



1963.

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA.

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

SIXTY-FIRST REPORT.

THE REPORTS OF THE AUDITOR-
GENERAL—FINANCIAL YEAR 1961-62.

AND
TREASURY MINUTES ON THE FIFTY-SIXTH
AND FORTY-EIGHTH REPORTS
TOGETHER WITH
SUMMARIES OF THOSE REPORTS

By Authority:
A. J. ARTHUR, Commonwealth Government Printer, Canberra.
(Printed in Australia.)

F.3144/63.

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

FIFTH COMMITTEE.

F. J. DAVIS, ESQUIRE, M.P. (Chairman).

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

Senator A. M. BENN.
Senator T. C. DRAGO-BROCKMAN.¹
Senator G. C. MCKINLAR.²
Senator I. E. WEDGWOOD.

A. I. ALLAN, ESQUIRE, M.P.
J. F. COPE, ESQUIRE, M.P.
D. E. COSTA, ESQUIRE, M.P.
C. R. KELLY, ESQUIRE, M.P.
R. H. WHITTORN, ESQUIRE, M.P.

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 enquire into any question in connexion with the public accounts which is referred to it by either House of the Parliament, and to report to that House upon that question,

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

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

SIXTY-FIRST REPORT.

THE REPORTS OF THE AUDITOR-GENERAL—FINANCIAL
YEAR 1961-62.

PART I.

CHAPTER I.—INTRODUCTION.

In our Fiftieth Report Your Committee referred to the duty imposed by the *Public Accounts Act 1951* to examine and comment on each Report, prepared by the Auditor-General pursuant to section 51 of the Audit Act, after its transmission to the Houses of the Parliament. We recorded also our intention to proceed with a separate series of annual enquiries related specifically to matters raised in each Report of the Auditor-General. Pp. No. 84
of 1960.

2. The Report of the Auditor-General for 1961-62 was presented to the Parliament on 14th August, 1962, and the Supplementary Report on 25th October, 1962. Your Committee examined the contents of these Reports immediately and discussed a number of items with the Auditor-General and the Secretary and Chief Inspector on 23rd August, 1962, and on 15th November, 1962.

3. Written explanations were obtained from certain Departments in respect of some of the comments appearing in the Report of the Auditor-General and, after further consideration, Your Committee decided to investigate in detail the matters referred to in the following chapters of this Report.

4. Our investigations were made at a series of public hearings held on each Tuesday, 16th October, 1962, 23rd October, 1962, and 6th November, 1962. We were assisted in our enquiries by the following witnesses:—

16th October, 1962—

Department of the Army .. Mr. J. W. Nunn, Paymaster-in-Chief.
Department of Air .. Mr. F. C. Sutherland, Assistant Secretary
(Finance).

23rd October, 1962—

Bureau of Meteorology .. Mr. A. V. Atkins, Assistant Director
(Administration).
Mr. K. T. Schmetzer, Clerk.
Repatriation Department .. Mr. R. J. P. Daffy, Assistant Commissioner.
Attorney-General's Department .. Mr. J. Q. Ewens, C.B.E., Parliamentary
Draftsman and Acting Solicitor-General.
Mr. C. K. Comans, First Assistant Parli-
amentary Draftsman and Acting Parli-
amentary Draftsman.

6th November, 1962—

Department of the Interior .. Mr. H. A. Jones, Executive Engineer.
Mr. P. F. Alexander, Clerk.
Department of Customs and Excise .. Mr. R. M. Keogh, Acting Assistant Comptroller-General (Excise).

TABLE OF CONTENTS.

PART I.		Page.
I. INTRODUCTION		5
II. DEPARTMENT OF THE ARMY—		
(a) Examination and Certification of Overseas Vouchers		6
(b) Accounting Procedures		7
III. DEPARTMENT OF AIR—		
(a) Examination and Certification of Overseas Vouchers		8
(b) Accounting Procedures		8
IV. DEPARTMENT OF THE INTERIOR—		
Bureau of Meteorology		9
V. REPATRIATION DEPARTMENT		11
VI. THE AEROPERATION ACT		12
VII. CAMBERRA ELECTRIC SUPPLY		13
VIII. DEPARTMENT OF CUSTOMS AND EXCISE—		
(a) Petroleum Excise Regulations		14
(b) Duty-Free Petroleum Products for Commonwealth Departments		15
(c) Diesel Fuel Tax		16
(d) General		16
IX. CONCLUSIONS		16
PART II.		
I. TREASURY MINUTE ON THE FIFTY-SIXTH REPORT OF YOUR COMMITTEE		18
II. TREASURY MINUTE ON THE FORTY-EIGHTH REPORT OF YOUR COMMITTEE		22

CHAPTER II.—DEPARTMENT OF THE ARMY.

(a) EXAMINATION AND CERTIFICATION OF OVERSEAS VOUCHERS.

5. The Auditor-General commented in paragraph 126 of his Report—

"The improvement in the examination and certification of overseas vouchers, mentioned in my Report for 1960-61, was not maintained during 1961-62. At 30th June, 1962, in respect of expenditure up to 31st December, 1961, action was incomplete on 271 vouchers. The position was contributed to by staffing difficulties associated with the transfer of the Central Administration to Canberra."

6. The number of similar vouchers outstanding for the preceding financial years ended 30th June, 1960, and 30th June, 1961, was 868 and 161 respectively.

Exhibit
No. 61/1.

7. Your Committee were informed that under the arrangements made for re-organization of the General Accounts Office, Department of the Army, on removal from Melbourne, nine positions were transferred to Canberra. However, only two members of the General Accounts Office were willing to accept transfer to Canberra. Five members of the Royal Military College Accounts Office were absorbed into the new organization but these members had no previous experience in Army Headquarters accounting.

Q. 32.

8. The Department of the Army advised also that there had been considerable improvement in more recent months in the examination and certification of overseas vouchers. As at 4th September, 1962, outstanding vouchers had been reduced to 71. The witness, Mr. J. W. Nunn, Paymaster-in-Chief, Department of the Army, confirmed that 30 of the 71 vouchers outstanding at 4th September, 1962, had been in dispute for periods of from two to ten years. Of these 30 vouchers, 24 had been outstanding for about eight to ten years and the witness advised that these—

Q. 42.

(Mr. Nunn) " . . . referred to spare parts for Studebaker trucks and for Staghound scout cars. These vouchers have not been able to be finalized because of a great number of shipping discrepancies—shortage of components forming a part of an article. The article itself is inside the case, but some part of it is missing. Then there are items which are not the exact items that were ordered by the Army. On these particular stores there was a very great number of discrepancies which have been the subject of an enormous amount of correspondence between Australia and the United Kingdom. There has been a good deal of claim and counter-claim between the Commonwealth, on the one hand, and the supplier on the other. This has been a most difficult case . . . "

Q. 32.

and, referring to the six vouchers which had been outstanding for about two years—

Q. 32.

(Mr. Nunn) " . . . The remaining six vouchers refer to radio spares ordered in North America. When these stores were received there were many discrepancies, surpluses in one type and deficiencies in another type. This has caused a great deal of correspondence from Australia to North America, through the Australian Consul-General's Office in New York, and to the supplier. These stores were of a highly technical nature and that has complicated the matter inasmuch as this confusion as to identification and so on has arisen. It was further complicated in this instance because the range of stores was for radios which were no longer current in North America although they were current in Australia, so there was this tendency to misunderstanding between the two areas, North America and Australia. That second group is only now nearing completion . . . "

The witness was asked—

Q. 34.

"MEMBER: I appreciate that point, but the point I am driving at is why these matters should be allowed to remain unresolved for so long. Is there not a central authority who would say: 'We do not accept this invoice. We paid for this and received this. If you want to go any further, you can take legal action?'—(Mr. Nunn) That is the position we reached with this type of stores but, as far as I am aware, we have not reached that position with the vouchers dealing with radio spares although we have with the vouchers dealing with the spares for the trucks and the scout cars. There is this claim and the counter-claim about these particular consignments between the Commonwealth and the suppliers. All endeavours are being made to resolve the matter. In fact, it has been the subject of legal action in the United Kingdom and, that being so, it is sub judice for the time being."

Q. 38. 40.

9. Payment had been made by the Department for these items, and the expenditure brought to account against the relevant vote in the year of appropriation, in every instance but certification of the accounts had been deferred pending settlement of the disputes relating to shortages and supply of items of the wrong description. The procedure is in accordance with the Regulations, Arrangements and Instructions applying pursuant to the *Audit Act 1957-62* and the problems confronting departments from time to time appear to arise not from these procedures, but mainly from the technical nature of the items, transport and shipping discrepancies, faulty packing, &c. Consequently, this problem of certifying overseas vouchers is common to departments and there is no obvious remedy available to offices in Australia which are dependent on the efficiency and procedures of overseas firms, shipping agents, &c.

Q. 14. 16.

10. This matter is one which Your Committee will review again in the succeeding year but we are pleased to note that the General Accounts Office, Department of the Army, appears to have made progress in overtaking some of the arrears of work and that the number of vouchers outstanding had been substantially reduced in the period between 1st July, 1962, and 4th September, 1962.

(b) ACCOUNTING PROCEDURES.

11. In paragraph 121 of his Annual Report for the year ended 30th June, 1961, the Auditor-General, referring to the Accounting Procedures of the Australian Army Component of the British Commonwealth Far East Strategic Reserve, stated—

"Under Section 63 of the Audit Act, the accounting for Commonwealth moneys outside the Territory of the Commonwealth is required to be in accordance with the Overseas Accounts Arrangements made by the Governor-General. However, the Army procedures in Malaya are generally similar to the controls and safeguards operating for units based in Australia and in some respects do not comply with the Overseas Accounts Arrangements.

Whilst the Department considers that its procedures in Malaya provide adequate safeguards for public moneys in that area, Audit has referred the matter to the Treasury suggesting that a special approval would appear to be necessary to cover circumstances such as those referred to."

12. The Auditor-General noted in paragraph 128 of his Report for the year ended 30th June, 1962, that the matter was still under consideration by the Department of the Treasury.

13. On 1st August, 1961, the Secretary and Chief Inspector of the Audit Office wrote to the Department of the Treasury stating—

"It is not contended by this Office that the matter can be resolved by the implementation in full of the Overseas Accounts Arrangements in their present form, as it is recognized that, as stated by the Secretary, Department of the Army in his memorandum to you (A320)/1/662 of 8th March, 1961, there are certain practical difficulties in the way. Exhibit
No. 61/1

Nevertheless, it is clear that the position of the accounting for public moneys held by Army and Air Forces overseas should be regularized by adequate statutory authority. It is suggested, therefore, that consideration be given to the issue of special arrangements for accounting during peace time under section 63 for use by the Army and Air Services."

The Department of the Army had previously advised both the Audit Office and the Department of the Treasury on 8th March, 1961, that it considered the provisions of the Overseas Accounts Arrangements were unsuited to the condition in Malaya and—

(Mr. Nunn) " . . . we could not see that this particular aspect would have improved the procedures which we were operating at the time and which, I may mention, had been operating for very many years. We felt that this question had probably been raised because a defalcation had taken place overseas and had brought the thing under more close examination than had been the case in the past. We felt that the Overseas Accounts Arrangements were really designed and intended to cover the operation of an overseas office in a static situation, thinking more particularly of the Commonwealth Office in London or in New York, and so on. We felt that the application of those procedures to the situation which the Army was in, with an operational force overseas, was incompatible. Q 55

and—

" . . . (we) asked that the Governor-General's approval under section 63 of the Audit Act be obtained to cover the Army procedures. Q. 58.

14. By letter dated 2nd March, 1962, the Department of the Army was informed by Treasury that action was being taken to revise the Overseas Accounts Arrangements. Proposed amendments, directed at overcoming difficulties in applying the Arrangements to overseas operational forces, were outlined by the Treasury and comments were sought from the Department of the Army. Exhibit
No. 61/1.

15. The Department of the Army replied on 30th July, 1962, stating that the Overseas Accounts Arrangements, even in the amended form suggested, were still considered to be inappropriate. As an alternative, the Department of the Army outlined special arrangements which it was suggested could be approved under section 63 of the Audit Act to apply to accounting transactions of Army units operating in overseas locations. Exhibit
No. 61/1

16. Referring to the special arrangements suggested by the Department of the Army, the Treasury observer, Mr. S. G. Herring, Chief Finance Officer, stated—

(Mr. Herring) " . . . These have been looked at, but they have not yet been finally considered, owing to a number of reasons. They fall within my duties, but I have been absent on other work for some weeks—a couple of months in fact—and these matters have been delayed on that account." Q. 62.

17. The Treasury observer expressed the view that he did not think that any payments had been made without lawful authority. He suggested, however, that certain fringe responsibilities imposed by the Overseas Accounts Arrangements (such as the formal appointment of a Chief Accounting Officer) had not been complied with. Q. 63. 64.

18. Your Committee are of the opinion that unsatisfactory procedures and related problems of this nature should be settled more promptly than will be the case on this occasion. However, we note that action is being taken to provide suitable arrangements to meet the particular circumstances and trust that further delay in devising suitable procedures will be avoided.

CHAPTER III.—DEPARTMENT OF AIR.

(a) EXAMINATION AND CERTIFICATION OF OVERSEAS VOUCHERS.

19. In paragraph 132 of his Annual Report for the year ended 30th June, 1962, the Auditor-General stated—

"Reference has been made, in previous Reports, to delays in the examination and certification of overseas vouchers. During the year the position deteriorated and at 30th June, 1962, there were 492 vouchers in respect of expenditure to 31st December, 1961 which had not been cleared."

20. The explanations received from the Department of Air revealed that delays in clearing overseas vouchers were due to shipping discrepancies, difficulty in identifying items paid for against items received and a constantly fluctuating work load. All claims are paid prior to being forwarded to Australia for certification and examination and the witness, Mr. F. C. Sutherland, Assistant Secretary (Finance), Department of Air advised—

(Mr. Sutherland) "Some are progress payments, some are advance payments, some payments are made on delivery ex factory or works, some are ex Air Force stores or United States Navy stores and some are paid on shipping documents, f.o.b."

and—

(Mr. Sutherland) ". . . We would not know whether the delivery was in order until such time as it had been opened and examined in Australia. We would not know until then whether it is in accord with the voucher and the details behind the voucher."

21. Your Committee were informed also that, for example, a payment made during April in London would be charged to the relevant appropriation about 25th May. The vouchers for these payments would be received in the Central Finance Office of the Department of Air about 18th May, being despatched by airmail. However, in many instances, after payment had been made, the equipment would still have to be moved to a United Kingdom port and sea transport to Australia arranged. It is therefore some time before the equipment can arrive in Australia and be checked against the vouchers received by airmail.

22. Mr. F. C. Sutherland further informed Your Committee that each of the 4,800 vouchers relating to stores received in a year could include up to 500 or 600 items and might relate to several indents or sections of an appropriation item. An incorrect identification against a descriptive part immediately leads to a query, sometimes necessitating correspondence through representatives in America or the United Kingdom. In the case of discrepancies, provision exists for the writing-off of an amount but Treasury Regulations assure that, as possible action is taken to obtain correction of the discrepancies, or reimbursements, all appropriate, before write-off action is taken.

23. The witness, Mr. F. C. Sutherland, confirmed that there had been staffing problems and that, to date, additional staff had not been secured.

24. Over the past ten years there had been a steady increase in the number of stores vouchers received as indicated by the following figures supplied by the Department of Air—

1952-53 .. 774	1956-57 .. 2272	1959-60 .. 3719
1953-54 .. 1106	1957-58 .. 2695	1960-61 .. 4402
1954-55 .. 1144	1958-59 .. 3101	1961-62 .. 4852
1955-56 .. 1399		

25. In April, 1962, steps were taken within the Department to review the staff establishment but a proposal had not been submitted to the Public Service Board at the time of our enquiry in October, 1962.

26. Your Committee appreciate that every care must be taken in accounting for stores and that staffing problems may sometimes aggravate an already difficult position. However, we share the Auditor-General's concern at the deterioration which has taken place during 1961-62 in the examination and certification of overseas vouchers and expect the Department of Air to take immediate action to improve the position.

(b) ACCOUNTING PROCEDURES.

27. The Auditor-General's Report for 1961-62 contained the following comment in his paragraph 135—

"Reference was made in the 1960-61 Report to the question raised by Audit with the Department of the Treasury regarding the authority for the accounting procedures applied to financial transactions in Malaya. Treasury advised that consideration of any change in the Department of Air arrangements would be deferred pending clarification of the position in regard to the Department of the Army."

28. The explanations furnished to Your Committee by the Department of Air contained the following advice—

"The accounting for receipts and expenditure of public moneys at R.A.A.F., Butterworth is in accordance with the provisions of Air Board Order 40/57. The Auditor-General has drawn attention to three cases where the accounting procedures vary from those prescribed in the Overseas Accounts Arrangements or Treasury Instructions. These are—

(a) Claims are not certified by a Certifying Officer prior to payment as required by clause 14 of the Overseas Accounts Arrangements. They are certified in accordance with section 34 of the Audit Act 1901-1961 by the Certifying Officer at Department of Air, after payment.

(b) A detailed statement of the transactions in the Cash Book at R.A.A.F., Butterworth is not forwarded to Central Office, Department of Air as required by clause 20 of the Overseas Accounts Arrangements and Treasury Instruction 32/69.

(c) The bank account is not operated on the imprest system as required by Treasury Instruction 32/72.

29. Mr. F. C. Sutherland, Assistant Secretary (Finance), Department of Air, indicated that his Department considered the existing Accounting Procedures were satisfactory but the Audit Observer, Mr. H. C. Paul, Senior Inspector, disagreed—

"MEMBER: They think that what they are doing is correct, yet the Auditor-General states that the Department is not carrying out arrangements in the proper manner. Is that the position?—(Mr. Paul) The procedure is not being carried out in accordance with the Overseas Accounts Arrangements, as we feel it should. Perhaps I might make that a little clearer. We believe that the Overseas Accounts Arrangements apply to accounting overseas. We are not necessarily saying that they are the best arrangements in the case of the Department of Air, but should be issued."

30. Your Committee were informed by Mr. F. C. Sutherland that the Department of Air could follow the procedures of the Overseas Account Arrangements but "only at considerable expense to the Commonwealth".

31. The three specific items (a), (b) and (c) queried by the Auditor-General, vide paragraph 28 above, were referred for an expression of opinion to the observer from the Department of the Treasury, Mr. S. G. Herring who stated—

(Mr. Herring) "The Treasury opinion is that this is in accordance with Overseas Accounts Arrangements. Section 34 (1) of the Audit Act under which this direction is given is made a part of the Arrangements by clause 4 of the Arrangements. In other words section 34 (1) is made to apply. The Overseas Accounts Arrangements themselves provide that unless the Treasurer otherwise directs a paymaster shall pay only those accounts authorized by a certifying officer in accordance with these Arrangements. In this case the Treasurer has otherwise directed."

32. With reference to the other items (b) and (c) the Treasury observer added—

(Mr. Herring) ". . . the Overseas Accounts Arrangements provide in clause 20 that there shall be monthly returns. The Department of Air is sending fortnightly returns. That is one minor difference; I do not think it is a very serious one. I think from reading paragraphs 7, 8 and 9 of the Air memorandum, they do not send from overseas a bank reconciliation statement. That is not mentioned there. It is mentioned in the Overseas Accounts Arrangements and Treasury Instruction 32/69. They are a couple of differences. I said earlier I agree that these returns were substantially those required by clause 20, but there were those minor differences."

33. The question of application of the Overseas Accounts Arrangements to the operation of defence forces stationed overseas has been referred to also in this Report in Chapter II, Department of the Army. Your Committee note that some variation in the present form of the Overseas Accounts Arrangements appears to be desirable to meet the special requirements of the defence forces and agree with the opinion of the Department of the Treasury that the necessary amendments should be considered concurrently. As we have already recorded in paragraph 18 of this Report, the necessary action is now being taken after some delay arising, in part, from shortage of staff in the Treasury.

CHAPTER IV.—DEPARTMENT OF THE INTERIOR.

BUREAU OF METEOROLOGY.

34. The Auditor-General, in paragraph 56 of his Annual Report for the year ended 30th June, 1962, stated—

"The Bureau's Central Office accounts were the subject of adverse Audit comments during the year. Unsatisfactory features brought to notice included undercharges and failure to raise charges for supplies and services rendered; errors in accounting for storeholdings and excessive delays in determining the results of stocktakings of stores and equipment at Head Office and meteorological stations."

35. The explanation submitted by the Bureau of Meteorology advised—

"
The unsatisfactory features of accounting were due to the inability of existing staff to cope completely with the rapidly increasing volume of business and to some deficiencies in existing accounting procedures.

During recent years the volume and complexity of accounting transactions have increased in accordance with the expansion of Bureau operations which are necessary to meet the national demands for meteorological services. Increased complexity has arisen mainly from recovery of costs for special services and from a much wider field for the purchase of new equipment"

36. The principal witness from the Bureau, Mr. A. V. Atkins, Assistant Director (Administration), confirmed that, as an interim measure, three additional temporary positions had been approved by the Public Service Board and that a proposal for a re-organization had been prepared and submitted to the Board for approval. He stated also that adequate provision for internal audit had been included in the re-organization proposal.

37. Your Committee learnt that the Bureau had had five separate stores in Melbourne as the procurement of suitable premises had been impossible at the time the Bureau's activities were expanding rapidly in the post war period. However, one new site had been acquired recently and alterations were in the process of completion. In the immediate future therefore the Bureau will have two main stores one of which is part of the Department of Supply store in Brooklyn where heavy stores would be kept as this obviated any necessity for the Bureau to obtain its own equipment such as cranes and heavy lifting gear. The new arrangements should assist materially in the control of stores.

38. The observer from the Audit Office, Mr. A. K. Ragless, Senior Audit Inspector, advised that the difficulties experienced by the Bureau had developed progressively in recent years but he agreed that progress was now being made in meeting the criticisms and suggestions by his Office.

39. Your Committee were informed by the principal witness from the Bureau—

(*Mr. Atkins*) "We have sought help from the Public Service Inspector and from the Public Service Board. One of the deficiencies with relation to the staff in connexion with experience, training and skill, has been the very large turnover of staff in the section. The number of movements in that section due to resignations and transfers to other departments has been 26 in the last two years and the total staff in that section is only 11. That has probably been one of the main reasons for our difficulty."

and, with reference to the proposed re-organization—

(*Mr. Atkins*) ". . . Before approaching the Public Service Board for new staff, I think it is always up to a Department to examine the methods under which it is carrying out its operations, whether they be field operations or account operations. That is one of the reasons why this proposal was not put up 12 or 18 months ago. We wanted to be sure that we were not just asking for new staff without examining the way in which the new staff would be working.

MEMBER: Is it a fact that when you get new staff they are transferred to some other department in a very short time?—(*Mr. Atkins*) I hope not because I feel that our big problem here has been that the staff has been classified at a position where we cannot hold it. For example, last year before the Committee I discussed the Bureau's accounts generally and mentioned the budget control of our accounts. Three years ago the position of budget control officer was approved by the Board but we found it impossible to fill the position at the salary then offered. We had to approach the Board for a reclassification of the position and for the last 18 months we have been able to hold a competent officer in that position. In the proposal for our accounts sub-section now we are asking for higher classified positions. We are asking for one position of accountant because we want a qualified accountant to control the accounts section itself."

40. Later, in discussion relevant to this same question the observer from the Public Service Board, Mr. F. C. Nordeck, Assistant Commissioner, stated—

(*Mr. Nordeck*) "You will recall that Mr. Atkins said that he felt it was essential that the Bureau should have a proper understanding of its organizational requirements before it presented them to the Board. I subscribe to that fully. In the preliminary stages departments must satisfy themselves as to their requirements. It is not sufficient to make the requests without any substance.

MEMBER: Do you consider that the Bureau, with its number of staff and its complexity of work, justifies an O. and M. section?—(*Mr. Nordeck*) It is probably reaching that stage."

41. Your Committee were assured by the Bureau that the re-organization had not only been planned to meet the immediate problems with which it was confronted but also had been co-ordinated to enable expansion to meet possible requirements which might arise in the next ten or twelve years.

42. The situation which had arisen in the Bureau concerning procedures, unsatisfactory accounting and staffing problems is deplored by Your Committee. However, we appreciate the magnitude of the difficulties created by the rapid expansion of a highly technical service such as it has been called upon to perform and are pleased to note the steps which are being taken to remove the unsatisfactory features referred to by the Auditor-General. Your Committee feel that the action now being taken has resulted from a careful investigation of a complex situation and we hope that the Auditor-General will be able to comment more favourably in future years.

CHAPTER V.—REPATRIATION DEPARTMENT.

43. In previous Reports the Auditor-General has drawn attention to delays in the issue of amendments of regulations to cover new and increased repatriation benefits and allowances. In paragraph 155 of his Annual Report for the year ended 30th June, 1962, the Auditor-General commented—

"The necessary Regulations have now been promulgated except in the case of the *Repatriation (Far East Strategic Reserve) Act, 1956* which is still under consideration."

44. As mentioned in our Fifty-eighth Report, the Repatriation (Far East Strategic Reserve) Act came into force on 1st September, 1957, but instructions for the drafting of the regulations, were not given to the Parliamentary Draftsman until 7th September, 1961.

45. The witness for the Repatriation Department, Mr. R. J. P. Daffy, Assistant Commissioner, advised Your Committee that the drafting of these regulations had presented unexpected difficulties.

"MEMBER: Would you consider that this was an unusually complex set of regulations?—(*Mr. Daffy*) Yes, they were complex regulations, and in retrospect they turned out to be somewhat more lengthy and complex than I had anticipated when I was here on the last occasion. You will remember that at that stage we had only shortly before given a proper instruction to the draftsman. They have proved rather complex. There have been quite a number of discussions between the drafting officers and myself, both the officer actually concerned with the drafting and those closely associated with him. The first draft of regulations covered about 100 regulations. We had to make adjustments in administrative provisions, not solely in regard to expressions in relation to benefits. After we had pruned them we got them down to about 60 odd, and after some further looking at them in the Department to see what was required, as they now stand they cover about 20 foolscap pages and some 75 regulations. There were quite a number of complex matters which were very often purely matters of technical problems which a draftsman has and only a draftsman can solve."

46. The acting Parliamentary Draftsman, Mr. C. K. Comans, revealed that drafting of the regulations could not be proceeded with immediately the instructions had been received from the Department in September, 1961. In fact work on drafting had not been commenced until March, 1962, and this is the normal position as his office, owing to shortage of staff, has six months arrears of work on hand.

47. Referring to the staffing difficulties, Mr. J. Q. Ewens, C.B.E., Acting Solicitor-General, indicated that the position was still unsatisfactory. Within the last twelve months the Department had advertised certain senior positions with salaries from £3,000 to £4,000 per annum without success. Staff had been sought also to fill about 50 vacancies for officers with salaries up to £3,000 but it had been possible to fill only half of these positions.

48. Referring to the staffing of the Parliamentary Draftsman Section of the Department Mr. Ewens stated—

(*Mr. Ewens*) ". . . it has not changed, I think, by one position since I was here two years ago, but I hope to get two or three people as a result of this last advertisement. At any rate, I am making recommendations for them. It will still leave me with about 25 per cent. of my staff positions not filled."

and—

(*Mr. Ewens*) ". . . It is very difficult to get suitable people for work in this office in Canberra. It requires people of quite a different type from those in the Deputy Crown Solicitors' Offices in the States. They are people who just do not exist."

49. The witness from the Repatriation Department indicated that the regulations were now close to completion when he was asked—

"MEMBER: Would you say that these regulations are likely to come forward in the near future?—(*Mr. Daffy*) Yes, subject to final check. We received them in our office on Thursday last. It was the second print and, subject to final check, they should be ready to go forward almost immediately."

50. Mr. Daffy indicated also that no person had suffered any pecuniary loss from the delay in promulgating the regulations.

51. Your Committee are concerned at the further delay which has occurred since this matter was referred to in our Fifty-Eighth Report, and at the staffing situation within the Attorney-General's Department which is preventing the implementation within a reasonable time of proposed amendments to Acts and Regulations.

CHAPTER VI.—THE APPROPRIATION ACT.

52. Under the heading "Munitions Factories Trust Accounts" in paragraph 142 of his Annual Report for the year ended 30th June, 1962, the Auditor-General referred to the fact that certain amounts had not been legally appropriated to twelve new Trust Accounts although they were purported to have been in the *Appropriation Act (No. 2) 1961-62*.

F.P. No 69
of 1957

F.P. No 47
of 1961

53. This matter has been discussed in detail by Your Committee in our Thirty-fourth Report and again, together with other similar problems, in our Fifty-fifth Report. In that later Report we noted that action was being taken by the Parliamentary Draftsman and the Treasury to overcome the difficulties arising from the inclusion of deduction and transfer items each year in the schedules to the various appropriation measures.

54. Your Committee were informed during the course of this enquiry that, although some further discussions had taken place, the form of a new appropriation bill had not yet been determined. The Parliamentary Draftsman, Mr. J. Q. Ewens, C.B.E., advised—

Q 229.

(Mr. Ewens) "The more we go into this the more difficult it becomes. The last draft memorandum prepared by Mr. Comans shows that a great number of items broadly fall within the same class but not all in the same words and we must devise a formula to cover them all. So far we have not been able to do that partly because of the inherent difficulty of the subject and partly because of other claims on our time. The matter has become further complicated by the proposed amendments of the Standing Orders of the House of Representatives. It has become more complicated and more urgent because we will need a completely new type of Appropriation Bill next year if the proposed Standing Orders are adopted."

and—

Q 231

(Mr. Ewens) "I hesitate to classify anything as a technically but the difficulty that we are met with in the Appropriation Act is that it is not one that comes before the courts. It does not affect the rights of anybody. It is a matter relating to the machinery of government and for that reason it tends to get less priority than political matters or matters that need urgent attention because of something that has arisen in a court. A few years ago we had two classic examples. One involved the Boilermakers Society, in which the High Court upset a decision of the Conciliation and Arbitration Commission. In a case like that you must drop everything and get to work on remedial legislation. Where proceedings in a court affect many people, the issue must be clarified as quickly as possible."

55. The observer for the Department of the Treasury, Mr. C. L. S. Hewitt, Deputy Secretary, stated—

Q 234.

(Mr. Hewitt) "I have no doubt the solution will come forward in good time. For the last eight years the Attorney-General's Department has been making this criticism about this type of appropriation, which has existed since Federation. The criticism of the form is of long standing. Our attitude has been not to make any change in something which has stood for 59 or 60 years until it is decided what change is required. I join with Mr. Ewens and Mr. Comans in thinking this should be put into perspective. This is a very fine legal question and does not affect the day-by-day working of Government. I think it should be understood that it is to receive attention in its proper order, when that can be done. I do not think that in the circumstances in which Mr. Ewens and I find ourselves it would be fair to solve it by saying that these officers should do nothing else until it is solved."

Q 235.

MEMBER: . . . I think these are matters of principle and whether they are significant or of importance beside the point. They are of some importance and while the difficulties are understandable, from what you have said, I still think this is a matter which concerns the Committee—that because of the procedures, processes and pressure of work these matters remain unresolved for so long. I appreciate that other matters may receive a higher priority. I do not mean this as a reflection on your Department or any other Department, but I think it is a reflection on the machinery of government and I do not think we can let principles go?

Q 236.

. . . Do I understand that although it is a matter of principle which is unresolved you accept the situation which allows it to remain unresolved?—(Mr. Ewens) We do not accept it and we are not happy about it but we do not see what we can do about it."

56. Mr Ewens had previously stated—

Q 235.

(Mr. Ewens) "The difficulty which hits Mr. Hewitt as well as me is that this is work which could only be done by senior officers. I have no such officers available and I do not think Mr. Hewitt has enough senior officers to deal with this sort of thing. It would be useless to give this to a junior officer because he could not tackle it. I have to leave my ordinary work very now and then to act as Permanent Head of the Department. One of my senior officers

who could have done this work was sent to Pakistan earlier this year to draft their constitution. All this disorganization of our work makes this sort of thing difficult until we can get more senior officers of the proper calibre. But I do not think they exist in either my Department or Mr. Hewitt's. You cannot get officers for parliamentary drafting out of private practice. All you can do is to get young men of about 25 years of age and hope to train them. That is a long-term solution but does not help to get the work done now."

and later—

(Mr. Ewens) ". . . This is not only an Australia-wide difficulty. It is a difficulty in England and wherever I have been in the English-speaking world I have found that the draftsman's problems are the same. Parliamentary Draftsman just do not exist."

57. Your Committee are confronted with a number of difficulties in commenting on the situation which exists. Whilst we appreciate the very real problems created by shortage of staff, particularly for the Parliamentary Draftsman, we cannot accept the continuation of a legally deficient practice which has existed already without correction for many years. The matter is further complicated by the possibility of amendments to the Standing Orders of the House of Representatives which, if they do eventuate, could require a revision of the form of the appropriation bill. The existing situation whereby administrative action has been substituted for constitutional procedures, is obviously unacceptable and some means must be found to overcome the legal defects in the appropriation notwithstanding the fact that it is by way of a technicality.

58. Should the proposed alterations to the Standing Orders of the House of Representatives be adopted—and Your Committee is not commenting in any way on the desirability or otherwise of any of these proposals—a new form of appropriation bill will be necessary. A radical change may result and we expect that a completely fresh approach and a new series of enquiries by Your Committee into the form and content of the appropriation measures and supporting documents may become necessary.

CHAPTER VII.—CANNBERRA ELECTRIC SUPPLY.

59. In paragraph 178 of his Report for 1961-62 the Auditor-General stated—

"In the 1958-59 Supplementary Report and subsequently, it was mentioned that payment from the Trust Account to the Consolidated Revenue Fund of moneys held on account of depreciation and interest charges, waited a decision on the net capital indebtedness of the Undertaking and determination of the valuation of the fixed assets. A formal decision had not been reached when this Report was compiled, but accumulated depreciation and interest amounts based on unconfirmed balance-sheet items were paid to Revenue during 1961-62 as indicated above."

A recent Audit examination of the asset and store accounting records and of the balance-sheet of the Undertaking as at 30th June, 1961, disclosed that the accounts relating to asset values and capital indebtedness were still unreliable. Subsequently, the Department was informed of Audit views that the related financial statements do not present fairly the affairs of the Undertaking. It would appear that the position regarding the assets can only be established following a complete inventory of the Undertaking's fixed assets, equipment and stores."

60. The explanations received from the Department of the Interior stated—

". . . The Electricity Supply Trust Account was set up on 1st July, 1955. Prior to that date all receipts were paid to Consolidated Revenue and expenditure met from Parliamentary appropriations. Exhibit No. 619

The Canberra Electric Supply is a Commonwealth activity under the control of the Department of the Interior. It has no corporate status and its operations are conducted under the Building and Services Ordinance and the Canberra Electric Supply Regulations. There is no authoritative prescription regarding such matters as to the treatment in the accounts of the Supply of the funds appropriated by Parliament for capital purposes.

Since 1955 cash has accumulated in the Trust Account because tariffs and charges have included provision for interest in respect of capital funds supplied to the Undertaking and for depreciation of its assets. "

61. Mr. P. F. Alexander, Clerk, Department of the Interior, informed Your Committee that the amount of £1,350,089 paid into the Consolidated Revenue Fund during 1961-62 from the Australian Capital Territory Electricity Supply Trust Account—

(Mr. Alexander) ". . . was the accumulated interest against the net asset values shown in the accounts since the inception of the trust account in 1955 and the depreciation provision on the asset values for the same period . . . "

62. The same witness later explained that depreciation which had accumulated to £634,035 as at 30th June, 1962, was based on the gross capital investment in assets. The accumulated interest charges based on the net asset values amounted to £716,054.

Q. 263.

Q. 266.

63. The problem of determining the Electric Supply's capital liability appears to centre around the question of assessing a reasonable value for the fixed assets. The witness stated—

Q. 260.

(Mr. Alexander) "In the accounting records of the Department the asset figures have been built up over the years and represent what has been spent on assets since the inception of the electrical supply undertaking which was commenced in about 1915. Because of the nature of the development of Canberra and the retiring of certain assets over the years, the values of which have not been adjusted in these asset records, the values that lie in these records are not acceptable as a proper assessment of the capital liability that should be charged to the consumers of Canberra. They are inflated to the extent that they carry costs which are associated with the development of Canberra as the national capital. We want to arrive at some figure which can fairly be considered to be a reasonable charge for the purposes of striking depreciation and interest to the consumers of Canberra."

64. Later the Executive Engineer, Electricity Section, Department of the Interior, Mr. H. A. Jones, advised—

Q. 268.

(Mr. Jones) "The stores and plant are under normal stocktaking control, but I think that any work with the fixed assets has to stand until this committee has made its recommendation. Supposing this bill becomes law and the undertaking is taken over by an authority, at the time of taking over a proper inventory will have to be made of the whole thing."

65. The Bill referred to by the witness, now Act No. 76 of 1962, was introduced after Your Committee had commenced this enquiry based on the Auditor-General's Report. The Act provides for the establishment of a statutory authority to control the electricity undertaking consisting of a Chairman, appointed by the Governor-General, a member of the Australian Capital Territory Advisory Council elected by that Council and a member who shall be an officer of the Department of the Interior.

Exhibit No. 61/9.

66. The committee referred to is an inter-departmental committee, of three comprising an officer from each of the Departments of the Interior and Treasury and the Public Service Board. This committee will recommend, to the Minister for the Interior, a figure for the prescription of the capital liability of the new authority.

67. Your Committee trust that these investigations will be completed expeditiously to enable the determinations necessary under sections 23 and 24 of the Act to be made at an early date by the Minister for the Interior and the Treasurer.

CHAPTER VIII.—DEPARTMENT OF CUSTOMS AND EXCISE.

(a) PETROLEUM EXCISE REGULATIONS.

68. The Auditor-General commented in his Report that the necessary amendment of the Excise Regulations to cover procedures introduced subsequent to the creation of the Petroleum Products Branch still awaited promulgation. Reference was made to this matter in the 1959-60 and 1960-61 Reports of the Auditor-General.

Exhibit No. 61/10.

69. In December, 1959, the Department introduced a new system of administering Customs and Excise controls over petroleum products. Previously departmental officers were stationed full time at licensed refineries and petroleum warehouses. These officers were required to maintain separate records which largely duplicated information already available from the records of the oil companies concerned. The important feature of the new system was the use of the company's, instead of a separate departmental, record and the substitution of a system of planned periodic check visits instead of keeping officers in continuous attendance. The Department considers that the new procedures, which have had a lengthy trial, are an improvement and the witness, Mr. R. M. Keogh, Acting Assistant Comptroller-General (Excise) from the Department of Customs and Excise advised—

Q. 316.

(Mr. Keogh) ". . . In the investigation staff which we introduced with these new positions, although there were fewer people, the salary ranges were considerably higher, and we went much more closely into the oil companies' accounting procedures and their physical procedures. The net result is that we consider that the form of protection of Commonwealth revenue is an improvement on the previous system."

Q. 315.

70. The alteration also resulted in a saving of some £50,000 per annum in salaries and a reduction in the number of officers required from 111 to 47.

Exhibit No. 61/10.

71. When departmental staff, formerly kept full time at refineries, were withdrawn about June, 1960, it was no longer practicable for the companies to comply with Regulation 167 concerning the method of locking certain valves and outlets. After a trial period of about twelve months Regulations 168 and 169, referring to the records a manufacturer was required to maintain, were relaxed in June, 1961. Due to a shortage of staff in the Excise Branch the proposed amendments were not referred to the Parliamentary Draftsman until 13th December, 1961.

72. The explanation furnished by the Department stated—

"The Department accepts that these amendments could have been made earlier but because the requirements had already been relaxed administratively, the matter was not regarded as one of great urgency. Discussions are now proceeding with the Public Service Board to obtain two additional positions in the Excise Branch and it is therefore confidently expected that such delays would not occur in the future."

Exhibit No. 61/10.

73. The omission on this occasion was stated to have arisen mainly from the fact that with the volume of work then on hand, the then staff shortage caused the matter to be overlooked—together with certain other matters. At that time only three officers were available in the relevant section of the Department.

Q. 324

Q. 323

74. In reply to questions concerning the expected date of promulgation of the amended Regulations the witness advised—

(Mr. Keogh) "We have had some delay during this year in our discussions with the Attorney-General's Department because there are other regulations being amended concurrently with those relating to petroleum products, but we are at the printing stage and we expect the matter to be going before the Executive Council within the next week or two."

Q. 331.

MEMBER: How long is it from when you put in for the new regulation before you can get it finally approved?—(Mr. Keogh) We referred the matter to the Parliamentary Draftsman on 13th December, 1961."

Q. 332.

75. Your Committee appreciate the machinery problems of the Department in endeavouring to introduce new procedures but, once again, we would remind it and other Departments generally of the necessity to avoid delays in implementing amendments to legislation.

76. In this instance the Department of Customs and Excise failed, for a period of almost three years, to adhere to its own regulations despite constant reference to the fact in the three successive Reports of the Auditor-General for the years 1959-60, 1960-61 and 1961-62. The long delay, therefore, is indefensible even though it appears that the new administrative procedures are commendable.

(b) DUTY-FREE PETROLEUM PRODUCTS FOR COMMONWEALTH DEPARTMENTS.

77. The Auditor-General's comment in paragraph 70 of his Annual Report for 1961-62 reads—

"The new system of accounting for duty-free petroleum products, adopted in the Department of Air as from 1st April, 1961, and referred to in the 1960-61 Report, has been kept under review and is operating satisfactorily. The question whether this system should be extended to other departments is still being pursued."

78. The explanation furnished by the Department of Customs to Your Committee contained an excellent summary of the old and new procedures and the reasons for introducing the new system. Briefly, the previous system was considered by the Department to be cumbersome and time consuming. Once a Commonwealth Department has completed a contract for the supply of duty-free petroleum—

Exhibit No. 61/10.

" . . . it is considered that the responsibility for ensuring that a department receives the full quantity entered belongs with the purchasing department. The responsibility of this Department should, it is considered, really end when the goods are released from Customs control in terms of the entry for home consumption."

79. Your Committee are in agreement with the basic philosophy of the foregoing statement made by the Department. We were further advised that the new procedures were preceded by discussions between representatives of the Department of Air, Audit Office and Department of Customs and Excise before being put on trial for twelve months. A second series of discussions in March, 1962, confirmed that the trial had been successful.

Exhibit No. 61/10.

80. The Departmental witness, Mr. R. M. Keogh, stated that the new system had now been introduced for several other departments but the issue of a Treasury Instruction was being awaited before its introduction in all departments. The Treasury Instruction was not essential but his Department would prefer to have it. He added—

Q. 349.

(Mr. Keogh) "Discussions are taking place with the Treasury. They have asked some questions regarding the economics of the system. On 31st October (1962) we wrote to the Treasury and suggested a discussion to clear up queries which apparently they had in their minds on the economics of the procedure."

Q. 348.

81. Treasury was requested originally on 13th July, 1962, to issue the Instruction and, failing some unexpected reason for faulting the new system, we would hope that such action can be taken at an early date.

(c) DIESEL FUEL TAX.

82. In paragraph 70 of his Annual Report for 1961-62 the Auditor-General stated—

"Audit examination has established that the Department has made considerable progress in resolving the complexities of administering relevant legislation and that the revenue situation and safeguards are under continuous survey. By arrangement, oil companies furnish periodical returns reconciling their sales of diesel fuel at "duty-paid" prices with their payments of customs and excise duties.

Departmental investigations resulted in the recovery of £26,169 tax during 1961-62 in cases where the improper use of diesel fuel by certificate holders was established. To 30th June, 1962, 61 convictions were obtained in respect of offences under the *Diesel Fuel Taxation (Administration) Act 1957*; penalties imposed totalled £3,632."

83. The original system depended, partly, on schedules of duty-free sales prepared by the oil companies showing the name of the purchaser, certificate number and quantity sold for each transaction. These schedules were also used for tabulation by the Bureau of Census and Statistics to provide detailed information for the Department of Customs and Excise and to assist in field investigations.

84. Following reviews of the old system the Department concluded—

"... that the revenue could be protected more efficiently if departmental investigation resources were concentrated on operators of diesel road vehicles rather than on those certificate holders whose duty-free purchases had exceeded original estimates. Experience obtained during 1958-60 revealed that practically all of the apparently excessive purchasers by certificate holders who did not also own diesel road vehicles had been due to legitimate causes such as increase in activities, and purchase of additional tractors or other equipment.

The Department therefore decided that the processing by the Bureau of Census and Statistics of the details of every duty-free purchase by certificate holders should be discontinued. This resulted in a saving of £25,000 per annum in salaries and machine hire. The Department's field investigation resources were strengthened by obtaining additional positions from the Public Service Board. For some positions salary levels were increased thus improving the quality of investigations.

The work of processing sales schedules which formerly was carried out in Central Office was transferred to Collectors. By examining these schedules investigating officers can obtain useful information as to sales of duty-free fuel to people to operate both exempt equipment and diesel road vehicles."

85. No reduction in Departmental administrative expenditure has resulted yet from the change in procedure as the strengthening of the field investigation has offset the saving of £25,000 per annum formerly paid to the Bureau of Census and Statistics. However, savings are expected to eventuate as the numbers of staff will be reduced after the trial period has concluded and the new system is fully operative. At the same time the collection of revenue will be more effective and the actual, as well as percentage, costs of collection should fall.

86. Your Committee received detailed explanations concerning this matter from the Department and, following our further enquiries, we feel that there are good grounds for believing that its optimism as to the efficiency and economy of the system is justified.

(d) GENERAL.

87. In paragraph 75 above Your Committee has found it necessary to criticise the failure of the Department of Customs and Excise to act promptly in the matter of promulgating amended regulations relating to the control of petroleum products. Although some extenuating circumstances existed the Department delayed longer than necessary in forwarding the relevant instructions to the Attorney-General's Department.

88. However, in respect of each of the three matters investigated and reported in this Chapter VIII, we have been very satisfied with the efficiency displayed by the Department in examining and amending its procedures. In short, although it may be too soon to make a final judgment on the precise degree of improvement which has resulted or may be expected to result, Your Committee are pleased to note that this Department appears to keep its procedures under review and innovate new systems wherever practicable.

CHAPTER IX.—CONCLUSIONS.

89. In the opening paragraphs of this Report Your Committee refer to the policy we have adopted in recent years of conducting a separate enquiry based on the comments appearing in each individual Report of the Auditor-General. These investigations relate to one of the specific statutory duties imposed on Your Committee and represent a part of our responsibilities as a servant of the Parliament.

90. The enquiry covered by this Sixty-first Report is one of the shortest conducted by Your Committee in the process of following up matters mentioned by the Auditor-General. This fact may be taken as indicative of the value of the investigations we have pursued as many of the matters to which the Auditor-General had found it necessary to refer, often over a period of several successive years, no longer require comment in his Annual Reports—the instances are fewer and of a more minor nature.

91. With regard to this particular enquiry Your Committee were pleased to note the efforts of the Department of Customs and Excise to improve its departmental administration. Over the years Your Committee have often commented on the problem associated with the attitude which assumes that present procedures are best because things have always been done in that way, and our experience has been that constant revision of departmental methods is essential. We trust that all departments will note our comment and persist in this matter—an activity, we know, in which they receive constant advice and exhortation from the Public Service Board, and one which is a constant challenge in such a large and comprehensive complex of functions as is the Commonwealth Public Service today.

92. In all our various enquiries relating directly to departmental activities Your Committees have invariably encountered reference at some particular point to staffing problems—associated either with insufficient positions, unfilled positions or delay in filling positions. In some instances the departments concerned were suffering self-inflicted problems but there are areas, particularly those involving professional and technical positions, where very real difficulties do exist.

93. In the course of this particular enquiry Your Committee note a specific case, recorded in Chapter VI of this Report, relating to important principles of Parliamentary procedures and control in connexion with the annual Appropriation Bills. This long standing "technical", but nevertheless important, legal defect appears to be the direct result of staff shortages in the Parliamentary Draftsman Branch of the Attorney-General's Department, and, on the evidence given to Your Committee, may be without immediate solution. The proper functioning of any government's administration is largely dependent on the efficient performance of its legal draftsmen and we would urge very close and immediate attention to this matter. We hasten to add here that our reference is only to delays caused by the back log of work and in no way reflects on the present standard of the work issuing from that office—a standard which Your Committee considers to be excellent, particularly in the circumstances to which we have referred.

94. We trust that, when presented, the next reports of the Auditor-General will again reflect a continuing improvement in the financial management of departments.

PART II.

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

CHAPTER I.—TREASURY MINUTE ON THE FIFTY-SIXTH REPORT OF YOUR COMMITTEE.

EXPENDITURE FROM ADVANCE TO THE TREASURER FOR THE YEAR 1960-61.

In the Fifty-Sixth Report resulting from investigations of expenditure from Advance to the Treasurer, and related accounts, for the year 1960-61—

Summary of Committee's Conclusions.

Your Committee stated that we:

Treasury Minute (31st January, 1963).

The Treasury has examined the Report and has discussed with the Departments concerned the observations and conclusions of the Committee.

STANDARD OF DEPARTMENTAL ESTIMATING.

consider, although satisfactory explanations were received in many cases, that the standard of departmental estimating in 1960-61 was not as accurate as might be desired. In this regard Your Committee appreciate that the standard we have in view is very high but consider that it is one which should be attained in a career Service.

In calling for the draft Estimates of Expenditure 1962-63, the Treasury drew the attention of all Departments to the Committee's general criticism of the standard of departmental estimating. In addition, those Departments whose estimates were the subject of particular comment were asked to bring the Committee's observations directly to the notice of the officers concerned.

DEPARTMENT OF EXTERNAL AFFAIRS.

are concerned at the delays which arose from the consultations between the Departments of External Affairs, Works and Treasury on the matter of sketch plans for the chancery at Japan and consider that some procedure should be evolved to avoid such an occurrence in the future.

The Department is confident that past experience will enable estimates preparation and expenditure controls to be improved. The Department of Works will continue to provide architects for visits to major projects and to give other technical advice and assistance.

Also the Departments concerned might consider the suggestion made, during discussions of the under-expenditure in Malaya, that delays in the preparation and final acceptance of sketch plans for buildings overseas could be largely overcome if Australian architects could be sent overseas to prepare them in collaboration with local architects. This applies particularly where large scale buildings or major alterations are involved.

Finally, Your Committee trust that the experience gained in dealing with matters of this nature will lead all Departments to conduct detailed preliminary enquiries when preparing estimates which involve expenditure on items at overseas posts.

DEPARTMENT OF CIVIL AVIATION—SURVEYS.

note that as the Department of the Interior conducts surveys for a number of client departments, the costs to be recovered from each department for services provided must of necessity be an informed guess unless very complete and expensive costing procedures are to be introduced. It is agreed, however, that the present arrangement

The question of the recovery of survey costs by the Department of the Interior is associated with the general subject of inter-departmental payments which was examined by the Committee in its Fifty-fifth Report and consideration of which is not yet complete.

Summary of Committee's Conclusions.

Treasury Minute (31st January, 1963).

results in a better control over expenditure to the extent that all surveys are carried out by the one authority. The Department of the Interior is essentially a service department in this matter and it is considered that, as in the case of other departments providing services—e.g., the Attorney-General's Department, the Public Service Board and the Commonwealth Audit Office, the cost of surveys for Commonwealth Departments should be borne wholly by the department providing the service.

Your Committee made a similar comment in its Fifty-fifth Report.

NATIONAL LIBRARY.

were informed that since about 1950 the Library has been permitted by the Treasury to over-commit this vote up to 40 per cent. of the appropriation granted in any year. This arrangement had been agreed to by the Treasury because expenditure at that time was relatively low and any heavy curtailment of forward ordering would have seriously handicapped the programmed activities which this vote covered. Over recent years, however, expenditure under this item has greatly increased . . .

The decision in 1950 to allow the National Library to commit up to 40 per cent. in excess of the appropriation for the provision of library material was not based on the level of expenditure at the time but rather on the pattern of increasing expenditure and the substantial lag in the completion of overseas orders. The Treasury considers that the approval operated satisfactorily in the circumstances. The arrangement automatically lapsed as from 1st July, 1961, when the National Library commenced to operate on its own bank account, which is outside the Commonwealth Public Account.

Your Committee are aware that it is an accepted and desirable practice in special cases for departments to obtain Treasury approval to make forward commitments. But this is the first instance to come under notice of a "blanket" approval of a continuing nature.

Further, there has been a change in the circumstances under which the arrangements were entered into with the Library some ten years ago.

The accounts of the National Library have in the past been handled by the Sub-Treasury at Canberra, which was then in a position to supervise more closely the expenditure incurred by the Library. Consequent on the operation of the *National Library Act 1960*, the Library has, as from 1st July, 1961, commenced to record and to pay its own accounts so that the Sub-Treasury can no longer exercise the control it may have had over the votes of the Library.

Also the standing approval to over-commit the vote by 40 per cent. has greater implications, for example, in 1960-61 when the appropriation was £67,000 than in 1955-56 when it was £22,500.

Your Committee consider that the current practice should be reviewed immediately. We would prefer to see this vote dealt with in the same way as are those of Commonwealth departments but if these methods cannot be applied, for exceptional reasons, the present percentage allowed for forward commitments should be reduced substantially.

DEPARTMENT OF THE INTERIOR.

appreciate that substantial increases in rentals have occurred over recent years but we are concerned that increases of such magnitude should have occurred in some departments, notably the Departments of the Navy and Air, for which we have not yet been given satisfactory explanations.

We note also that the Treasury is re-examining the direction given to the Department of the Interior to the effect that only known commitments should be included in the Estimates for these rental votes.

The procedure whereby provision is made for leases on the basis of existing rentals for the full year has been reviewed and the Estimates in future will provide also for expected variations in rentals on leases due for renewal during the year.

The Department has since furnished to the Committee explanations of the substantial increases in rentals referred to in paragraph 120.

NORTHERN TERRITORY.

Maintenance of Wards.

appreciate the difficulty involved in endeavouring to make an accurate estimate in this vote. It notes also that 1960-61 was the first full year in which aborigines were entitled to social service payments. We consider, however, that it should have been possible at the time for preparation of Additional Estimates to foresee that the final twelve-weekly payment would not have been due till after the close of the financial year and to have provided accordingly.

We consider also that urgent action should be taken to establish eligibility of aborigines for social services entitlement since it appears there have been delays in lodging the necessary claims. Your Committee appreciate that this is a task of considerable magnitude but when it is completed the Northern Territory Administration will have a better basis for Estimates in future years.

Materials for Minor Works, Repairs and Maintenance of Buildings on Settlements.

were advised by the departmental witness that had orders been placed early in the year much of the under-expenditure could have been avoided. He mentioned, however, that staff shortages had to some extent prevented orders being placed earlier in the year. The order on the Department of Works for £16,000 was placed in December, 1960, and there appears to be no reason why these materials should not have been delivered by 30th June, 1961.

Your Committee are not satisfied with the explanations given in this case. We accept the explanation given that staff shortages contributed to the delay in placing orders but this factor, however, should have been taken into account when the Estimates were prepared.

The Administrator has acknowledged that allowance should be made, where possible, in the preparation of estimates for delays which are likely to occur because of staff shortages. He has stated that it is not generally possible, however, with a fluctuating level of employment, to be certain of the particular activity which will be affected by staff shortages during the year. A new mobile work force within the Welfare Branch is expected to achieve better results in the future.

Stores and Material.

appreciate the difficulties faced by the Administration as a result of intermittent deliveries and the long distances from sources of supply. However, there appears to be no reason why the purchasing and issuing procedures cannot function as intended and we would expect the Departments of the Territories and the Treasury to resolve the question of adequate stockholdings in the current financial year to enable this to be accomplished.

The amount provided in 1961-62 for increasing the Administration's central store stockholdings was fully expended. A further increase in stockholdings of £132,100 has been provided in 1962-63 to enable the purchasing and issuing procedures to function as planned.

Northern Territory Housing Commission—Advance.

note that one of the reasons given for the under-expenditure was the Housing Commission's lack of the services of an architect in the early part of the financial year. This delayed the letting of contracts. Another was a decision to defer construction of additional houses at Tennant Creek and Katherine, for which £51,000 was included in the Estimates, in favour of aged persons accommodation in Darwin. This alternative project, however, was delayed firstly because a suitable site was unavailable and secondly because of a lack of suitable services when a site was finally selected.

The Commission has advised that when the estimates were prepared there were applications for the houses programmed at Tennant Creek in addition to the houses then currently under construction. After the first houses were finished and the rental declared, the Commission had difficulty in finding tenants prepared to pay the rent. It could not build more houses at that time and risk their being empty as this would have caused loss and consequent rental increases for existing tenants. The Commission states that it considers this was not an arbitrary decision, but a prudent one.

Your Committee are concerned at the rather arbitrary manner in which the proposed building programme at Tennant Creek and Katherine was deferred in favour of an alternative proposal for which no proper planning had been undertaken. It would appear also that too little attention was given at Estimates time to the housing needs of the Territory and to the formulation of a realistic assessment of basic requirements in planning for those needs.

There was a known need for accommodating aged persons at Darwin and a suitable site was known but negotiations for its availability took longer than expected. The Commission does not agree that too little attention was given to the housing needs of the Territory at Estimates time.

Drilling for Water.

recommend that the necessity for a vote of this nature to be shown in the Works and Services section of the Estimates be investigated as there appears to be little logic in charging the cost of successful bores to this item and that of "duds" to Division 751/4/12.

The cost of bores is now being charged to the item, "Development of Water Resources on Government Projects", whether or not the bores are successful in producing water.

Water Development Ordinance.

are concerned not only by the late implementation of a measure designed to assist materially in the development of the Territory, but also in the magnitude of the unused provision made by the Parliament.

The Administrator has advised that every effort will be made to avoid in future such delays as those referred to in paragraphs 243-4. The establishment of a Legislation Section within the Administration should enable such matters to be dealt with more expeditiously.

We strongly urge the Department of Territories and the Northern Territory Administration to take such action as will assure that delays of this nature are avoided in the future.

*Summary of Committee's Conclusions.**Treasury Minute (31st January, 1963).***CHAPTER II.—TREASURY MINUTE ON THE FORTY-EIGHTH REPORT OF YOUR COMMITTEE ON TREASURY REGULATION 52 (SECOND REPORT).**

In the Forty-eighth Report concerning Treasury Regulation 52—

*Summary of Committee's Conclusions.**Treasury Minute (25th February, 1963).*

Your Committee stated that we—

I am directed to state:—

are of the opinion that our whole consideration of the subject of Treasury Regulation 52 has been clouded by the sustained conflict of opinions between experienced Departments. This conflict may well have been resolved had practical surveys similar to that conducted in Canberra been undertaken before the matter came before Your Committee.

In the light of that conflict of opinion and although little in the way of substantial evidence has been put forward in support of their cases, Your Committee are not disposed to discount entirely the sustained views of some major departments that it will be to the overall advantage to the Commonwealth to increase the monetary limit. In this regard we note again that the benefit to the Commonwealth from public tendering as reflected by the minor works procedure in Canberra is most evident above the level of £500.

In all circumstances and on our judgment of the evidence that has come before us, we recommend that the monetary limit in Treasury Regulation 52 be increased to £500, provided that—

- (a) Treasury Regulation 47 is also amended to provide that at least five representative quotations shall, whenever possible, be obtained if the expenditure involved will exceed £200; and
- (b) Regulation 53 is amended so as to require that all contracts let of a value in excess of £200 are notified in the *Commonwealth Gazette* irrespective of whether an in expediency certificate was issued, selected quotations sought, and Order-in-Council obtained or public tenders invited. (Paragraph 6 of our conclusions.)

Your Committee consider that formal recognition should be given to trades lists. Uniform procedures and principles might be determined and incorporated in Treasury Instructions for the guidance of departments.

We consider the lists should be utilized both above and below the monetary limit. Above the limit we would visualize the lists being used conjointly with the public invitation of tenders by advertisement and with the in expediency process. Below the limit the lists should form the basis of the selected tendering procedure.

*Summary of Committee's Conclusions.**Treasury Minute (31st January, 1963).*

In view of the increase Your Committee have proposed in the monetary limit we do not consider it necessary to extend, either to the Treasurer or the Secretary, Department of the Treasury, a general power to authorize persons to certify to in expediency. For the present we consider the existing form of Regulation should be maintained whereby the classes and types of expenditure in respect of which those authorities may be granted are specified by the law. However, the Treasury Instructions might attempt to define the types of cases where the process may be used and should require that the reasons for the issue of a certificate are properly recorded.

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

T. H. CRANSTON,

Secretary,

Joint Committee of Public Accounts,
Parliament House,
Canberra, A.C.T.
2nd April, 1963.



Treasury Regulations 47, 52 and 53 were amended by Statutory Rule No. 77 of 1961 to give effect to the recommendations of the Committee contained in paragraph 6 of its conclusions.

Certificates of In expediency.

The Treasury Instructions relating to Regulation 52 have been revised and provide that—

“The authorized person will exercise his judgment upon the facts of each proposed purchase, e.g., the non-availability of competing sources of supply or the real urgency of the demand; the responsibility for the issue of a certificate that it is in expedient or impracticable to invite tenders rests finally with him. The grounds upon which the dispensing of the public invitation to tender is sought shall be clearly stated in writing by those proposing it and orders for supplies shall not be placed before the certificate of in expediency is given.”

Trades Lists.

Uniform procedures and principles for the compilation and use of lists of potential supplies have been determined. However, the Attorney-General's Department has advised that an amendment to Treasury Regulation 127 is necessary to provide authority for their incorporation in Treasury Instructions; the proposed amendment has been referred to the Parliamentary Draftsman.