

DEPARTMENT OF THE SENATE	
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1965

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

SEVENTY-FIFTH REPORT

EXPENDITURE FROM
CONSOLIDATED REVENUE FUND
FOR THE YEAR 1964-65

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JOINT COMMITTEE OF PUBLIC ACCOUNTS

SIXTH COMMITTEE

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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 1901-1950;
- (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-FIFTH REPORTEXPENDITURE FROM THE CONSOLIDATED REVENUE FUND, 1964-65CHAPTER 1 - INTRODUCTION

In recent years a series of combined inquiries, relating to expenditure from the Advance to the Treasurer has been completed concurrently with a comprehensive inquiry into expenditure from the Consolidated Revenue Fund. In its Sixtieth Report Your Committee expressed the opinion that these investigations had become somewhat lengthy and stated that if circumstances permitted, or appeared to make it desirable in future years, two separate inquiries relating to these matters would be conducted - the first to be confined to expenditure from the Advance to the Treasurer and the second to be related, separately and in general, to other expenditure from the Consolidated Revenue Fund against Items authorized by the relevant appropriation Acts. FP No. 152 of 1962.

2. The question foreshadowed in the Sixtieth Report, of the desirability of conducting one or two inquiries involving separate Reports did not arise in respect of the financial year 1962-63 as the limited time available to Your Committee precluded the completion of one large comprehensive report, nor did it arise in respect of the financial year 1963-64 as Your Committee confined its inquiry in respect of the financial results for that year to an examination of expenditure from the Advance to the Treasurer. FP No. 305 of 1962-63

3. In approaching its inquiry into the Consolidated Revenue Fund results for the financial year 1964-65, Your Committee considered the question of whether or not two separate inquiries should be conducted and two separate reports presented to the Parliament. Your Committee felt that FP No. 131 of 1964.

as several departments would be involved in both inquiries, considerable economy of time would be achieved if a single inquiry were to be held but that, as the subject matter relating to expenditure from the Advance to the Treasurer was clearly distinguishable from that relating to other expenditure from the Consolidated Revenue Fund, two separate reports should be submitted to the Parliament.

4. Your Committee's Seventy-Fourth Report related to that aspect of the inquiry held in 1964-65, based on evidence received in respect of expenditure from the Advance to the Treasurer. This Seventy-Fifth Report is based on the remainder of the evidence received during that inquiry and pertaining to expenditure from the Consolidated Revenue Fund generally, but excluding evidence relating to expenditure from the Advance to the Treasurer.

5. As in previous years, the Department of the Treasury made available early in July, the preliminary figures for expenditure from the Commonwealth Public Account. Every item appearing in the Estimates and Additional Estimates was scrutinized by Your Committee and a large number of written explanations was received from certain departments before the end of July. From these statements, Your Committee selected Twenty-six Items which appeared to require further examination.

6. The Items selected were made the subject of a Public Inquiry held at Parliament House, Canberra, on -

Tuesday, 28th September, 1965.
Monday, 11th October, 1965.
Thursday, 14th October, 1965.
Tuesday, 19th October, 1965.
Thursday, 16th November, 1965.

7. The following witnesses were sworn at the Public Inquiry and were examined by Your Committee :-

COMMONWEALTH SCIENTIFIC AND INDUSTRIAL RESEARCH ORGANISATION

- | | |
|-------------------|-------------------------------------|
| Mr. W. Ives | - Associate Member of the Executive |
| Mr. R. C. McVilly | - Deputy Finance Manager |
| Mr. R. W. Viney | - Finance Manager |

DEPARTMENT OF EXTERNAL AFFAIRS

- | | |
|--------------------|------------------------------|
| Mr. K. G. Brennan | - Senior Assistant Secretary |
| Mr. E. H. Hanfield | - Property Officer |
| Mr. R. B. Johns | - Finance Officer |

DEPARTMENT OF THE INTERIOR

- | | |
|---------------------|--|
| Mr. D. E. Brown | - Acting Producer-in-Chief, Film Division,
News and Information Bureau. |
| Mr. E. O. Brown | - Executive Officer, Chief Electoral Office. |
| Mr. L. L. Gillespie | - Assistant Secretary, (Planning, Establish-
ments and Finance) |
| Mr. D. M. Lalor | - Director (Finance and Supply) |

DEPARTMENT OF IMMIGRATION

- | | |
|---------------------|--|
| Mr. R. E. Armstrong | - First Assistant Secretary (Planning and
Operations) |
| Mr. T. T. McElroy | - Finance Officer |

DEPARTMENT OF NATIONAL DEVELOPMENT

- | | |
|--------------------|---------------------------------------|
| Mr. W. Murphy | - Finance Officer |
| Mr. M. R. Stephens | - Accountant, River Murray Commission |

DEPARTMENT OF THE NAVY

- | | |
|---------------------|--|
| Mr. L. J. Murphy | - Director of Programmes, Estimates and
Audit. |
| Mr. K. M. Nancarrow | - Assistant Director, Programmes and
Estimates. |

DEPARTMENT OF SHIPPING AND TRANSPORT

- | | |
|-----------------|--|
| Mr. K. A. Smith | - Commissioner of Commonwealth Railways. |
| Mr. G. T. Webb | - Acting Assistant Secretary, Transport
Branch. |

DEPARTMENT OF TRADE AND INDUSTRY

Mr. D. O. Dickinson - Assistant Secretary, Management Services Branch.
 Mr. K. P. Jorgensen - Finance Officer.

DEPARTMENT OF THE TREASURY

Mr. L. B. Hamilton - First Assistant Secretary, Social Services Branch

DEPARTMENT OF WORKS

Mr. E. B. Tate - Assistant Director (Administration, Works and Finance)

8. During our inquiry we were assisted by the following
 observers :-

Mr. A. K. Ragless	}	Audit Office
Mr. H. Paul		
Mr. A. V. Whitfield		

Mr. F. C. Nordeck Public Service Board

Mr. G. J. Balfour	}	Department of the Treasury
Mr. L. G. Capello		
Mr. M. G. Cowie		
Mr. E. Crossing		
Mr. J. Keany		

9. The following Nine Chapters of the Report relate to those items which were the subject of further examination at the public inquiry.

12. In regard to the contribution made by the Wool Board we were informed that the Board took charge of wool research from 1st July, 1964 and two Research Advisory Committees - the Wool Textile Research Committee and the Wool Production Research Advisory Committee - were established to advise the Board. Prior to 1st July, 1964, C.S.I.R.O. had received contributory funds from a Wool Research Committee which ceased to exist on the establishment of the Wool Board.

Q's. 268-270

13. We were informed that C.S.I.R.O. did not receive advice of the contributions to be made in 1964-65 by the Wool Textile Research Advisory Committee until August or September 1964. The Wool Production Research Committee, however, did not finalize its recommendations until much later and it was not until January that C.S.I.R.O. received the final decision from the Wool Board regarding contributory funds from that source.

Q. 271

14. It was stated that authorities contributing funds to C.S.I.R.O. have one budget meeting each year and when their contributory funds have been made available for C.S.I.R.O. there is no further discussion regarding their detailed expenditure. The funds are available and are not required to be spent by 30th June, and so long as firm commitments have been entered into, the funds are carried forward by means of a revoto mechanism. However, the various contributory authorities hold their budget meetings at different times during the year and in the circumstances the C.S.I.R.O., in formulating its estimates, includes the amount which it hopes to obtain from particular research Committees.

Q. 273

Q. 274

15. Mr. Viney indicated that if the contributory funds could be eliminated from the Item under consideration the problem of showing such unspent funds as underexpended in the Budget each financial year would not arise.

Q. 286

16. Your Committee is satisfied that the under-expenditure of £309,920 shown under this Item in 1964-65 wholly comprises contributory funds which do not lapse on 30th June. We consider that, unless our attention is drawn each year to such funds, there is a danger that their presence will obscure elements of under-expenditure from the Consolidated Revenue Fund. In these circumstances Your Committee would invite the attention of the Department of the Treasury and C.S.I.R.O. to the need to explore the possibility of presenting expenditure from contributory funds in a manner different from that now adopted.

- (11) Division 150/3/05, Administrative - Works Services -
Plant and Equipment.

Original Appropriations: £100,000. Expenditures: £73,014.

17. The Department informed Your Committee that this item provided for the replacement of obsolete items of scientific plant and equipment valued in excess of £5,000. The majority of the items were procured overseas, either directly through Commonwealth Government representatives or through Australian agents of overseas firms, and many of the items were not delivered by the delivery dates specified by the manufacturers. The failure of suppliers to meet the delivery dates had resulted in the under-expenditure of £26,986 of which £12,200 had been accounted for by the non-delivery of one item.

Exhibit No.
75/10

18. Your Committee believes that the Commonwealth Scientific and Industrial Research Organisation could well make use of the Additional Estimates each year if initial inquiries indicate that attempts to procure equipment will continue to be subject to long and uncertain delays. Your Committee declines to accept a simple explanation, relative to an under-expenditure of twenty-five per cent. of an appropriation, that it is difficult to predict delivery dates and we suggest that more careful planning may obviate the Organisation's procurement difficulties in the future.

- (iii) Division 150/4/17 : Administrative - Investigations -
Fodder Conservation.

Original Appropriation : £44,500. Additional
Appropriation : £1,300. Expenditure : £35,784.

19. Your Committee was informed that the Executive of the C.S.I.R.O. decided to disband the Fodder Conservation Section on 19th October, 1964 and to transfer the staff and facilities of the Section to other Divisions carrying out research in similar or allied fields. As a result of the decision, considerable economies were effected which resulted in the under-expenditure of £10,016. Exhibit No.
75/11
20. Mr. R.W. Viney, Finance Manager of the C.S.I.R.O. stated that the additional funds acquired by the Organisation were sought to meet retrospective salary increases. However, Your Committee notes that these additional funds were sought despite the fact that the Organisation's financial administrators had been aware that the Original Appropriation would not be fully utilised and that, under the financial arrangements peculiar to the C.S.I.R.O., funds appropriated for purposes other than salary payments could have been used, if required, to augment the existing salary provision. Your Committee's concern over any degree of faulty estimating, wherever occurring, was heightened on this occasion by the witness's admission that the increase could have been absorbed by the existing provision. Your Committee believes that more forethought could have been given to the submission seeking additional funds and we trust that it will not be necessary in future, to comment on errors of this nature. Q. 300

Q. 301

Q. 302

- (iv) Division 150/4/27 - Administrative -
Investigations -
Miscellaneous

Original Appropriation: £315,500.
Expenditure: £207,901.

21. Provision is made in this Item for pay in lieu of furlough, compensation payments arising from accidents on duty, grants to Universities for extra-mural investigations, patent fees and other minor items of expenditure. The Organisation informed us that, in addition, when its estimates are prepared, the provision for salaries under each item of Investigations is reduced by the amount of money estimated to remain unspent. This deduction was said to allow for positions becoming vacant during the year, leave without pay and appointments at lower salary levels than anticipated. It was claimed that the amount for each item is very difficult to predict and to meet any variation a sum of money is included in this miscellaneous Item. Exhibit 75/12

22. The Organisation stated that during 1964-65 an amount of £45,900 was transferred with the approval of the Department of the Treasury from Item 150/4/27 to meet salary saving deficiencies in other Items and that a further £5,800 was transferred to provide for the cost of "pool" positions allocated to Divisions. Ibid

23. Due to difficulties in recruiting suitable additional scientific staff, £36,200 of the amount provided in 1964-65 was not required for that purpose. When the estimates were prepared an amount of £14,000 was provided in the Item for a joint programme of geobiological research to be carried out by C.S.I.R.O., the Bureau of Mineral Resources and the Australian Mineral Industries Research Association. Due to the difficulty in securing a suitable appointee to lead these groups, the programme was not commenced in 1964-65 and. Ibid

consequently no expenditure was incurred. Under-expenditure on various other elements in the Item accounted for the remaining unspent amount of £5,699.

24. Your Committee questioned Mr. Viney, on the subject of transfers being made, with the approval of the Treasury from Item 150/4/27 to other Items under the control of C.S.I.R.O. We were informed that in the formulation of C.S.I.R.O. Estimates a grant is made by Cabinet to C.S.I.R.O. and this is then allocated by the Executive of C.S.I.R.O. in consultation with the Minister according to the needs of particular research programmes. It was claimed that with research activities it is very difficult to budget precisely even from one month to another and that C.S.I.R.O. had been given flexibility to cope with this problem. It was further explained that in 1954 C.S.I.R.O. had been criticised by the Treasury representative on its Executive for over-budgeting for salaries. C.S.I.R.O. pointed out at that time that this was due to the fact that each Item under investigation had an element of salaries in it and that the salaries component included provision for a number of vacant positions. Because of the difficulty in recruiting qualified salaried staff, it had been agreed that C.S.I.R.O. would make a bulk provision in the Miscellaneous Item of its estimates for these positions and then transfer the money to other Items during the year as suitable people were recruited. Mr. Viney stated that under this arrangement, C.S.I.R.O. must complete each year with a substantial amount of money unspent in the miscellaneous part of its estimates as the money is transferred to other Items under investigation. Q. 309

25. The Treasury Observer, Mr. Balfour, stated that the transfers between Items referred to by C.S.I.R.O. were not transfers under Section 37 of the Audit Act. He indicated that, to give effect to such adjustments, additional appropriations were required, either temporarily from the Advance to the Treasurer pending the Additional Estimates or from the Advance to the Treasurer, if the date for inclusion of amounts in the Additional Estimates had passed. Q: 311

26. Your Committee was concerned at the nature of the arrangements disclosed in evidence and sought an additional document from the Department of the Treasury on the matter. This document was made the subject for separate examination on 16th November, 1965.

27. The Treasury submission stated that Sections 12 and 15(3) of the Science and Industry Act 1949-1959 indicate that, in respect of financial matters, the Parliament recognised a basic difference between the functions of C.S.I.R.O. and those of Commonwealth Departments. It stated that in the first few months of each calendar year the Executive of the C.S.I.R.O. considers and presents to the Minister, in terms of the Science and Industry Research Act, its request for funds in the ensuing financial year to finance its administrative requirements and its proposed research programme. Subject to any variations determined by the Minister, the C.S.I.R.O. request for funds is submitted to the Government when the Budget is being formulated. From the Treasury viewpoint the question at issue is the total cost to the Budget of the C.S.I.R.O. request and not the distribution of the amount sought between administration, investigations and grants. Exhibit 75/27

Similarly, Treasury does not exercise any control over the allocation of amounts among the various items appearing under sub-division 4 - Investigations. In fact, given the technical nature of the Organisation's activities and the process approved by Parliament, whereby competing claims for scientific research are evaluated, Treasury would not feel competent to question the allocations made by C.S.I.R.O., and endorsed by the Minister, to its various research divisions.

28. From this, the submission continued, it follows that if during the course of a financial year, the C.S.I.R.O. determines that its total allocation would be better applied by making some minor revisions of the allocations made when the Budget was being formulated, Treasury has been prepared to recommend the necessary Additional Appropriations for items to be supplemented, subject to the availability of unexpended funds originally appropriated for other items, so that expenditure overall is kept within the figure approved by the Government.

Exhibit
75/27

29. The Treasury submission also claimed that a further factor that differentiates C.S.I.R.O. from Commonwealth Departments generally is that the Parliament has laid down that the Executive of the Organisation may appoint such officers and employ such staff as it thinks necessary for the purpose of the Act. Whereas the staffing of Departments is subject to Public Service Board control, the main limitation placed upon C.S.I.R.O. in this regard is by way of the total amount of funds which the Government is prepared to make available to the Organisation from time to time. It was stated that for this reason the Government takes a particular interest in the overall budget for C.S.I.R.O. but when it decides in the light

of budgetary circumstances that the global figure sought by C.S.I.R.O. should be reduced to some lesser amount, it has been the practice to leave to the Organisation, with the concurrence of the Minister, the re-allocation of this lesser amount among the various items of the estimates.

30. In regard to these differences which were claimed to exist between C.S.I.R.O. and Commonwealth Departments, Mr. Hamilton agreed that in essence, there would be a similar relationship between C.S.I.R.O. and its Minister as would exist between a Department and its Minister in regard to funds allocations but pointed out that in the case of an ordinary department, Treasury would be able, because of the staff establishment, which in an ordinary department takes up approximately three-quarters of the expenditure, to make an arithmetical check of the estimates. The Treasury, however, would not feel competent to make judgments as to how much money should be allocated to particular aspects of C.S.I.R.O. functions.

Q.'s 820.
to 822.

31. Regarding the relationship between C.S.I.R.O. and the Public Service Board, Mr. Nordeck, the Public Service Board Observer, informed us that the Board has a statutory responsibility in respect of the terms and conditions of employment of staff employed by C.S.I.R.O. Section 22(1) of the Science and Industry Act provides that officers shall not be subject to the Commonwealth Public Service Act but shall hold office on such terms and conditions as are, subject to the approval of the Public Service Board, determined by the Executive (of C.S.I.R.O.).

Committee
File
1965/6/75

32. The Treasury submission also explained that up until the current financial year, sub-division 4 of Division No. 150 had included

twenty-seven items which were designed to show on a functional basis the distribution of the Organisation's research funds. Each of these Items includes a provision for salaries and in 1964-65 the twenty-seven Items in aggregate (and including contributory funds) made provision for 4,727 staff. It was stated that recruitment of scientific staff of the required standard has been one of C.S.I.R.O.'s continuing problems in the post-war period. About one half of the scientific recruitment has been from abroad. In some cases it may be several years before a suitable person can be found for a particular scientific appointment and there is no certain way of forecasting when the specialist staff required may become available. This was claimed to make estimating under this Division more difficult than usual. Mr. Viney expressed the view that the problem of recruiting research scientists would be greater for C.S.I.R.O. than for Commonwealth departments generally.

Exhibit
75/27

Q. 846
and
Committee
File
1965/6/
75

33. Mr. Nordeck, the Public Service Board Observer informed us that research scientists, as such are employed by C.S.I.R.O., the Australian Atomic Energy Commission (A.A.E.C.) and the Department of Supply and that A.A.E.C. and the Department of Supply also experience difficulty in obtaining adequate numbers of appropriately qualified and experienced staff. He stated that it appeared, at least in English speaking countries, that there is a shortage of research staff and that both A.A.E.C. and the Department of Supply recruit a proportion of their research staff from overseas. Mr. Nordeck considered that it would be difficult to conclude that C.S.I.R.O. has a greater recruitment problem than that confronting A.A.E.C. and the Department of Supply

although C.S.I.R.O. is a larger research organisation than either of these two bodies. He further considered that it would be a more valid view that, because of the larger research organisation controlled by C.S.I.R.O., that Organisation would have a relatively greater staffing problem than either the A.A.E.C. or the Department of Supply.

34. The document submitted by the Department of the Treasury indicated that most if not all of the procedures adopted in past years whereby additional amounts were appropriated against certain Items on the understanding that equivalent underspendings would occur in other Items was no doubt based on the idea that Parliament welcomed a "costing" approach in respect of the types of research being undertaken by C.S.I.R.O.

35. The Treasury submission also referred to the "pool" of vacant positions and salary saving deficiencies which had been referred to in the C.S.I.R.O. document relating to this Item. It stated that in a memorandum dated 25th February, 1955, C.S.I.R.O. explained to the Department of the Treasury the need to make provision for a "pool" of vacant positions. The C.S.I.R.O. memorandum had pointed out that under the heading of Investigations (Division 101/6) C.S.I.R.O. had a number of vacancies spread over twenty-nine Items, some of which would be filled during the year. It could not be stated with certainty which of these positions would be filled and which would remain unoccupied; consequently C.S.I.R.O. was unable to allocate the anticipated savings in respect to those positions to specific Items of expenditure. The Chairman of C.S.I.R.O. had suggested that all Research Officer and Technical

Exhibit
75/27

Officer vacancies be placed in a "pool" in the C.S.I.R.O. Miscellaneous Item together with an appropriate sum of money. The memorandum continued that Treasury had agreed that approval would be given for transfers of funds from Item 29 to any other Item within Sub-Division C, provided each case was submitted to the Treasury as the occasion arose. Mr. Hamilton indicated in evidence, however, that the "transfers" referred to in the C.S.I.R.O. memorandum had never been transfers under Section 37 of the Audit Act. Q. 872

36. The procedures relating to salary saving deficiencies were contained in a memorandum from C.S.I.R.O. to the Department of the Treasury on 5th April, 1957. The memorandum had pointed out that in preparing its estimates for 1956-57, C.S.I.R.O. had, for the first time, made an effort to assess under each Item of the Estimates, the probable salary savings due to delays in replacing staff after resignations had occurred although it had always made allowance for officers on student-ship leave without pay and appropriate deductions had been made from its salary vote to cover such savings. The memorandum had pointed out that whilst the total of the salary savings for C.S.I.R.O. as a whole did not vary a great deal, there was considerable variation from year to year between the Divisions and Sections. To overcome this difficulty the C.S.I.R.O. Executive had agreed that a small reserve of money should be held in the Miscellaneous Item of the Estimates so that the salary votes of those Divisions where salary savings had been over-estimated could be supplemented. This proposal had been agreed to by the Department of the Treasury. Exhibit 75/27

37. The Treasury submission concluded by stating that whatever the arguments might have been at the time for adopting the procedures referred to, the Department of the Treasury has now reviewed the matter in the light of the current "philosophy" pertaining to the function of the Appropriation Bills. This review was said to have been undertaken in consultation with the C.S.I.R.O. and the Organisation had indicated that, particularly as the functional dissection of Sub-Division IV has been altered, it is feasible for the two components ("pool" of vacant positions and salary saving deficiency) to be removed from the Miscellaneous Item and spread amongst other Items in the sub-division which, in the view of the Executive, are the most likely Items under which expenditure would be incurred. This new arrangement will come into effect in 1966-67.

Exhibit
75/27
and
Q. 883

38. Mr. Hamilton stated that he had not appreciated the full implications of the C.S.I.R.O. arrangement as regards the Parliament until the matter was raised by Your Committee in its earlier examination of this Item and this had given rise to the review of the procedure.

Q. 879

39. The Treasury Observer, Mr. Cowie, gave us an assurance that if the circumstances which we discovered in the case of C.S.I.R.O. were found to exist in other Statutory Authorities, the new arrangement proposed for C.S.I.R.O. in 1966-67 would be applied to such Authorities.

40. Your Committee's examination of this Item has disclosed a financial arrangement which, with Treasury approval, has operated for ten years and which was designed to provide C.S.I.R.O. with flexibility in the use of certain of its funds.

within global limits set by the Government. A necessary consequence of the arrangement has been that the appropriation for the Miscellaneous Item in the Investigation sub-division has remained underspent although the funds concerned have been either re-appropriated in Additional Estimates or by way of the Advance to the Treasurer if the need for adjustment were discovered too late for inclusion in the Additional Estimates.

41. Whilst Your Committee is most sympathetic towards C.S.I.R.O. regarding the problems which gave rise to this arrangement, it is concerned that an arrangement should have been made which involves the necessary underspending of an appropriation made by the Parliament. Your Committee is, however, gratified to learn that its examination of this arrangement has focussed the attention of the Department of the Treasury and C.S.I.R.O. on the matter and that steps have already been taken to overcome Your Committee's objections. The Department and C.S.I.R.O. are to be commended for their prompt action and Your Committee hopes that the new arrangement to apply from 1966-67 will prove satisfactory to C.S.I.R.O.

(v) Division 150/5/01 : Administrative - Other Services -
Grants to Research Organisations.

Original Appropriation : £83,800. Expenditure : £61,250.

42. Your Committee was informed that provision Exhibit
had been made under this item for grants by the No. 75/13
Commonwealth to research organisations such as the
Bread Research Institute, the Wine Research Institute,
the Leather Research Association and the Coal
Research Association. At the time the 1964-65
estimates were prepared, a provision of £10,500 had
been included in accordance with past practice,
as the Commonwealth's contribution to the Tobacco
Industry Trust Account. However, on the
recommendation of the Minister for Primary Industry,
the Government had agreed to several amendments
relating to the Commonwealth's contribution to the
Trust Account which resulted in the contribution
being paid directly through the Department of the
Treasury. The decision to alter the pre-existing Q. 341
arrangements had been made some months after the
Organisation's Estimates had been prepared and
after provision had been included in those Estimates,
for the contribution.

43. In addition to the contribution to the Exhibit
Tobacco Research Trust Account, a sum of £22,000 No. 75/13
was included in the 1964-65 Estimates as the
Commonwealth's contribution to the Leather Research
Association. Your Committee was informed that a
programme of leather research was being undertaken
by the C.S.I.R.O. and that the programme was being
financed jointly by the Leather Research
Association and the Commonwealth on an equal share
basis. However, because of the difficulty in
securing the services of a suitable leader for
the project, expenditure in 1964-65 amounted to
only £10,000 of £22,000 provided for the work.
Mr. Viney explained that the position of project Q. 342-
346

leader had been advertised for some time and the vacancy finally filled from within the Organisation itself. Despite the subsequent difficulty in securing a project leader, the Organisation had believed at the time the estimates were prepared that the work would not be delayed and that the appropriation would be fully expended.

Q. 347

44. Your Committee agrees that the under-expenditure was due, in this instance, to unforeseen circumstances and accepts the explanation tendered.

CHAPTER 3
DEPARTMENT OF EXTERNAL AFFAIRS

- (1) Division No. 165/6/10 - Administrative - International Development and Relief - World Food Programme.

Original Appropriation - £386,300. Expenditure - £229,997.

45. We were informed that the contribution by the Australian Government of \$US1,500,000 over three years was to be in part cash and in part a commodity contribution. No difficulty was experienced by the Department in employing the cash contribution which was designed to meet administrative expenses but, due to the nature of the arrangement, the employment of funds provided for commodities was largely dependent upon requests made by recipient countries. In each instance, such a request was transmitted to the Food and Agricultural Organisation authorities in Rome and was referred to the Committee responsible for the administration of the World Food Programme. The request was then matched with the offer of a contributory nation and, after it had been ascertained whether the commodities originally pledged were still available, a request was made to the contributory nation for the supply of those commodities. In Australia, the Department of Supply made the necessary purchases and shipped the commodities to their destination.

Exhibit No.
75/1 and
Q. 171

46. The programme of food assistance had been established for an experimental three year period ending 31st December, 1965. As in the previous two year period of the programme, the World Food Programme Secretariat did not, in 1964-65 submit sufficient applications for commodity assistance to fully utilize the appropriation. Apart from three projects estimated to cost £15,500 which were processed in June, 1965 all other firm requests for Australian assistance in 1964-65 had been met. The estimated under-expended balance of £140,803 had been tentatively allocated by World Food Programme Secretariat to specific projects.

Exhibit No.
75/1

47. Your Committee feels that proposals for expenditure under this item provide another instance where the initial estimates could be restricted and the Additional Estimates utilized if further funds are required in each year. Mr. Brennan informed us that, although specific consideration had not been given to such a proposal, he could see no great difficulty in the adoption of such a practice.

Q. 172

48. Your Committee appreciates that the rate of expenditure from this item cannot be decided by the Department of External Affairs and accepts the explanation offered. Your Committee will however, compare with interest any future vote sought in an initial Appropriation Act and the final figure expended during that year.

- (ii) Division 202/1/02 - Embassy, United States of America - Salaries and Payments in the nature of salary - Temporary and casual employees.

Original Appropriation : £147,600. Additional Appropriation : £13,840.
Expenditure : £148,607.

49. The Department stated that under-expenditure of funds had been incurred due to a shortage of guards at the Embassy in the last six months of the financial year 1964-65. Provision had been made in the Additional Estimates for the payment of retirement benefits, furlough to three employees on resignation and for an increase in salaries to all locally engaged staff. However, Mr. Johns indicated, the quarterly average rate of expenditure had dropped in the last quarter of the year and this had resulted in the under-expenditure of funds.

Q. 176

Exhibit No.
75/2

Q. 179

50. The evidence we received revealed that the Department had analysed its rate of expenditure on this item and was justified, at the time the Additional Estimates were prepared, in expecting that rate of expenditure to continue. Your Committee accordingly accepts the Department's explanation.

- (iii) Division 217/2/04 : High Commission, New Zealand - Administrative Expenses - Office Rent and Maintenance.

Original Appropriation : £25,700. Expenditure : £12,454.

51. The Department indicated that the Original Appropriation had provided for three months' rent at an office which was to be vacated and nine months rent for new office accommodation. However, the new office had not been occupied until 2nd November, one month later than expected, resulting in an underexpenditure of £310 for rent.

Exhibit No.
75/3

52. We were informed that provision to the extent of £12,500 had been made also under this item for the partitioning of the new office accommodation. However, the same provision had been made incorrectly under another item in the Department's Capital Works and Services vote and the error had been compounded by the fact that expenditure had been charged to the latter item. The second error was largely responsible for the under-expenditure of £13,246 in the item under examination.

53. The Treasury Observer, Mr. M. G. Cowie, indicated that the error in seeking a provision for partitioning under two items may have arisen from the altered nature of the Appropriation Bills in 1964-65 since, although the instructions were reasonably clear at the time, the changes in the classification of certain items had complicated the formulation of the Estimates. Mr. Johns explained that the Estimates relative to capital expenditure and non-capital expenditure were prepared separately in the Property Branch and the Finance Branch of the Department and the error had been due to a change of personnel in those areas.

Q. 185

Q. 181

54. During our examination of this item, the Department was requested to supply a further submission relative to the cost of the partitioning, the tenure of the lease on the premises and the conditions relating to the eventual disposal of the partitioning upon the expiration of the lease. Information relative to the floor area of the leased premises was also sought from the Department.

Q. 190,
Q. 194,
Q. 198,
Q. 204

55. The submission subsequently received provided satisfactory responses to our queries but fortuitously revealed a discrepancy in the evidence tendered by the Department relative to the rent of the premises. This evidence indicated that the rent being paid for the office premises was £A310 per month but the later submission revealed that the sum being paid is in excess of £A1,000 per month. Further inquiries prompted a memorandum from the Department indicating that the submission disclosing the higher rental figure had been compared with the evidence submitted during the hearing and suggested that the Committee had incorrectly inferred that the monthly rental was £310.

Committee
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Ibid.

56. Your Committee is concerned about the circumstances surrounding the duplicated provision for partitioning and suggests that, in the light of the altered classifications contained in the Appropriation Bills, the exercise of more foresight and the closer examination by a single authority of estimates prepared in different Branches would have obviated a significant error involving £12,000. Apart from this error, however, Your Committee is manifestly dissatisfied that witnesses should provide a submission prior to a public hearing, should inaccurately elaborate during the hearing upon figures contained in the submission and then fail to detect the discrepancy, revealed in information subsequently conveyed by them to Your Committee, until such time as attention was directed to the error.

57. Your Committee trusts that it will not necessary to report in this vein in future and we invite the attention of all Departments to the need for adequate preparation and the presentation of clearly unambiguous information when appearing before Your Committee.

- (iv) Division No. 240/04 : Overseas Establishments- Buildings, Works, Equipment and Furniture - India.

Original Appropriation	£84,600
Additional Appropriation	£52,125
Expenditure	£73,221

58. It was stated that this expenditure related to the erection of the chancery in New Delhi, India, the estimated cost of which was £275,811 and which was expected to be completed by March, 1966. Mr. E. H. Hanfield, . Q. 217
stated that, of the original appropriation of Q. 206-207
£84,600 for 1964-65, £70,000 had been for the chancery while the remainder of the appropriation had been for the construction and furnishing of the official residence and staff housing. The work was being carried out on behalf of the Department of Q. 209
External Affairs by the Department of Works which in turn had employed a consultant architect in New Delhi to supervise the project.

59. In February, 1965, the building contractor reported Q. 217
that arrangements should be made to commence shipping certain building materials from Australia. We were informed that it was necessary to acquire materials such as partitioning, Q. 220
window frames, door frames and glass in Australia as those items were difficult to purchase in India. At the same time, Q. 217
it was expected that construction costs would be greater than the sum originally estimated and accordingly, at the request of the Department of Works, the Department of External Affairs approached the Treasury and obtained, on 2nd March, 1965, an additional £50,000. However, after the funds had been made Exhibit No.
available and commitments to the extent of £120,000 entered 75/4
into, delays in deliveries resulted in accounts not being presented for payment during 1964-65. Consequently, £58,392 had been revoted for the financial year 1965-66 and payment of the accounts was expected to be made in the first five months of the new financial year.

60. Your Committee believes that the unexpected progress made by the contractor in New Delhi and delays encountered in the delivery of materials to be shipped from Australia were factors which could not be foreseen by the Department of External Affairs and the Committee accordingly accepts the Department's explanation.

- (v) Division No. 240/13 - Overseas Establishments - Buildings, Works, Equipment and Furniture - Other Overseas Establishments.

Original Appropriation £119,200 : Additional
Appropriation £18,832 : Expenditure £110,046.

61. The Department stated that the sum of £27,986 was the aggregate of under-expenditure incurred at twenty-nine overseas posts and that, of the aggregate, £11,450 had been revoted to the financial year 1965-66. Your Committee received evidence in respect of unexpended funds at posts in Austria, France, Ghana, Israel and Pakistan, and we were generally satisfied with the explanations submitted by the Department. Indeed, Your Committee is sympathetic to the view expressed by Mr. Brennan that, due to the number of overseas posts and the number of items involved in the Departmental estimates, the Department of External Affairs is statistically more exposed to error than other Departments. However, the Department's difficulties in this respect were more closely examined in our inquiry into the Report of the Auditor-General, 1964-65 and will be the subject of a later Report by Your Committee. Exhibit No.
75/5

Q. 264

62. Notwithstanding Your Committee's general satisfaction with the explanations submitted by the Department; there are two aspects of the Department's financial administration, revealed in our examination of this item, which deserve critical comment. The first matter is the Department's apparent view that appropriations revoted at ten posts should not be defined as under-expenditures, this view being reflected in the Department's failure to include in its submission to Your Committee any detailed explanation of the £11,450 revoted in the financial Exhibit No.
75/5

year 1965-66. The failure to provide this explanation necessitated a direction by Your Committee that a further submission be tendered by the Department.

63. The second matter of concern to Your Committee is the apparent failure of the Department to adequately reconcile expenditure toward the close of the financial year with commitments incurred during the year. The submissions tendered by the Department revealed three instances (of which two were disclosed in the second submission) in which funds were revoted despite the payment of the relevant accounts in the preceding year. Your Committee expresses disapproval of these oversights and directs the attention of the Department to Your Committee's further comments in our Report on the Electoral Branch of the Department of the Interior (page 38).

Exhibit No.
75/5

Committee
file
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CHAPTER 4DEPARTMENT OF IMMIGRATION

- (1) Division No. 274/1/07 : Immigration Services - Assisted Migration - Italian Migration.

Original Appropriation : £93,200. Expenditure : £4,953

64. We were informed that the number of immigrants to be brought to Australia during any year was decided after consultation with allied Departments, (such as the Department of Labour and National Service on questions of employment and the Department of the Treasury on general economic prospects) and the Immigration Planning Council. Other consultations were also held with the Inter-Governmental Committee for European Migration and the government of the emigration country in order to arrive at a budget of expenditure. After such consultations, an immigration programme was submitted to the Minister for Immigration and was in turn submitted to the Australian Government. Q. 465

65. Mr. Armstrong indicated that, during the planning of the 1964-65 migration programme, the Inter-Governmental Committee for European Migration and the Italian Government were informed of the Australian Government's desire to secure the passage of two thousand assisted Italian migrants and, at the time of the discussions, the nominated figure was not questioned. The agreement with the Italian Government, under which assisted migrants were recruited, formally ended on 31st January, 1964, but the Italian authorities indicated their willingness to negotiate a new agreement and, as an interim measure, it was agreed that the period between 1st February 1964 and the date of the new agreement should be covered by an ad hoc arrangement. However, a complicating factor in the arrangement was that a restriction had been imposed in the financial year 1961-62 by the Italian Government which had curtailed the number of available emigrants. Although that Government had never Q. 474 Q. 481

opposed the migration of . families to join breadwinners who had previously migrated to Australia, it had adopted a restrictive attitude toward the recruitment of other workers for migration purposes due to the impact on the Italian economy of the large movement of such workers to the more industrialised European countries. The Italian Government's philosophy was apparently governed by opinions that those workers migrating to countries on the continent would be more likely to return to Italy with their recently acquired skills, than those migrants travelling to overseas countries.

66. Mr. Armstrong indicated that the restrictions imposed by the Italian Government, although now easing, had been reflected in the reduced migration figures in recent years when the number of arrivals had fallen from 1,255 in 1962 to 106 in 1965. However, in the three years preceding 1961-62, the annual figures had reached 3,000 migrants in each year and, at the time the migration programme for 1964-65 had been decided upon, the climate of opinion had suggested that the estimate of 2,000 migrants was a realistic one. Although the estimate had not been realised, applications for assisted passage were being received, in 1965-66, at the rate of 150 each month and the Department felt that, after wastage, the estimate of 1,000 migrants in this year would be justified.

67. We were informed that a joint statement issued by the Italian authorities and the Australian Minister for Immigration, on the occasion of the Minister's visit to Rome, made clear that the Italian and Australian Governments would negotiate for a new and wider agreement to regulate the movement of Italian migrants to Australia. The Department felt that, if negotiations with any government in respect of a migrant programme were being undertaken for a given number of migrants, provision should be made for that number in each year's Estimates.

68. In the light of the difficulties being experienced by the Department, Your Committee accepts the explanation and trusts that the continuing negotiations with the Italian Government will prove to be fruitful.

(ii) Division No. 274/1/10 : Immigration Services - Assisted Migration - Spanish Migration

Original Appropriation : £69,000. Expenditure : £6,639.

69. We were informed that the programme of assisted Spanish migration had been commenced with the limited aim of providing labour for cane-cutting in Queensland. The number of migrants brought to Australia had, however, risen from 328 in 1958-59 to 4,326 in 1962-63, but in March, 1963, the Spanish Government had suspended the movement of assisted workers to Australia while continuing to permit the movement of nominated dependants. It was indicated to Your Committee that this restriction had been necessary due to circumstances similar to those prevailing in Italy, under which the more industrialised countries of Western Europe were drawing annually many thousands of Spanish workers. In common with the Italian government, the Spanish government preferred such intra-continental movement of labour to perhaps the permanent loss of labour to overseas countries.

Q. 486

70. We were informed that, despite the fact that only 96 of an expected 1,000 migrants had arrived in 1964-65, the Department had again provided for 1,000 Spanish migrants in 1965-66. This decision had been taken in the light of personal negotiations between the Spanish authorities and the Australian Minister for Immigration, but it was doubted whether the target would be achieved. However, the Department felt that this estimate could be justified if it only provided evidence of the Australian Government's good faith in undertaking the negotiations.

Exhibit No.
75/17 and
Q. 486

Q. 491

71. In the circumstances, which are obviously parallel to the difficulties associated with the Italian migration programme, Your Committee again accepts the Departmental explanation.

- (iii) Division 274/1/12 : Immigration Services - Assisted Migration - Belgian Migration.

Original Appropriation : £22,100. Expenditure : £14,016

72. The Department stated that the appropriation had been provided to implement a programme of 300 Belgian migrants at a cost of \$US164 for each migrant. The number of migrants it had been expected to receive in 1964-65 had been based on the 317 arrivals in 1963-64 but a reduction in migrant interest had resulted in only 189 migrants accepting passage. Mr. Armstrong added that the pattern of Belgian migration revealed a large number of withdrawn applications even after the applications had been approved. Exhibit No. 75/18 Q. 507

73. The evidence received by Your Committee revealed that the cost of providing assisted passages to 317 Belgian migrants in 1963-64 had been £18,415 but that the 189 migrants assisted in 1964-65 had involved expenditure of £14,016. Questioned on the apparent discrepancy in the unit rates of passage, Mr. McElroy explained that payments for the estimated number of assisted passages were made three months in advance. If the number of estimated passages did not eventuate, a credit would be established which would be reflected as a reduction of the next year's total expenditure. In addition, the United States Government had previously provided financial support to the Inter-Governmental Committee for European Migration by providing a subsidy of \$US30 for each passage undertaken but this subsidy had been withdrawn from schemes providing for assisted passages between nations regarded as "affluent countries". The withdrawal of the subsidy had been reflected in the increased cost of the Belgian migration programme. Exhibit No. 75/18 Q. 501 Q. 499

74. Your Committee accepts the Departmental explanation.

CHAPTER 5DEPARTMENT OF THE INTERIOR

- (1) Division No. 318/2/05 : Electoral Branch - Administrative Expenses - Administration of the Commonwealth Electoral Act.

Original Appropriation : £237,400. Expenditure: £184,829

75. The Department stated that this item had been sub-itemised under various headings including Printing of Electoral Rolls, Preparation and Printing of Maps, and Habitation Review. We accordingly received the following evidence in respect of each of the sub-items :-

Printing of Electoral Rolls :

Allocation of Appropriation : £133,000

Expenditure : £ 93,699

76. We were informed that pursuant to Section 36(1) of the Commonwealth Electoral Act, the Electoral Rolls are printed whenever the Minister so directs. Ministerial approval for the printing of the Principal Rolls for use at the Senate elections, held in December, 1964, was given on 6th April, 1964, but it was expected that the accounts for the printing would not be received until during the financial year, 1964-65. However, the accounts, which amounted to £39,916, were received in June, 1964 and paid from that financial year's appropriation. It was stated that the Chief Electoral Office, Canberra, was not aware that the accounts had been paid until after returns of expenditure had been received from the various States in July, 1964, i.e. the beginning of the 1964-65 financial year.

Exhibit No.
75/23

76A. We were concerned to note not only the apparent absence of liaison in financial administration toward the end of the financial year but also the fact that, if the amount of £39,916 had not been debited to the item in 1963-64, the under-expenditure in that year would have amounted to £111,217, or almost 50 per cent. of the appropriation. Mr. E. O. Brown, stated that provision had been made for the printing of rolls in both 1963-64 and 1964-65 to permit the Electoral Office to have the rolls printed if elections took place in either year. Referring to the payment of the accounts in 1963-64 after provision had been made in 1964-65, Mr. L. L. Gillespie, agreed that the account had been satisfied in an endeavour to pay for every service which had been rendered during the financial year. However, the Treasury Observer, Mr. G. J. Balfour, indicated that in this instance, the payment was made too late in the financial year to permit adjustment of the Estimates.

Q. 675

Q. 684

Q. 681

77. Your Committee accepts the Department's explanation concerning the necessity to provide, in each year's estimates, funds which may or may not be required for the printing of electoral rolls. We do not regard as satisfactory, however, a situation in which an office responsible for the preparation of estimates is not informed of expenditure affecting those estimates in sufficient time to allow submissions to the Treasury to be amended.

78. Your Committee believes that the aggregate of the sums appropriated each year could be affected significantly if each Department appearing in the Appropriation Bills included in its estimates amounts revoted in error and we consider that the Department of the Treasury should ensure that the attention of Departments is drawn to Your Committee's concern in this matter.

Preparation and Printing of Maps.

Allocation of Appropriation £8,000.

Expenditure £ 233.

79. Mr. E. O. Brown stated that the under-expenditure had been incurred due to the necessity for the Electoral Branch to provide for contingent proposals concerning the redistribution of electoral boundaries. Due to the difficulty in attempting to foresee Government decisions of this nature, the Electoral Office could do no more than provide for the eventuality.

Q's. 686,
687 and 688.

80. Your Committee appreciates the difficulty in which the Electoral Office finds itself and accepts the explanation.

Habitation Review.

Allocation of Appropriation £50,000

Expenditure £46,310.

81. The Department stated that a habitation review involved a house to house canvass for the purpose of checking the accuracy of the electoral rolls. Review Officers employed for the task are paid at contract rates previously approved by the Minister.

Exhibit No.
75/23

82. The estimates of expenditure are prepared on a State basis and payments to Review Officers are made by each of 122 Divisional Returning Officers. Each Review Officer is reimbursed on the basis of the number of notations made in respect of habitations visited. The witness indicated that the last reimbursement of Divisional Returning Officer's Advances would have been made in June, 1965 and a resultant carry-over of unpaid remunerations at the 122 Offices had resulted in the aggregate under-expenditure of £3,590.

Exhibit No.
75/23
Q. 692
Q. 694

83. Your Committee accepts the explanation tendered by the Department.

- (11) Division No. 321/3/01 : News and Information Bureau -
Works Services - Plant and
Equipment.

Original Appropriation : £56,500. Expenditure : £28,252.

84. The under-expenditure of £28,248 was incurred due to the failure of the Department to acquire, in 1964-65, sixteen items of technical equipment for which funds had been appropriated. In some instances, notably in respect of a Magnetic Tape Attachment and a Photographic Dryer, more than twelve months elapsed between the time funds were made available and the equipment was acquired. In another instance, imported equipment, which initially had been available ex stock from an Australian agent, required overseas procurement action due to some degree of administrative confusion within the Department.

85. In response to a suggestion that the Q. 605
Department had been seeking funds prematurely
for the acquisition of equipment and had failed to
adequately plan for such acquisitions, Mr. D. E.
Brown, stated that information concerning the
availability of equipment was obtained largely
from trade publications. The statements made in
such publications were sometimes optimistic in
respect of deliveries and delays only became evident
after an order had been placed. Mr. Gillespie stated Q. 608
that funds were not sought in the Estimates unless
the Department was certain that the items would be
needed during the financial year but the Department
also adopted the practice of seeking Treasury approval
to incur commitments in one year and to seek funds
in the subsequent year.

86. The evidence received by Your Committee revealed that the appropriation was not fully expended due to such circumstances as the non-availability of staff and a consequential deferment of orders, difficulty in acquiring equipment from overseas, orders placed for equipment before such equipment was being manufactured and an oversight which resulted in certain equipment not being ordered at all. Your Committee is not satisfied that an acceptable degree of forethought has been exercised by the Department in planning its programme for the acquisition of technical equipment for the News and Information Bureau and we consider that insufficient use has been made of the opportunity to seek funds in the Additional Estimates where uncertainty exists. We trust that more careful consideration will be given to future estimates of funds required under this item and that explanations will not, in future, be required in this respect.

Exhibit No.
75/22

- (iii) Division No. 853/5/24 : Australian Capital Territory
Services - General Services -
Lake Burley Griffin - Operation
and Maintenance.

Original Appropriation : £54,000. Expenditure : £26,673

87. Funds were provided under this item for Exhibit No. 75/24 such maintenance operations as debris clearance, care of the lake margins and flap-gates operation. In addition, £10,000 was provided for soil conservation work in New South Wales on the basis of a contribution by the Commonwealth of one third of the cost of the programme with the remaining two-thirds being met by the New South Wales Government and the land-holders concerned.

88. Mr. L. L. Gillespie indicated that the Q. 696 sum of £44,000 had been sought for the direct maintenance of the lake after estimated expenditure had been analysed under thirteen headings. However, the Department had only two opportunities to conduct operations such as the testing of flood gates in the first six months of 1964-65 since the Exhibit No. 75/24 following six months were the driest recorded in the Australian Capital Territory. As a result, the contingencies provided for in the event of flood conditions were not realised and funds were not required to the extent estimated.

89. Referring to the soil conservation pro- Q. 697 gramme, Mr. Gillespie stated that an original agreement had been negotiated in March, 1964 by the National Capital Development Commission with the New South Wales Department of Conservation and the Irrigation Commission.

The Department of Conservation indicated that it would be willing to undertake work on the basis of the agreement, subsequently ratified, but felt that the initial approaches should be made to the Premier of New South Wales. Ultimately, the National Capital Development Commission did not proceed with the proposal on the grounds that, since the Department of the Interior was to assume responsibility for the operation and maintenance of the lake, the funds should be sought in that Department's estimates. The latter proposal was adopted and the agreement ratified in February, 1965, but, due to drought conditions, no work was undertaken by the New South Wales Administration.

Exhibit No.
75/24

90. Your Committee considers that the under-expenditures incurred under this item were due largely to climatic conditions which the Departments of the Interior and Works were not in a position to foresee and accepts the explanations tendered.

CHAPTER 6

DEPARTMENT OF NATIONAL DEVELOPMENT

- (1) Division No. 348/1/01 - Salaries and Allowances :
Salaries and Payments in the
nature of Salary : Forestry
and Timber Bureau.

Original Appropriation : £164,500: Expenditure £123,776.

91. The Department informed us that funds had been provided under this item for the payment of salaries and allowances to permanent officers of the Bureau, including professional officers, administrative and clerical officers, stenographers, typists, technical officers and assistants.
92. It was stated that the failure to have positions filled by permanent officers for the periods estimated had been the major cause of the under-expenditure. This had been due to the transfer of the functions of the Australian Forestry School to the Australian National University and the consequent loss of officers by the Forestry and Timber Bureau at the commencement of the 1965 academic year, although provision in the original Appropriation had been made to cover salaries of these officers for the entire financial year. Casual vacancies caused by resignations and the promotion of officers of the Forestry and Timber Bureau to other Departments, and the overall difficulty in recruiting suitable officers to fill vacant positions, had also contributed to the substantial under-expenditure.

93.. Mr. Murphy explained that the transfer of five lecturing staff and one technical assistant from the Australian Forestry School to the Australian National University had accounted for £7,320 of the under-expenditure. Mr. Murphy also indicated that when the Forestry and Timber Bureau was placed under the jurisdiction of the Department of National Development on 12th March, 1964, the Public Service Board had abolished the staff establishment previously existing in the Department of the Interior and created a new establishment of 120 positions in the Department of National Development. At that time, only 94 of those positions were actually occupied and during the 1964-65 financial year, Mr. Murphy indicated that the Department had expected to fill an extra 15 positions. Provision had been made in the Estimates for these particular positions, but due to its lack of previous experience in obtaining officers for forestry work, the Department had not been fully aware of the difficulties involved in recruiting suitable staff.

Q. 517

Committee
file
1965/6/75

Q. 520

Q. 526

Exhibit
75/19

94. Your Committee appreciates that the Department's difficulties in administering the newly acquired Forestry and Timber Bureau, but feels the Department may have acted somewhat prematurely when seeking funds for payment of officers to be recruited at varying stages in the particular financial year. Because of the apparent scarcity of suitable Forestry officers, Your Committee is of the opinion that greater use could have been made of the Additional Estimates when seeking funds for such relatively uncertain items of expenditure.

- (ii) Division No. 353/0/01 : River Murray Commission :
Expenditure under the River
Murray Waters Act : Works
Services.

Original Appropriation : £294,000. Expenditure £195,000.

95. It was stated by the Department that funds were appropriated under this item for the Commonwealth's share of expenditure on construction works set out in the River Murray Waters Agreement. The expenditure incurred is shared equally by the four contracting Governments - the Commonwealth and the States of New South Wales, Victoria and South Australia. Construction work in each of the three States is carried out by the constructing authority of the State concerned, and reimbursement of costs is claimed from the River Murray Commission. No construction work is undertaken by Commonwealth authorities.

Exhibit No.
75/20

Q. 530

96. We were informed that each of the three State Governments submits to the River Murray Commission an estimate of funds required for construction and other works. The River Murray Waters Agreement provides that the River Murray Commission shall then consider these amounts and subsequently notify the four contracting partners, of its estimates for the following financial year, and that each of the contracting Governments shall provide its share of funds. The Department of National Development takes no part in the preparation of the Estimates and has no control over expenditure. Mr. Stephens indicated that the River Murray Commission thoroughly reviews the estimates submitted by the various States, and if considered necessary, returns the estimates for re-consideration. If the State concerned confirms the estimate, the Commonwealth is bound to support whatever proposal is finally agreed upon.

Ibid.

Exhibit No.
75/20

Q. 554

97. The Department stated that the 1964-65 estimates provided for a total expenditure by the Commission of £1,172,320, of which the Commonwealth was asked to provide £294,000. Actual total expenditure was £776,893 of which the Commonwealth contributed £195,000. The original estimate of expenditure by the New South Wales constructing authority was £501,400, while actual expenditure was £217,007 - a shortfall of £284,393. Reasons for this under-expenditure were stated to be delays in proposed additional embankment work on the Hume Reservoir due to an adverse construction season and failure to finalise settlement of claims for compensation for land resumption which are the subject of court action. Estimated expenditure by South Australia was £60,470 on general works and £450,000 on construction costs and land acquisitions for the Chowilla Dam while expenditure amounted to £20,726 and £390,931 respectively - a shortfall of £98,813. An under-expenditure of £50,000 occurred because of the failure to purchase a derrick boat for construction and maintenance work, due to design and tendering delays. Other factors contributing to the under-expenditure included incompleting surveys which delayed the acquisition of required areas of land, and provision made for general unforeseen contingencies against which no expenditure was incurred. Mr. Stephens informed us Q. 546 that weather conditions influence, to a significant degree, the rate of expenditure achieved during the year and that processes undertaken in the resumption of lands can be greatly delayed if the landholder resorts to court action.

98. Your Committee is of the opinion that the present position, where expenditure appears to be outside Commonwealth control, cannot improve if the existing arrangements remain unchanged.

99. Your Committee reported previously on this matter of under-expenditure under Works and Services of the River Murray Commission in its Fifty-First Report. In that Report, Your Committee concluded at paragraph 27 that:-

FP No.
85 of 1960

"In general, items which cannot be specifically appropriated in the first Appropriation Act due to insufficient information, should be omitted and included later, if required, in the Second Appropriation Act when the necessary details have become available."

Your Committee is of the opinion that representations should be made by the Commonwealth member of the River Murray Commission, to his colleagues on the Commission, with a view to seeking a satisfactory arrangement regarding use of the Additional Estimates. Your Committee draws attention to the fact that the River Murray Waters Agreement does not specify that the funds provided by the Commonwealth must appear in the First Appropriation Act and that a revision of the estimating procedure is required if continued over-estimating is to be avoided.

CHAPTER 7DEPARTMENT OF THE NAVY

Division No. 690/01 : National Capital Development Commission - For expenditure under the National Capital Development Commission Act.

Original Appropriation : £128,000. Expenditure : £63,110.

100. The Department stated that this item is under the control of the Department of the Interior, but Mr. D. M. Lalor stated the formulation of the programme was a matter for the Department of Defence and the National Capital Development Commission. Mr. L. J. Murphy stated that, at the time of the preparation of the Estimates, the National Capital Development Commission advised the Department of Navy of the proposed expenditure required for works to be undertaken on behalf of the Department. The Department then advised the Treasury of the extent of the provision required and these funds were placed under the control of the Department of the Interior. Exhibit No.
75/21
101. It was stated that the amount provided in the Budget Estimate consisted of £110,000 provided for estimated expenditure on the joint Navy/Army E.D.P. Building and, in addition, £18,000 provided for the construction of seventeen houses for a Naval establishment in the A.C.T. Exhibit No.
75/21
102. The Department indicated that, during May, 1965, the Department of the Interior advised that the requirement for the Department of the Navy's share towards the cost of construction of the joint Navy/Army E.D.P. building would not exceed the £55,000 already paid to the National Capital Development Commission. However, the consequent underspending of £55,000 on this project was partly offset by a charge to this vote of an amount of £8,110 as the Navy Department's share of the cost of a pneumatic tube communications system at Russell Hill. A net underexpenditure of £46,890 consequently resulted on the project. Exhibit No.
75/21

103. In regard to the underexpenditure on the naval establishment housing, Mr. Murphy informed us that initially the Department had provided for seventeen houses, at a cost of £18,000. Subsequently, this project was placed before the Inter-Departmental Committee on the Services' Housing Programme, and it was decided that the programme would be provided only in respect of the number of people actually on the housing list at that time. Due to officers being posted away for various reasons, the number on the housing list at the time was nil, although there were seven people who had applied for housing but could not be considered for the list until they actually arrived at H.M.A.S. HARMAN. Consequently after the Draft Estimates had been submitted to Treasury, the Department of Defence, on 27th July, 1964, advised the Department of the Navy, that following consideration by the Minister for Defence of the Report of the Inter-Departmental Committee, the proposal for the construction of additional houses at H.M.A.S. HARMAN was not approved.

Q. 596

Exhibit No.
75/21

104. It was stated that the total under-expenditure of £64,890 was applied towards requirements under other votes.

Exhibit No.
75/21

105. Bearing in mind the "global limit" system under which the Defence Departments are financed, Your Committee is satisfied that the explanations offered by the Departments are adequate.

CHAPTER 8DEPARTMENT OF SHIPPING AND TRANSPORT

- (i) Division 453/-/01 : Railway Projects - Expenditure under the Railway Standardisation (South Australia) Agreement Act.

Original Appropriation : £3,779,000. Expenditure £2,245,565.

106. The Railway Standardisation (South Australia) Agreement provides that the State will carry out the conversion to standard railway gauge of the entire South Australia 5'3" gauge system; the conversion to standard gauge of other railway lines in the State of 3'6" gauge; the construction of standard gauge locomotives and rolling stock; the conversion of non-standard stock and the provision of terminal facilities made necessary by the conversion programme. "Betterments", or improvements, may also be carried out in conjunction with the works specified in the programme.

Railway
Standard-
isation
(South
Australia)
Agreement
Act, 1949

107. To finance the project, the Agreement provides that 70 per cent. of the cost of the standardisation works shall be borne by the Commonwealth and 30 per cent. by the State. It is further provided that the State, in respect of expenditure incurred by the Commonwealth on behalf of the State, shall pay to the Commonwealth equal annual contributions of such amounts as will liquidate that expenditure over a period of fifty years commencing the year following the year of expenditure.

Moneys provided by the Commonwealth from the Loan Fund shall be used to finance the project and interest is to be paid on the amount of unrecouped expenditure outstanding at the end of each financial year at a rate equal to that paid by the Commonwealth in respect of the loan moneys from which the expenditure is incurred.

Ibid

108. The Inquiry into expenditure from this item was prompted by the degree of apparent over-estimating of funds required. However, during the analysis of the Departmental submission, it was revealed that although the Act stipulates that money from the Loan Fund will be used to finance the project, expenditure is being met from the Consolidated Revenue Fund. Accordingly, the Inquiry was broadened to inquire also into this latter aspect.

109. The Appropriations approved by the Commonwealth Parliament in respect of the agreement in the last two financial years amounted to £1,680,000 in 1963-64 and £3,779,000 in 1964-65 while expenditures in each year amounted to £1,462,738 and £2,245,565 respectively. Explaining the circumstances in which the under-expenditure had been incurred, the Department indicated that the State authorities are responsible to the Minister for the preparation annually of an estimate of the funds likely to be sought from the Commonwealth. These estimates are examined by the Department in the light of works in progress, performance generally and the extent to which the Minister for Shipping and Transport is likely to approve works in the financial year. However, the Department has no direct control over the actual rate of expenditure since, although the limit of cost on any particular section of the project is subject to the approval of the Minister for Shipping and Transport, expenditure is in the hands of the State Authorities who are responsible for letting contracts, supervising and controlling the extent of the works and for effecting the payments for work performed.

Exhibit No.
75/25

110. The State provides no finance initially, its only obligation being to repay, over 50 years, 30 per cent. of the amounts provided by the Commonwealth, together with interest on the

Committee
file
1965/6/74-
75

outstanding balances. These payments are made from State revenue and are comparatively small, the estimated total payment required in 1965-66 being £162,000.

111. It was indicated that suggestions had been made to the South Australian authorities that the estimates might be modified in the light of the under-expenditures incurred and that, initially, the Commonwealth should provide a lesser amount while still being prepared to make available further sums, if required, later in each year. However, the State Authorities had replied that, having arrived at the estimate of expenditure, they required the Commonwealth to make available the entire sum in the initial Appropriation Act. Despite the under-expenditure of over £1,700,000 in two years, the State's view was that the work had been programmed for completion by December, 1968 and that it was essential that the Commonwealth make available sufficient finance to enable it to carry out the work by that time. The State had suggested that if the Commonwealth refused to make available the finance sought, the project could be delayed, and that, in that event, the State would ^{not} be required to accept responsibility for the delay. The witness continued that a sum of £4,088,000 had been provided in the Commonwealth Estimates for 1965-66 after the State had refused to reduce the estimate amounting to that sum by £88,000, despite the past history of under-expenditure.

Q. 713

Q. 715

Q. 761

112. The details of the under-expenditure incurred in 1964-65 appears in Appendix No. 1 to this Report. In similar context, we note that, of the £4,088,000 provided under this item for 1965-66, only £1,021,861 had been expended by 30th November, 1965.

Committee file
1965/1/74-75
and Q. 719

113. In response to queries relative to the second aspect of expenditure under this item, viz., the use of the Consolidated Revenue Fund instead of the Loan Fund, the Department of Treasury informed us that the Railway Standardisation Agreement with South Australia, approved by Act No. 83 of 1949, had its origin in an Australia-wide scheme based on the 1945 report of Sir Harold Clapp. After initial negotiations with all of the States, agreement was reached in 1946 with the States of New South Wales, Victoria and South Australia. Although a very much scaled-down version of the original scheme, the so-called "Three States Agreement" was still quite a large and costly one. It was envisaged at the time that the work would be financed by borrowings made by the Commonwealth under its defence powers, and hence outside the programmes approved by the Loan Council under the Financial Agreement. The 1946 Railway Standardisation Agreement was approved by the Parliaments of the Commonwealth, Victoria and South Australia, but did not become effective because it was not ratified by New South Wales. Subsequently, on 20th October, 1949, the Commonwealth entered into a separate agreement with South Australia. Both the Agreement and the Act approving it incorporated the 1946 concept of loan finance.

Q.708 and
Committee
file
1965/1/74-
75

114. Although the 1949 Agreement envisaged that the works would be financed from the Loan Fund and although the Act approved "Loans to the Commonwealth for defence purposes (namely the standardisation of railways in accordance with the Agreement)", no loan for this purpose has, in fact, been raised and, accordingly, there has been no source of funds within the Loan Fund for the work.

Q. 708 and
Committee
file
1965/1/74-
75

115. In this situation, the alternatives (apart from amending the Act and the Agreement which would also have required further legislation by South Australia), were to raise special defence loans subscribed from Commonwealth funds or to finance the works directly from the Consolidated Revenue Fund. The latter course was adopted in the framing of the 1951-52 Budget and has been followed in each year of expenditure since then. The Act permits loans to be raised for the work but does not make loan raising mandatory.

Committee
file
1965/6/74-75

116. Because the work was being financed from revenue the question of the rate of interest arose in 1951-52, the first year of expenditure. Since the agreement envisaged an interest payment by the State, the State was asked to pay interest at the rate applicable to long term loans raised by the Commonwealth during 1951-52. This the State agreed to do and interest has been charged and paid in each year since. The methods of determining the rate of interest and of calculating the amount of interest payable by South Australia under this Agreement are the same as those written into subsequent railway standardization agreements and the Railway Equipment Act of 1961 with South Australia (Act. No. 98 of 1961). That is, the rate of interest payable is the rate payable on the long term loan last raised by the Commonwealth for public subscription prior to the end of the year in which the relevant payments to the State were made by the Commonwealth.

Committee
file
1965/6/74-75

117. The Department of the Treasury also stated that the method of finance used has not given rise to any difficulties in the administration of the Agreement and for this reason, plus the fact that there has been no other reason for change, the question of the Commonwealth seeking an amendment of

Committee
file
1965/6/74-75

the Agreement has not been raised. In subsequent agreements covering the provision of Commonwealth financial assistance for railway works, no reference has been made to the source from which the Commonwealth might provide the funds.

118. Your Committee accepts the assurance given by the Department of the Treasury that the method of financing expenditure under this item has not given rise to any difficulty and we recognise that little would be achieved in effecting amendments to the legislation at this late juncture. We do not accept, however, statements attempting to justify the present outworking of the Agreement, which, from the point of view of Commonwealth finance, is providing unsatisfactory results. The argument by the State Authorities that failure by the Commonwealth to provide funds equal to the State Authorities' estimates of expenditure will result in the work being delayed is one which, in the light of past under-expenditures, is patently unconvincing. Your Committee recommends that representatives of the Commonwealth should immediately pursue in conference with the South Australian Authorities, a more equitable arrangement within the scope of the existing agreement. We further recommend that during the deliberations it should be made abundantly clear that although funds may be made available if necessary to supplement modified appropriations, in future the Commonwealth should not continue to financially cater for estimates of expenditure which cannot reasonably be expected to be realised.

- (11) Division 453/-/02 : Railway Projects - Expenditure under the Railway Agreement (Western Australia) Act.

Original Appropriation : £7,500,000. Expenditure £5,132,637.

119. The Schedule to the Railway Agreement (Western Australia) Act indicates that the objectives of the Agreement are to achieve, before 31st December, 1968, the construction of a standard gauge railway and associated narrow gauge railway works and the provision of rolling stock in specified numbers and capacities. We were informed that the Act relative to South Australia differs from that relative to Western Australia in that, although it is not specifically stated, the latter is regarded as an Agreement for both standardisation and development at work in equal proportions. It was indicated that, at the time the Agreement was drafted, it was appreciated that Commonwealth finance would be made available for the project but that, since the project was not entirely one of standardisation, the Commonwealth would not meet the usual 70 per cent. of the entire cost.

Railway Agreement (Western Australia) Act, 1961.

Q. 782

120. Since the project is regarded as having both standardisation and developmental aspects, the cost is notionally divided equally into these two parts for financing purposes. In respect of that part of the cost associated with railway standardisation, the Commonwealth is to provide initially all the finance and, in respect of that part of the costs attributed to development, the Commonwealth is to provide initially 70 per cent. of the finance. The effect of these arrangements, as expressed in the Agreement, is that the State is entitled to obtain payments from the Commonwealth

Committee file 1965/6/74-75 and Q. 782

of amounts equivalent to 85 per cent. of total expenditure made by the State, leaving a balance of 15 per cent. to be financed by the State itself.

121. The Departmental submission reveals that, of a total of £17,300,000 appropriated by the Commonwealth for this item in the last three years, expenditure has amounted to only £6,241,998. (Expenditure during the year 1964-65 is indicated at Appendix No. 2 to this Report). As in the case of the Agreement relative to South Australia, the sums which have been appropriated by the Commonwealth have been based upon estimates which have been submitted by the State authorities as required by the Agreement. However, a significant difference in the two Agreements is that the Western Australia Agreement stipulates that the State shall provide, not later than the 30th December in each year a revised estimate of expenditure for that year.

Exhibit No.
75/26 and
Q. 786

122. The witness informed us that, since the State is expected to provide for 15 per cent. of the Annual expenditure, the State authorities have been insistent that the Commonwealth must provide its share of the State's estimate of expenditure to permit the work to be carried out in that year. The view of the State authorities is that unless the work is executed and paid for in accordance with the programme, the State will be in serious difficulty in meeting its share of the cost of the work if a large portion of the total expenditure is incurred in the later remaining years of the Agreement.

Q. 786

123. In response to our queries on the views expressed by the State authorities, the Commonwealth Treasury has agreed that, to the extent that there will be an increased incidence of expenditure in the latter years of the project, Western Australia will need to devote a commensurately larger proportion of its loan funds to the project in those years. However, it was pointed

Q. 812 and
Committee
file
1965/6/74-
75

out, that the State is only involved to the extent of 15 per cent. of total expenditure on the project.

124. The Treasury statement continued that in 1964-65 expenditure by the State on the railway project amounted to only £1,200,000 and went on to indicate that even if annual expenditure by the State is double this amount in the later years, it should not prove unduly burdensome, since the State could be expected to be aware of the increase in commitments and to have made suitable arrangements for the appropriate allocations of loan funds.

Committee
file
1965/6/74-75

125. As regards payments, the State is to repay, in respect of the standardisation component, 30 per cent. by instalments over 50 years commencing in the year following the year of expenditure, together with interest on the outstanding balances. This commitment was said to be relatively small in any one year, the estimate for 1965-66 being approximately £135,000. With respect to the developmental component, the State is to repay in full the total advances made. However, these repayments, which will be made over a 20 year period, will not commence until six months after the completion date (31st December, 1968). Moreover, in the construction period, interest due on advances made for the developmental component of the project may be paid or capitalized (as a project cost) at the option of the State.

Committee
file
1965/6/74-75

126. The Treasury concluded that in these circumstances, it could be said that the implications for the State's Budgets of any under-expenditure from the Commonwealth Budget on railway standardisation projects would not be significant.

Committee
file
1965/6/74-75

127. We again note that, despite the State authorities' insistence that the estimates should be financed as proposed, only £943,806 of an appropriation of £10,150,000 for 1965-66 had been expended at the time of preparation of this Report for the entire year.

Q. 805 and
Committee
file
1965/6/74-75

128. Because of the obviously similar circumstances surrounding expenditures under the South Australian Standardisation Agreement, Your Committee would invite reference to the concluding comments in the preceding sub-chapter. In view of the opinions expressed by the Commonwealth Treasury Your Committee again does not agree that the entire sum insisted upon by the Western Australia authorities should be provided in the first Appropriation Act. It is quite apparent that the State may appropriate its share of its own estimate of expenditure from its own resources, and indeed, in so doing, there would be reflected a degree of confidence in those estimates.

129. However, after considering the extent of earlier estimates and comparing them with subsequent expenditures, Your Committee considers that, in future, the amount to be provided initially each year should be limited to a more realistic level and that, in the event of the State's expenditure reaching this estimated level, additional funds should be made available either in the Second Appropriation Act or from the Advance to the Treasurer if the need for extra funds is not demonstrated in time for their inclusion in the Additional Estimates.

130. Your Committee considers that, regardless of the objections which may be raised in connection with these findings, a situation in which only 36 per cent. of three years appropriations totalling £17,300,000 has been expended, is so unsatisfactory that the Parliament should confine the Appropriations to amounts which represent realistic assessments of the expenditure that is expected to occur.

CHAPTER 9DEPARTMENT OF TRADE AND INDUSTRY

- (i) Division No. 500/4/04 : Administrative - Other Services -
South American Shipping Service.

Original Appropriation : £190,500. Expenditure : £139,467

131. We were informed that this Appropriation. Exhibit No.
had been provided to meet the cost of subsidies to two shipping 75/21
companies which were establishing a service to South America.
An agreement with the Kawasaki Steamship Company of Kobe
provided for up to six voyages per annum for which £25,000
would be paid in respect of each voyage. Another agreement
with William Hoale Pty. Ltd. provided for a maximum payment of
£21,875 for each of four voyages per annum.

132. In formulating its estimates for 1964-65 the Exhibit No.
Department envisaged that the Kawasaki company would undertake 75/21
five voyages and that William Hoale Pty. Ltd. would undertake
three, and that each voyage would commence on scheduled
departure dates. The Kawasaki company undertook five
voyages and was paid £125,000, but William Hoale Pty. Ltd.
experienced difficulty in chartering suitable vessels and
claimed for only one voyage. These circumstances were
reflected in the under-expenditure of the appropriation by
£51,033.

133. Your Committee appreciates that the ultimate expend-
iture in full of funds appropriated for shipping subsidies
cannot be guaranteed by the Department due to the circumstances
described above. However, we believe that this item is
another instance in which the estimates for the Appropriation
Act No. 1 could well be restricted in the light of the earlier
history of expenditure, and recourse had to the Additional
Estimates if a funds requirement became apparent later in Q. 410
each year. Your Committee does not accept the Department's

objection, to this proposal, based on under-expenditure incurred in 1963-64 after £89,130 was sought in the Additional Estimates. Your Committee rather believes that, if any Department is not in a position to accurately assess its need at the time of preparing the Additional Estimates, the Department's position is even more uncertain if it attempts to estimate its financial requirements in toto prior to the beginning of each financial year.

- (ii) Division No. 504/2/05 : Tariff Board - Administrative Expenses
Incidental and Other Expenditure.

Original Appropriation : £25,000. Expenditure £8,477.

134. The Department stated that this item included provision for incidental items such as freight, cartage and advertising charges incurred by the Tariff Board and, more particularly, reporting charges for Tariff Board hearings for which £17,500 had been provided.

Exhibit No.
75/15

135. We were informed that at the time the estimates were formulated, it was expected that the Tariff Board would continue to be charged for court reporting services. However, during December, 1964, the Department of Trade and Industry was informed by the Treasury that the Tariff Board would no longer be so charged and this decision resulted in the provision remaining largely unspent. The Treasury Observer, Mr. M. G. Cowie explained that his Department endeavoured, as far as possible to promulgate such decisions in sufficient time to allow Departments to formulate the estimates accordingly. If such a decision could not be made at the appropriate time, warrant authorities for expenditure were adjusted.

Exhibit No.
75/15

Q. 420

136. In the light of the evidence, Your Committee appreciates that the Department was not in a position to foresee the Treasury decision to discontinue the inter-departmental payment and accepts the explanation tendered.

CHAPTER 10DEPARTMENT OF WORKS

- (1) Division No. 610/05 - Buildings, Works, Fittings and Furniture -
Department of Customs and Excise.

Original Appropriation £806,000. Expenditure : £635,315.

137. The major portion of the sum appropriated for this item related to proposed expenditure on the erection of Customs House, Melbourne. Expenditure on the project during 1964-65 amounted to £547,505 of £700,000 provided for the work. Exhibit No.
75/6

138. Mr. R. F. Munro, stated that the primary reason for the under-expenditure on the Customs House project was the failure of the contractor to maintain the scheduled rate of construction. The contractor had been granted extensions totalling 12 months beyond the original agreed date for completion of the project but it was doubtful whether the work would be completed by the revised target month of June, 1966. Other difficulties encountered during the construction of the building included the necessity for the contractor to remove faulty concrete work which had been proved to be below the standard of quality specified by the Department. Q. 83
Q. 97

Q. 85 to 94

139. We were concerned to note that another contributing factor to the delay in progress was the substantial amendments to the design of the building requested as late as July, 1964 by the Department of Customs and Excise. We were informed that although the Department of Works had been accustomed to alterations of original specifications by sponsoring Departments, the Department had seldom been required to modify designs to the extent sought by the Department of Customs and Excise. The modifications sought involved a complete revision of the design for laboratories and partitions on each of the four floors and of the mechanical and hydraulic services of the building. Q. 85

Q. 87

140. It was stated that the slow progress in the construction of the building had also resulted in under-expenditure of funds appropriated for the purchase of furniture. The witness explained that if the funds had been utilised for such purchases, the furniture would have undoubtedly been damaged in storage and during its subsequent removal when required. For this reason, the Department of Customs and Excise had not been pressed to state its requirements.

Exhibit No.

75/6

Q. 95

Q. 96

141. Your Committee feels that in the light of the evidence the Department of Works cannot be held responsible for the under-expenditure of the sum appropriated for the erection of Customs House, Melbourne, and we agree that the correct decision was made in deferring the acquisition of furniture for the building. However, we are disturbed to note that the Department of Customs and Excise should seek design modifications to an extent rarely experienced by the Department of Works and it is recommended that the attention of the Department of Customs and Excise should be re-directed to the provisions of the Treasury Circular of 31st July, 1959 entitled "Commonwealth Civil Works Budgeting - Forward Planning Arrangements".

- (ii) Division 615/08 - Repairs and Maintenance -
Department of Immigration.

Original Appropriation : £128,000.
Expenditure : £100,458.

142. It was stated that the under-expenditure of £27,542 resulted from the closure of migrant centres at Scheyville, New South Wales, Holden, Western Australia and Woodside, South Australia and the diversion of maintenance staff from the Bonegilla Reception Centre to undertake urgent work at Puckapunyal on behalf of the Department of Army. The Department of Works was not informed of the proposal to close the Scheyville and Woodside Centres until October, 1964 or the Holden Centre until February, 1965 and, as a result, funds provided for the maintenance of these centres were under-expended to the extent of £14,300. The remaining under-expenditure was occasioned by the transfer of the maintenance staff from Bonegilla and the inability of the Department to arrange for the inspection of newly installed electrical installations at that centre in time to permit payment to a contractor prior to the end of the financial year.

Exhibit No.
75/7
Q.103

Q.103,110

Exhibit
No. 75/7

143. Your Committee agrees that the under-expenditure was due to factors beyond the control of the Department and accepts the Department's explanation.

(iii) Division No. 615/09 - Repairs and Maintenance -
Department of Interior.

Original Appropriation : £350,000.

Expenditure : £299,394.

144. Your Committee was informed that the under-expenditure of £50,606 was incurred after difficulties were encountered in executing repairs and maintenance at Phillip House, Australia House and Grace Building, Sydney; Bushells Court, Newcastle, 339 Swanston Street, Melbourne; offices in William Street, Perth and residences in isolated towns in the North-Western area of Western Australia. Exhibit No. 75/8

145. We were informed that, prior to the commencement of the external painting of Phillip House, a detailed examination of the walls had indicated a need for extensive repairs. In addition, the Department of Works had been informed in March, 1965 that a programme of repairs and maintenance planned for the offices of the Industrial Registrar's Branch in Phillip House was not to be commenced pending consideration of a proposal to move the occupants to other premises. The Attorney-General's Department did not advise the Department of Works that the work should proceed until 24th June, 1965. Exhibit No. 75/8 Q. 112

146. Mr. Munro stated that when the preliminary Q. 111 inspection of the walls of Phillip House had been made, no scaffolding had been erected and cracks in the walls had not been apparent during what was only a cursory examination. The defects in the walls had been discovered only when scaffolding had been erected to perform the work and closer examination indicated that expenditure of Exhibit No. 75/8

alternative sums of £34,000 and £52,000 would be required to effect repairs. The painting programme, for which £5,500 had been provided, was deferred accordingly.

147. It was indicated that tenders were not called for the external painting of, and repairs to, Australia House until March, 1965 as departmental officers were engaged upon an urgent defence requirement. When tenders were invited, no acceptable tender had been received and the expected expenditure of £19,300 was not realised during 1964-65. Exhibit No. 75/8

148. The evidence we received indicates that an initial failure to examine properly the external walls of the Grace Building also resulted in the deferment of the painting project due to circumstances similar to those surrounding the Phillip House programme. A closer inspection prior to commencing the work revealed that steel windows in the building were badly rusted and misshapen and that, as a result, the masonry had been damaged. restoration work would cost £20,000 but this proposal had been rejected and considerable investigations were taking place to ascertain whether there should be a major rehabilitation of the building. Exhibit No. 75/8
121, 122

149. We were informed that repairs and maintenance to Bushells Court, Newcastle were being carried out in conjunction with a major building project and expenditure had not been as high as the Department of Works had expected. In addition, the Department had submitted to the Department of the Interior proposals for the execution of certain work but the Department of the Interior had not accepted the proposals and agreement was not reached in time to allow expenditure to be Exhibit No. 75/8
Q. 123

incurred in 1964-65.

150. Mr. Munro informed us that the under-expenditure relative to repairs and maintenance at 339. Swanston Street, Melbourne had been incurred due to the continued occupancy of the building while the work was proceeding. Likely delays had been considered when the job was planned but the work still had not proceeded according to schedule. Q's. 124, 125

151. The William Street, Perth project involved roof repairs but, owing to the proximity of winter it was decided that the work would not proceed until the weather conditions became more favourable. Exhibit No. 75/8 Q. 127

Your Committee found this argument difficult to accept since funds would have been appropriated for the project toward the end of the 1964 winter and the city of Perth experiences a long, dry summer. Mr. Munro agreed that the work should have been commenced earlier but added that there existed a dearth of contractors in Western Australia for the particular type of work involved. By the time negotiations had been completed, the 1965 wet season was approaching. Q's. 127, 128

152. Certain aspects relative to this item have caused some concern to Members of Your Committee. We consider that the standard of inspection involved in the preliminary examination of the exteriors of Phillip House and Grace Building to be less than that expected in a Department responsible for the maintenance of Commonwealth property. More particularly, we do not appreciate why the condition of the windows at Grace Building was allowed to deteriorate to such an extent that substantial expenditure of taxpayers' funds will be required to repair consequential damage. Your Committee considers the Department of Works to have been seriously remiss in this matter.

153. A second feature of this item, which Your Committee feels to have more general application, is the failure of the Department to restrict the amount of funds sought in each year's Appropriation Act No. 1, when obviously the degree of expenditure which might be achieved in twelve months is not clear, and to seek funds in the Additional Estimates for the execution of work which the Department is firmly in a position to undertake. Your Committee feels that the adoption of such a procedure would avoid the premature appropriation of funds which eventually remain unutilised due to the deferment of a project and that, in this instance, the £50,606 underspent would have been usefully employed in other fields of public administration.

CHAPTER 11 - GENERAL

154. In its Sixty-Fourth Report, Your Committee stated that since 1952, particular attention has been devoted to a scrutiny of the Estimates and the related expenditure of the various departments. Previous Committees have enunciated clearly the reason for this. A poor standard of budgeting has wide ramifications, consequently it has not only been excess spending which has attracted criticism but the over-provision of funds has been highlighted as undesirable, misloading and, perhaps, unfair to other departments whose financial needs might not have been fully met. PF No. 43 of 1964.

155. Your Committee expressed the view in its Sixty-Fourth Report that this type of investigation may in future produce even more positive results if a restricted but typical sample of unsatisfactory estimating is taken for investigation purposes and, perhaps, the more concentrated inquiry would achieve the results which all Committees have sought - thus establishing the remedial action which is warranted. Consistent with this view Your Committee selected ~~twenty-six~~ Items for further examination compared with ~~sixty-four~~ Items examined in respect of the financial year 1963-64. PF No. 43 of 1964

156. In Chapter 7 of the Seventy-Fourth Report relating to expenditure from the Advance to the Treasurer, Your Committee referred to the unsatisfactory nature of the evidence that had been received during its inquiry into expenditure from the Advance to the Treasurer in 1963-64 and the development of a suitable pro-forma for use in connection with that inquiry in 1964-65. During the preparation of that pro-forma, Your Committee's staff proceeded concurrently to develop a further pro-forma for use in the examination of Items of expenditure where over-estimating had occurred. The use of these pro-forma's by departments provided Your Committee with information on a uniform basis and in each case showed the history of estimating and expenditure for a period of three years. This information proved to be of considerable value to Your Committee both at the stage of selecting Items for further examination and during those examinations in due course.

157. As this Report shows, there will always be explanations for variations from the estimate which, due to unforeseen circumstances, are acceptable. In the body of this Report, however, we have had cause, in many instances to draw attention to examples of unsatisfactory estimating where over-confident expectations have not been born out in reality.

158. Over the years Your Committee's attention has been drawn on a number of occasions to the efforts made by the Department of the Treasury to inform departments of the availability of Additional Estimates to meet expenditure which could not have been foreseen when the original estimates were prepared. As this Report discloses that a number of Departments have failed to make appropriate use of this facility, Your Committee would reiterate the following principles which it has also unincited in its Seventy-Fourth Report for the guidance of departments in the formulation of estimates :-

- (a) Each particular estimate should comprise a realistic assessment of the amount expected to be required, based on the information available to the Department when the formulation of estimates is being made.
- (b) Estimates should not make provision for proposals that are of such an uncertain nature that the Department is unable to determine whether payments, if any, will be made, and
- (c) Experience, wisely evaluated, should be used as the basis for formulating estimates relating to recurring expenses.
- (d) The use of the Advance to the Treasurer should be confined to those items of expenditure which could not have been foreseen in time for their inclusion in the Original or Additional Estimates.

For and on behalf of the Committee,

David Reid

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

Richard Cleaver
RICHARD CLEAVER
Chairman

Ivy Wedgwood

3rd December, 1965

RAILWAY STANDARDIZATION (SOUTH AUSTRALIA) AGREEMENT NO 83 OF 1949COMPARISON BETWEEN ACTUAL AND ESTIMATED EXPENDITURE FINANCIAL
YEAR 1964-65

	Original Estimate (April 1964)	Actual Expenditure	Under or Over
1. Surveys	£ 32,400	£ 44,256	+£ 11,856
2. Engineering	65,100	59,687	5,413
3. Land and Compensation	19,000	-	19,000
4. Clearing	4,000	-	4,000
5. Earthworks	455,000	109,978	345,022
6. Bridges and Culverts	256,500	70,794	185,706
7. Level Crossings	16,000	537	15,463
8. Fencing	5,000	-	5,000
9. Ballasting	364,140	39,608	324,532
10. Sloopers	496,580	534,494	+ 37,914
11. Rails and Fastenings	662,400	533,414	128,986
12. Tracklaying	300,410	114,305	186,105
13. Buildings	24,000	-	24,000
14. Roads etc.	19,000	-	19,000
15. Water services	3,000	-	3,000
16. Signals and Tolograph	10,000	690	9,310
17. Miscellaneous	10,000	2,942	7,058
18. Plant	116,670	109,033	7,637
Sub-Total	2,859,200	1,619,738	1,239,462
19. Rolling Stock			
(i) Construction Rolling Stock	103,000	95,540	7,460
(ii) Locomotives	231,000	192,836	38,164
(iii) Modification and Conversion	66,000	37,451	28,549
(iv) Purchase Components	505,000	-	505,000
	905,000	325,827	579,173
20. Port Pirie/Adelaide Survey	15,000	-	15,000
21. Advance	-	300,000	+ 300,000
GRAND TOTAL	3,799,200	2,245,565	1,553,635

RAILWAY AGREEMENT (WESTERN AUSTRALIA) NO. 67 OF 1961COMMONWEALTH PROPORTION (85%) OF EXPENDITUREFINANCIAL YEAR 1964-65

	<u>Original Estimate</u> (April '64)	<u>Actual Expenditure</u>	<u>Under or Over</u>
1. Surveys	£ 41,650	£ 50,683	+£ 9,033
2. Engineering	409,020	356,678	52,342
3. Land and Compensation	148,477	84,262	64,185
4. Earthworks	1,740,831	841,565	899,266
5. Bridges and Culverts	726,325	500,905	225,420
6. Fencing of Track	65,875	45,005	20,870
7. Ballasting	523,855	244,655	279,200
8. Sleepers	725,254	479,617	245,637
9. Rails and Fastenings	1,666,548	1,194,034	472,514
10. Tracklaying	556,113	141,139	414,974
11. Buildings other than W/Shops	51,000	3,403	47,597
12. Signals and Interlocking	318,750	2,886	315,864
13. Telegraph and Telephone Lines	113,050	13,186	99,864
14. Workshop Buildings	2,805	-	2,805
15. Machinery, Plant and Equipment	-	-	-
16. Miscellaneous	850	414	436
17. <u>Project Stores</u>			
(i) Construction	48,137	28,213	19,924
(ii) Equipment	1,700	1,824	+ 124
(iii) Staff etc.	2,975	4,402	+ 1,427
	7,143,185	3,992,871	3,150,314
18. <u>Rolling Stock</u>			
Engineering	2,550	-	2,550
Locomotives and Spares	127,967	177,392	+ 49,425
Passenger Vehicles and B/Vans	46,304	7,315	38,989
Wagons	317,195	274,970	42,225
Components	193,035	180,089	12,946
Sub-Total	687,051	639,766	47,285
19. Advance Working	-	500,000	+ 500,000
GRAND TOTAL	7,830,236	5,132,637	2,697,599
Estimate of Reimbursement from Commonwealth	7,500,000	5,132,637	2,367,363