



1964.

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA.

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

SIXTY-EIGHTH REPORT.

EXPENDITURE FROM ADVANCE TO THE TREASURER

(APPROPRIATION ACT 1963-64)

Printed and Published for the GOVERNMENT OF THE COMMONWEALTH OF AUSTRALIA by
A. J. ARTHUR, Commonwealth Government Printer, Canberra.
(Printed in Australia.)

13320/64.

JOINT COMMITTEE OF PUBLIC ACCOUNTS

SIXTH COMMITTEE

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	R.H. WHITORN, ESQUIRE, M.P.

The Senate appointed its Members of
the Committee on 4th March, 1964,
and the House of Representatives its
Members on 5th March, 1964.

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 subsection (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-EIGHTH REPORT

EXPENDITURE FROM "ADVANCE TO THE TREASURER" (APPROPRIATION ACT 1963-64)

CHAPTER I - INTRODUCTION

During July, 1964, Your Committee received, through the Department of the Treasury, copies of departmental explanations relating to expenditure during 1963-64 from the Advance to the Treasurer.

2. Your Committee examined each of the departmental explanations and, from these submissions, selected thirty-three Items which appeared to require further explanation.

3. The Items selected were made the subject of a public enquiry held at Parliament House, Canberra, on:-

Monday, 10th August, 1964
Tuesday, 11th August, 1964
Thursday, 13th August, 1964
Tuesday, 18th August, 1964
Thursday, 20th August, 1964

4. The following witnesses were sworn at the public enquiry and were examined by Your Committee:-

Department of the Interior	- Mr. J. Boyle, Commonwealth Surveyor-General.
	Mr. L.L. Gillespie, Assistant Secretary, Planning Establishments and Finance.
	Mr. T.H. Hall, Chief Property Officer.
	Mr. N. Murray, Estimates Officer.
	Mr. J. Sharpe, Registrar of Schools.
Department of Air	- Mr. M.J. Madden, Director of Finance, Programming and Estimates.

Department of the Navy	- Mr. L.J. Murphy, Director, Estimates and Audit.
Department of External Affairs	- Mr. K.G. Brennan, Assistant Secretary, Division 3. Mr. R.E. Johns, Head, Finance Branch. Mr. P.J. Sullivan, Head, Property Branch.
Department of Trade and Industry	- Mr. K.P. Jorgensen, Finance Officer.
Department of Primary Industry	- Mr. D.P. Cleary, Finance Officer. Mr. J.D. MacFarlane, First Assistant Secretary, Inspection Services and Management Division.
Department of the Treasury	- Mr. R.J. Perriman, Acting Administrative Officer.
Department of Works	- Mr. E.R. Harvey, Chief Administrative Officer. Mr. R.F. Munro, Chief Finance Officer. Mr. D.B. Vallance, Chief Electrical Engineer.

5. In approaching the examination of expenditure from the Advance to the Treasurer Your Committee have maintained the view expressed by earlier Committees that the matters of real importance are the reasons for and the nature of the particular expenditures concerned. We have sought to ascertain whether or not the principle is being maintained that use of the Advance should be confined to urgent and unforeseeable requirements for which provision could not be made in the first and second appropriation measures.

6. The following chapter of the Report refers to those items which were the subject of further examination at our public enquiry.

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

(A) Department of the Interior

- (i) Division No. 235-2-01 - Surveys - Administrative Expenses - Travelling and subsistence.

Original Appropriation £39,000; Expenditure £51,172.

7. Additional funds were required to cover travelling and associated expenditure arising out of surveys in remote areas and a number of unforeseen staff changes. This additional expenditure of £12,172 was partly covered by the provision of £7,000 in the second Appropriation Act. Following an expenditure review towards the end of April further funds were obtained from the Advance to the Treasurer. Exhibit No. 68/
Q.18

8. We were advised that the Department was called upon many times during the year to perform surveys in remote areas of the Commonwealth, necessitating considerably more travel than would normally have been required. In several instances the Department received no more than two weeks' notice of surveys to be undertaken as the work was directly related to certain defence projects. Q.3
Q.4

9. Mr. J. Boyle, Commonwealth Surveyor-General, informed Your Committee that, in general, departments co-operated in making known their survey requirements. He considered that liaison with other departments and agencies was satisfactory. Q.33

10. Approximately £2,000 of the over-expenditure was due to a number of unforeseen staff changes in the Darwin, Woomera and New Guinea areas. Whilst some provision had been made for staff changes, the ones in question could not reasonably have been forecast when estimates of expenditure were prepared. Q's.18
and 20

11. Your Committee are satisfied that the Department exercised reasonable care in the preparation of estimates for this Item and that the over-expenditure was due to unforeseen circumstances.

- (ii) Division No. 243-1-02 - News and Information Bureau - Salaries and Payments in the nature of Salary - Temporary and casual employees.

Original Appropriation £327,300; Expenditure £344,503.

12. "The over-expenditure of £17,203 was partly covered by the provision of £9,830 in Appropriation Act (No. 2).

13. Additional funds were required to provide for marginal increases (£5,060), increases arising from Journalists Determination No. 35 (£3,958) and new positions created during the year (£8,067). Reclassification of some existing positions contributed to the over-expenditure in a lesser degree. Exhibit No. 68/'

14. We were advised by Mr. L.L. Gillespie, Assistant Secretary, Establishments and Finance, Department of the Interior, that the need to provide, under this Item, for marginal increases was overlooked when estimates of expenditure were prepared:

(Mr. Gillespie) "This arose from an inadvertent omission. I think it was thought at the time that the margins were not going to apply to journalists. It was inadvertently assumed that it would not apply to any of the News and Information Bureau staff. Consequently no provision for margins was made in the original estimates."

Q.41

15. A total of thirteen new positions were created in the News and Information Bureau during 1963/64. In accordance with standard procedures, provision was not made for new positions in anticipation of their approval. The second Appropriation of £9,830 contained an amount of £5,796 to cover new positions created up to that date and the balance of £2,271 for this purpose was obtained from the Advance to the Treasurer.

Q.37

Q.49

Q.44

16. Journalists Determination No. 55 had effect from 8th August, 1963, and its effect on expenditure under this Item (£3,958) was provided for in the second Appropriation Act.

Q's. 39
and 44

17. Your Committee accept the Department's explanations except in-so-far as they relate to marginal increases. In this regard we consider that insufficient care was taken in assessing the effect of the increases. Failure to provide for them in the No. 2 Appropriation casts some doubt as to the efficiency of the Department's estimates revision.

(iii) Division No. 488-01 - Department of the Navy - National Capital Development Commission - For expenditure under the N.C.D.C. Act.

Original Appropriation Nil; Expenditure £8,500.

18. The amount of £8,500 was required from the Advance to the Treasurer to enable reimbursement to the National Capital Development Commission of a proportion of the cost of preliminary work on the Electronic Data Processing Building at Russell Hill, Canberra.

Exhibit
No. 68/1

19. At the time of finalising details for the Appropriation Act (No. 2) the Department of the Interior, which controls expenditure under this Item, was not aware of any requirement for the 1963/64 financial year.

Q.62

20. Mr. L.J. Murphy, Director, Estimates and Audit, Department of the Navy, stated that construction of the building was approved by Cabinet in October, 1963. It was not until 3rd April, 1964, that the Department of the Navy was advised by the Defence Department that the payment of £8,500 was required to be made to the National Capital Development Commission in 1963/64.

Q.63

Still later, on 18th May, 1964, the Department of the Navy was advised by Treasury that the expenditure had been approved.

21. Your Committee accept the explanations submitted.

- (iv) Division No. 554-01 - Department of Air - National Capital Development Commission - For expenditure under the N.C.D.C. Act.

Original Appropriation £104,200; Expenditure £148,576.

22. Under this Item funds are provided for the acquisition of houses from the National Capital Development Commission to meet the Department of Air's service requirements in Canberra. The original appropriation of £104,200 provided for the purchase of 25 houses. Subsequently the Defence Administration Committee recommended the acquisition of a further fourteen houses at an estimated cost of £57,000. The actual cost of the 37 houses purchased from the National Capital Development Commission was approximately £13,000 less than estimated cost, thus reducing the additional requirement to £44,376. Funds to this extent were obtained from the Advance to the Treasurer.

Q.66
and
Exhibit
No.68/1

23. In connection with the amount of £44,376 provided from the Advance to the Treasurer we were advised by Mr. M.J. Madden, Director of Finance, Programming and Estimates, Department of Air, that in February, 1964, the Defence Administration Committee recommended that consideration be given to using otherwise surplus funds in the Defence Vote on the acquisition of additional houses from the various housing authorities. It was then ascertained that certain houses were available but approval on the part of the Treasury and the Minister for Defence was not forthcoming until May, 1964.

Q.74

24. Your Committee are satisfied that the additional requirement could not have been foreseen and that the Departments of the Interior and Air acted correctly in the circumstances described.

- (v) Division No. 766-4-03 - Australian Capital Territory General Services - Other Services - Flats - Caretaking and maintenance.

Original Appropriation £57,000; Expenditure £69,272.

25. The over-expenditure of £12,272 was substantially covered by the provision of £11,000 in the second Appropriation Act.

26. The Department explained that the additional expenditure was incurred when the cost of lighting public areas in the vicinity of Commonwealth-owned flats (estimated to cost about £16,000) became a charge against this Item. Under accounting arrangements which were in operation prior to the establishment of the A.C.T. Electricity Authority on 1st July, 1963, such costs had been debited to the Electricity Trust Account. Provision for the additional expenditure was not sought when 1963/64 draft

Exhibit
No.68/1

estimates were prepared as there was some uncertainty as to the date of establishment of the proposed Authority. Subsequently, funds were sought in the second Appropriation. However, following an analysis of expenditure trends in this Item, it was considered at that stage that the provision of £11,000 would suffice. This amount proved to be inadequate and a further £1,272 was obtained from the Advance to the Treasurer.

27. Mr. Gillespie indicated that it was known early in June, 1963, that the A.C.T. Electricity Authority would come into being on 1st July, 1963. Although draft estimates had been submitted it would have been possible to amend them to provide for the additional expenditure. The fact that this course of action had not been followed was apparently due to an oversight within the Department.

Q's. 82
and 93

28. Your Committee are concerned that the Department failed to provide for this expenditure in the original Appropriation. As the intention to establish the A.C.T. Electricity Authority had been known for a considerable time, there was every reason for the Department to be fully prepared for eventualities such as this. We recall having looked at this Item in the course of our 1962/63 enquiry also and trust that we shall not have cause to do so again next year.

(vi) Division No. 766-5-08 - Australian Capital Territory Services - Education - Canberra Technical College.

Original Appropriation £114,000; Expenditure £127,687.

29. The over-expenditure of £13,687 was partly covered by the provision of £4,535 in the second Appropriation Act.

30. An amount of £65,000 was contained in the original Appropriation to cover reimbursement to the N.S.W. Department of Technical Education of the cost of providing teaching staff for the Canberra Technical College. Actual reimbursements during 1963/64 proved to be approximately £13,000 in excess of the provision, due to an adjustment of teachers' salaries and a demand for new and expanded courses. Some additional expenditure was also incurred in providing supplies and equipment to keep pace with the expansion of college activities.

Exhibit
No. 63/1

31. In January, 1964, teachers' salaries were increased retrospective to 3rd May, 1963, involving additional expenditure of approximately £4,500. The demand for technical education in Canberra exceeded all expectations during 1963/64, necessitating the appointment of many more teachers. At the end of September, 1963, the Department of Technical Education foreshadowed the appointment of the equivalent of seven additional full-time teachers at an estimated cost of £4,535. Accordingly, funds were provided in the second Appropriation Act but the demand for teachers continued to increase, resulting in the appointment of the equivalent of eleven full-time teachers in all at a total additional cost of about £7,500. The cost of providing additional non-teaching staff together with supplies and equipment to keep pace with the rapid expansion of the college was approximately £1,800.

Exhibit
No. 68/1
and
Q. 102

32. The witness was asked what action is taken by the Department of Technical Education to keep the Department of Interior informed on the question of cost variations. Mr. J. Sharpe, Registrar of Schools, indicated that up to the present time not much information had been passed on by the Department of Technical Education. However, he was satisfied that the position was much improved and the Department of Technical Education had recently given an assurance that, in future, additional teachers would not be engaged without prior reference to the Department of the Interior.

Q.96

Q.108

33. Your Committee appreciate that the Department of the Interior has been at some disadvantage in having to rely on the Technical Education Department of N.S.W. for details of probable expenditure. We note the assurance referred to in paragraph 32 above, given by that Department. However, we still fail to see why the Department sought only £4,535 in the Appropriation Act (No. 2). Apparently no provision was sought for salary increases announced in January, 1964, or for a higher level of administrative expenditure which would normally be expected to result from the expansion of college activity in the first half of the financial year.

(vii) Division No. 943-01 - Commonwealth Scientific and Industrial Research Organisation - Acquisition of Sites and Buildings.

Original Appropriation £45,630; Expenditure £244,029.

34. The over-expenditure of £198,399 was largely covered by the provision of £181,060 in the Appropriation Act (No. 2).

35. Additional funds were required during the year to finance acquisitions which were approved subsequent to preparation of the original estimate. An amount of £176,000 was provided for acquisition of a property in Melbourne for the Division of Mineral Chemistry, approved by Cabinet in October, 1963. Acquisition of a property in the Armidale district of New South Wales required a further £34,500 and an amount of £4,400 was sought to cover acquisition of a dwelling for the Tobacco Research Institute at Mareeba. The two latter acquisitions were approved subject to recovery of cost from research funds.

Exhibit
No.68/1

36. The Treasury observer, Mr. J. Hunter, Chief Finance Officer, confirmed that the acquisitions in question were added to the programme during the course of the year:

Q.114

(Mr. Hunter) "The organisation submitted acquisition proposals to the Department on 31st January. Two of them were to be funded from outside the Budget. One was funded from the Tobacco Industry Trust Account and the other from the Wool Fund. The third was subject to separate approval by Cabinet in October and we had no knowledge of this prior to the drafting of the Estimates. I suppose it is reasonable to expect that special cases will arise in the course of the year in this field."

37. In preparing details for the second Appropriation Act the Department of the Interior failed to seek provision of funds to cover acquisition of the property at Armidale. The need was inadvertently overlooked as the Department assumed, at the time, that the cost would be offset by recovery from the Wool Fund. However, the amount recovered was payable to a separate recoveries Item and could not be used as an offset. As a result of the oversight it was necessary to draw on the Advance to the Treasurer to the extent of £17,339. Total expenditure under Division No. 943 was not affected by the transaction.

Exhibit
No.68/1
and
Q.117

38. Your Committee accept the Department's explanation but will expect more care to be exercised in the future in respect of appropriations which are subject to recovery of expenditure.

(B) Department of Air

- (i) Division No. 533-12 - Administrative Expenses and General Services - Research and development.

Original Appropriation £5,000; Expenditure £7,395.

39. Provision is made under this Item for expenditure on minor defence research projects of particular interest to the R.A.A.F. The Appropriation of £5,000 contained provision of £2,750 for two research projects, approved in 1960/61 to be undertaken by Unisearch Ltd., a subsidiary of the University of New South Wales. Due to earlier completion of the projects than had been anticipated, expenditure exceeded the provision by £2,000. The balance of the over-expenditure (£395) was incurred on minor miscellaneous projects.

Exhibit
No.68/2

40. The Department's witness, Mr. Madden, advised that expenditure was reviewed when the second Appropriation was under consideration. At that time, no expenditure had been incurred on the Unisearch projects, due to the absence overseas of the principal research officer, and whilst assurances were given that every endeavour would be made to complete them within the year, the Department felt that a request for additional funds could not be justified.

Q's.133
and 134

41. Your Committee agree that, in the circumstances, the Department could not have been expected to foresee the higher rate of expenditure in the closing stages of the financial year.

- (ii) Division No. 533-13 - Administrative Expenses and General Services - Incidental and other expenditure.

Original Appropriation £66,700; Expenditure £82,634.

42. A further amount of £300 was provided in the Appropriation Act (No. 2) reducing the net over-expenditure to £15,634.

43. The Department advised that the over-expenditure was wholly attributable to the cost of grass-cutting contracts at R.A.A.F. bases in Queensland, New South Wales and the Northern Territory. Extensive areas had been sown with grass in recent years to minimize soil erosion and dust hazards. As the increasing commitment for grass-cutting surpassed the R.A.A.F.'s labour and equipment resources, commercial contracts had been arranged.

Exhibit
No.68/2

44. We were informed by Mr. Madden that the first commercial contracts had been arranged prior to 1962/63 but it was not until late in that year and early in 1963/64 that they started to increase in scope. The cost of the contracts increased from £6,000 in 1962/63 to £29,000 in 1963/64. Mr. Madden stated that a review of expenditure during 1963/64 suggested that additional funds would not be required in the second Appropriation Act:

Q's.154
and 155

(Mr. Madden) "In the original estimate we provided £15,000 for grass cutting, as compared with £6,000 actual expenditure for the previous year. We had expected an increase in expenditure on this account. However, at additional estimates time the expenditure pattern was such that we felt that the original amount of £15,000 would be sufficient and the expenditure at that time would indicate that although this commitment had been increasing the expenditure for the item as a whole was such that we could contain ourselves within the appropriation."

Q.157

45. Subsequent to this revision, additional new contracts were entered into and expenditure in the last few months of the financial year was considerably higher than in the early months.

Q.161

46. We were assured by Mr. Madden that, having regard to the Department's experience to date in this field, a system of recording costs had been devised to ensure more accurate estimating in future years.

Q.173

47. Your Committee recognise the difficulties which the Department faced in estimating the cost of this new service, particularly during the first few months of its operation. We note that the Department is now better equipped to forecast future expenditure trends and trust that the required improvement will be evident in the current financial year.

(C) Department of External Affairs

- (i) Division No. 141-1-02 - Administrative - Salaries and Payments in the nature of Salary - Temporary and casual employees.

Original Appropriation £51,200; Expenditure £56,542

48. Additional funds of £5,342 were required from the Advance to the Treasurer to provide for a higher level of temporary employment than had originally been anticipated, due to the scarcity of suitably qualified permanent officers.

Exhibit
No.68/3

49. Mr. R.E. Johns, Head, Finance Branch, stated in evidence that the Department should have sought some provision in the second Appropriation Act to cover the higher level of temporary employment. Due to staff changes in the Personnel Section at the time estimates were being revised the additional requirement was overlooked. When the oversight was brought to notice it was too late to seek provision in the Appropriation and steps were then taken to obtain funds from the Advance to the Treasurer. Q.189

50. We were advised by Mr. K.G. Brennan, Assistant Secretary, that the staff changes in the Personnel Section referred to by Mr. Johns were not an isolated difficulty but part of a continuing administrative problem that is probably peculiar to the Department of External Affairs. Because of the necessity of staffing a great number of overseas posts the Department is obliged to accept an extremely high rate of staff turn-over. The Public Service Board observer, Mr. Nordeck, agreed that the Department is confronted with a problem in respect of staff turn-over. This problem has been most acute in recent times. Q.194 Q.195

51. Mr. Brennan outlined for Your Committee the action taken by his Department during the past year or so in its efforts to recruit a sufficient number of suitable permanent officers. Apart from advertising vacancies in the Commonwealth Gazette and newspapers, all Australian universities had been written to and advised of career opportunities. In addition departmental officers had, on three occasions, toured Australia in search of recruits. Q's.185 to 187

52. Your Committee are disturbed that the need for additional funds was overlooked. We note the Department's difficulties in dealing with a high rate of staff turn-over but would suggest that periodic reviews of expenditure are of such importance as to require priority. We consider that the Department should review its estimating arrangements with a view to eliminating possible oversights in the future.

(ii) Division No. 150-1-01 - Embassy, Japan - Salaries and Payments in the nature of Salary.

Original Appropriation £57,000; Expenditure £61,436.

53. An amount of £2,275 was obtained in the second Appropriation, to cover the cost of marginal salary increases, thus reducing the net over-expenditure to £2,161.

54. The additional amount of £2,161 was required from the Advance to the Treasurer to cover increased payments for salary and allowances due to staff transfers not provided for in the original estimate. These transfers took place unexpectedly early in 1964 and resulted in considerable expenditure on hotel accommodation whilst permanent quarters were secured for staff and their dependents. To the end of December, 1963, expenditure was about £7,000 below pro-rata and it was not until after the March quarter that over-expenditure appeared probable. Being unaware of the period for which hotel accommodation charges would Exhibit No.68/3 Q.198 Q.202

continue, the Department was reluctant to seek further funds in the Appropriation Act (No. 2). The higher rate of expenditure continued through the June quarter.

55. Your Committee accept the Department's explanation.

(iii) Division No. 150-2-06 - Embassy, Japan - Administrative Expenses - Rent and maintenance, other buildings.

Original Appropriation £24,700; Expenditure £26,473.

56. The amount of £1,773 was provided from the Advance to the Treasurer to cover rental of a staff house, payment of which was required to be made eight months in advance. Exhibit No.68/3

57. Mr. Brennan informed us that, due to the acute shortage of suitable housing in Tokyo, the Department had been forced into the position of paying eight months' rent in advance in order to secure tenancy of a house for a member of the Embassy staff. The alternative was to continue to accommodate the officer and his wife and three children in a hotel for an indefinite period. Q.213

58. In an effort to overcome this accommodation shortage the Department has implemented its own home building programme in Japan and has already completed some houses. Q.210

59. Your Committee accept the Department's explanation.

(iv) Division No. 177-1-01 - High Commission, India - Salaries and Payments in the nature of Salary.

Original Appropriation £39,650; Expenditure £49,758.

60. The over-expenditure of £10,108 was partly covered by the provision of £1,585 in the second Appropriation. This additional amount covered the cost of marginal salary increases and an increase in wages of the High Commissioner's domestic staff. Exhibit No.68/3

61. Due to clerical errors within the Department the amount sought proved to be insufficient and a further £8,523 was obtained from the Advance to the Treasurer. We were advised by Mr. R.E. Johns that the first error occurred when one of the four positions at the post was omitted inadvertently from the salaries schedule. When expenditure estimates were revised early in 1964 the fourth position was brought into the schedule but the cost of staff hotel accommodation was overlooked. Mr. Johns stated that, as a result of the Department's experience in India during 1963/64, accounting procedures had been reviewed and a method of sub-costing of salary votes had been devised. The sub-costing procedures were currently being applied to salary votes at all of the Department's overseas posts. Q's.216 and 217
Q.221

62. Your Committee note that the Department has acted promptly to prevent a recurrence of such errors as were revealed in our examination of this Item. We trust that their implementation will result in a higher standard of estimating in the future.

- (v) Division No. 184-1-01 - Commission - Singapore - Salaries and Payments in the nature of Salary.

Original Appropriation £28,300; Expenditure £35,189.

63. Additional funds totalling £6,889 were required from the Advance to the Treasurer to meet the cost of salaries, allowances and accommodation charges of officers in the course of transfer. Many of the staff transfers were unscheduled - some being due to illness. Exhibit No.68/3

64. Mr. Brennan admitted that here again the Department had been guilty of a serious error in regard to estimating the need for funds. When calculating the amount required for this Item in the second Appropriation no provision was made for the Commissioner in Singapore. This resulted in an underestimate of £3,100 in respect of which the Department could offer no satisfactory explanation. Q.229

65. Your Committee are concerned that insufficient care was taken in revising the expenditure estimate for this Item. As mentioned in paragraph 62 above, we trust that the implementation of new procedures will produce satisfactory results.

- (vi) Division No. 188-2-03 - Consulate-General, New York - Administrative Expenses - Postage, telegrams, telephone services and cablegrams.

Original Appropriation £12,000; Expenditure £18,851.

66. When expenditure was reviewed early in 1964 the New York post advised that the appropriation of £12,000 would be sufficient to meet commitments during 1963/64. Following a sharp rise in expenditure, the post was requested in March, 1964, to conduct a complete check of requirements. The check revealed that the cost of telephone services was much higher than had been expected originally and funds were obtained from the Advance to the Treasurer to meet the additional cost of £6,851. Exhibit No.68/3 Q's.243 and 245

67. Mr. Johns advised that the upward trend in expenditure did not become apparent until March, 1964. As at 31st January, expenditure stood at £5,357 compared with a pro rata allocation of £6,000. At the end of February expenditure was still a little below the pro rata allocation. During March, however, expenditure rose by £3,554 to a point where it exceeded the pro rata by more than £2,200. Mr. Johns expressed the opinion that a considerable amount of the over-expenditure was due to an error which occurred at the New York post when the original estimate of £12,000 was formulated. He considered that the staff had failed to take cognisance of certain commitments from the previous year. Q.235

68. In connection with the errors in estimating, the Department stated:

"The post has advised that a complete revision of the system of recording and controlling of expenditure has been introduced and that more realistic estimating should follow."

Exhibit
No.68/3

69. Your Committee note that action has been taken with a view to producing more accurate estimates of expenditure at the New York post.

(vii) Division No. 841-09 - Capital Works and Services - Other Overseas Establishments.

Original Appropriation £97,300; Expenditure £138,864.

70. The original Appropriation of £97,300 was supplemented by the provision of an amount of £16,700 in the Appropriation Act (No. 2). The additional amount was required to meet the cost of various purchases which were unforeseen at the time of the original Appropriation but which were approved subsequently by Treasury. The second Appropriation reduced the net over-expenditure to £24,864.

Exhibit
No.68/3

Q's.250
and 252

71. Of the £24,864 provided from the Advance to the Treasurer, approximately £19,800 was required to cover purchase of a residence, furniture and equipment for the newly appointed Commissioner in Suva. A further £4,720 related to the purchase of four motor vehicles and the balance of about £350 covered the purchase of small items of equipment.

Exhibit
No.68/3

72. Referring to the expenditure at Suva, Mr. Brennan stated that the decision to establish a Commission there was made on 31st July, 1963. The Commissioner arrived at Suva on 4th March, 1964, and immediately set about locating a suitable residence. On 6th April, 1964, the Department authorised the Commissioner to take an option on a residence and, following discussions with the Public Service Board and Treasury, purchase was approved on 8th May, 1964. It was claimed that, as the Department did not have an office in Suva prior to the appointment of the Commissioner, it would not have been practical to attempt to secure a residence in advance of his arrival.

Q.253

Q.258

Q.261

73. Although the motor vehicles were ordered prior to finalisation of the second Appropriation, it was thought that delays in delivery would prevent any expenditure being brought to account during 1963/64. In the event, delays were reduced considerably and the four vehicles in question were delivered in time to enable payment to be made during May and June.

Exhibit
No.68/3

Q.268

74. Your Committee accept the explanations submitted by the Department.

(D) Department of Trade and Industry.

- (i) Division No. 301-1-01 - Administrative - Salaries and Payments in the nature of Salary - Salaries and allowances.

Original Appropriation £1,097,000; Expenditure £1,112,456.

75. During 1963/64, an additional fifty-four positions were provided to meet the expanding activities of the Department. Reclassifications and re-organisations within the Department also added to the net additional requirements for funds amounting to £15,456. Exhibit No. 68/4

76. Mr. K.P. Jorgensen, Finance Officer, stated that no application had been made for extra funds in the second Appropriation to meet the cost of these positions as it was thought at that time that they could be financed from "savings" within the vote. These "savings" were expected to arise from staff movements due to promotions, to officers leaving the Department and to delays expected to occur in the filling of positions. Of the fifty-four positions created, nineteen were filled after the closing date for the second Appropriation. It was not until May, 1964, that it became apparent that sufficient funds would not be available. Q.275 Q.281 Q.280

77. Your Committee accept the explanation given.

- (ii) Division 304-1-01 - Tariff Board - Salaries and Payments in the nature of Salary - Salaries and allowances.

Original Appropriation £190,500; Expenditure £201,118.

78. During 1963/64 an additional four positions were provided. In addition, reclassification of salaries added to the requirement for additional funds. The extent of "savings" was not sufficient to meet salary requirements falling due in June, 1964, and additional funds were required from Treasurer's Advance. Exhibit No.68/4

79. Mr. K.P. Jorgensen indicated in evidence that provision had been made in the original Appropriation for the four new positions referred to and that, whilst these had been filled early in the financial year, they had been offset by losses during the early part of the year. A further five positions, however, were filled during the three months ended 30th June, 1964. Q.287

80. Mr. Jorgensen also indicated that the staff of the Tariff Board had declined from 75 in July, 1963, to 71 in January, 1964, and had increased to 79 in June, 1964. At the time the additional estimates were prepared, expenditure had been slightly in excess of the pro-rata estimate but it was expected that the original appropriation would probably suffice to meet the Tariff Board's needs. With the addition of five positions filled and employment rising from 71 to 79 the payroll increased and consequently more funds were required: Q.290

(Mr. Jorgensen) ".... The Department was reluctant to ask for funds until it was particularly certain it would need them. It was probably a rather conservative attitude."

81. Your Committee agree that the Department took a rather conservative attitude particularly as it was apparent when the estimates were revised in February that expenditure had exceeded the pro-rata estimate for the year. The weight of evidence strongly suggests that the Department should have made some provision in the Appropriation Act (No. 2) for additional expenditure.

(E) Department of Primary Industry.

- (i) Division No. 356-2-03 - Administration of the Commerce (Trade Descriptions) Act - Administrative Expenses - Payments to States for services in connection with inspections of fresh fruit, seeds, plants, vegetables, grains and other items.

Original Appropriation £132,000; Expenditure £187,450.

82. The over-expenditure of £55,450 was covered to the extent of £23,000 in Appropriation Act (No. 2).

83. Expenditure in excess of the original Appropriation was said to have been due to four factors. First, marginal salary increases were granted to officers in all States after the estimates were finalised. Secondly, the Export (Grain) Regulations were promulgated and became operative on 1st October, 1963. Under these regulations all wheat submitted for export is subject to inspection for the purpose of certification that the grain is free from pests and diseases. Ships' holds are also subject to inspection under these Regulations. Thirdly, it was necessary for the Department of Agriculture in South Australia to employ 6 additional inspectors and a part-time supervisor to cope with a record apple export season of over 400,000 bushels and a record citrus export exceeding half a million bushels. Finally, an amount of £12,000 was required to meet a claim submitted by the Queensland Government relating to inspection costs for the final quarter of 1963/64.

Exhibit
No.68/5

84. In regard to marginal salary increases granted to officers in the various States, Mr. J.D. MacFarlane, First Assistant Secretary (Inspection Services and Management Division) informed us that each State announced its adjustments at irregular times and quite often they were retrospective in their effect. The cost of marginal increases announced by some States had been included in the second Appropriation but in other cases this had not been possible.

Q.303

85. Mr. MacFarlane stated, in connection with the inspection of wheat for export and inspections of ships' holds that the Australian Wheat Board sold 1½ million tons of wheat to Russia in about October for export by the end of June. The inspections of this grain and the ships' holds involved the necessity to increase staff and to work additional overtime.

Q.306

86. It was claimed that the Department was unable to foresee the extent of the apple, pear or orange crops at the time when the estimates were prepared for inclusion in Appropriation No. 1 or No. 2. Apples and pears are picked for export late in February or more probably in March. The Department could not foresee that the 1964 export of apples would be 1.2 million bushels higher than the previous record export for Australia. In the period March to June, 1964, the Department received correspondence seeking approval to employ additional staff for grain, apple and other fruit inspection.

Q.307

Q.316

87. Mr. D.P. Cleary, Finance Officer, stated that very few of the States lodge their claims for reimbursement on a quarterly basis. In previous years, most of Queensland's claims had covered the period from 1st April to 31st March. The Department endeavoured to bring all States on to a uniform basis of claims ending on 30th June and for this reason Queensland had five quarterly claims in 1963/64 which required an additional £12,000. Provision was not made for this payment in Appropriation Act (No. 1) as it was not known whether Queensland could or would provide the Department with claims for five quarters to 30th June, 1964. The amount was provided for, however, in the second Appropriation Act.

Q.309

to

Q.313

88. Your Committee accept the explanations submitted by the Department. We are sympathetic to a situation where seasonal factors have substantial effects on expenditure levels in the closing months of a financial year and where a Department's expenditure is also dependent to a large extent on claims submitted by State Governments or other outside agencies.

(ii) Division No. 357-2-01 - Division of Agricultural Economics - Administrative Expenses - Travelling and subsistence.

Original Appropriation £21,000; Expenditure £34,571.

89. The over-expenditure of £13,571 was covered to the extent of £7,000 by Appropriation Act (No. 2).

90. The over-expenditure was said to have been due to four factors. An amount of £5,900 related to expenditure by the Wool Section of the Division of Wool Research. (The cost of the Australia-wide sheep survey was said to be the main reason for the high expenditure by the Wool Section.) A further £6,350 related to approvals given after the estimates were completed for surveys relating to the Citrus Industry, Dried Vine Fruits Industry, Tasmanian Irrigation and Negroa Irrigation Development. The balance of approximately £1,300 related to repairs to vehicles and to an increase in travelling allowance rates which operated for the full year.

Exhibit
No.68/5

91. Mr. Cleary indicated that when the estimate was prepared it was designed to cover known commitments, particularly in respect of the sheep industry survey. As the survey proceeded however, it was found that a number of properties that had been surveyed previously were not willing to participate in the project. This meant that a new selection of

Q.318

properties had to be undertaken involving longer periods in the field. Due to the size of the survey it became necessary to introduce inexperienced personnel who had to work in teams rather than as single personnel, until they gained experience. This added to the cost of the survey as it progressed.

92. In respect of the other surveys referred to by the Department, the evidence shows that in the case of the Tasmanian Irrigation survey, provision could possibly have been made in Appropriation Act (No. 2) but was not so included. In the remaining cases provision was either made in the second Appropriation or approval for the survey was obtained at too late a stage in the financial year for such provisions to be made. Q.334 to Q.337 Q.326 & 329

93. In connection with estimating for surveys, Mr. Cleary stated:

(Mr. Cleary) "In the additional estimates we sought only funds for what were regarded as known commitments at the time. We take account of the pro rata expenditure as at the date the additional estimates are prepared. We also take account of some additional surveys that have been approved. We considered that the expenditure was not progressing at a high enough rate to obtain funds for all the additional cost of all the surveys." Q.339

94. Your Committee were given an assurance that, as an aid to accurate estimating in future, the Bureau of Agricultural Economics would endeavour, as far as possible, to work on a basis of at least six months' programme ahead although to some extent the Bureau is dependent on approvals made by the Government and the Australian Agricultural Council. Q.341

95. Your Committee accept the explanations given but emphasise the need to ensure that the estimated costs of known commitments are included in the relevant Appropriation. We trust that the assurance given on behalf of the Bureau of Agricultural Economics will be implemented without undue delay.

(F) Department of the Treasury.

(i) Division No. 191-1-01 - Administrative - Salaries and Payments in the nature of Salary - Salaries and allowances.

Original Appropriation £939,000; Expenditure £964,702.

96. The over-expenditure of £25,702 was due to a higher level of employment than was originally expected (£15,700), marginal increases granted to officers of the Second Division (£5,660), the re-classification of Second Division positions (£2,840) and a higher than anticipated cost of furlough payments (£1,500). Exhibit No.68/6

97. The original Appropriation provided for a total of 515 permanent staff. During the year, however, a net 69 new positions were created. The number of permanent officers in employment as at 31st March, 1964, was 560; 45 in excess of the number for which provision had been made. Mr. R.J. Perriman, Acting Administrative Officer, informed us that the Department had been optimistic regarding the numbers it expected to have in employment at the commencement of the year. As late as December, 1963, the level of employment was 14 below that provided for in the original estimate. When a review was made in connection with the second Appropriation, the rate of recruitment achieved during the first half of the year appeared to show that the Department would have a sufficient margin to absorb recruitment to the newly created positions. Exhibit No.68/6 4's.349 and 350
98. We were informed that the announcement of the marginal increases occurred at too late a stage in the financial year for their costs to be included in the second Appropriation. The re-classification referred to occurred concurrently with the announcement of the marginal adjustments. 4.363
99. In regard to furlough payments we were informed that whereas provision had been made for payment in lieu of furlough to one officer only, another officer unexpectedly retired at very short notice in May, 1964, thus giving rise to additional unforeseen expenditure. 4.367
100. Your Committee accept the explanations given by the Department.
- (ii) Division No. 191-2-02 - Administrative Expenses - Office requisites and equipment, stationery and printing.
- Original Appropriation £78,700; Expenditure £95,791.
101. The over-expenditure of £17,097 was partly covered by the provision of £11,440 in the Appropriation Act (No. 2).
102. Additional funds were required to cover expenditure on behalf of the Decimal Currency Division in excess of the original provision, (£8,600), variation of the Department's machine purchase programme (£4,800) and the need for additional general stores, office requisites, publications etc. (£3,600). Exhibit No.68/6
103. The higher level of expenditure on the part of the Decimal Currency Division was brought about by the need to advance the date for registration of machines, in order to meet the target date for conversion. As a result, expenditure on the printing of forms etc. and the purchase of miscellaneous office equipment which had been expected to arise in 1964/65 was brought to account in the latter part of 1963/64. Provision was made in the Appropriation Act (No. 2) for the amount involved. Exhibit No.68/6 4.397 4.381

104. We were informed by Mr. Perriman that the original programme for machine purchases by the Central Treasury covered two main elements, one relating to orders placed in 1962/63 and the other relating to the provision for purchases of peripheral equipment which would be added to other machines in use in the sub-Treasuries in preparation for the conversion of Treasury accounting to the computer used by the Commonwealth Statistician. When the estimates were prepared for inclusion in the original Appropriation, the Department was not certain of the technical arrangements of the computer and therefore was not certain of the actual supplementary equipment it would require. When the estimates were reviewed in anticipation of the second Appropriation these problems had been resolved and provision was made accordingly. £.388

105. In regard to the over-expenditure of £3,600 on general stores and office requisites, Mr. Perriman advised that the component of £800 relating to stores and stationery could be due to deliveries occurring earlier than expected or to larger orders being placed than were earlier anticipated. An over-expenditure of £700 on periodicals and technical journals was due partly to the needs of normal expansion of the Department's information service and partly to the removal of the Commonwealth Statistician's library from West Block late in 1963 due to accommodation difficulties. This deprived the Treasury of library facilities previously available to it and meant that to some extent it had to compensate by expanding its holdings of reference and similar material. £.390 £.391

106. Your Committee accept the Department's explanations.

(iii) Division No. 191-2-09 - Administrative Expenses - Incidental and other expenditure.

Original Appropriation £19,500; Expenditure £25,711.

107. £4,800 of the over-expenditure of £6,211 was provided for in Appropriation Act (No. 2). Most of the over-expenditure under this item was incurred on unforeseen advertising costs. Because of a shortage of research officers and suitably qualified and experienced staff for automatic data processing work, it had been found necessary to advertise in London newspapers and in the Australian capital cities' press. Extensive advertising was undertaken also in connection with recruitment for the Royal Australian Mint. These expenses were said to have amounted to £3,800. The Decimal Currency Division also incurred £2,000 on additional advertising in Australia in connection with the registration of office machines for conversion to decimal currency. The remainder of the over-expenditure was brought about by small unforeseen items. Exhibit No. 68/6

108. We were informed that when the estimates for inclusion in the original Appropriation were prepared there was no Automatic Data Processing staff establishment in the Treasury. These positions, which were expected to be difficult to fill, were advertised during September, October, and November, 1963, and February and April, 1964. The decision to advertise £.406

these positions in Australia and overseas had been taken in consultation with the Public Service Board. Advertisements relating to positions for the Royal Australian Mint were made in April, 1964, after the opportunity for inclusion of the relevant costs in Appropriation Act (No. 2) had passed.

s.402
and 403

109. In the case of the Decimal Currency Division no specific provision had been made in the original Appropriation to cover publicity for the registration of machines. A nominal amount of £300 had been provided for advertising for the Decimal Currency Division but the actual cost of all advertising for the Division totalled £2,300 of which slightly more than £2,000 was spent in connection with the machine registration programme.

4.408

110. Mr. Perriman explained that when estimates were revised in anticipation of the second Appropriation, Treasury Central Office advertising costs were about £3,500 in excess of expectations. The Department knew that the Decimal Currency Division was likely to incur excess expenditure of more than £3,000 and that a specific payment of almost £400 would be required to meet the Commonwealth's share of a furlough payment to an ex-employee of the Commonwealth Public Service. Apart from £4,800 which was provided for in the Appropriation Act (No. 2) it was expected that these costs would be covered by "savings."

4.409
and
Exhibit
No.68/6

111. Your Committee accept the explanations submitted by the Department.

- (iv) Division No. 196-1-03 - Superannuation Branch - Salaries and Payments in the nature of Salary - Extra duty pay.

Original Appropriation £8,750; Expenditure £19,421.

112. The over-expenditure of £10,671 was almost completely covered by the provision of £10,670 in the Appropriation Act (No. 2).

113. During 1963/64, the following major non-recurring projects were required of necessity to be undertaken on an overtime basis:

- (a) The examination of some 20,000 cases and consequent adjustment of approximately 17,000 individual pensions following a decision by the Government to vary the amounts of pensions payable to certain pensioners under the Superannuation Act and Defence Forces Retirement Benefits Act.

Exhibit
No.68/6

- (b) The adjustment of contributions of approximately 160,000 contributors to the Superannuation Fund and the Defence Forces Retirement Benefits Fund following the marginal increases in pay granted during 1963.

- (c) The examination and adjustment of contributions of contributors beyond a certain salary classification following the decision to vary the number of units of pension to which such persons may contribute under the Superannuation Act and Defence Forces Retirement Benefits Act.

114. We were informed that the decision to vary certain Superannuation and Defence Forces Retirement Benefits pensions was not foreshadowed until the Treasurer's Budget Speech on 13th August, 1963. No provision had been made, therefore, in the original Appropriation to cover overtime arising from the need to effect such variations. Q.574

115. An amount of £2,230 had been provided in the original Appropriation to cover the work of the staff in adjusting contributors' records arising from the marginal increase in salaries. Total expenditure for this purpose, however, amounted to approximately £4,000. We were informed that in framing its original estimates the Department had not taken into account that the Commonwealth Actuary was to make a quinquennial investigation or a report on his quinquennial investigation of the Defence Forces Retirement Benefits Fund. This involved the making of further adjustments to the records of contributors under that fund. No evidence was submitted to show that these matters could not have been foreseen when the estimates were prepared for inclusion in the original Appropriation. Q.578 Q.594

116. Your Committee accept generally the Department's explanations but are concerned by the failure of the Department to take into account the apparently foreseeable quinquennial investigation to be undertaken by the Commonwealth Actuary, when framing its original estimates for 1963/64.

- (v) Division No. 197-2-05 - Bureau of Census and Statistics - Administrative Expenses - Hire, service and maintenance of machines for tabulation of statistics.

Original Appropriation £211,300; Expenditure £243,782.

117. Expenditure under this Item did not in fact exceed the total appropriation of £241,300 but, due to a technical fault which occurred in the transmission of expenditure details from a Sub-Treasury, an amount of £3,433 was incorrectly debited against the Item. An amount of £2,482 was obtained from the Advance to the Treasurer to cover this "excess expenditure". Provision of £30,000 in the Appropriation Act (No. 2) covered all legitimate over-expenditure. Exhibit No.68/6

118. The Department stated that £18,000 of the over-expenditure had been required to meet the cost of renting a type 160A computer. A further £7,500 had been required to meet the cost of renting certain equipment for use in conjunction with the computer. The remainder was required mainly to meet rental charges for certain items of tabulating equipment previously expected to become surplus but retained of necessity to cope with an increased work volume. Exhibit No.68/6

119. Mr. Parriman informed us that the type 160A computer had been provided by the supplier on a free usage basis to enable the Bureau's card files to be converted to magnetic tape. This arrangement concluded in December, 1963. However, in mid-December, 1963, the Department approved the retention of the computer, on a rental basis, for a further period of six months.

Q'n. 596
and 597

120. In regard to the additional amount of £7,500 required to meet the cost of renting certain equipment, we were informed that, when the Department examined more closely its provision under Division No. 846/04, it was decided that some of the proposed expenditure provided for under that Item would be more appropriately covered under other Items of appropriation. Included in that re-allocation was the amount of £7,500 which was subsequently provided for in the second Appropriation under the correct Item - 197-2-05.

Q'n. 598
and 599

121. Your Committee are satisfied with most of the explanations submitted by the Department. However, we are concerned that the Department should have to rely on the second Appropriation for funds to cover expenditure which evidently was provided for incorrectly in the original Appropriation under Capital Works and Services.

(vi) Division No. 201-1-02 - Government Printer - Salaries and Payments in the nature of Salary - Temporary and casual employees.

Original Appropriation £274,000, Expenditure £318,355.

122. £2,000 of the over-expenditure of £44,355 was provided for in Appropriation Act (No. 2).

123. The Department indicated that when the estimates were prepared for 1963/64, provision was made to cover the employment of 351 temporary and exempt employees as at 1st July, 1963, increasing to 359 by 30th June, 1964. In fact the availability of staff was such that 19 in excess of the number estimated were in employment at the beginning of the year, 66 in excess at 31st March, and 16 more than provided for at the end of the year. The additional cost of the extra staff was £28,150. A marginal increase for Fourth Division staff, payable from 2nd May, 1963, and costing £11,850, was announced in August, 1963, and was not provided for in the original Appropriation. Other unforeseen cost increases arose from increased rates of pay granted to juniors and payable from 23rd December, 1963, and wage increases granted to printing tradesmen on 29th April, 1964.

Exhibit
No. 63/6

124. We were informed that on the basis of its assumptions of employment and expenditure the Department realised by the end of December, 1963, that it would require a further £40,000 during the financial year. By the end of February, 1964, the amount required had increased to £42,000. Due to a human error and mechanical failure, however, the Department sought only £2,000 in the second Appropriation Act. The error was discovered at too late a stage for it to be rectified.

Q.607

125. Your Committee trust that adequate care will be taken in future to prevent a recurrence of the error.

- (vii) Division No. 201-1-03 - Government Printer - Salaries and Payments in the nature of Salary - Extra duty pay.

Original Appropriation £56,000; Expenditure £62,375.

126. The Department claimed that expenditure in respect of extra duty in this Branch is always difficult to estimate as it fluctuates in accordance with the frequency and duration of the Parliamentary sessions and the requirements of Departments. Heavy expenditure on extra duty was said to have been incurred during the "settling in" period following removal of the Government Printer to the new Printing Office. The requirement for extra duty then lessened until late April, 1964, when it was resumed to overtake arrears of work that had accumulated during the Parliamentary session. Exhibit No.68/6

127. We noted that the initial Appropriation for 1963/64 was set at a level £7,000 below the level of actual expenditure for this Item in 1962/63. This reduction was explained by Mr. Perriman who stated that at the end of the financial year 1962/63, the Government Printer changed his premises to the new Government Printing Office and staff were involved in the transfer of machines and equipment. To avoid disruption to production, much of this work was carried out on an overtime basis. The transfer was completed by the new financial year and provision was therefore not made for that item of non-recurring expenditure. Considerable overtime in excess of normal requirements was required during the first two months of 1963/64 to make up the loss of production occasioned by the transfer, after which expenditure figures declined to about £1,500 per pay period. When expenditure was reviewed at the end of February, 1964, it was expected that it would continue at that rate until the end of the financial year, with possibly a slight increase depending on the pressure of work arising from the Parliamentary session. However, between March and June, 1964, a number of tradesmen terminated their employment with the Government Printer, who, becoming concerned at the volume of work and loss of staff, increased the rate of overtime during the final two months of the financial year. These circumstances caused the Department to have recourse to expenditure from Advance to the Treasurer. Q.615 Q.617 Q.619

128. Your Committee accept the explanations submitted by the Department.

(G) Department of Works

- (i) Division No. 251-2-01 - Administrative Expenses - Travelling and subsistence.

Original Appropriation £327,600; Expenditure £350,895.

129. £7,400 of the over-expenditure of £23,295 was provided for in Appropriation Act (No. 2).

130. The two main factors contributing to the excess expenditure of £23,295 were said to be:-

(a) The effect of increased rates for travelling allowance authorised by the Public Service Board in July, 1963.

(b) The introduction of the Defence Development project for Papua-New Guinea into the Works Programme following Cabinet approval late in 1963.

Exhibit
No.68/7

131. We were informed that the £7,400 provided in the second Appropriation was intended primarily to cover the cost of the increase in travelling allowance rates. At the time the amount was sought it was realised that additional expenditure would result also from departmental activity in connection with the Defence Development project for Papua-New Guinea. However, it was thought that much of this expense would be offset by under-expenditure of funds which had been provided for recruitment of officers from overseas. As expenditure on overseas recruitment had been low in the early part of 1963/64, it appeared that the original provision had been over-stated. In fact, recruitment was up to original expectations - a total of 34 technical and professional officers were obtained - and the anticipated under-expenditure did not occur.

Q.415

132. The amount of £15,895 expended against the Advance to the Treasurer reflected mainly the effect of the Defence Development project. This project, which was introduced into the Works programme early in 1964/65, involved a great deal of planning by the Department. It was determined that the project could be best designed by using the facilities available in the New Guinea, Queensland, New South Wales and South Australian branches of the Department in addition to specialists in the Department's Central Office. As a result, a number of people were involved in visiting the sites to ascertain the problems involved and it was necessary to hold a number of co-ordination meetings. This involved a considerable amount of travel.

Exhibit
No.68/7

Q.413

133. Your Committee accept the explanations submitted by the Department.

(ii) Division No. 255-08 - Repairs and Maintenance - Department of Works.

Original Appropriation £189,000, Expenditure £194,156.

134. The appropriation of £189,000 provided for estimated expenditure on works to the value of £52,748 carried forward from 1962/63 and a programme of new maintenance totalling £200,000. The Department advised that the progress of work was kept continually under review and in June, 1964, application was made for funds from the Advance to the Treasurer when it became apparent that an additional amount would be required to meet increased expenditure arising from a greater progress of works.

Exhibit
No.68/7

135. Mr. E.R. Harvey, Chief Administrative Officer, informed us that the Queensland branch of the Department exceeded its appropriation by about £5,000. Mr. Harvey stated that in the case of Queensland an

initial allocation of £8,500 had been made within a programme of £17,000. Included in the figure of £8,500 was an amount of £5,500 for day to day and urgent operational maintenance. On reflection, it appeared to Mr. Harvey that £8,500 in a total programme of £17,000 was a little short, in view of the amount of £5,500 for urgent operational maintenance. When the Director of Works, Queensland, made his review of expenditure in February, 1964, he did not anticipate exceeding his allocation. However, the works proceeded faster than he expected during the last three or four months of the financial year. This resulted in an increased rate of expenditure on certain specific works as well as on day to day and urgent operational maintenance works.

Q's. 455
and 456

Q's. 457
and 458

136. Mr. Harvey admitted that although the additional expenditure had been brought to account in the April/May period, the work to which it related might have been completed some time previously.

Q. 467

137. Whilst recognising the problems confronting the Department of Works in respect of this Item, Your Committee are satisfied that at least a portion of the amount of £5,156 charged to the Advance to the Treasurer should have been foreseen in time for its inclusion in the second Appropriation Act.

(iii) Division No. 255-19 - Repairs and Maintenance - Commonwealth Scientific and Industrial Research Organisation.

Original Appropriation £85,000; Expenditure £95,041.

138. The Appropriation of £85,000 provided for an estimated expenditure on works to the value of £41,399 carried forward from 1962/63 and a programme of new maintenance works totalling £95,000. The progress of work was said to have been kept continually under review and when the overall position of works in progress was reviewed in February, 1964, it was expected that the existing Appropriation would be sufficient. Reviews made during May and June, however, revealed that works were proceeding at a greater rate than previously and approval was sought to meet the cost of this accelerated progress from the Advance to the Treasurer.

Exhibit
No. 68/7

139. We were informed that the repairs and maintenance procedure provides that the C.S.I.R.O. and the Department of Works, in conjunction, prepare a repairs and maintenance programme and the Department of Works estimates the cost of all the works involved.

Q. 479

140. Mr. Harvey informed us that, in the case of this vote, works in New South Wales proceeded at a greater pace than was expected by the assessing officers. Expenditure had represented about 70 per cent of the authorisation in 1962/63 and 80 per cent in 1963/64, indicating an increase in the rate of execution of repairs and maintenance works for C.S.I.R.O. During the first seven months of 1963/64 expenditure in New South Wales under this Item amounted

to £13,625 and at that rate of expenditure the New South Wales branch of the Department estimated that the appropriation that they then had would be sufficient. During the final four months of the financial year, however, nearly £20,000 was brought to account due to the rapid rate of execution of works during the period.

Q.480
to
Q.482

141. Mr. Harvey stated that the Department's procedure provides for a review of estimated expenditure in November and February each year. Reviews must be completed and submitted to the Department's Central Office by the end of February. Mr. Harvey agreed that it should have been possible during March, 1964, for the drift towards over-expenditure to have been detected and for some provision to have been made in the second Appropriation Act.

Q.484

142. As in the case of Item 255-08, Your Committee are satisfied that at least a part of the amount of £10,041 charged to the Advance to the Treasurer could have been avoided had steps been taken late in February or even into March, 1964, by officers in the New South Wales branch of the Department to advise the Central Office of a change in their financial needs.

(iv) Division No. 494 - Department of the Navy - Repairs and Maintenance.

Original Appropriation £840,000; Expenditure £922,156.

143. £40,000 of the over-expenditure of £82,156 was provided for in Appropriation Act (No. 2).

144. The appropriation of £840,000 provided for estimated expenditure on works to the value of £294,402 carried forward from 1962/63 and a programme of new maintenance works totalling £956,200. It was claimed that the progress of work was kept continually under review. When the overall position of works in progress was reviewed in February, 1964, for the purpose of additional estimates it was anticipated that the existing appropriation would be sufficient. However, reviews made during May and June revealed that works were proceeding at a greater rate than previously and Treasury approval was sought for increased funds to meet this accelerated progress.

Exhibit
No.68/7

145. Mr. Harvey informed us that the repairs and maintenance programme is based on the trends in the previous year in regard to repairs and maintenance and the programme submitted by the Department of the Navy which shows the specific repairs and maintenance work to be undertaken.

Q.496

146. We were informed that in New South Wales, 52 per cent of the specific programme had been achieved during 1963/64 compared with 40 per cent in the previous year. This increase was said to have been due to an unexpected acceleration of work and to surprisingly fine weather which assisted greatly in repairs and maintenance work. In Victoria, expenditure on urgent minor repairs and maintenance work amounted to £71,576 compared with estimated

Q.497

expenditure of £55,000. This increase was due partly to extra works and urgent works associated with the intake of recruits at "Cerberus". In respect of Papua and New Guinea, revotes from 1962/63 proved to be approximately £13,000 compared with an expected level of about £3,000. This arose mainly from the Department of the Navy issuing requisitions on the Department of Works late in 1962/63 for urgent work to be done on its oil tanks but which could not be undertaken before 30th June, 1963.

147. When the Directors of the Department of Works undertook their reviews of expenditure in February, 1964, they estimated that a further £40,000 would be required during the remainder of 1963/64 and accordingly provision for this was made in Appropriation Act (No. 2). Evidence submitted to us, however, showed that, on a pro-rata basis, expenditure by the Department at the end of February, 1964, was about £53,000 above the initial Appropriation and some £13,000 in excess of the amount sought in the second Appropriation. The evidence showed also that the Department does not maintain a monthly record of actual expenditure for comparison with a pro-rata appropriation figure. Whilst Mr. Harvey considered that the use of this device would prove difficult in the case of the Department of Works he agreed that it would serve as a useful guide in estimating and that he would introduce such a system.

Q.504
Q.496
Q.516
Q.517

148. Your Committee are satisfied that the method employed by the Department in forecasting its financial requirements is inadequate and should be supplemented by a regular monthly check of actual expenditure against a monthly pro-rata of the Appropriation.

(v) Division No. 524 - Department of the Army - Repairs and Maintenance.

Original Appropriation £1,890,000; Expenditure £2,127,645.

149. £110,000 of the over-expenditure of £237,645 was provided for in Appropriation Act (No. 2).

150. The original Appropriation provided for estimated expenditure on works to the value of £782,435 carried forward from 1962/63 and a programme of new maintenance works totalling £2,120,480 to be commenced in 1963/64. It was claimed that the progress of work was kept continually under review and in February, 1964, it was obvious that the Appropriation would be exceeded. An additional £110,000 was provided in the second Appropriation. The increased rate of expenditure was maintained, however, and in June application was made for additional funds to cover the increased expenditure.

Exhibit
No.68/7

151. We were informed that it had become apparent very early in the financial year that the moneys for the repair and maintenance vote for the Department of the Army would be considerably higher than in the previous year.

Q.518

152. One of the main reasons for the total over-expenditure was that three supplementary items were brought into the programme after 1st July, 1963, at a figure of £100,570. These items were not included in the original Appropriation. In addition, the Department of Works had considerably underspent on the Department of the Army repairs and maintenance programme in 1962/63. Following discussions with the Department of the Army it was agreed that the Department of the Army would place its works requisitions promptly and that the Department of Works would endeavour to build up its potential to fully spend the Army Appropriation in 1963/64. This resulted in accelerated expenditure in practically all States and Territories and in fact, six of the nine States and Territories actually exceeded their original funds allocations.

Q.523
Q.524

153. Mr. Harvey indicated that in framing their estimates for inclusion in the second Appropriation the Directors of the Department of Works should possibly have included all expenditure to the 30th June, 1964. He agreed that had a check been made of progressive expenditure in September and December, 1963, it would have been apparent that a review should have been made in March, 1964, before further funds were sought in the second Appropriation.

Q.535

Q.536
Q.537

154. Your Committee find that the circumstances relating to the Department's method of assessing its financial requirements under this Item are similar to those found in the case of Division No. 494. We consider that the present method of assessment should be supplemented by a regular monthly check of actual expenditure against a monthly pro-rata of the Appropriation.

(vi) Division No. 756-06 - Northern Territory - General Services - Electric supply - Generation, distribution and maintenance.

Original Appropriation £500,000; Expenditure £605,864.

155. The over-expenditure of £105,864 was partly covered by the provision of £59,000 in Appropriation Act (No. 2). This amount was intended to meet additional costs arising from the need to operate the Darwin diesel power station on a continuous basis, increased maintenance on electrical equipment in Darwin, increased fuel oil costs arising from higher electricity consumption at Katherine and increased maintenance costs at Katherine and Alice Springs.

Exhibi:
No.68/-

156. We were advised that the expenditure of £46,864 from the Advance to the Treasurer was due to (a) purchase of additional supplies of fuel oil - £26,000, (b) repair of storm damage to the Darwin distribution system - £19,640, (c) higher generating costs at Katherine - £3,000, and (d) an error in calculating funds required at Tennant Creek - £8,850. Under-expenditure of approximately £10,600 on other items reduced the net additional requirement from £57,490 to £46,864.

Exhibi:
No.68/-

157. At the time of the February review of expenditure it was not anticipated that further supplies of fuel oil would be required during 1963/64. However, due to an unexpected increase in the rate of electricity consumption, it became necessary to request earlier delivery of a shipment, involving payment of about £26,000 for which no provision had been made. Exhibit No.68/7

158. The need for repair of storm damage to the Darwin distribution system had been foreseen but the work involved proved to be much more costly than had been expected. The repairs became necessary when the medium-high voltage distribution in the Darwin area was increased from 6.6 KV to 11 KV. Following this change the 11 KV insulators which had proved satisfactory when used at the lower voltage rating disclosed faults when subjected to their normal design voltage. The replacement of insulators caused a considerable amount of extra maintenance work at night and involved at least double rates of pay. Exhibit No.68/7
Q.548
and
Q.560

159. Increased expenditure at Katherine resulted from the opening of a meat works by Northern Meat Exporters Pty. Ltd. The volume of work undertaken by the company in 1963/64 was in excess of that anticipated and, as a result, consumption rose by about 50% and running costs increased by £3,000. Q.540
and
Q.543
Exhibit No.68/7

160. In regard to the Tennant Creek Power Station, we were advised that an error had occurred in reviewing probable expenditure in April, 1964. Further, no provision had been made for a payment due to Peko Mines for energy supplied. As a result of these errors, operating costs were £8,850 in excess of the April estimate. Exhibit No.68/7

161. It appears to Your Committee that factors beyond the control of the Department gave rise to the need for additional funds when the second Appropriation was obtained. However, it is clear from the evidence that when the Department revised its financial requirements at that stage in the year, errors in estimating resulted in the amount sought falling substantially short of the Department's requirements. We trust that, in the light of its experience, the Department will institute such safeguards as will prevent a recurrence of similar errors in the future.

CHAPTER III - GENERAL

162. This chapter relates to certain general observations that Your Committee desire to make in respect of the evidence submitted by Departments in connection with this enquiry.

163. The initial examination of the explanatory statements submitted by Departments showed that in many cases the explanations were unsatisfactory. The statements submitted by some Departments appeared to display a lack of appreciation of the Committee's requirements and a disinterest on the part of the Departments concerned. Generally, the documents showed a lack of uniformity in the presentation of

figures and explanations. In many cases, the statements failed to disclose separately the amounts provided under the first and second Appropriations and the amount provided from the Advance to the Treasurer. Also, in many instances, no attempt was made to explain separately the need for a second appropriation and the need for funds from the Advance to the Treasurer. In some cases, Departments confined their explanations to a mere statement of the factors that had contributed to over-expenditure, without seeking to explain their necessity or justification. It is emphasised that the use of such explanatory statements as "the progress of expenditure was kept continually under review and application was made to Treasury when it became apparent that additional funds would be required to meet increased expenditure" are inadequate and must invite detailed examination by this Committee in order to establish the full circumstances relevant to the over-expenditure.

164. During the course of the public enquiry the attention of witnesses was drawn to these defects in the statements. The representatives of the Department of the Treasury undertook to prepare in collaboration with members of the Committee's staff, a suitable pro forma statement and to circulate copies of this to departments, together with the Treasury circular that is sent to departments each year in connection with expenditure from the Advance to the Treasurer.

165. From time to time Your Committee have included in Reports, quotations from departmental explanations or evidence which refer to "savings". As indicated in the Sixtieth Report, we endeavour to illustrate, by using inverted commas, that this is a form of jargon. However, the Committee's examination of witnesses over the years has shown that most departments regard the term "savings" as synonymous with the term "under-expenditure". Whilst the Committee recognise that savings result in under-expenditure, it is emphasised that savings are only one of many possible causes of under-expenditure. To meet the Committee's requirements, under-expenditure from any cause should be explained adequately and in this regard we desire that savings as such be distinguished by departments from other causes of under-expenditure, in submissions made before this Committee.

P.P.
No. 152
of 1962

For and on behalf of the Committee,

James F. Cope

JAMES F. COPE,
Acting Chairman.

David N. Reid

DAVID N. REID,
Secretary,
Joint Committee of Public Accounts,
Parliament House,
Canberra, A.C.T.

by Nedgwood

15th October, 1964.