

DEPARTMENT OF THE SENATE
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1963.

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA.

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

SIXTY-THIRD REPORT.

EXPENDITURE FROM ADVANCE
TO THE TREASURER
(APPROPRIATION ACT 1962-63)

AND

TREASURY MINUTE ON THE FIFTY-SECOND REPORT

TOGETHER WITH

SUMMARY OF THAT REPORT.

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JOINT COMMITTEE OF PUBLIC ACCOUNTS

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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

SIXTY-THIRD REPORT

PART I

EXPENDITURE FROM "ADVANCE TO THE TREASURER"
(APPROPRIATION ACT 1962-1963)

CHAPTER I - INTRODUCTION

Following the inquiry conducted by the Joint Committee of Public Accounts into the use of "Advance to the Treasurer" and into the method of presentation of Supplementary Estimates, the Third Committee, in the Thirty-First Report, made the following series of recommendations:-

P.P.
No.13
of 1957

- (i) If it is decided to cease presenting in the present form the expenditure contained in the Supplementary Appropriation measure, and we think that should be done, it would probably be necessary to amend the Audit Act to give effect to the new arrangements.
- (ii) The Treasurer should submit, with a resolution seeking the approval of the Parliament, and in lieu of Supplementary Estimates, a statement indicating the expenditure authorized by him from the Treasurer's Advance, as allocated to various heads of expenditure under section 36A of the Audit Act.
- (iii) The Treasurer's Statement of Section 36A Allocations should be tabled for the consideration of the Parliament as soon as possible within the financial year following the year to which they relate.
- (iv) The Joint Parliamentary Committee of Public Accounts should endeavour to prepare for the Parliament a Report on each Statement as early as possible in the ensuing financial year, and if practicable by the date on which the Treasurer tables it (see Recommendation (iii)).
- (v) The Auditor-General might consider, in the light of the proposed new procedure, the information that should be made available in or attached to his Report.
- (vi) An emendation of the notation in the annual Estimates to the Vote "Advance to the Treasurer" would need to be made to conform to the new procedure. It might indicate that particulars of expenditure from the Advance are subsequently to be considered by the Parliament as provided by the Audit Act (which would probably have to be amended as outlined in (i), (ii) and (iii) above)."

In making these recommendations, Your Committee had been anxious to preserve for the Parliament the same opportunity for consideration of the expenditure as had been available previously to it through the presentation of the Supplementary Appropriation measure.

2. These recommendations, where applicable, were adopted by the Department of the Treasury vide Treasury Minute of 22nd August, 1957 (reported in the Committee's Thirty-Third Report) which stated:-

P.P. No.
39 of
1957.

"The Treasury has noted the contents of the Report; the new procedure recommended by the Committee to replace the Supplementary Estimates of expenditure will be adopted from the financial year 1956-57, pending any necessary amendment to the Audit Act 1901-1955.

The wording of the Vote "Advance to the Treasurer" will be suitably amended in the Estimates for the financial year 1957-58."

3. In the Forty-First Report Your Committee noted, in Chapter II - (b), that an Order under section 37 of the Audit Act had not been sought in the financial year 1957-58. This practice has continued as has the new procedures relating to "Advance to the Treasurer" which were based on the recommendations made in the Committee's Thirty-First Report. Also, the undertaking given by Your Committee to report to the Parliament on the Treasurer's Statement of section 36A Allocations each financial year, has been observed without fail since adoption of the new procedure. P.P.No.65 of 1958

4. Your Committee's ability to complete these Reports has been assisted greatly by the co-operation received from the Department of the Treasury in making available, early in each financial year, a draft statement of expenditure from Advance to the Treasurer in the previous year, together with departmental explanations. Preliminary figures showing details of the final expenditures under the authority of the relevant appropriation measures have been made available also at that time and this has enabled Your Committee to extend its investigations into departmental expenditure and financial management generally whilst completing the enquiry into the Treasurer's Statement.

5. On completion of these enquiries for the financial year 1961-62 Your Committee made the following comment in paragraph 492 of the Sixtieth Report:- P.P.No. 152 of 1962

"....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."

6. Our enquiries for the financial year 1962-63 were made, as usual, at the one combined series of public hearings and, as in the previous year, a considerable volume of evidence and of written explanations was obtained from departments.

7. The question, foreshadowed in the Sixtieth Report, of the desirability of one or two separate reports, does not arise this year as the limited period available to us precludes the completion of one large comprehensive report. Your Committee consider that we must continue the observance of the undertaking given by the Third Committee and we propose therefore to confine this Sixty-Third Report solely to our examination of the expenditure from Advance to the Treasurer. This

limitation of time results directly from the impending dissolution of the House of Representatives, which will shortly terminate this Fifth Committee.

Act No.60
of 1951
Section 5.

8. The series of public hearings were conducted on Monday morning and afternoon, 19th, Tuesday morning, 20th, Monday morning and afternoon, 26th, Tuesday morning, 27th August, 1963 and Monday morning and afternoon, 9th, Tuesday morning, 10th September, 1963. Your Committee are very grateful for the assistance given during these hearings by observers from the Audit Office, Public Service Board and the Department of the Treasury.

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

Department of National Development	-	Mr. W. Murphy Mr. G.R.L. Rimington
Department of External Affairs	-	Mr. C.T. Moodie Mr. R.E. Johns
Department of the Interior	-	Mr. N. Murray Mr. R.K. Warnken Mr. K.P. Murphy Mr. E.J. Griffiths Mr. A.R. Wingfield Mr. J. Sharpe
Department of Defence	-	Mr. A.G. Salisbury Mr. I.R.C. Brown Mr. H.W. Rushen
Department of the Navy	-	Mr. L.J. Murphy
Department of Territories	-	Mr. B.H. Coughlin Mr. L.L. Gillespie Mr. H.C. Giese

10. Written explanations were obtained, as usual, from the relevant departments in respect of every item of expenditure from Advance to the Treasurer. The evidence received from the officer's mentioned in the preceding paragraph related to a limited number of items which appeared to Your Committee to require further investigation. The results of those investigations are recorded in Chapter III of this Report.

CHAPTER II - LEVEL OF EXPENDITURE FROM ADVANCE TO THE TREASURER

11. Your Committee have commented in previous Reports that the total of the amounts provided from Advance to the Treasurer is not necessarily of real significance. The matters which should concern the Parliament are the reasons for, and the nature of, each item of expenditure.

12. In 1962-63 the total expenditure for the Advance was approximately £5,067,000 of which some £3,265,000 related to the Defence Services. The approximate figures for 1961-62 were £4,900,000 and £2,500,000 respectively. Of the increased amount for the Defence Services for 1962-63 the Department of Air required about £2,257,000 - the result, largely of an earlier acquisition than had been anticipated of certain new aircraft and associated initial equipment. However, the increased expenditure for this item did not cause an overall increase in expenditure as the amount was offset by under-expenditure on certain other items.

Q.1779

13. Generally, Your Committee have again endeavoured to ascertain whether the principle was being maintained that use of the Advance should be restricted to urgent requirements only, and whether departments were making all reasonable attempts to assure that their foreseeable requirements were being obtained in the first and second appropriation measures.

14. The following Chapter of the Report refers to those Items which were the subject of further examination at our public hearings.

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

(A) DEPARTMENT OF NATIONAL DEVELOPMENT

Division No. 412-2-08 - Division of National Mapping - Aerial Surveys and photography.

Original Appropriation £93,000; Expenditure £125,912.

15. The Department's written explanations claimed that the prevalence of more favourable weather conditions and the use of new type film had enabled the programmes of aerial photography to proceed more rapidly than expected. The earlier completion of some contracts resulted in the vote being over-expended by £32,912 and this amount was obtained during June from the Advance.

Committee Document No.T.A. 63/46

16. Mr. W. Murphy, Accountant, Department of National Development, assured Your Committee that it would not have been possible to foresee the over-expenditure at the time Additional Estimates were prepared -

"(MR. MURPHY) ... We start to look at Additional Estimates during January. At the end of November expenditure was £25,136. It remained the same in December and in January it rose to £26,768, as against an appropriation of £93,000. During February we had a close look at the contracts and we did not think we would need anything in excess of £93,000. Our judgment was borne out during March, April and May, because by the end of May the expenditure was £55,500. In June it was £60,400."

Q.210

17. Your Committee are satisfied that the Department's initial estimate for this Item was reasonable and we accept the explanations concerning the amount obtained from the Advance to the Treasurer.

(B) DEPARTMENT OF EXTERNAL AFFAIRS

(i) Division No's. 141-4-09, 141-4-10 and 141-4-11 - International Organisations - Contributions - (various)

Division No. 141-4-09 Original Appropriation £520; Expenditure £1,348.

"	"	141-4-10	"	"	£500;	"	£504.
"	"	141-4-11	"	"	£1,500;	"	£478.

18. The explanation provided by the Department of External Affairs stated:-

"The printed Estimates for 1962-63 for the above three items were not in accordance with the Draft Estimates submitted to the Treasury in that the description of the items did not agree with the figures submitted nor did they agree with the Appropriation and Expenditure figures shown for 1961-62.

Committee
Document
No.63/47.

The figures shown against item 09 should have been against item 10, those against item 10 should have been against item 11, and those against item 11 should have been against item 09."

19. Mr. R.E. Johns, Head, Finance Branch, Department of External Affairs informed us that the figures were shown incorrectly on a draft print supplied to the Department by Treasury for checking purposes. The draft was returned to Treasury without the errors having been noticed.

Q.400

20. Your Committee accept the explanation but trust that the Department of External Affairs and the Treasury will endeavour to assure that simple clerical errors of this nature do not recur.

(ii) Division No. 172-2-03 - Legation - Sweden - Postage, telephones, telegraph services and cablegrams.

Original Appropriation £2,200; Expenditure £2,208.

21. The over-expenditure resulted from a reimbursement made to the Department of Immigration in respect of telephone calls made from Copenhagen.

Committee
Document
No.63/47.

22. Mr. Moodie, Assistant Secretary, Administration, explained to Your Committee:-

"(MR. MOODIE) The amount in question was £10.5.3... For some reason of which we have not got any precise details the Department of Immigration asked us if we would meet the cost of this charge incurred, presumably by an officer of our Embassy in Stockholm..."

Q.417

23. Your Committee were concerned, not with the small amount involved, but with the observance of the general principle for most overseas posts that one department should meet the common service charges of other departments. We note that this particular case will be examined further by Treasury.

Q.418

(C) DEPARTMENT OF THE INTERIOR

(i) Division No. 231-1-03 - Administrative - Salaries - Extra duty pay.

Original Appropriation £8,800; Expenditure £9,890.

24. A further amount of £800 was provided in Additional Estimates to cover overtime resulting from (a) adjustment of cottage rent accounts to include hire of electrical appliances, (b) adjustment of Fourth Division salaries following marginal increases, and (c) attendance of staff at training classes during normal working hours. Expenditure of £290 from the Advance

Committee
Document
No.63/48.

to the Treasurer resulted mainly from the payment of an extra week's overtime due to a decision to reduce from three weeks to two the time lag between the end of an overtime period and the date of payment. Q.458

25. Mr. N. Murray, Estimates Officer, Department of the Interior, informed Your Committee that none of the additional commitments could have been foreseen when the original estimates were prepared. The adjustment of cottage rent accounts followed a departmental decision on 7th January, 1963, to include in the rent a charge for electrical appliances formerly hired from the Canberra Electric Supply. The date for payment of salary increases to fourth division officers (27th June) was fixed by the Public Service Board. Mr. Murray stated that 37 officers had attended basic training classes during 1962-63 compared with only 16 in 1961-62 and that each officer attending was away from his normal duties for a total of six complete working days. Provision for the extra amounts involved for these activities was made in the Additional Estimates. Q.433 Q.438 Q.440

26. Referring to the payment of the additional week's overtime Mr. Murray stated:-

"(MR. MURRAY) For the last three or four years the overtime period has ended three weeks prior to the pay day. In other words, there was a delay of three weeks in payment for overtime worked. In May, it was decided to reduce the waiting time to two weeks, so that the overtime period ended on the preceding pay week. The result was that an extra week's overtime had to be paid." Q.432

27. Your Committee accept the Department's assurances that it would not have been possible to provide in advance for the additional commitments mentioned above. However, there appears to have been no reason why the alteration to the Department's procedures relating to overtime payments could not have been deferred until July, thereby avoiding expenditure from the Advance to the Treasurer.

(ii) Division No. 233-2-01 - Real Estate Management - Administrative Expenses - Travelling.

Original Appropriation £2,200; Expenditure £2,240.

28. The over-expenditure of £40 from the Advance to the Treasurer resulted from payment of an allowance, pursuant to Public Service Regulations, to an officer who had been transferred temporarily to Wollongong upon the retirement of a Building Supervisor. Committee Document No.63/48.

29. Payment of the away-from-home allowance had been expected to continue only until April but the Department was unable to fill the position permanently by the end of the financial year and this fact did not become known in time for the amount required to be obtained in Additional Estimates. Q's.484, & 515.

30. Your Committee accept the explanation received.

(iii) Division No. 243-1-02 - News and Information Bureau - Salaries - Temporary and casual employees.

Original Appropriation £288,200; Expenditure £309,162.

31. The over-expenditure of £20,962 was partly covered by the provision of £9,000 in Additional Estimates. This latter amount was intended to meet expenditure arising out of the approval for additional positions which had been provided up to February, 1963. Q.539

32. Expenditure of £11,962 from the Advance to the Treasurer was due to (a) non-provision in the appropriation for salary and allowances payable to a journalist on loan from the Department of Trade, (b) the need for temporary employees to occupy permanent positions and (c) payment of salary increases approved in Journalists Determination No. 3 of 1963. Committee Document No.63/48.

33. Referring to the non-provision of £4,700 for the salary and allowances of the journalist on loan, Mr. K.P. Murphy, Director, News and Information Bureau, stated that inclusion of funds for this purpose was overlooked when the original estimate was framed:-

"(MR. MURPHY) I understand that to have been a human error. The position he occupies has been in operation for a number of years. A change of personnel in the position was made and I think it was a simple matter of the papers being overlooked." Q.538

34. Mr. Murphy explained that it was not possible to foresee the increased expenditure which resulted from operation of the new Determination for Journalists as its contents were not made public till March, 1963. Q's.534 & 535.

35. With the exception of item (a) in paragraph 32 above, Your Committee accept the Department's explanations for the excess expenditure.

(iv) Division No. 766-1-03 - A.C.T. Services - Salaries - Extra duty pay.

Original Appropriation £15,000; Expenditure £16,930.

36. A further amount of £1,500 was provided in Additional Estimates to cover expenditure resulting from (a) pressure of work in the Leasing Section due to the accelerated expansion of Canberra's development, (b) disruption of work in the Registries Section during installation of a document writing system, and (c) adjustment of records in the Housing Branch consequent upon the transfer of electrical appliance rental charges to rent accounts. Additional funds of £430 were provided from the Advance to the Treasurer to meet the cost of an additional week's overtime following the reduction from three weeks to two in the time lag between the close of an overtime period and the date of payment. Committee Document No.63/48. Q's.616 & 617

37. We were informed by Mr. E.J. Griffiths, Chief Leasing Officer of the Department of the Interior, that the pressure of work in the Leasing Section had increased considerably during the 1962-63 financial year. This was the result of an increase in the number of purchases of Commonwealth homes by tenants, and a sharp rise in the work associated with the granting of new loans and with the partial discharging of mortgages. Mr. Griffiths indicated that action would be taken in the near future to secure additional staff in order to keep pace with Canberra's continued rapid development. Q.595 Q's.559-602.

38. Disruption of work in the Registries Section resulted from the installation of a document writing system which involved a complete changeover in the method of recording and issuing licences and registrations. Interruption of normal office routine during the change-over period necessitated the working of overtime which had not been provided for in the original estimate.

Q.607

39. The decision to have electrical appliance rentals incorporated in cottage rent accounts involved the adjustment of several thousand accounts and resulted in the working of additional overtime in the Housing Branch. The decision to transfer the charges was not made until January, 1963.

Committee Document No.63/48.

Q.616

40. Your Committee accept the explanations in respect of (a), (b) and (c), mentioned in para.36 above. However, we draw attention to our comment in paragraph 27 above concerning payments from the Advance to the Treasurer to meet alteration of the Department's procedures on overtime payments.

(v) Division No. 766-4-24 - A.C.T. Services - General Services - Electrical repairs and maintenance for dwellings and hostels leased from the Commonwealth.

Original Appropriation £20,000; Expenditure £25,100.

41. The over-expenditure of £5,100 was partly covered by the provision of £1,500 in Additional Estimates.

42. During 1962-63 the cost of maintaining electrical appliances (stoves, bath and tap heaters, etc.) in approximately 2,400 Commonwealth-owned houses in Canberra became a charge against this appropriation. Previously these costs had been charged to the A.C.T. Electricity Trust Account. The Department estimated that the additional cost to this Item during 1962-63 would be about £3,500 but, as an under-expenditure of £2,000 appeared likely on normal maintenance, an amount of £1,500 only was obtained in Additional Estimates. The actual cost of maintaining the appliances proved to be something in excess of £3,500 and, in addition, the anticipated under-expenditure of £2,000 did not eventuate.

Committee Document No.63/48 & Q.1645.

43. The estimated additional cost of £3,500 was based on information received from the A.C.T. Electricity Authority. Mr. N. Murray, Estimates Clerk of the Department of the Interior, indicated that the calculation of charges for the remaining portion of the year was rather complex -

"(MR. MURRAY) The Authority estimated the annual cost of maintenance at £17,000. If all appliances had been transferred in bulk for three months it would have been a simple matter to estimate one-quarter of that amount, but responsibility for maintenance was handed over suburb by suburb so the transfer actually took place over a period from about the middle of March to the end of June...."

Q.1645

44. Mr. A.R. Wingfield, Acting Assistant Secretary, Housing Branch, advised that the overall demand for electrical maintenance, including that in respect of leased hostels, had increased during the year and had exceeded expectations. This was particularly so in respect of domestic electrical appliances -

"(MR. WINGFIELD) ... Another factor quite unforeseen was that advice to tenants of the change in control of the appliances - that the charge for them would now be in the weekly rent and not quarterly in the electricity accounts - created a demand for maintenance. Tenants suddenly became aware that stoves and heaters could possibly receive some maintenance or renewal. This resulted in an unexpected increase in the number of applications for maintenance of electrical appliances."

Q.1643

45. The cost of normal electrical maintenance during 1962-63 amounted to £20,600 which was £600 in excess of the original estimate but £2,600 in excess of that calculated when Additional Estimates were prepared.

Q.1648

46. Your Committee appreciate the difficulty involved in estimating the cost of maintaining appliances during this change-over period. However, we consider that it should have been possible to achieve a greater degree of accuracy in the estimate made - particularly in view of the long experience of both the Department and the Electricity Authority in these matters.

(vi) Division No. 766-5-04 - A.C.T. Services - Education - Cleaning of schools.

Original Appropriation £94,000; Expenditure £95,570.

47. The Departmental explanation read -

"During the year 1962-63 new additional commitments totalling £2,485 for contract cleaning were approved.

Committee Document No. 63/48.

When Additional Estimates were prepared the possible additional requirement for this item was assessed in the light of expenditure at £1,000. This proved to be £795 short of actual expenditure."

48. We were informed that when the original estimate was prepared an attempt was made to provide for commitments expected to be incurred during the year in addition to those already in existence. Provision was in fact made for the clearing of additional school accommodation in the Red Hill, Narrabundah, Dickson and Yarralumla schools and the Technical College.

Q's.1668-1670

49. However, further unforeseen commitments totalling £2,485 were approved during the year and we note that a review of expenditure towards the end of February, 1963, suggested that additional funds of £1,000 only would be required.

50. An error in an assessment of this nature should not normally occur but in view of the number of individual contracts, etc. included under this vote and the relatively small amount finally involved Your Committee, in this instance, accept the explanations received.

(vii) Division No. 766-5-07 - A.C.T. Services - Education - Payments to the Department of Education, New South Wales.

Original Appropriation £764,000; Expenditure £896,002.

51. Your Committee were informed by the Department that the original appropriation of £764,000, had been based on an estimate supplied by the Department of

Committee Document No. T.A.53/48.

Education, New South Wales, which provides the teaching services for the Australian Capital Territory. Actual costs are recovered from the Commonwealth on the basis of a certificate from the New South Wales Auditor-General. Q.1689

52. On 12th October, 1962 the Department of the Interior learnt that an amount of £49,502.0.8 would be required to meet an under-provision for 1961-62. Subsequently the Department of the Interior was informed by the State Department that the estimate for 1962-63 would have to be increased by £82,500 to adjust the incorrect original estimate of £764,000. Consequently, a further sum of £132,002.0.8 in all would be required in 1962-63 to meet the total commitment to the State.

53. We were informed that Treasury was requested to provide £132,003 in the Additional Estimates to cover this increased expenditure but £132,000 only was provided in the appropriation. The balance was obtained from the Advance to the Treasurer. Q.1700

54. It would appear that the small deficiency in the total funds available may have resulted from a Treasury decision to round off a figure downwards for inclusion in Additional Estimates.

55. However, neither this fact, nor the insignificant sum obtained from the Advance, were the reasons Your Committee examined this Item further. Rather we were concerned at the apparent large discrepancy in the original estimate and the reason, if any, why the Department could not, after some thirty odd years experience, achieve a more accurate initial estimate for this vote.

56. We appreciate that the constantly expanding school requirements in the Australian Capital Territory present a problem but would have expected a better estimating performance. However, we were informed by Mr. J. Sharpe, Officer-in-Charge, Education Section, Department of the Interior, that his Department felt they would be in a position in future to make a more accurate assessment. Q.1710

57. In view of the necessity for the Department to advise the Treasury of the requirements for this vote some six months or more before it receives an estimate from the State Department concerned Your Committee trust that the Department will give the matter its close attention and endeavour to assure that it has a reliable system for making reasonably accurate forecasts of the expenditure against this vote. Q.1698

(D) DEPARTMENT OF DEFENCE

(i) Division No. 452-1-03 - Joint Intelligence Bureau - Salaries - Extra duty pay.

Original Appropriation £4,000; Expenditure £6,275.

58. The total over-expenditure of £2,275 was covered partly by the provision of £1,200 in Additional Estimates.

59. The Department's explanation of the over-expenditure read:-

"Because of the serious and continuing staff shortage in relation to the approved establishment, increased overtime was necessary to cope with numerous urgent unforeseen tasks, as well as day-to-day commitments."

Committee Document No. T.A. 63/49.

60. Mr. A.G. Salisbury, Chief Finance Officer, Department of Defence explained to Your Committee that staffing difficulties had been acute since transfer of the Bureau to Canberra in 1962 -

"(MR. SALISBURY) All this stems mainly from the transfer of the Joint Intelligence Bureau from Melbourne early in 1962. It was found that a large number of the staff were not prepared to make the transfer and so they left the Bureau. It has been a legacy of under-staffing from which they have not yet recovered...."

Q.964

61. We were informed that particular difficulty had been experienced in recruiting for certain research positions, in the fields of economics, science and geography, and in securing typists, clerical assistants and photo laboratory staff. Q.964

62. Steps have been taken continually to overcome the staff shortage and, in the last twelve months 47 persons had been recruited, but this had been partly offset by resignations, transfers, etc. Q.967

63. Your Committee accept the explanations submitted.

(ii) Division No. 453-2-06 - Defence Signals Branch - Administrative Expenses - Hire and maintenance of plant and equipment

Original Appropriation £46,500; Expenditure £49,814.

64. A further appropriation of £3,000 was obtained in Additional Estimates but the total appropriation of £49,500 was overspent by £314.

65. In August, 1962, the need arose for an additional telegraph channel between Melbourne and Canberra. Cost of the channel for the remainder of 1962-63 was estimated at £4,618 but, as it was anticipated that savings of £1,618 could be effected by economies within the vote, an amount of £3,000 only was sought in Additional Estimates. However, it was not possible to effect savings to the full extent of the £1,618 estimated and an amount of £314 had to be obtained from the Advance to the Treasurer. Q.986 Q.992

66. Your Committee are satisfied that the additional expenditure could not reasonably have been foreseen and that expenditure from the Advance to the Treasurer resulted from commendable efforts within the Department to restrict the level of expenditure.

(E) DEPARTMENT OF THE NAVY

(i) Division No. 474-1-03 - Civil Personnel - Salaries - Extra duty pay.

Original Appropriation £183,000; Expenditure £215,142.

67. Several unforeseen commitments arose early in the financial year resulting in the provision of a further appropriation of £32,000 in Additional Estimates. The total provision of £215,000 was overspent by £142.

68. One of the major factors which contributed to the higher level of expenditure was the introduction of machine accounting in the Sydney office. Some provision had been made in the original estimate for overtime which was likely to be involved in the change-over but the operation proved more complex than had been anticipated and resulted in expenditure of £7,600 in excess of the original provision. The witness explained that overtime was particularly heavy in the stores area where a change from a manual system to a machine accounting system involved the preparation of new forms and the transfer of an enormous amount of information to new records. Difficulty had been experienced in estimating overtime involved to complete this non-recurring work. Q.998 Q.1016
69. About £5,300 was paid in overtime incurred at the Captain Cook Dock in effecting repairs to the "Iberia" which had broken down off the Australian coast. This expenditure was subsequently recovered from the shipowners and repaid to revenue. Q.996
70. Additional trials for a Royal Navy submarine which had been refitted in Sydney and for the new frigate H.M.A.S. "Stuart" resulted in additional overtime payments totalling approximately £3,000. Originally it was not thought that these trials would involve overtime payments. Q's.996 & 997.
71. Other unforeseen commitments which necessitated overtime included the unloading of ammunition, work in the experimental laboratory in Sydney, additional ship repairs at Garden Island Dockyard and preparation of special drawings by Drawing Office staff. Committee Document No.63/50.
72. In preparing the 1962-63 estimate of £183,000 regard was had to the level of expenditure in 1961-62 (£194,473) but, as certain tasks of a non-recurring nature had been undertaken during that period, it was considered that 1962-63 expenditure would be somewhat less. In the light of experience the 1963-64 estimate has been increased to £208,000, greater allowance being made for contingencies as well as the over-increasing activity of the Department generally. Q.996 Q.1008
73. Your Committee consider that the Department made a minor error in judgment in under-estimating its requirements for 1962-63. However, only a very small amount was involved in the actual expenditure from the Advance as the greater part of the error was manifest in time for corrective action to be taken in Additional Estimates. We note that the Department appears to have made a more realistic assessment of its requirements for 1963-64.

(ii) Division No. 476-02 - Equipment and Stores - H.M.A. Ships, etc. - Electronic, electrical, engineering and miscellaneous stores.

Original Appropriation £3,056,000; Expenditure £3,859,635.

74. The Department advised Your Committee that, having regard to the total funds allocated to the Navy and to greater priorities given to expenditure against other votes the original estimate for this item was reduced considerably. Subsequently, when shortfalls of expenditure against other votes became evident, approval was sought to have those unexpended funds made available to finance requirements which had been deferred. As a result a further amount of £618,000 was appropriated in Additional Estimates for this item giving a total appropriation of £3,674,000 which ultimately was over-spent to the extent of £185,635. Committee Document No.63/50.

75. Stores to the value of approximately £497,000 were re-financed during the year as the further funds became available. The stores, some of which were for the repair and refitting of ships and for the manufacture and repair of equipment, had been deleted from the original programme when priority was given to more urgent requirements such as naval construction. These purchases accounted for the bulk of the increased expenditure under the Item. Committee Document No.63/50. Q's.1094 & 1095.

76. Additional expenditure of some £50,000 was incurred in the purchase of motor vehicles. Vehicle requirements were under review when the original estimate was submitted but their purchase was deferred at that time pending a decision on the Department's actual requirements. Upon completion of the survey funds were sought and obtained in Additional Estimates. Q's.1096 & 1097.

77. An under-assessment of liabilities outstanding at 30th June, 1962 resulted in an expenditure of about £151,000 in excess of the original provision. Your Committee were informed that, when the various accounting sections assessed outstanding liabilities under the Item at the close of the 1961-62 financial year, they failed to take into account adjustments which were in process at the time in respect of overseas orders. The error became apparent during the first quarter of 1962-63. Q's. 1099 & 1100

78. Other requirements which were not foreseen at the time of finalisation of Estimates resulted in additional expenditure of £105,000. Committee Document No.63/50.

79. Your Committee realise that, as expenditure by the Defence departments is restricted to an overall maximum figure, adjustments within the various Divisions are necessary from time to time in order that the most effective use may be made of available funds. In this instance, with the exception of the error made in the under-assessment of liabilities, we accept the Department's explanations for amounts obtained in the Additional Estimates and from the Advance.

(2) DEPARTMENT OF TERRITORIES

(i) Division No. 175-1-03 - Administrative - Salaries - Extra duty pay.

Original Appropriation £15,000; Expenditure £16,475.

80. The over-expenditure of £1,475 was partly covered by the provision of £1,000 in Additional Estimates.

81. Your Committee were advised that some additional overtime was necessary because the Department experienced difficulty in filling vacant staff positions. Particular difficulty was encountered in recruiting suitable staff to the positions of Research Officer and Statistics Officer. One position had been advertised on three occasions during the past financial year, both within and outside the Service, and it was May, 1963 before a suitable applicant had responded to an advertisement. Q's.1447 to 1449.

82. There were other additional commitments, which could not have been foreseen when the Estimates were prepared and which contributed to the over-expenditure. These included the Royal Tour of the North West Territory, the visit of the International Bank Mission and work associated with the Papua and New Guinea Higher Education Committee Q.1451

83. Your Committee accept the explanations submitted.

(ii) Division No. 751-1-03 - Northern Territory Services - Salaries - Extra duty pay.

Original Appropriation £44,700; Expenditure £57,550.

84. A further appropriation of £9,000 was granted in Additional Estimates leaving an expenditure of £3,850 from the Advance to the Treasurer.

85. The Department's explanation read -

"The increased level of activity generally throughout the Northern Territory Administration led to an increase in overtime payments. The greatest increase has been in the Welfare Branch where time off in lieu of payment was found to be operating to the detriment of operational efficiency of Settlements and was superseded by payment for overtime. Additional overtime was also worked in connection with the Royal Visit. Additional funds of £9,000 were provided under Additional Estimates for this item."

Committee Document No.63/52.

86. The Department's witness, Mr. L.L. Gillespie, Assistant Administrator (Administration Services and Finance), Northern Territory Administration, explained that the practice of time off in lieu of overtime had been adopted in the Welfare Branch in 1961-62 because of the particular staffing difficulties experienced in that Branch -

"(MR. GILLESPIE)...The Welfare Branch has a large number of settlements and like activities which must be operative at the week-ends. For example, the aborigines must be fed at the week-ends just as they have to be during the week. This sort of problem does not come up in other branches."

Q.1482

87. During the last financial year, however, it had been found that operation of the system had militated against the operational efficiency of the settlements by discouraging prospective staff. The former system of payment for overtime was reverted to, resulting in a considerable increase in the level of expenditure.

Q.1484

88. Mr. H.C. Giese, Director of Welfare, Northern Territory Administration, pointed out that some of the overtime was of an extremely urgent nature and increased expenditure could not, therefore, be avoided -

"(MR. GIESE) ... we have a number of people who work under determinations where, if they are required to work overtime, they must be paid. Nursing sisters are in one category and kitchen supervisors in another. In these categories emergencies occur from time to time where the officers are required to work, and with the tightest control you still find yourself in some difficulty with the expenditure on overtime...."

Q.1494

89. About £4,000 of the Additional Estimates provision related to the Royal Visit to the Northern Territory. However, this provision was exceeded by approximately £1,000.

Q.1486

90. Your Committee accept the Department's explanation that circumstances were somewhat unusual during the 1962-63 financial year but we would expect to see considerable improvement in the accuracy of the Department's estimates in respect of this Item in

- (ii) Division No. 751-2-01 - Northern Territory Services - Administrative Expenses - Travelling and subsistence.

Original Appropriation £168,000; Expenditure £188,663.

91. The original appropriation was over-spent by £20,663 - £14,000 of that amount being provided in Additional Estimates and the balance of £6,663 from the Advance to the Treasurer.

92. Additional funds were required to meet increased expenditure resulting from (a) the Royal Visit, (b) a higher incidence of duty travel and recreation leave travel, and (c) the good response to recruitment which involved travel on appointment and subsequent field travel. Committee Document No.63/52.

93. We were advised that travelling expenses relating to Royal Tour activity amounted to approximately £5,000 and that the improved recruiting position resulted in additional travel expenditure of about £2,000. A total of about 530 new employes were recruited during the year although some of these would have resigned within the year. Q's.1496 to 1498.

94. Asked why it had not been possible to provide in Additional Estimates for all of the additional expenditure under this Item, Mr. Gillespie replied -

"(MR. GILLESPIE) At the stage of Additional Estimates I think we asked for some £14,000 additional and we expected that we would be able to control travel costs within that amount, but that did not eventuate. One thing for which we did not allow enough was the Royal visit. Another thing we omitted to cover fully was the payment of regulation 97 allowances which are charged against this vote. It is necessary, if an officer is brought to the Territory in advance of his family, to pay him an allowance while he is waiting for a house. Unfortunately, our housing position became rather acute last year and the extent of regulation 97 allowances was much greater than we had expected." Q.1502

95. Your Committee observed that expenditure under this Item had increased each year from £143,496 in 1960-61 to a projected £210,000 in 1963-64. Mr. Gillespie explained that the increasing level of expenditure reflected staff growth during that period of time -

"(MR. GILLESPIE) ...In 1959 our staff was 722; in 1960 it was 835; in 1961 it was 932; in 1962 it was 1,043 and in 1963 it was 1,187. Those are the figures for 30th June each year. The increase in our field staff to cover our increasing responsibilities and activities has necessarily resulted in a similar increase in requirement of travelling funds." Q.1507

96. The pattern of expenditure under this Item in recent years appears to Your Committee to support the original estimate of £168,000. We accept the Department's explanations.

CHAPTER IV - CONCLUSIONS

97. Your Committee proceeded during this current Session of the Parliament with the usual combined enquiries into (a) the expenditures from Advance to the Treasurer, and (b) expenditure from the Consolidated Revenue Fund. The impending termination of this Fifth Committee provides insufficient time in which to complete, as in previous years, a lengthy combined report and, accordingly, this Sixty-Third Report has been confined to the enquiry related to Advance to the Treasurer.

98. The specific matters reported in Chapter III of this Report are based on evidence taken at the combined series of public hearings and it is possible that some of these items would not have been included but for the fact that they related to items being investigated in connection with the other - and greater - part of our combined inquiry. However, written explanations from departments were received as usual in respect of all items appearing in the Advance and these have been closely examined by Your Committee.

99. It is unavoidable that a large proportion of the expenditure from the Advance represents not an increase in overall expenditure but a transfer of funds between various votes of the Defence departments. This procedure is necessary to assure that the funds available are put to the most effective use vide our comment in paragraphs 74 and 79 of this Report referring to one example of this particular difficulty. The matter is made the more complex for the departments concerned as a great deal of their expenditure relates to large and long term contracts involving considerable sums. Further, decisions on the assessment of the actual funds which may be required sometimes have to be made on the basis of programmes which must be assessed or forecast some twelve or eighteen months in advance.

100. In general, Your Committee consider that the main principle attaching to the use made of the Advance by departments is that it should be restricted to urgent requirements. A corollary to this, from the point of efficient financial management, is that expenditures included should not have been foreseeable items which might reasonably have been included in any of the first or second main appropriation measures.

101. For departments generally Your Committee appreciate, and has so commented in previous Reports, that circumstances will, from time to time, prove some initial estimates to have been wrong. This is inevitable and must be accepted unless a completely illogical or disproportionate amount of effort in the form of staff and expense are to be devoted exclusively to the preparation of estimates and to the assembling of all the detailed data involved in attempts to achieve perfection.

102. Accordingly, Your Committee are pleased to report that our enquiries relating to the items appearing in the statement of expenditure from Advance to the Treasurer have indicated a generally satisfactory standard of financial management by departments for the financial year 1962-63.

CHAPTER V - ACKNOWLEDGMENTS

103. Before completing this Sixty-Third Report Your Committee wishes to join with the preceding Committees in acknowledging our indebtedness for assistance received in conducting our inquiries.

104. The system initiated by the Third Committee in arranging for observers from the Audit Office, Public Service Board and the Treasury to be present at all times to advise or furnish immediate additional information continues to be of great assistance to the Committee and speeds the conduct of our public hearings.

105. Our inquiries are based on written statements and oral evidence obtained from departments. In the main the officers concerned are to be congratulated on the manner in which they have prepared and presented the material required by Your Committee and we are grateful for their efforts in meeting our requirements.

106. Also, Your Committee could not function without the assistance of the Principal Parliamentary Reporter and his staff. We thank them for their unfailing co-operation and efficiency in reporting the proceedings of our hearings.

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.

TREASURY MINUTE ON THE FIFTY-SECOND REPORT OF YOUR COMMITTEE

ON

THE REPORTS OF THE AUDITOR-GENERAL - FINANCIAL YEAR 1958-59

(Note:- This Treasury Minute was received in two parts:- (i) an interim Minute dated 7th December, 1960, and (ii) a completing Minute dated 4th April, 1963, identified in the paragraphs below by (*) and (Ø) respectively.)

In the Fifty-Second Report concerning the Reports of the Auditor-General - Financial Year 1958-59:-

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Your Committee stated:-

I am directed to state:-

(*) In its Fifty-Second Report, the Joint Committee of Public Accounts recorded the second part of the results of its enquiry into the Reports of the Auditor-General for the year ended 30th June, 1959. Because of the public interest in this Report, it is desired to place these matters in their proper perspective in this interim Minute.

(Ø) The Treasury has now examined and discussed with the Departments concerned those observations and conclusions which were not replied to in the interim Treasury Minute of 7th December, 1960.

COMMONWEALTH RAILWAYS

The Commonwealth Railways is a substantial undertaking now earning revenue in excess of £5,000,000 annually and controlling assets of a value recorded in the latest balance-sheet at approximately £50,000,000. Your Committee consider that the maintenance and publication of appropriate commercial accounts, subject to audit and report by the Auditor-General, is essential for this undertaking.

(Ø) The Committee was advised, during the course of its hearing, that a general review of the Railways' accounting arrangements was in progress. The final outcome of the review is dependent upon consideration by the Government of certain matters affecting the accounts, but it is expected that the Financial Statements for 1961-62 will be published in a revised form.

It was patently clear from evidence given by the Auditor-General and others that the time has long since arrived when the whole capital structure of this undertaking and the form of its

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accounting should be reviewed so that it can operate on a sound commercial basis and produce for its own management purposes, the Government and the Parliament, realistic and useful financial information.

DEPARTMENT OF HEALTH

The Commonwealth Serum Laboratories is a large commercial type of undertaking. As at 30th June, 1959, funds employed were £5,824,423, annual turnover exceeded £2,500,000 while the net surplus for the year amounted to £212,007. Yet there is an inordinate delay before financial information appropriate to such an undertaking is made available to the Parliament.

We support the administrative decision which resulted in the preparation of commercial type accounts for the undertaking and later, in 1959, in the auditing of those accounts by the Audit Office. However, Your Committee consider that -

- (i) the accounts also should be certified by the Auditor-General; and
- (ii) the Department of Health should take steps to ensure that the annual financial statements are made available to the Audit Office in sufficient time to permit the Auditor-General to report upon them in his Annual or Supplementary Report.

Both matters considered in relation to the Canberra Community Hospital appear now to have been satisfactorily resolved. The Auditor-General, in his Supplementary Report for 1959-60, dated 7th October, 1960, was able to report that financial statements for 1959-60 in the form of a Balance Sheet supported by an Income and Expenditure Statement, had been furnished by the Hospital Board.

As already recorded, the Chairman of the Hospital Board (who is also an officer of the Department of the Treasury) considered that under existing arrangements, the Board was at some disadvantage in recruiting administrative staff in competition with the Public Service. This is a matter which might be

(p) The Commonwealth Serum Laboratories were placed under the control of the Commonwealth Serum Laboratories Commission on 2nd November, 1961. The preparation and audit of annual financial statements and their presentation to the Parliament are now governed by section 44 of the Commonwealth Serum Laboratories Act 1961.

(p) The Chairman of the Canberra Community Hospital Board has discussed with the Department of Health and the Public Service Board the recruitment of administrative staff for the Hospital. An Act of Parliament would be necessary to preserve the rights of officers of the Commonwealth Service who might transfer to the Hospital staff. However, the immediate disadvantage in recruitment was removed by an award of the Conciliation Commissioner in December, 1960 which improved the salary classifications of the Hospital staff.

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investigated jointly by the Hospital Board, the Department of Health and the Public Service Board to establish whether there is need and scope for some variation in the arrangements by which, or the conditions under which, the administrative branch of the Hospital is staffed.

DEPARTMENT OF THE INTERIOR

Forestry - Australian Capital Territory

In a formal statement to Your Committee dated 28th April, 1960 the Treasury said -

(g) New accounting records were introduced with effect from 1st July, 1961 and a balance sheet at 30th June, 1962 in the form approved by the Treasurer was prepared and submitted to the Auditor-General.

"...Treasury is of the view that, for housing and forestry, the preparation of adequate accounting statements on commercial lines (in supplementation of the ordinary cash accounts) is essential if the Government and the Parliament are to be kept informed of the financial results of the policies which are being followed, and for the review and formulation of policy.

However, Treasury has refrained from recommending to the Treasurer that he direct the keeping of such accounts (the Department of the Interior has stipulated that such a direction is a pre-requisite to its taking action) because it considers that this course should not be taken until every other means of resolving the matters at issue has been exhausted...."

The lack of action on the part of the Treasury between October, 1956, and June, 1959, to resolve the problems which had arisen in regard to Forestry accounting is not to the credit of that Department. The progress that has been made since March, 1960, when the Acting Secretary first wrote to the Secretary, Department of the Interior, is an indication of what might have been achieved some three and one-half years before had the Treasury accepted the responsibility it has in matters of this nature.

Transport Section, Canberra
(City Bus Service)

We were told that the subsidy was paid in advance and that, basically, it was the estimate of the gap that would occur in the year's transactions between fares

(g) The intention of the payment to the Australian Capital Territory Transport Trust Account in respect of the Canberra City Omnibus Service was to recoup losses on operation

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at a rate accepted as reasonable and the estimated running costs.

The difference of opinion which has existed in this matter reflects the difference in attitude of the respective parties to the payments from Consolidated Revenue. Interior consider the payments as a true subsidy, a grant-in-aid from the Government to enable an otherwise unprofitable service to be continued. Audit, on the other hand, regard them still as payments to finance or recoup losses, as they were classified in the Appropriation Act prior to the change in 1956-57.

and not to provide a scheme of subsidy. To clarify the intention the wording of the appropriation has been amended to read:

"City Omnibus Service - Loss on operations (for payment to the credit of the Australian Capital Territory Transport Trust Account)".

The views of Your Committee are -

1. If payments to Commonwealth undertakings are designed to be subsidies in the sense that the Government pays subsidies to non-governmental bodies then it is not unreasonable to bring the subsidies to account in the profit and loss accounts as revenue of the undertakings. However, the nature of such revenue and the source should be clearly disclosed.
2. If the payments are to finance or recoup losses then they should be brought to account after the loss has been determined in the profit and loss account.

We refer again to the change made in 1956-57 in the description of the appropriation concerned and comment that since then these appropriations have been proposed by the Government and granted by the Parliament specifically as subsidies in respect of the Canberra City Omnibus Service. We note too that, in certain other accounts, amounts in the nature of subsidies have been taken into account before a profit or loss has been determined without critical published comment from the Auditor-General. We refer in particular to the accounts of the Parliamentary Refreshment Rooms and the War Service Homes Division (Supplementary Report 1958-59, paragraphs 2 and 51). The accounts of Commonwealth Hostels Ltd. to which the Commonwealth made available £1,145,000 during 1958-59 as a contribution towards various costs, are probably another (Supplementary Report 1958-59, paragraph 59).

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Following on our conclusion that it is appropriate for revenue by way of subsidy to be brought to account in the Profit and Loss Account, we do not support the method proposed by the Auditor-General and the Treasury for treating, in the Balance Sheet, the balance of the Accumulated Profit and Loss Account.

Canberra Electricity Supply

In paragraph 7 of his Supplementary Report for 1958-59 the Auditor-General indicated that his Office had had to defer examination of the final accounts of the Canberra Electricity Supply undertaking for the previous financial year 1957-58 because the accounts were in the course of reconstruction.

On 3rd December, 1959, the Department submitted to the Treasury proposals which involved the writing down of the assets of the electricity undertaking by approximately 80 per cent. The Treasury told us on 29th April, 1960, that the proposals were under active consideration but it had not yet reached a conclusion that it should agree to write off such a substantial amount of the Commonwealth's investment in the undertaking.

Hotels and Guest Houses - Leased by the Department

The leases of Barton, Beauchamp and Kingston Guest Houses expire within the next two years and opportunity should now be taken to examine the situation fully to determine what future course of action in relation to these establishments would best serve the interests of the Commonwealth.

Housing

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

We consider, however, that the comments and criticisms of the Auditor-General might more

(/s) The Australian Capital Territory Electricity Supply Act 1962 provides for the incorporation of an Authority to manage the electricity undertaking and for the Treasurer to determine the value of assets to be transferred to, and the amount of liabilities to be assumed by, the Authority. Amounts accumulated in the Australian Capital Territory Electricity Supply Trust Account for interest on capital advances and for depreciation of assets have been paid to the Consolidated Revenue Fund.

(/s) The Department and the Treasury reviewed the terms of the leases prior to their expiration.

(/s) On 6th September, 1961, the Government decided that an inter-departmental committee should examine the possibility of introducing a system of accounts for the Commonwealth's housing activities in the Australian Capital Territory and that it should report to the Minister for the Interior. The Committee has not yet completed its investigations.

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appropriately have been made in general terms and not directed specifically at the Department of the Interior whose present responsibility in relation to housing is limited. It seems to us that, in the absence of a statutory requirement or a direction from the Government, or the Treasurer (under the Audit Act), the Department of the Interior had not the authority to require from other bodies with important responsibilities in the housing field, the information essential to the preparation of accurate consolidated financial statements.

In terms of general principle we consider the attitude of the Secretary, Department of the Interior, correct; a Department should not incur substantial expenditure engaging in activities outside the limits of its responsibilities unless properly required so to do.

Your Committee's Summing Up (Department of the Interior)

Our inquiries into the matters raised by the Auditor-General in relation to the Department of the Interior have illustrated the breakdowns in administrative machinery that can occur when there is a serious lack of appreciation by governmental authorities of the points of view and respective responsibilities of each other. Many of the matters, relatively unimportant when initially raised by the Audit Office, became major issues as the parties concerned maintained rigid attitudes and determined efforts were not made to achieve a solution. In our assessment, there were faults on all sides - on the part of the Treasury, the Audit Office and the Department of the Interior.

The unnecessary effort, expense and delay which result from clashes of this kind is something to which the Public Service Board, in the light of its responsibilities under the Public Service Act, might give close consideration. The question arises whether the existing arrangement of administrative responsibilities makes adequate provision for their prompt resolution.

(* Paragraph 203 of the Report, charging the Treasury with "procrastination" and by implication with failure "to act with precision and without hesitation" is directed to matters arising out of comments of the Auditor-General upon some of the industrial activities of the Department of the Interior in the Australian Capital Territory. The text of the Committee's discussion of these matters is contained in Chapter VIII, but only those parts relative to the A.C.T. forests and the Canberra Brickworks seem to have any bearing on this generalised criticism of the Treasury. Whilst there is some more discussion of transport, electricity supply, hotels and guest houses and housing, these parts of the Report do not appear to have been the basis for the summing up in paragraph 203.

(a) Brickworks.

There were three criticisms by the Auditor-General of the accounting for the A.C.T. Brickworks, and these were referred to the Treasury on 9th February, 1959. As explained at the Committee's hearing, the Treasury held the matter temporarily in abeyance because a separation of control of the Brickworks was

Summary of Committee's Conclusions Treasury Minute

Clearly, the whole situation, as we found it, was greatly aggravated by the procrastination of the Treasury. It had the responsibility under section 54 of the Audit Act to consider and deal with plans and suggestions made in the Reports of the Auditor-General. If the Treasury disagreed with the views of the Auditor-General it had a duty so to inform him, thus resolving the matter; where it did agree it had a duty to direct the Department of the Interior accordingly, as invited so to do by that Department. Yet the Treasury, while declining to issue directions under section 16 of the Audit Act or Treasury Regulations 127(3) on the grounds of doubts as to its powers, in our knowledge did not until recently take positive steps to have authorized, amendments to the Audit Act which would place its powers beyond doubt. In Your Committee's view, the need for the Treasury to act with precision and without hesitation in situations of this kind is of the utmost importance to the efficient and orderly financial administration of government and to the effective discharge by the Auditor-General of his duties and responsibilities.

Canberra Brickworks.

We were informed by the Department of the Interior that it had received no intimation from the Audit Office challenging the views of the Department conveyed in the letter to Audit of 1st August, 1958. The Auditor-General told us that, by an oversight, the Department of Interior had not been informed of later developments. He said that, in fact, Audit had referred the matter to the Treasury on 9th February, 1959, but had since received no reply.

At the public hearings on 29th April, 1960, the Treasury explained that it had taken no action to issue a direction in the matter because it had expected a decision involving the reconstruction and a change of control in the Brickworks; it had felt that there was no real purpose to be served in following up the matter with the Department of the Interior.

imminently anticipated. The Committee does not reach any conclusion on the substance of the controversy, which is indeed no longer of any practical importance, as between the Department and the Treasury on the one hand and the opposing views of the Auditor-General. Had the Treasury formally informed the Auditor-General, prior to the completion of his report for the year ended 30th June, 1959, of the reasons for holding the matter in abeyance, the Committee would apparently have been satisfied. That seems to be the substance of the Committee's criticism of the Treasury. It called forth the sharp terms of paragraph 181, which contrast with the Committee's tacit approval of an "oversight" by the Auditor-General on the same subject in paragraph 178.

(b) Forests.

That the Auditor-General and the Permanent Head of the Department of the Interior held strongly opposing points of view upon the nature of the accounting required for the forests of the Australian Capital Territory is amply demonstrated in paragraph 158 of the Committee's Report. Paragraph 159 records just such a determined effort by the Treasury to achieve a solution as the Committee rightly stresses in paragraph 201 as being important.

The problem presented to the Treasury by the conflict of views between the Permanent Head of the Department of the Interior (who had advised the Treasury that he had informed the Chief Auditor "that the decision whether the preparation of these financial statements be continued or not is one which lies within my authority having regard to Section 25(2) of the Public Service Act") and the Auditor-General was not a simple one.

Financial returns from a planted forest are not as a rule fully realized for about forty years from the time that the forest is planted. Furthermore, the harvesting of

Summary of Committee's Conclusions Treasury Minute

On 4th May, 1960, five days later, the Treasury informed Audit of its views in the matter. In terms of broad principle, the Treasury agreed with the views of the Department of the Interior.

The failure of the Treasury to deal promptly with this situation is again not to its credit. Its dilatoriness doubtless resulted in unnecessary criticism of the financial statements relating to the Brickworks in the Auditor-General's 1958-59 Report.

On 1st July, 1960, the control and management of the Brickworks was transferred to Commonwealth Brickworks (Canberra) Limited - a company limited by guarantee and not having a share capital.

timber occurs at relatively long intervals, and consequently this activity is not one which lends itself to a matching of income and expenditure year by year.

Thus the best form of commercial accounts in forestry operations, and indeed the value of such accounts, are complex matters upon which there is scope for widely differing opinion. It is noteworthy that the practices of the forestry authorities of the States in accounting for forestry activities vary considerably.

In his letter of 3rd October, 1956 the Permanent Head of the Department of the Interior unequivocally claimed full authority and responsibility for decisions on this issue and went so far as to question the Treasury's right to enquire into the matter. Furthermore, there was no readiness on the part of the Department of the Interior to supply the Treasury with information relating to forestry accounting. For example, on 15th October, 1956, the Treasury wrote to the Secretary, Department of the Interior, requesting a copy of the annual financial statements, prepared by that Department, for forestry activities for the year ended 30th June, 1956. It was some ten months before this information was eventually received on 28th August, 1957, and then only after several reminders had been sent to the Department repeating the request for these statements.

In these circumstances it was decided that, of the several activities of the Department of the Interior for which improved financial reporting in a commercial form was being sought, forestry was not only of the least immediate value but also, because of its complexity, it offered the least prospect of progress on a basis of mutual agreement. The matter was revived from time to time by the Auditor-General, who eventually took the matter up personally with the Secretary to the Treasury. Considerable progress has now been made, as the Committee is aware, in reaching a solution which reconciles the conflicting viewpoint of the Auditor-General and the Permanent Head of the Department of the Interior.

Summary of Committee's Conclusions Treasury Minute

It cannot be accepted that the generalised and wholesale condemnation of the Treasury contained in paragraph 203 is justified by the text of the report upon the Brickworks and the forests. In the course of public administration there are many matters which it is neither possible nor desirable to settle immediately by arbitrary decision. Indeed, there appears to be a conflict between the Committee's call for the Treasury "to act with precision and without hesitation" and the Committee's judgment that, in the matters examined, the parties concerned "maintained rigid attitudes". As stated in the memorandum presented to the Committee, the Treasury refrained from recommending to the Treasurer that he give a direction on forestry accounts, because it considered that this course should not be taken until every other means of resolving the issue had been exhausted. There was not a procrastination by the Treasury in its endeavour to find a solution to this problem.

GENERAL CONCLUSIONS

The role of the Auditor-General and his officers is both essential and important. Yet the great benefits that can be derived from the endeavours of an efficient Audit Office will not be obtained fully unless there is an effective follow up of the reports of the Auditor-General at the departmental level. Clearly, in some Departments there has been a tendency to ignore these reports, while the attention paid to them in the Public Service Board and the Treasury has been deficient. It is apparent to Your Committee that section 54 of the Audit Act and section 17 of the Public Service Act place upon these last two authorities the main responsibility at the departmental level promptly to investigate and to act upon these reports.

One of the more disturbing aspects of our inquiry has been the number of occasions where we have found that the main cause for serious delays has resided in the Treasury. And once again there have been suggestions that delays have occurred because the Treasury is suffering from a serious shortage in staff. It is not for Your Committee to determine

(*) In its general conclusions the Committee stated (paragraph 205) that one of the more disturbing aspects was the number of occasions on which the main cause of serious delays resided in the Treasury. Apart from the incidents relating to the two relatively minor industrial activities of the Department of the Interior in Canberra, this judgment, so far as the present Report is concerned, apparently rests upon shortcomings in the commercial accounting for the Commonwealth Railways. Aside from the uncertainties attaching to the terms of the relevant legislation, the income of the Commonwealth Railways for the carriage of Leigh Creek coal was decided by the Government in August, 1956, to the effect that there was to be no subsidy. This could scarcely justify the inclusion of subsidy claims in the accounts by any standards. This was the decision of the Government. The other criticism by the Committee centred upon retention in the Balance Sheet of the value of equipment no longer held by the Railways. The Committee reported that Treasury agreed to a course which resulted in "the publishing of accounts which have been

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whether or not the staffing of the Treasury is adequate to permit it properly to undertake the important administrative functions that it is called upon to perform. However, it is a question which should be capable of ready determination and we propose that early action to achieve this and to remedy any deficiencies disclosed be taken by the Public Service Board and the Treasury.

Many of our investigations have concerned the form of accounts that should be prepared by commercial or business type activities and undertakings operating within the Commonwealth Public Account. The annual financial statements which are the end result of conventional accounting methods would provide a ready means for the Parliament to judge the operations of such bodies not provided by the existing published information available in the Estimates, the Finance Statement or the Report of the Auditor-General. Accordingly Your Committee propose that -

- (i) a consistent set of "commercial" accounting principles should be established for and applied to all commercial or business type activities and undertakings operating within the Commonwealth Public Account; and
- (ii) serious consideration should be given to the annual presentation to the Parliament (perhaps in the form of a supplement to the Finance Statement reported upon by the Auditor-General) of the resulting financial statements.

misleading to both the Parliament and to the public". It is apparent that this criticism can be applied to the Commissioner's accounts read on their own; however, the accompanying Audit report upon the accounts, without which accounts should not be read, made the position plain both to Parliament and to the public.

It is true that the Treasury suffers from a serious shortage of staff, even to the point where the health of many officers is being adversely affected by the constant strain to which they are exposed. There have been difficulties in securing approval for the recruitment of extra staff; there have been difficulties in finding staff to fill vacant positions and, finally, there have been frustrating delays in securing the accession of staff after initial appointment. These are matters which will engage the serious attention of the Treasurer during the forthcoming Parliamentary recess.

At the conclusion of its Report, paragraph 206, the Committee proposes that all commercial or business type undertakings operating within the Commonwealth Public Account should apply consistent "commercial" accounting principles, and that serious consideration should be given to the annual presentation to the Parliament of the resulting financial statements. This is a far-reaching conclusion upon a matter which is not examined in the text of this Report, and it goes beyond the earlier recommendations of the Committee.

As acknowledged by the Committee, there is a statutory responsibility upon a Permanent Head for the general working of a department, and a further statutory responsibility upon the Public Service Board for ensuring the general efficiency of departments. There are occasions, in relation to the level of charges made by departments for their services - and the consequential calls made upon the Budget for financing the activity, upon which such records are necessary. No doubt, there have also been occasions upon which, in the discharge of its own responsibilities, the Public

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Service Board has sought information from these sources. But in some areas of administration it is doubtful whether a comparison of costs with the notional receipt of fees would serve any useful purpose. It would be, however, a fundamental departure statutorily to compel the keeping of such accounts and presentation of the financial statements to the Parliament. They are, in any case, quite distinct in nature from the accounts of the Treasurer now provided in the Finance Statement.

These are not matters upon which the Treasury feels entitled to make judgments out of hand, affecting, as they do, the statutory responsibilities of Permanent Heads of departments. As the Committee is aware, the Treasurer announced in his Budget Speech of 11th August, 1959 the Government's intention to appoint a Committee to study and report upon the commercial accounts of the Post Office. The Governmental decision upon the report of that Committee must be considered before progress can be made in these matters which, in any case, cannot be determined solely by problems arising with the forestry and Brickworks undertakings of the A.C.T.

(b) In accordance with arrangements that were originally made with the Auditor-General the Audit Office will be formally advised of the enquiry and action taken by the Treasury and the Department or Authority concerned on matters reported by the Auditor-General to the Treasurer and in his annual report to the Parliament.

Section 41D of the Audit Act, inserted by Act No. 89 of 1961, authorises the Treasurer to require a Department to keep accounts and prepare financial statements in such form and for such of its operations as he determines. The same section of the Act also provides for the accounts and statements to be audited by the Auditor-General.

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

24th October, 1963.



For and on behalf of the Committee,
A.V. THOMESON,
Vice-Chairman.

