

1962.

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA.

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

SIXTIETH REPORT.

EXPENDITURE FROM ADVANCE
TO THE TREASURER.

Commonwealth Consolidated Revenue Fund
for the Year 1961-62.

By Authority:

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JOINT COMMITTEE OF PUBLIC ACCOUNTS.

FIFTH COMMITTEE.

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The Senate appointed its Members of the Committee on 6th March, 1962, and the House of Representatives its Members on 7th March, 1962.

1. Appointed 9th August, 1962.
2. Resigned 9th August, 1962.

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 Parliament by the Auditor-General in pursuance of sub-section (1.) of section fifty-three of the Audit Act 1901-1961;
- (b) to report to both Houses of the Parliament, with such comment as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Parliament should be directed;
- (c) to report to both Houses of the Parliament any alteration which the Committee thinks desirable in the form of the public accounts or in the method of keeping them, or in the mode of receipt, control, issue or payment of public moneys; and
- (d) to inquire into any question in connexion with the public accounts which is referred to it by either House of the Parliament, and to report to that House upon that question,

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

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JOINT COMMITTEE OF PUBLIC ACCOUNTS.

SIXTIETH REPORT.

EXPENDITURE FROM "ADVANCE TO THE TREASURER"
COMMONWEALTH CONSOLIDATED REVENUE FUND FOR THE YEAR 1961-1962.

CHAPTER I. -- INTRODUCTION.

The Department of the Treasury made available, early in July, preliminary figures for expenditure by departments for the financial year 1961-62. By mid-July a draft of the statement of expenditures from Advance to the Treasurer (Division 209) was furnished together with copies of departmental explanations relating to those expenditures.

2. Your Committee examined every item appearing in the Estimates, Additional Estimates and the statement of expenditure from Advance to the Treasurer and a number of additional written explanations was obtained from certain departments by the end of July.

3. The collaboration of departments concerned, and especially that of the Department of the Treasury, in making the figures available at an early date, is appreciated greatly by Your Committee. Without the fullest co-operation of all concerned in these matters we would not be able to complete our enquiries and table a report within the period available for such a report to be of maximum value to the Parliament.

4. Following our examination of the explanations received Your Committee arranged to conduct public hearings on Monday morning and afternoon, 13th, Tuesday morning, 14th, Monday morning and afternoon, 20th, Tuesday morning, 21st, Monday morning and afternoon, 27th, and Tuesday morning, 28th August, 1962.

5. Your Committee are very grateful for the assistance received during this series of public hearings by observers from the Audit Office, Public Service Board and the Department of the Treasury.

6. The following departmental officers gave oral evidence before us at these hearings:-

Department of Primary
Industry

Mr. C. G. Setter, Director
of Fisheries Division.

Mr. D. P. Cleary, Finance
Officer.

Mr. G. R. Vincent, Acting
Deputy Assistant Secretary,
Agricultural Division.

Mr. J. D. Macfarlane, Assist-
ant Secretary, Administrat-
ion.

Mr. T. T. Colquhoun, Director,
War Service Land Settle-
ment Division.

Department of Trade	Mr D.O. Dickinson, Assistant Secretary.
	Mr F.D. Quinane, Executive Officer, Trade Commissioner Directorate.
Department of the Interior	Mr T.H. Hall, Chief Property Officer.
	Mr N. Murray, Clerk (Estimates Officer).
	Mr H.A. Jones, Executive Engineer, Electricity Section.
	Mr S.G. Hawes, Producer-in-Chief of the Film Division, News and Information Bureau.
	Mr H.A. Barrenger, First Assistant Secretary.
	Mr E.O. Brown, Senior Clerk, Commonwealth Electoral Office.
	Dr D.J.N. Cromer, Officer-in-Charge, Division of Silvicultural Research, Forestry and Timber Bureau.
	Mr E.S. Keehn, Deputy Assistant Secretary, Lands Branch.
	Mr D.D. Kennedy, Studio Manager and Technical Services Officer, Film Division, News and Information Bureau.
Department of Civil Aviation	Mr D.D. Phillips, Assistant Director-General (Administration).
	Mr B. Lewis, Director of Finance and Stores.
Australian Shipbuilding Board	Mr H.P. Weymouth, Chairman
	Mr R.W. Barker, Acting Accountant.
Department of Customs and Excise	Mr H.A. Forbes, First Assistant Comptroller-General.
Department of the Navy	Mr C.M. Colgan, Director of Estimates and Audit.
Department of Shipping and Transport	Mr I.N. Etherton, Administrative Assistant, Sea Transport Division.

Department of Works

Mr B.A. Keir, Engineer
Class 3.

Mr C.D. Osborne, Director
of Architecture.

Mr D.L. Cook, Assistant
Chief Electrical
Engineer.

Mr E.R. Harvey, Chief
Administrative Officer
(Head Office).

Mr A.W.G. Milne, Executive
Officer (Works).

Mr A.J. Porter, Chief
Design Engineer (A.C.T.).

Mr A.T. Ferrari, Director
of Works, A.C.T. Branch.

Department of External Affairs

Mr G.T. Woodie,
Assistant Secretary,
Administration.

Mr R.E. Johns, Head,
Finance Branch.

Mr P.J. Sullivan, Head,
Property Branch.

Mr W.L. Jones,
Administrative Officer,
Antarctic Division.

Attorney-General's Department

Mr N.E.J. Sainsbury,
Assistant Secretary
(Finance and Administration).

Postmaster-General's
Department

Mr E.W. Easton, Assist-
ant Director-General.

Mr I.M. Gunn, Assistant
Engineer-in-Chief
(Services).

Australian Broadcasting
Commission

Mr F. Duckmanton,
Assistant General
Manager (Administration),

Department of the Army

Mr W.N. Long, O.B.E.,
Assistant Secretary
(Finance).

Department of Labour and
National Service

Mr S.K. Pholan,
Assistant Secretary,
Administrative Division.

Department of Defence

Mr R. Kingsland, D.F.C.,
First Assistant Secretary.

Dr J.A. Ovenstone,
Controller, Electronic
Data Processing.

Mr R.B. Smith, Senior
Finance Officer.

National Capital Development Commission	Mr K. Myers, Director, Finance and Legal.
Department of Air	Mr F.C. Sutherland, Assistant Secretary (Finance).
Department of National Development	Mr W. Murphy, Accountant. Mr B.P. Lambert, Director, Division of National Mapping, Mr D.F. O'Driscoll, Acting Director, Bureau of Mineral Resources.
Department of Health	Mr D.G. Dunlop, Director (Establishment and Finance).
Department of the Treasury	Mr R.J. Gray, Acting Administrative Officer. Mr J. Canny, Assistant Commissioner of Taxation. Mr I.G. Jones, Assistant Statistician. Mr A.J. Arthur, Government Printer.
Department of Territories	Mr D. McCarthy, Assistant Secretary (International Relations and Information). Mr L.L. Gillespie, Assistant Administrator, (Administration and Finance) Northern Territory Administration. Mr W.H. Scott, Acting Assistant Secretary (Finance and Economics).

7. As in the year 1960-61, a large number of items was selected for further investigation at the public hearings. However, on this occasion a greater number of departments was involved so that the duty of appearing before Your Committee was more widespread with fewer votes for each Department. The selection of the items was made with a view to obtaining a guide to departmental efficiency and activity during the year 1961-62. These items, which were investigated at our public hearings, are referred to in Chapter III of this Report. In Chapter IV we list the items which were examined closely after the receipt of written explanations from departments but which were not considered to warrant further oral examination,

CHAPTER II.-LEVEL OF EXPENDITURE FROM ADVANCE TO THE TREASURER.

8. In 1960-61 the total expenditure, in approximate figures, was £4,700,000 of which £2,100,000 related to the Defence Services. In 1961-62 the approximate amounts for these items were £4,900,000 and £2,500,000 respectively. However Your Committee noted in paragraph 9 of our Fifty-Sixth Report that there is little real significance in the total expenditure from the Advance to the Treasurer - the reasons for, and the nature of, the particular expenditures involved being the only matters of real importance. P.P.No. 112 of 1961

9. Further, the fact that accounts required in Additional Estimates had to be sought approximately one month earlier than usual - the closing date for submission of departmental requirements to the Department of the Treasury was 1st March, 1962 - may have resulted in some increase in the use of the Advance later in the year.

10. We have noted previously that many items included in the Advance to the Treasurer do not indicate an increase in the general level of total departmental expenditure. For example, some have been substituted for other appropriations against which no expenditure has been made.

11. Therefore our annual check on the performance of departments and the standards of financial management require investigations in detail of specific items and this cannot be accomplished without an onerous perusal of the record as shown, *prima facie*, by the figures appearing in both the Estimates and Additional Estimates as well as in the statements of expenditure from the Advance to the Treasurer. This has been done and the following chapter of this Report includes those matters which were selected for further investigation at our public hearings.

CHAPTER III.-SELECTED ITEMS WHICH HAVE BEEN THE SUBJECT OF ORAL EXAMINATION.

(A) DEPARTMENT OF PRIMARY INDUSTRY.

(i) Division No.355/2/08 - Pearl shell surveys.

Original Appropriation £18,500; Expenditure £12,498.

12. The main reason for carrying out these surveys is to make an assessment of the stock of pearl shell on the various pearling grounds. The amount of shell that can reasonably be taken from the beds each year can then be determined. The information gained is made available to operators free of charge through the Fisheries Newsletter and by reports to the pearling associations. It is also of value in reaching an agreement with the Japanese as to the quantity of pearl shell that could be taken. Q.4 Q.7

13. Mr C.G. Setter, Director of Fisheries Division, informed Your Committee that most of the pearling beds, though outside the three mile limit, are on the continental shelf. The recent Geneva Convention provides that a country may exercise sovereign rights over the natural resources on the continental shelf and pearl shell has been included in the category of natural resources. Q.16

14. The under-expenditure on these surveys in 1961-62 was occasioned by the fact that the Japanese decided not to operate in the Arafura Sea in 1962. In addition, owing to the fall in demand for pearl shell on the world market, the number of Australian operators decreased considerably. In these circumstances the Department considered that it could not justify the carrying out of a survey during the whole of 1962 especially as it was clear that the quantity of shell that would be taken was very much less than the particular beds could stand.

Q.5

15. Your Committee is satisfied with the explanations given.

(ii) Division No.355/3/03 - Wheat Research (for payment to the credit of the Wheat Research Trust Account).

Original Appropriation £200,000, Expenditure £150,000.

16. The amount provided each year against this vote represents the amount of the Commonwealth contribution payable to the Wheat Research Trust Account in accordance with section 5 of the Wheat Research Act 1957 as its share of the estimated cost of wheat research projects carried out as a joint activity with the wheat industry. The Commonwealth contribution is calculated on the basis of the funds required to finance research projects recommended by the Wheat Industry Research Council and approved by the Minister for Primary Industry.

Exhibit
No.60/1

17. Expenditure from the Trust Account on these projects during the year totalled £178,043.

18. As the following extract from the Auditor-General's Report for 1961-62 shows, this appropriation forms only part of the receipts of the Trust Account:-

P.P. No.80
of 1962

"Transactions of the Trust Account during 1961-62 compared with 1960-61 were:-

	1961-62 £	1960-61 £
Balance at 1st July	740,030	600,620
Receipts -		
Transferred from Consolidated Revenue Fund - Part 1. -		
Special Appropriations -		
Amounts equal to collections under the Wheat Tax Act 1957	233,780	261,407
(Committee's Note:- one farthing per bushell on all wheat delivered to the Wheat Board)		
Commonwealth Contribution - Appropriated under Division 355-3 Item 03	150,000	170,000
Advance by Queensland Government	25,028	...
Interest on Investments	<u>27,943*</u>	<u>22,052</u>
	1,176,781	1,054,079
Expenditure -		
Approved in accordance with the provisions of the Wheat Research Act 1957	<u>407,851</u>	<u>314,049</u>
Balance at 30th June	<u>768,930</u>	<u>740,030</u> "

* Reconciled with Treasury figures.

19. Of the balance at 30th June, 1962, £594,525 was invested in Commonwealth Government Inscribed Stock

20. Your Committee were informed by Mr G.R. Vincent, Q.26 Acting Deputy Assistant Secretary, Agricultural Production, that the balance in the Trust Account (in so far as it relates to the Commonwealth contribution) stood at £42,837 on 30th June 1961, that the carry-over on approved projects from 1960-61 was £20,000 and that the approved research programme for 1961-62 was estimated at £248,646. It was on this background that the estimate for 1961-62 Q.22 of £200,000 was determined.

21. The total expenditure of the organisations Q.26 concerned involved " possible Commonwealth expenditure exceeding £264,000 but the claims received and paid from the Trust Account amounted to £178,043 only, leaving some \$86,000 to be carried forward to 1962-63. In these circumstances the Commonwealth contribution, transferred to the Trust Account, was reduced to £150,000 for the year so as to keep the Trust Account balance to a minimum (the balance at 30th June, 1962 was £14,794). Exhibit No. 60/1

22. We were informed that for the most part, the Q.41 expenditure incurred by the organisations is for payment of salaries to staff engaged on approved research activities and of any administrative or capital costs that may be associated with the project on hand. It would seem, therefore, that the preparation of reimbursement claims is a relatively simple matter. It is all the more surprising to learn that some organisations are so lax in submitting their claims Q.39

for reimbursement especially as they have been encouraged to lodge claims at least twice a year and are fully aware that no payments will be made unless a claim is received.

23. Your Committee consider that on the evidence given the Department adopted a realistic approach in curtailing the Commonwealth's contribution to the Trust Account and suggest that in future it might take steps towards the close of the year to remind organisations of claims that are outstanding.

(iii) Division No.358/2/06 - Administration of the Commerce (Trade Descriptions) Act - Administrative Expenses - Incidental and other expenditure.

Original Appropriation £13,000; - Expenditure £17,040.

24. The additional funds required under this item amounting to £4,040 were provided from the Treasurer's Advances. The over-expenditure was due mainly to the fact that claims for uniforms for meat inspectors ordered in 1960-61 and 1961-62 were settled during the year. In this respect Mr J.D. Macfarlane, Assistant Secretary of the Department advised Your Committee that, in the light of experience in previous years, it was not anticipated that the claim for uniforms supplied in 1961-62 would be received in that year even though the order was placed one month earlier than usual.

Q.44

25. Additional expenditure arose also from the need to have certain forms, permits and other documents reprinted following an amendment of the Meat Export Regulations and from the need to purchase further protective clothing during the year as a result of the appointment of additional staff to inspect increased meat exports.

26. The witness stressed the fact that the increase in expenditure could not be foreseen when the Additional Estimates were prepared. However Your Committee are pleased to learn that the Department approached the Treasury in March 1962 to enter into commitments for uniforms for 1962-63. As a result the contract was let before 30th June, 1962 and the accounts should be received and paid prior to 30th June, 1963.

Q.45

Q.53

(iv) Division No.359/2/01;- Division of Agricultural Economics - Travelling and subsistence.

Original Appropriation £21,000, Expenditure £19,385.

27. The original appropriation for this item was £21,000 but during the year a further £2,300 was obtained from Additional Estimates to cover the unforeseen cost of travel of two officers of the Division who were included in the Australian Delegation to the European Economic Community discussion at London and Geneva in November 1961. The under-expenditure was due to the loss of staff during the year, the fact that the cost of travel to F.A.O. conferences at Rome were borne by the Department of External Affairs and not by this Division and to certain surveys planned for the year being abandoned or uncompleted because of the absences of senior staff overseas.

Q.55

Exhibit No.
60/1

28. There seems little doubt on the evidence given that the obtaining of funds in the Additional Estimates was unnecessary as a review of the expenditure from this vote prior to March should have revealed to the Department that it would not need further funds. In addition the Department should have been aware at the time the original estimates were prepared that the costs of overseas travel to attend F.A.O. conferences were a charge on the Department of External Affairs and not to its own votes. Mr. J.D. Macfarlane admitted to Your Committee that this was the usual procedure.

Q.57

(v) Division No.682 - War Service Land Settlement.

Original Appropriation £1,500,000; Expenditure £1,972,000.

29. The amount provided against this item represents the Commonwealth's contribution to certain States to write off the excess costs of acquiring, developing and improving land for the settlement of ex-servicemen. Mr. T.T. Colquhoun, Director of War Service Land Settlement Division explained how these excess costs were determined as follows:-

Q.63

.....
(MR COLQUHOUN) Excess costs of acquisition is an absolute term. The land is bought and we know the actual figure we pay for the land. It is developed into individual farms by clearing, sub-division, sowing of pastures and what have you. Those costs are also known. Under the Act, of course, the valuation has to be done on a productive basis. The cost does not become the real factor. If your costs exceed the actual valuation placed on that farm, that gives you a remainder which is termed the excess cost. Under the legislation the States and the Commonwealth contribute to that. In the principal States the capital funds are provided by the States and therefore the excess cost is contributed to by the Commonwealth on a 50/50 basis - that is a payment actually made to the State revenue by the Commonwealth. In the agent States however the excess costs are shared in the proportion of 60 per cent. by the Commonwealth and 40 per cent. by the State. In that instance the State makes a contribution to the Commonwealth, but since excess costs include the expenditure of loan moneys this fund will be reimbursed.

30. Your Committee were also informed that the expenditure under this item is dependent on claims being made by the States which, for some years, have been over-estimating the number of properties which would be valued and, consequently, the amounts the Commonwealth might have to contribute towards these excess costs. The Department therefore has adopted the practice of pruning quite considerably the estimates made by the States. In 1961-62 the estimated requirements of the States was £2,165,000 but the Department considered that only £1,500,000 should be provided. This was the first occasion over the last four years that the Department's own estimate has been exceeded.

Exhibit No.
60/1

Q.60

31. The witness mentioned that no action had been taken to call for revised estimates from the States during the year to review the departmental estimate at

Q.64

the time the Additional Estimates are prepared. The State of Victoria was responsible for the over-expenditure of £472,000 that took place. This amount, which was within the limits of that State's original estimates, was included in the claim which Victoria submitted in May 1962, and accordingly the over-expenditure had to be met from the Treasurer's Advance. Qs.66,67

32. Your Committee accept the explanations given but suggest that the feasibility of obtaining revised estimates during the year from the States, before the closing date for Additional Estimates if possible, might be examined.

(B) DEPARTMENT OF TRADE.

(i) Division No.234/08 - Rent.

Original Appropriation £45,500, Expenditure £36,056.

33. The original appropriation for this item which is under the control of the Department of the Interior, was £45,500 but during the year a further amount of £430 was obtained from Additional Estimates to cover certain liabilities approved during the year.

34. At the time the additional funds were sought the central office of the Department of the Interior was not aware that leased premises originally occupied by the Tariff Board at Melbourne had been vacated in February in favour of a Commonwealth owned building in Canberra. This resulted in a saving of £9,993. Mr T.W. Hall, Chief Property Officer, Department of the Interior, explained that in the past the State Branches of his Department were required to furnish each month details of premises which had been vacated in the previous month. In this instance the advice from the Victorian Branch for the month ended 28th February, 1962 was received on 13th March. However, the Additional Estimates closed on the 1st March and the schedules of amounts required against this vote, although not furnished to the Treasury until 6th March, remained uncorrected. Q.82 Q.83

35. Your Committee are not satisfied with the circumstances responsible for this over-estimate. We are pleased to learn, however, that the Department of the Interior now proposes to arrange for its State Branches to advise the central office in advance of any proposal to terminate leased accommodation. This should avoid a repetition of similar errors in future years. Q.84

(ii) Division No.304/2/05 - Tariff Board - Administrative Expenses - Freight and cartage, including removal expenses.

Original Appropriation £13,000; Expenditure £7,847.

36. The proposed expenditure under this item was the estimated cost of transferring the Tariff Board from Melbourne to Canberra. The provision, based on estimates made by the Department of Supply, covered the cost of transport of office furniture and the personal effects of the officers of the Tariff Board and their families. Q.94

37. We were informed by Mr D.O. Dickinson, Assistant Secretary, Department of Trade, that the under-

expenditure was due to the fact that fewer officers elected to accompany the Board to Canberra than had been provided for and that the cost of transferring each family to Canberra was about £45 below the original estimate of £160. He stated that the strength of the Board at Melbourne was about 80 positions and of these it was estimated that about 60 families would seek a transfer to Canberra. In fact only about 40 families were transferred. Q.95

38. Your Committee is satisfied that the Department had prepared its estimate correctly on the information available and that the under-expenditure was the result of circumstances which it was not possible to foresee at that time. Q.94

(iii) Commercial Intelligence Service - Ghana -
Division No.315/2/03 - Administrative Expenses -
Rent and maintenance, office.

Original Appropriation £3,000; Expenditure £1,767.

39. The under-expenditure on this item resulted from an oversight at the post. Payments of office rental required six months in advance and although the second payment which had been overlooked was finally made in June, 1962, it could not be included in the year's expenses as the financial year at overseas posts ends on 31st May. Exhibit No.60/2 Q.117

40. Your Committee were assured that proper accounting instructions and procedures are available at overseas posts and that responsible officers are adequately briefed on accounting matters before proceeding overseas. We are satisfied that the omission to make the necessary payments in this instance was due entirely to an oversight arising from the lack of staff and pressure of work at the time the account was received. We understand that the staffing position at this post has since been improved.

(iv) Commercial Intelligence Service - Hong Kong -
Division No.317/2/03 - Administrative Expenses -
Rent and maintenance, office.

Original Appropriation £7,100; Expenditure £14,424.

41. In this case the original appropriation of £7,100 was augmented by a further amount of £7,990 from Additional Estimates to cover the cost of partitions and fittings for new office premises the leasing of which was approved by the Treasury in August 1961. Application for the additional funds was made after the contract price for the work involved became known in January 1962. Exhibit No.60/2

42. We were informed that the previous office accommodation was in premises shared with the Departments of Immigration, External Affairs, Supply and Air. The area was insufficient for their immediate needs and allowed no room for normal expansion. The removal to new office premises will overcome these deficiencies and the Department of Trade will continue to meet the whole of the rent and service charges. Q.125 Q.136 Q.132

43. Your Committee accept the explanations given.

(v) Division No.322- Commercial Intelligence Service - Iran.

Original Appropriation £8,600; Expenditure Nil.

44. The amount included in the appropriations for this Division represented the anticipated cost of opening a new post at Teheran, Iran, as from January, 1962. The proposal, however, was not proceeded with as the Department of External Affairs had not been able to obtain the agreement of the Iranian Government for the appropriate recognition and status for a Trade Commission. Exhibit No. 60/2

45. Mr D.O. Dickinson, Assistant Secretary, Department of Trade informed Your Committee that, to represent Australia effectively, a Trade Commissioner must have sufficient diplomatic status and recognition to enable him to have ready access to Ministers and senior government officials. We were also advised by Mr Dickinson that although the difficulties experienced in this case are exceptional it has not affected trade with the area. Further - Q.145

MEMBER.-Have similar difficulties arisen in places where posts were established or where it was hoped they would be established? ---(MR QUINANE) We have not had difficulties such as this before, but this delay does not hold up trade with the area. The area is covered by adjacent posts. While we have not a post established in the area at the moment, the actual trade is looked after by adjacent posts so that Australia is not losing trade by it. Q.148

46. This matter is still the subject of negotiations by the Department of External Affairs and the Department of Trade was unable to say when it will be settled. No funds have been provided in the 1962-63 Estimates under this Division. Q.149

47. Your Committee accept the explanations which have been given in this case. Cabinet approval to open this post had been given in January, 1961. In the ordinary course of events and in the light of past experience the estimate made for 1961-62 would have appeared, at the time, to have been reasonable.

(vi) Commercial Intelligence Service - Japan - Division No.323/2/04- Administrative Expenses - Rent and maintenance, other buildings.

Original Appropriation £5,800; Expenditure £6,022

48. The original appropriation in this case was £5,800 but a further £1,900 was provided in Additional Estimates during the year to cover the cost of residential rentals which, due to an arithmetical error in calculation, had been under-estimated by that amount when the original Estimate was prepared. Exhibit No.60/2

49. The under-expenditure resulted from the fact that it was not possible to obtain an apartment, for an Australian based stenographer for which a rental of £1,050 had been provided, whilst a saving in rental amounting to £625 resulted from the resignation of a Trade Commissioner on 31st January, 1962. Q.165 Q.163

50. On the evidence given it would appear that a proper review of expenditure was not made before the

Additional Estimates closed on 1st March, 1962. It should have been evident shortly before that time that the full amount of £1,900 sought from Additional Estimates would not have been required.

(vii) General Observations

51. During the course of our examination of explanations submitted by departments which are responsible for maintaining offices overseas, Your Committee have noted a number of instances where information on financial matters have not been referred as promptly or as accurately to the central office as could reasonably be expected. In other cases there were inferences that the personnel overseas may not be fully aware of the necessity to keep within the limits of the original appropriation and to obtain, when unusual circumstances arise, prior approval for expenditure in excess of the appropriation before incurring additional commitments. Q.168

52. During our current investigations into certain items under the control of the Department of Trade, Your Committee referred the foregoing observations to the witness. Our comments were not directed critically to that Department, but were a general summation of a number of occurrences, mostly minor, involving all departments with overseas posts. With a view to satisfying ourselves that officers whose duty it is to supervise and control the accounting work at an overseas post, had a proper appreciation of what was expected of them, we posed a series of questions to the witnesses Q.168 for the Department of Trade who replied:

(MR DICKINSON) We can answer them quite well. Officers we send overseas are briefed before they leave in what we require of them in terms of accounting. They are provided with various accounting instructions, overseas accounting arrangements and so on. They are taken through our accounts section. The accounts of the post are discussed with them along with any special requirements of that post. Before they leave Australia they should be aware of the problems of the post accounting setup and they should be able to go into the post and operate without any difficulty.

MEMBER.—Continuing along that line, do you find there are continuing difficulties for maintaining procedures laid down or are they just isolated cases? ---(MR QUINNANE) There are difficulties and one of the difficulties stems from the fact that being overseas the accounts are processed through the Department of External Affairs and take some months before they reach our accounts office in Canberra. The other point is that there are so many small items to be dealt with. I understand that the Committee will be looking at this matter later in the year. I should like to say now that this large number of small items does create a situation of extraordinary difficulty. This large number of small items has to be accurately estimated and there are so many things that happen that cannot be taken into account in Australia. Q.172

53. It would appear from the explanations we have received that a general basic training in departmental accounting routines is given to officers before appointment to an overseas post. The main concern of the Department, and this is in line with the views expressed in the past by other departments which control overseas posts, seems to be the difficulty experienced in accurately estimating the requirements of each post under a variety of small items. This is a matter which Your Committee proposes to investigate at some future appropriate time.

(C) DEPARTMENT OF CIVIL AVIATION.

(i) Division No.263/04 - Ground facilities in Pacific - Contribution towards cost.

Original Appropriation £300,000; Expenditure £123,200

54. The appropriation under this item was based on the South Pacific Air Transport Council's estimate of expenditure for the year ended 31st March, 1962. This estimate was made from the figures submitted by New Zealand, Australia and the United Kingdom at a meeting held in November, 1960. Australia contributes 40 per cent. of total capital expenditure and 33-1/3 per cent. of net maintenance expenditure - i.e. net after revenue and agreed annual contributions from Canada, Fiji and the Western Pacific High Commission have been deducted.

Exhibit No.
60/4

55. The estimated expenditures were confirmed by the New Zealand authorities in May, 1961 and again in November, 1961. New Zealand, as the administrative and constructing authority of the South Pacific Air Transport Council, is responsible for the major portion of the Council's budget and, therefore, is in the best position to inform other members of the Council what both the expenditure and revenue figures will be. Consequently in determining Australia's share of the total cost the Department of Civil Aviation must depend to a very large extent on the accuracy of the estimate made by New Zealand.

Q.190

Q.179

56. Over the year capital works were under-spent by some £500,000 and revenue was about £90,000 higher than anticipated. The result was that Australia's contribution towards total expenditure was reduced by £220,000. This reduction, however, was offset by an increased contribution of £43,200 by Australia to the Pool Trust Account of the Council which New Zealand had called for in order to maintain flexibility in the payment of large amounts to contractors.

Q.180

Exhibit
No.60/4

57. Your Committee accept the explanations given, but trust that the Australian representative on the South Pacific Air Transport Council, together with the representatives from the United Kingdom and New Zealand, will seek collaboration in formulating more realistic estimates in future.

(ii) Division No.263/06 - Aerodromes - Development grant.

Original Appropriation £350,000; Expenditure £243,149.

58. This vote provides for grants to be made to local authorities for work on aerodromes coming within the scope of the Local Ownership Plan and for any

Exhibit
No.60/4

development work which the Department of Civil Aviation considers might be necessary before local authorities take over Commonwealth owned aerodromes. A draft programme is drawn up each year after applications for assistance have been received from local authorities. If the proposals meet the requirements of the Department they are included in a firm programme. Q:193

59. Your Committee were informed that the under-expenditure for 1960-61 arose mainly from the abnormal weather conditions in Queensland which caused unexpected delays on some projects. Difficulties experienced by some local authorities in financing their share of costs and delays by other authorities in completing design work and in calling tenders also contributed to the under-expenditure. In addition protracted negotiations prior to the transfer of some Commonwealth owned aerodromes led to works being commenced later than anticipated.

60. We were advised that the Department seeks reasonable assurances from local authorities that they have funds available in any one year to carry out the necessary works before a proposal is included in the firm programme and that proposed projects, to save unnecessary expense by local authorities, are given preliminary consideration at the stage of rough drawings with an estimate of costs. It was pointed out, however, that since the role of the Department is a supervising and consultative one rather than executive, the rate of performance on the works approved is largely dependent on the local authorities who are responsible for the initiation and implementation of the projects. Q:194
Qs.202,
203
Exhibit
No.60/4

61. Your Committee enquired whether the making of progress payments would have the effect of speeding up construction and thus overcome some of the difficulties being encountered by local authorities in financing the works. We were informed that although progress payments are made in certain cases the Department does not favour this procedure as a general rule because of the technical nature of the works involved and the difficulty in making assessments. Q:200
Q:208
Q:208
Q:210

62. We appreciate that there are difficulties involved in assessing accurately the various stages to which works have progressed. But once the Department is satisfied that works are being carried out in a proper manner and that reasonable progress is being made we consider that the making of progress payments for work completed should enable a project to be finalised more quickly - particularly in view of the difficulties experienced by some local authorities in raising funds for the works involved. We note that progress payments have been made on occasions and suggest that the practicability of extending this procedure might be examined again by the Department. Q:213

63. Your Committee were interested also in learning that the programme approved for 1962-63 is approximately the same as that initiated in 1961-62 but that the amount provided in the Estimates is £115,000 lower than the provision made in 1961-62. The Department has arranged with the Treasury for further funds to be sought during the year should this prove necessary. Your Committee considers this arrangement a sensible one particularly as the Department is in no position to control the larger part of the expenditure that will eventually be incurred. Q:197

(iii) Division No.866/02 - Aircraft launches, vehicles, engines and equipment.

Original Appropriation £650,000; Expenditure £572,927.

64. The under-expenditure of some £77,000 against this item was occasioned by uncompleted contracts for the provision of a number of fire and water tenders, of a search and rescue launch for Cocos Island, and of numerous small items covering some 700 orders. Exhibit No.60/4 Q.235

65. We were informed by Mr B. Lewis, Director of Finance and Stores that contracts for ten water tenders and for four fire tenders were placed on 16th March, 1961, and 22nd August, 1961, respectively. Although Q.221

it was expected that all orders could be completed and delivered by the end of the financial year, no deliveries were made. The reasons given were that the Australian contractors experienced delays in securing component parts from overseas and the fact that the Department required the vehicles to pass stringent tests before delivery could be accepted. The total Q.224

cost of these vehicles amounted to £151,342 but progress payments made during the year, as provided in the contracts, reduced the balance outstanding to 30th Q.228

June, 1962, to £26,487. Delivery is now expected early in 1962-63. Exhibit No.60/4

66. The order for the search and rescue launch required at Cocos Island was placed with the Australian Shipbuilding Board on 1st September, 1961. Mr J.P. Weymouth, Chairman of the Australian Shipbuilding Board, advised Your Committee that construction of the vessel was commenced by the contractor in January, 1962 and that it would be completed by the end of August, 1962. He also offered the following explanation for the delay that occurred:- Q.232

MEMBER.- What were the reasons advanced for this delay?---(MR WEYMOUTH) Quite frankly I do not think the firm is to blame for this delay. If anybody is to blame it is the Shipbuilding Board and the people who are designing the boat. The air-sea rescue launch was considered by the Shipbuilding Board to be of such an unusual nature, that whereas it designs most merchant ships and small craft built in Australia, this boat, which was required to do a speed of 20 knots in very rough seas in the Indian Ocean and around Cocos Island was in a different category. We decided that to be prudent we would have the boat designed by the foremost builder of such ships in the United Kingdom, this was Samuel White. We obtained preliminary drawings and specifications and obtained tenders from a number of boat-builders. We narrowed the tenders down to two or three whom we thought could carry out the building of a vessel of this standard and we placed the order with Mill Kraft. At that stage we did not envisage the delay that would take place in obtaining the working drawings from the United Kingdom. Samuel White, although they had built air-sea rescue vessels of this type found it necessary to produce a new design. Perhaps we should have foreseen these things, but unfortunately we did not. The drawings were about four months late in arriving here. That delay to a large extent was due to the necessity for inter-changing all information as to the availability of Australian timbers suitable for a high-speed vessel of this type. Without trying to over-simplify Q.231

the position, I think the delay is on the design side - at least the main delay. The boat-builder did not have an opportunity to start as early as he thought he would.

The Department of Civil Aviation advised that the total cost of the launch was £77,384. However in view of the delay an amount of £41,101 remained unspent at the close of the financial year. Exhibit No.60/4

67. With regard to the large number of smaller items which accounted for the remaining £9,500 under-expenditure, we were informed by Mr B. Lewis that orders for these items both in Australia and overseas, had been placed progressively during the year in sufficient time to ensure delivery in normal circumstances. Qs.233, 234 Q.238

68. Your Committee accept the explanations offered by the various witnesses and in the circumstances agree that the under-expenditure which resulted under this item was due largely to factors outside the control of the Departments. However we trust that the Australian Shipbuilding Board will be more cautious in future in assessing the progress that may be expected in arranging for the construction of small vessels - a field in which it has had no previous experience.

(iv) Division No.870/01 - Acquisition of sites and buildings.

Original Appropriation £539,000; Expenditure £429,637.

69. This vote was underspent because of unexpected difficulties in reaching settlements with claimants in respect of compulsory acquisitions of land at Tullamarine, Victoria and at Perth, Western Australia. Difficulties were also experienced in negotiations for acquisitions by agreement of areas required for airport extensions at Brisbane. Exhibit No.60/4

70. Mr T.H. Hall, Chief Property Officer, Department of the Interior, informed Your Committee that the process of compulsory acquisition normally takes about three months to complete after the notice to treat is served on the owners. Once the acquisition is approved by the Executive Council and gazetted the Commonwealth becomes the absolute owner of the property concerned. The matter however does not end at that point and, as explained by Mr Hall in the following answers he gave to questions put by members of Your Committee, it may take some considerable time before a settlement can be reached with the owners. Q.240 Q.254

MEMBER.-I wonder what the word "compulsory" means in this connexion?--(MR HALL) The compulsory acquisition means that once the acquisition is approved and gazetted the land becomes Commonwealth-owned. After the compulsory acquisition formal notices of acquisition are sent to the various owners together with claim forms, and they have a time in which to lodge their claim. They may apply for a deferment of the time in which they should lodge their claim. Q.256

MEMBER.-Then this process may never be completed? There is no time limit?--(MR HALL) It should be completed. Q.257

MEMBER.-It should be completed by what time? (MR HALL) That depends on the difficulties in Q.258

each case. For instance, if one case is to go to Court we have no control over the length of time that it will take for that case to be decided.

MEMBER.—Do just terms come into your arrangements?—(MR HALL) Yes. Q.259

MEMBER.—That is what you have to determine?—(MR HALL) Yes. Q.260

As an indication of the length of time these cases take to complete Mr B. Lewis, Director of Finance and Stores, mentioned that there are areas in Sydney which have been occupied by his Department for upwards of ten years and which still have not been settled although his Department is in possession and occupation of the land. In one instance, due to legal processes, the possible expenditure has not been allowed for as there is no indication of when final settlement will take place. Qs.261, 262

71. Similarly, the difficulties associated with the areas of land at Tullamarine and Perth were not in connection with action to acquire the land compulsorily but related to settlement of claims with the owners whose land had already been compulsorily acquired some time previously. The appropriation for 1961-62 therefore included an estimate of the claims which it was reasonably expected would be finalised within the financial year. Some of these were in fact settled but others are still outstanding because of disagreement with owners on valuations or because of various delays initiated by the owners themselves. Q.250 Q.241

72. Somewhat similar delays also arose in Brisbane where negotiations were proceeding for acquisition of land by agreement. These were due mainly to the fact that the amounts claimed by owners of properties were much in excess of the Commonwealth's valuations and to the fact that in some instances title difficulties arose. Q.243

73. Your Committee appreciates the difficulties involved in attempting to estimate the funds necessary to settle claims for properties which have been acquired compulsorily. We appreciate also the difficulties encountered in negotiating acquisitions by agreement with the parties concerned. However, it is undesirable that over-estimating against votes of this nature should persist and these problems are discussed more fully later in this Report in relation to the acquisitions of sites and buildings for the Postmaster-General's Department.

(D) DEPARTMENT OF CUSTOMS AND EXCISE

(1) Division No.281/2/02 - Office requisites and equipment, stationery and printing.

Original Appropriation £96,000; Expenditure £110,751.

74. Of the over-expenditure of £14,751 incurred under this item £12,520 was provided from the Additional Estimates and £2,231 from the Treasurer's Advance.

75. Mr H.A. Forbes, First Assistant Comptroller-General advised that a major part of the over-expenditure arose from the introduction of new procedures at the Parcels Post in both New South Wales and Victoria. These procedures were approved on 5th July, 1961, following a joint review of activities by his Department and Q.268

the Postmaster-General's Department and had been made necessary by the greatly increased activity at these two centres. No provision for this increased expenditure had been made when the Estimates were framed as it was not then known when the new procedures would be introduced.

Q.269

76. The other main cause of the over-expenditure was the additional costs of printing incurred as a result of the increased volume of tariff changes which were introduced in 1961-62. In this regard Mr Forbes mentioned that tariff proposals (other than preference proposals)* in the last five years have been:- 1957-58, 8; 1958-59, 10; 1959-60, 20; 1960-61, 25; and 1961-62, 55. An increase of this magnitude could not have been anticipated when the draft estimates were prepared.

Q.272

77. Your Committee accept the explanations offered in this instance.

(ii) Division No.281/2/03 - Postage, telegrams and telephone services.

Original Appropriation £103,700; Expenditure £107,470.

78. The increased expenditure of £3,770 was met from an amount of £4,900 provided from Additional Estimates.

79. Additional expenditure was incurred mainly as the result of the increased number of tariff proposals introduced during the year. In this respect we were advised by Mr Forbes that each tariff change involves three urgent telegrams to each of the six main ports and the twenty-six outports controlled by the Department. These are: a telegram of warning in the first place; a telegram advising the despatch of documents; and finally a telegram advising that the contents of the documents may be released. The documents sent to the ports are sealed and cannot be opened until an announcement has been made by the Minister or until the proposals have been tabled in the Parliament.

Q.274

80. During the year further expenditure, for which no provision had been made in the original Estimates, was incurred on alterations to the P.A.B.X. switchboard in the Customs House, Adelaide. The full amount provided in the Additional Estimates was not spent because the sum of £777 was recovered from the Postmaster-General's Department. This represented rental paid in advance for teleprinter services and was the result of a change-over to a telex system linking all the main ports and the Ministers office with Canberra.

Exhibit No.
60/5

Q.282

81. Your Committee accept the explanations given.

* Mr Forbes later informed Your Committee that the total of all tariff proposals brought down in 1960-61 and 1961-62 were 36 and 70 respectively. The preference proposals related, inter alia, to amendments to the Customs Tariff (New Zealand Preference) the Customs Tariff (Canada Preference), the Customs Tariff (Papua and New Guinea Preference) and the Customs Tariff (Rhodesia and Nyasaland Preference). These preference proposals are normally complementary to, and contingent upon, a main tariff proposal.

See
Committee
Document
T.A.62/
48

(iii) Division No.281/2/06 - Freight and cartage, including removal expenses.

Original Appropriation £17,900; Expenditure £23,907

82. Up to the end of December, 1961, monthly expenditure under this item averaged approximately £2,000 and all available information then indicated that this rate of expenditure would be maintained and possibly exceeded during the second half of the financial year. Accordingly an amount of £10,400 was obtained in the Additional Estimates. Exhibit No.60/5 Q.297

83. The additional sum was provided mainly to meet the increased air freight costs on documents relating to the amending tariff proposals introduced during the year. The provision also covered the amount of £993 paid as compensation to an officer whose furniture had been destroyed by fire whilst in a Department of Supply store, and the increased costs of removals resulting from a larger than usual number of transfers of officers. Q.286

84. However during the second half of the year fewer tariff proposals were introduced than in the first half with the result that expenditure declined accordingly and £4,393 of the £10,400 provided in Additional Estimates remained unspent. Q.299

85. In this case the original Estimate was in line with the expenditure of previous years but the Department was unable to assess correctly the total expenditure for 1961-62 by 1st March 1962. Although the amount included in the Additional Estimates was excessive Your Committee, on this occasion, feel we must accept the assurances of the Department that the information available to it indicated that the higher rate of expenditure would be maintained throughout the year.

(iv) Division No.876/01 - Purchase of Launches

Original Appropriation £66,000; Expenditure £13,936

86. Your Committee recall that expenditure under this item was also discussed with the Department last year. We were then informed that plans for the construction of this launch were purchased from England, that those plans had to be modified to suit Australian conditions and that the Australian Shipbuilding Board had accepted a tender from an Australian firm to build the vessel. Fifty-Sixth Report, Chapter III Page 24

87. Mr H.P. Weymouth, Chairman of the Australian Shipbuilding Board informed Your Committee that the order for construction of the launch was placed in September 1961 and that the delivery date was June, 1962. He mentioned that this was only the second occasion that the Board considered it necessary to purchase plans from overseas. (The other occasion is referred to in paragraph 66 concerning the launch required by the Department of Civil Aviation for Cocos Island.) This was done to avoid delays as the Board's own designers were very busy with plans for larger types of ships. Further delays were experienced on orders placed overseas for the special type of high speed diesel engines required which could not be obtained in Australia. In view of these delays and the slow rate of construction by the Q.303

Q.308

87. Mr H.P. Weymouth, Chairman of the Australian Shipbuilding Board informed Your Committee that the order for construction of the launch was placed in September 1961 and that the delivery date was June, 1962. He mentioned that this was only the second occasion that the Board considered it necessary to purchase plans from overseas. (The other occasion is referred to in paragraph 66 concerning the launch required by the Department of Civil Aviation for Cocos Island.) This was done to avoid delays as the Board's own designers were very busy with plans for larger types of ships. Further delays were experienced on orders placed overseas for the special type of high speed diesel engines required which could not be obtained in Australia. In view of these delays and the slow rate of construction by the Q.306

contractor the launch was not expected to be completed until September, 1962.

88. We were informed by Mr Weymouth that despite the amount of work they had on hand the Board's own designers could probably have drawn up the plans and specifications required just as quickly as the overseas firm consulted and that in view of the experience gained the Board will consider doing so in future. Q.305
Q.313

(E) DEPARTMENT OF SHIPPING AND TRANSPORT

(1) (a) Division No. 373/3/01 - Merchant ship construction - Subsidy.

(b) Division No. 906/01 - Ship construction.

(a) Original Appropriation £1,546,000; Expenditure £1,686,102
(b) Original Appropriation £6,270,000; Expenditure £6,112,435

89. In addition to the original appropriations referred to above the Australian Shipbuilding Board obtained amounts of £240,000 and £632,000 respectively from Additional Estimates during the year to meet an expected increase in the rate of ship construction.

90. The actual subsidy per vessel, or per purchaser, does not appear in the Estimates but an amendment was made to the Estimates for 1962-63 in an attempt to improve the presentation of the figures for that financial year. The Treasury observer advised:-

(MR TOWNSEND) It was decided to bring together expenditure on shipbuilding which prior to 30th June was shown in two places in the Estimates, part by means of a nil vote in the capital works and services section and the part under the ordinary services section designated "Merchant Ship Construction - Subsidy". Strictly speaking I think it was not correct to describe it as a subsidy having regard to the way the contracts are arranged. For these reasons we decided to bring the two together. It may be preferable if I give you a memorandum. Q.319

91. The memorandum stated:-

"..... Committee Document
The following are the factors which led to the No.T.A.62/
changes: 42.

(a) Since 1955-56 expenditure included in the Capital Works and Services Section (Division 906/01 in 1961-62) has not been made for the purpose of creating an asset for use by the Commonwealth; orders for building of the ships are placed concurrently with the execution of contracts for their sale;

(b) In previous years moneys spent from the appropriation "Merchant Ship Construction - Subsidy" (Division 373/3/01 in 1961-62) were paid to the credit of the item in the Capital Works and Services section entitled "Amount recoverable from the sales of ships", (Division 906/02). Upon review it was considered that the wording of both these

items required modification;

- (c) It was considered that it would be more informative to show the transactions of the Australian Shipbuilding Board in one composite Division."

92. In a later statement concerning the nature of the subsidy Your Committee were advised:-

(MR CROSSING) It is a deliberate sale of a Q.359
ship at a loss.

93. Mr Weymouth, Chairman of the Australian Shipbuilding Board explained to Your Committee the functions of the Board and the manner in which the subsidy was determined. He said:-

(MR WEYMOUTH) Briefly the Board's functions are to Q.320
promote efficient shipbuilding in Australia. The Board was established about 21 years ago. It is the government instrumentality that arranges for the design of merchant ships. Procedure generally is that when a ship-owner wants a ship he goes to the Shipbuilding Board, perhaps with specifications, and the Board then makes detailed specifications and some other basic designs. The Board then calls tenders from the shipyards. When those are received the Board makes up its own estimate of the cost of that ship adding to the shipyard figure a figure for its own design costs together with insurance, Lloyds fees and the cost of any machinery which it will supply. Having done that it then has the duty of determining the selling price to the ship-owner, the difference between its figure and the selling price being what we loosely call a subsidy. Having arrived at what it thinks is the proper selling price, which is supposed to be consistent with the price paid overseas for a similar vessel, the Board then recommends a sale price to the Minister for Shipping and Transport who, with the Treasurer's concurrence gives permission for the quotation to go to the ship-owner. If the ship-owner decides to build, the procedure is for the Board to place the order on the shipyard, look after the technical side of the construction and on completion hand the vessel over to the owner.

He added also that some years ago the Tariff Board Q.360
decided that a subsidy of up to 33-1/3 per cent. could Q.337
be added to the sale price of merchant vessels above 500 tons gross to arrive at total costs of construction. Vessels below that tonnage are excluded from subsidy benefits because they are protected by a tariff duty. In determining the selling price of vessels the Board Q.324
takes as a basis the cost of building a similar ship in the United Kingdom and relates this to the trend in world prices at the time.

94. The under-expenditure under Division 373/3/01 was the direct result of ship construction not proceeding at the rate originally anticipated. The under-expenditure under Division 906/01 arose from a number of circumstances. Mr Weymouth mentioned that the greater part of the under-expenditure for the year was occasioned by one ship-yard, controlled by the Broken Hill Pty. Co. Ltd., which was constructing two 21,000 tons d.w. bulk carriers intended to be sold to, and for Q.327

operation by, that same Company. The ship-yard had advised the Board early in 1962 that it anticipated spending between £200,000 and £300,000 per month during the last four months of the financial year. Later the ship-yard decided to restrict the rate of construction and as a result £77,000 only was spent in that period. Another major reason for the under-expenditure was the late inclusion in the shipbuilding programme of a survey vessel, for the Department of the Navy, whose construction did not progress at the rate anticipated. Q.328

95. The basic design and specifications of the survey vessel were furnished to the Australian Shipbuilding Board in December, 1960 by the Department of the Navy. These were revised on 14th March, 1961. Q.342
Tenders were then called and a contract was entered into in June, 1961. Of the £528,000 included in the Estimate for this item only £222,000 was spent. Q.352
Mr R.W. Barker, Acting Accountant of the Board, explained to Your Committee the circumstances under which this project was included in the 1961-62 programme. He stated:-

(MR BARKER) I think there is a definite explanation of this. Our estimates are prepared during the months of March and April of each year. On 23rd April this year a statement was prepared for Treasury purposes. The Department of Shipping and Transport desired a naval survey vessel to be built but no figure was set at that date. We did not put anything in the Estimates at that stage, but at a later stage we were requested to obtain an estimate and supply it. That request came by teleprinter from the Department of Shipping and Transport. The shipbuilder refused to give any estimate at all and it was only after constantly calling him up by trunk line that we managed to get anywhere with him. I asked him how much he was going to spend in the year. He told me that he was not going to start the vessel for another six months. I then asked him could he give us any idea when he would be starting it. He said, "About January next year". It came to the stage where I had to tell him what his average spending per month would be. He told me that the figure I mentioned would be too high because until the ship was in an advanced stage of preparation they would not be able to spend so much. We fixed a figure of £50,000 a month for six months. That is the basis on which you must do these things; there is no other basis. In this particular case it was not submitted in writing but as a result of a telephone call. In addition to that we estimated the value of equipment from overseas which we were purchasing. At such an early stage it was difficult to ascertain when payment would be required because some orders had not been placed for machinery and it was obvious the payments would be spread right throughout the complete operation. Q.354

96. Your Committee cannot agree with the action taken to include amounts for this naval vessel in the original Estimates. Mr C.M. Colgan, Director of Estimates and Audit, Department of the Navy advised us:-

MEMBER.-..... Did your architects prepare the plans and specifications for that vessel? -- Q.340
(MR COLGAN) Insofar as the Navy is concerned we

supplied the specifications necessary to cover special naval requirements.

97. However, we learnt later from the witness for the Australian Shipbuilding Board that:-

(MR WEYMOUTH)... the details such as the sort of propelling machine that would be installed and the details of auxiliary machinery still had to be designed. The Department of the Navy had a basic design at that stage such as the ship and functions she had to perform, but a lot of design work has gone on since then on propelling machine installation, the layout of the engine room and the problems of fitting it in the ship. So basically, what Mr Colgan has said is correct, but a lot of detailed work is going on. (MR COLGAN) I can confirm that. There are difficulties with the building of a ship; it cannot always go to plan. Q,342

and

(MR WEYMOUTH) ... the basic design was there. When it was developed to the stage of putting the propelling machinery in, it was found necessary to make a few changes. One was to lengthen the ship. At the preliminary stage, the design was there, and it was fairly complete, but the detailed design which follows is different. The basic design of the ship on which we can call tenders might cost £3,000, but the full design might cost nearer to £30,000 or £40,000. In other words, all the details of where every wire and piping system are to go must be included. That was not available and is not available for any of our merchant ships at the time of tendering. Q.344

98. The evidence received represents, Your Committee consider, an example of maladroit estimating procedures and is a further example of an instance where funds should not have been sought in the original Estimates. If a basis for a reasonably accurate estimate does not exist at the beginning of the year funds should be sought, if required, later after a realistic assessment of costs has been made.

99. The under-expenditure on the items reported in the foregoing paragraphs was offset to some extent by the fact that during the year six new vessels, involving some £500,000 expenditure, were added to the programme after the original estimates were prepared. Exhibit No.60/6

100. Your Committee acknowledges the difficulties, in general, of estimating expenditure against these votes. The circumstances created by the deliberate slowing down of the construction of two large bulk carriers by the contractor could not have been foreseen by the Board. However we note that there has been a heavy increase in the volume of work which has created designing problems and that a system of budgetary control has been introduced during 1961-62. The Chairman, Australian Shipbuilding Board, expressed confidence in his organisation's ability to handle the new circumstances. We see no reason why this should not prove to be the case and shall watch with interest the estimating performance in future years. Qs. 331, 333 Qs. 356, 357

(11) Division No.615 - Construction of Jetty for Handling of Explosives

(Situated - Point Wilson, Corio Bay, Victoria)

Original Appropriation £289,000, Expenditure £384,810.

101. During the year a further amount of £133,000 was provided in the Additional Estimates to cover increased costs of construction. Approximately £76,000 of that amount was related to the costs in 1961-62 of sinking piles to a depth greater than that originally estimated. To date the extra payments made for this work amount to approximately £185,000. Retention moneys totalling £32,000 also became payable during the year following the lodgement of an insurance guarantee by the contractor that he would complete the contract to the satisfaction of the Department of Works. The remaining £25,000 was the estimated cost of additional structural work necessary to enable the jetty to be used for handling commercial explosives as well as Commonwealth explosives. This decision was taken during the year. Q.368
Q.375
Exhibit No.60/8
102. Your Committee were informed that test borings on this project were completed some time before the contract was let in April, 1958. Late in 1960 it became evident that additional costs would be incurred because of the additional piling required. The matter went to arbitration and the extra amounts claimed by the contractor were authorised for payment by the Attorney-General. Q.364
Q.369
Q.371
103. Of the £37,190 which remained unspent from the Additional Estimates provision, £11,000 relates to a recommendation by the contractor to defer certain minor work to provide employment for his maintenance crew when inclement weather forces them to cease work on the main project. As the proposal had certain benefits to the Commonwealth it was agreed to by the Department of Works. The other main reason for the under-expenditure was the delay experienced in implementing the decision to provide additional structural work to enable the jetty to be used for handling commercial explosives. Q.379
Exhibit No.60/8
104. Subsequent events proved that many of the difficulties associated with this project arose from insufficient test borings for piles. However the explanations given Your Committee indicate that more accurate assessments of expenditures in 1961-62 could have been made at the time of the draft Estimates if the circumstances had been reviewed more closely at that time. In view of the unfortunate history of progress with this jetty we are surprised that this does not appear to have been the case. Q.365
105. The action taken to obtain further amounts in Additional Estimates was correct in relation to certain expenditures which could not have been foreseen early in 1961. However we are concerned at the delay experienced in authorising the expenditure necessary to complete the work involved in preparing the jetty to handle commercial shipments. It should have been possible to foresee, at the time this decision was taken, whether or not any delays were likely to occur and to adjust amounts sought in Additional Estimates accordingly.

(F) DEPARTMENT OF EXTERNAL AFFAIRS

(i) Division No. 142/2/02 - Antarctic Division - Equipment and stores.

Original Appropriation £303,400; Expenditure £269,478

106. The under-expenditure of £33,922 against this vote is comprised of a number of small items. The largest, an amount of £13,300, was provided for the purchase of a special portable ice drill which, contrary to information supplied by experts at the time the draft estimates were prepared, could not be procured in Australia. The Department now proposes to have the drill manufactured in Australia under the guidance of its scientific officers. Q.389 Q.391

107. A further sum of £7,000 was provided in the draft estimates to cover stores and equipment provided by the R.A.A.F. which operates the aircraft in the Antarctic. However, despite numerous requests to the Department of Air, no accounts had been received by the close of the financial year. Q.400

108. Your Committee are satisfied that the under-expenditure against these items, and several other minor ones we investigated, was due mainly to circumstances beyond the Department's control. We are disturbed, however, at the failure of the Department of Air to submit the accounts for which the Department of External Affairs had made several requests. If it is considered that inter-departmental payments are warranted in these circumstances action should be taken to assure that the claims are forwarded promptly by the Department responsible. Q.402

(ii) Legation - Sweden.

(a) Division No. 172/2/03 - Administrative Expenses - Postage, telephones etc.

(b) Division No. 172/2/04 - Administrative Expenses - Rent and maintenance.

(a) Original Appropriation £1,400; Expenditure £3,858.
(b) Original Appropriation £3,610; Expenditure £22,789.

109. Mr C.T. Moodie, Assistant Secretary, Administration, informed Your Committee that his Department established the legation in Stockholm in June 1961. The premises were originally the Trade Commissioner's Office but these proved inadequate for the staff of the Department of Trade and the increased staff of the Departments of Immigration and External Affairs. New premises were therefore acquired in August, 1961 to accommodate all the Commonwealth's officials and occupation was taken in March, 1962. Q.416 Qs.415, 421

110. Following the change-over to the new premises additional funds were required for telephone equipment. Prior to Additional Estimates time it was known that £600 would be required for ground rent for the telephone equipment but it was not clear at that time whether the equipment would be leased or Commonwealth owned. Accordingly only £600 was sought from Additional Estimates and the remaining amount of £1,858 was provided from the Treasurer's Advance after it was ascertained that the equipment would be on hire only. Q.417

111. The provision of £3,610, in respect of Item 04, Q.422 was based on the rental costs of the original Trade Commissioner Office plus the hirings of some additional space for the External Affairs Officer appointed to that post. An amount of £18,590 was provided from Additional Estimates to meet the increased cost of the new accommodation. This included approximately £14,000 paid as premium for the lease. The additional requirement sought covered expenditure to 31st May, the end of the financial year at overseas posts, as it was anticipated rental would be paid monthly as in the past. The new arrangements, however, called for rental to be paid on a quarterly basis and accordingly a further £589 was sought from Treasurer's Advance to meet the rental cost for June, 1962. Q.425

112. There are difficulties always associated with the opening of a new post which cannot be foreseen or anticipated when the original Estimates - or even the Additional Estimates - are prepared. But in this case there seems no reason why the total expenditure involved could not have been provided from the Additional Estimates. The fact that this was not done appears to be the fault of the overseas office in not supplying prompt and accurate information to the central office.

(iii) High Commission - India.

Division No. 177/2/05 - Rent and maintenance,
High Commissioner's residence.

Original Appropriation £3,150; Expenditure £3,957.

113. The amount provided in the Estimates under this item did not include a full year's rental for the residence leased for the High Commissioner as it was considered that the new Official residence, then under construction, would be occupied during the year. Delays occurred in completing the residence and further funds were sought from Additional Estimates to cover the cost of the leased premises for a full year. Rental of the leased premises, however, was terminated on 15th March, 1962, after the new residence became ready for occupancy. Of the £2,490 provided from Additional Estimates only £807 was spent. Exhibit No.60/10 Q.430

114. Your Committee can see no reasonable justification for the Department seeking funds from Additional Estimates to cover a full year's rental in this case. It would appear that the overseas post should have known early in 1962, the date when the new official residence was likely to be completed, and should have been able to make a better appreciation of the position before the closing date of the Additional Estimates on 1st March, 1962.

CAPITAL WORKS AND SERVICES

(iv) Division No. 841 - Buildings, works, equipment and furniture.

(a) Item 10 - High Commission - Ceylon.

Original Appropriation £13,500; Expenditure £14,285.

115. A further amount of £785 was obtained from the Treasurer's Advance during the year to meet the increased cost of alterations to the residence purchased to serve as the chancery at Ceylon. The estimated cost of the Exhibit No.69/10

alterations was £7,000 but the contract accepted was for a price of £8,670. Q.450

116. We were informed that it was not possible to seek the additional amount required in Additional Estimates as the Department was not certain at that time of the rate at which the alterations would progress. In the circumstances there was no alternative but to apply for the funds from the Treasurer's Advance. Q.456

117. Your Committee accept the explanations offered in this instance.

(b) Item 03 ~ High Commission ~ India.

Original Appropriation £46,100; Expenditure £36,653.

118. Your Committee note that it examined this item last year also and in our Fifty-Sixth Report we gave a summary of the factors which resulted in the appropriation being underspent. Broadly, the same factors were again responsible for the under-expenditure on this occasion - that is, delays experienced in the completion of plans for the chancery building and the fact that orders for electrical transformers and associated switch gear could not be placed during the year. P.P. No. 112 of 1961 paras. 57-59 Exhibit No.60/10

119. We were informed that a local architect was commissioned to draw up plans for the chancery building in November, 1959. The first rough sketches were available by March 1960 and these were discussed with the Department of Works. Subsequently, an architect from the Department of Works proceeded overseas in May, 1960, to visit certain posts, including New Delhi, and as a result of that visit the local architect agreed to make certain modifications to the plans. Later certain technical difficulties were encountered by the local architect and these were not resolved by the protracted correspondence which ensued. In December, 1961 the Department of Works agreed to make Mr Osborne, Director of Architecture, available to visit New Delhi. Mr Osborne then explained to Your Committee the action taken:- Qs.473, 474

MEMBER.- Did you alter the plans in any great detail?-- (MR OSBORNE) The plans that we are referring to were, in fact, very preliminary sketch proposals by the architect as an interpretation of the user requirements as seen by the Department of External Affairs. Working so far away from us, he had developed in his mind the idea of a building which was, in our view and in the view of the Department of External Affairs, considerably beyond what Australia would be prepared to pay for. Our objective, during these discussions in May of 1960 and in December 1961, was to bring the preliminary designs back into line with the standard of accommodation which we knew would meet with the agreed accommodational standards of the Treasury and the Department of External Affairs. At the discussions in December 1961 we agreed with the architect that he would proceed with the development of the sketches strictly in line with our scales of accommodation. This required him to do another set of sketches which he rendered to us reasonably quickly. Q.478

and (MR OSBORNE) The plans or sketches, as far as they Q.480 had been developed, were done very competently in the architectural sense. These discussions were aimed at really an interpretation as to what Australia wanted and what it was prepared to pay for. The Australian compound is in a diplomatic enclave where some very fine buildings are being erected by other embassies, and I think with all due respect to Mr Stein's firm, they were trying to guide Australia towards a building which would, in the true architectural sense, not suffer by comparison with the other buildings. Right opposite we have the American Embassy and Chancery, which is one of the finest buildings erected in modern times, and on the other opposite corner we have the United Kingdom High Commission, which is a very nice building also, and the architect is concerned to see and advise the Australian Government not to do something which will perhaps be to our discredit in the eyes of the people of India.

120. During our discussions last year in regard to under-expenditure on buildings being erected in Malaya we suggested that the delays experienced might be largely overcome if an Australian architect could be sent overseas to work out plans in collaboration with local architects. Your Committee therefore took the opportunity to hear Mr Osborne's views on the matter.

MEMBER.- Mr Osborne, I would like to ask you Q.491 whether you feel that, in view of the difficulties that are inherent in building in other countries, it would not be wise to detail a competent Works architect to draw the plans in the country where the building is to be erected and then for the Government to appoint a supervising architect to see that the work was carried out. Surely there would be value in having a Works architect work in conjunction, perhaps, with an on-the-site architect, but allowing the Works architect to draw the plans and then to have them supervised by the architect in the country where the building was being erected? --(MR OSBORNE) I think there is merit in your suggestion, if the proposals which are to be carried out are large enough. When it was proposed in 1951 that the New Delhi compound be erected, we did propose just that. We had an area of some seven or eight acres, with numerous buildings to be built, and the project was, in our view at the time, large enough to establish a small works unit there to do the preparation of the working drawings and supervise the contract. But where we get a much smaller work content like we seem to be getting just at present, with an odd building now and then, we do not think that the cost warrants a Department of Works Unit at the Post. Where we have the opportunity we advise External Affairs to work out the basic design, with our specialist architects on External Affairs work - we have a section that does this work for them - and when we settle the requirement we engage a reputable architect in the town where the embassy or chancery is to be constructed. He is commissioned to produce the working drawings and to supervise the contract. In a proposal at Djakarta we have operated very much along these lines. We have designed the buildings in Australia and engaged an architect in Singapore to do the working drawings. However, because the project is quite a large one, or will be if it proceeds, we have established a works organisation to do the supervision at the building site.

121. Lengthy delays were also evident in connection with the proposal to purchase electrical transformers and associated switchgear for the compound in which the chancery, the official residence and several staff houses are situated. The transformers are required to break down high tension power which the Indian authorities supply to the compound. At present the Department has the use of a borrowed transformer. Q.436
Q.437

122. Following a suggestion by the Department of Works in 1960 the Department of External Affairs approached a local electrical consultant in the matter. Treasury approval for the purchase of one transformer was given in April, 1961 and tenders were called through Australia House, London for the unit to be supplied. At the same time the Department of Works was approached in regard to possible sources of supply from Australian firms of the associated switchgear. That Department furnished the information required in the following month but expressed surprise at the size of the proposed equipment. Thereupon the Department of External Affairs withheld action on the tenders received for the transformers and after further consultations with the High Commissioner, New Delhi, and the Department of Works referred the matter to a second local consultant in November 1961. Qs.492-499

123. This second opinion, which was received in March 1962 tended to confirm the first consultant's assessment as to the capacity of the transformer required. The Department of Works again considered the proposal unrealistic even though on the switchgear side the second consultant favoured the suggestion it had put forward which would result in a saving of about £1,000. The comments made by the Department of Works were referred to the second consultant in April 1962 and at the end of June 1962 he reaffirmed his previous assessment. The Department of External Affairs now proposes to proceed on the basis of the second opinion received if the Department of Works raises no objection. Qs.502,503
506.
Exhibit
No.60/9

124. Your Committee appreciates the difficulties that arise with proposals for buildings and equipment at over-sea posts particularly when matters of a technical nature are involved. One of the main features of the delays that occurred in regard to the transformer proposal was the limited information and details supplied by the overseas consultants on which the advice of the Department of Works was sought. We doubt the logic in requesting that Department to give expert advice in such circumstances. Qs.511,518

125. We note that the Department of External Affairs shares the concern Your Committee feel about the inordinate delays which have occurred. These could have been avoided if technical experts of the Department of Works had been sent overseas to direct and advise local consultants of our requirements when the proposals were first approved. At that time the expense of the visit would have been justified by the magnitude of the complete project although a separate visit at a later date in respect only of the electrical installation would not have been justified. Q. 519

(G) ATTORNEY-GENERAL'S DEPARTMENT.

(1) Division No.211/2/07 - Incidental and other expenditure.

Original Appropriation £7,100; Expenditure £10,698.

126. The increased expenditure against this item, amounting to £3,598, was met from a sum of £4,200 provided in Additional Estimates.

127. Further funds were required to meet expenditure Q.528 on certain services such as water and sewerage, electricity and refuse removal charges in respect of three Sydney buildings purchased during the year as a site for a proposed Commonwealth Court. On the basis of information Q.527 supplied by the Chief Property Officer in New South Wales the sum of £1,500 was obtained in Additional Estimates and £1,300 of this was actually spent.

128. An amount of £2,700 was obtained also in Additional Estimates mainly to meet the estimated cost of advertising approximately thirty vacant positions for legal officers. This advertising was done on an Australian wide basis following a complete re-organisation of the legal services of the Department which was approved during the year. However, since the approval of the Governor-General in Council to the new organisation Exhibit was not obtained until 20th June, 1962, it was not possible to place and pay for the advertisements before the end of the financial year. Q.533 No.60/11

129. Your Committee accept the explanations given.

(ii) Division No.213/1/02 - Crown Solicitor's Office - Temporary and casual employees.

Original Appropriation £30,500; Expenditure £32,358.

130. An amount of £7,500 was obtained in Additional Estimates during the year to meet the salaries of increased numbers of temporary staff recruited during the first half of the year.

131. Your Committee were informed that at the beginning of the year the temporary staff of the Crown Solicitor's office totalled 32; that it increased to 42 by the end of December, 1961 and that by the end of the year the numbers declined to 32. Mr N.E.J. Sainsbury, Assistant Secretary (Finance and Administration) stated that during the year there were 31 resignations, 21 of which occurred in the second half of the year. He advised also that 18 temporary employees secured permanent appointment to the service and that their salaries were then chargeable to a different vote. Q.547

132. In view of the unusual movement in temporary staff Your Committee accept the explanations given for the resulting under-expenditure.

(iii) Division No.255/06 - Repairs and maintenance.

Original Appropriation £42,000; Expenditure £21,466.

133. The under-expenditure in this case arose from the delay in, or deferment of, a number of projects in New South Wales and Victoria and Your Committee examined the major items referred to in the departmental explanations. Exhibit No.60/9

134. In the case of Phillip House, Sydney, one of the Department's own branches vacated accommodation which it was intended to convert into two sets of judge's chambers Q.554

and a small court room at a cost of £5,000. Plans for the alteration were prepared but the project was later abandoned as the need arose, during the year, to provide space for the Conciliation and Arbitration Commission. Increased accommodation for the Deputy Crown Solicitor's staff also became necessary in the building as a result of the transfer to that Office of certain functions previously performed by the Postmaster-General's Department. Q.557

135. The second item examined by Your Committee was the provision made for painting and repair work at the Manly Police Training Depot to be completed at an estimated cost of £3,500. We were informed that the necessary work could not be carried out while a fully residential officers' training course was in session at the depot from October, 1961 to the end of February, 1962. The Department, however, placed a requisition for the work with the Department of Works on 1st December, 1961 in the belief that it could be completed before the end of the year. Mr E.R. Harvey, Chief Administrative Officer, Head Office, of the Department of Works explained to Your Committee the reasons for the delay in this case. Q.562

MEMBER.- What has the representative of the Department of Works to say on the matter?--(MR HARVEY) Q.567
It is true, as Mr Sainsbury has said, that we received a Works requisition from the Attorney-General's Department on 1st December and our officers were aware of the fact that there was a training course going on and that it would not be completed till 28th February. This particular project was then deferred, to be done after 28th February in conjunction with several other hundred day labour jobs that were being carried out by our New South Wales office. In other words, it was just put into the melting pot with all the hundreds of other day labour jobs. The work of the day labour forces is planned month by month ahead, and we would not get around to this job until later in the year, which meant we spent only a little over £1,000 instead of £3,000 on the job. It was completed in practically the next month afterwards.

136. Whilst Your Committee accept the explanations given in regard to the abandonment of the alterations at Phillips House we are concerned at the delays experienced in the repairs and maintenance work at the Manly Police Training Depot. Whilst the circumstances in this instance were rather unusual it would appear that both Departments were aware that these premises would be fully occupied for five months of the year and it would have been logical, therefore, for the Attorney-General's Department to place its requisition for the works involved as early as possible in the financial year. That Department should have been aware that the placing of their requisition in December, 1961 could have jeopardised their chances of having the work completed in view of the multiplicity of jobs the Department of Works would have on their hands at that time. Alternatively the Department of Works might have given advice of this nature to the Attorney-General's Department at the time the programme for 1961-62 was determined.

137. Your Committee have from time to time stressed the need for requisitions to be placed early in the financial year so as to avoid inundating the service departments later in the year with requests which may be, and usually are, difficult to fulfil. A close liaison is required between the sponsoring and servicing departments both at the time the programme is drawn up and later when

requisitions are issued so that the resources available may be put to the best use of the satisfaction of both parties.

(H) DEPARTMENT OF WORKS.

(1) Division No. 251/2/08 - Field, laboratory and radio testing equipment - Purchase and maintenance.

Original Appropriation £52,000; Expenditure £47,206.

138. A further amount of £1,000 was also obtained in Additional Estimates during the year but this sum was not expended.

139. The under-expenditure on this item resulted mainly from a decision to defer the purchase, at a cost of £2,000 each, of two concrete testing machines for Canberra and Port Melbourne and from the fact that manufacture of fire detector equipment estimated to cost £1,850 could not be completed by the close of the financial year. Exhibit No. 60/12

140. The decision to defer the concrete testing machine for Canberra was taken in January, 1962 after it was established that the site chosen at Kingston for its installation was being reviewed by the town planning authorities. The purchase of this equipment has been delayed therefore pending the establishment of a new testing laboratory at the Department's depot at Ryshwick, A.C.T. Q.593

141. The item of machinery required for Port Melbourne differed from that proposed for Canberra in that it was intended to be used in conjunction with some existing equipment at that centre. However, following consultations with the overseas supplier it was established that the proposal was not feasible. The Department now proposes to purchase a larger machine at a cost of £5,000 and provision for this has been made in the 1962-63 Estimates. Q.594

142. Your Committee were informed that the order for the fire detector equipment was placed on 15th June, 1961, with a local manufacturer. Although the equipment was delivered during the year payment was not made until the following financial year after correction of a fault which had developed. Q.617

143. Your Committee accept the explanations concerning the under-expenditure.

(ii) Broadcasting and Television Services - Capital works and services.

Division No. 970/02 - Buildings, works, fittings and furniture for sound broadcasting studios and other purposes.

Original Appropriation £115,000; Expenditure £76,854.

144. The under-expenditure against this vote is related mainly to three separate projects.

145. The first of these concerned a proposal for a new regional studio and office buildings at Longreach, Queensland. Nos. 60/9 land estimated to cost £18,000 of which it was expected £15,000 would be spent during the year. The original target date for the calling of tenders was set for August, 1961 but these were not called until May, 1962 and as a result no expenditure was incurred. Nos. 60/9 and 13

146. Your Committee were informed that this delay occurred because the Department of Labour and National Service approached the Australian Broadcasting Commission in September, 1961 with a request that it be permitted to occupy part of the proposed premises. The original proposal was thus deferred pending clarification of that Department's requirements and in the meantime the Department of Works submitted new sketch plans covering the new proposal. On examining the requirements of the Department of Labour and National Service, the Commission decided that it could not accept the proposal for a joint tenancy in the building and advised the Department of Works accordingly in February, 1962. That Department thereupon prepared further sketch plans for the Commission. After these had been accepted tenders were called and a contract was let on 31st May, 1962.

Q.634

Exhibit
Nos.60/9
and 13

147. The second item involved a contract for the erection of two houses at Darwin by a private contractor at a cost of £11,000. Tenders for this project were called in December, 1961 in accordance with the planned allocation of the works programme in Darwin. However the contract was not let until February, 1962 owing to the fact that the lowest tenderer withdrew his price and to the fact that investigations then had to be made into the background of the second lowest tenderer who was unknown to the Department.

Q.639

Q.642

Q.644

148. The under-expenditure on this item amounting to £3,000 was not due to any delays by the contractor himself but to the fact that the Department of Works pressed him to complete urgently a second contract he had obtained even if this meant delaying the work on the two houses. This second contract was for the erection of a jury room at Darwin which was urgently required for court sittings.

Q.640

Q.641

149. The third project was the construction of a new studio and office building at Port Moresby. Originally the premises were estimated to cost £132,000 and it was envisaged that tenders would be called in September, 1961 and that £15,000 would be spent during the year. The original estimate was made by the Director of Works for Papua and New Guinea in March, 1961 on the basis of sketch plans only. Later when the full working plans were prepared in January, 1962 the Director revised his estimate to £153,600.

Exhibit
No.60/9

Q.657

150. Your Committee were informed that the Department when it estimated originally that tenders would be called in September, 1961 made insufficient allowance for the inevitable delays that would occur. We were advised also that:-

Q.651

"By agreement with the A.B.C. all documentation for this type of work is carried out in the Sydney office of the Department of Works thus ensuring close technical liaison in the documentation of very complex buildings. This resulted in some delay in obtaining the requisite local information (site, information, etc.) which was accentuated by the subsequent need to include hydraulic design (previously to be done in the Port Moresby Branch) in the work undertaken in Sydney. No.60/9

Deterioration of formed roads within the site also necessitated the preparation of documents for new roads."

The new estimate of cost was accepted by the Australian Broadcasting Commission on 5th March, 1962. Tenders were called in the following month to close on 19th June, 1962. At the close of the year consideration was still being given to the tenders received.

151. Your Committee accept the explanations given in respect of the Australian Broadcasting Commission's building at Longreach and the houses at Darwin. However, we view with concern the admissions made on the delays that occurred in the Port Moresby project and in particular the fact that the Port Moresby Branch of the Department of Works misled the Sydney Branch as to its ability to do certain design work.

(I) DEPARTMENT OF THE ARMY

(1) Division No. 502/1/03 - Civilian Services - Extra duty pay.

Original Appropriation £75,000; Expenditure £65,541.

152. The under-expenditure against this vote arose mainly from the fact that implementation of a punch card system of accounting for Australian Regular Army soldiers' pay accounts was introduced later than expected. This resulted in the amount of preparatory work associated with the change-over not reaching the level anticipated. Exhibit
No. 60/14

153. Mr W.H. Leng, O.B.E., Assistant Secretary (Finance) explained that prior to 1961-62 the Department operated a manual system of accounting for soldiers' pay entitlements on a decentralised basis. Each soldier's account was kept at the Command Pay Office in the State in which he enlisted irrespective of the area in which he might be serving. Q. 664
Q. 671

154. Early in 1959 the Department set up a committee to examine the question of centralising the pay accounts and introducing some form of mechanisation. Representatives of the Department of the Treasury and the Public Service Board were invited to take part in the investigation in the hope that this would eliminate delays in securing final approval should some form of mechanisation prove feasible. The Board accepted the offer and attached one of its officers to the working party. Q. 664

155. Subsequently the committee recommended that the pay accounts be centralised and that a punch card system be introduced to facilitate recording. It also recommended that, since the Department already had two punch card systems operating both for soldiers personal statistics and for ordnance store functions, further economies could be achieved by centralising all punch card equipment. This machine data processing centre was to carry out the actual machine accounting for the three interested parties - the Master-General of the Ordnance, the Central Army Records Office and the new Army Pay Accounts Centre. As the savings envisaged would amount to approximately £120,000 per annum through the employment of about 100 fewer personnel, the Department adopted the recommendations. Another point which influenced the

Department's decision was the expectation that it would have its own electronic data processing centre in about six years time. In the meantime adoption of the proposal would not only mean savings in manpower and money but would act as a useful half-way step to electronic data processing.

156. These proposals were submitted to the Public Service Board and to the Commonwealth Supply and Tender Board for their approval on 27th June, 1961. Army suggested that equipment similar to that already in use be hired from the existing contractor and that the project be treated as an extension of the original scheme. The Public Service Board at first suggested that in view of the advances made in the small electronic data processing field it might be more economical in the long run to use a system of this nature instead of the normal punch card system. After several conferences in the matter it was agreed that the system as first proposed should be adopted. The Commonwealth Supply and Tender Board also raised objections. It did not agree that the proposal should be treated as an extension of the existing punch card system and considered that the character and size of the scheme had so changed that tenders should be called from all interested parties in the field before deciding what system should be adopted. After further discussions the Tender Board agreed on 3rd November, 1961 to the Department's proposal being adopted subject to certain conditions. Q.687

157. A number of other factors contributed to further delays in the introduction of the scheme. These were related to the unexpected delays in delivery of the equipment and to the fact that building alterations and the preparation of detailed procedures took longer to complete than originally anticipated.

158. The witness advised Your Committee that some of the work associated with accounting for soldiers' pay had already been taken over and that it was expected the new system will be fully operative by November, 1962. Q.665

159. Your Committee accept the explanations offered.

(ii) Division No.504 - Administrative Expenses and General Services

Item 16 - Defence food research.

Original Appropriation £7,000; Expenditure £4,578.

160. The chief reason for the under-expenditure against this vote was the inability to obtain certain research staff. A position of Nutritionist was filled in May, 1962 but two other positions, an Analyst and an Experimental Officer, are still vacant. As a result the programme as planned could not be achieved. Exhibit No.60/14

161. Your Committee were informed that the food research unit is located at Scottsdale in Tasmania. It was originally established as, and it still is, an annexe to the factory of Dewcrisp Productions Limited. The surrounding district produces many of the vegetables in which the Department is interested. We were assured that the unit does not duplicate any similar work being done by the Commonwealth Scientific Industrial Research Organization or by larger food manufacturers and that it is engaged only in those avenues in which commercial producers of foodstuffs are not interested. Q.688
Q.702
Q.708
Q.691

162. The witness also advised Your Committee that:-

(MR LENG) \..... This undertaking originally was a wider one. I think it goes back to 1947, when the Commonwealth Advisory Committee on Defence Science recommended to all Commonwealth Governments that there should be extended continuous research into this question of dried and compacted foods. This was carried out by the Department of Commerce and Agriculture for some time and then was taken over by the Department of Trade. Eventually it reduced down to an area in which there was a defence interest only and Army, of course being the most interested department took it over from them. I think this was in 1956. Q.692

In answer to a question as to whether it is possible to test food in Tasmania for the various climates and conditions in which it may be required Mr Leng said:- Q.690

(MR LENG) Having produced the food, of course, the actual trials would be carried out elsewhere - in Malaya, for instance. I think I should mention also that this Army Food Science Establishment does not cover a wide range. We do have very close liaison with and follow the progress in this sort of thing in the other Commonwealth armies and in the United States - for example, the irradiation of foodstuffs. The whole thing stems from the necessity for the Army in these times to cut down the weight of the equipment and stores it carries with it, that it has to take in by air in a theatre of operations, for example, and in particular the load carried by the individual soldier. A very important element in this, of course, is the amount of food carried. Therefore, it is of great importance to the Army, by dehydration and by compacting, to cut the size of the pack and the weight down as far as possible without affecting the nutritive value.

163. Your Committee are concerned that the programme of research under this item appears to have been based on a too optimistic a view of staff recruitment. We are well aware of the difficulties experienced by other departments in the past in securing professional staff for particular projects - especially where they are removed from the main city areas. In this case a more conservative programme should have been included at the time the Estimates were prepared. If all the positions had been filled in the year the Department could have obtained from Additional Estimates the funds necessary to expand the programme of activities. We note that £11,000 has been provided in the Estimates for 1962-63 for this project despite the fact that two positions on the rather small staff employed have yet to be filled.

(iii) Division No.510 - Arms and Equipment - Maintenance.

Item 02 - Maintenance and repair of army vehicles and equipment other than in Army establishments.

Original Appropriation £983,000; Expenditure £1,036,223.

164. An additional amount of £80,000 was obtained in Additional Estimates to cover the cost of repair work let to private contractors following a re-organisation of the Army workshops. Exhibit No.60/14

165. We were informed that the various field force establishments include large numbers of technical Q.710

personnel. Previously certain of these members were not needed full time by the units to which they had been assigned. Accordingly they were lent, or "shadow posted", to the Command training and administrative units - e.g. workshops, command headquarters etc. for lengthy periods. The Army, however, has since decided to concentrate to a greater extent on large scale field exercises and for this purpose the units affected are recalling their members for field duty more often than in the past and for longer periods. This has depleted the personnel of the workshops which can no longer cope with the maintenance and repair work required.

166. The amounts provided for this work to be done by private contractors was spent in full.

167. The under-expenditure in respect of the total amount provided arose mainly from the failure of contractors to deliver equipment ordered and of others to submit claims in full for goods already received. We were assured by the Department that these delays were not occasioned by the late placement of orders.

Exhibit
No.60/14

Q.714

168. Your Committee accept the explanations given.

(J) DEPARTMENT OF THE NAVY.

(i) Division No.489 - Rent.

Original Appropriation £225,000; Expenditure £224,435.

169. A further amount of £5,000 was obtained in Additional Estimates to cover expenditure which it was anticipated would be incurred for the remainder of the year. However, the amount sought did not take into account the fact that certain premises at Port Melbourne and at Broadmeadows, the rental of which was £2,459 per annum, had been vacated.

Exhibit
No.60/7

170. We were informed by Mr N. Murray, Estimates Officer of the Department of the Interior, that the State branch concerned had informed the Department on 7th July, 1961, that the premises had been vacated. Owing to an oversight the amount was not recorded in the Liabilities Register and the omission was not discovered until Your Committee sought explanations from the Department on the under-expenditure that occurred.

Q.717

Q.721

Q.718

171. Mr C.M. Colgan, Director of Estimates and Audit, Department of the Navy advised Your Committee that approximately 10 per cent. of the rentals paid on behalf of his Department related to office and store accommodation and the remainder to houses and flats occupied by naval personnel. He added that the increased cost of rental over the years was due to the increased housing needs of his Department.

Q.724

Q.725

MEMBER.- Is the increase in the number of houses and flats occupied by naval personnel the sole reason for the heavy increase in expenditure on rental over recent years?--(MR COLGAN) Yes, the number of houses is increasing quite substantially. At 30th June, 1961 we had 797 houses allocated under the Commonwealth State Housing Agreement. As at the end of June, 1962, we had 916 such houses. That indicates the upward trend in the houses provided for naval personnel. In addition, we have 853 houses mainly located on our own establishments.

Q.726

MEMBER.—You rent some from private landlords?— Q.727
(MR COLGAN) That is so.

MEMBER.— How many houses would be rented Q.728
privately?—(MR COLGAN) 278 out of the total of 853.

He mentioned also that the naval personnel are required Q.729
to pay either the economic rental of the house or flat

as assessed by the Department of the Interior or 15 per Q.731
cent. of salary (a rate which was approved by Cabinet
in 1953) whichever is the less.

172. Your Committee are disturbed by the disclosure
of the representative of the Department of the Interior—
see paragraph 170 above - and we trust that Department
will take immediate steps to tighten its internal control
procedures to avoid a repetition of this occurrence
in the future.

(ii) Division No.490 - Acquisition of sites and buildings.

Original Appropriation £41,000; Expenditure £40,484.

173. In addition to the original appropriation Exhibit
£13,000 was obtained in Additional Estimates to finance No.60/3
the transfer to the Department of the Navy of certain
surplus lands held by the Department of the Army.
Approval for this transfer, which involved £10,470, was Q.736
given by the Treasury on 4th January, 1962. The balance
of the sum obtained in Additional Estimates was to meet
the increased cost of acquiring a site, at Collins
Avenue, Potts Point, Sydney, over the amount originally
estimated.

174. The under-expenditure resulted from a Cabinet Q.735
decision to defer the acquisition of two houses at
Adelaide at an estimated cost of £12,000. The Depart- Qs.733,734
ment of the Interior was requested on 28th July, 1961,
not to proceed with the proposed acquisition pending a
decision on the policy to be observed in the purchase

or construction of houses in the metropolitan area. As Exhibit
the Cabinet decision was not given until 2nd May, 1962, No.60/7
time did not permit arrangements for the purchase of
these houses being completed before the end of the Q.739
financial year.

175. Your Committee accept the explanations given.

(iii) Division No.475 - Administrative expenses and
general services.

(a) Item 02 - Freight and cartage.

Original Appropriation £185,000; Expenditure £219,152.

176. The over-expenditure of £34,152 resulted mainly Q.743
from the re-location of certain stores in the Sydney area,
following the closure of storehouses in Melbourne, Perth
and Fremantle. The costs of the transfers were not fully
appreciated when the original estimates were drafted.

177. Mr C.M. Colgan informed Your Committee that Q.746
freight expenses and the removal expenses of naval
personnel were under-estimated by £23,000 and £12,000
respectively, whilst the cost of transferring the
Department from the Administrative Building in Canberra
to the present Russell Hill premises was £3,000. To meet

the resulting increased expenditure a total of £10,000 was provided from Additional Estimates and the remaining £24,152 from the Treasurer's Advance. Q.741

178. Your Committee are not satisfied with the explanations received in respect of this vote. We appreciate that it would have been difficult to foresee certain items of expenditure at the time the draft estimates were prepared. However, the Department should have been in a position prior to March, 1962 to have made a more realistic assessment of its expenditure during the remaining five months of the year and to have provided for it accordingly in Additional Estimates.

(b) Item 06 - Naval aviation and other personnel - Special training fees.

Original Appropriation £280,000; Expenditure £307,864.

179. The over-expenditure incurred under this item related to the cost of training two members of the Royal Australian Navy as qualified flying instructors. Approval for the training of these officers was given in January, 1962 and an amount of £30,000 was obtained from Additional Estimates. Exhibit No.60/7 Q.750

180. Mr Colgan informed Your Committee that the main expenditure against this vote is divided between the Department of Air and the United Kingdom authorities - about £262,000 being spent overseas and about £45,000 in Australia. Of the latter amount approximately £35,000 was paid to the Department of Air. The cost of training a flying instructor is some £15,000 on fixed wing aircraft plus a further £25,000 for a conversion from fixed wing to helicopter. Q.749 Q.748 Q.753

181. Your Committee accept the explanations given in this case but sought advice from the Treasury observer as to how the receipt of these moneys was reflected in the votes of the Department of Air. A written statement furnished by the Treasury to Your Committee contained the following explanation:-

"At a meeting of the Committee on 20th August, 1962, the Treasury observer undertook to ascertain the procedure followed by the Department of Air in accounting for payments by the Department of the Navy in reimbursement of costs associated with the training of flying instructors. Committee Document T.A.62/44

2. Receipts by the Department of Air are credited to the following appropriations:-

- Division No.531/1 - R.A.A.F. - Pay and Allowances in the nature of Pay.
- Division No.532/1 - Civil Personnel - Salaries and Payments in the nature of Salary.
- Division No.533 (7 items) - Administrative Expenses and General Services.
- Division No.535 - Aircraft and Other Equipment - Repair and Overhaul.
- Division No.536 (6 items) - Equipment and Stores,

in addition a small amount was credited to Defence Revenue (Air)."

In its Fifty-Fifth Report Your Committee examined, *inter alia*, this question of inter-departmental recoveries and concluded that it doubted "the desirability or necessity for one department, as a general rule, to charge another for any service or function." The example quoted above serves to strengthen the doubts previously expressed by Your Committee. Not only does it highlight the detailed accounting work necessary to record such transactions but in some instances it invites also the question of what purpose these transactions serve since the Estimates are not intended to reveal the actual costs of departments. We trust that the Treasury will review this matter and shall be interested to learn the result of its deliberations in due course.

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Part II

(c) Item 13 - Incidental and other expenditure.

Original Appropriation £188,000; Expenditure £228,079.

182. Your Committee examined four main items stated to have been responsible for the actual expenditure exceeding the original appropriation against this vote.

183. The first of these concerned an amount of £15,000 charged to this item at the request of the Treasury for which provision had been made under Item 12 of Division 475. Mr Colgan explained the reason for this as follows:-

(MR COLGAN) In the way the Estimates in 1960-61 were constructed, we had an incidental item under Division 471/04 - Australian Naval Forces Pay. We also had one under Division 473/05 - Incidental expenditure in connection with R.A.N. Reserves. Also, under the general administrative expenses vote (Division 475) we had Item 12 - Incidental expenditure. Thus we had three incidental items in the Estimates and Treasury decided to amalgamate them into one item under General Services. That was just prior to the rendering of our Estimates for 1961-62.

Q.762

184. A further amount of £12,000 was required to meet cleaning and security charges at the Russell Hill Offices, following the transfer from the Administrative Building, and for increases in similar expenditure at Victoria Barracks and Albert Park Barracks, Melbourne. The witness informed Your Committee that although the Department was aware, when the draft estimates were framed, that it would be transferring to the Russell Hill Offices during the year it could not anticipate the effect of the increased charges at that time. Accordingly when these were ascertained provision was made in the Additional Estimates.

Q.766

185. During the Second World War the Department of the Navy took over a jetty at Rockingham, Western Australia, on the condition that it should later be returned to the local authorities in the same condition as when it was acquired. The jetty was handed back to the local authorities early in 1962, and following negotiations £5,000 was paid to them to demolish a stone wall which had been erected earlier by the Navy. This expenditure had not been foreseen at the time the draft estimates were prepared and the sum required was provided from Additional Estimates.

Q.770

186. The remaining item related to increased rates of allowances payable to instructors of Sea Cadets. We were informed that the allowances are normally paid about August/September of the financial year following the year in which they are earned. These increases, amounting to £5,000 were retrospective to 1960-61 and were overlooked when the Estimates were drafted. Provision for the additional sum required was therefore made in the Additional Estimates.

Committee
Document
T.A.62/45

187. Altogether £32,000 was provided from Additional Estimates and a further £8,079 from the Advance to the Treasurer.

188. Your Committee accept the explanations concerning increased cleaning and security charges and the costs associated with the jetty at Rockingham. However, on the evidence submitted it would appear that a substantial part of the estimating error would not have arisen if more care had been taken when amalgamating the three items of incidental expenditure referred to in paragraph 183 above and if the amount payable to Sea Cadet instructors had not been overlooked.

(iv) Division No.476/02 - Equipment and Stores - H.M.A. Ships, Fleet Auxiliaries and Naval Establishments - Naval and Air stores.

Original Appropriation £3,818,000; Expenditure £4,573,562.

189. Of the £755,562 over-expended on this item, £110,000 was provided from Additional Estimates and £645,562 from the Advance to the Treasurer.

190. Mr Colgan explained to Your Committee that £150,000 of the additional expenditure incurred was in respect of a series of undercharges by the Admiralty for certain items that had been supplied to the Department progressively since 1955. Notice of this adjustment was not received by the Department until March, 1962.

Q.796

191. We were advised also that whilst the Department can check from the Admiralty Rate Books the cost of items supplied from Admiralty stores, it has no means of checking the actual cost of items supplied by firms to whom contracts have been awarded by the Admiralty on their joint behalf. In these cases the Department is dependent on the Admiralty and would pay on the basis of the claims submitted from time to time. When adjustments are made on the contracts affected the Department naturally would be required to meet its share of the increased costs involved for the items it has received.

Q.800

Q.799

Q.802

192. We were also informed that an amount of £242,000 was expended in refitting batteries to R.N. submarines. No provision had been made for this expenditure in the original estimates. In addition, due to delays on the construction of certain vessels, stores valued at £103,000 which had been purchased for issue to the shipyards in respect of those vessels were not utilised as expected and consequently remained as a charge against this vote.

Committee
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T.A.62/54

Qs.812,
813

193. The remaining over-expenditure resulted from the accelerated deliveries of certain air stores equipment which was required during the latter half of the year, the increased cost of aircraft repairs and to certain items of equipment which, with the approval of the Treasury and the Department of Defence, were purchased during the year instead of in 1962-63 as originally planned. The last mentioned fact is stated to be partly the reason for

Q.789

£3,056,000 being sought in 1962-63 against this vote as compared with the expenditure of £4,573,562 in 1961-62.

194. In reply to a series of questions raised by Your Committee concerning the small amount sought from Additional Estimates in relation to the total additional funds required we were informed:-

MEMBER.- It is £755,000, and provision from the Treasurer's Advance was £645,562, as against provision in your Additional Estimates of only £110,000. Surely some of the additional requirements could have been foreseen at the time you were preparing your Additional Estimates?-- (MR COLGAN) Yes, that could be foreseen, too, but I suppose we should look at the general position. You might remember that we did expend our entire appropriation. There is provision whereby we can, even after the Budget Estimates and Additional Estimates have been put through, get a transfer from other divisions of the estimates, and we had permission from the Treasury and the Department of Defence to do that. That is why we are up on some items. A large portion of the excess of expenditure could be attributed to the bringing forward from 1962-63, under proper authority, and a large proportion due to factors we could not accurately foresee.

Q.816

MEMBER.- In other words, you say part of it is due to acceleration of delivery and perhaps to an acceleration of your requirements; but I do not think you have explained to my satisfaction, anyway, why stores in general should have been underestimated so heavily?-- (MR COLGAN) Could I put it this way, that we were not in effect underestimated to the extent really shown, but rather we accelerated, or we were able to effect these purchases from the money which we had in our overall appropriation. That was approved by the Department of Defence and the Treasury. So, as you can see, it was not all an under-estimate.

Q.817

MEMBER.- In your additional requirements for £110,000, you really knew that you would spend more than £110,000. Virtually, that is what I take it from your explanation?-- (MR COLGAN) That is so. If savings became available under other votes later.

Q.818

MEMBER.- Where did you think the additional money was coming from? You knew you would spend more than £110,000?-- (MR COLGAN) Naturally, we could not spend that money until it was voted to us. As you know, there is control over the actual cash expenditure until money is made available to us to expend. We cannot go beyond our warrant of authority from the Treasury.

Q.819

MEMBER.- But you realized these goods were coming forward and you would have to make provision for them?-- (MR COLGAN) If the funds had not been made available to us from savings under other votes we would have had to defer them to 1962-63.

Q.820

195. Your Committee cannot accept, in general, the explanations offered for the large amount obtained from the Treasurer's Advance. We are aware that the Treasury does, in certain cases, require departments to effect "savings" under other votes before it approves the

provision of funds from that source. But in this case the Department, should have been aware at the time the Additional Estimates were prepared that it would need much more than the £110,000 it actually obtained.

196. The action taken denied to the Parliament its right to appraise and approve expenditure considerably in excess of that sought in the Estimates for the purposes of this particular vote.

(v) Division No.481 - Naval Construction.

Original Appropriation £7,787,000; Expenditure £6,469,374.

197. The total under-expenditure on this item amounted to £1,317,626. The main items of underspending related to Exhibit Coastal Minesweepers £287,000, Survey Vessel £347,000 No.60/7 and Anti-Submarine Frigates £591,000. Net "savings" on certain other vessels amount to £8,000.

198. Your Committee were informed that six coastal minesweepers were ordered from the Admiralty in November, 1960 and that £1,925,000 was paid in 1960-61 for the hulls of these vessels. Based on an estimate made by the Admiralty that the conversion costs would amount to £4,411,000, an amount of £2,575,000 was included in the 1961-62 Estimates by the Department for this purpose. Conversion of the vessels was later arranged by the Admiralty at a contract price of £3,986,000 - £424,000 below the estimate originally made. As a result expenditure was £287,000 lower than expected. We were advised also that these vessels were commissioned in England in July, 1962 and that they will be proceeding to Australia in October, 1962. Q.823

199. Your Committee has already commented on the under-expenditure concerning the Survey Vessel in paragraphs 95 to 98 above.

200. The under-expenditure on the anti-submarine frigates was due primarily to the fact that extensive alterations to the specifications became necessary as the result of the introduction of new equipment. We were advised that construction of the two vessels was commenced in July 1956 and January, 1958 and that it is expected they will be completed in June 1963 and December 1963 respectively. Mr Colgan stated:- Exhibit No.60/7 Q.826 Q.827

(MR COLGAN)....that because of the extensive structural modifications incorporated in the vessel based on details received as recently as August 1961, the rate of expenditure could not be maintained. The alterations involved very large structural changes on the decks of the ship, and the general arrangements had been known for six or eight months beforehand. Our draftsmen had worked a great deal of overtime endeavouring to get the revised drawings to the shipbuilders. Having regard to the date final drawings were issued - they were quite comprehensive - implications on 1961/62 expenditure were not realised. The Company advised the financial implications in October 1961 - reducing the 1961/62 estimate by £365,000. I have £393,000 in the paper submitted but £28,000 was related to the Williamstown construction. Q.833

201. The balance of the under-expenditure in connection with the construction of these vessels was due mainly to the inability of contractors overseas to meet the schedule delivery dates for certain equipment. Exhibit No.60/7

202. Your Committee appreciate the need to incorporate into the construction of these vessels the latest technical improvements and modifications. We are not satisfied, however, that the Department could not have avoided a substantial part of the over-estimate that occurred on the Anti-Submarine Frigates. It seems that the Department was aware well before the draft estimates were prepared that major structural alterations would be required. The extent, if any, to which this factor affected the estimate made is not known but it would appear that if greater attention had been given to it initially a lower estimate of the likely cost in 1961-62 would have resulted. Q.833

(K) DEPARTMENT OF LABOUR AND NATIONAL SERVICE.

- (1) Division No.401/2/02 - Office requisites and equipment, stationery and printing.

Original Appropriation £49,000; Expenditure £39,443.

203. The provision made under this Item included replacement of two accounting machines, (£5,000), an addressograph machine (£1,100) and annual supplies of certain stationery (£2,750). The main reason for the under-expenditure was the fact that no expenditure was incurred on any of these separate items during the year. Exhibit No.60/15

204. We were informed that the two accounting machines were required to replace two existing machines whose performance had been unsatisfactory. However, approval to purchase them was withheld by the Public Service Board. On being asked why the Treasury had not queried the purchase of these machines when the draft estimates were discussed with the Department we were advised by the Treasury representative that correspondence on this matter had been exchanged with the Department. Later when the Department's draft estimates were being discussed the Treasury had been informed that the provision of these machines had been approved in principle by the Public Service Board's Organisation and Methods section. In these circumstances it was thought reasonable to allow the provision to stand. Q.844 Q.858

205. The provision made for the addressograph machine was based on advice received from the original suppliers that the existing unit was unserviceable. The machine was later examined by some of the Department's own engineers and certain repairs effected which have restored its usefulness for a further three or four years. No action was taken therefore to purchase a new unit. Q.846 Q.861

206. With regard to stationery we were informed that although the order had been placed early in the year the supplies were delivered too late for the expenditure incurred to be charged against the 1961-62 appropriation.

207. Your Committee, in general, accept the explanations given but consider that the sum of £1,000 should not have been sought for the addressograph machine. However we note that the Department acted correctly in not proceeding with the purchase of a new addressograph after further investigation, which had revealed that some years of useful life still remained in the old machine.

- (ii) Division No.255/17 - Repairs and maintenance.

Original Appropriation £30,000; Expenditure £18,927.

208. The main reason for the under-expenditure on this vote was the failure of the Department of Labour and National Service, often owing to causes outside its control, to submit the necessary requisitions to the Department of Works. Also the requisitions were lodged, in a number of instances, too late in the year to enable the work to be completed. Exhibit No.60/15

209. Mr A.W.G. Miles, Executive Officer of the Department of Works informed Your Committee of the procedure followed in the preparation of the repairs and maintenance programme of the various departments.

MEMBER.- Does your Department prepare the Estimates under Division 255 or are the Estimates prepared jointly with each department for whom work is carried out?--(MR MILES) In the first instance, the department requiring the work proposes formally their works requirements for the ensuing year and the Department of Works then in conjunction with the sponsoring department and the Treasury formulates the provision in the Estimates for expenditure on the works proposed by the sponsoring departments. Q.865

210. The representative of the Department of Labour and National Service, Mr B.K. Phelan, explained to Your Committee the difficulties which the Department faced with this vote. He mentioned that the Department operates about 120 District Employment Offices throughout Australia and that about three quarters of these are located in rented premises. Negotiations with various landlords on termination of leases, attempts to find new leases and moving into Commonwealth owned premises from time to time all add to the difficulty of establishing precisely which arrangements can be finalised in one year. He instanced several cases where unforeseeable delays had occurred with attempts to complete tenancy agreements during the year. Q.873
Q.874

211. Your Committee, therefore, were informed on the difficulties which confront the Department in administering this vote. However we consider that the Department, knowing the complexities involved, should have made a more realistic assessment of the probable expenditure when the draft estimates were prepared in collaboration with the Department of Works and the Treasury. We were advised that the appropriation provided for an expenditure of £28,302 on an approved programme of £35,904 which included a revote of £9,777. As all the works carried forward from 1960-61 were finalised, less than half the amount provided for new works in 1961-62 was expended during the year. Exhibit
No.60/9
Q.869

212. In the circumstance Your Committee consider that a more careful assessment of the various factors affecting this vote should have been made for 1961-62 and we trust that they will be made in future years.

(L) DEPARTMENT OF DEFENCE

(i) Introduction of Electronic Data Processing Equipment.

213. Our enquiries into certain votes of the Department of Defence which are referred to in detail in later paragraphs, were related to circumstances arising from the fact that the Department of Defence is initiating the introduction into the Service departments of large scale electronic data processing equipment.

214. Mr R. Kingsland, First Assistant Secretary of the Department informed Your Committee that the origin of the proposal to introduce this equipment into the Services goes back to 1958 -

(MR KINGSLAND) when a Cabinet committee on public service functions decided that the possibility of introducing E.D.P. into the Australian Services should be examined. In September, 1958, a small committee, with myself as chairman, Dr. Ovenatone, a couple of others from Defence, and representatives of the Services, formed what was called an exploratory committee and, over a period of three months, we did a study to see whether this looked like being a feasible proposition. We then reported back to our Minister that it did look feasible, that it did look to be a good thing. We began a feasibility study in April which lasted a year, looking very closely to see whether it would in fact work. This is a classic way of introducing E.D.P. At the end of that time, it was looked at by the Department and various Ministers of the Government, and it was decided to go ahead. That decision was taken in December 1960. Q.929

He added also that the main object in introducing it was:-

(MR KINGSLAND) Speed of operation, which is a highly desirable thing in the Services. Because of this speed of operation, we hope to achieve economies, particularly in the pipeline of supply. Instead of checking once every three or six months to see whether you require equipment, you will check virtually every day. Q.931

215. The proposal, when fully implemented, envisages a completely integrated system for all the activities of the Service departments and not merely isolated sections of each department. The individual target dates for converting each department to the new system are January, 1961; January, 1966 and January, 1967 and the estimated cost of establishing the whole programme including equipment costs, over the six-year period is £7,800,000. However when the third system has been introduced the Department of Defence estimates that the equipment will have made unnecessary the employment of some 1,500 officers and that the total expenditure incurred will be recouped within two years of the final installation. Q.927 Q.978 Qs.932-935

216. Part of the equipment for the first system which will eventually be taken over by the Department of Air, arrived early this financial year. This is being installed in a special E.D.P. building at present under construction at Russell Hill, Canberra, which is to be occupied jointly by the Department of Defence and Air. A second building to house the equipment and staffs of the Department of the Army and Navy will be constructed later in the same locality. A decision as to whether the Department of Defence should instal a fourth system, possibly for its own use has not been made. This question will not be resolved until a complete assessment of the position has been made at some later stage. Q.927 Q.982 Q.960 Q.967

217. We were informed also that the computer at present being installed at Russell Hill is the largest in the country; the cost for example, being £940,000 as compared with a standard cost of about £150,000 for other computers already installed throughout Australia. Approximately 100 operators will be required by each Service E.D.P. centre to operate the plant plus a further 40 to 60 officers in the field depending on the size and disposition of the forces of each Service department. Q.989 Q.990

218. Your Committee is indebted to Mr Kingsland and Dr J.A. Ovenstone, Controller, Electronic Data Processing, of the Department of Defence for the interesting and informative background they have given us on the decision taken to introduce electronic data processing systems in the Service Departments. We look forward with interest to seeing whether the increased efficiency and savings anticipated as a result of the introduction of this equipment will be achieved.

(ii) Division No. 451/2/01 - Travelling and subsistence.

Original Appropriation £60,000; Expenditure £41,668.

219. The under-expenditure against this vote relates mainly to two items, each of which is concerned with the difficulty in obtaining Electronic Data Processing staff. An amount of £16,000 was included to cover the travelling expenses of staff to be recruited from overseas and a further amount of £6,000 was provided to cover the expenses of E.D.P. staff travelling to Air Force stations for data collection. The actual expenditure incurred for these items was £3,000 and £1,000 respectively.

220. Your Committee were informed by Mr R. Kingsland that efforts to obtain competent and experienced staff locally to fill the more senior E.D.P. positions in his Department had proved unsuccessful. The Department had decided to seek applicants from the United Kingdom where it had been advised, by several competent authorities, that recruitment efforts would probably be successful. He added:-

(MR KINGSLAND) There is a world-wide shortage of E.D.P. staff. E.D.P. is a relatively young art, commenced in a major way in about 1950, and since then there has been a constant demand for people who have a particular background for this work and who have the requisite E.D.P. experience. We wanted to get the combination of an academic background, particularly in mathematics, and also experience in the actual operations of the machines.

We were advised that the response to advertisements made in April-May, 1961 were extremely good in terms of numbers and that eighteen applicants were chosen to fill the twenty positions advertised. However by the time they were ready to take up their appointments the majority of these decided to remain in the United Kingdom and only four proceeded to Australia. Further advertisements were placed later in the year and these resulted in an additional ten appointments being made. However these officers were still in the United Kingdom where they were being trained by the manufacturers of the equipment the Department is procuring.

221. Your Committee was also interested in Mr Kingsland's comments regarding the time required to train operators:-

MEMBER.- How long does it take to train a man in Electronic Data Processing - do you call him an engineer?--(MR KINGSLAND) We call them programmers and operators. Programmers are the most difficult to train. I should say it would take two years. In addition to the basic academic training there would be a six months course and then about eighteen months on the job training. In about two years we would have a suitable low-level programmer, and we are in

point of fact working towards that end now by training our own people. It had been our intention to meet this initial requirement for high quality and experienced staff from overseas.

222. One of the difficulties experienced by the Department in its recruitment of staff was the fact that the salaries offered for the higher positions did not compare favourably with those ruling in the United Kingdom. However, the salaries which Australia was offering in the middle ranges were reasonably comparable. Q.882

223. Whilst recruiting both in Australia and overseas has since improved, the Department is still short of twelve positions of programmers. Q.898

224. The under-expenditure on travel to Air Force stations for data collection was due to lack of both E.D.P. operators and programmers. We were informed that the collection and recording of data is a function which E.D.P. operators are required to perform. The Department's strength on this type of staff was so low that it was unable to send out the number of operators it had hoped and for which provision had been made. The Department had therefore to depend on the Department of Air to supply information as and when required. We were told also that operators are dependent on the programmers to inform them what material is required and when it is to be collected. Not having enough programmers at the time the Department was not in a position to implement fully the necessary operations and procedures involved. Q.908

225. In the circumstances it could not be established whether, in fact, the full amount of £6,000 was a reasonable estimate of what might have been expended on data collection. However, in view of the difficulties in initiating a programme of this nature and magnitude, Your Committee, on this occasion, accept the explanations offered.

(iii) Division No.451/2/02 - Office requisites, stationery and printing.

Original Appropriation £20,000; Expenditure £15,762.

226. The under-expenditure was due to the non-purchase of an item of E.D.P. office equipment and to lower requirements of special E.D.P. stationery in view of staff recruitment difficulties. Exhibit No.60/16

227. We were informed that the equipment for which provision was made under this vote was an Xerox Copying Machine. However when the Commonwealth Supply and Tender Board were approached for approval to purchase the unit the Board considered that this type of work was more appropriate for the Government Printer to perform. The Department accepted this view. Q.945

228. Your Committee have already reported on the difficulties experienced in securing E.D.P. staff. We have noted above, paragraph 220, that the staff anticipations were made on reasonable grounds, and, as stationery requirements were based largely on expected recruitment we accept the explanations given.

(iv) Division No.457 - Plant and equipment.

Original Appropriation £109,000; Expenditure £87,845.

229. The main reason for the under-expenditure against Exhibit this item was the late delivery from overseas of power frequency conversion equipment for the E.D.P. Proving and Training Centre at Russell Hill, Canberra. The order for this equipment was placed on 18th November, 1961, and delivery was made on 9th July, 1962 - too late for payment to be made in the 1961-62 financial year. No.60/16
Q.958

230. Your Committee accept the explanation given in this instance but remind the Department that orders especially with overseas suppliers, should be placed as early as practicable and, where there is any doubt on supply dates Treasury approval to a pre-commitment should be sought.

231. We noted also that a provision of £1,047,000 has been made in the 1962-63 Estimates under this item and sought an explanation for the reason. We were informed that the main item involved is the Minneapolis-Honeywell computer which has already been installed in the Computer Hall at the Russell Hill E.D.P. Centre and that payment will be effected after the equipment has been thoroughly checked and tested to the Department's satisfaction. Q.968

232. This is the first of three or four similar sets of E.D.P. equipment to be purchased for the Service Departments. The present equipment is being provided for the Department of Air and in the coming years similar equipment will be purchased for the Department of the Navy and Army. A decision whether the Department of Defence is to have a fourth system has not yet been taken. As to the life expectancy of this equipment we were informed by Mr Kingland:- Q.966

MEMBER:- Should we expect similar provisions to be requested in future years, or once these three machines have been paid for, will that be the finish?---(MR KINGSLAND) That will be the finish for many years. One would not expect to buy new major equipments within a period of ten years, anyway. These are expensive ones. They are in the van of developments. We think they will meet the requirements of the Service Departments for at least the next ten years. Better equipments may come along, but these equipments do not wear out. They are not like a motor car. They are not being shaken around. They will continue doing a good job for twenty years, if you like; but it may be more economical to change them over at the end of ten years. We do not know about that yet. Q.969

(v) (a) Division No.466/01 - Department of Defence	} Expenditure under the National Capital Development Commission Act.
(b) Division No.554/01 - Department of Air	

(a) Original Appropriation £95,000; Expenditure £175,800.
(b) Original Appropriation £65,000; Expenditure £124,200.

233. The provisions made against these votes were the proportionate costs, to be borne by each Department, of the expenditure expected to be incurred in 1961-62 for the construction of an E.D.P. building at Russell Hill,

Canberra. The building is to be occupied jointly by the two Departments and approval for its erection was given in February, 1961.

Q.971

234. Based on information supplied by the Department of Defence the National Capital Development Commission arranged for rough sketch plans of the proposed building to be prepared. These were submitted to the Department together with advice that the estimated cost of the building, including air conditioning, would be £284,000.

Exhibit
No.60/17

235. In June, 1961, the Department of Defence authorised the Commission to prepare the detailed planning and to arrange for the calling of tenders for the construction of the building, excluding the air-conditioning system. Later that Department decided that the air-conditioning should also be included in the cost of the building. The following advice was given of the problems associated with the installation of the air-conditioning system:-

MEMBER.- Why was it later decided that provision should be made for air-conditioning? You say that it was provided for in the original estimate. When was this decision taken?--(MR KINGSLAND) In June we got an estimate, and it was a very rough estimate - it had to be, because they had a complex building and required a fair amount of detailed planning. We got a figure of £213,000 for the building; £45,000, which was clearly stated as a rough figure - just a rounded figure - of the sort of price you would expect to pay for this sort of air-conditioning; and then fittings which took us up to £284,000. At that stage we had not selected the computer. Some of the firms had a package deal, that is, the computer and air-conditioning, which is a critical part of the overall scheme. One might have expected Minneapolis-Honeywell to have come up with such a scheme because they are people interested in air-conditioning. Another firm in England, Univac, I believe used to - I do not know whether they do now - make it a complete package deal. They say, "This is the computer equipment and this is the air-conditioning equipment; we will supply one with the other." So we took this £45,000, which was the air-conditioning figure, out of that and proceeded on the basis of the building only until we finalized on the computer, final decisions on which were not taken until September of that year.

Q.974

and later

MEMBER.- As has been stated before, there are computers operating in Australia. I presume they are air-conditioned. Why was air-conditioning such a problem in this instance?--(MR MYERS) That is a technical question which I will have to advise you on. I am not a technical man. Dr Ovenstone may be able to answer that question. It is more allied to the equipment itself than anything else.

Q.988

(DR OVENSTON) The equipment is the largest in the country and the operating conditions for it are quite stringent. The other computers in this country are not as large and consequently do not require quite as stringent working conditions. Temperature controls are 72 plus or minus 2 degrees Fahrenheit, humidity between 40 and 50 per cent., and dust control down

Q.989

to two microns. That is the standard operating condition for a large-scale computer of pretty well all types now.

236. After the preparation of the detailed plans and specifications, the estimated cost of the project was revised as follows - £348,594 for the building and associated works and £110,120 for special air-conditioning - a total of £458,714. Work on the project commenced shortly after the closing of tenders on 29th September, 1961. In view of the increased costs involved and the fact that the Department of Defence desired the building to be constructed as quickly as possible further amounts of £88,000 and £72,000 were provided in Additional Estimates for the Department of Defence and Air respectively, to meet increased expenditure incurred. Exhibit No.60/17

237. In a written statement supplied to Your Committee the National Capital Development Commission gave the following explanation for the discrepancy between the original and final estimates of costs -

"..... Exhibit No.60/17

The project had two unusual features : it was the first of its kind undertaken by the Commonwealth, and therefore contained many unknown problems, and secondly, an exceedingly tight schedule of design and construction was enforced by the Defence Department's need to have the building available to receive the equipment ordered overseas. The first appreciation of expenditure made very quickly by the Commission's architectural agents was based on a statement of the requirements, but as the detailed drawing emerged and the Architects reached a clearer understanding of the functional relationships, characteristics and detailing of various parts of the building, it was apparent that the first appreciation of cost and expenditure had to be substantially expanded."

238. The reasons for the Department's desire to complete the building as quickly as possible were three-fold in character. The Department wished to retain the staff of E.D.P. personnel they had assembled and got them working as soon as possible; it desired to avoid unnecessary expenditure by not being able to maintain the staff fully employed and thirdly it wanted to implement the new E.D.P. procedures without delay so as to effect planned savings in other directions. Q.976

239. Your Committee accept the reasons advanced by both parties for the increased expenditure in this case and we approve of the action taken in securing the further funds required from Additional Estimates once the need for the increased expenditure arose. We are surprised, however, at the difference between the original estimate placed on this project and the final cost. Despite the explanations put forward by the National Capital Development Commission we feel that the Commission with the assistance of the detailed advice of the requirements of the Department of Defence should have been able to make a more realistic estimate when the initial assessment was made.

(M) DEPARTMENT OF AIR

(1) Division No. 551 - Rent.

Original Appropriation £264,000; Expenditure £289,963

240. A further sum of £27,000 was provided in Additional Estimates to cover the increased cost of renting Q.1013 additional houses and flats for Air Force personnel.

241. Mr F.C. Sutherland, Assistant Secretary of the Department, explained to Your Committee's satisfaction the reasons for the large increases in rentals that have taken place in recent years. Substantially his explanations are similar to those given by the representative of the Department of the Navy in that the main costs incurred relate to rentals on houses and flats taken over by the Department from the various Housing Commissions in the States. Approximately only 10 per cent. of the total rental costs are incurred in respect of office accommodation. Q.1008

242. As at 30th June, 1962, the total number of dwellings erected specifically under the Commonwealth and State Housing Agreement for the Department of Air was 1623 dwellings. These are occupied exclusively by Air Force personnel. Mr Sutherland mentioned that according to the Department's latest assessment all personnel above the rank of Flight Lieutenant pay the full economic rent as determined by the Department of the Interior while the remainder pay a rental based on 15 per cent. of their pay and allowances. Q.1018 Q.1025 Q.1023

243. Your Committee accept the explanations given in this case.

(11) Division No.552 - Acquisition of sites and buildings.

Original Appropriation £247,000; Expenditure £119,014.

244. Of the £127,986 underspent against this vote £90,000 was due to the deletion from the 1961-62 acquisitions programme of eighteen houses - seven in the Richmond-Windsor area, one at Sydney and ten at Townsville. The remaining under-expenditure resulted from the delay in negotiating the acquisition of land at Kingswood, New South Wales and Pearce, Western Australia. Exhibit No. 60/3

245. We were informed by the Treasury representative that the proposal to purchase the houses was accepted by the Treasury at the time discussions on the departmental estimates took place. The subsequent cancellation of these acquisitions was explained to us as follows:- Q.1049

MEMBER.- Mr Sutherland, the main reason for the under-expenditure on this item, according to the explanations received from the Department of the Interior, is that eighteen houses estimated to cost £90,000 were deleted from the programme, seven at Richmond and Windsor, New South Wales, one at Sydney and ten at Townsville. Why was the acquisition of these houses not proceeded with?--(MR SUTHERLAND) Because we had for some years been acquiring houses in metropolitan areas as a quick means of easing the housing problem in the Services, in addition to our own building, which we were doing Q.1041

under Department of Works auspices, and also the houses we were acquiring through the State Housing Commissions. Because of the high marriage ratio in the Service we are at the moment still about 2,000 houses short. We were using this acquisitions vote to acquire some of these houses. They were houses which were built or were being built specially for us. During this year this kind of acquisition was queried by the Department of Defence and the Treasury, as to whether we should continue to purchase houses by means of this vote. A decision was given that we should not, and that we should rather buy them outright from the Housing Commissions.

MEMBER.-According to the Department of the Interior, Mr Sutherland, you advised the Department, on 12th February, to delete from the programme 10 houses being acquired at Townsville. You have already said that that was done at the request of the Department of Air?--(MR SUTHERLAND) That was not done at our request. That was because of an earlier decision given by the Department of Defence and the Treasury that we should not purchase these houses under the acquisitions vote, but we should purchase more houses from the Housing Commissions. We did purchase more houses from the Housing Commissions in that year. Q.1051

MEMBER.-Then you dropped this proposal?--(MR SUTHERLAND) Yes, we dropped this proposal; so it is really an exchange between one Division and another. Q.1052

MEMBER.-So 18 houses were dropped from the programme, were they?--(MR SUTHERLAND) That is correct. Q.1053

MEMBER.-Where were the other eight houses? Anyway, they were dropped?--(MR SUTHERLAND) Yes, but we took up more than 18 houses under the Housing Commissions, Advances to the States division of our votes. (MR POND) The decision to delete from the programme 10 houses at Townsville was not made by the Treasury or the Department of Defence; it stemmed from a Cabinet decision made in March, 1961, and from a revision of the Commonwealth State Housing Agreement, operating from 1st July, 1961. Q.1054

246. It was later established that the Treasury witnesses' statement in Q.1054 referred to the 10 houses at Townsville. The March, 1961 decision laid down the policy that allocation of houses by the State Housing Commissions was the preferred method of accommodating Service personnel. When the Acquisitions Programme was settled the housing requirements of the Department of Air could not be satisfied fully by this means and provision was therefore made for the acquisition of a number of houses including those at Townsville. Committee Document No. T.A. 62/56

247. An amendment to the Commonwealth/State Housing Agreement, operative from 1st July, 1961, was ratified by the Queensland Government in December, 1961. As this amendment made provision for the erection of a greater number of houses by the Housing Commission the proposal to acquire the houses at Townsville was reviewed and subsequently deleted from the programme.

248. The delay in acquiring the land at Kingswood and Pearce was due to the fact that in both cases the Department of the Interior had to resort to compulsory acquisition following abortive attempts to come to agreement with all the owners concerned. The question still to be settled is the compensation to be paid to the owners and to date agreement in this respect has not been reached.

Q.1034
Exhibit
No.
60/3

249. Your Committee accept the explanations given.

(iii) Division No.532/1/03 - Civilian Services - Salaries and payments in the nature of salaries - Extra duty pay.

Original Appropriation £75,000; Expenditure £58,474.

250. In conjunction with the Department of Defence the Department of Air operates a Proving and Training Centre to test Electronic Data Processing accounting systems which will be introduced into the Service Departments.

Exhibit
No.
60/18

251. In establishing its staff of E.D.P. personnel the Department recruited officers from within various sections of its existing establishment, approximately half of whom are civilians. The Department anticipated that as a result additional overtime would have to be worked in the Department, not only by its E.D.P. staff in carrying out the programme envisaged by the Department of Defence, but also by the staff who took over the positions left vacant by the personnel appointed to E.D.P. positions. However, in view of delays experienced in the training schedule for E.D.P. programmers and operators and the fact that the staff which replaced that absorbed into E.D.P. positions proved more effective than anticipated originally, expenditure on overtime did not reach the level expected.

Q.1062
Q.1071

252. Your Committee accept the explanations given on this occasion as expenditure against this vote was partially dependent on the achievements in other sections of the new E.D.P. programme.

(iv) Division No.533 - Administrative expenses and general services.

(a) Item 02 - Office requisites, stationery, printing and text books.

Original Appropriation £290,000; Expenditure £318,345.

253. The over-expenditure incurred under this Item was due principally to increased printing costs associated with the introduction of a new type of aircraft into the R.A.A.F. An amount of £30,000 was provided from Additional Estimates to meet the increased expenditure and this was explained as follows:-

(MR SUTHERLAND) The main reason for this is that we have a R.A.A.F. printing unit, called the R.A.A.F. Printing and Publications Unit, which we use extensively for all our printing requirements, but this year, with the in-put of the P2V7 aircraft from America there were a number of publications which were put out with the aircraft in what you might call master form. They had to be printed fairly quickly and they ran into some thousands of

Q.1076

publications relating to all the technical data required behind the aircraft and its equipment. This load was put on the R.A.A.F. Printing and Publications Unit, and for our ordinary requirements we found that we had to go outside through the Department of Supply for commercial printing to keep up with our normal publications.

254. We were informed also that the printing of publications relating to aircraft is a constant process because modifications that are made from time to time affect the basic publication. Mr Sutherland added that the future of the Department's printing unit is at present under consideration following a suggestion that the printing requirements of all Service departments be integrated with the unit under the control of the Department of the Army. Q.1079 Q.1085

255. Your Committee accept the explanations given in this case. We are also very interested in the proposal now under consideration for integrating the printing requirements of the Services under one control. We think there is merit in the suggestion which, if adopted, would possibly effect worthwhile savings and we shall be glad to learn in due course the decision reached in the matter.

(b) Item 03 - Postage, telegrams and telephone services.

Original Appropriation £560,000; Expenditure £551,591.

256. In addition to the original Estimates provision an amount of £20,000 was provided in Additional Estimates. However, it transpired that this amount was not required.

257. Following a review of expenditure under this item it was found that telephone costs were increasing. In this regard we were informed that there were five tied lines connecting the Administrative Building in Canberra with Victoria Barracks in Melbourne. These had been installed for the joint use of the three Service Departments and the rental paid by each Department was approximately £4,900 per annum. A further six tied lines also connected the Administrative Building with the Russell Hill offices. In view of the limited number of these lines the general tendency of officers was to use ordinary lines, and in particular trunk lines, to a greater extent than in the past. Q.1089

258. In October, 1961 a directive was issued by the Chief of the Air Staff instructing departmental officers to effect economies by making a greater use of the tied line system. At the same time a recommendation was made to increase the number of tied line connections with Victoria Barracks to seven and to the Russell Hill offices to eleven. These were installed later in the year. However, since the Department could not anticipate when the Postmaster-General's Department would provide the additional installations an amount of £20,000 was sought from Additional Estimates to cover the increased costs incurred up to that time. That amount was not utilised however as an account of £14,000 for telephone charges was received too late in the year to be settled before 30th June, 1962. The remaining under-expenditure was due mainly to the additional tied lines provided. Q.1103 Q.1098

259. Your Committee are satisfied with the explanations given in this case and with the action taken by the Department in effecting economies on telephone costs.

- (c) Item 10 - Training of personnel at other than R.A.A.F. establishments.

Original Appropriation £75,000; Expenditure £128,992.

260. A further sum of £57,000 was provided in Additional Estimates to cover the cost of an increased number of services provided during the year. These were either unforeseen or had not been firm proposals at the time the original estimates were prepared. Exhibit No. 60/18

261. The major part of the additional expenditure incurred was in respect of salaries paid to the Melbourne University and for which £30,000 was provided. In this regard Mr Sutherland advised Your Committee:-

MEMBER.~ What new commitments was it expected would be undertaken when the original estimate was prepared, and what was the expected cost of those new commitments?---(MR SUTHERLAND) We knew that there were negotiations going on with the University of Melbourne over the establishment of a university annexe at Point Cook to train cadets up to Bachelor of Science degree. We also had in our civilian salaries vote coverage for people who were training cadets under the old R.A.A.F. Cadet College scheme. We saw the way that these negotiations were going and we thought it best not to make provision for something that we did not know much about at the time. We did not know whether the University would come in on the arrangements as a detachment or whether it would leave it for the people concerned to be placed under the Public Service Act and treated as ordinary civilians working for the Department. So, we did not make any provision in the original estimates for this particular aspect, but as the year passed, full agreement was reached with all the persons concerned - the Public Service Board, the University and the Treasury were represented. The University came in as an annexe and commenced recruiting against its establishment for the lecturing staff at Point Cook for instruction of the students at the academy up to the Bachelor of Science degree. Naturally, we had to pay the salaries of the people hypothecated from our own Cadet College staff for this task by the University and those recruited as well. As you will probably have noticed, we have provided rather heavily for this in the present Estimates. We had not provided at the stage referred to for these people and they came in late in the financial year. Naturally, we had to apply for an Additional Estimate to cover their costs. Q.1114

As a number of anticipated appointments were not made the actual expenditure incurred was £26,388.

262. An amount of £22,000 was included also in Additional Estimates to meet the cost of overseas courses which were not foreseen when the original estimates were prepared. Of that amount £14,000 related to an Empire Test Pilots Course conducted by the United Kingdom Ministry of Aviation concerning which we were informed:- Exhibit No. 60/18

MEMBER.-A sum of £14,000 was expected to be paid for the year 1961-62?---(MR SUTHERLAND) Yes. Q.1127

MEMBER.- So the facts were in order before the Estimate?--(MR SUTHERLAND) We had an advice that it would not be paid, and then they came to light with a claim. As you know, the United Kingdom financial year is different from ours. That sometimes causes us embarrassment because they are anxious to get their claims in before 1st March. Q.1128

263. The remaining over-expenditure was accounted for by a miscellany of minor items such as payments made to various aero clubs for training courses provided to Air Training Corp cadets.

264. Your Committee approve of the action taken by the Department in seeking funds from Additional Estimates for services which were not firm or which could not be foreseen when the original estimate was prepared. However we consider that the Department could have made a more realistic assessment of likely costs initially if the responsible administrative section had shown more care when preparing the training programme. In this regard we note that expenditures in 1959-60 and 1960-61 of £146,009 and £103,872 respectively were substantially higher than the original estimate for 1961-62.

(v) Division No.536 - Equipment and stores.

(a) Item O2 - Guided missiles, armament, bombs and explosive stores.

(b) Item O4 - Communications, electronic and general electrical equipment.

(a) Original Appropriation £2,581,000; Expenditure £1,988,021
(b) Original Appropriation £2,918,000; Expenditure £2,219,269

265. The expenditure incurred against Item O2 may be summarised as follows: Exhibit No. 60/18

	Australia	United Kingdom	U.S.A.	Total
	£m.	£m.	£m.	£m.
Estimates	.371	1.753	.457	2.581
Actual	.415	1.347	.226	1,988
	+ .044	- .406	- .231	- .593

266. The over-expenditure on equipment ordered in Australia was due to deliveries being made by the suppliers ahead of the scheduled times. Q.1134

267. In the United Kingdom the bulk of the forecast expenditure related to a single contract signed in 1959-60 which provided, inter alia, for payment as deliveries were made. Based on information supplied by the overseas firm an amount of £1,360,000 was included in the Estimates to cover anticipated deliveries. However, an expenditure of £1,103,000 was achieved. The remaining under-expenditure involved a multiplicity of orders which were not fulfilled during the year. Exhibit No. 60/18

268. The under-expenditure on orders placed in the United States of America was explained to Your Committee by Mr Sutherland as follows:-

(MR SUTHERLAND) We are dealing with a particular Q.1136
 equipment in the U.S.A. which was responsible for
 nearly all the under-expenditure. The equipment was
 supposed to be delivered to us this year. Actually,
 a large part was maintenance equipment - repeat
 equipment - as well as some capital which was an
 increase in the establishment. During the course of
 manufacture, the equipment was found to have a defect
 which had to be corrected. All production was
 stopped so that all users of the equipment - and we
 were only one of the very minor users - did not
 receive any of their orders for that particular
 period, and naturally did not incur any expenditure.

269. We were advised also that of the numerous orders Q.1139
 provided for in the Estimates only one was cancelled by
 the Department during the year. However placement of
 some orders was delayed owing to reasons mentioned in the
 reply to the following question:-

MEMBER.- As a general rule, is it not possible Q.1138
 to place orders shortly after the commencement of
 the new financial year?--(MR SUTHERLAND) It depends
 on what you are buying. If you are dealing in the
 electronic field, which the R.A.F. does deal in
 very extensively, you may proceed to have a
 specification written and have it ready on 1st July,
 the first day of the financial year, but before you
 have that specification in an envelope, there is the
 probability that some overseas equipment is developed
 outside it, or something better is looming up. When
 the order is placed for you by the overseas office,
 delays have already taken place because of develop-
 ments in other fields. Most of our equipment overseas
 is bought through the Services of the countries
 concerned. In America, most of it comes through the
 United States Armed Services which, of course, are
 naturally concerned at getting absolutely the best
 equipment.

270. The reasons given in regard to the under-expend-
 iture against Item 04 were basically similar to those put
 forward under the previous item.

271. We were informed that, with the exception of one Exhibit
 item which amounted to £100,000, expenditure on orders No. . .
 in existence at 1st July, 1961, was almost wholly 60/18
 achieved. The bulk of the under-expenditure therefore
 related to the new orders placed during 1961-62. This
 seems to have been the position under item 02 referred to
 above.

272. Your Committee agree that for the reasons
 mentioned delays may occur in the placement of some
 orders whilst in other cases there may be good grounds
 for cancelling or deferring particular items. However,
 all departments must be aware from long experience that
 some projects, for various reasons, will not be achieved
 in the coming year and that allowance should be made for
 this when preparing their estimates of likely expenditure.
 Time did not permit us to examine this aspect as fully as
 we intended but from the explanations received it would
 appear that the Department of Air may have been
 over-optimistic in the expenditure it hoped to achieve.

(N) DEPARTMENT OF NATIONAL DEVELOPMENT.

(i) Division No. 412/2/04 - Division of National Mapping - Administrative Expenses - Map printing.

Original Appropriation £18,000; Expenditure £15,063

273. Your Committee recall that this item was examined also in our enquiry for the financial year 1960-61. The reasons given for the under-expenditure this year are broadly the same as those put forward previously, namely delay in forwarding orders and in the payment of claims. P.P.No.112 of 1961 Q.1151

274. We were informed that the outstanding liabilities carried forward to 1962-63 should be reduced by some £1,300. The reason for this is that although certain goods had been received no records existed in the Department to show that full payment had been effected, but the supplier was satisfied payment had been made. Further, a number of orders thought to have been outstanding had, in fact, been cancelled. Q.1152 Q.1161

275. With regard to the delay in settlement of claims we were advised by the Treasury representative that according to information furnished by the Government Printer, an amount of £448.13.5d. was due to him for work done for the Division of National Mapping. A claim for £446 of that amount was rendered during the period 19th - 21st June, 1962, and the Department should have been able to settle the account prior to 30th June, 1962. Q.1166

276. We were informed by Mr Murphy, Accountant, that the existing accounting system is sound and needs no alteration. The errors that had occurred were purely clerical in nature. He added however that a closer check would be kept on the liabilities carried forward - especially on those which are on a programme basis. He mentioned also that Treasury approval has been obtained to incur commitments additional to the Estimates provision which would be paid for in the following financial year. This would provide a more even work flow for the Division of National Mapping and also reduce the incidence of under-expenditure. Q.1168 Q.1162

277. Your Committee are not satisfied with the circumstances revealed in this instance and trust that immediate action will be taken to avoid these deficiencies in the accounting procedures of the Department in future. We are concerned also at the lack of effective liaison between the Division of National Mapping and the Accounts Branch of the Department and expect action to be taken to assure more efficient control of the register of commitments in future.

(ii) Division No.413/2 - Bureau of Mineral Resources - Administrative Expenses.

(a) Item 01 - Travelling and subsistence

Original Appropriation £49,500; Expenditure £58,321.

278. The original appropriation was supplemented during the year by an amount of £17,000 obtained in Additional Estimates. This sum was intended to meet the cost of fares and allowances of new oversea appointees to the staff of the Bureau. Exhibit No. 60/19

279. We were informed that provision had been made in the original estimate for eight officers to be appointed from overseas and that during the year it was considered that an additional eighteen positions would be filled by oversea applicants. This was due in part to the creation of the new Petroleum Exploration Branch within the Bureau and partly to abortive attempts to recruit experienced professional staff locally. Of the twenty-six appointees chosen the fares and expenses of sixteen were paid for by the end of the financial year. Q.1171

280. The amount sought in Additional Estimates was based mainly on the assumption that the new Branch would be created in the early months of 1962. However, the final approval to these positions was not given by the Public Service Board until June, 1962 and it was then too late to incur expenditure on the remaining ten applicants. Consequently, approximately half the Additional Estimates provision had remained unexpended. Q.1177 Q.1186

281. Your Committee sought the advice of the Treasury observers whether funds are provided in Additional Estimates on departmental advice or whether comments from the Public Service Board are sought before approval is given and were informed:- Q.1190

(MR TOWNSEND) Speaking generally, it would depend on the particular circumstances of the case. Certainly we do not make any provision for salary expenditure until there is approval by the Public Service Board, but this is somewhat different where certain expenses must be incurred prior to that event. In this instance I think perhaps Mr Attridge may have something to say. (MR ATTRIDGE) I cannot add any further comments on this point because I have no first-hand information. I must rely on the notes that I have. I was not in the Department at the time. Q.1190

MEMBER.-You will appreciate that this has occurred on other occasions particularly in relation to the engagement of overseas professional and technical staff and discussions with the Public Service Board indicate that the Estimates, one way or another, have been inflated beyond reason? ---(MR TOWNSEND) I am not sure that this would involve a normal check by Treasury. Q.1191

282. Your Committee is not satisfied with the explanations given in this case. In the first instance the Department should have taken steps to ascertain from the Public Service Board when the proposed organisation for the new Branch was likely to be approved before it sought funds in Additional Estimates to cover likely new appointees. Secondly the Treasury should have satisfied itself in these particular circumstances that the Department's request was in fact soundly based before it gave approval to incur additional expenditure on the new organisation proposal. However the main responsibility rested with the Department.

(b) Item 06 - Operations

Original Appropriation £909,000; Expenditure £814,614.

283. The under-expenditure under this Item concerned three large contracts involving a total estimated expenditure of £208,000. The contracts were for an aero- Exhibit No.60/19

magnetic survey in the Simpson Desert, core drilling at Georgina Basin and a seismic survey at Poole Range, Western Australia.

284. We were informed that unavoidable delays occurred in the letting of the first two contracts following the introduction of new legislation during 1962 which had the effect of making geophysical surveys on oil search eligible for subsidy. Before the Department could proceed to call tenders on these projects it first had to satisfy itself that no company was contemplating doing the same work under subsidy. In both of these cases therefore contracts were not let until late in 1962 with the result that little expenditure was incurred. Q.1197
Q.1205

285. The contract for the Georgina Basin project was let in January, 1962 but owing to heavy rain which fell in the area in the following months the contractor was unable to move his heavy drilling equipment from site to site as required under the contract. Accordingly the work did not progress as anticipated. Explaining the reason why this contract was not let until January, 1962 Mr D.F. O'Driscoll, Acting Director of the Bureau stated:- Exhibit No. 60/19

(MR O'DRISCOLL) We went to tender on this in the beginning of October and deliberately set the date of beginning the contract in January, because we find it is difficult to get drilling contractors to operate in this part of Australia during the hot months of summer. We expected them to begin work about January and complete it before June. Q.1202

286. Your Committee consider that a major portion of the under-expenditure could have been avoided if the Department had acted earlier in calling tenders - particularly in respect of the first two contracts mentioned. We were told that the new legislation which affected these contracts was not introduced until 1962. However the Department was aware as early as July, 1961 that the new legislation would be introduced and action was commenced then to ascertain whether companies in this particular field were contemplating similar work in the areas mentioned. These enquiries, we were told, were not completed until the end of the first half of the financial year and tenders were not called until March, 1962. Q.1197
Q.1207

287. On the evidence available therefore it would appear that the Department could have acted more promptly and thus reduced the magnitude of the under-expenditure.

(iii) Division No.939/01 - Capital Works and Services - Buildings, works, fittings and furniture.

Original Appropriation £35,000; Expenditure £40,391.

288. An amount of £9,000 was obtained also in Additional Estimates to cover the cost of items added to the programme during the year and the higher expenditure resulting from a rate of progress on certain works which was greater than that provided for in the original estimate. Exhibit No. 60/9

289. The principal reasons for the Additional Estimates provision being underspent were the completion of works in Papua and New Guinea at a cost lower than that estimated, the slow progress by one contractor which resulted in an under-expenditure of £1,400 and the

fact that no expenditure was recorded for bulk requisitions in the Northern Territory estimated to cost £700. A further contributing factor was the delay on the part of the Department in placing certain requisitions which were not received by the Department of Works until the latter months of the financial year.

290. On the question of bulk requisitions for the Northern Territory we were informed by Mr A.W.G. Miles, Executive Officer (Works) of the Department of Works -

MEMBER.-Why was it not possible to proceed with the bulk requisitions totalling £700 in the Northern Territory?--(MR MILES) A bulk requisition is lodged to cover minor requirements that arise within the Department during the course of the year. It does appear that requirements to the extent of £700 did not arise. They are bulk provisions. They are not specific, at the outset. Q.1212

291. As to the delay on the part of the Department of National Development in submitting requisitions we received a satisfactory explanation in respect of one item but not in respect of several others. Your Committee has often commented on the need for departments to submit requisitions to the Department of Works in sufficient time to enable that Department to carry them out. There seems no reason why in the majority of cases this can not be done and so avoid under-expenditure which must otherwise necessarily occur. Q.1218
Committee Document
T.A.62/46

(O) DEPARTMENT OF HEALTH

(i) Commonwealth Serum Laboratories

Division No.297/2 - Administrative Expenses.

- (a) Item 04 - Fuel, light, power and water
- (b) Item 06 - Stores and plant
- (c) Item 07 - Repairs and maintenance
- (d) Item 08 - Incidental and other expenditure.

Division 881 - Capital Works and Services

- (e) Item 02 - Purchase and installation of equipment.

- (a) Original Appropriation £45,000; Expenditure £26,558
- (b) Original Appropriation £365,000; Expenditure £232,263
- (c) Original Appropriation £33,000; Expenditure £12,681
- (d) Original Appropriation £96,700; Expenditure £43,687
- (e) Original Appropriation £100,000; Expenditure £45,155.

292. The appropriations made under the various votes for the Commonwealth Serum Laboratories were considerably below those of previous years but despite reductions, they were heavily under-expended in most instances.

293. Your Committee were informed that when the draft estimates were settled it was known that control of the Laboratories would pass from the Department of Health to a Commission to be appointed at a later date. Accordingly the estimates were prepared on the basis that the Commission would take over about November, 1961. Q.1227

294. The Commonwealth Serum Laboratories Act was passed by Parliament in May, 1961 and received the Royal Assent on 2nd June, 1961. Some time, however, necessarily elapsed before appointments were made to the Commission and it did not take over control of the Laboratories until 2nd November, 1961 - the time anticipated by the Department. Exhibit No. 60/20

295. The expenditures shown above related only to the period 1st July to 1st November, 1961, when the Department continued to exercise oversight on the activities of the Laboratories. After that date the Commission assumed full responsibility for the expenditure incurred. This was met by the transfer to the Commission of the balance remaining in the Commonwealth Serum Laboratories Trust Account (£232,000 approximately) and from an amount of £500,000 obtained from the Advance to the Treasurer as operating capital. Q.1224 Q.1226 Q.1239 Q.1225

296. One of the principal reasons for the under-expenditure that occurred was the fact that no penicillin was produced by the Laboratories prior to the Commission taking over control. We were advised that the estimates had been based largely on advice received from the Laboratories in April, 1961, that the expected production of penicillin was 135 tanks for the full year. However production did not commence until February, 1962 and only 82 tanks were completed. Explaining this matter to Your Committee Mr D.G. Dunlop, Director (Establishment and Finance) stated:- Q.1233 Q.1238

MEMBER.- What is the normal production of penicillin at the laboratories?--(MR DUNLOP) Q.1231
 Penicillin is an unusual product. It is a product we have had difficulty in selling in recent times. The production of penicillin must, of course, depend upon the demand for it and the demand for not only Commonwealth Serum Laboratories penicillin. I think we told the Committee last year the plant had been closed down from the beginning of January. We had a large stock of penicillin on hand and at the time these estimates were prepared it was not known exactly when the plant would reopen. It was planned to produce some penicillin during that period but in effect none was produced. Since the Commission has taken over the plant has been in operation again.

We were informed also that the decline in sales and the increase in stocks on hand were due to the competition from other manufacturers of the product and the fact that improved methods of processing gave increased yields from a given quantity of material. Q.1257 Q.1235

297. We were concerned at the statements made concerning the basis on which the estimates for the Serum Laboratories were prepared and we sought an explanation on this from the departmental representatives:-

MEMBER.-You said that you anticipated that the Commission would take over about the beginning of November and that your estimates would have been based accordingly?--(MR DUNLOP) Q.1236
 Originally the estimates were based on the laboratories continuing in their former way. It was only towards the end of June that it was reasonably clear that the laboratories would

operate for four months under the Department and then be taken over by a Commission. We were working to a goal. The laboratories were asked to furnish quickly their estimated expenditure in this period. We told the laboratories that in respect of laboratory equipment they were to allow only for inescapable commitments already entered into. With a trading organization such as the laboratories seasonal aspects of production must be taken into account. For instance, you would not normally sell influenza virus vaccine in November and December. The internal budget, which comprises numerous items could not be recast in the time allowed to present these figures. There were some rough estimations having regard to the unknowns.

298. Your Committee appreciate the difficulties which the Department faced in preparing estimates under the circumstances mentioned. But since it was known definitely in May, 1961 that the Commission would be established, we consider the Department had sufficient time in which to produce a more satisfactory draft estimate.

(ii) Division No.881 - Capital Works and Services.

Item 01 - Plant and equipment.

Original Appropriation £97,000; Expenditure £85,817.

299. The departmental explanations advised that much of the equipment covered by this appropriation is of a highly specialised nature and is available only from restricted oversea sources. The reasons given for the under-expenditure were that some of the equipment failed to arrive before the end of the year whilst in other cases the equipment was delivered but the accounts were not received from the suppliers in time for payment in 1961-62.

Exhibit No.
60/20

300. We were informed also that the expenditure shown above has been understated by £3,037. This was the result of showing, on the Overseas Requisition prepared by the Acoustic Laboratories, an incorrect account for the charging of the expenditure involved. This payment was made towards the close of the year and cabled to a Sub-Treasury in Australia which in turn advised the Department by telephone. The error was not discovered until mid-July, 1962 when the supporting payment vouchers were received from London.

Exhibit No.
60/21

301. Your Committee were interested to learn that the Department has followed the suggestion made in our Fifty-First Report (paragraph 44) that it should seek Treasury approval in special circumstances to incur commitments for equipment it may require but which is not expected to be received and paid for until the next financial year.

P.P.No.85
of 1960

Qs.1270 -
1273

302. Your Committee accept the explanations given in this instance but trust that more care will be taken in future by officers handling Requisitions.

(iii) Northern Territory.

Division No.762/2 - Health Services - Administrative Expenses.

Item 05 - Incidental and other expenditure.

Original Appropriation £27,800; Expenditure £12,283.

303. The under-expenditure in this case falls into four main categories, viz. Freight and cartage, advertising, minor new works repairs and maintenance, and removal expenses. Exhibit No. 60/20

304. In the case of freight and cartage we were informed that of the £9,200 included in the estimate only £2,826 was spent - an under-expenditure of £6,374. This was stated to have been due to the fact that tenders are now called for delivery free into store (F.I.S.) in lieu of F.O.R. or F.O.B., to the fact that increased local delegation has permitted ordering of bulk supplies thus resulting in reduced freight charges and economy in bulk handling, and to the fact that greater use had been made of overland transport as opposed to more expensive air freight previously favoured for small consignments. In answer to several questions raised by Your Committee in respect of these economies being achieved by the use of local Tender Board facilities, we were advised:- Q.1287
Exhibit No. 60/20

MEMBER.-Would the savings you obtain be greater than the difference in the freight? You save the freight but would you pay more for the article you buy? If you were buying a ton of groceries and you had to pay the freight, you would not get the groceries at the same price if you did not have to pay the freight?--(MR DUNLOP) Some of the tenders are very competitive at the present time. Large orders come by sea and I understand that sea transport is much more regular now on the western coast. That enables savings to be made. As I understand it very competitive quotes are being obtained in Darwin for the supply of foodstuffs. Q.1285

MEMBER.-I am still not quite satisfied about this. If you were making your purchases away from Darwin would you not make larger bulk purchases than if you bought in Darwin?--(MR DUNLOP) The point I cannot answer is the difference between the price f.o.b. and the price f.i.s. I do not know what the firms are charging to cover freight, but I know we have effected savings through being able to obtain quotations f.i.s. instead of f.o.b. Q.1286

and

MEMBER.-Does the experience with this vote indicate that in the last financial year larger quantities of goods etc. were delivered at a freight cost considerably less than that charged for smaller quantities in previous years?--(MR DUNLOP) I think the answer to that would be yes. I would like to say also that I do not want to leave the impression that all these freight savings are due to the central tender board. Savings were also effected on supplies which the Department purchased through its own tender board. In earlier years we did not call tenders direct for drugs and medical supplies but were purchasing Q.1291

through our divisional offices, particularly in New South Wales and South Australia. Orders were being placed with firms on the basis of known costs of drugs. They were bought in comparatively small quantities and occasionally were air freighted. Air freight, of course, is fairly heavy. Now we have changed that procedure and we are calling tenders through our own tender board for the purchase of drugs and medical supplies. We are buying in larger quantities and effecting savings by that method of purchase.

305. Your Committee were advised that £8,000 was included in the estimate for advertising, but only £4,920 was spent. This estimate had been based on the expenditure incurred in 1960-61 which had been particularly heavy but in 1961-62 it was found that requirements in this respect were below the level originally anticipated. Exhibit No. 60/20 Q.1300

306. The under-expenditure on minor new works repairs and maintenance was explained to Your Committee by Mr Dunlop as follows:-

(MR DUNLOP) Under an arrangement brought in by the Treasury and the Department of Works, maintenance costing up to £25, which originally was carried out by the Department of Works, was left to our Department to arrange. We could obtain a private firm to undertake repairs and maintenance up to £25 in any one case. In the estimates we sought £4,500. We actually spent £487. This situation arose due to a misunderstanding. We had our own repair and maintenance people at the Northern Territory hospitals, particularly Darwin and Alice Springs. They were on our payroll. Discussions took place between our Department and the Department of Works with a view to transferring those employees to the Department of Works. They would then no longer be under our direct control but would be Department of Works employees. I understand that the Department of Works approached the Public Service Board and obtained positions for these people and our people in the Northern Territory provide the money for jobs under £25. But the transfer of those employees did not take place until 1st July this year. Q.1302

307. The estimated expenditure of £2,500 provided for removal expenses did not eventuate because more single medical officers were recruited, some vacant positions were filled by doctors who are the wives of officers already stationed in the Territory and certain vacant positions for doctors could not be filled despite efforts made to secure suitable officers. Exhibit No. 60/20

308. Your Committee accept the explanations given in respect of the under-expenditure on minor new works and repairs and for removal expenses. We are surprised at the large reduction in freight costs resulting from the adoption of recommended procedures but note that an equivalent expenditure of £3,000 only has been sought for 1962-63. We trust that the same given quantity of supplies can be moved at equivalent, or lower, freight ratios in future years. Q.1287

309. With reference to the under-expenditure on advertising Your Committee consider that if closer attention had been given originally to the requirements

for this item a more realistic assessment could have been made.

(iv) Northern Territory

Division No.762/3 - Health Services - General Services

Item 04 - Equipment for hospitals.

Original Appropriation £47,000; Expenditure £37,917.

310. The greatly increased provision made under this item as compared with expenditure in previous years (£20,385 in 1959-60 and £25,563 in 1960-61) was explained to Your Committee by Mr Dunlop as follows:-

(MR DUNLOP).....the reason for the big increase is the expansion of our activities in the Northern Territory, and particularly the new air-conditioned 12-bed ward at Tennant Creek, the new operating theatre at Darwin, an operating theatre at Alice Springs which is substantially complete, and a new ward to be constructed at the Katherine Hospital. We are expanding, improving and modernizing our hospital facilities in the Northern Territory which, in turn, must give rise to greater expenditure on general equipment. Q.1313

311. The explanations we received indicated that the main reason for the under-expenditure was the inability of suppliers in the southern States to forward the equipment ordered within the time expected. This accounted for items valued at £5,630. Further equipment to the value of £996 was expected to be delivered early in 1962-63 but the remaining amount of £2,457 was uncommitted. However, of the 54 orders placed during October, 1961 and June, 1962 which were expected to be filled before the end of the financial year or early in 1962-63, 34 were placed in the final three months of the year. These were valued at £4,923. On being asked why these orders had not been placed earlier we were informed by Mr Dunlop:- Q.1308 Exhibit No. 60/20

(MR DUNLOP) We endeavour to place orders for equipment as early as we can. We had provided substantially more money than previous years for this particular year mainly because a lot of building was going on in the Northern Territory. For instance, at the Darwin Hospital there is a new operating theatre almost complete, and at Tennant Creek a 12-bed air-conditioned ward is virtually complete. These all had to be equipped. There was no point in obtaining equipment until the buildings were ready. You might buy a lot of equipment, say, on 1st July and place it in store and it might deteriorate. I mention this because generally we have this problem in the Northern Territory. New building and expansion is going on and we try to keep our purchases in line with when we will want them. Q.1306

312. With regard to funds which were uncommitted at the end of the year we were advised that these were mainly the result of an over-estimate of the cost of two items of equipment as compared with the quoted price. The Department had estimated the cost of a special X-ray illuminator at £1,500. This was based on the price of a known supplier. Following the calling of Q.1309

tenders an order for this item was placed at a cost of £280. The other item estimated to cost £970 was obtained at a price of £658. Exhibit No. 60/20

313. Mr Dunlop explained that these over-estimates were the result of a better supply situation and that conditions are probably more competitive now than in the past. He mentioned that:- Q.1312

MEMBER.- I hardly think that "more competitive" would apply to an item of £1,500 as compared with a final price of £280. You referred to better buying. Has there been any change in buying procedures?--(MR DUNLOP) We are calling tenders wherever possible. The Committee may remember an inquiry several years ago under Treasury Regulation 52 when the Department of Health was using Executive Council approval very substantially. We have changed that procedure and wherever possible we call tenders. This has become universal in the Department and may be some contributing factor. Q.1316

314. Your Committee in the main accept the reasons given for the under-expenditure that occurred. We endorse the Department's decision to rely more on the tender system than they have done in the past. It is noted that the Department has observed the criticism made by Your Committee in its Forty-Second Report concerning the unreasonable use made of the Governor-General's approval to incur expenditure under Treasury Regulation 52. The experience of the Department referred to in paragraph 312 clearly indicates how necessary it is to call tenders rather than to rely on quotations from known suppliers. P.P.No. 60 of 1960

(v) Division No.988 - Capital Works and Services.

Item 01 - Buildings, works, fittings and furniture.

Original Appropriation £414,000; Expenditure £316,495.

315. The under-expenditure against this Item related to three main projects at the Canberra Community Hospital. These were the erection of the nurses quarters, the erection of an electrical sub-station and the provision of a back pressure generator in the boiler house of the Hospital. Exhibit No. 60/9

316. The bulk of the under-expenditure occurred on the nurses' quarters project. We were informed that the contract for this building was let on 9th June, 1961 for £85,188 and that the estimated cost during 1961-62 was £300,000. But for the unforeseen delays experienced by the contractor we were assured that this estimate would have been achieved. Mr A.W.G. Miles, Executive Officer of the Department of Works explained the nature of these setbacks as follows:- Q.1325

MEMBER.-What were those unforeseen circumstances?--(MR MILES) In connection with the nurses' quarters, firstly the contractor experienced delays in the delivery of the structural steel components. In addition to that the components were delivered to the fabricators in the wrong order, which had the effect of delaying the contractor in his work on the site. Q.1326

MEMBER.- Was that where they sent the roof along before the foundations or something like that?--(MR MILLES) Yes, the components for the upper floors before those for the ground floor. The fabricator also experienced delays through the flooding of his premises in November and December 1961, which delayed the progress of the work and accounted principally for our underspending under that vote. Q.1327

As a result expenditure amounted to £235,365, i.e. a shortfall of £64,635. This project was due for completion in August, 1962. Q.1324

317. Of the amount of £24,000 provided for the erection of the sub-station only £8,565 was spent. This under-expenditure of £15,435 was due mainly to the fact that detailed plans for the whole of the new Canberra Hospital project had not been completed. As a result the Canberra Electricity Supply, which was to provide and instal high tension switchgear and underground feeder cables, could not proceed until a decision had been taken on the proposed route and levels for the cables. We were advised by Mr H.A. Jones, Executive Engineer of the Canberra Electricity Supply and by Mr A.J. Porter, Chief Design Engineer, Department of Works:- Exhibit No. 60/9

MEMBER.-What were the reasons for your inability to complete your portion of this work during the year? Were they what you have just stated?--(MR JONES) No. We were waiting on the definite route for the levels for the cable. There was a considerable amount of cabling attached to the sub-station and in the move you had to correlate the new installation of the cable with the pulling out of the old cables so that everyone would be supplied. We were held up by a lack of decision on the method of the cables crossing an underground link between the old and the proposed buildings, which has only just been resolved. We did not attempt to wire the sub-station until we knew there was no possible chance of it being moved. We haven't laid the cable because we have not had full details although we have had a fair percentage of them in the last week or two, on levels and so on. Q.1331

(MR PORTER) I think the delay was caused by the fact that there is only one practicable route for the main cable runs. That is between the existing hospital and the proposed new hospital. As Mr Jones said before, there is a connecting link both at ground level and basement level connecting the old and the proposed new building. Until the planning of that link had been finalised it was not possible to locate accurately enough for construction a position in which the cable could be laid. It would be quite unwise to lay the cable except where it is known that the construction of the connecting link can proceed and in a position in which it would not have to be subsequently interfered with. Q.1351

We were informed also that a firm of consultants, engaged by the Department of Works, are responsible for the planning of the whole of the new hospital projects. Mr Porter added:-

(MR PORTER)Some 15 or 18 months ago we were given the beginning of the current financial year as the date at which they would be ready to advertise for tenders for the first stage of the main hospital augmentation project. We have had considerable pressure on the consultants to achieve that and it would have been impossible for us to press them to get on with the design of the connecting link and, at the same time, expect them to finish the design of the main augmentation. Q.1352

318. The remaining item of under-expenditure concerned the back pressure generator for the boiler house. The estimated cost of this item is £20,000 and it was expected that £12,000 of that amount would be expended in 1961-62. However, due to delays in investigating certain details of the proposal, tenders were not called until May, 1962 and no expenditure was incurred. Exhibit No. 60/9

319. The delay was attributed to the fact that the Department of Works desired to make a cost analysis of the advantages of installing the generator as against the cost of purchasing an equivalent amount of electricity. Advice was sought from the Canberra Electric Supply Authority as to whether there was any likelihood of the present electricity charges to the hospital being amended. Explaining the matter further Mr Miles stated:-

(MR MILES) I am not a technical man, but my understanding is that this back pressure generator would have provided this steam power for the hospital. The other alternative was to take a complete supply from the Canberra Electric Supply Authority. The economic analysis was necessary to determine whether the installation of the back pressure generator was justified having regard to the tariff of the Electric Supply. Q.1339

His colleague, Mr Porter added:-

MEMBER.--Mr Porter, do you wish to amplify the comments on the generator?--(MR PORTER) It might have clarified the position, at the time it was being discussed, if the functions of the generator had been made clear. It is essentially a piece of equipment to be installed in the boiler house to utilize what is virtually excess steam capacity from the present boilers in order to generate electricity and reduce demand on the Canberra electricity supply. That caused the tariff to come into the calculations. Q.1345

Consequently, it was not possible to brief the consultants in time for them to complete the documents required for tendering purposes. These were completed, and tenders called, in May 1962 but this did not permit delivery and payment to be effected before 30th June, 1962. Q.1343

320. Your Committee accept the explanations given in respect of the under-expenditure on the nurses' quarters. With regard to the other two items however, it appears the delays experienced were due mainly to the fact that a full appreciation of all the details involved was not made before the draft estimates were prepared.

(P) DEPARTMENT OF THE TREASURY

(1) Division No.191/2/01 - Administrative Expenses - Travelling and subsistence.

Original Appropriation £39,600; Expenditure £61,383

321. Of the amount over-expended against this Item £14,900 was provided from Additional Estimates and £6,883 from the Advance to the Treasurer.

322. The main reasons for the over-expenditure were the increased number of overseas visits undertaken by officers of the Department and the increased number of movements by staff at overseas posts. These could not be foreseen fully at the times when the original estimate and Additional Estimates were prepared. Further no provision had been made in the draft estimate for an amount of £900 carried forward from 1960-61. Q.1360 Q.1361 Q.1379

323. We were informed that the draft estimates had been prepared on the basis of commitments known at the time. However in preparing the 1962-63 estimates the Department has provided for an amount to cover possible contingencies during the year. Q.1364 Q.1365

324. Your Committee recall that this Item was investigated also during our enquiry into the Advance expenditure for 1960-61. The explanations received then were basically the same as those given by the Department on this occasion. We note that the Department has considered it necessary, in preparing its 1962-63 estimates, to change the procedure previously adopted. In view of past experiences this would appear to be justified and we look forward with interest to the final result of this revised method of estimating. P.P.No.112 of 1961

(11) Commonwealth Stores Supply and Tender Board

Division No.192/01 - Administrative expenses.

Original Appropriation £37,000; Expenditure £40,964.

325. The original appropriation was supplemented by an amount of £4,000 in Additional Estimates.

326. In addition to the staff attached to the Commonwealth Stores Supply and Tender Board, officers of the Postmaster-General's Department assist in the executive work of the Board and that Department is reimbursed the costs involved. Exhibit No. 60/22

327. Your Committee were informed that, whilst the staff of the Board is known, the proportion of costs to be paid to the Postmaster-General's Department vary from year to year and is difficult to assess. In addition to payments for salaries, costs are incurred in respect of advertising and the testing of samples and supplies. Of the sum of £4,000 obtained in Additional Estimates some £3,500 was required for the payment and reimbursement of salaries and the payment of overtime which was necessary owing to shortage of staff and arrears of work. An increase in staff numbers, mostly temporary positions, was approved by the Public Service Board during the year and the necessity for a further two temporary positions was being investigated at the time of our enquiries. Q.1392 Qs.1396,1397 Q.1391

328. We accept the explanations offered and trust that, in view of its great importance, the work of the Board will be brought up to date in the current year.

(iii) Taxation Branch.

Division No.193/2/01 - Administrative Expenses - Travelling and subsistence.

Original Appropriation £185,000; Expenditure £180,031.

329. A further sum of £7,500 obtained in Additional Estimates, was not required and the total under-expenditure against this Item was £12,469.

330. The sum of £7,500 was obtained in expectation that £6,250 would be required to meet the increased cost of meal allowance payments associated with the working of overtime resulting from the decision of the Government in February, 1962 to reduce rates of income tax by five per cent. The remaining £1,250 was to cover estimated additional travelling allowance payments. Exhibit No. 60/24

331. The amount of £185,000 obtained in the original appropriation comprised £88,000 for travelling and living away from home allowances, £40,000 for fares, £39,000 for motor car allowances and £18,000 for meal allowances. In general it appeared from the pro rata payments to 31st December, 1961, that these amounts would be required but the expenditure rate declined over the second half of the year. Q.1401

332. Mr J. Canny, Assistant Commissioner of Taxation, informed Your Committee that meal allowance payments were below the level expected as much of the overtime had to be done at week-ends and the allowances are not payable for Saturday and Sunday work. Further, certain travelling had to be curtailed owing to recruitment and accommodation problems and the fact that certain more urgent work had to be done at the Head Office during the year. Q.1404

333. Your Committee accept the explanations received.

(iv) Taxation Branch.

Division No.193/2/02 - Administrative Expenses - Office requisites and equipment, stationery and printing.

Original Appropriation £445,000; Expenditure £437,919.

334. In all £480,300 was appropriated for this Item as a further sum of £35,300 was obtained in Additional Estimates.

335. Your Committee were informed that the amount obtained in Additional Estimates proved to be a reasonable assessment of the cost of increased printing requirements resulting from the five per cent. reduction in taxation rates. This involved, in all, the printing of some 2,227,000 new tax instalment scales and some 600,000 provisional tax assessment notices as well as certain other related forms. Exhibit No.60/24 Q.1428

336. The total under-expenditure of £42,381 arose mainly from an incorrect assessment of printing costs which had originally been estimated to cost £245,000. This was due partly to some orders being completed at a cost lower than estimated and partly to the fact that Q.1439 Qs.1421, 1435

some accounts for substantial amounts were not received prior to the 30th June, 1962. Further, an amount of £4,000, included in the original amount of £72,000 provided for the purchase of office machines, was not expended as a review of requirements during the year disclosed that the particular machines were not necessary. Q.1438

337. Your Committee appreciate that this is a difficult vote for the Branch to estimate accurately and accept the explanations given on this occasion. Also it is noted that a full time, in lieu of a part time, position is being sought in Head Office for an officer to deal with the expenditure estimates and we shall be interested to see the results in future years. Q.1434

(v) Division No.849 - Taxation Branch - Acquisition of sites and buildings.

Original Appropriation Nil; Expenditure £86,250.

338. The expenditure against this Item was made from an amount obtained in Additional Estimates for the purpose of acquiring an existing building in St. George's Terrace, Perth. The existing building on this site will be demolished and a new building constructed to accommodate all the taxation officers in Perth and possibly some from other departments. Q.1465

339. Your Committee were informed that, in addition to a rented store, office accommodation was spread over three buildings in Perth, two of which were rented at a present total cost of £19,800 per annum. The search for a suitable site on which to erect a new building had been carried on for some six years but it had not been possible to make a firm proposal for acquisition until July, 1961. Q.1448
Q.1450
Q.1454

340. Approval to the acquisition was given in December, 1961 but it will be some years before the new building can be completed. Q.1457

341. Your Committee are satisfied that the correct procedures were followed in obtaining the amount required in Additional Estimates. Qs.1459,1463

(vi) Bureau of Census and Statistics.

- (a) Division No.197/1/01 - Salaries and allowances
- (b) Division No.197/1/02 - Temporary and casual employees.

(a) Original Appropriation £1,370,000; Expenditure £1,387,698
(b) Original Appropriation £637,000; Expenditure £565,406.

342. A further sum of £29,200 was obtained in Additional Estimates against Item 01 and the net result for the year was an under-expenditure of £11,502 against the total amount appropriated. The under-expenditure against Item 02 was £71,594.

343. The written explanations concerning Item 01 stated:-

".....
it was found that local recruitment had exceeded expectations and, on the basis that this rate would be maintained, it was estimated that a further £12,600 would be required. Further, it had been estimated that recourse would necessarily

Exhibit No.
60/23

have to be made to the employment of temporary officers for the conduct of the Censuses of Retail Establishments and Motor Vehicles, but unattached permanent officers were made available by the Public Service Inspectors in both New South Wales and Queensland. This unforeseen availability of permanent officers, in lieu of temporary officers, required a further £16,600.

2. The net gain in staff at the end of the year, however, did not reach revised expectations. Whereas a net gain of 84 officers was anticipated, the end result was a gain of 73 officers only, thereby causing the short fall in the expenditure."

344. The witness, Mr I.G. Jones, Assistant Statistician, advised Your Committee that the permanent staff had increased by sixteen in the first six months of the year. He was asked:- Q.1473

MEMBER.-What was your revised expectation of staff increases for the year when this item was reviewed in February?--(MR JONES) An increase of 84 officers for the year was anticipated at that stage. Q.1475

MEMBER.-Was there an increase of only 16?--(MR JONES) No. In the second half of the year an additional 57 officers were acquired. This is a seasonal pattern that always occurs after the end of the school year and the university year. Q.1476

MEMBER.-Is that normal?--(MR JONES) Yes. We get a lot more people at the beginning of the year rather than later in the year. Q.1477

345. The appropriation of £637,000 against Item O2 included the provision of £355,000 for temporary staff expected to be engaged on processing the 1961 Population Census data. Owing to an over-estimate of the numbers of staff required, and the availability of some permanent officers in lieu of temporary employees, the actual expenditure was £62,600 less than expected. Part of this under-expenditure was offset by a Motor Vehicle Census which was carried out at a salary cost of £5,700. The actual expenditure was further reduced by an amount of £21,000 due to the introduction of certain sampling techniques in quality control which enabled the work to be completed earlier than had been anticipated. Exhibit No. 60/23

346. The Bureau had budgeted for the employment of 620 additional staff for the 1961 Census and costs were based largely on the experience of the 1954 Census. In fact the achievements were better than anticipated as the quality of the staff engaged proved to be higher than for the previous census. Q.1480 Qs.1481,1482

347. Your Committee examined these two Items together to check on any possible relationships between the two votes and it has been noted in the foregoing paragraphs that the under-expenditure against Item O1 would have been a little higher but for the loan of permanent officers to carry out certain duties which temporary or casual employees had been expected to perform. The heavier under-expenditure against Item O2 indicates a less satisfactory level of estimating efficiency but we acknowledge the difficulties associated with a project of the nature of the Census carried out at seven year intervals.

348. Your Committee accept the explanations offered and are pleased that the whole operation appears, in general, to have been completed expeditiously and at less cost than had been anticipated originally.

(vii) Bureau of Census and Statistics.

Division No. 197/2/02 - Administrative Expenses - Office requisites and equipment, stationery and other printing.

Original Appropriation £140,000; Expenditure £138,511.

349. An amount of £11,300 was obtained in Additional Estimates and the under-expenditure against the total appropriation was £12,788. We were informed that the further amount was based on the following additional requirements:- £3,500 to meet accounts carried forward from 1960-61, £7,000 in respect of an under-estimate of the number of punch cards needed for the Population Census, £2,500 for the printing of forms for the Census of Motor Vehicles and £1,800 in respect of an under-estimate of general office requirements.

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60/23

350. The major items causing the overall under-expenditure were certain office machines estimated to cost £8,600. The delays were explained by the witness, Mr Jones, as follows:-

MEMBER.--You then go on to refer to unexpected Q.1500 delays and an under-expenditure of £8,600. What was the nature of the unexpected delays?--(MR JONES) They were mainly delays in the completion of investigations. Our intentions were to get a number of machine proposals through and the machines purchased during the year but in practice that did not happen. For instance, we were expecting to be able to complete the purchase of a rotary card cabinet costing £4,800. Questions arose as to which would be the most suitable type of machine and ordering could not proceed until investigations into the relative merits of the machines were completed. Although we expected those investigations to be completed by the end of the year, that did not happen. Again, an addressing machine for Western Australia was expected to arrive from overseas by the end of the year but it did not get here in time. Then we expected to obtain a multilith machine for Canberra and the discussions between the Treasury and the Government Printer relating to the use of the machine were not completed in time.

The balance of the under-expenditure arose from late deliveries of punch cards.

351. The grounds on which the further amount of £11,300 was obtained in Additional Estimates are considered to have been reasonable. However, Your Committee is not entirely satisfied with the reasons given for the under-expenditure related to office machines as it would appear that acquisitions of this nature should be sufficiently firm at the time Estimates are prepared to assure completion of the proposals within the financial year. We realise this instance is a relatively minor one but trust that the Bureau, which makes extensive use of machines, will watch the position in future.

(viii) Government Printer

Division No.201/1/01 - Salaries and Payments in the nature of Salary - Salaries and wages.

Original Appropriation £183,200; Expenditure £169,502

352. The witness, Mr A.J. Arthur, Government Printer advised Your Committee that:-

(MR ARTHUR) There are 298 created positions on the staff. Of this number, 180 positions are filled or recommendations for appointment made to the Board. In addition there are 323 temporary or exempt staff. That is a total of 503 and my staff ceiling is 550. Q.1503

353. Earlier Mr Arthur informed us that, although thirteen appointments were made to the permanent staff in 1961-62, the total of 122 at the end of the period was a net gain of one officer only and:-

(MR ARTHUR)within the last two or three months I have advertised both in the Commonwealth Gazette, and in all the States, vacancies for 91 positions. Consequent on these advertisements, I have recommended 71 persons for permanent appointment. Up to date, 62 certificates of appointment have been issued by the Public Service Board but I am sorry to say that five of the number recommended have already sought and obtained employment outside of Canberra. Q.1502

354. In view of the references made to Your Committee from time to time concerning the late receipt of accounts from the Government Printer we sought information on the current position. We were informed that, despite the pressure of work on the accounts section, the office was up to date for the first time. Accounts for printing completed to the end of May had been forwarded to departments in the first and second weeks in June and accounts had been rendered also by 20th June for work completed earlier in that month. It is considered that accounts forwarded by 20th June should have been paid by departments before the end of the financial year. Q.1505

355. The Schedule of Salaries and Allowances for 1962-63 for the Government Printer discloses an amount of £77,000 which was expected to remain unexpended as compared with £34,000 for 1961-62. Your Committee have noted in our Fifty-Fifth Report that this deduction line seriously impairs the usefulness of the Schedule and our enquiries assisted in clarifying the staffing position. P.P. No.87 of 1961

356. We are gratified to note the efforts being made to obtain additional staff and appreciate the difficulties which arose in 1961-62. Your Committee are pleased that the accounts were rendered in a much more satisfactory manner during the year as we have been informed frequently by departments that the under-expenditure of their printing votes was often the result of the non-receipt of accounts. We should not expect to encounter this excuse in future.

(Q) DEPARTMENT OF TERRITORIES

(1) Division No.375/2/05 - Administrative Expenses -
Publicity

Original Appropriation £77,000; Expenditure £50,165

357. The under-expenditure of £26,835 against this Exhibit No. Item comprised two special films for which the sum of 60/25 £15,000 in all had been provided, numerous publications expected to cost £9,000 which had not been completed and paid for by 30th June and the sum of £2,835 for various publications which had cost less than originally anticipated.

358. The Departmental representative, Mr D. McCarthy, Assistant Secretary (International Relations and Information) informed us that films costing approximately Q.1515 £14,000 had been completed during 1961-62. As no progress had been made with two films for which £15,000 had been appropriated the Department achieved only about half the total programme originally provided for and Mr S.G. Hawes, Producer-in-Chief of the Film Division, News and Information Bureau, Department of the Interior was asked:-

MEMBER.-What assurances did you give the Department of Territories that you would be able Q.1514 to carry out this work?--(MR HAWES) If we undertake a film we carry it out. We do not usually give any time guarantee of when we will carry it out unless we are specifically asked for it.

359. One film on Norfolk Island and the servicing Q.1512 of Australian territories estimated to cost £5,000, was stated to have been one of a number of films being made as part of a continuing film programme and was expected now to be completed in 1962-63. The second film, for which the sum of £10,000 had been appropriated, was a Commonwealth and State venture originating from Q.1510 a recommendation of the Aborigines Welfare Council. Mr Hawes stated:-

(MR HAWES) I see no reason why the films on Norfolk Q.1517 Island and the servicing of the Territory cannot be carried out this year but I would not like to give a guarantee that a film of the magnitude and delicacy of that dealing with the aborigines can be completed in one year.

360. Mr Hawes informed us also that the preparat- Q.1527 ion of a script and the research necessary for the aborigines film did not commence until early in 1962 and that, at the time of Your Committee's enquiries, the actual shooting of the film had not been started. Mr McCarthy considered that past experience justified Q.1531 his Department in assuming that under normal circumstances the whole amount appropriated would have been expended during the year and stated:-

MEMBER.-Mr McCarthy, I understand the Q.1530 difficulties mentioned by Mr Hawes. On that sort of advice, do you consider yourself justified in placing in the original Estimates an amount sufficient to cover the total expenditure, under those circumstances?--

(MR McCARTHY) Yes, we do. Indeed, it is a risk that we have to take. It is a risk that we have found is generally a very small one with the News and Information Bureau. On occasions we have had a particularly urgent commitment. I refer to the political development commitment last year in relation to developments in New Guinea. We had an excellent film that ran for about 30 minutes made in about three months.

361. In view of the opportunity to obtain further Funds when justified in Additional Estimates or from the Advance to the Treasurer Your Committee do not agree with the witness that "it is a risk that we have to take".

362. In the foregoing paragraphs we have referred to films originally estimated to cost £29,000 in all. Of the remainder of the appropriation amounting to £48,000 the sum of £9,000 was committed for various other films and the printing of publications but no payments were actually made in 1961-62. Included in the commitments was a re-print of "Our Aborigines" for National Aborigines Day 1962 at a cost of £1,700. The witness stated:-

(MR McCARTHY) Aborigines Day takes place in July each year and that cannot be prevented from running over. Q.1521

363. In the circumstances Your Committee consider that the Department should pay closer attention to the estimates for this Item and should endeavour to obtain a much firmer basis for the possible costs and actual expenditure. It is noted that at least £24,000 had to be carried forward for existing commitments in the total amount of £85,000 being sought for 1962-63. This cannot be considered satisfactory and we intend to examine the performance again in future years.

(ii) Northern Territory

Division No. 751/3 - Welfare of Wards

(a) Item 01 - Maintenance of wards at Government settlements.

Original Appropriation £509,000; Expenditure £487,559

364. During the financial year an amount of £29,000 was obtained in Additional Estimates whilst a further sum of £30,000 was made available from the Advance to the Treasurer. The under-expenditure therefore was £80,441 from the total funds available of £568,000. Also, approval had been obtained in May 1962 to place orders not exceeding £30,000 in value which were to be paid for from the appropriation for 1962-63.

365. Part of the under-expenditure arose from a failure to record correctly orders which had been committed for payment. The Department's explanations stated:-

"An amount of £253,000 was originally reserved as a commitment in this vote to meet Stores stock purchases. In January this amount was reviewed on the basis of issues at that date to the value of £235,000. No further review was undertaken and expenditure under this heading only reached £189,360. Although the

Exhibit No.
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Administration's records showed the commitment on requisitions placed for Stores stock to be £225,195, expenditure plus firm commitments is now shown to have been only in the order of £205,000. This apparent inflation of £20,000 in the commitment led to the position being overstated in the approach for additional funds. The error in commitment also caused a virtual halt in requisitions for other than food and clothing in order to conserve the authorisation for those items whilst additional authorisation was being sought. This led to a run-down in stocks on settlements in other categories which could not be restored in the time available before close of the financial year. The Administration's Stores stock commitment review procedure has been reconsidered and steps have been taken to improve commitment records; in addition more extensive sub-costing has been introduced in the current financial year as a means of exercising better control over funds."

366. The witness, Mr L.L. Gillespie, Assistant Administrator (Administration, Stores and Finance), Northern Territory Administration further explained:-

MEMBER.--Can you tell us how this discrepancy of £20,000 occurred?--(MR GILLESPIE) Yes. The authorizing officer of Administration has to keep a record of all commitments against every vote. Those commitments were properly recorded but, at the stage when it was thought that we were rather short of money and that we would possibly over-spend if we did not curtail our ordering, quite a large number of orders were withdrawn. Unfortunately, due to oversight, the authorizing officer was not advised and the authorization records were not reduced. Some of those orders had been withdrawn further down the line by somebody who did not realize that they were recorded in the Accounts Branch, and that is the main reason for the over-recording of the commitments. Q.1553

and later

(MR GILLESPIE) The commitments are recorded by the authorizing officer. I might add that we have taken some steps to ensure that this will not happen in future. We have improved our commitments recording considerably and shortly we shall be approaching the Public Service Board for a position in the Welfare Branch to do some internal work within the branch in the form of budgeting. The idea is to have some better control over the funds so that we will know where we are going at any point of time. In addition to that, I have organized for detailed costing of the Welfare Branch's expenditure to be done in the current financial year to provide a good basis for future estimating. In the past, we have not had a good enough basis on which to prepare estimates. We have been completely lacking in good costing. These steps have been taken but a full year will elapse before the records so obtained are of any use. Q.1559

367. The explanations quoted in paragraph 365 above state the commitments were not reviewed after January 1962 - about the time the £29,000 was sought in Additional Estimates. On 22nd March, 1962, the Administration sought a further £60,000 from the Treasurer's Advance. This request was received in a memorandum dated 30th March,

1962, from the Department of Territories, Canberra, by Treasury, who replied on 3rd April, 1962, seeking further details. Following a reminder by Treasury on 8th May, 1962, the Department of Territories forwarded a further memorandum on 16th May, 1962 giving certain information and on 23rd May, 1962, Treasury advised that approval had been given to provide an amount from Treasurer's Advance. This amount was £30,000 as the Administration had reduced the figure from £60,000 in its advice of 14th May, 1962 to the Department of Territories, Canberra.

Committee
Document
T.A.62/55

368. Copies of this correspondence were obtained by Your Committee and they disclose that the various requests were based on several grounds relating to increased costs and errors in the original estimate. We do not desire to discuss these documents in detail as there are a number of matters relating to them which could only be clarified satisfactorily at a public hearing. However they do confirm the unsatisfactory situation concerning the preparation of estimates, both originally and later in the financial year, and concerning the control of expenditure. Q.1570

369. Briefly, the expenditure against appropriations should have been of the order of £125,000 per quarter. If the amount of £60,000 had been agreed to immediately on 3rd May, 1962, the Administration would have had to spend at about double this rate in the last quarter to fully expend its available funds. Even the reduction of the amount from £60,000 to £30,000 would have required a greatly increased rate of expenditure. This is not indicative of satisfactory estimating or financial control. The error of £20,000 in the register of commitments is reduced in importance in circumstances of this nature.

370. Your Committee acknowledge the fact that the Administration has achieved satisfactory results with other votes under its control. However, as we have noted in later paragraphs, there are other votes where the standards are not acceptable and the basic difficulty common to this and other instances, appears to be the number or quality of the staff available. Q.1561

371. Overall we consider that the Administration is achieving improvement but this particular vote is one of the worst examples we have encountered of deficiencies in original estimating and in attempts to correct the position during the financial year. We trust that the Administration and the Public Service Board will, where basic procedures are satisfactory, increase their efforts to improve the staffing situation in the Administration.

(b) Item 02 - Maintenance of wards on pastoral properties.

Original Appropriation £75,000; Expenditure £60,758.

372. The Administration attributed the under-expenditure of £14,242 to (a) an over-estimate of the numbers to be maintained; (b) a change in payment from a quarterly to a 12 weekly basis; and (c) less claims than expected being received.

Exhibit No.
60/25

373. With regard to (c) Your Committee was informed by Mr Gillespie:-

(MR GILLESPIE) Patrol officers have to verify the numbers on the properties. There is nothing to prevent the pastoralists submitting their claims regularly but we have found that unless our officers go and encourage them to submit the returns, they seem to adopt an apathetic attitude. They do not submit their returns until they have been followed up. Q.1584

374. The estimate of numbers is complicated by the necessity to assess and exclude those eligible to receive age or invalid pensions. We were informed that there are approximately 134 pastoral properties in the Northern Territory and 124 of these properties employ aborigines and keep their dependants. Claims for maintenance, however, were received by the Administration from 94 properties only. Exhibit No. 60/25 Committee Document T.A.62/53

375. Your Committee accept the explanations received on this occasion but would expect the accuracy of the estimating to improve in future as more experience is gained by the Administration in controlling this particular vote.

(c) Item 04 - Educational services.

Original Appropriation £48,000; Expenditure £31,034.

376. The Administration has sought an increased appropriation in 1962-63 of £75,000 for 44 schools comprising 13 on Government settlements, 15 on pastoral properties and 16 on Missions. For a slightly less number in 1961-62 the expenditure was as follows:- Q.1596 Q.1603

	Budget Estimate £	Expenditure £	Exhibit No. 60/25
Schools on Government Settlements:			
Equipment, furniture etc.	11,500	7,679	
Wages	2,500	2,218	
Schools on pastoral properties:			
Equipment, furniture etc.	18,000	11,807	
Wages	4,000	1,124	
Mission school equipment	5,500	2,754	
Post-school vocational training	6,000	5,452	
Wards attending European schools	500	Nil	
	<u>48,000</u>	<u>31,034</u>	

377. Part of the under-expenditure resulted from difficulties in obtaining part-time instructors for schools on pastoral properties. However, the main cause was the failure to purchase certain equipment and furniture which are provided for all schools in the Northern Territory. Q.1600

378. Your Committee were informed by Mr Gillespie, that an order for these items totalling £15,000 was placed by the Welfare Board in November, 1961 and:-

(MR GILLESPIE)... That order had to receive ministerial approval. Following that it was sent to our official representative in the Department of Territories in Sydney to obtain the supplies for us. I think there was some delay in getting it to him. I think it only got to him in about February.

Q.1594

(MR GILLESPIE) There was a delay in our stores section. That section supplied some of the lines from stock. Between the date when it supplied those lines from stock and the time the order got to the official representative I think there was about two months' delay.

Q.1595

and

(MR GILLESPIE) This list of equipment, of course, was very long. They had quite a lot of the items in stock. This happened during the wet season when our staff is depleted. They took two months to sort out what they had and place the order for the balance with the Sydney office. I know that it is longer than it should have been, but it happened.

Q.1608

379. The witness advised that some extra positions had been obtained, that the Public Service Board had been approached for additional relief positions and that it was hoped that all orders for new materials in 1962-63 would be placed by the end of September.

Q.1609

Q.1606

380. Your Committee trusts that a more satisfactory control of expenditure will be achieved in 1962-63 and in future years.

(d) Item 05 - Materials for minor works, repairs and maintenance of buildings on settlements.

Original Appropriation £75,000; Expenditure £46,444

381. Your Committee also investigated this Item last year and noted in our Fifty-Sixth Report that the delay in placing orders contributed largely to the under-expenditure in 1960-61. The appropriation for 1961-62 provided for a carry-over of work from 1960-61 valued at £47,500 and £15,450 of that has been carried over again to 1962-63.

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1961

Q.1616

382. We were informed that the under-expenditure in 1961-62 was attributable to unexpected delays in the fulfilment of orders, the delay in implementing a programme initiating a new mobile work force and:-

Exhibit
No.60/25

"Non-delivery of certain components ordered from the Department of Works for ablution units; a requisition placed in January, 1961 at an estimated cost of £16,000, all of which was revoted from 1960-61 into 1961-62, is still outstanding in an amount of £9,269."

383. With regard to the delay in supply of components for ablution units the witness stated:-

(MR GILLESPIE)...I think the Department of Works supplied revised standard drawings and estimates on 16th October, 1961, and we agreed to them by 23rd October. Then they had to invite tenders and

Q.1625

go through the normal supply lines. Of course, delay would be understandable if items have to be made up.

384. The mobile work force consists of qualified tradesmen assisted by natives and is intended to carry out works of minor nature including simple construction work. Provision had been made for the unit to commence operating in July, 1961 but agreement with the Department of Works on the basis on which it would operate was not reached until September, 1961. Further delay resulted from the necessity to obtain the approval of the Public Service Board to the staff positions required with the result that the scheme was not implemented until March, 1962. Meanwhile, it was not practicable to order materials to be used by the unit.

Qs. 1637,
1638
Qs. 1617,
1638

385. Your Committee consider that the original programme was unrealistic - a fact the Administration should have been aware of when preparing the original estimates as all Departments experience delays of this nature in obtaining positions and staff for a new organisation.

386. An increased sum of £85,000 has been sought in the appropriations for this vote in 1962-63 and the witness was asked:-

MEMBER.-You have referred to the human element. Q. 1630
As I understand it, the appropriation for 1959-60 was £99,000 while the expenditure was only £58,000, making an under-expenditure of about 40 per cent. In 1960-61 the appropriation was £71,000 and the expenditure £44,353, an under-expenditure of between 37 per cent. and 38 per cent. In the current year the appropriation was £75,000 and the expenditure £46,000. Again there is an under-expenditure of between 35 per cent. and 36 per cent. That is a fairly consistent pattern?--(MR GILLESPIE)
I appreciate that the record is not very good but I am going to try to do something about it this year. I think the operation of the mobile works gang could be one factor that could lead to better expenditure because they must have materials to do the job. I feel confident that this year we will go very much closer to the mark.

387. The control of this vote has not been satisfactory in recent years and Your Committee, again, cannot accept the explanations offered and trust that the performance will be improved in 1962-63.

(iii) Division 751/4 - Northern Territory Administration - General Services.

(a) Item 18 - Fire Brigade services.

Original Appropriation £20,000; Expenditure £16,897

388. The Administration maintains fire brigades at Darwin, Nightcliff, Tennant Creek, Alice Springs and Katherine and each station is manned by a permanent station officer assisted by varying numbers of part time firemen.

Q. 1640
Q. 1653

389. The under-expenditure was due to the late delivery, and late ordering, of materials, and to the fact that the average number of firemen employed at Tennant Creek was six instead of nine which is the full

Q. 1656

establishment. However, the main cause was the opening in November, 1961 of the Nightcliff fire station instead of on the scheduled date in July, 1961.

390. We were informed:-

(MR GILLESPIE) The fire engine for Nightcliff was one Q.1641 previously in use at Darwin. The release of it to go to Nightcliff was dependent on obtaining a fire engine that had been ordered from overseas for Darwin. I understand that it was held up for some time by a dock strike in the United Kingdom. It was ordered well before the end of the financial year.

391. Your Committee accept the explanations given in this instance.

(b) Item 33 - Darwin Bus Service - Subsidy (for payment to the credit of the Northern Territory Bus Services Trust Account)

Original Appropriation £7,000; Expenditure £9,500.

392. The over-expenditure of £2,500 was met from the Advance to the Treasurer and the explanation reads:-

"Towards the end of the financial year the cash loss was estimated at £9,500 or £2,500 in excess of the original appropriation. The greater loss is attributable to delays in delivery of nine replacement buses which necessitated continued heavy expense in keeping old buses operative. Delivery of the new buses was expected to commence in the third quarter of 1961-62 but in fact deliveries had not commenced when the year closed."

Committee Document T.A.62/58

393. Although delivery had been expected by March, 1962 the actual order for the replacement buses was not placed until February, 1962 with the expectation that deliveries would commence in September, 1962. We refer again to this matter of the late ordering of vehicles in paragraph 396 et seq. below relating to Division No. 971/01.

Q.1659
Q.1660

394. The witness, Mr Gillespie, indicated that the fares being charged were comparable with those charged elsewhere and that they had been reviewed within the last twelve months. It was anticipated that the subsidy would be lower when the new buses were in operation and it was intended to adopt a planned programme of replacement in future.

Q.1670
Q.1671
Q.1668
Q.1672

395. Your Committee accept the explanations for the increased amount sought against this vote but not the circumstances which gave rise to the increased costs of running the services - i.e. the lack of a proper replacement programme and the delay in obtaining the vehicles when funds had been provided in Division No.971/01.

(iv) Division No.971 - Northern Territory - Capital Works and Services

(a) Item 01 - Plant and equipment

Original Appropriation £596,000; Expenditure £339,580

396. In 1960-61 the sum of £288,073 was expended from an appropriation of £295,000 provided for this vote.

We were informed:-

".... That appropriation was based on the Administration's request for a programme of £460,000 which was approved at only £308,000. In 1961-62 the programme of £637,000 sought was approved in entirety, and with a cash appropriation of £496,000 or £301,000 more than appropriated in the previous year, it was apparent that the Administration's purchasing organisation would be extended to the limit to achieve full cash expenditure." Exhibit No. 60/25

Events proved that the programme sought and approved was impracticable.

397. The witness advised Your Committee that the purchasing section comprised only about five people and most of these were absent over the Xmas/New Year period on three months leave. Further, the Administration was not advised by the Department of Territories until 12th October, 1961 that "our Estimates had been passed and the Minister had approved the total programme in keeping with the amount provided in the Estimates." Q.1704
Q.1692

398. Your Committee appreciate that, in the circumstances, a full expenditure of the funds provided was impossible but a better performance should have been achieved. For example, the programme included an unexpended provision of £80,000 for the purchase of motor vehicles - including the nine omnibuses mentioned in our comments concerning Division No.751/4/33 - and there is no reason why all or most of this amount should not have been spent.

399. With regard to the probability of the Administration being able to spend the appropriation of £522,000 sought for 1962-63 the witness stated:-

(MR GILLESPIE) What was happening was that the stores branch was waiting on the individual branches of the Administration to give it requisitions before it proceeded with purchase action. I have directed this year that it proceed with the invitation of tenders progressively throughout the year and ask the branches for the requisitions, instead of waiting for them to come. Also I have asked the branches to group like items. Instead of calling tenders on a number of occasions for the same sort of items for different branches, the stores branch will try to group them and so save a good deal of time in the invitation of tenders. I think that by doing that this year we should meet the programme. I feel confident that we will do so this year because quite a large amount of the vote this year is a revote in that materials have been ordered already. Q.1703

Further:-

(MR GILLESPIE) We had a particularly bad run with staff during the wet season in spite of the fact that we approached the Public Service Board and got an improved organization. We have found it necessary to go to the Public Service Board again now on the purchasing organization. The growth of business has been such that we are still unable to cope with it with the staff that we obtained. The total cost of orders for supplies and services runs into about £2,000,000 a year. From a distance, such as Darwin is, that takes some handling. Q.1709

and

(MR GILLESPIE)I feel that these problems will be overcome, but only by improving our staffing and doing something about this difficult period that always occurs in the wet season. I expect considerable difficulty this year. I have already made some provision for it by making an approach to the Public Service Board for additional relief staff. I have also taken the other step that I mentioned; that is, to get improved classifications for purchasing positions so that we can attract officers of a better quality than we have been able to get in the past. I think that will make a big difference. Q.1714

400. The witness agreed that the actual procedures set down for the purchase of supplies were no impediment. We noted also that approval to the programme for 1962-63 was received in August this year and that some £200,000 of the £522,000 sought had been committed by the end of July, 1962. Qs.1710, 1715 Qs.1723, 1722

401. Your Committee, therefore, would expect that the performance in 1962-63 should be better than that in the previous year. Whether it will, in fact, prove to be so is a matter we shall review again next year.

(b) Item 10 - Northern Territory Housing Commission - Advance

Original Appropriation £455,000; Expenditure £398,000

402. This vote was under-expended in 1960-61 by an amount of £94,000 against an appropriation of £435,000. The under-expenditure for 1961-62 shows some improvement - the amount being £57,000 against an appropriation of £455,000.

403. The main reason for the shortfall in expenditure in 1961-62 was the failure of the Commission's main contractor in each case at Darwin and at Alice Springs to achieve the rate of progress for which they had contracted. This result compares unfavourably with the improved situation disclosed by the experience of the Department of Works over the same period and referred to in paragraphs 409 and 411 below. Exhibit No. 60/25

404. With regard to this activity the Administration provides the funds which are controlled by the Housing Commission through a trust account. The Commission is not controlled by the Administration but as the estimate of expenditure of £530,000 was accepted by the Administration for 1962-63 we trust that its operations will be kept under close review in future. Qs.1729, 1730

(c) Item 14 - Loans to primary producers for water development.

Original Appropriation £125,000; Expenditure £28,440

405. Your Committee examined this vote last year also when an expenditure of £13,458 only was achieved against an appropriation of £100,000. We were informed then that the under-expenditure arose from the fact that the enabling legislation had been completed in March, 1961 and not September, 1960 as had been expected. P.F.No.112 of 1961

406. This year the under-expenditure was stated to have arisen mainly because the "wet" season created Exhibit No. 60/25

access problems in the Northern area where the majority of advances had been approved. Further, expenditure for equipping bores is not actually incurred until the success of the bore has been established and this was delayed in many instances by the difficulties in delivering and erecting equipment.

407. The explanations received from the Department stated also:- Exhibit No. 60/25

"The number of applications approved has been considerably less than expected because a pre-requisite to the granting of a loan is that the pastoralist should give adequate security which is usually a first mortgage over his property. As a result, although many pastoralists have taken advantage of the Ordinance to obtain advice regarding drilling which gives them protection against unsuccessful boring, they have sought financial assistance from other sources to undertake the drilling. The fact that they have protection against unsuccessful bores had made it much easier for them to obtain finance from the normal lending authorities."

408. An amount of £96,000 is being sought in 1962-63 for this vote. We were advised that approvals carried forward from 1961-62 involve an expenditure of £54,234 so that the estimate for 1962-63 would appear to be more realistic than the estimates for the two previous years. Your Committee expect that, with the experience now gained after the first full year of operations, the performance in future should be more satisfactory. Q.1734

(v) Northern Territory

Under Control of Department of Works.

(a) Division No.975/01 - Buildings, works, fittings and furniture.

Original Appropriation £3,047,000; Expenditure £3,529,800

409. The explanations received from the Department of Works stated:-

"The original appropriation of £3,047,000 provided for estimated expenditure of £2,080,000 on incomplete works carried forward from 1960-61, £795,000 on new works to be commenced during 1961-62 and the 6% Administrative Charge of £172,000. Exhibit No. 60/26

The actual expenditure totalled:-

Incomplete works carried forward from 1960-61	£2,420,000
New Works commenced in 1961-62	910,000
6% Administrative Charge	<u>199,800</u>
Total	<u>£3,529,800</u>

The value of incomplete works carried forward from 1960-61 totalled £2.857m. and the new works originally approved for commencement during 1961-62 totalled £2.903m.

In the formulation of the annual draft works programme to be submitted for Government approval, it is necessary, firstly, to determine the cash requirement in the ensuing year to meet the anticipated achievement on those works in progress at the commencement of the year. When this review was undertaken in April/May 1961 in order to assess the likely expenditure in 1961-62 on works which would be in progress at 1.7.61, it was estimated that expenditure would total £2.08m.; the actual expenditure was £2.42m. or an overspending of £340,000.

These works included several major projects e.g. Darwin Thermal Power Station, £1.87m., Government offices Darwin, £476,000. In the case of the former, the unexpended balance on 1.7.61 was £955,000 of which it was estimated £720,000 would be expended in 1961-62; the actual expenditure was £810,000 or £90,000 greater than originally anticipated. This project was completed six months ahead of the contract period. The unexpended balance at 1.7.61 of the Government offices was £455,000, of which it was estimated £280,000 would be expended in 1961-62; the actual expenditure was £319,000 or £39,000 in excess of the estimate."

410. The increased expenditure was met from funds obtained during the year in Additional Estimates (£398,000) and from the Advance to the Treasurer (£84,800).

411. In reply to a question concerning the reasons for the improvement in progress during the year 1961-62 Mr A.T. Ferrari, Director of Works, A.C.T. Branch, Department of Works (formerly Director, Northern Territory Branch) advised:-

(MR FERRARI) I have gone to some trouble to get some information on this. I have found, first of all, that following much the line of the previous inquiry, we too had been under-expending in previous years. For example, at 30th June, 1960 our cash available was £2,500,000 and we spent £2,286,000. In June, 1961, we had available £2,576,000 and spent £2,540,000, so again we under-shot. In arriving at the amount of cash that will be required for the following year, it is made up in three parts and one of them is the revoted expenditure, which can be divided into two parts. It is made up in April of any year and you assess what you will expend on the jobs already in the field by 30th June and what will be spent in the following year. At April there are still jobs on the current programme which could not be committed earlier but will be committed after April and before 30th June and you estimate the expenditure carried into the next year. As well as this there is an estimated expenditure against your new works programme. When we dealt with this in April 1961, we found we were below our target of expenditure at that date. We also have a manpower graph which we looked at closely and it had fallen fairly substantially. It was against these figures that we discounted our estimates of revoted expenditure and the new works expenditure. Both graphs* are pretty interesting. On these graphs

Q.1767

* The graphs referred to will be re-produced as appendices when this Report is printed.

we show the 1960-61 programme and the red line is the target of expenditure while the blue line under it is the cumulative expenditure month by month on this particular division and that is the key to the works programme in the Northern Territory. In April you use the March expenditure to work on because you have not the April expenditure at that time. You will find it was substantially below the red target expenditure. The manpower figures for that year show that the manpower had been 1,250 prior to February and then had dropped to 1,150 but in March had gone back again to about 1,170. There was too small an effect here to determine its significance. It was against these two facts, that we were below expenditure in the year and, our manpower was down, that we fixed cash limits. But we set targets substantially above the previous year although still a realistic assessment. The manpower built up steadily in June, 1961 and it built up steadily through the remainder of 1961-62.

412. Your Committee noted with interest that the Department of Works' experience in 1961-62 was that conditions in the Territory had improved generally in relation to its works construction. Reference had been made also to the fact that the 1961-62 works programme had been formulated, for the first time, on the basis of tender target dates for all projects exceeding £2,000. Further details were sought from the witness who stated:-

(MR FERRARI) It means that every job in excess of £2,000 is given a targeted date for going to tender. Q.1771 That means that if we have a particular job we say it will go out in June and this one in July and that one in August. It means that the pre-planning has to be completed in sufficient time to get them out on those dates. We may have to say to our clients, "You have gone past the time when you can go out to tender at this stage." This has no doubt assisted materially in ensuring that these jobs have gone out to tender at these dates. You therefore have the equivalent of eleven or twelve months expenditure and a regular flow of work. It was probably in recognition of this that the Treasury agreed to leave the programme stay to see how it would work out in practice.

413. The progress made with works construction in 1961-62 appears to have been very satisfactory and we accept the explanations received.

(b) Division No.975/02 - Construction of roads for transport of beef cattle.

Original Appropriation £350,000; Expenditure £365,806

414. The increase in expenditure was met by obtaining the sum of £15,806 from the Advance to the Treasurer.

415. This vote provided for a new programme introduced in 1961-62 and estimated to cost a total of £700,000. The roads to be constructed are:-

Stuart Highway - Yuendumu	£125,000
Barkly Highway - Anthonys Lagoon	150,000
Top Springs - Timber Creek	375,000
Stuart Highway - Jervois Range	<u>50,000</u>
	<u>£700,000</u>

416. The statement received from the Department of Works advised:-

".....

Exhibit No.
60/26

The main work is in the Kimberleys at Jasper Gorge, more than 200 miles west of the Stuart Highway and this Department set up a special local organisation to handle the work. This performed somewhat beyond expectations, largely because of the skill displayed in keeping the work moving during the wet season. The Gorge section is undoubtedly the most important link in the programme.

During March it became apparent that progress was likely to exceed existing cash limits, and on 3.4.62 the matter was referred to Treasury and Department of Territories, the sponsoring department, for the provision of an additional £16,000. The alternative was to taper off activities with the prospect that very costly plant would be idle during the two best construction months - May and June; as there were no other works to which any significant part of the unit could be diverted.

The Gorge Section could be completed in September 1962 if the organisation continued at full strength, however, if a period of idleness was inevitable, much difficulty would have been experienced in re-assembling the plant operating team and the momentum carrying the job forward would have been lost."

417. Good progress appears to have been made with this programme and we accept the explanations given.

(R) DEPARTMENT OF THE INTERIOR

(i) Real Estate Management

Division No.233/1/02 - Salaries - Temporary and casual employees.

Original Appropriation £251,400; Expenditure £224,541.

418. The under-expenditure of £26,859 against this vote arose from positions being unoccupied during the year (£5,194), over-estimating in New South Wales and Queensland (£12,422) and items incorrectly included in this vote (£9,243).

419. The amount of £9,243 related to salaries for permanent officers (£4,743) and overtime payments (£4,500) which were appropriated against this vote instead of being appropriated against Items 01 and 03 of Division No.233/1. The explanations received from the Department advised that these amounts had been included, in previous years against Division 238/3/02. Instructions had been received from the Department of the Treasury, in a circular dated 26th June, 1961, that the amounts were to be shown against Division No.233/1 for 1961-62.

Exhibit No.
60/3

Q.1840

420. The witness from the Department of the Interior, Mr N. Murray, Estimates Officer, advised that there was insufficient time to dissect the one amount prepared for Division No.238/3 into the three separate amounts required for Division No.233/1 and that the whole amount had been transferred to Division No.233/1/02. Subsequently the matter was adjusted in Additional Estimates when approval to the expenditure of an additional £9,243 in all was obtained for Items 02 and 03 subject to an equivalent amount not being expended against Item 02.

Q.1802

421. The over-estimate in Queensland was £4,916 and represented an amount of recoverable expenditure for office services which had not been taken into account. The over-estimate of £7,499 in New South Wales represented economies in wages for day-labour cleaning staff which resulted from a special effort to carry out the work at a cost comparable to that of contract cleaning.

Q.1809

Exhibit No.
60/3

422. Your Committee were informed also that part of the under-expenditure of £5,194 relating to unoccupied positions arose from the fact that the Department found it unnecessary to fill four vacant positions when it moved from the temporary offices at Acton to a new building at Civic, Canberra.

Q.1831

423. With the exception of the estimating error in Queensland Your Committee accept the explanations received.

(ii) Electoral Branch

Division No.239/2/05 - Administrative Expenses - Administration of the Commonwealth Electoral Act.

Original Appropriation £166,500; Expenditure £127,768

424. The departmental explanations stated:-

.....
 Although it is rarely possible to accurately forecast the reprinting of the Rolls which might be necessary or the dates that elections, either Commonwealth or State, will be held, it has been considered necessary and desirable to make provision in the Estimates for a full reprint of the Rolls each year."

Of the under-expenditure of £38,732 approximately £36,000 was due to the fact that an expected second reprint of the Rolls for New South Wales was not undertaken because the State Elections were held in March, 1962 following closely on the Commonwealth General Elections in December, 1961. They had already been reprinted earlier in the year for a State Referendum.

425. The witness, Mr E.O. Brown, Senior Clerk, Commonwealth Electoral Office, Department of the Interior advised:-

(MR BROWN)... In four of the States, as you know, Q. 1849 there are joint rolls, used for both State and Commonwealth purposes. In those States, the State pays half the cost, whether the roll is printed for Commonwealth or State purposes, and the Commonwealth pays half the cost. The rolls are printed for elections as required, and an endeavour is made to print them once between elections. We find that it is essential to make provision each year for a reprint of the rolls throughout the Commonwealth, for the reason that we do not know when we may get a request for them.

The four States are New South Wales, Victoria, South Australia and Tasmania. However, in Tasmania, supplemental rolls are paid for by either the Commonwealth or the State - whichever requires it. The cost of a principal roll is shared equally and, in the case of all four States, the Government Printer charges the State concerned direct for its share of the cost. Q. 1854
Q. 1873

426. Your Committee accept the explanations relating to the under-expenditure against this vote in 1961-62.

(iii) Forestry Branch

(a) Division No. 242/1/01 - Salaries and allowances

Original Appropriation £105,600; Expenditure £98,984

427. A further sum of £1,000 was appropriated for this Item in Additional Estimates.

428. The under-expenditure was related solely to salaries of officers required for a new project in the Northern Territory referred to as "Forestry on Reserves for Yards." The provision for other forestry activities included against this Item was expended fully in 1961-62. Exhibit No.
60/3

429. Dr D.A.N. Cromer, Officer-in-Charge, Division of Silvicultural Research, Forestry and Timber Bureau advised Your Committee that the now project was approved by Cabinet in July, 1961. There were sixteen positions involved and a provision of £8,000 was made in the original Estimate to cover the salaries expected to be incurred for part of the financial year 1961-62. Q. 1879

430. The Forestry Bureau forwarded details of the establishment required on 30th August, 1961, to the Department of the Interior. The Department wrote to the Public Service Board on the 28th September, 1961, and the Board's approval was given on 2nd January, 1962. The positions were gazetted on 1st February, 1962, and the first appointees were expected to take up duty early in September, 1962. Q.1890

431. The observer from the Public Service Board, Mr F.C. Nordeck, Assistant Commissioner, informed us that a Board's Inspector visited the Northern Territory between 18th September and 26th October, 1961, and reported to the Board on 7th November, 1961. Q.1905

MEMBER.--What would be the hold up between 7th November and 2nd January?--(MR NORDECK) This would probably be due to volume of work. Of course he has to deal with all departments and not just one. Q.1906

432. Your Committee accept the explanations given by the Bureau and note that we have found on numerous occasions during our various enquiries that the recruitment of staff to newly created positions appears to require about twelve months to complete from the time Public Service Board approval is first sought.

(b) Division No.242/2/10 - Purchase of seeds for sale.

Original Appropriation £5,000; Expenditure £2,837

433. The witness, Dr D.A.N. Cromer, informed Your Committee that the sales comprise mainly the seed of eucalypts to overseas countries and stated:-

(DR CROMER) This particular item is an arrangement that we have with them because the States did not want to enter into commitments with overseas countries. They made us a sort of central clearing house for them. We get orders for seed for example from Morocco worth, say, £1,000. They might ask for 50 species, which we have to collect from the various States, and we assemble the order, fumigate it, and get a sanitary certificate and so on. We send it over then against a letter of credit. Q.1910

MEMBER.-- What is the annual sale of eucalyptus seeds, both commercially and through your office?--(DR CROMER) It runs to about 200 lb., both commercially and through the State forests services and so on, but when you realize that there are up to 100,000 seeds per ounce, 100 lb. is an enormous amount of seed. Q.1926

The seed is sold at the rate of about one pound an ounce and it might take two years to fulfil an order. Q.1927

434. In 1961-62 the Bureau had been advised of expected orders from several overseas countries but these were not received. It is expected that sales in 1962-63 will be almost double the sales in 1961-62 but this is an estimate only, based again on advice as to possible orders. Q.1924

435. Your Committee appreciate the difficulties in estimating requirements for a vote of this nature and accept the explanations concerning the under-expenditure in 1961-62.

(iv) Division No.687/02 - Australian War History 1939-45 -
Compilation

Original Appropriation £18,300; Expenditure £13,615.

436. The explanations received from the Department stated that the under-expenditure "resulted from a decrease in the staff employed and a considerable reduction in the value of work delivered by writers". Less than £900 was expended from the amount of £2,850 provided in the appropriation for writers' fees and the Department informed us later:-

Exhibit No.
60/3

"... The practice is to fix a fee for the whole of the work to be undertaken by a writer. Payment is usually made in four equal instalments as the work is delivered. Generally writers have been required to give the work their full time for the first twelve months. The work of only three writers is now outstanding. This is all being undertaken on a part-time basis."

Committee
Document
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437. A further amount of approximately £3,000 was not expended from the sum of £15,450 provided for salaries. This was the result of two positions being vacant during the year and the Public Service Board has now been requested to have these positions abolished.

438. Your Committee realise that some difficulty may be encountered in estimating the amounts payable from this vote for writers' fees but it would appear that a proper review of the salaries component was not made when the Estimates were prepared for 1961-62.

(v) A.C.T. Services

Division No.766/4 - General Services.

(a) Item 19 - Fire Brigade - Maintenance

Original Appropriation £64,000; Expenditure £78,193.

439. The under-estimate in this instance was corrected by obtaining £13,400 in Additional Estimates and £793 from the Advance to the Treasurer.

440. The major cause of the over-expenditure of £14,193 was the necessity to provide £9,500 for the salaries of 4 officers and 12 firemen at the new Fire Station at North Canberra. This station was opened on 2nd March, 1962, and the witness stated:-

Committee
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(MR MURRAY) ...as at March when the original estimates were prepared, the Commission was not able to say when the work on the station would commence. In June, the Commission advised in writing that an early start was expected. It was August before the New South Wales Board of Fire Commissioners could be told that March was the estimated month of completion. The Board was then asked to furnish an estimate of staff requirements.

Q.1942

441. Further additional expenditure, in approximate figures, was incurred as the result of the appointment of an extra fireman for service maintenance (£1,270), the increased costs of relief staff to cope with sick and recreation leave (£2,630) and the increased maintenance costs following damage to cables by bulldozers (£800).

442. The fire services in the Australian Capital Territory are manned and controlled by the New South Wales Board of Fire Commissioners. That Board is reimbursed by the Commonwealth for the costs involved in maintaining the services.

Q.1960

443. Your Committee noted that there are provisions in the various States of the Commonwealth for the recovery from Insurance Companies of part of the costs of maintaining fire services. With minor variations the recovery is based generally on the Companies' premium incomes in each fire district and a charge is levied on houseowners and householders, who are not insured, for the cost of attending a fire. We were informed that in the Australian Capital Territory no contributions are made by Insurance Companies towards the cost of the services by direction of the Minister. However -

"...in arriving at this decision the Minister directed that negotiations be conducted with representative bodies in the fire insurance field in the A.O.T. with the object of obtaining some reduction in premiums. As a result it was agreed that all Insurance Companies who are members of the Fire and Accident Underwriters' Association would reduce by 10% premiums on fire and householders' policies on property situated in Canberra City and suburban areas. The reduction applies as each policy becomes due for renewal on and after the 1st June, 1962."

Committee
Document
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444. With regard to the under-estimate against this vote in 1961-62 Your Committee consider that the explanations received are satisfactory.

(b) Item 31 - Street Lighting

Original Appropriation £56,000; Expenditure £63,997

445. A further sum of £8,000 was obtained in Additional Estimates to provide for the following items of expenditure which had been omitted from the original Estimates:-

	£750	Exhibit No. 60/3
"King's Avenue Bridge (opened 10th March, 1962)		
Street Lighting remaining on all night during investigation into murder case	1,500	
Employment of an additional maintenance electrician	1,500	
Hume Circle (opened April, 1961 but no reading in 1960-61.) Cost for period 1/4/61 to 30/6/62	1,100	
Expenditure recorded in Australian Capital Territory Trust Account in the final period of 1960-61 but transferred to the appropriation item in 1961-62	<u>3,057</u>	
	<u>£7,907 "</u>	

446. With regard to the under-estimate of £1,850 for the lighting of the King's Avenue Bridge and Hume Circle the Department advised:-

"Unfortunately additional provision for the considerable consumption of electricity involved in lighting these projects was overlooked. Action has been taken, however to ensure that in future notice is to be taken of any similar project which is to come into operation during any financial year."

Committee Document
T.A.62/57

447. The major item of £3,057 representing the amount transferred from the Trust Account in 1961-62 and referring to actual expenditure in 1960-61 was much greater than the £780 carried forward from 1959-60 to 1960-61. We were informed:-

Q.1971

(MR MURRAY) That would be expenditure on wages, and materials such as light bulbs and standards, which are initially charged to the Electricity Trust Account. The difficulty here is that this is usually cleared from the Trust Account to recoverable jobs after the posting of each wages journal. In this particular pay, the total pay was £17,500. The cash required is drawn initially from a suspense account within the Trust Account. After payment, which in this instance was on 28th June, a costing journal is prepared. The effect of this Journal is that the suspense account is credited and recoverable jobs, running into hundreds, are debited. This particular Journal runs into 31 pages of figures. After posting this Journal, a further journal to clear the recoverable jobs is necessary. There always is, and always will have to be, some carry-over because of the difficulty in posting the wages and clearing recoverable jobs within two days or, I venture to say, one day, because Treasury desires that transactions on June 30th be kept to a minimum.

Q.1968

448. Your Committee accept the explanations given for most of these items but trust that care will be taken in future to make provision for any projected development of which the Department is aware.

Qs.1977-
1981

(vi) Capital Works and Services

Division No.856/O2 - Plant and equipment

Original Appropriation £116,000; Expenditure £89,231.

449. The under-expenditure against this vote related Exhibit No. mainly to the News and Information Bureau (£19,094) 60/3 and the Forestry and Timber Bureau (£3,762).

450. The Film Division of the News and Information Bureau had expected to spend some £48,000 in 1961-62 Q.1986 and the witness, Mr D.D. Kennedy, Studio Manager and Technical Services Officer of that Division, advised that they could not place any orders until 26th October, Q.1988 1961, after the estimates had been approved. He stated also:-

(MR KENNEDY) Movie equipment is highly specialized equipment. The manufacturers do not normally carry it as stock items, despite the fact that they may have been manufacturing particular items for years. They do this primarily because each organization will require some special modifications to meet its particular requirements. Therefore, when you negotiate for such equipment you negotiate for a basic piece of equipment with modifications to meet your own desires. Normally you cannot expect from most of the larger suppliers a better delivery than six months. This has been going on for many years. The current spread of television throughout the world has put back the delivery date to twelve months. We have discussed with suppliers at times the possibility of reducing the delivery period, but they do not desire to enlarge their premises and put on additional personnel to meet the present rush because of the fact that it is of a temporary nature. That is why the suppliers quote us these bad delivery periods. Q.1990

451. The observer representing the Department of the Treasury advised:-

(MR HERRING) First of all, the date 26th October, 1961, has, so far as I know, no significance in the Treasury. I am not aware of any instructions or any advice that went out at that time. As I said yesterday, if the department wants to order early and has not the funds in the Supply appropriation, that is, the carry-over appropriation, it can apply to the Treasury for approval to incur a commitment against a future appropriation. This is done frequently by other departments that want to order well in advance. There are quite a number of cases of ordering where the supplies cannot be obtained within twelve months or even longer periods, and the department makes application to the Treasury to incur a commitment against future appropriations. Q.1993

MEMBER.- This is the procedure designed in fact to meet the kind of circumstances referred to by Mr Kennedy?--(MR HERRING) Yes. Q.1994

452. Your Committee were informed that the under-expenditure of £3,762 relating to equipment for the Forestry and Timber Bureau comprised twenty-five separate items of equipment. Sixteen of these items, Exhibit No. 60/3

with a total value of £1,922, were delivered between 15th May and 30th June, 1962 but claims for these items were either not received or were received too late for payment before 30th June, 1962.

453. In general Your Committee is not satisfied with the explanations received for the under-expenditure resulting against this vote in 1961-62. In many cases it would appear that orders were not placed sufficiently early in the financial year and the Sections of the Department involved were not familiar with the procedures designed to overcome the difficulties they claim existed in the procurement of equipment.

(vii) Division No.980 - Works and Services - Australian Capital Territory

(a) Item 02 - Sundry works and services.

Original Appropriation £65,000; Expenditure £49,902

454. The original appropriation provided for the expenditure of £61,000 on new works for the Parks and Garden Section and for the expenditure of £4,000 on the installation of additional power points in Government-owned houses. The actual expenditures were £47,613 and £2,289 respectively.

Exhibit No.
60/3

455. The under-expenditure in the Parks and Garden Section comprised £3,950 on improvements to Manuka Oval, £3,150 on park furniture and £6,280 on the development of Botanic Gardens.

456. Consultation with the National Capital Development Commission was necessary in order to determine the design of "street furniture and park seating". The Commission's designs were forwarded to the Department in July, 1961 and the Department agreed to these before the end of August, 1961.

Q.2002

457. The under-expenditure on the development of Botanic Gardens at the foot of Black Mountain referred to the provision of fencing which could not proceed as the Commission had not fixed the boundaries. The boundaries will depend on the alignment of a new road.

Q.2005

458. We are not satisfied, from the explanations received, that furniture designs could not have been completed at an earlier date and that there was not sufficient time in which to obtain some, at least, of the items proposed. Similarly the boundaries of the proposed gardens should have been determined or funds not obtained in 1961-62. We trust that the Department and the National Capital Development Commission will display better liaison when future estimates are being prepared. The provision of £4,000 for new power points was a simple case of bad estimating.

Q.2008

(b) Item 03 - Plant and equipment

Original Appropriation £152,000; Expenditure £136,290.

459. A further sum of £8,900 was obtained also in Additional Estimates with the result that the total under-expenditure was £24,610. Some £1,300 of this represented items supplied at less than the expected cost and the balance of £23,294 unexpended related to items required as follows:-

Education -

Exhibit No.
60/3

Schools	£4,342	
Technical College	<u>9,119</u>	£13,461
Police		7,505
Lands and Survey		1,099
Motor Registry		416
Bush Fire Council		380
Parks and Gardens		329
Fire Brigade		<u>104</u>
		£23,294

460. With regard to the amount of £4,342 under-spent for schools it was stated that equipment to the value of £2,868 had been delivered but covering claims had not been received by 30th June, 1962, and that orders had been placed, but delivery not effected, for the remainder. Most of the orders were placed between 23rd February, 1962 and 6th March, 1962.

Committee
Document
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461. Action to order equipment valued at £9,119 for the Technical College was commenced on 31st August, 1961, when the Department of Technical Education in New South Wales was requested to arrange the purchase on behalf of the Department. In view of the specialised nature of the equipment an exchange of information was necessary before tenders could be called. However certain administrative difficulties in the New South Wales Department prevented the actual tenders being called before the middle of February, 1962.

Committee
Document
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462. No inconvenience has been caused by the lack of this equipment which was being ordered in advance for a School still in the course of construction at the College.

Q.2015

463. The main items involved in the under-expenditure for the A.C.T. Police concerned three boats and associated radio equipment valued at £5,630. The boats are a cabin launch and two aluminium craft with trailers and outboard motors for use on Lake Burley Griffin and other waterways in the surrounding district. The orders were placed early in 1962.

464. A requisition was forwarded, on behalf of the Lands and Survey Section, in September, 1961 to the Department of Works for the supply of four short-term pluviographs costing £250 each and of three long-term pluviographs costing £1,000 each. The former were received on 9th February, 1962 and paid for but the latter, ordered in the United States of America and promised for delivery in April 1962 were delayed until May and full payment could not be effected.

465. Your Committee examined in detail many items included in the estimates against this vote. Whilst some under-expenditure could not be foreseen, for example in the supply of pluviographs and equipment for the Technical College, it is apparent that orders were not placed sufficiently early in the financial year in many cases and we trust that the Department will avoid this in future.

(c) Item 07 - Purchase of improvements on resumed leases.

Original Appropriation £20,000; Expenditure £28,475.

466. A further sum of £20,000 was obtained in

Additional Estimates and the under-expenditure for the year, therefore, was £11,525 against a total appropriation of £40,000.

467. The Department advised that £19,226 had been expended by 28th February, 1962, and the amount obtained in Additional Estimates was required to cover the estimated cost of resuming certain leases affected by the Canberra Lakes scheme. Exhibit No. 60/3

468. We were informed that when leases are withdrawn for the purpose of city development the Commonwealth pays for the value of improvements on the land. The value is determined by negotiation if possible otherwise the matter goes to arbitration. The negotiations can become protracted and for this reason the settlement in one instance was not made until July 1962 instead of in the financial year 1961-62 as had been expected. This resulted in substantial under-expenditure. Q.2026

469. Your Committee accept the explanations given.

(S) POSTMASTER-GENERAL'S DEPARTMENT.

Capital Works and Services
Under the control of the Department of the Interior

Division No.958/01 - Acquisition of sites and buildings.

Original Appropriation £679,000; Expenditure £551,905

470. In our Fifty-Sixth Report Your Committee reported on the considerable under-expenditure which occurred in 1960-61 against this vote. We concluded, on that occasion, that the magnitude of the under-expenditure would have been reduced had certain available procedures been adopted. The expenditure had been £417,205 from an appropriation of £493,000 which included a re-vote of £108,000. P.P.No.112 of 1961

471. The acquisition programme for 1961-62 included a revote figure of £61,000 and the cash requirement was estimated at £57,960 - figures considerably below those for 1960-61. The under-expenditure for 1961-62 included an amount of £25,079 on the revote requirement of £57,960 and an amount of £101,745 on new programme items estimated at £620,767. Q.2049 Exhibit No. 60/27

472. We were advised that the acquisition programme was reviewed regularly and that the possibility of under-expenditure was apparent in January, 1962. Responsibility for initiating action on acquisitions rests with the Postmaster-General's Department, the sponsoring Department and Mr E. W. Easton, Assistant Director-General (Finance and General Services) stated:- Qs.2036, 2038 Q.2041

(MR EASTON) ... Early last financial year we lodged a high proportion of our requisitions. That is the sort of thing one has to do to get this vote expended. Requisitions lodged in the first quarter of 1961-62 amounted to £447,000, in the second quarter, £69,000, and in the third quarter, £39,000. If we exclude Parramatta from the last quarter, as a special case, the total value of requisitions lodged in the last quarter was £25,000. In other Q.2051

words, we got the bulk of our projects to the requisition stage early in the financial year.

473. Items may be withdrawn from the programme and others substituted, with approval of the Department of the Treasury, and in 1961-62 eleven proposals valued at £34,690 were withdrawn. The reasons for this are similar to those given by the Department for the under-expenditure in general, that is:- Q.2058 Qs.2054, 2057

"(a) Unexpected difficulties encountered by the Department of the Interior in making settlements, mainly because of title and survey problems and negotiations with State Departments. Exhibit No. 60/27

(b) The refusal of owners to sell selected sites or inability to reach agreement with the owners on selling prices.

(c) The withdrawal of certain items because of technical changes in the proposed method of providing telecommunication facilities and the timing of Engineering works following on changes in traffic trends in particular areas."

474. However, the placement of substituted items in the programme is not always the solution as the requisitions for their acquisition usually are placed too late in the financial year for settlement to be effected. It is, therefore, vital that the original programme should be realistic and the performance in the last two financial years gives rise to doubts on this point. However, the performance in previous years had been - 1957-58 appropriation £380,000 - expenditure £361,762; 1958-59 appropriation £504,427 - expenditure £504,426; 1959-60 appropriation £606,000 - expenditure £605,921. The 1958-59 figures include amounts obtained subsequent to the original appropriation which was £350,000 only. Q.2067

475. The three Departments concerned in the administration of this vote appear to be of the opinion that unforeseeable difficulties had been experienced in 1961-62 and we note that a slightly lower appropriation of £540,000 was sought in 1962-63. In view of the opinions expressed by the three Departments Your Committee consider that we may not be justified, at this stage, in being critical of the manner in which the programme was prepared. Q.2072

476. However, this is a very important activity of the Postmaster-General's Department which is largely dependent on the advice of the Department of the Interior as to the prospects of completing the acquisitions it wishes to include in the programme. The witness stated:-

(MR EASTON) ... Over the last two years we have given more attention, internally in the department, and with the collaboration of the Treasury and the Interior externally on the procedures and practices, to these acquisitions than has ever been given them in the past. Yet, we have not spent our money in those two years. Speaking of 1961-62, I have personally looked at every one of the cases of major acquisition where it was not completed in accordance with the programme, and I am completely satisfied that in every case the facts justified its original inclusion in the programme. Q.2086

477. Whilst the procedures followed appear to be efficient the results obtained cannot be considered to be *satisfactory*. In the circumstances we consider that the explanations offered may be accepted but Your Committee will continue to watch closely this acquisition programme - and those of the other Commonwealth Departments,

CHAPTER IV.--OTHER ITEMS CONSIDERED.

478. In Chapter III Your Committee has reported on a large number of the more important Items which were further investigated at a series of public hearings.

479. Many other Items were examined also by Your Committee but were not the subject of further oral examination. Departmental explanations were received concerning every Item appearing in the statement of expenditure from the Advance to the Treasurer. In addition explanations were sought and obtained for other appropriations which were substantially either under or over-expended in the financial year 1961-62.

480. Your Committee list hereunder those Items which we considered, after an examination of the explanations received, not to require further investigation or special comment in Chapter III.

PARLIAMENT (GENERAL SERVICES)

Division No.115/02.

PRIME MINISTER'S DEPARTMENT.

Divisions No.121/1/02,03, 121/2/01, 03, 04 and 07, 123/1/02, 123/2/01, 04 and 08, 124/2/02, 836/01, 840/01 - under control of Department of Works.

OFFICE OF EDUCATION.

Division No.127/3/01.

NATIONAL LIBRARY OF AUSTRALIA.

Division No.130/01.

AUDIT OFFICE.

Division No.132/2/05.

PUBLIC SERVICE BOARD.

Division No.133/2/06, 08 and 10.

DEPARTMENT OF EXTERNAL AFFAIRS.

Divisions No.141/2/09, 142/1/01, 02 and 03, 142/2/03, 146/2/09, 148/1/02, 148/2/04 06 and 07, 151/2/09, 152/2/04, 05 and 06, 157/2/06, 08 and 09, 159/2/04, 161/1/01, 161/2/03 and 06, 162/2/03 and 06, 163/2/05 and 08, 168/2/09, 169/1/01, 02 and 03, 169/2/04, 170/2/03, 06 and 09, 172/2/09, 175/2/04 and 08, 176/2/03, 177/2/06, 181/2/06, 182/2/09, 183/2/06, 188/2/01, 841/04 and 05, 845/01 - under control of Department of Works.

DEPARTMENT OF THE TREASURY.

Divisions No.191/1/03, 191/2/02, 03 and 09, 191/3/02, 03 and 04, 194/2/01 and 02, 207.

TAXATION BRANCH.

Division No.193/2/05 and 07.

SUPERANNUATION BOARD.

Division No. 196/1/02 and 03.

BUREAU OF CENSUS AND STATISTICS.

Division No. 197/2/01, 03, 04, 05, 07, 08 and 09.

GOVERNMENT PRINTER.

Division No. 201/1/02 and 03.

ATTORNEY-GENERAL'S DEPARTMENT.

Divisions No. 211/2/02, 212/1/02, 213/2/05, 215/2/06,
216/2/01, 04 and 09, 218/2/04, 05 and 06, 222/1/01
and 03, 222/2/01 and 08, 223/1/01, 02 and 03,
223/2/03, 05 and 06, 774/1/01 and 03.

DEPARTMENT OF THE INTERIOR.

Divisions No. 233/1/01 and 03, 233/2/07 and 11, 234/08,
235/1/02, 235/2/01 and 05, 242/2/05, 521, 687/06,
688/08, 766/2/01 and 02, 766/4/04, 06, 07 and 13,
766/5/06 and 12, 769/1/01, 769/2/01, 06 and 08,
849, 856/01 and 03, 860/01, 870/01, 943/01 and 02,
980/05 and 08.

DEPARTMENT OF WORKS.

Divisions No. 251/2/01, 06 and 09, 255/01, 02, 10 and 19,
860/01, 861/02 and 03, 960/01, 977/02, 993/01,
996/01.

DEPARTMENT OF CIVIL AVIATION.

Divisions No. 261/2/08, 871/01.

DEPARTMENT OF CUSTOMS AND EXCISE.

Divisions No. 281/2/01 and 11, 878/01 - under control of
Department of the Interior, 880/01 - under control of
Department of Works.

DEPARTMENT OF HEALTH.

Divisions No. 292/2/01, 293/1/02, 293/2/01, 06, 07 and 10,
762/1/01 and 03, 881/03, 883/01 - under control of
Department of the Interior, 988/01 - under control
of Department of Works.

DEPARTMENT OF TRADE.

Divisions No. 301/2/01, 03, 04 and 09, 304/2/02 and 04,
309/2/04, 320/2/04, 321/2/01 and 02, 323/2/02,
341/2/07, 343/2/01, 891/02.

DEPARTMENT OF PRIMARY INDUSTRY.

Divisions No. 355/2/01 and 03, 358/1/02, 900/01 - under
control of Department of Works.

DEPARTMENT OF SOCIAL SERVICES.

Divisions No. 364/1/02, 364/2/01 and 07, 364/3/04.

DEPARTMENT OF SHIPPING AND TRANSPORT.

Divisions No. 368/2/03, 04 and 05, 368/3/02, 372/2/01 and 10, 373/1/01, 373/2/01, 909/02, 914/01 and 02 - under control of Department of Works.

DEPARTMENT OF TERRITORIES.

Divisions No. 375/2/04 and 06, 751/4/01, 07, 11, 16 and 22, 753/02 - under control of Department of the Interior, 756/01 and 02 - under control of Department of Works, 871/01, 920/01 - under control of Department of Works, 971/03, 08, 09 and 13, 993/01, 995/01, 996/01.

DEPARTMENT OF IMMIGRATION.

Divisions No. 381/2/02 and 03, 383/1/01 to 13 and 15, 383/2/06, 386/2/01 and 03, 389/2/07, 391/1/01, 391/2/02 and 05, 923/01 - under control of Department of the Interior.

DEPARTMENT OF LABOUR AND NATIONAL SERVICE.

Divisions No. 401/2/05, 06 and 08, 402/2/02 and 03, 928/01 - under control of Department of the Interior, 930/01 - under control of Department of Works.

DEPARTMENT OF NATIONAL DEVELOPMENT.

Divisions No. 411/2/01 and 04, 412/1/03, 412/2/06 and 10, 413/2/08, 931/01, 939/02 - under control of Department of Works.

DEPARTMENT OF DEFENCE.

Divisions No. 451/2/06, 452/1/01, 02 and 03, 452/2/05, 453/2/01, 03 and 06, 467 and 468 - under control of Department of Works, 601/2/07.

DEPARTMENT OF THE NAVY.

Divisions No. 474/1/03, 475/01, 03, 05 and 07, 476/05, 484.

DEPARTMENT OF THE ARMY.

Divisions No. 504/01, 03 and 12, 521 - under control of Department of the Interior, 523 - under control of Department of Works.

DEPARTMENT OF AIR.

Divisions No. 531/1/02, 532/1/02, 533/01, 04, 09 and 13, 536/01, 06 and 07, 543, 554/01 - under control of Department of the Interior.

DEPARTMENT OF SUPPLY.

Divisions No. 561/2/02, 04, 05, 07, 10 and 11, 562/01, 03, 04 and 05, 563/2/01, 05, 06 and 07, 565/1/02, 565/2, 3 and 6, 566/2/05 and 06, 568/01 and 02, 569/01.

REPATRIATION DEPARTMENT.

Divisions No.671/1/01, 02 and 03, 671/2/02 to 05 and 09,
673/01 and 04, 678 - under control of Department
of the Interior.

WAR SERVICE HOMES DIVISION.

Divisions No.680/1/01, 02 and 03, 680/2/03.

COMMONWEALTH RAILWAYS.

Divisions No.698/3, 699/1, 2 and 3, 700/3, 950/05 -
under control of Department of Shipping and
Transport.

POSTMASTER-GENERAL'S DEPARTMENT.

Divisions No.711/1/03, 711/2/08, 712/2/03, 712/3/06,
713/2/10, 714/5/01, 715/1/04, 715/2/10, 715/5/01
and 02, 716/3/06, 716/4/02, 716/5/01, 718/5/01,
955/05, 970/01 and 04 - under control of Department
of Works.

AUSTRALIAN BROADCASTING COMMISSION

Divisions No.733/1/01, 970/02,

COMMONWEALTH SCIENTIFIC AND INDUSTRIAL
RESEARCH ORGANIZATION.

Division No.943/01 and 03.

CHAPTER V. -GENERAL.

481. From time to time Your Committee include in our Reports quotations from departmental explanations or evidence which refer to "savings". We endeavour to specify that this is a form of jargon by using inverted commas. Whilst the practice might be considered to be unobjectionable used inter-departmentally, the term under-expenditure is more often appropriate. Generally, Your Committee prefer the term over-estimate - and under-estimate when relevant - and we have referred, in Reports in previous years, to the necessity to pay equal attention to either form of estimating error - not that either error is necessarily reprehensible and the full facts require close examination before any judgement is possible.

482. This was done in our last Report of expenditures from the Advance to the Treasurer - the Fifty-Sixth Report - and this year we have adopted the same approach. However, on this occasion, we have endeavoured to examine a larger number of Items under the control of a greater number of departments. This has resulted in a much wider sample than usual of the estimating performance and financial administration of departments. As a consequence, Your Committee have examined many more witnesses than at any previous enquiry of this nature and have completed a Report which is more comprehensive and of greater length than previous ones despite our endeavour to present each Item as succinctly as practicable. P.P.No.112 of 1961

483. As has been our practice in the past this Report is a series of reports and our conclusions appear at the end of each Item - the series comprising a wide representative selection of various votes. Your Committee consider this annual investigation to be one of very great importance.

484. Of the financial documents relating to the finances of the Commonwealth Government the Estimates, or Schedules to the Appropriation Acts, is the one of most importance to departments and the Parliament. Despite the improvements we consider to have been made to that document in recent years the full import of the information contained in it is not always obvious. Members will appreciate that the consideration of the Estimates each year by the Parliament tends to be related more to general debate than to a detailed examination of the Estimates as such although the Senate, in Committee of the Whole, recently adopted the practice of examining the presented Estimates on the motion "That the Committee takes note of the proposed expenditure".

485. However it is not practicable for the Parliament generally to investigate the various Items in the detailed manner in which Your Committee discuss them at our public hearings with representatives of departments. The situation is common to most Parliaments and some have attempted to meet this very real problem by establishing various forms of Committees. For example, the House of Commons has an Estimates Committee which conducts a limited investigation each year of the proposed expenditures by a number of specially selected departments in the current financial year.

486. The Report we now present is one which records a somewhat similar investigation but it covers most instead of a few departments. However, as is unavoidable, it refers to a limited number of Items and has been carried out after, and not before, the events. Despite this apparent disadvantage Your Committee consider that our enquiries are probably as effective and, at least,

serve a very similar and useful purpose. As the enquiry is on an annual basis we trust that it engenders a practice of continuous self-examination and review in departments whilst any specific criticism or comment we may record in relation to one item or department will be headed by other officers and departments. In the course of our enquiries we have been encouraged to believe that this has in fact been taking place. Although we have on occasions, found instances where departments have not responded or acted as quickly as they might such examples are becoming less frequent.

487. With regard to this particular enquiry we have noted already in paragraphs 8 to 11 that the level of expenditure from the Advance to the Treasurer was not exceptional whilst the explanations for the individual items of expenditure were satisfactory generally. In view of the early date for Additional Estimates in the financial year 1961-62 a higher level of expenditure might have been expected but it would appear that departments are able to assess their performances reasonably well on the basis of expenditures for seven or eight months instead of for nine or ten months as in previous years.


488. We regret that staff difficulties appear to have arisen during the year for some departments. This problem is a continuing one for the Northern Territory Administration and there is considerable need for improvement still although some progress appears to have been made. The Parliament may not be aware that a permanent position in a department may remain unoccupied for a period of six months whilst the position is advertised, an officer nominated and appeals, if any, concluded. In the case of a new establishment a period of twelve months may be required, after the initial approach to the Public Service Board before the positions are actually approved and filled. The period may be even longer if, for special reasons, the officers have to be recruited from overseas. Your Committee feel that the departments themselves have frequently been too optimistic over these time lags and have over-estimated their salary requirements accordingly.

489. A somewhat similar circumstance may arise in the procurement of office equipment. Briefly, departments first decide the need for a particular equipment and their proposal is investigated by the Organisation and Methods Section of the Public Service Board to assure that such items are in fact necessary and the most suited for the particular work in view. The procurement of most items of this nature is handled through the Commonwealth Stores Supply and Tender Board whose duty includes the necessity of assuring that the actual purchase will be effected economically. (See Treasury Instructions - Sections 13/29 to 13/32A).

490. These procedures appear to be desirable and practicable but some delay inevitably arises as with all procedures necessary to protect expenditures of public moneys. However, we found during the course of this enquiry that some departments had sought funds for purchases which could not be completed before the close of the financial year. This was often due to unforeseeable circumstances but we suggest that departments, when formulating their estimates, and the Treasury when reviewing them, carefully check their requirements to determine whether it may be more appropriate to have an authority to enter into a commitment rather than to obtain the actual funds involved in their first appropriations.

491. Your Committee are pleased to record that departments appear to be giving close attention to their estimating procedures and that improvements continue to be made. Circumstances will inevitably prove some initial estimates to have been wrong but the results of our quite extensive enquiry this year indicate that the standard in 1961-62 was generally satisfactory. The exceptions have been commented on where appropriate in Chapter III of this Report.

492. Finally, Your Committee are of the opinion that these investigations have become somewhat over-lengthy. If circumstances permit, or appear to make it desirable, in future years we propose to conduct two separate enquiries relating to these matters - the first to be confined solely to expenditure from the Advance to the Treasurer and the second to be related separately, and in general, to other expenditure from the Consolidated Revenue Fund against Items authorised by the relevant Appropriation Acts.


T.H. CRANSTON,
Secretary,

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



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

15th November, 1962.