimited money we could not do an unlimited amount of work because the resources are not there.

90. Your Committee were also advised that the new buildings were designed to suit tropical conditions, included air-conditioning, and would go some way towards easing the administrative difficulties arising from having staff spread over a number of buildings in different locations. Qs. 477 and 478.

91. However, the main problem, we were informed, in recruiting staff was the shortage of housing. The Administrator advised—

"Although most of the office accommodation at present in use is sub-standard, it is doubtful if this factor has had any significant effect on recruitment. The greatest problem seems to be in keeping the lower level positions filled. These positions, because of the classifications, offer little incentive for recruitment, and unless there is some added incentive such as availability of a home they are difficult to fill satisfactorily."

92. As special allowances are paid and tax concessions are available the provision of homes would appear, on the evidence given before Your Committee, to be the main additional attraction which could be offered.

93. The difficulty of recruiting the numbers to fill the positions on the staff establishment also increases the administrative problem which arises each wet season. Staff are entitled to five weeks leave each year and fares are paid once every two years with the result that leave is taken only once every two years and during the wet season. With an extra week for travelling time, when applicable, many are absent for eleven weeks. The witness stated—

(Mr. Gillespie) . . . We do have quite a number of relief positions but there are just not enough to go round with that concentrated leave period in four or five months of the year. If we did have enough relief positions to cover requirements then, we would probably have too many in the dry season. We are attacking all these problems . . .

94. The evidence given to Your Committee indicated that the Administration had been giving more active attention recently to the problems arising from staff numbers and procedures. The witness had been appointed to the new position of Assistant Administrator (Administrative Services and Finances) some five months prior to our enquiries and there were indications that progress had been made and that there were prospects of many of the unsatisfactory features commented on by the Auditor-General being remedied in the near future. The observer from the Audit Office agreed that the Administration had taken some action to satisfy the Auditor-General and that "considerable improvement in the future" was expected.

95. Your Committee examined in detail the separate matters raised by the Auditor-General and is satisfied that attempts are being made to remedy the defects he had mentioned. However, a number of proposals made by the Administration were still under consideration by the Auditor-General, the Department of the Treasury and the Public Service Board and the progress made will be reviewed by Your Committee after the Auditor-General has reported again to the Parliament on the year ended 30th June, 1961.

96. The main staffing difficulties arise in the lower clerical ranges particularly during the leave periods in the wet season, and in recruiting for technical vacancies which are the positions most difficult to fill.

97. The staffing situation in internal audit and costing sections causes Your Committee concern. The Administration is having difficulty in obtaining the numbers of staff indicated in the establishment and, due to the experience of the officers concerned, these two sections are often further depleted by taking officers to act temporarily in other positions. The witness was asked—

MEMBER.—You do not think there is the easy way out of taking an internal auditor because he is an accountancy-trained man?—(Mr. Gillespie) It is not a case of that. If you have to sacrifice something, you sacrifice the checking function. That is what it boils down to.

MEMBER.—Will you acknowledge that that is a very dangerous procedure?—(Mr. Gillespie) Yes, but what would you do if you were in the same position? Would you sacrifice paying salaries or something like that in preference to internal audit?

MEMBER.—I would attempt all the harder to find a man to do the salaries.—(Mr. Gillespie) We are endeavouring to fill this section. We have just made a permanent promotion to the top position and we have promoted someone permanently to the second position. As a matter of fact, most of the positions have a permanent occupant but the fact is that they are probably acting in a higher position somewhere else. You cannot deny a man his rights in the service. If he is the man who should be selected to act in a higher position, you cannot deny him his rights because he is in the internal audit section.

Conclusion.

98. Your Committee consider action is being taken to try to overcome some of the difficulties peculiar to the Northern Territory Administration but there is no evidence that the position will become completely satisfactory in the near future.

99. Apart from the problem of recruiting staff, particularly in the categories of technical officers, which might be solved in time by the provision of housing, there is the further problem of staggering the leave periods. It is doubtful if satisfactory arrangements could be completed for officers to take leave each year in view of the high cost of fares and the problem will be for the Administration to overcome the leave situation as best it can by organizational arrangements within its administrative resources. We understand that this position is being closely examined.

100. In view of the importance of the accounting activities of the administration Your Committee considered, and the Auditor-General agreed, that the internal audit section has a vital role which should not be subject to interference by continued transfer of officers to other administrative positions. The question of providing higher classified positions, especially for the senior positions, might be considered by the Administration and the Public Service Board as a possible solution to this particular problem.

101. Action to remedy specific deficiencies criticized by the Auditor-General appears to be in course and progress will be reviewed by Your Committee in subsequent Reports.

(B) THE TERRITORY OF PAPUA AND NEW GUINEA.

102. The Auditor-General in his Annual Report for the year 1959-60 indicated in paragraph 106 that the contribution by the Commonwealth towards the administration and development of the territory of Papua and New Guinea had increased from £11,706,506 in 1958-59 to £13,549,681 in 1959-60. The appropriations for 1960-61 exceed £13,300,000. In addition the sum of £100,000 has been provided annually as a subsidy for shipping services to Papua and New Guinea.

103. Paragraph 36 of the Auditor-General's Supplementary Report for 1959-60 contains his detailed report completed in accordance with section 76 of the Papua and New Guinea Act 1949-60 and a statement that—

In compliance with the provisions of section 55A of the Treasury Ordinance 1951-1958 of the Territory, a report thereon has been furnished to the Administrator.

104. As his abridged report to the Parliament of the Commonwealth of Australia noted a number of unsatisfactory features Your Committee sought further information on the matters brought to notice by the Auditor-General. We were assisted in our investigations by a comprehensive document from the Department of the Territories and by evidence from Mr. C. E. Reseigh, Assistant Secretary, (Finance and Economics), Department of Territories.

105. Mr. Reseigh advised Your Committee that the comments of the Auditor-General were followed up closely with the Administrator of Papua and New Guinea.

106. The Auditor-General had commented—

The previous Supplementary Report also mentioned new procedures adopted by the Administration to eliminate weaknesses in control of expenditure on and to provide for more orderly planning and designing of public works. Although it was recognized that these procedures might not be fully effective in relation to the Works Programme for 1959-60, the extent of deletions from the approved programme (approximately £996,000 of a programme of £5,400,000) suggests that the fullest co-ordination in its compilation was not achieved. It was again necessary to delete projects because of the failure to determine sites or to complete adequate designs.

This situation resembles that which has been investigated on a number of occasions by Your Committee in relation to the Commonwealth's own works programmes and it is only recently that satisfactory procedures have been introduced—particularly for the Commonwealth's defence works programme.

107. The witness advised Your Committee—

the Commonwealth Department of Works is the executing authority for about half our work while the Public Works Department of the Territory itself undertakes the remainder. The provision is made in the estimates in separate votes for each authority and the total vote for each other buildings and down the gamut of engineering services. That, of course, gives the Minister a much greater opportunity when the Budget is being framed of knowing what it is intended that the money shall be spent on. It does to a corresponding extent, of course, subtract from the extent of freedom that the works authority has to spend during the year out of the total works vote.

108. The witness further advised that the greater itemization of the programme as compared with that in the Commonwealth resulted in adjustments having to be made through the budget for New Guinea—adjustments which in the Commonwealth would be made through the works programmes internally by the Department of Works. Further, whilst the funds for public works totalling £4,300,000 approximately had been under expended by about £400,000 that under expended amount had been absorbed in other forms of expenditure. Wherever necessary money was passed from one branch to another through the supplementary estimates of the Legislative Council.

MEMBER.—That does not get over the fact that there has been bad estimating somewhere. (Mr. Reseigh) There are a large number of intractable difficulties in Papua and New Guinea which result in decisions having to be made during the year.

MEMBER.—Over and under-estimating can be traced back to the non-preparation of sites and designs. As we have found elsewhere in the Commonwealth there is a lack of efficiency in that regard. Design procedure must be brought much more closely into line with what is laid down?—(Mr. Reseigh) That is so.

109. The witness also advised—

at the last meeting of the Legislative Council of New Guinea, a bill was passed setting up a Public Works Committee, so that when that committee has been appointed, the procedures will, in almost all respects, run very closely along the same lines as Commonwealth procedures. The amounts we work on up there are somewhat smaller than the amounts laid down in the Commonwealth procedures. For instance, it is a work exceeding £100,000, instead as in the Commonwealth, one exceeding £250,000, that is required to be submitted to the Public Works Committee.

110. Your Committee investigated a number of individual matters raised by the Auditor-General in his Supplementary Report and the evidence received indicated that in general the problems advocated with public works arose from the supply of materials and lack of technical staff. With regard to general administration the Administration was experiencing difficulty in obtaining skilled staff and, as an example, the witness indicated that there would not be a dozen qualified accountants in a staff of some 3,500 personnel. The position therefore is somewhat similar to that which we have noted in respect of the Northern Territory.

Conclusion.

111. Your Committee are of the opinion that, owing to inherent factors related to the geography and environment of the Territory, particular difficulties are faced by the Administration in its efforts to maintain a level of efficiency in Papua and New Guinea.

112. The Minister, the Department, and the Administrator appear to be fully aware of the problems and are taking steps to improve procedures and to recruit the numbers of staff required. The evidence we have received indicates that they are receiving considerable assistance in this endeavour from the advice and comments of the Auditor-General for the Commonwealth.

CHAPTER VIII.—THE JOINT COAL BOARD.

113. Paragraph 47 of the Supplementary Report of the Auditor-General for the year ended 30th June, 1960, contained the following comment—

The form of the Board's accounts has still not been prescribed; meanwhile, the accounts have been prepared in the form expected to be prescribed.

A comment on the failure to prescribe the form of accounts has been made by the Auditor-General each year since 1947.

114. The *Coal Industry Act 1946-1958* states—

Section 20.—(1) The Board shall open and maintain an account or accounts at the Commonwealth Bank of Australia into which it shall pay all moneys received by it.

(2) The Board shall, as soon as possible after the close of each financial year, submit to the Prime Minister and to the Premier of the State an annual report in the prescribed form of its financial accounts in respect of that year including a balance-sheet, in the prescribed form, in respect of each fund kept in the books of the Board.

(3) A copy of each annual report shall be laid before both Houses of the Parliament.

(4) The Board shall keep accounts in such form as is prescribed.

Section 56. The Governor-General may, upon the recommendation of the Prime Minister in agreement with the Premier of the State, make regulations not inconsistent with this Act prescribing all matters which are required or permitted to be prescribed or which are necessary or convenient to be prescribed in relation to any matter within the powers and functions vested by this Act in the Board or in any other authority and generally for regulating and carrying into effect any action taken by the Board or any other authority in the exercise of any such power or function.

115. Mr. F. A. J. Frawley, Accountant, Department of National Development, advised Your Committee that the Joint Coal Board prepared its own estimates of expenditure and submitted them directly to the Minister for approval.

116. The function of his Department is by way of a "Post Office" for obtaining Warrant Authorities from the Treasury for funds appropriated by the Parliament for the purposes of the Joint Coal Board. The first Assistant Secretary of the Department, Mr. F. L. McCay, confirmed that the Board functioned as one directly responsible to the Minister for National Development who is responsible for the administration of the *Coal Industry Act*. His Department's function would be restricted to furnishing advice on a particular matter should the Minister require it. A memorandum from the Department of the Treasury contained the following advice:—

In November, 1949, the Prime Minister forwarded to the Premier of New South Wales, for his concurrence, draft *Coal Industry (Finance) Regulations* under the *Commonwealth Coal Industry Act* which, *inter alia*, provided for the prescription of the form of the accounts of the Joint Coal Board.

The proposed regulations had been drafted by the Commonwealth Parliamentary draftsman after lengthy discussions between the Board, the State Treasury, the State Mines Department, the Commonwealth Auditor-General and the Commonwealth Treasury. These bodies had reached agreement on the form of accounts which should be prescribed by the proposed regulations.

In May, 1952, the State replied that, in the opinion of its legal officers, certain of the draft regulations could not be made under the relevant State Act. After study of the points made by the State authorities it was agreed that the objections which had been raised were of substance and the Commonwealth Parliamentary draftsman suggested that the Commonwealth Act should be amended so as to remove any doubts as to whether the regulations might validly be made.

It was arranged that the Board's legal officer should prepare a first draft of the necessary amendments to the Act. The Board submitted a suggested draft amendment to the *Coal Industry Act* in August, 1954. In the event, however, the amending legislation was not introduced.

117. The observer from the Audit Office, Mr. W. A. Harper, Assistant Secretary and Assistant Chief Inspector, confirmed that the Auditor-General raised objection not to the manner in which the accounts had been kept but the fact that they had not been prescribed.

118. In reply to a series of questions, Mr. B. Fleming, Assistant Secretary, Department of the Treasury, stated—

The accounts of the Joint Coal Board which are attached to its Annual Report have been described by the Auditor-General each year as being satisfactory. They are in the precise form of the draft regulations which it has not been possible to promulgate.

MEMBER.—Although the State (of New South Wales) is not prepared to agree to prescribing the regulations, it is quite prepared to go on keeping the accounts in the way in which they would be kept if they were to be prescribed?—(Mr. Fleming) To our knowledge they have not expressed any dissatisfaction with the present form of accounts.

(Mr. Fleming) At all times Treasury has been anxious to have the promulgation carried out but it has always come up against the difficulty that it is not practicable to have it carried out. It is essentially a legal problem.

CONCLUSION.

119. The evidence given to Your Committee indicates that the problem is one involving policy considerations and discussions with the New South Wales Government. The matter will be further considered, if necessary, by Your Committee in the course of our review of the Reports of the Auditor-General for the year ended 30th June, 1961.

CHAPTER IX.—POSTMASTER-GENERAL'S DEPARTMENT—OVERSEAS TELECOMMUNICATIONS COMMISSION (AUSTRALIA).

120. Paragraph 57 of the Auditor-General's Supplementary Report for 1959-60 stated—

Following mention in my report to the Postmaster-General on the accounts for the year ended 31st March, 1959, the Commission sought the approval of the Treasurer for several variations in the form of the financial statements for that year. A reply had not been received by the Commission when this Report was compiled. Further variations in the form of the 1959-60 financial statements have been made by the Commission without seeking the approval of the Treasurer.

The net profit for the year, £322,245, together with the balance of £280,383 brought forward from the previous year, has been transferred through a newly created Profit and Loss Appropriation Account to Development Reserve. This action would appear to contravene section 48 of the Act, which governs application of the Commission's profits.

It was also noted that the concurrence of the Treasurer had not been given to the direction of the Minister that the net profit of £268,013 for 1958-59 be used on the Commission's developmental programme.

121. The *Overseas Telecommunications Act 1946-1958* states—

Section 47.—(1) The Commission shall keep proper accounts and records in accordance with the accounting principles generally applied in commercial practice and shall do all things necessary to ensure that all payments out of its moneys are correctly made and properly authorized and that adequate control is maintained over the assets of the Commission and the incurring of liabilities of the Commission.

(2) The Commission shall, subject to and in accordance with the directions (if any) of the Treasurer, make provision in its accounts for depreciation, and for pensions, retiring allowances and other future or contingent liabilities.

Section 48. So much of any net profit derived from the operations of the Commission as enures to the Commission after the application of the provisions of the agreement entered into in pursuance of clause six of the Agreement and after the making of any payments required by a determination of the Treasurer to be made in respect of repayment of advances made to the Commission by the Treasurer shall be applied in such manner as the Minister, after considering any recommendation of the Commission and with the concurrence of the Treasurer, directs.

Section 53.—(1) The Commission shall, as soon as practicable after each thirty-first day of March, prepare and furnish to the Minister a report of its operations during the year ended on that date, together with financial statements in respect of that year in such form as the Treasurer approves.

(2.) Before furnishing the financial statements to the Minister, the Commission shall submit them to the Auditor-General, who shall report to the Minister—

- (a) whether the statements are based on proper accounts and records;
- (b) whether the statements are in agreement with the accounts and records and show fairly the financial operation and the state of the affairs of the Commission;
- (c) whether the receipt, expenditure and investment of moneys, and the acquisition and disposal of assets, by the Commission during the year have been in accordance with this Act; and
- (d) as to such other matters arising out of the statements as the Auditor-General considers should be reported to the Minister.

(3.) The Minister shall lay the report and financial statements of the Commission, together with the report of the Auditor-General, before each House of the Parliament within fifteen sitting days of that House after their receipt by the Minister.

122. Referring to the alteration in the financial statements for the year ended 31st March, 1959, the Overseas Telecommunications Commission (Australia) advised Your Committee that it had "sought to add to the clarity of its financial statements by disclosing particularly the amount accumulated to meet its liability for various pension funds and the amount it regarded as being available to meet foreseeable development needs."

123. In the accounts for the year ended 31st March, 1960, the Commission created a Development Reserve Fund and this action was referred by the Department of the Treasury to the Attorney-General's Department which replied—

Section 53 is not relevant to the establishment of reserves. The Treasurer could however prevent the establishment of a Reserve Fund by the exercise of his power under section 48.

124. The form of the financial accounts of the Commission had been approved by the Treasurer in October, 1956, however amending legislation passed in 1958, had altered the wording of section 53 and Your Committee were advised by the Department of the Treasury that—

Advice furnished by the Acting Secretary of the Attorney-General's Department on the 30th August, 1960, indicates, inter alia, that the Treasurer's approval of October, 1956, should not in fact be regarded as effective for the purposes of section 53 (1), of the present legislation. This advice has made redundant the question of approval for variations made in the statements in 1958-59 and 1959-60, as the Treasurer's approval will now have to be sought for the form of the financial statements as a whole.

125. Your Committee were assisted with evidence from Mr. T. A. Housley, General Manager, Overseas Telecommunications Commission (Australia), who stated—

... The Commission itself considered the change in the accounts before it made the change, of course, and considered that the change was not such as required the approval of the Treasurer. When the Auditor-General pointed this out, as you mentioned earlier, we immediately sought the approval of the Treasurer through the Secretary to the Treasury. In seeking that approval we said what I have just said, that we did not believe this was any change in substance, but if the Treasurer's approval was required, would they please submit the matter. The question was then not left in abeyance by the Treasury, but it was tied up with other discussions that were going on. It has been under discussion at the official level and between the Postmaster-General and the Treasurer up to this time, more particularly in relation to the application of the profits of the Commission.

MEMBER.—Approval was sought, but it was not granted?—(Mr. Housley) Yes, and the money was not spent; it is still held.

MEMBER.—It is a variation in the manner of keeping the accounts?—(Mr. Housley) In the manner of the presentation of the accounts, yes. It was sought to be concluded this way: A number of things were done. The investments were separated to show what they were held against—for long service leave furlough, and for superannuation—and a reserve was shown which previously in the main had been shown as accumulated profits or as carried-forward profits.

126. The witness also said that the Commission had considered it was not changing the basic principles which were approved by the Treasurer in 1956 and continued—

(Mr. Housley) Our approach to that was that the application of profits is really a matter of the use of profits and the profits have not been used in contravention of the act. Profits concerning which the direction of the Postmaster-General is still awaited have not been used. They are held in the Commission in the form of Commonwealth Inscribed Stock.

127. In confirmation, the Treasury observer, Mr. R. S. Gilbert, stated—

(Mr. Gilbert) Regarding the changes in the balance sheet, the recent legal advice that we have had has made it reasonably clear that they are not changes that would require the Treasurer's approval. In other words, it is not required that the Treasurer should dot all the T's and cross the T's in the balance sheet. This is tied up with section 47 (j), I think it is, of the act under which the Commission is required to keep accounts in accordance with normal commercial practice. If the establishment of the Development Reserve can be looked upon as normal commercial accounting practice, it follows that the Treasurer's approval is not required.

Exhibit
No. 53/18.

Exhibit
No. 53/19.

Q. 642.

Q. 641.

Q. 644.

Q. 649.

Q. 654.

128. The following point was then raised with the Treasury observer:—

MEMBER.—I ask Mr. Gilbert whether it would not have been quite a reasonable expedient for the new presentation, which the commission was seeking to have approved, to be approved because that presentation relates to section 53. The Treasury has said that it becomes involved with the disposal of the Commission's profits under section 48 and therefore the matter has been shelved until there is a determination on the disposal of profit. Would it not be a reasonable expedient to approve officially of the presentation under the provision of section 53, because the grouping of reserve funds in one form or another in the balance sheet could easily, in the event of a later decision on policy under section 48, be subject to alteration by transferring out? Why delay a decision under section 53, linking it so emphatically, as you say in your paper, with section 48?—(Mr. Gilbert) That would be one way to do it, securing the Treasurer's approval at the particular time. But if, following consideration of the policy issues, it eventuated that there was no need to establish the development reserve, we would have to go back to the Treasurer and ask him to reverse his decision. Rather than worry the Treasurer, we thought it preferable to wait until the whole issue was settled.

CONCLUSION.

129. Your Committee note that the Commission is a statutory authority with a considerable degree of autonomy in its operation and preparation of accounts. Further its accounts have been prepared in a satisfactory manner although the necessity to have their form approved by the Treasurer following the amending legislation in 1958 was overlooked both by the Commission and the Department of the Treasury.

130. Action to rectify this omission has been delayed due to policy considerations relating to the disposal of net profits arising from the operations of the Commission. The Department of the Treasury has not submitted the question of approving the form of the financial statements to the Treasurer until the question of the disposal of profits has been decided, and this may appear reasonable in the circumstances.

131. Your Committee are not concerned with details of the policy considerations which have delayed a decision on the allocation of profits and consider that the interpretation of the relevant legislation (particularly of the provisions of section 48) is not so complex as to justify the action originally taken by the Overseas Telecommunications Commission (Australia).

CHAPTER X.—THE AUSTRALIAN WOOL REALIZATION COMMISSION.

132. The Auditor-General's Supplementary Report for 1958-59 stated—

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*.

133. The 1959-60 Supplementary Report of the Auditor-General stated—

My previous Report referred to the payment without apparent authority of £5,980 into a fund to provide gratuities to employees. A decision on the matter has not yet been advised.

134. In response to an inquiry from Your Committee based on the Auditor-General's comment, the Department of Primary Industry advised—

The amount of £5,980 was paid by the Australian Wool Realization Commission (A.W.R.C.) in 1958 to the Union Trustee Co. of Australia Ltd. to supplement moneys already held by that Company under the Retiring Allowances Trust Deed. The basic difference between this action and the earlier payment to the fund is the source from which the moneys derived. The original amount of £78,778 was transferred from moneys set aside by the U.K./Dominion Wool Disposals Limited (commonly known as the Joint Organization or J.O.) prior to its liquidation, for the payment of retirement allowances while the amount of £5,980 was obtained from profit moneys made available to the Commission in accordance with Section 25 of the *Wool Realization (Distribution of Profits) Act 1948-1957*. It was debited to "expenses of distribution" (recoverable from Treasury under Section 25 (6)).

The circumstances in which the amount of £5,980 was transferred to the Union Trustee Co. of Australia Ltd. for the payment of retiring allowances are:—

Before J.O. went into liquidation (on 22nd January, 1952) it made available an amount of £78,778 to A.W.R.C. (which was the subsidiary in Australia of J.O.) for the purpose of providing retiring allowances for its employees. A.W.R.C. later established a trust fund for the purpose. The trustees of the fund were the Union Trustee Company of Australia Ltd., Melbourne.

The Fund which, as mentioned above, amounted to £78,778, was financed from moneys reserved by the United Kingdom/Dominion Wool Disposals Limited for officials engaged on J.O. activities in the United Kingdom, New Zealand, South Africa and Australia, before the organization went into voluntary liquidation on 22nd January, 1952. It was therefore established from J.O. moneys before Australia's full entitlement to the profits from the operations of J.O. were transferred to the Commonwealth Government. The allowances that the individual officers received on retirement were determined by the Commission itself.

Exhibit
No. 53/20.

At a meeting on 1st July, 1958, the A.W.R.C. decided that in view of the prolonged life of the Commission, due mainly to a High Court action involving the distribution of a further £2,500,000 of J.O. profits, and of the altered economic conditions since retiring allowances to officers were first determined, the Retirement Fund should be supplemented by a further amount of £5,980. This was then transferred by A.W.R.C. from the profit moneys it held.

The Commonwealth Audit Office has pointed out that the cost of administration would properly cover all expenditure by way of salaries for staff, but it has queried the use of profit moneys to supplement the Retirement Fund. It is the opinion of the Audit Office that, in order to give effect to the decision of the Commission to transfer the amount of £5,980 concerned to the Retirement Fund the approval of the Public Service Board should have been obtained for the retiring allowance scheme in accordance with Section 20 of the Wool Realization Act 1945-1952. The Audit Office has also pointed out that the provision of moneys for the Retirement Fund (i.e. the £5,980) would need the approval of the Treasury and a specific appropriation.

The comments of the A.W.R.C. were sought on the points raised by the Audit Office. In reply the Chairman of the Commission contended that the retirement allowance was properly payable in accordance with Section 17 (2) (b) of the Wool Realization Act and that it was not necessary to submit the payment of retirement allowance to the Public Service Board for approval. It was stressed by the Chairman that although the Commission had generally followed along the lines laid down for employment in the Commonwealth Public Service, it had always reserved the right to modify the application of conditions should special circumstances, as in this case, justify such action. It was also stated that the £5,980 required for the payment of retiring allowance was in effect defrayed from the sum of £40,000 terminal charges repaid to J.O. prior to its liquidation, a half share of which was credited to the Commonwealth Government. Accordingly, the Commission felt that the approval of the Treasurer for the provision of the specific appropriation was not required.

On the assumption that the A.W.R.C. acted in good faith in regard to the payment of retirement allowances, the Commission's failure to seek Public Service Board and Treasury approval would have resulted from a mis-interpretation of the Commission's obligations under the Wool Realization Act 1945-1952.

This Department was not aware of and had no means of knowing about the transaction until the subject was raised by the Audit Office. The Department did not have a representative on the A.W.R.C. and departmental officers did not attend Commission meetings; nor were the minutes of A.W.R.C. meetings made available to the Department by the Commission. When the matter was brought to notice by the Audit Office the comments of the A.W.R.C. were sought promptly. The nature of the reply received from the Chairman of the Commission has been stated earlier in this memorandum. After further exchanges with the A.W.R.C. and the Audit Office and discussions with Treasury officers the matter was officially referred to the Treasury and the Public Service Board for consideration. Further information has been obtained for and furnished to Treasury in the meantime.

135. In continuation of our inquiry Your Committee were assisted by Mr. J. D. Macfarlane, Director of Inspection Services and Assistant Secretary, Department of Primary Industry, and Mr. D. P. Cleary, Finance Officer, Department of Primary Industry. In response to a question as to where the cash sum of £5,980 was obtained to make these payments we were advised—

Q. 719.

(Mr. Macfarlane) . . . my interpretation is that the A.W.R.C. had a bank account of its own which was kept supplied with money out of a trust fund which is operated by the Department of the Treasury, and at the time they had sufficient money in that bank account to pay this £5,980.

Q. 720.

(Mr. Cleary) The Wool Realization (Distribution of Profits) Act of 1952, I think it is, says that the expenses and charges of the Commission in administering that Act, to the extent that they are incurred or met after the commencement of the Act shall be paid or recovered from a fund which is the Wool Disposals Profit Fund. That fund is under the control of the Treasury in a trust account. The procedure was that the Commission would submit annual claims to the Treasury on the profits fund for its administrative expenses; that is, its salaries and other payments. This particular claim, when it was forwarded to the Treasury, was not reimbursed to the Commission. Eventually, the claim was paid less the £5,980 which was the amount the Commission had paid to its officers in the meantime.

Q. 724.

136. Your Committee were informed that the payment of this sum means that the Wool Research Trust Account has had its available balance reduced by that amount.

Q. 688.

137. The Australian Wool Realization Commission, we were informed, continued in existence for longer than was anticipated due to the outcome of certain legal proceedings. Consequently a reduced staff of seven had continued to be employed. Previous employees had received benefits from an amount of £78,778—a sum set aside in 1952 by the Joint Organization, before it went into liquidation, together with a further amount of £40,000 thought necessary to pay retiring allowances, &c.

138. The observer from the Audit Office, Mr. W. A. Harper, informed Your Committee—

Q. 711.

(Mr. Harper) . . . The £78,000 was part of a sum of £118,000 which was private money belonging to J.O. It was not Commonwealth money.

MEMBER.—In other words, the first amount was set aside for that purpose?—(Mr. Harper) Q. 714. Of the £40,000 the Commission proposed to spend £30,000 on publishing a book. We questioned its authority to do that. It turned out that it did not have the authority, so we saved £30,000 which was paid into Commonwealth funds. Most of the £5,980 went to the Secretary of the Commission, who was a former public service officer. When he retired, he received full furlough payments for over twelve months. In addition to end of service gratuities to staff from the £78,000 (paid into the Trustees Account) there was also this amount of £5,980. In other words the first amount for the gratuities was provided from J.O. funds but expenditure of the £5,980 was within the control of the Commonwealth.

139. It appears therefore that the original sums for the payment of retiring allowances had been paid to a Trust Fund set up with the Union Trustee Company by the Joint Organization. The further sum of £5,980 was paid by the Australian Wool Realization Commission into that Trust Fund. Q. 688.

140. In accordance with the usual procedure applying to a Commonwealth statutory authority, section 20 of the Wool Realization Act requires the terms and conditions of employment to be approved by the Public Service Board. At the time of our inquiries it was not clear that this requirement had been complied with by the Commission.

141. The Department of the Treasury advised Your Committee—

A copy of the Audit query addressed to the Department of Primary Industry on 16th January, 1959, was forwarded for information to the Treasury. On 18th March, 1959, the Treasury advised the Department of Primary Industry of policy considerations relating to retirement benefits for Commonwealth employees and asked to be kept informed of further developments. Thereafter, the Treasury withheld payment of the amount of £5,980 claimed by the Trustees of the Fund established by the Commission had received payment of this amount from the Commission on 29th July, 1958. Exhibit No. 537/1.

Further advice was received from the Department of Primary Industry on 22nd October, 1959, and seeking payment to the Commission of the amount of £5,980. The Treasury sought full details of the retirement payments made to employees, including details of the disbursement of the amount of £78,778 earlier made available (by the Commission) to the Trustees of the Fund for this purpose on 9th April, 1952. This information was forwarded to the Treasury on 20th April, 1960. Legal advice is now being sought by the Treasury upon the matters raised by the Audit query.

CONCLUSION.

142. 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.

CHAPTER XI.—GENERAL.

143. As the various matters investigated comprise a number of particular and, in the main, unrelated subjects this Report is presented necessarily, as a series of individual reports. Consequently Your Committee's comments appear at the conclusion of each chapter—a chapter being a report on each individual matter which has been investigated in the course of our public hearings.

144. Your Committee consider that the results of its investigations clearly indicate the necessity for reviewing, and reporting on, the Annual Reports of the Auditor-General.

PART II.

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 action has been taken 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 TWENTY-SEVENTH REPORT OF YOUR COMMITTEE.

DEPARTMENT OF THE INTERIOR: ACQUISITIONS PROGRAMME.

In its Twenty-seventh Report resulting from investigations of delays which occurred in dealing with acquisitions of property—

Summary of Committee's Conclusions.

Your Committee stated in its conclusions—

ACQUISITIONS AND THE ESTIMATES.

The sums included in the annual Estimates for acquisitions do not distinguish between amounts brought forward in respect of committed acquisitions from previous years (called "revotes") and amounts provided in respect of new proposals. (Paragraphs 16-19.)

The Estimates do not include names of any particular properties, and it appears that it may not be possible for the Minister to indicate, during the Estimates debate, how much is to be spent on the proposals making up the Vote. Your Committee think it ought to be possible to give Parliament that information. (Paragraph 25.)

The estimated expenditure on acquisitions has not been disbursed during the past four years, and we set out in paragraph 21 a table showing the inaccuracies in the Estimates for the years 1952-53 to 1955-56. (Paragraph 21.)

COMMITMENTS AND REVOTES.

The practice of carrying revotes, i.e., proposals legally committed in a previous year, to the programme of the following year is unavoidable (paragraphs 36-40); but after the first automatic inclusion of a revote, Your Committee consider that the Department of the Interior should inquire from the sponsoring department whether the acquisition is any longer needed. (Paragraphs 18, 19, 43-47.) We regard as desirable the precaution taken by the Treasury to keep overall expenditure within the Programme limit as voted at the beginning of the year. See also Conclusion No. 7. (Paragraph 50.)

A clear example of the dangers of revotes, if they are allowed to get out of hand, is that of the acquisition Estimate of the Department of Civil Aviation, which for the year 1954-55 amounted to £550,000; their revote proposals alone (for committed acquisitions) were £750,000; the Treasury scaled the proposals down to £550,000. In the upshot, total expenditure for the year was £155,000. (Paragraphs 30, 40-45.)

Treasury Minute (4th November, 1960).

The Treasury has examined the Report and where appropriate, has discussed with the Department of the Interior the comments and conclusions of the Committee.

Particulars of the amount estimated to be expended during the year on each incomplete acquisition and each new proposal are now available should any such information be sought during the Estimates debate.

The Department has advised that the assessment at the beginning of the year of the prospects of completing a programme within the year is not always a simple matter and events may prove its assessment to be wrong. The Department considered that the inaccuracies in the Estimates set out in paragraph 21 of the Report were an indication of the need to improve further its acquisition procedures and, accordingly, has reviewed those procedures.

An item is not included as a revote unless the Commonwealth has been committed. Uncommitted items are reviewed, as new items, for the next year's programme.

Summary of Committee's Conclusions.

Your Committee stated in its conclusions—

ACQUISITIONS PROCEDURE.

Review by the Departments of Interior and Treasury commences after departments have submitted their proposals for inclusion in the new Programme (which they must do by the end of January). Your Committee consider that delays in acquisitions and inaccuracies in Estimates submitted to Parliament might be reduced if preliminary investigations were initiated after the proposals had been received, but before the end of the financial year. (Paragraphs 61-65, 94-98.)

The Department has advised that, wherever possible, preliminary investigations into proposed acquisitions are now commenced on receipt of draft programmes from client departments, with the result that it has been possible to formulate estimates with greater accuracy.

SOME SPECIFIC CAUSES OF DELAY.

We were told that delays in completing acquisitions would not be much affected by increasing the number of investigating officers. It is our opinion that action might be speeded up if the Chief Property Officer, Canberra, received and acted upon regular (say, quarterly) reports upon outstanding cases. (Paragraphs 34, 77-80, 84.)

The Department of the Interior does not employ its own valuers. We recommend that the Department should use to the full Government valuers (e.g., those employed for taxation purposes), and that where outside valuers are employed, the conditions of their employment should be closely scrutinized. (Paragraphs 81-83, 104.) Valuations have a special significance in making for prompt settlements. (Paragraphs 83, 129.) The Chief Property Officer, Canberra, is well placed to exercise minatory or hortatory functions in order to avoid protracted negotiations. (Paragraph 84.)

Some survey action is noted as still necessary for 40 out of 180 acquisitions outstanding at 30th June, 1956; we consider that on many occasions the survey delay could have been avoided. (Paragraphs 104, 105.)

Legal delays also hold up many acquisitions. Fifty-five out of 180 outstanding acquisitions at the end of 1956 awaited completion of legal requirements. Your Committee recommended that this problem also be investigated. (Paragraphs 106, 107.)

The Committee's suggestion in Conclusion No. 20 has been adopted.

The Department advises that Government valuers are employed to the greatest possible extent.

The Department has further advised that the majority of land acquisitions are completed in all respects within periods of time which are reasonably short having regard to legal and administrative requirements. Long delays can occur but these are usually associated with compulsory acquisitions. The incidence of legal delays has lessened considerably.

ASSETS REGISTER.

In our Twenty-fourth Report we commented upon the need for a Commonwealth Assets Register. We had been told that the Treasury was preparing an instruction to Departments on the form and contents of Registers of Fixed Assets. We assume that it is desirable also that a Central Register of all Title Deeds should be kept to enable periodic checks to be made. (Paragraphs 72-76.)

The Department considers that it is more appropriate for the Title Deeds to be kept and recorded in the State in which the property is located and that this would not prevent periodical checks being made.

Summary of Committee's Conclusions.

Your Committee stated in its conclusions—

DISPOSAL OF PROPERTIES.

Although the Act lays down that only within seven years should land being disposed of be offered first to the original owner, we think the practice should extend beyond that period, especially when it is borne in mind that a compulsory acquisition may take as many as seven years to settle. (Paragraphs 88, 89.)

The desirability of transferring to another Department, or of disposing of—

- (a) land not being used for the purposes for which it was originally acquired, or
- (b) land not in use,

might well be the function of the Department of the Interior. Alternatively, or in addition, the Auditor-General might investigate the position. (Paragraphs 87, 90-92.)

THE PROPERTY FUNCTIONS OF THE DEPARTMENT OF THE INTERIOR.

Your Committee think that the state of affairs revealed in our investigation warrants a careful review of the functions of the Department of the Interior in respect of acquisitions and disposals. (Paragraphs 108, 109.)

We recommend that the Department of the Interior—

- (i) should be regarded as a property adviser and agent;
- (ii) should neither have, nor seek to exercise, the final say in deciding whether a property should be acquired or disposed of; and
- (iii) might well have powers of review of unused properties, bearing in mind the provisos mentioned in (i) and (ii) above. (Paragraphs 110-113, 92.)

ACQUISITIONS AND THE OWNERS OF LAND.

Your Committee observe that in many cases delays in acquisitions cause hardship to owners; we suggest that an Appeal Board to settle disputed questions, e.g., valuation, might have an ameliorative effect. (Paragraphs 120-127.)

Your Committee recommend that, when completion of an acquisition is delayed, owners be advised of the possibility of obtaining advances in respect of the transaction. (Paragraphs 128, 129.)

THE RESULTS OF DELAYS.

Quite apart from the delays that are caused by defects in the system of acquiring and disposing of land, Your Committee find ourselves compelled to conclude that there has not always been, particularly among those responsible for handling acquisitions from the time they are proposals to the time when they represent property of the Commonwealth, sufficient endeavour to see that each proposal is carried quickly to completion. Your Committee would expect those concerned to take, without delay, whatever steps may be necessary to rectify this far from satisfactory state of affairs. (Paragraph 97.)

Treasury Minute (4th November, 1960).

In practice the Department has not adhered strictly to the seven years' limit but frequently extends the period.

Following a direction of the Government, the Public Service Board and the Department are at present investigating the property held by departments, the use being made of it, and the reasons why it is being retained.

The functions have been reviewed, and whilst under the terms of the Administrative Arrangements Order and the Lands Acquisition Act, the role of the Department is not confined to property adviser and agent, major acquisitions are usually submitted for consideration by Cabinet. Differences of opinion between the Departments on property to be acquired are resolved by Cabinet.

The Department advises that experiences since the investigation by the Committee suggests that an Appeal Board to settle disputed questions is not necessary.

The Committee recommended in Conclusion No. 32, that, when completion of an acquisition is delayed, owners be advised of the possibility of obtaining advances in respect of the transaction. The Department advises that this is being done.

Following the presentation of the Committee's Report, the Secretary, Department of the Interior, called a conference of Chief Property Officers and subsequently advised that, as a result of the conference, work on acquisition proposals should proceed more expeditiously in the future and that there should be less cause for the complaints mentioned in Conclusion No. 35.

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

FORM OF THE ESTIMATES: MISCELLANEOUS SERVICES.

In its Forty-ninth Report resulting from investigations of the Miscellaneous Services section in the annual Estimates—

Summary of Committee's Conclusions.

Your Committee stated:

on the evidence before us and our own observations, we are satisfied that there will be some advantage both to the Parliament and to Departments if the expenditures now shown under the general heading to Miscellaneous Services are presented with the administrative expenditure of the Departments concerned, and recommend that action be taken to achieve this.

We agree that, in making this change, a clear distinction should be drawn between the annual running costs of a department and those other expenditures (recurring or non-recurring) which arise from its responsibilities. An examination of the present Miscellaneous Services section suggests that there will be ample scope for the classification of these expenditures so as to lend clarity to presentation and to assist consideration.

Treasury Minute (27th April, 1961).

The Acting Secretary, Department of the Treasury:

I am directed to state:

Changes in the form of the Estimates, that will give effect to the recommendations of the Committee, have been approved. The altered form will be introduced from 1st July, 1961, and will appear in the Estimates of Expenditure for the year ending 30th June, 1962.

For and on behalf of the Committee,

F. J. DAVIS, Chairman.

T. H. CRANSTON, *T. H. Cranston*
Secretary,
Joint Committee of Public Accounts,
Parliament House,
Canberra, A.C.T.

10th May, 1961.