

DEPARTMENT OF THE SENATE
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PRESENTED <i>J.R. Odgers</i>
Chief of the Senate

1965

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

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JOINT COMMITTEE OF PUBLIC ACCOUNTS

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SEVENTY-SECOND REPORT

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TREASURY MINUTES ON THE  
FIFTY-FOURTH, SIXTY-FIRST AND  
SIXTY-SIXTH REPORTS

TOGETHER WITH

SUMMARIES OF THOSE REPORTS

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JOINT COMMITTEE OF PUBLIC ACCOUNTS

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SIXTH COMMITTEE

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J. F. COPE, ESQUIRE, M.P. (Vice-Chairman)

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SENATOR J. F. FITZGERALD	D. E. COSTA, ESQUIRE, M.P.
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SENATOR J. J. WEBSTER (2)	J. C. L. SEXTON, ESQUIRE, M.P.
	R. H. WHITTORN, 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.

(1) Resigned 29th April, 1965.

(2) Appointed 29th April, 1965.

### 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 ACCOUNTSSEVENTY-SECOND REPORT

Treasury Minutes on the Fifty-Fourth, Sixty-First and Sixty-Sixth Reports of Your Committee.

CHAPTER I - INTRODUCTION

In its Sixteenth Report, Your Committee described in detail the arrangements that had been made with the Treasurer to ensure follow-up action on Your Committee's Reports.

In its Sixty-Fifth Report Your Committee referred to a discussion that it had held on 9th April, 1964, with representatives of the Department of the Treasury relating to the delays that occur in the submission of Treasury Minutes. Following that discussion, the Department of the Treasury undertook to supply Your Committee with a biannual report on outstanding Treasury Minutes indicating the progress made by the Department in dealing with the Committee's comments. The Department indicated that it would implement this practice during August, 1964.

Biannual Reports on Treasury Minutes have been submitted by the Department of the Treasury to Your Committee since 26th August, 1964.

Briefly, the nature of the present arrangements relating to follow-up action on Your Committee's Reports are :-

1. The Report of the Committee is tabled by the Chairman in the House of Representatives and by a Member of the Committee in the Senate; motions are moved in both Houses of the Parliament that the Report be printed as a Parliamentary Paper.
2. The Chairman of the Committee thereafter forwards a copy of the Report to the Departments affected and to the Treasurer with a request that he give the Report his consideration and inform the Chairman of the action taken to deal with the Committee's comments.
3. The replies received, which are in the form of Treasury Minutes, are then submitted to the Parliament as a Report of the Committee.
4. The Department of the Treasury furnishes Your Committee with a half-yearly report on outstanding Treasury Minutes, indicating the progress made in dealing with the Committee's comments.

CHAPTER II - TREASURY MINUTE ON THE FIFTY-FOURTH REPORT OF YOUR COMMITTEE ON THE FORM OF THE ESTIMATES: ESTIMATES OF EXPENDITURE FOR ADDITIONS, NEW WORKS AND OTHER SERVICES INVOLVING CAPITAL EXPENDITURE

In the Fifty-Fourth Report concerning the Form of the Estimates: Estimates of Expenditure for Additions, New Works and Other Services involving Capital Expenditure -

Summary of Committee's Conclusions  
(15th August, 1961)

Treasury Minute  
(3rd June, 1965)

Your Committee stated -

I am directed to state -

In the course of this enquiry Your Committee learnt that the form of the Estimates was designed to facilitate the preparation of two appropriation bills and endeavoured, as a consequence to ascertain the necessity for the two Appropriation Bills, the two Appropriation (Works and Services) Bills, the Supply Bill and the Supply (Works and Services) Bill which are introduced each year. It would not be practicable to recommend the deletion of the Works and Services Section of the Estimates whilst separate appropriations for these expenditures are required.

In the enquiry which led to the Fifty-Fourth Report the Committee learnt that the form of the Estimates was designed to facilitate the preparation of two appropriation bills and endeavoured, as a consequence, to ascertain the necessity for the two Appropriation Bills, the two Appropriation (Works and Services) Bills, the Supply Bill and the Supply (Works and Services) Bill which are introduced each year.

The Committee concluded that the question of the necessity for the separate Bills is dependent on the nature of the expenditures involved, and that the items to be included in separate works and services appropriations is a matter for the two Houses of the Parliament to establish.

The evidence obtained by Your Committee revealed that the question of the necessity for the separate bills is dependent upon the nature of the expenditures involved. Further, the definition of the particular items to be included in separate works and services appropriations, and not in the main appropriations of expenditure "for the ordinary annual services of the government", is a matter for the two Houses of the Parliament to establish as the relevant sections of the Commonwealth of Australia Constitution Act refer to proposed laws.

For reasons which were contained in the Treasurer's second reading speech of 5th May, 1964, on the Supply Bill 1964-65, the contents of the separate Bills for 1964-65, were amalgamated, subject to the separation out of particular items which, as a matter of interpretation, did not fall within the connotation of appropriations for the ordinary annual services of the Government. The Supply (Special Expenditure) Bill 1964-65 and the Appropriation (Special Expenditure) Bill 1964-65 contained provisions for expenditure on those items for which, it was considered, a good case could not be made out for the view that they were for the ordinary annual services of the Government; these Bills were to be subject to amendment by the Senate.

Treasury Minutes  
(3rd June, 1965)

In accordance with undertakings given by the Treasurer, in the House of Representatives, on 11th August, 1964, the Government gave further consideration to the content of these appropriation measures and, as stated by the Treasurer in his second reading speech on the Supply Bill (No.1) 1965-66 on 13th May, 1965, henceforth a separate Bill, subject to amendment by the Senate, will contain appropriations for expenditure on:-

- (a) the construction of public works and buildings;
- (b) the acquisition of sites and buildings;
- (c) items of plant and equipment which are clearly definable as capital expenditure;
- (d) grants to the States under section 96 of the Constitution; and
- (e) new policies not authorised by special legislation. Subsequent appropriations for such items will be included in the Appropriation Bill not subject to amendment by the Senate.

CHAPTER III - TREASURY MINUTE ON THE SIXTY-FIRST REPORT OF  
YOUR COMMITTEE ON THE REPORTS OF THE AUDITOR-  
GENERAL - FINANCIAL YEAR 1961-62

In the Sixty-First Report concerning the Reports of the  
Auditor-General for 1961-62 -

Summary of Committee's  
Conclusions  
(2nd April 1963)

Treasury Minute  
(1st March 1965)

Your Committee stated ..

I am directed to state -

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

DEPARTMENT OF THE ARMY

Accounting Procedures

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

The accounting arrangements and financial procedures under which the Australian Army component of the British Commonwealth Far East Strategic Reserve is operating comply with the provisions of the Overseas Accounting Arrangements except that the Department of the Army has not yet appointed an Officer in Malaysia to perform the duties of Chief Accounting Officer under the arrangements. The Department has recently advised that following the approval of the Public Service Board to provide an additional position, on a temporary basis, with the Australian Army component, a suitable officer has been selected and is expected to take up duty early this month; he will perform the duties of Chief Accounting Officer at the overseas post. Action is currently being taken to make the formal appointment.

DEPARTMENT OF AIR

Examination and Certification of Overseas Vouchers

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

The Department advised that a considerable improvement was made in the number of vouchers not finalised as at 30th June, 1963; action to maintain this improvement has continued throughout the financial year 1963-64.



Summary of Committee's  
Conclusions  
(2nd April 1963)

Treasury Minute  
(1st March, 1965)

DEPARTMENT OF AIR

Accounting Procedures

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

The accounting arrangements and financial procedures in operation at R.A.A.F. Butterworth now conform with the Overseas Accounts Arrangements.

DEPARTMENT OF THE INTERIOR

Bureau of Meteorology

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

During 1963-64 the Public Service Board approved staff re-organisations in the Accounts, Stores, Internal Audit and Properties and Works sub-sections of the Bureau. Recent advice from the Bureau is that this approved organisation, which is now fully staffed, has enabled amended procedures to be implemented.

Summary of Committee's  
Conclusions  
(2nd April, 1963)

Treasury Minute  
(1st March, 1965)

REPATRIATION DEPARTMENT

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

The Treasury Minute on the Fifty-Eighth Report indicated that an amendment was proposed to the Repatriation (Far East Strategic Reserve) Act 1956-1962 to validate payments made prior to the effective date of the Repatriation (Far East Strategic Reserve) Regulations. The appropriate amendment has been made by section 6 of the Repatriation (Far East Strategic Reserve) Act 1964, which was assented to on 20th November 1964.

Action taken to improve the staffing situation within the Attorney-General's Department was advised to the Committee in the Treasury Minute on the Fiftieth Report.

Appropriation Act

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

The question of deduction lines in the Appropriation Act is, as the Committee recognises, but one part of the much larger general question of the form of that Act. During the past two years, the Treasury has, within the limits of staff available, continued to give attention to this complex task. The current year has been devoted, in the main, to the revision of the two Appropriation Acts, a matter on which the Committee reported in its Fifty-Fourth Report. Further investigations have been made, and are continuing as the opportunity permits, into the review of deduction lines.

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

Summary of Committee's  
Conclusions  
(2nd April, 1963)

Treasury Minute  
(1st March, 1965)

inquiries by Your Committee into the form and content of the appropriation measures and supporting documents may become necessary.

CANBERRA ELECTRIC SUPPLY

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

On 15th September, 1964, the Prime Minister, acting for and on behalf of the Treasurer, and in accordance with section 24 of the Australian Capital Territory Electricity Supply Act 1962, determined the capital of the Australian Capital Territory Electricity Authority as at 1st July, 1963.

DEPARTMENT OF CUSTOMS AND EXCISE

Petroleum Excise Regulations

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

The Department has advised that Excise Regulations 167, 168 and 169, referred to in paragraph 71 of the Report, were amended by Statutory Rules 1962 No. 108, made on 30th November, 1962.

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

Duty-Free Petroleum Products for Commonwealth Departments

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

As the result of an examination of the system of accounting for duty-free petroleum products followed by the Department of Air, the Treasury suggested alternative accounting arrangements to the Department of Customs and Excise which the Department accepted. Details of the new arrangements were advised to all concerned by the Department of Customs and Excise and the Treasury and were adopted from 1st July, 1964.

CHAPTER IV - TREASURY MINUTE ON THE SIXTY-SIXTH REPORT OF YOUR COMMITTEE ON THE REPORTS OF THE AUDITOR-GENERAL - FINANCIAL YEAR 1962-63

In the Sixty-Sixth Report concerning the Reports of the Auditor-General for 1962-63 -

Summary of Committee's Conclusions  
(18th May, 1964)

Treasury Minute  
(9th August, 1965)

Your Committee stated -

I am directed to state :

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

DEPARTMENT OF THE INTERIOR

(a) Advances for the Purchase or Construction of Homes

Your Committee point out that much time and expense could have been saved had the accounting procedures evolved by the joint Public Service Board and Departmental O. & M. review been referred for Audit comment prior to their introduction. We accept the assurances that the unsatisfactory features have now been removed from the accounting procedures and look to a more favourable report by the Auditor-General in respect of 1963-64.

The comments of the Committee have been brought to the notice of the Department; the matter is now to be dealt with by the inter-departmental committee appointed as the result of a Government decision in 1961 to consider the form of accounts which ought to be maintained for the Commonwealth's investment in dwellings in the Australian Capital Territory.

(b) Accounting - Commonwealth Investment in Dwellings in the Australian Capital Territory

It is a matter of considerable concern to Your Committee that although the matter was drawn to the attention of the Department by the Auditor-General in his 1957-58 Report, action has not yet been completed to provide annual audited financial statements covering the Commonwealth's investment in dwellings in the Australian Capital Territory. Agreement having been reached that a suitable system of accounting was to be instituted, it seems reasonable that the Auditor-General's requirements should have been met well within the time which has now elapsed. Your Committee have noted the recent progress of the inter-departmental committee and trust

The inter-departmental committee has completed its examination of the accounting arrangements for the Rental Housing Scheme. The Minister for the Interior has approved the form of the accounts recommended, and a revised accounting system commenced to operate from 1st July, 1965. Other aspects, viz., sale of rental houses to tenants, financial activities of the Commissioner for Housing and accounting for Commonwealth loans to co-operative building societies, are to be considered by the inter-departmental committee at an early date.

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that the entire system will be implemented and acceptable statements submitted to the Auditor-General to obviate further adverse comment.

(c) Hotels and Guest Houses leased by the Department of the Interior

From the evidence, it is apparent that the Department did not seek the assistance of specialist advisors available in the Treasury and Audit Office. Your Committee are of the opinion that all departments instituting or seeking significant amendments to the form of financial statements should obviate possible error or criticism by seeking endorsement of their proposals by the Treasury. The fact that the Department's change in the form of presentation of accounts was overlooked by the Treasury was surprising to Your Committee. Corrections as requested by the Auditor-General should be acted on with much more alacrity and, whilst noting that follow-up action is in hand by the Treasury, Your Committee express the firm hope that action will be completed before the next financial statement is submitted.

During 1963-64, the Department prepared and submitted for audit, in the form originally agreed upon, financial statements for the years 1961-62 and 1962-63; financial statements for the year 1963-64 were presented in July, 1964. The Department will prepare future statements in this form.

Subject to any determination under Section 41D of the Audit Act 1901-1964 the subsidiary accounts of a department's activities and their form, e.g. financial statements, etc., would be established by the Permanent Head.

(d) Parks and Gardens Section, Canberra

Having regard to the accelerated development of Canberra in recent years and the need for the Parks and Gardens Section to keep pace with that expansion Your Committee find it difficult to understand why action was not taken at an earlier date to provide adequate accounting facilities and to revise existing accounting procedures. It is particularly difficult for us to appreciate the apparent inability of the Department to expand a register of assets even in times of rapid development. We accept the Department's assurances that the costing revenue and other accounting procedures related to the activities of the Parks and Gardens Section will now be given priority in a programme of investigation and revision and we hope that the Auditor-General will be able to report more favourably in future years.

The Department has advised that improved accounting procedures for stores and some costing operations have been implemented, that investigation into the other costing requirements is in course and that action is in hand to review the form and content of asset registers. Additional positions to cope with the expected increase in work-load have been provided and action has been taken to fill the positions.

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(e) Furniture and Equipment in Public Schools

It is a matter of considerable concern to Your Committee that stocktaking inadequacies which were referred to by the Auditor-General as far back as his 1961-62 Report should again be the subject of adverse comment. We note that the Department has recently approached Treasury with a view to obtaining approval to proposed procedures and trust that the matter will be brought to a satisfactory conclusion sufficiently soon to avoid further comment by the Auditor-General in 1963-64.

Agreement has been reached with the Department on a system of stores management and equipment control for public schools in the Australian Capital Territory.

DEPARTMENT OF TERRITORIES - NORTHERN  
TERRITORY ADMINISTRATION

(a) Sundry Debtors

Your Committee note that the Department appears to be taking appropriate action to reduce the amount of outstanding accounts and trust that the Auditor-General's Report for 1963-64 will reflect the success of this action.

The comment of the Committee regarding outstanding accounts has been brought to the notice of the Department.

(b) Assets and Property Register

Your Committee accept the Department's assurance that steps are being taken to attend to the unsatisfactory features referred to by the Auditor-General. We trust that effective progress will be made in this matter in the course of the current financial year.

The Committee's observations concerning arrears in compilation of the Register have been brought to the notice of the Department.

(c) Construction of Dwellings Financed from Capital Works  
and Services Vote

Your Committee share the Auditor-General's concern at the lack of progress in overtaking the arrears of maintenance. Adequate and timely maintenance is essential to the protection and preservation of Commonwealth property. We appreciate the difficulties which have confronted the relevant Departments in the implementation of the proposed five-year maintenance programme and are particularly

The action taken to ensure that maintenance of departmental houses is kept on a current basis was advised to the Committee in the Treasury Minute on the Fifty-Eighth Report.

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(9th August, 1965)

concerned that efforts should be continued with a view to keeping maintenance cost within reasonable limits. We trust that the combined efforts of the Department of Works, Territories and the Treasury will result in a more favourable Report from the Auditor-General in 1963-64.

DEPARTMENT OF SUPPLY

(a) Accounting for Clothing Factory and Engine Works  
Activities

We are satisfied that the rate of profit which attracted comment by the Auditor-General was due to the unusual circumstances reported by the Department. The retention in the trust fund of portion of the annual profits does, however, disregard the usual governmental procedure. As the Audit Office has indicated, surplus funds should be paid to revenue and any increase in working capital obtained by further appropriation of funds, unless of a temporary nature. Your Committee believe that, in this particular case, Treasury should resolve the amount for transfer to revenue, in consultation with the Department.

The balance of the profit of the Clothing Factory for the year ended 31st May, 1963, was paid to the Consolidated Revenue Fund in December, 1963; the profit for the year ended 31st May, 1964, was paid to Revenue in June, 1964. The Department has been requested to ensure that profits accumulating in the future in any of its Trust Accounts are paid to the appropriate Heads of Receipt prior to the close of the financial year.

(b) Costs of Maintaining Capacity of Factories

Your Committee agree that audit staffs should provide an adequate safeguard against payment of Commonwealth funds in excess of amounts properly approved. The responsibility for seeing that departmental procedures relating to the appropriation of funds must, of necessity, rest heavily and at least initially on the Department's own system of internal audit. We note that steps have been taken to recruit a qualified and effective internal audit staff and that additional instructions have been issued to establishments regarding their responsibilities in the matter. We trust that these combined measures will prove to be adequate in preventing a repetition of the irregular events referred to by the Auditor-General.

The Department has issued instructions to departmental establishments emphasising their responsibilities in connection with this appropriation. It considers that these instructions, together with the added safeguard of a full internal audit of all establishments, should prevent a recurrence of the irregularities to which the Committee has referred.

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COMMONWEALTH STORES SUPPLY AND TENDER BOARD

Whilst the way had now been cleared for a review of the Constitution and related instructions, Mr. McNamara pointed out that some major problems could be expected to be encountered in the course of such a review. The Constitution as laid down in 1918 would be found to conflict with certain statutory authorities. For example, the Constitution set down that nobody has authority to purchase anything except with the Board's approval. The Supply and Development Act, on the other hand, imposes the full responsibility for purchasing for the defence group on the Contract Board of the Department of Supply. When the revision is commenced the repercussions are likely to be fairly widespread. This was one of the considerations which had influenced the Board to defer consideration of a review until a more opportune time.

Your Committee are not satisfied that reasonable steps have been taken to meet the Auditor-General's repeated criticisms and we intend to direct our efforts towards an early review of the existing position in relation to the points raised by him.

DEPARTMENT OF TRADE

(a) Accounting at Overseas Posts

Your Committee are conscious of the staffing difficulties which a Department faces during periods of rapid expansion but are disturbed at the apparent breaking down of accepted standards of accountability for financial transactions at overseas posts. We note that steps are being taken to improve the training and instructions of officers engaged in this phase of the Department's activities and trust that these efforts will be reflected by more favourable comment on the part of the Auditor-General in future years.

Amendments to the Constitution to meet the specific comments of the Auditor-General were approved on 18th June, 1964, and the draft of a new Constitution is being considered.

The accounting procedures and the need for any amendment are also being examined.

The Board has been concentrating its efforts on obtaining an adequate organisation and on recruiting sufficient staff to enable it to perform its principal function of negotiating contracts which will ensure proper safeguards for, and best use of, Commonwealth funds. The written statement submitted to the Committee clearly indicated the staffing difficulties which had been encountered by the Board and, more particularly, the positive steps taken over a long period of time in an attempt to obtain the necessary staff.

Action has been taken to ensure that accounting procedures at overseas posts accord with Treasury requirements. Detailed instructions have been forwarded to Certifying Officers at those overseas posts where defects have been noted. The Department is placing more emphasis, when briefing Trade Commissioners prior to postings, on accounting procedures and on the need for adequate training of local staff in standard accounting practices. The position of internal auditor was filled in September, 1964, and a programme of internal audit checks to be imposed on overseas transactions has been implemented. Considerable progress has now been made in the examination of overseas accounting documents.



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(b) Temporary Advances

Your Committee drew attention to the fact that Treasury Regulation 77 (2)(b) specifies seven days for the adjustment of temporary advances, unless the Treasurer otherwise directs. Whilst it remains in this form, the Auditor-General is completely justified in adverse comment when the requirements of this Regulation are not observed. Notwithstanding the efforts of the Treasury to have this Regulation complied with, there is evidence of laxity. Your Committee express the belief that temporary advances should mean what the term indicates and recommend accordingly that specific instructions be sent from the Secretary to the Treasury to all departmental Chief Officers, pointing out that whilst this Regulation remains in its present form, it is to be observed implicitly.

A circular has been sent to all Permanent Heads and Authorizing Officers drawing attention to the instructions contained in the circular of 2nd August, 1962, and setting out the observations of the Committee in paragraph 102 of the Report.

(c) Special Appropriations

Your Committee are satisfied that the Department acted promptly and correctly to rectify the inadequate procedures which gave rise to the Auditor-General's criticism.

(d) Recording and Recovery of Debts

Your Committee are satisfied with the explanations offered in this instance and trust that the Auditor-General will not again have cause to comment adversely on this aspect of the Department's operations.

The comment of the Committee regarding inadequate recording and recovery of debts has been brought to the notice of the Department.

(e) Internal Audit

Your Committee appreciate the Department's staffing difficulties and would not question the wisdom of giving priority to the examination of vouchers. However, we believe that the attention of departments generally should be drawn to the necessity of maintaining the establishment of internal audit sections at full strength or as near to full strength as is reasonable in the

A Treasury circular has been issued stressing the importance of maintaining the strength of internal audit sections if they are properly to perform their allotted tasks.

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circumstances. We shall give increasing attention to the operation and adequacy of internal audits wherever they exist and would expect departments to regard the function as one of paramount importance.

DEPARTMENT OF PRIMARY INDUSTRY

(a) War Service Land Settlement - Expenditure in Excess of  
Amounts Authorized

Your Committee are greatly concerned that the Department should adopt the procedure of making payments which were in excess of written Ministerial approvals and thus clearly in contradiction to the provisions of the Audit Act. We point out that even the most extenuating circumstances would not excuse disregard for legislative provisions. We note that the Department is confident that correct procedures will be adopted in the future.

The comments of the Committee concerning the practice of making payments in excess of written ministerial approval have been brought to the notice of the Department.

(b) Repayment of Advances

Your Committee commend the Departments of Primary Industry and the Treasury for the expeditious manner in which they acted to rectify the procedures questioned by the Auditor-General.

DEPARTMENT OF TERRITORIES

(a) Business Undertakings and Public Utilities

Your Committee are aware of many of the problems - particularly those relative to staffing - which confront the Northern Territory Administration. We are disturbed, however, by the persistent and, at times, greatly protracted delays in the submission of financial statements for audit scrutiny. We note that the Department of Territories has moved to provide expert guidance and assistance to the Administration in an effort to rectify the situation and we shall observe the results with very great interest.

The Department has recently advised some progress in the review of accounting procedures, which will eventually lead to earlier completion of financial statements. However, it has also advised that this was interrupted by staff changes and vacancies in the Finance Branch, both in Canberra and Darwin, and by other priority tasks. It has stated that the review will be resumed as soon as practicable.

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(b) Housing Commission

Your Committee are not satisfied that the Administration took adequate and timely remedial action to rectify the unsatisfactory state of affairs referred to it by audit. We draw the Administration's attention to our comment in paragraph 28 of this Report concerning the availability of specialist advisers in Treasury and the Audit Office who could be consulted when procedures and the forms of accounts are in doubt. We trust that, having now satisfied Audit with the form of the 1961-62 financial statements, it will be possible to submit future statements in acceptable form and with a minimum of delay.

Financial statements of the Housing Commission for the years 1962-63 and 1963-64 have been submitted for audit. Those for 1962-63 were reported on by the Auditor-General in his Supplementary Report for the year ended 30th June, 1964; the Auditor-General's report on the accounts for 1963-64 was forwarded to the Minister on 26th May, 1965.

(c) Corporation of the City of Darwin

From the evidence it is apparent that the Administration has been lax in not pressing ahead vigorously to have the form of the Corporation's annual statements prescribed. Your Committee note that a copy of the rough draft prepared some five years ago, has now been located by the Audit Office and point out that this would almost certainly have been discovered much earlier if the Administration had approached the task with more diligence. We trust that, with the assistance of officers of the Audit Office and the Treasury, the Administration will act speedily to obviate further adverse comment by the Auditor-General. We suggest, too, that the Administration might turn its attention again to the practicability of Section 204 of the Local Government Ordinance which provides for the submission of annual statements by 31st August.

Draft financial regulations for the Local Government Ordinance have been prepared by the Department and are to be forwarded to the Administrator who will arrange for the Crown Law Officer to complete the drafting.

Summary of Committee's  
Conclusions  
(16th May, 1964)

Treasury Minute  
(9th August, 1965)

(d) Internal Audit (Papua and New Guinea)

Your Committee are satisfied that, in the circumstances, the Administration has taken reasonable steps to ensure maximum attention to internal audit functions. We realize that the position cannot be entirely to our satisfaction until such time as the overall staff position in the Territory improves. We trust that continued and determined efforts will be made by the Administration in this regard and we shall, at every opportunity in the future, observe progress made.

The Administration is continuing to make every possible effort to obtain internal audit staff.

CHAPTER V - OBSERVATIONS OF YOUR COMMITTEE

Your Committee reports as follows on the foregoing Treasury Minutes:-

In regard to the Minute relative to the Fifty-Fourth Report, Your Committee is satisfied with the action taken following its Report.

In the case of the Minute relating to the Sixty-First Report, Your Committee is satisfied with the action taken although it felt that further information should be obtained relative to deduction lines referred to under the heading "Appropriation Act". Accordingly, a discussion on this matter was held with the Department of the Treasury on 4th May, 1965.

In its examination of the Treasury Minute relating to the Sixty-Sixth Report, Your Committee found that a number of the statements made reflected incomplete or tentative action. This is particularly apparent in the cases of advances for the purchase or construction of homes, accounting for Commonwealth Investment in Dwellings in the Australian Capital Territory and hotels and guest houses, under the control of the Department of the Interior; the Commonwealth Stores Supply and Tender Board; and Business Undertakings and Public Utilities under the control of the Department of Territories.

Your Committee views with considerable concern the submission to it of Treasury Minutes which reflect incomplete or proposed action following Your Committee's Reports and will, at an early opportunity, discuss with the Department of the Treasury the matters referred to which are a source of concern.

For and on behalf of the Committee

*David N. Reid*

David N. Reid,  
Secretary,

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

30th September, 1965.

*Richard Cleaver*

Richard Cleaver  
Chairman.

*by W. Edwards*