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1961.

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA.

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

FIFTY-FIFTH REPORT.

FORM OF THE ESTIMATES:

PART I.—SCHEDULE OF SALARIES AND ALLOWANCES.

PART II.—DEDUCTION AND TRANSFER ITEMS.

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JOINT COMMITTEE OF PUBLIC ACCOUNTS

FOURTH COMMITTEE.

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J.F. Cope, Esquire, M.P.  
A.S. Luchetti, Esquire, M.P. 4

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

1. Resigned 10th March, 1960.
2. Appointed 16th March, 1960; elected Chairman 17th March, 1960.
3. Resigned 20th March, 1960.
4. Appointed 30th March, 1960.
5. Resigned 16th March, 1961.
6. Appointed 16th March, 1961.

## DUTIES OF THE COMMITTEE

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

8. The duties of the Committee are -

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

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

TABLE OF CONTENTS.

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FORM OF THE ESTIMATES.

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	Page.
GENERAL INTRODUCTION . . . . .	5
PART I.	
Schedule of Salaries and Allowances . . . . .	6
Conclusion . . . . .	16
PART II.	
Chapter 1. - Introduction . . . . .	18
Chapter 2. - The Legislation . . . . .	21
Chapter 3. - Selected Examples . . . . .	22
Conclusion . . . . .	33

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JOINT COMMITTEE OF PUBLIC ACCOUNTS

FIFTY-FIFTH REPORT

FORM OF THE ESTIMATES:  
PART I.- SCHEDULE OF SALARIES AND ALLOWANCES  
PART II.- DEDUCTION AND TRANSFER ITEMS

GENERAL INTRODUCTION

The Forty-Ninth Report of the Joint Committee of Public Accounts (Fourth Committee) recorded the decision to proceed with the review of the form and content of the financial documents presented to the Parliament. The First and Second Committees had undertaken investigations into some of these important documents and one report, the Eighteenth Report, was presented which dealt with the Budget Speech, the Estimates of Receipts and Expenditure and the Appropriation Bills.

P.P.No.62  
of 1960

P.P. No.37  
of 1954

2. In view of the magnitude of the task involved the Fourth Committee has proceeded with the review of the financial documents by conducting a series of enquiries over a number of years. The first of these series of enquiries is related to "the Form of the Estimates" and two reports have been presented dealing with this topic. They are the Forty-Ninth Report which dealt with the Miscellaneous Services Section of the Estimates and the Fifty-Fourth Report which dealt with the section of the Estimates containing Estimates of Expenditure for Additions, New Works and Other Services Involving Capital Expenditure.

P.P.No.70  
of 1961

3. In the course of the previous enquiries concerning the financial documents reference had been made to a number of matters which, whilst of importance, were not directly relevant to the main topics then under investigation. Your Committee noted these matters and selected from them the two particular ones covered separately in Parts I and II of this Report, which appeared to warrant individual investigation as part of the general enquiry into the form of the Estimates.

4. Public hearings were conducted on the 18th April, 1961, and on the 1st and 2nd May, 1961, when the following persons gave evidence before us:

18th April, 1961 and 2nd May, 1961

Department of the Treasury - Mr G.L.S. Hewitt,  
First Assistant  
Secretary.

Attorney-General's Department - Mr J.Q. Ewens, C.B.E.  
Parliamentary  
Draftsman

1st May, 1961

Department of Works - Mr E.A. Davidson,  
Chief Finance Officer.

Commonwealth Scientific and Industrial Research Organization	- Mr M.G. Grace, Secretary (Finance and Supplies).
	- Mr R.W. Viney, Assistant Secretary (Finance and Supplies)
Commonwealth Bureau of Meteorology	- Mr A.V. Atkins, Assistant Director (Administration).
Department of the Interior	- Mr W.E. Lawrence, Assistant Accountant.

## PART I.

## SCHEDULE OF SALARIES AND ALLOWANCES

5. In the Forty-First Report Your Committee recorded the intention to investigate the Schedule of Salaries and Allowances which appear as a separate section in the Estimates. The matters requiring consideration, in brief, are:-

P.P.No.65  
of 1958  
Para.27

- (a) the nature of the information included;
- (b) the method of presenting the information;
- (c) the legal effect of the schedule;
- (d) the necessity for the schedule.

6. As a Schedule in the Estimates, which in turn becomes the Schedule to the Appropriation Act, the Schedule of Salaries and Allowances becomes, in effect, a Sub-Schedule to a Schedule of a Statute and should therefore have a fully valid legal purpose.

7. The Department of the Treasury assisted Your Committee with oral and written evidence which included a document with the following comments:-

"From a preliminary study of the material that has been assembled, it seems possible to trace the origin of the substance, and in some respects of the form, of the Salaries Schedule back to the Parliamentary practices of the XVII Century. It will be appreciated, therefore, that a comprehensive statement on the questions set out in the memorandum of 24th March would require a great deal of research and detailed study of many contemporary documents. For the present:

Exhibit  
No.55/1

- (1) The legal requirement. An appropriation of the salary for officers of the First Division is required by the terms of Section 30(1) of the Public Service Act 1922-1960. The inclusion of these offices in the Schedule should provide that appropriation. There is, too, some expert evidence on this question contained in the Minutes of Evidence

accompanying the Committee's Eighteenth Report.

- (2) The reasons for including the Schedule. A Schedule in this form was first introduced in 1934-35. In the previous year, a separate Schedule was shown for each department at the end of its section of the Estimates. This change followed from the report of the Joint Select Committee on Public Accounts. The Committee recorded its view that Parliament should be provided with information of this kind; the presentation of a schedule was said also 'to make the main estimates of departments more condensed while giving the same information.'
- (3) The reasons for including the various forms of allowances. The Joint Select Committee on Public Accounts in its report of May 1932 grouped 'payments in the nature of salaries' with wages and salaries. In that subsequent year of change, 1933-34, the heading 'Salaries' was altered to read 'Salaries and Payments in the nature of Salary' and in the memorandum circulated to departments, the Treasury stated that all payments in the nature of remuneration for Commonwealth employees should be included in this sub-division. Allowances that could readily be segregated were appropriated under a separate item of the sub-division, e.g. 'Salaries of officers on retirement leave or payments in lieu.' Other allowances were included in the Schedule. In 1943-44, the payments for retirement leave were also transferred to the Schedule.
- (4) The reasons for omitting temporary employees from the Schedule. There are no recorded reasons for the omission of temporary employees from the Schedule. Until 1923-24, amounts for 'Temporary assistance' were not included with the appropriation for salaries. The change in that year probably resulted from the continuing high level of temporary employment after the war.

The absence of a schedule for temporary employment is probably related to the historical distinction between the permanent establishment and the short-term engagements envisaged for temporary employment of Sections 82(4) and (5) of the Public Service Act 1922-1960.

The effect of preparing a similar schedule for temporary employees would be to appropriate in more detail the amounts for payment of salary to specified numbers of temporary employees.

- (5) Additional Work for Departments. This is a question that could best be answered by departments. Irrespective of the presentation of the schedule in its present form, information of this kind would be necessary in the estimating of expenditure on salaries and allowances.
- (6) Legal and Historical Origin of the Schedule. The Estimates have always shown the type of detail for salaries that is contained in the Schedule. Originally, this formed part of the body of the Estimates; in 1933-34, it was printed as a Schedule at the end of each Department's Estimates and in the following year, the information was consolidated in a Schedule at the end of the Estimates.

That change, resulting from the 1932 Report of the Joint Select Committee on Public Accounts, apparently formed a model for later Estimates of the States of New South Wales, Victoria, South Australia and Western Australia.

The Commonwealth Estimates had their origin in the pattern established at the time by Victoria. The pattern of the Estimates of Victoria was originally drawn from the practice of New South Wales.

From the preliminary investigation that has been made, the provision of detailed information upon salaries for the purposes of Parliamentary appropriation can be traced back to early times. Prior to the first local Estimates for New South Wales, amounts for maintaining the cost of a civil establishment for the colony of New South Wales were voted by the House of Commons. Those Estimates were themselves apparently drawn in the form previously developed for the civil establishments of the American colonies and these were apparently based upon the type of information and document prepared for domestic expenditure to be appropriated by the House of Commons.

Tracing back through the Parliamentary Journals of the House of Commons there are to be found from 1641 a number of interesting examples of tabulations containing information not at all dissimilar from the modern Salary Schedule, even to the inclusion of amounts for allowances of the kind appropriate to the times.



Throughout the entire history, there appears to have been a basic assumption that the Parliament would determine details of expenditure upon salaries and allowances and this has been qualified in modern times only by Parliamentary delegation of the determination of rates of salary for officers other than the First Division.

The legal effect of any uncertainty in the appropriation in the Salaries Schedule or elsewhere because of the use of lines of deduction has been under consideration by the Parliamentary Draftsman. He has recently provided a rough draft of an appropriation bill in a revised form which is now being considered. An alternative being examined by the Treasury is the possibility of varying this relatively long-established form by applying the amount estimated to remain unexpended to the various classes of office and the allowances in the Schedule. This involves a re-examination of the accounting for expenditure against the amounts contained in the Schedule."

8. A Joint Select Committee was appointed, by resolution in March, 1932, to complete and present to the Parliament a report based on the evidence taken by the previous Joint Committee of Public Accounts. The report by the Select Committee contained the statement, which is still relevant, that:-

P.P.No.45  
of 1932  
para.25

"The lack of standardization of items in the Commonwealth Estimates makes it extremely difficult, if not impossible, to ascertain the full and true cost of items such as salaries, payments in the nature of salaries, travelling expenses and printing. Under the present classification of expenditure, wages, salaries, travelling expenses and other important items are obscured in composite items and Trust Funds, and it is impossible to find in the Estimates or the Budget Papers the total personnel costs of the various Commonwealth Departments. It was contended on behalf of the Treasury that the personnel and personnel costs of the Public Service could be found in the Annual Reports of the Commonwealth Public Service Board, and that it was not advisable to unduly load the Estimates with statistics. With this contention the Committee is not convinced. It holds the view strongly that Parliament should be provided with full details in the Estimates of the total numbers of the staffs employed in the various Departments, as well as the total sums to be provided annually in respect of wages, salaries, and payments in the nature of salaries. The absence of such information has been the subject of strong criticism by financial experts who appeared before the Committee. Moreover, Parliament and the public should be able to see at a glance the rise or fall, from year to year, in the personnel and personnel costs of the Commonwealth Service. In Great Britain and in New South Wales salaries and payments in the nature of salaries are grouped in such a way that the total costs may be readily ascertained."

9. As the Treasury has stated in the document furnished to Your Committee, it was as a result of this report by the Joint Select Committee in 1932 that the present method of treating the information on salaries and allowances was introduced into the Estimates. In general the principle adopted is similar to that now followed in many of the Australian States and some overseas countries. The information concerning salaries included in the Estimates for the United Kingdom, is in greater detail but consideration is being given at this time by Committees of the House of Commons and by the United Kingdom Treasury to firm recommendations that the current practice be changed to one which will condense the details. If the recommendations are approved the resultant presentation would not be dissimilar in regard to categories of officers, details etc. to that adopted in the Commonwealth and many other countries.

10. As mentioned in paragraph 22 below, however, there is a factor related to the fixing of salary levels for officers of Commonwealth departments which is of particular significance in this question.

11. In the course of his evidence before Your Committee Mr C.L.S. Hewitt, First Assistant Secretary, Department of the Treasury confirmed that the Schedule is not a statutory requirement and that it was not essential for any purposes of the Treasury. He added:- Q.5

".....I myself put this schedule a little higher in its purpose than merely being for the purpose of providing information. Although I know doubt has been cast upon its effectiveness - in fact, it has been denied to be effective - I think it was originally thought of in terms of representing an appropriation as being distinct from a listing for the information of the Parliament." Q.7

12. It is, of course, a fact that the whole of the Estimates document is not a statutory requirement and that the matter of appropriating amounts for the annual services of the Government could be dealt with by bringing in a bill containing such details of the appropriations as the Parliament may consider desirable. These details could vary in number from one single item to the thousands of items under which money is appropriated in accordance with the current practice.

13. The Schedule at present follows the format shown hereunder, with variations from department to department in respect of the particular items which might appear. Some of the more common items are included below by way of illustrating the details made available.

No. of Positions		Staff Designations	Appropriation	
1959/60	1960/61		1960/61	1959/60
-	-	Secretary	-	-
-	-	Clerks etc.	-	-
-	-	Clerical Assistants, Typists etc.	-	-
-	-	Allowances	-	-
-	-	Retirement leave and payments in lieu	-	-
		Unattached officers	-	-
		Additional Pay-day	-	-
		Representation Allowances	-	-
		Local Allowances	-	-
		Child Allowances	-	-
		Rent and Accommodation Subsidies	-	-
		Officers on loan from other Departments	-	-
		Ministerial staff	-	-
		Allowances for officers performing higher duties	-	-
		Amount provided under Appropriation Act No. 2	-	-
		Etc.	-	-
		less	-	-
		Amount estimated to remain unexpended	-	-
		Amounts recoverable from other Governments	-	-
		Amounts to be withheld on account of rent	-	-
		Etc.	-	-
			-	-
			-	-

14. It is clear that the deduction items - e.g. "less - amount estimated to remain unexpended" - completely obscure the position as to the amount of salary which is to be paid to any one officer or group of officers appearing in the schedule.

15. In the process of making its estimate of requirements for salaries and allowances a department must take into consideration a number of factors and many of these can be assessed only on the basis of past experience. For example, the department must assess the probability of a number of positions remaining vacant throughout the year or for part of a year following the death or promotion of the present occupant.

16. The removal of the deducted items from their present position in the schedule by estimating the amount which would be applicable to each of the categories of expenditure for the staff establishment would enable net amounts to be shown under the appropriation. However this procedure would result in every category becoming a sub-item to the appropriation for the salary item appearing in the Estimates and thereby create the necessity for additional accounting by the departments. Your Committee concludes that this would be undesirable particularly in view of the procedure for fixing salary levels referred to in paragraph 22 below. Q.21 Q.22

17. Mr J.Q. Ewens, C.B.E., Parliamentary Draftsman, in discussions with Your Committee advised that the present details in the salary schedule itself had no precise legal effect due to the practice followed in showing the deducted items. He continued:-

".....the right of an officer to receive his salary does not stem from the Appropriation Act at all, but from action taken under the Public Service Act or whatever act he is employed under. To complete the picture - perhaps the Treasury representative will correct me if I have the wrong impression - I imagine that when a group of new offices is created during the year the appropriation for the salaries of the people occupying those offices, until the next Appropriation Act is passed, comes from the Advance to the Treasurer. (MR HEWITT) That is correct." Q.75

MEMBER.- In the Appropriation Act the Parliament does not provide money for particular personnel, but rather for the offices?--- (MR EWENS) Yes. Q.76

MEMBER.-For instance, we do not appropriate money for you personally, as the Parliamentary Draftsman?---(MR EWENS) That is so. Q.77

MEMBER.- We appropriate money for the position, and the salary is fixed by somebody else?--- (MR EWENS) Yes. For whoever occupies the position a particular amount of money will be available to pay his salary. The name of an officer is never mentioned in the schedule. Q.78

Referring to the salary levels Mr Ewens stated:-

".....the Appropriation Act itself does not determine the amount of anybody's salary." Q.48

18. After expressing the view that acts of Parliament are for legal purposes and not to give information, he continued:-

"....if the decision is that the particulars of salary should have a legal effect, that is, that the Schedule should set aside in detail as opposed to in toto the amounts of salaries of particular officers, it would also follow according to the ordinary principles of law that that legal provision should be an effective legal provision. As the Schedule in its present form does not make effective legal provision, it needs alteration if that is what it is to achieve. This would seem to me to be the general point that arises in this matter." Q.48

19. A document furnished for the information of Your Committee by the Auditor-General for the Commonwealth contained the following statements:- Exhibit No.55/2

".....

2. So far as Audit procedures are concerned, the Schedule is of little practical use due to the item 'Amount estimated to remain unexpended'. Audit is concerned primarily with the amounts appropriated and to check and verify that salaries and allowances are paid in accordance with the provisions of the Public Service Act.

3. Treasury Regulation 56B requires a return of all appointments, promotions etc. to be made to the Audit Office and audit procedures include checks to ensure the correctness of these returns."

20. The then Secretary and Chief Inspector of the Audit Office, Mr V.J.W. Skermer, O.B.E., amplified those comments when he was asked:-

MEMBER.- .....I ask you, Mr Skermer, whether you find it possible in any way within your office to reconcile this amount which it is estimated will be unexpended with the foregoing estimates?----(MR SKERMER) No, we have not found it possible. If you refer to the various Schedules, particularly for the larger departments, I think you will appreciate that it would be really a formidable task. For example, at page 227, under the heading 'Postmaster-General's Department', in relation to Victoria the amount estimated to remain unexpended is more than £8,000,000. To reconcile that would involve a detailed analysis of every salary item included in that amount of £8,000,000. Over the years, the Audit Office has found the use of this schedule to be not practicable for its purposes.

Q.59

21. The evidence given to Your Committee up to this stage related to salaries and allowances in general. However, there are different circumstances relating to officers in the First Division, including Permanent Heads of Departments, whose salaries are determined by the Parliament. Mr Ewens advised that these salaries require separate identification as:-

"..... They are not fixed by the Public Service Board or by any arbitration provision. Those amounts are fixed by the Appropriation Act and therefore, as a matter of law, it is necessary to have them identifiable and fixed by the Act. They would not be identifiable if they were simply part of a global sum. ...."

Q.91

"..... It is not merely a question of appropriation, it is a matter of entitlement as well. Whatever is done about salaries as a result of any suggestions that are made cannot obviate the necessity to set out specifically somewhere in the act the salary payable to each First Division Officer."

Q.429

22. With regard to permanent officers of the Service, the position had been that the Parliament determined the salary levels and it had been necessary to identify every officer or position in order to

define the amount of salary that officer should be paid. However, the passing by the Commonwealth Parliament in 1922 of the Public Service Act resulted in the present circumstances where, following creation of a position, other than one in the First Division, by the prescribed procedures, the level of salary is determined by one or other of several independent authorities. The situation therefore, is now as follows:-

(MR EWENS) .....the Appropriation Act itself Q.48  
 does not determine the amount of anybody's salary. It simply sets aside from the Consolidated Revenue Fund sums of money to pay the salaries of particular people. The salaries are not themselves determined by the Appropriation Act. They are determined, ....., by one of several available processes - under the Public Service Act in the first place, or, if there is an Arbitrator's determination that supersedes the determination under the Public Service Act, then by that determination or, if that determination is subject to an appeal to the Conciliation and Arbitration Commission, the particular salary is determined by the decision of the Conciliation and Arbitration Commission. It follows from that that an officer has a legal right to his salary in the sense that he can issue a writ for it and sue the Commonwealth for it irrespective of what provision, if any, is made for its appropriation....."

23. Thus it would follow that the original necessity for the schedules of salaries and allowances no longer exists and its retention must be regarded as being for some other purpose useful to the Parliament.

24. There can be no doubt that the Schedule is a valuable document and that the information it contains is required by Members. Staffing statistics are furnished in the annual reports of the Public Service Board but these are presented in a different form and usually some weeks later than the Estimates. This is the period when Members are most concerned in the consideration of departmental estimates and is the most relevant point of time for information of this nature to be made available.

25. Your Committee's next concern was to establish whether the information in the Schedule could reasonably be expected to be expanded or improved in any manner. To this end discussions were held with a number of departments concerning the details which might be shown in the Schedule.

26. In the course of the discussions with representatives from the Commonwealth Scientific and Industrial Research Organization, the witnesses were asked whether the deduction line in the Schedule of Salaries and Allowances - "Less amounts estimated to be unexpended" - could be analysed and applied line by line to the categories of officers now shown opposite gross amounts. The witness, Mr M.G. Grace, Secretary (Finance and Supplies) indicated that his office had the information necessary to do this as it was

required for the accurate preparation of their Estimates but -

- (MR GRACE) ....it would merely make the document a little more bulky. Q.251
27. The witness also agreed that information related to temporary officers, similar to that now furnished for permanent officers, could be presented without greatly increased work, but Mr R.W. Viney, Assistant Secretary (Finance and Supplies) pointed out:- Q.253
- (MR VINEY) .....There is one point in connection with temporary and casual employees. The only difficulty would be in separating those who are really casual from those who are permanent casu- als. At a given time you might have four people employed on harvesting but only one position to cover them. They would be pure casu- als so far as we are concerned. There are others classified as casu- als, such as a caretaker or a cleaner, whose jobs would be more permanent. Once you get down to showing positions for such employees, that might involve some extra work on our part. Generally speaking, apart from that we could produce the information if it is wanted. Q.254
28. Mr A.V. Atkins, Assistant Director (Administration), Bureau of Meteorology, indicated that the additional information could be furnished but:-
- (MR ATKINS) .....There would be a little extra work in it. Q.313
- MEMBER.- Would you need more staff?--- Q.314
- (MR ATKINS) We might need another clerk or two. These amounts are actually calculated in detail to give the gross amount.
29. Mr W.E. Lawrence, Assistant Accountant, Department of the Interior was of a similar opinion to the other witnesses mentioned above. Qs.344-346
30. It appeared to Your Committee that the departments generally have the basic information required to furnish more precise information concerning permanent officers but the volume of work involved in presenting this would necessitate the employment of additional staff in each department. Further the final figures presented would still be based on estimates which necessarily would require revision in many cases in the course of the financial year.
31. However, Your Committee considers that the present Schedule should be amended to disclose at the commencement of every financial year the number of permanent positions in each department's staff establishment and the number of positions which are expected to remain unoccupied throughout the ensuing financial year. The deduction - "less amounts estimated to remain unexpended" should show separately the amounts deducted in respect of these positions as compared with the amounts estimated to remain unexpended in respect of the positions expected to remain vacant for only part of the year.

32. Your Committee would like to see also more information furnished in respect of temporary, casual and exempt employees. At present no details are provided - only the estimated gross expenditure. The possible difficulty in classifying some of these employees is appreciated but the position now in the Service is that there are a great number of temporary officers "permanently employed" and Your Committee considers that the numbers concerned should be made available to the Parliament in a Schedule similar to that furnished in respect of permanent officers. As the observer from the Department of the Treasury stated:-

(MR HEWITT) I do not know that I condemn the document because there is no schedule for temporary and casual employees. I think the origin of the distinction was that temporary and casual employees originally meant what was said and the section of the previous act that I referred to contained a very clear indication that the temporary and casual employee had a period of employment of not longer than three months. I do not suppose that anybody thought the schedule would be misleading. I think the whole concept of permanent and created offices was different. Temporary and casual employment was something out of the ordinary in the sense that if the work was of a continuing nature the philosophy was that a permanent position would be sought. It may be that times have changed. Indeed, the character of the superannuation provisions for temporary and casual employees would suggest that some of those persons have the character of a long-term engagement. It may be that there is now an element in the vote for temporary and casual employees which, on the basis of consistency, should be detailed somewhat on the lines of the salaries schedule. Some information perhaps should be provided of the number of positions though temporary but yet of a continuing nature. Q.35

#### CONCLUSION

33. The evidence received by Your Committee indicated that there was no legal requirement for the Schedule of Salaries and Allowances. Further, in its present form the Schedule, as a Sub-Schedule to the Schedule in the Appropriation Act, was defective legally and does not make a clear and definite appropriation for any officer or category of officers set out in the Sub-Schedule.

34. In view of the provisions in the Public Service Act 1922-60 wherein the Parliament transferred the control of salary levels to outside authorities, the Schedule does not serve any purpose in controlling the remuneration of officers other than the few officers in the First Division.

35. The enquiries made by Your Committee revealed that it is not practicable to overcome the legal defects attaching to the use of the Schedule as an appropriation measure and accordingly recommends that it be omitted as a section of the Estimates and as a Sub-Schedule in the Appropriation Act.



36. However, the information contained in the Schedule is of considerable interest and value to the Parliament and a similar schedule should continue to be presented to the Parliament annually with the other financial papers. Further the sums deducted in respect of the amounts estimated to remain unexpended for unoccupied positions should show separately the number of positions which will remain unoccupied (a) for the whole of the year; and (b) for part of the year.

37. As Members are accustomed to having the information before them during Estimates Debates the schedule should continue to be attached to the Estimates papers by way of explanatory notes which, although in much briefer form, are common in the Estimates.

38. The number of temporary and casual employees is now so great, and so many temporary employees are engaged for such lengthy periods of time, that Your Committee recommends that the present schedule for permanent officers should be accompanied by a rather similar schedule for these other categories of employees. There appears to be no reason why this cannot be done for temporary employees but some difficulties are possible in the case of casual employees and these might necessitate some modification to the method of presentation.

## PART II.

## DEDUCTION AND TRANSFER ITEMS

## CHAPTER I.- INTRODUCTION

39. The purpose of this enquiry was to investigate two related matters which had been noted in the course of earlier enquiries by various Committees. They concern the procedure of using deduction lines to indicate the gross and net amounts appropriated for a particular vote and are associated mainly with votes:-

- (a) that have a net amount appropriated (sometimes only a nominal amount) because the gross amount, or actual expenditure, is met from a trust fund, or a proportion of that expenditure is met from a source other than the Consolidated Revenue Fund; e.g. (Estimates 1961-62):-

## DEPARTMENT OF HEALTH

## Division No.297 - Serum Laboratories

## 1. Salaries and Payments in the nature of Salary

	£
01 Salaries and allowances as per Schedule page 194	175,000
02 Temporary and casual employees	246,000
03 Extra duty pay	<u>25,500</u>
	446,500
05 Less amount chargeable to Serum Laboratories Trust Account	<u>446,400</u>
	<u>100</u>

## COMMONWEALTH SCIENTIFIC AND INDUSTRIAL RESEARCH ORGANIZATION.

## Division No.421 - Administrative

## 4. Other Services

	£
01 Research associations - Grants	50,900
02 Research studentships - Grants	112,200
03 Commonwealth Agricultural Bureaux - Contributions	49,800
04 Standards Association of Australia - Grant	87,000
05 National Association of Testing Authorities	17,300
06 Australian and New Zealand Association for the Advancement of Science - Grant	1,000
07 National Institute of Oceanography - Contribution	6,300
08 Minor International Associations - Contributions	9,800
	<hr/>
	334,300
13 Less amounts recoverable by way of grants from outside sources	7,200
	<hr/>
	<u>327,100</u>

and (b) for a department or an authority in which the gross amounts are reduced because part of the estimated total expenditure is met from money transferred from an appropriation shown under some other department or authority, e.g. (Estimates 1961-62):-

## DEPARTMENT OF WORKS

## Division No.251 - Administrative

1. Salaries and Payments in the nature of Salary -		
		£
01	Salaries and allowances as per Schedule, page 187	3,863,000
02	Temporary and casual employees	2,417,000
03	Extra duty pay	<u>140,000</u>
		6,420,000
less		
11	Amount recoverable from other administrations	916,000
12	Amount chargeable to trust accounts	657,500
13	Amount chargeable to Works Appropriat- ions	2,183,300
		<u>3,756,800</u>
		<u>2,663,200</u>

40. Previous Committees had hoped to undertake detailed investigations item by item, of appropriations. However, the appropriations comprise many thousands of items and Your Committee concluded, in view of the pressure of other urgent investigations, that it would be preferable to first investigate the basic principles involved in this problem.

41. Further, Your Committee understood that the Parliament itself is likely to consider shortly the procedures adopted for dealing with appropriation bills. Whilst Your Committee have no knowledge of the details it is possible that a decision might be taken which could have a bearing on the matter which was investigated.

42. Also, after Your Committee had initiated this enquiry, we learnt that discussions were about to take place between the Parliamentary Draftsman and the Department of the Treasury which would be relevant to the matters under enquiry and involved amendments to the present form of the appropriation bills.

43. In discussions with Your Committee, the Parliamentary Draftsman, Mr J.Q. Ewens, C.B.E., advised that the possible amendments would not have any effect on the amount of information given to the Parliament and continued: Q.350

"..... One point of view is that the Appropriation Bill is a document having effect in law and therefore, in drafting it, we must keep that in mind. The other point of view is that it is a document which gives certain information to members of Parliament. At some stage, the two points of view might be in conflict, and it would then have to be resolved which of them was to prevail. The way that I have approached the matter in the past has been Q.351

that, in the last resort, the Appropriation Bill is a bill for an act; as it is going to become an act of parliament, therefore the legal considerations must prevail over the information considerations. If the bill does not give such information as members of Parliament would like to have, full information should be set out in an information pamphlet."

#### CHAPTER II.- THE LEGISLATION

44. It is the responsibility of the Parliamentary Draftsman, and the Attorney-General's Department, to assure that the Appropriation Acts are effective for the purposes for which they are drafted and submitted to the Parliament. The present form of the appropriation measures, presenting gross and net amounts vide paragraph 39 above, furnish some information as to the total cost of a particular function of a department whilst avoiding any inflation of the figures for the estimated overall total of expenditures by the Commonwealth.

45. However, the procedure does not always permit of legally certain appropriations being made in such cases. The Parliamentary Draftsman, Mr J.Q. Ewens, C.B.E., stated:-

"The principal objection - I would not like to say, off hand, that it is the only one - to the present form is that it appropriates net amounts only. That is to say, it appropriates in a number of places - in the main part of the Schedule and also in the Schedule to the Schedule - the Schedule of Salaries - gross amounts less certain amounts. These deductible amounts are arrived at in different cases in different ways, but they are deducted and therefore there is only a net amount appropriated. From my point of view, that is not right, ..."

Q.356

and advised that he had drafted an amended bill to overcome the legal defects:-

"..... The effect of the draft bill is to appropriate not only the net amount but the deducted amounts, thus giving the gross amount of the appropriation."

Q.357

46. The position arises in many of these instances that the practice of showing a deduction in one amount, in order to appropriate a net amount, makes uncertain the actual amount appropriated for the purposes shown in the detailed items.

(MR EWENS) It serves neither to give information as to the net amount under each item or to make an effective net appropriation as a matter of law under each item. ....

Q.368

47. The problem is mainly a legal one. In a few instances better information might be considered desirable by the Parliament but there is no uncertainty in departments concerning the actual amounts which are available. The Treasury observer, Mr C.L.S. Hewitt, advised that his department were aware of the position and were anxious to remedy the situation but:-

(MR HEWITT) It is a legal defect, not a practical defect. The people who operate under this system do not have problems but apparently they are acting

Q.396

illegally, although in a common sense way.

48. As noted in paragraph 42 above Your Committee learnt that a new draft bill had been prepared by the Parliamentary Draftsman but this had not been discussed by him in detail with the Department of the Treasury at the time of our enquiries. After discussions related to this draft bill Your Committee consider that the matter is one which now appears to be reaching finality and that a new bill to meet the requirements will probably be agreed in the near future. Whilst he could not be expected at that stage to indicate with certainty that the draft was satisfactory, Mr Hewitt stated:-

Q.454

(MR HEWITT) As I said earlier, I think generally that it would probably meet the point. There are problems I think in appropriating and making available to be drawn the estimated amounts to be received as distinct from the actual amounts to be received, but it has to be studied carefully and that has not been completed in the Treasury.

Q.453

## COMMENT

49. As action is being taken to remove the legal defects attaching to certain items in the appropriations, and Your Committee's discussions indicated that a satisfactory means of achieving this was practicable, no further comment appears necessary.

50. However, the question as to whether or not the revised bill would inflate the total amount appearing in the Appropriation Bill could not be determined during the course of our enquiry. Your Committee gained the impression during discussions that this result could be avoided and will seek further advice on this point before agreeing that the proposed form of the bill is satisfactory.

## CHAPTER III.- SELECTED EXAMPLES.

51. The practice of showing deduction and transfer items occurs frequently throughout the Estimates and Your Committee selected a limited number for review with the objective of ascertaining whether a number of principles could be established.

52. There are several instances where small nominal amounts only appear as net appropriations - for example, the appropriations for the Commonwealth Serum Laboratories and the Government Printing Office. Both cases relate to the use of trust accounts.

53. The activities of the Commonwealth Serum Laboratories in general are financed through the Serum Laboratories Trust Account and the form of the appropriations, for 1961-62, are reproduced in paragraph 39 above. There is no legal requirement for the appropriation to be presented in this form and the actual transactions through the Trust Account are controlled by the defined purposes for which the Account was established. The details of expenditure shown are not binding on the Laboratories.

Q.361  
Q.363

54. Referring to the Estimates for 1960-61 the Treasury observer advised:-

(MR HEWITT) This expenditure is payable from the Trust Account itself, and this statement on page 50

Q.362

of the Estimates is a statement, in a sense, for the information of the Parliament of the way in which payments are made from Trust Account for general expenses.

55. Items relating to salaries and allowances paid in the Government Printing Office appear also in the appropriations but again with a small nominal net appropriation remaining due to the deduction "Less amounts for Parliamentary and Departmental printing chargeable to Government Printer Trust Account."

56. During the course of Your Committee's enquiries the following statements were made:-

MEMBER.- It sets out the establishment in relation to salaries at the time the Estimates were compiled? ---(MR HEWITT) It appropriates funds to provide for the cost of the establishment at that date. Q.478

MEMBER.- The appropriation is £100 in this case? ---(MR HEWITT) Yes. Let me say, as I said earlier, that it has no place at all in this Appropriation Bill. It relates to moneys in a trust account. Q.479

MEMBER.- Therefore, its purpose must be for information? ---(MR EWENS) It has no legal effect. Q.480

57. On the assumption that the draft revised appropriation bill currently under consideration will not introduce any legal problems Your Committee is of the opinion that the practice should continue of providing information in the form represented by the two examples above. We appreciate the viewpoint of the Parliamentary Draftsman but consider that unless violence is done to the legal principles involved, the current form would be desired by the Parliament. Further, it is a logical extension of the recommendation made in Your Committee's Thirty-Fourth Report for drawing attention to appropriations for trust accounts.

P.P. 69 of 1957 Para. 71 et alia.

58. A more complicated use of deductions arose in connection with the appropriations for the Commonwealth Scientific Industrial Research Organization. This Organization is a statutory authority and there is no necessity for its revenue from sales of produce and grants from outside sources to be paid into the Consolidated Revenue Fund. It receives, in addition, substantial amounts from other trust funds. Q.364

59. The Organization advised Your Committee:-

"..... Exhibit No. 55/6

It is the opinion of the Executive of C.S.I.R.O. that a clearer presentation of the Estimates would be given if expenditure from the grants received for specific purposes was charged directly to the Specific Research Trust Fund instead of the present arrangement under which such transactions are charged, in the first instance, to Division 421. The deduction in respect of sales of produce could be eliminated by crediting these sums as received directly to Consolidated Revenue, i.e. Treasury Miscellaneous Receipts. The effect of these

changes would be to show quite clearly the precise sum being appropriated by Parliament from the general funds of the Commonwealth under each Item."

60. The proposal would simplify the appropriations but the Parliament would not have any information concerning the total expenditures by the Organization and certain details would appear only in the appropriations for other departments, the Organization's Annual Report etc. The information given at present is deficient as there is no indication of the net amount contributed by the Commonwealth to each item or separate investigation appearing under sub-Division 421/3 or to the individual items under sub-Division 421/4. With reference to this point the witness was asked:-

MEMBER.- What objection would there be to showing some of this information in the Estimates document itself; for example, showing the grants received from outside sources as a deduction against each specific item in the Estimates and then putting the net amount only in the appropriation column?--- (MR GRACE) That is a question, of course, for the Committee to decide, but in my opinion it does not seem necessary for that to be done. Q.238

MEMBER.- Necessary from the point of view of the Parliament or from the point of view of justification?---(MR GRACE) From both points of view. If it is necessary to show against each item the amount we anticipate to recover from an outside source, that can be shown against the items at present and taken off individually against those items; but I am querying whether that is really necessary, firstly, because the money has already been voted, if it is coming from a Commonwealth source, and secondly, because if it is coming from a private source or non-public source, it is coming from a source over which the Parliament has no control. Q.239

61. The comments by the Organization concerning the charging of grants direct to the fund rather than the appropriation in the first instance were referred to the Treasury for comment and Mr Hewitt stated:-

(MR HEWITT) ..... If this document (the Estimates) is considered in its transformed state as the Appropriation Act, I doubt whether this is at all necessary for the purposes of appropriation. The course might simply be followed. It would mean, of course, that the expenditure on the investigations would not be the total of the expenditure on any one given investigation. Some would be shown as expenditure from the Consolidated Revenue Fund and some from the Trust Fund. Q.246

- i MEMBER.- Can you see any objection or advantage in showing these deductions as against specific items in the Estimates and then carrying forward the net figure?---(MR HEWITT) There might be some advantage in doing it in the reverse direction - by closing the head of the Trust Fund and then showing the respective amounts as a credit to the total of the sub-divisions. Q.247

62. Your Committee consider that an amended form showing gross and net amounts for each item is desirable and would like the Treasury to examine the question of the



effort and expense involved to ascertain whether a suitable alternative presentation of that nature is economically practicable.

63. Again it is assumed that the draft bill under consideration will remove any uncertainty concerning the legal effectiveness of the appropriations.

64. There are, among the appropriations for the Defence Services, a number of Divisions which are prefaced by words permitting certain receipts to be credited to the votes. In the 1960-61 Estimates examples were:-

- (a) Department of the Navy - Division 475 - General Services.  
(Receipts from canteen tenancies and associated rentals may be credited to this Division).
- (b) Department of the Army - Division 504 - General Services.  
(Money received for the supply of meals to other than army personnel may be credited to Item 6).

Note: Item 06 makes provision for expenditure on Rations.

- (c) Department of Air - Division 536 - Equipment and Stores.  
(Moneys received from the sale of unused equipment and stores which are to be replaced, from sale of clothing to personnel and from sales of material to contractors to complete Air contracts, may be credited to the items to which they relate).

65. In reply to a question relating to this form of provision the Treasury observer advised:-

MEMBER.- .....I would like Mr Hewitt to look at this question and give me his opinion on the import of the proposed sections.---(MR HEWITT)  
Their purpose is to enable the departments to spend amounts which they have collected from the sale of the services that they have produced by the spending of money from the vote itself. The alternative would be to provide a greater appropriation and provide for the receipts to be paid direct into revenue, or to provide a greater amount under the gross appropriation and then to introduce deduction lines for the estimated receipts being paid to the credit of the vote...

Q.427

66. If there is a necessity to change the form of the appropriations it would appear desirable to adopt the practice already general in other appropriations, but needing to be put into full legal effect under the provisions of the Appropriation Act, of providing a gross amount less deductions for the estimated receipts - the receipts representing amounts not at present indicated in the Estimates.

67. With regard to the necessity to change the form Your Committee was advised by the Parliamentary Draftsman:-

(MR EWENS) The Constitution provides that moneys received by the executive government of the Commonwealth are to be paid into the Consolidated Revenue Fund. As you suggested to Mr Hewitt, it is not right that a department should be able to spend the amount appropriated plus an amount it receives from selling something to the public. Constitutionally, the amount received from the public should go into the Consolidated Revenue Fund, and if the department is to be allowed to spend it, it should be added to its appropriation. That is what sub-clause 2 of clause 4 of this bill sets out to achieve, and for that reason.

Q.428

68. This is a question which Your Committee recommends be given attention by the Department of the Treasury and the Parliamentary Draftsman before the clauses of the proposed new appropriation measures are brought to finality.

69. Many of the deduction items appearing in the Estimates originate from the practice of one department charging another department or authority for the services it has provided. Two examples considered by Your Committee related to (a) surveys carried out by the Department of the Interior and (b) services performed by the Department of Works.

70. The practice of showing the costs of surveys, under the votes for the Department of the Interior, as a separate Division was introduced relatively recently and Your Committee agrees that the innovation was desirable. The votes appear in separate sub-divisions for salaries and for expenses - both of which have deduction items which account for the major part of the expenditure. The deductions relate to amounts recovered from (a) other departments and authorities and (b) appropriations for surveys in the Australian Capital Territory.

71. With regard to the amounts transferred by way of recoveries from the appropriations from other Departments the witness from the Department of the Interior, Mr W.E. Lawrence, Assistant Accountant, advised:-

(MR LAWRENCE) To avoid too much work where it is a survey of long duration, like the ones we carry out for the Bureau of Mineral Resources and Civil Aviation, the charges are costed to separate cards under each item and we render one bulk claim for a period. Where there is a survey of just a few days for instance, we charge the stated rates; we do not provide on the actual claim any details of how it is made up. They accept our word for it that that is the cost.

Q.331

MEMBER.- Could a quotation be given for these surveys before the work is actually commenced?---  
(MR LAWRENCE) Possibly. I would say yes, except on some of the very long duration ones which would make it a bit harder; for instance, some of the B.M.R. surveys depend on the wet season. They go up there for six months and come back again for three. You could give a quote, but whether it would be accurate or not is another matter.

Q.336

72. Whilst the other departments must accept the costs fixed by the Department of the Interior that Department also has its problems in assessing the quantity of recoverable costs it will incur during the year, viz.

(MR LAWRENCE) . . . . It is very difficult to estimate the recoveries. We are relying on the best programme we can get from the client departments, for instance, on the work they want done. Sometimes it does not eventuate. The Department of Works may think, "We want this survey and that survey". Then they get a pretty big cut in the capital works vote and that means that half of those surveys are not required in that year anyway. That year in particular we found it quite difficult because we did it rather quickly. It was getting close to the time for completion of the Estimates when it was decided that this vote should be created and recovery should be made. From many departments, we get no programme whatever. That is where the difficulties were encountered the first year. Q.340

MEMBER.- To what extent do you make surveys which are not subsequently made use of by the departments requesting them?---(MR LAWRENCE)  
We do not make any that are not made use of. There is such a back-log of survey work required that only the most urgent ones are done. Q.342

73. In the circumstance Your Committee doubts the value of effecting recoveries of costs from other departments as the estimating is necessarily somewhat uncertain and the requirement to pay for the work carried out on their behalf is not one which would be of great concern to those departments. This appears so at present when the client departments apparently have a large volume of work which must be completed.

74. It appears to Your Committee that the work involved in estimating and effecting recoveries would not be warranted if it can be demonstrated by the departments that their requirements are essential requirements arising from policy decisions made at Cabinet level.

75. An excellent example of work performed by a "service" Department for other departments without transfer payments being made, exists with the Attorney General's Department. In a brief discussion the Parliamentary Draftsman replied to a relevant question as follows:-

MEMBER.- . . . Are there many occasions where opinions are sought but where a department would probably have some hesitancy in asking for an opinion if it had to pay for the advice? --- (MR EWENS) I think there would be a hesitancy, but I think it would be in the wrong place. We have our own rules for dealing with these matters. We never give an opinion on a hypothetical question, and in the field of parliamentary drafting we will not, except in special circumstances, draft a bill unless Cabinet intends to introduce such a bill into Parliament. I do not think there is any great problem about this matter. We are not a very large department. There is a way of dealing with Q.501

this general problem instead of the limping and halting way of dealing with it in the Appropriation Act. ....

The Treasury observer added:-

(MR HEWITT) .... I would not give general assent to the proposition that there is lack of economy because services are provided free between departments.

Q.501

76. The appropriations for the Department of Works provide for deductions of the following nature:-

- (a) Amount recoverable from other administrations  
(This includes recoveries from National Capital Development Commission, Papua and New Guinea Administration, Australian Broadcasting Commission, other Commonwealth Departments etc.) Exhibit No.55/3
- (b) Amount chargeable to trust accounts  
(These trust accounts refer to undertakings such as workshops, quarries, mills etc. operated by the Department of Works.)
- (c) Amount chargeable to Works Appropriations  
(This refers to appropriations which are shown in the Estimates as "Under Control of Department of Works.")

77. Your Committee agrees that, provided the assessments are realistic, it is desirable that an administration cost should be transferred to the accounts of the undertakings operated by the Department of Works. We consider also that a realistic charge should be recovered from other administrations, i.e. other than from Commonwealth Departments.

78. With regard to Commonwealth Departments and to the rate of 6 per cent charged in the majority of cases, Your Committee was advised by the Department of Works on 10th May, 1961:-

".....it would appear that the practice of charging portion of salaries and general expenses to votes for works was in existence as far back as 1923 but the origin of the practice is not clear. There is a record that in 1926 the Treasurer gave approval to the continuance of the practice." Committee Document No.S.S.12

In 1927 a more definite pattern was established and all works supervised by this Department but charged to votes under the control of other Departments, were debited with a fixed percentage - 6% on Capital works and 10% on Repairs and Maintenance.

In the Estimates for 1927/28 and following years, provision was made for the reduction of the Administrative Vote of the Works Department by 'amounts estimated to be recovered in respect of works performed for the Commonwealth Bank and other Administrations'.

In 1940, and during the war years, the practice ceased with Treasury approval except in relation to such bodies as the Commonwealth Bank and the Broadcasting Commission.

In 1946 a uniform rate of 6% for both Capital and Repairs and Maintenance Works was adopted in respect of works for other Administrations and there is no doubt that this rate was based on the normal basic rate applicable to Consultants in outside practice.

Formal Treasury approval was given in memo of 19th December, 1946 - Treasury reference 1444/46/4017 - for 6 % to be applied to all works carried out for Other Administrations i.c. Authorities, Commissions, etc. where the funds are under the direct control of the Authority concerned. These recoveries are brought to account under Item 11 of Division 251/1 of the Estimates - also Division 251/2/21.

As indicated in the paper presented to the Committee, a Treasury direction was given in 1949/50 that in future a proportion of the gross administrative costs of the Department of Works should be transferred to the Works Appropriations of Departments whose works votes were under the control of this Department. Treasury reference BA.49/2633 of 10th November, 1949.

An arbitrary percentage of 6% was fixed in line with that already applying in respect of works carried out for other Authorities and Administrations.

Recoveries as the result of such transfers are brought to account under Item 13 of Division 251/1 of the estimates - also Division 251/2/23. "

79. In the course of discussions with the witness from the Department of Works, Mr E.A. Davidson, Chief Finance Officer, Your Committee was advised, with reference to the charge of 6 per cent., that:-

(MR DAVIDSON) .... It is accepted as an arbitrary figure based on the broad percentage that is charged by outside consultants, but latterly, that broad percentage has been widened insofar as charges are made for many other aspects which we do not think it is worthwhile to bring into this account. That would make it much more complicated. When all is said and done, it is only a portion of the recovery. In my humble opinion, it would not matter very much whether it was accurate or not. By that I mean that it would not matter if it were £100,000 more or less because it is only something that is set off from one vote to another.

Q.157

and later

(MR DAVIDSON) .... but this 6 per cent. is not intended to be an actual cost recovery. It is only a portion of our administrative salaries and general expenses. So far as the Department of Works is concerned, I do not think we have any particular desire to recover at all. We are quite pleased to stand on our gross salaries and our gross general expenses because that is what we work against.

That is what we base our budget upon for salaries and general expenses.

MEMBER.- That 6 per cent. would serve as a rough criterion of costs? --- (MR DAVIDSON) I suggest that it does not. It is not there for the basis of cost. The gross is our cost, and the recovery is purely a partial recovery of those costs. Treasury presumably decided that certain of that expenditure should be transferred to the Works votes of the departments for which we are carrying out work. Q.160

(MR DAVIDSON) It is not brought to account against each individual project. It is transferred fully to the particular item of the Estimates covering the works programme for the department concerned. Q.162

MEMBER.- I come back again to the 6 per cent. You made it quite clear that that was not related to the costs incurred by your department, but that it was related to the level of architects' fees outside? --- (MR DAVIDSON) Yes. Q.212

MEMBER.- It bears no relation to costs?--- (MR DAVIDSON) No, it is only a portion of the cost. Q.213

80. A document furnished by the Department of Works for the information of Your Committee contained the following statements:-

"If the practice of providing for recoveries of portion of the Administrative Costs of the Department of Works from Works appropriations or the votes of other Departments is to continue as a matter of policy, the present accounting procedure requires a minimum of effort although recoveries under both Items 11 and 13 are difficult to estimate as the amount depends entirely on the net works expenditure brought to account. The recovery figure is, therefore, subject to constant variation in line with reviews of anticipated works expenditure throughout the year. Exhibit No.55/3

Under present arrangements approximately 25% of expenditure by this Department on works projects is chargeable to votes which are not under our control and are not subject to the normal programming procedure of Treasury and this Department. This presents an even greater difficulty in forecasting the overall expenditure and recoveries for the ensuing financial year.

No direct advantage is derived by this Department in transferring portion of the Administrative Costs to Works Appropriations although it is appreciated that the practice permits of a proportion of associated overhead charges being included in the overall total of expenditure on Works Projects in respect of the various Departments.

Where the works are carried out as a charge to the votes under the direct control of the requisitioning Department, the inclusion of the percentage for overhead provides a similar comparative cost.

In regard to Item 12, the procedure is completely satisfactory to this Department as it provides that undertakings and like activities are costed on a realistic basis."

81. The references to Items 11, 12 and 13 apply also to Items 21, 22 and 23 of Sub-Division 251/2 (1960-61 Estimates) and refer to the recoveries mentioned in paragraph 76 above. That is:-

- Items 11 and 21 - Amount recoverable for other administrations.
- Items 12 and 22 - Amount chargeable to trust accounts.
- Items 13 and 23 - Amount chargeable to Works Appropriations.

82. With regard to Items 13 and 23 the witness later stated:-

(MR DAVIDSON) ...where the amount is chargeable directly to works appropriations by us, we would feel that if it is to continue, it could be based on the works appropriation rather than on the actual expenditure as brought to account, because we have to revise our expenditure two, three or four times a year, and therefore we have to revise our recoveries. I am suggesting that as a possible simplification. Q.172

and

(MR DAVIDSON) .... There are also a number of other departments in relation to which the works appropriation is made available under the votes that are under the control of those departments. Therefore, at the commencement of the year we do not necessarily have a definite programme as we have for the departments whose votes are under our control. This Committee has discussed that question on many occasions. You know, of course, that the moneys which are appropriated for most departments are a matter of planning and programming between the Treasury, ourselves and the sponsoring department prior to the commencement of the year. In relation to other departments for whom we do business we just have not that same planning and programming, because it is their business. Q.173

83. Your Committee raised with the witness the question of control and economy in the operations of the Department of Works which involved services for other departments. We had in mind the necessity to assure in particular that the Department did not undertake any work which was not essential and which was not to proceed immediately towards completion. For example:-

MEMBER.- .... However, when the Department of Works goes to great expense to prepare plans for another department and that department decides not to go on with them, why should the Department of Works carry that debit? --- (MR DAVIDSON) I could not agree more. That is why some of these procedures and techniques that we now follow have been introduced. That is why we are working so closely with Treasury on these very things. That is what Q.231

we have endeavoured to eradicate, and I believe we have eradicated it to a considerable extent though not completely.

(MR DAVIDSON) We would not have done any design work which had not appeared on the design list or on the programme. I am not saying that some policy direction might not have arisen in some cases. There could be a policy decision in some particular cases not to proceed with a project but I find it very hard to think of one. Q.233

(MR DAVIDSON) .... Greater control is exercised under the programming arrangements we have today than possibly would be exercised under the flat rate of 6 per cent. that we charge where the votes are not under our control and where there is not the same degree of programming as there is in the main section of the work. Q.222

84. Your Committee are aware that considerable progress has been made by the Department of Works and the Department of the Treasury in establishing an effective programming procedure for "capital works" in relation to government departments. We are also impressed with the suggestion that this control is more effective than, and renders unnecessary, the rather complicated procedure of charging other departments a percentage fee for essential work carried out on their behalf.

85. In many instances the work carried out on their behalf is more of the nature of work performed for the service of government generally. For example, accommodation is not necessarily the responsibility of an individual department as the provision of that facility is more in a general sense, the responsibility of the Government.

86. However Your Committee can see no reasonable alternative to charging other authorities etc. a reasonable and realistic fee for services provided by the Department of Works.

87. Also the charging of amounts to other departments by way of effecting transfer payments have little bearing on the costs of running any department. The transfers appear throughout the Estimates but, as stated by the Treasury observer:-

(MR HEWITT) ....it is a great misconception to think that this document, in this form of the Estimates, or as a schedule to the Appropriation Act, was ever conceived, or that anybody responsible for it holds it out, as presenting the costs of a department. It does nothing of the sort. It is quite misleading to think of it as showing the costs of a department, and then to levy criticism at the very plain and obvious gaps in the costs of departments as appear from the document. This is really intended to provide the authority which is required by the Constitution for the withdrawal of moneys from the Treasury for the purposes of the Commonwealth. Quite a deal of the troubles that originate in connection with this subject springs from misconceptions of the purposes of the document, and when attention is concentrated on what are thought to be the purposes, the very obvious failings that are seen. Q.417



MEMBER.- For that reason, then, the Parliament would not be informed on the matter of costs?  
 ----(MR HEWITT) No, not by this document at any rate. If attempts are made to draw inferences about costs from this document, they are liable to be misleading, and criticisms based upon the document are not really warranted.

Q.418

## CONCLUSIONS.

88. As Your Committee have stated in paragraph 40 the object of this enquiry was to ascertain whether certain general principles could be decided in relation to the practice of having deduction and transfer items in the Estimates and the Appropriation Bills.
89. Certain examples from the body of the Estimates were selected and are referred to in more detail in Chapter III.
90. As noted in Chapter II it appears to Your Committee that the problem associated with the legal effectiveness of these forms of appropriations will be resolved satisfactorily on completion of discussions currently being held between the Parliamentary Draftsman and the Department of the Treasury.
91. With regard to the specific examples which have been investigated Your Committee consider these have indicated that certain general principles may be established despite the fact that the practice is one related to ad hoc problems arising from the nature of the particular votes concerned.
92. The evidence confirmed the fact that the Estimates are mainly a schedule to a bill and do not purport to present the full costs of any department. However, they do, in many instances, provide useful information relating to the costs of particular functions of departments.
93. In this light the use of certain deduction and transfer items in the various appropriations appear, to Your Committee, to be the only available method for making the Estimates more useful as an information document as well as being a schedule to an Act.
94. The procedure is valuable when used in relation to trust accounts because it enables details of the proposed transactions through those trust accounts to be made known to the Parliament.
95. Your Committee has noted also the desirability:-
- (a) of amending the presentation of the appropriations for certain items of the Commonwealth Scientific and Industrial Research Organization, if practicable, in order to provide slightly more detail, and
  - (b) of changing the method of appropriations for certain votes in the Defence Services section which, on the evidence obtained, may not conform to the legal requirements.

96. A further, and larger, problem which arose during our enquiries related to the practice of including transfer payments in the details of the appropriations.

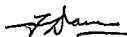
97. This procedure appears to be desirable when they relate to recoveries by a principal department from other authorities - i.e. bodies other than Commonwealth government departments. However, the actual form of presentation in the Estimates may require review to assure that the legal requirements are met and the evidence received indicates that this may be achieved by an amendment to the present form of the appropriation bills.

98. The practice of including recoveries from departmental undertakings of a "business nature" also appears to be desirable in order to assure that realistic accounts are maintained for the undertakings concerned.

99. However, Your Committee doubts the desirability or necessity for one department, as a general rule, to charge another for any service or function. There is an exception in the case of the Postmaster-General's Department which maintains accounts in commercial form - particularly as the charging procedure apparently is the best available method of controlling expenditure by departments on telephone and postal services.


100. At present a number of services are provided by departments without transfer payments being involved. Obvious examples are the Audit Office and Attorney-General's Department. In the case of survey work and the use of the facilities of the Department of Works, Your Committee consider that where Commonwealth departments are involved control through administrative processes would be preferable to the use of transfers in the Appropriation Acts.

101. Accordingly Your Committee recommends that the departments investigated, and other departments which may be concerned in similar procedures, should review the practice in consultation with the Department of the Treasury. We appreciate, of course, that exceptions may need to be made to meet particular requirements of government policy.



For and on behalf of the Committee,

F.J. DAVIS, Chairman.

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

28th September, 1961.