

1966

DEPARTMENT OF THE SENATE	
PAPER NO.	4860
DATE	13 OCT 1966
PRESENTED	J.R. Odgers
Clerk of the Senate	

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

EIGHTY-FOURTH REPORT

EXPENDITURE FROM
CONSOLIDATED REVENUE FUND
FOR THE YEAR 1965-66

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

JOINT COMMITTEE OF PUBLIC ACCOUNTS

SIXTH COMMITTEE

R. CLEAVER, ESQUIRE, M.P. (Chairman)

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

SENATOR T. C. DRAKE-BROCKMAN (1)

SENATOR J. F. FITZGERALD

SENATOR J. J. WEBSTER (2)

SENATOR I. E. WEDGWOOD

J.S. COCKLE, ESQUIRE, M.P. (3)

D.E. COSTA, ESQUIRE, M.P. (4)

W. T. GIBBS, ESQUIRE, M.P. (5)

P. J. NIXON, ESQUIRE, M.P.

L. J. REYNOLDS, ESQUIRE, M.P. (6)

J. G. L. SEXTON, ESQUIRE, M.P.

R. H. WHITTORN, ESQUIRE, M.P.

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

- (1) Resigned 29th April, 1965
- (2) Appointed 29th April, 1965
- (3) Deceased 3rd August, 1966

- (4) Resigned 23rd March, 1966
- (5) Appointed 24th August, 1966
- (6) Appointed 23rd March, 1966

DUTIES OF THE COMMITTEE

Section 8 of the Public Accounts Committee Act 1954-1965 reads as follows :-

8. The duties of the Committee are -

- (a) to examine the accounts of the receipts and expenditure of the Commonwealth and each statement and report transmitted to the Houses of Parliament by the Auditor-General in pursuance of subsection (1.) of section fifty-three of the Audit Act 1901-1950;
- (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.

TABLE OF CONTENTS

<u>Chapter</u>		<u>Page</u>
1.	Introduction.	5
2.	Department of External Affairs	8
3.	Department of Housing	13
4.	Department of Immigration	17
5.	Department of Interior	19
6.	Department of National Development	24
7.	Department of Primary Industry	28
8.	Prime Minister's Department	33
9.	Department of Trade and Industry	37
10.	Department of the Treasury	40
11.	Department of Works	45
12.	General	53

* * * * *

JOINT COMMITTEE OF PUBLIC ACCOUNTSEIGHTY-FOURTH REPORTEXPENDITURE FROM THE CONSOLIDATED REVENUE FUND
1965-66CHAPTER 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 view that, if circumstances permitted, or appeared to make it desirable in future years, two separate inquiries would be held relating to those matters - the first to be confined to the expenditure from the Advance to the Treasurer and the second to be related to other expenditure from the Consolidated Revenue Fund against items authorized in the relevant appropriation Acts.

P.P. 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 years 1962-63 or 1963-64. Your Committee considered the question, however, in relation to its inquiry into the Consolidated Revenue Fund results for the financial year 1964-65 and felt that as some 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 the 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.

3. In approaching its inquiry into the Consolidated Revenue Fund results for the financial year 1965-66, Your Committee re-endorsed the principle adopted in respect of a single inquiry into the Consolidated Revenue Fund results, followed by two separate Reports.

4. Your Committee's Eighty-Second Report related to that aspect of the inquiry held in respect of expenditure from the Advance to the Treasurer in 1965-66. This Eighty-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. Each item appearing in the Estimates and Additional Estimates was scrutinized by Your Committee and a large number of written explanations was received from departments before the end of July. Your Committee selected twenty 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, 23rd August, 1966.

Monday, 29th August, 1966.

Tuesday 30th August, 1966.

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

Department of Customs and Excise

Mr. J. E. Walsh - Assistant Comptroller-General,
Management Services Branch

Department of External Affairs

Mr. K. G. Brennan - Senior Assistant Secretary,
Management Services Branch

Mr. E. H. Hanfield - Property Officer

Mr. R. E. Johns - Finance Officer

Mr. H. D. White - Assistant Secretary, External Aid Branch

Department of Housing

Mr. J. B. Elliott - Director of Finance

Mr. J. L. Eganuo - Assistant Secretary, War Service Homes

Department of Immigration

Mr. R. E. Armstrong - First Assistant Secretary,
Planning and Operations Division

Mr. T. T. McElroy - Finance Officer, Establishment
and Finance Branch

Department of the Interior

Mr. G. A. Bennett - Executive Officer, Police Force of the
Australian Capital Territory

Mr. H. W. Frankcom - Chief Property Officer

Mr. W. McGrogan - Assistant Secretary, Facilities Branch

Mr. R. Snellgrove - Chief Property Officer,
New South Wales Branch.

Department of National Development

Mr. W. Murphy - Finance Officer

Department of the Navy

Mr. H.G. Sforzina - Assistant Director of Naval Works

Department of Primary Industry

Mr. D. P. Cleary - Director, Management Services Branch

Mr. J. D. MacFarlane I.S.O. - First Assistant Secretary,
Export Inspection and Management Service
Branch

Prime Minister's Department

Mr. J. H. Scholtens C.V.O. - Acting Director, Establishments and Finance

Department of Trade and Industry

Mr. D. O. Dickinson - Assistant Secretary, Management Services

Mr. P. B. Doherty - Acting Finance Officer, Management
Services Branch

Department of the Treasury

Mr. R. J. Porriman - Director, Establishments and Finance
Division

Department of Works

Mr. E. B. Tate - Acting Assistant Director-General,
Works and Finance

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

Mr. A. K. Ragless	-	Audit Office
Mr. F. C. Nordeok O.B.E.	}	Public Service Board
Mr. G. N. Vanthoff		
Mr. G. J. Balfour	}	- Department of the Treasury
Mr. M. G. Cowie		
Mr. D. Hunter		
Mr. A. J. Pond		

9. The following ten chapters of the Report relate
to those items which were the subject of further examination
at the Public Inquiry.

CHAPTER 2 - DEPARTMENT OF EXTERNAL AFFAIRS

Division 165/5/01 : Administrative - International Development
and Relief - Economic Development under
the Colombo Plan.

Original Appropriation \$7,000,000 : Expenditure \$6,875,789

10. Your Committee's examination of this item of expenditure was prompted by the explanation tendered by the Department relative to the excess expenditures incurred under Item 165/5/03 on the Special Commonwealth - African Assistance Plan. In the explanation tendered in respect of that item it was stated that approval had been given to a call upon the Advance to the Treasurer to the extent of \$50,000 subject to the underexpenditure of an equivalent sum in the provision made for Economic Development under the Colombo Plan. Your Committee was primarily concerned over the situation in which funds appropriated by the Parliament for a particular purpose had apparently been redirected to another purpose as a result of a decision taken within a department of the Commonwealth Administration. We were reassured by Departmental witnesses and by the observer from the Department of the Treasury that our fears in this respect were unwarranted and that funds which unavoidably had remained unexpended under this item had been usefully employed to further the Government's intentions in respect of a similar project. Expenditure under both items had been subject to an overall global limit. Exhibit
84/1

Q.279

11. Your Committee accepts the explanations submitted by the Department of External Affairs and the Department of the Treasury.

(ii) Division 910/1/01 : Capital Works and Services - Burma.

Original Appropriation \$23,000 : Expenditure \$1,609

12. We were informed that the sum of \$23,000 sought in the Appropriation Act No. 1 was required to finance the purchase of security equipment to the value of \$200, a Landrover valued at \$2,800 and fees and the expenses of "site testing" in respect of the proposed erection of a new Chancery. Exhibit 84/2
13. It was stated that the sum of \$200, provided for security equipment, had not been expended due to the likelihood of a new Chancery being constructed and that the sum of \$2,800 provided for the purchase of a Landrover had not been required since it had been established that the account had been paid in the financial year 1964-65. Q.254 and Exhibit 84/2
14. Explaining the underexpenditure relative to the Chancery project, the Department informed us that the Ambassador's residence in Rangoon is property owned by the Commonwealth and is located on a site of $7\frac{1}{2}$ acres. The terrain is extremely steep and comprises a small plateau marked by gullies. In 1964-65 the Embassy, acting on advice from the Department of Works, arranged for earth works which provided sufficient level land to permit the construction of the Chancery and staff houses. As it was expected the documentation would be undertaken during the 1965-66 financial year, funds amounting to \$20,000 were sought in the Appropriation Act No. 1. We were informed, however, that major construction in Burma presents considerable difficulties due to the almost complete absence of design and construction facilities. The Department had believed earlier that a large architectural partnership established in Rangoon would accept a commission from the Commonwealth but the partnership had subsequently declined to do so. Discussions had then been entered into with another local architect but had not reached a satisfactory conclusion as a result of which it is now believed that the design of the project will need to be undertaken in Australia. Exhibit 84/2
15. We asked Mr. Brennan why, in the light of the uncertainties surrounding the construction of the Chancery, the Department had not deferred its bid for funds until the time of the Additional Estimates. Mr. Brennan informed us Q.256

that his Department had always regarded the Additional Estimates as being a source of funds to which recourse should only be made in the event of unforeseeable circumstances. The witness believed that if the Department had been aware of the Committee's recommendations in this respect at an earlier date a sum of \$20,000 would not have been sought in the original appropriation. However, it was indicated that the sum sought in the original appropriation for the current financial year had been restricted to \$3,400 and that any call for funds from the Additional Estimates would depend upon later developments in respect of the project.

16. Your Committee recognises that the delays in the construction of the Chancery project and the consequential failure to utilise the funds made available in the appropriation have been matters which were largely beyond the control of the Department. However, we would repeat the principle, enunciated in our Seventy-Fifth Report, that 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 during the financial year. We note in this respect that the Department has adopted a more cautious approach in the formulation of its Estimate of expenditure on this project during the current financial year.

F.P. No.
249 of
1964/65

17. Notwithstanding our acceptance of the Department's statement concerning the major aspect of underexpenditure, Your Committee is manifestly dissatisfied that our inquiries into the financial administration of this Department should again reveal that funds have been sought to pay an account (viz. the purchase of a Landrover) which the Department believed to be outstanding but which in fact had been discharged in a previous year. The Department of External Affairs was the subject of adverse comment in our Seventy-Fifth Report due to its similar failing during the 1964-65 financial year. In the light of other evidence received by Your Committee, we concede that the Department's difficulties have been occasioned in many respects by a deficient staff structure. However, the practice of revoting paid accounts is an error of commission, not one of omission prompted by staff shortages, and we believe that this further instance of a type of error, which has previously prompted adverse comment, reflects adversely on the financial administration of the Department.

F.P. No.
249 of
1964/65

(iii) Division 910/1/08 : Capital Works and Services - Pakistan

Original Appropriation \$28,600 : Expenditure \$14,086

18. The Department informed us that the total sum appropriated to this item had been made up by sums of \$2,050, being the cost of a station wagon, \$10,550 for the purchase of land in Islamabad and \$16,000 being the cost of a temporary fence, site testing and plans for a building project in Islamabad. We were informed that the Government of Pakistan had agreed to lease to the Australian Government certain lots within the diplomatic enclave in Islamabad on the basis of reciprocity with terms similar to those granted to Pakistan in respect of their High Commission in Canberra. An officer of the Department of Works had visited the site and, as a result of his recommendations, two adjoining plots had been purchased at a cost of \$10,549. Exhibit
84/3

19. It was stated that the form of lease prepared by the Pakistan Government was unacceptable to the Commonwealth and protracted negotiations had been necessary to ensure a full degree of reciprocity between the two Governments. As a result of this delay, the amended lease had not been signed until March, 1966 and this factor, together with uncertainty which had arisen as to the amount of office space which would be required, had resulted in the provision for the development of the site remaining largely unexpended. Exhibit
84/3

20. The Department also informed us that during May, 1966 a senior architect of the Department of Works had visited Islamabad to determine the nature of investigations which should be undertaken, to advise on the temporary fencing of the site and to collect technical information relevant to preliminary planning for the construction of a Chancery and a residence. The Department expected that the work would be undertaken during the 1966-67 financial year. Exhibit
84/3

21. Your Committee noted that this item had been the subject of examination during our enquiry into expenditures from the Consolidated Revenue Fund during the year 1964-65, the results of which were reported to the Parliament in our Seventy-Fifth Report. At the time of that enquiry, no indication had been given to Your Committee of any difficulty encountered by the Department in respect of the plots of land originally acquired. P.P. No.
249 of
1964/65

We noted that these previously unmentioned difficulties had contributed to a further delay in the progress of this project and that the Department could not specify a date by which it would be completed. The uncertainty existed despite the fact that the proposed expenditures had been approved for inclusion in the 1964-65 estimates as a result of discussions held in the financial year 1963-64.

Q.265

22. Your Committee does not accept as satisfactory the explanations tendered by the Department in respect of the under-expenditure of funds provided for the Islamabad construction project. A sum of £2,500 was appropriated in respect of the project in August, 1964, but no expenditure was incurred. In August, 1965, a sum of £16,000 was appropriated to the project but the Department appears to have only spent \$1,586. Your Committee notes that, despite these earlier delays, and the failure to expend funds appropriated to the item, it was not until May, 1966 that a senior architect from the Department of Works visited Islamabad to undertake the basic task of determining what investigations might be necessary in respect of the site. Your Committee believes these delays to have been the result of the Department's failure to adopt a more vigorous course of action in order to overcome minor delays encountered during the transaction and Your Committee does not readily accept evidence that a period of at least nine months should have elapsed while a lease, satisfactory to the Australian Government, was being formulated. We are dissatisfied that the Department, apparently, has undertaken so little planning in respect of the project that even by this late date, it cannot specify a time by which the project will be completed. We believe that the management of this project has provided an example of the very type of administration against which a Public Accounts Committee must guard. The need for the proposed buildings is an established fact as evidenced by the appropriation of funds for their construction. Accordingly we expect the Department to take positive steps to have the project implemented within the current financial year, or alternatively, to be in a position to show by the time of our next review of expenditure from the Consolidated Revenue Fund that any failure to undertake the project has been due to circumstances beyond the Department's control.

CHAPTER 3 - DEPARTMENT OF HOUSING

Division 260/4/01 : Administrative - Relief Services - Payments to
the Credit of the War Service Homes Relief Trust
Account

Original Appropriation \$100,000 : Expenditure \$74,767

23. The Department informed us that provision is made under the War Service Homes Act for the payment of the cost of repairs, rates and taxes, roadmaking, sewerage and other outgoings on the property of a widow, or a widowed mother of an Australian soldier, or by the wife of an Australian soldier, who is temporarily or permanently insane. Provision is also made under sections 29AA and 39A to permit the Minister to reduce the repayment of instalments where, in her opinion, payment of the full amount of the instalment would cause hardship. The Act does not empower the Minister to waive the repayment of any assistance granted under the Act, but the scheme, known as the Widows' Relief Scheme, ensures that no widow will lose her War Service Home through her inability to meet commitments thereon.

Exhibit
84/4

24. The assistance granted to a widow as relief becomes a charge upon the property and is repayable when the principal debt is discharged upon the sale of the home or upon the death of the widow. It was stated that the actual expenditure during the year 1965-66 amounted to \$117,588 from which, however, there had been deducted a sum of \$42,821 representing repayments of relief previously granted. Those receipts had been offset against expenditure before the Parliamentary Appropriation from revenue was utilised.

Exhibit
84/4

25. It was stated that the Departmental estimates of expenditure are based each year on commitments related to approximately 680 cases in respect of which relief is being provided and that a further margin is sought in order to meet relief payments which might be approved by the Minister during the year. The Department informed us that some difficulty is experienced in arriving at an accurate estimate of expenditure each year as the amount involved fluctuates between wide margins due to the variations in the amount of relief granted in individual cases, the number of homes being purchased by widows and the number of deaths amongst those who have received relief. Repayments over the last three years amounted

Exhibit
84/4

to \$27,893, £32,709 and £42,821 and, if these amounts had not been received, the appropriation would not have been sufficient to meet expenditure in each year. However, in 1965-66 the actual expenditure of £117,588 was £13,832 less than estimated while the actual recoupments amounted to £11,401 more than the estimate of £32,420.

26. Your Committee noted that the Department's difficulty in arriving at a precise estimate of expenditure appeared to arise from the present system of accounting for relief payments. The evidence revealed that the Department was expected to produce a nil balance in the War Service Homes Relief Trust Account at the end of each year and that, in endeavouring to do so, the Department was obliged to estimate the likely extent of both expenditure and receipts in order to calculate the net sum to be sought in the appropriation. This evidence prompted Your Committee to seek from the Department its authority to use the moneys repaid to the Department and why the receipts were not paid to revenue. We also sought an explanation as to why the appropriation was not paid in toto to the trust account and, as a nil balance was reflected at the end of each year, why the funds were administered through the medium of a trust account at all. Mr. Elliott informed us that the Department's authority to utilise the receipts was based on an annual direction by the Department of the Treasury of which the earliest record that the Department could find was dated 27th May, 1941. In a letter addressed to the Commissioner of War Service Homes, the Department of the Treasury had stated that the amount to be transferred from the appropriation should be a sum equal to the actual expenditure on relief less the receipts in the War Service Homes Trust Account. Similar directions had been received by the Department in each year since that date and therefore was an established practice. However, the Department was unable to locate a record of the original direction by the Department of the Treasury relative to the disposition of receipts in the War Service Homes Relief Trust Account. Q.285 Q.288

27. In a subsequent submission the Department of the Treasury informed Your Committee that the arrangement to utilise the receipts of the War Service Homes Relief Trust Account apparently followed the arrangements relative to the War Service Homes Trust Account. The available Treasury records indicated that the arrangements were being effected as early as the financial year 1918-1919 and it appeared that a policy decision had been taken during that period to the effect that the appropriations would be used only to the extent necessary to meet net expenditures. In the absence of specific documentation on the matter, the Department of the Treasury believed that the method of operating the War Service Homes Relief Trust Account followed from the established practice in administering the War Service Homes Trust Account.

Committee
File
1966/2

28. Referring to the question of whether a trust account was the most appropriate method of financial administration under the item, the Department of the Treasury stated that, following Your Committee's Thirty-Fourth Report, the War Service Homes Division, in consultation with the Department of the Treasury, had undertaken a detailed examination of the operations of the War Service Homes Trust Account. As a result of the examination, and the amendments to the National Debt Sinking Fund Act 1923-1959 currently being considered by the Parliament, proposals are well in hand for amendments to the War Service Homes Act which will involve, inter alia, the closure of the War Service Homes Trust Account and the accounting for these operations through appropriations and heads of receipt. Because of the similarity between the accounting for the transactions of the two trust accounts, the closure of the War Service Homes Relief Trust Account will now be considered concurrently with the proposal to close the War Service Homes Trust Account.

Committee
File
1966/2

29. Your Committee notes that the Department's difficulties in arriving at an accurate estimate of expenditure under this item had been largely due to the uncertainties surrounding the extent of likely receipts and payments. We recognised that the abolition of the trust account method of control, and its attendant obligation to estimate the net sum required in an appropriation, will not entirely obviate the Department's difficulties but we believe that under the

revised arrangements, appropriate use should be made of the Additional Estimates. In the light of the circumstances revealed in evidence, Your Committee accepts the explanations in respect of the underexpenditure and trusts that the Department has been assisted as a result of our inquiry.

CHAPTER 4 - DEPARTMENT OF IMMIGRATION

Division No. 286/2/07 : Migration Office, Kingdom of Greece -
Administrative Expenses - Furniture
and Fittings.

Original Appropriation £7,600 : Expenditure £3,365

30. The Department stated that provision had been made under this item for the acquisition of furniture and fittings to be installed in Australian Migration Offices and leased residences in Greece. The sum of £7,600 had been sought in order to establish three regional offices at a cost of \$3,200 to acquire air conditioners for the leased accommodation at a cost of £3,600 and to provide medical equipment for the Athens office valued at £700. We were informed that the provision of air conditioning in the office premises had previously been approved by the Public Service Board and that the amount of £3,600 for the air conditioning of the residential accommodation had been included in the 1965-66 Estimate in the expectation that provision of the equipment would also be approved by the Public Service Board. However, the Board had considered that the provision of air conditioners in the Departmental residences was not justified and this decision had resulted in the underexpenditure of funds provided. Mr. Armstrong indicated that the fault lay within the Department in seeking funds and installing the equipment before the approval of the Board had been obtained.

Exhibit
84/5

Q.358-
Q.360

31. Referring to the provision of £700, which had been made for medical equipment, the Department stated that it had been intended to purchase six medical examination couches, but that, as a result of negotiations with the Treasury and the Department of External Affairs, the couches had been purchased by the latter Department. This arrangement had resulted in the underexpenditure of £437 in the provision sought by the Department of Immigration.

Q.361

32. Your Committee finds the Departmental explanations to be unsatisfactory. We believe that the underexpenditure incurred under this item was due to an apparent lack of adequate financial planning within the Department and we suggest that the evidence does not reflect favourably upon the Department.

(ii) Division 289/2/07 : Migration Office, Lebanon -

Administrative Expenses- Furniture and Fittings

Original Appropriation \$7,800 : Additional Appropriation \$130

Expenditure \$660

33. The Department informed us that provision had been made under this item in order to purchase furniture to replace items on hire in the Migration Office and staff residences in Lebanon. However, it became necessary to withhold approval to purchase the bulk of the furniture and fittings because of uncertainties surrounding the prospect of the continued operation of the Migration Office. The question was not resolved in time for the funds to be utilised in 1965-66 and expenditure was therefore incurred on minor items or other requirements.

Exhibit
84/6

34. After considering the evidence tendered by the Department, Your Committee is satisfied that the underexpenditures were incurred due to circumstances beyond the control of the Department and we accept the explanation.

CHAPTER 5 - DEPARTMENT OF THE INTERIOR

Division No. 689/-/- : Acquisition of Sites and Buildings -
Department of the Navy.

Original Appropriation £446,000 : Expenditure £301,589

35. The Departmental submission stated that the sum of £144,411, which remained unexpended in the vote at the end of the financial year was largely attributable to transactions involving accommodation requirements of the Department of the Navy in Sydney and the acquisition of a naval gunnery test fuse firing range at Port Wakefield in South Australia. Exhibit 84/7

36. The Department stated that underexpenditure of £122,460 had resulted from a failure to arrange settlement by 30th June, 1966, in respect of the purchase of a block of flats in Randwick, Sydney. When the item was programmed, extensive enquiries had been made through firms specialising in home unit sales, and after consultation with naval authorities, it was finally determined that a projected block of nine three-bedroom flats was best suited to meet Commonwealth requirements. Exhibit 84/7

In February, 1966, the owner-builder confidently expected completion of the project before 30th June, 1966, but the project was delayed due to certain planning variations which were insisted upon by municipal authorities. A further delay was occasioned by negotiations with the owner in order to secure legal rights over a right of way. Each of these factors contributed to the Department's inability to complete the transaction by 30th June of the financial year. Q.389

37. We were informed that a further sum of £11,050 had remained unexpended as a result of satisfactory negotiations involving the acquisition of 36 married quarters for naval officers at various points throughout Sydney. Exhibit 84/7

38. In response to questions as to why the Department of the Interior had failed to utilise the Additional Estimates in the light of uncertainties surrounding the acquisition of properties for the Commonwealth, Mr. Snellgrove indicated that the market situation in New South Wales does not provide his Department with the opportunity to undertake negotiations for the acquisition of properties and to then Q.391

delay the completion of the transaction until such time as funds are made available. Many of the buildings of the type required by the Commonwealth were erected by builders who commenced to dispose of the completed structure almost from the planning stage. The Department was therefore obliged to find a builder who was about to erect a block of flats and to then suggest to him that, if the structure complied with departmental requirements, a recommendation would be submitted that the block of flats should be acquired by the Commonwealth.

39. Explaining why the Department did not utilise tender procedures, Mr. Snellgrove informed us that the calling of tenders for the construction of a block of flats was not within the province of his duties, being a matter for the Commonwealth Department of Works but, apart from this division of responsibility, the present system of bidding on the market provided a faster means of acquiring accommodation facilities. On the other hand, the state of the property market was not conducive to the calling of tenders for accommodation which was vacant and awaiting sale. Most blocks of flats were sold on a strata basis and the Department usually found that some of the titles in any block had previously been sold and that the Commonwealth was only in a position to buy the remainder; however, this form of acquisition was not acceptable to the Department.

Q.422 -
Q.429

40. Referring to the acquisition of the naval gunnery test fuse firing range, the Department stated that the site requirements had been received from the Department of the Navy towards the end of 1965. Test firings had taken place in January, 1966, but it was necessary to complete the firings before firm negotiations could be commenced as the tests were concerned mainly with the moisture content of the soil which could affect electronic apparatus and cause considerable technical difficulties. It was not until February, 1966, that the Department of the Navy was able to advise the most suitable site as a result of the tests but further delays were engendered by the difficulty in surveying the area (which had subsequently increased from 1,200 acres to 1,530 acres) because of limited survey staff, the difficult terrain to be surveyed and the involvement of several separate interests in the land to be acquired. Consequently, the survey was not completed until early June 1966, although the values of all properties concerned have been since assessed. One claim still required further negotiation but all the others were expected to be settled early in the financial year 1966-67.

Exhibit
84/7

41. We were informed that a sum of £8,000 had been provided as the estimated price of acquisition for the 1,200 acres but that the sum had eventually reached a level of £16,500. Mr. Frankcom explained that the site eventually chosen was different to the site originally proposed but that neither the Department of the Interior nor the Department of the Navy knew precisely, at the time the estimates were prepared, which area would be the most suitable venue for the range. At the time the estimates were prepared the Department of the Interior had been in no doubt that the sum provided would be required for expenditure, but until the tests were completed no precision could be attached to any determination as to which property would be acquired. Q.401 Q.409 Q.410

42. Referring generally to the property acquisitions on behalf of the Defence Services, the Treasury Observer, Mr. Pond, stated that the amount of money set aside for the acquisitions formed part of the proposed defence expenditures which were subjected to an overall global limitation. It was important that the Government should be precisely aware of the extent of the funds to be sought from the Parliament at the beginning of a financial year. The particular acquisitions which had been subject to inquiry had been reasonably clear for the purpose of programming when the estimates had been formulated but the events which had taken place subsequently had not been foreseen at that time. Q.439

43. Your Committee is aware that the total defence vote forms such a significant part of the Government's annual budget that it is essential to ensure that the sum total to be provided should be assessed with a degree of accuracy which will obviate any necessity to significantly augment the sum appropriated at a date later in each financial year. This arrangement must inevitably result in the appropriation of funds which cannot, for one reason or another, be expended in the year for which they are appropriated but we believe that the explanations tendered by the witnesses in respect of property acquisitions would not be acceptable from Departments outside of the defence group which are not subject to global limitations of expenditure. Although not satisfied with the situation revealed in evidence, but which was made necessary by the present defence funding arrangement, Your Committee accepts the explanations received.

(ii) Division No. 855/2/06 : Australian Capital Territory Police -
 Administrative Expenses - Clothing and
 Equipment

Original Appropriation \$29,000 : Additional Appropriation \$6,600 :
 Expenditure £22,712

44. The Department informed us that the sum of \$6,600 had been acquired to meet the cost of uniforms for the occupants of sixteen newly created positions of constable and to cater for the increased cost of clothing, the replacement of unserviceable equipment and to meet additional costs incurred in the transfer of officers between sections. We were also informed that stocks of clothing and equipment had not been available when required and an investigation had established that a breakdown in procedures had occurred relative to the procurement of supplies and in the administration of contracts. A large order for overcoats and capes involving a sum of approximately £7,000 had been mismanaged and stocks of equipment had not been properly maintained. The Department had undertaken corrective action on becoming aware of the situation but insufficient time had remained in which to bring the charges to account in the financial year 1965-66. It was stated that the breakdown in stores control procedures would have been avoided if there had been a more adequate degree of supervision in respect of the stores control work; however, remedial measures effected included the appointment of an Administrative Officer at a reasonably senior level and more adequate supervision was now being exercised. Exhibit
84/8

45. Mr. McGregor indicated that, when the additional sum of \$2,600 had been sought in the Additional Estimates, expenditure from the original provision had reached a level of only £6,437 although the Department had entered into commitments to the extent of a further £7,500. The underexpenditures had occurred due to the Department's failure to recruit the sixteen additional constables in sufficient time to expend fully a sum of £4,000 which had been provided for the acquisition of uniforms and equipment. In addition, however, a further sum of £7,500 had remained unexpended due to the Department's failure to order the buttons, shoulder flashes etc. on overcoats which were to form part of the annual police issue. Mr. McGregor Q.444

Q.443

Q.448

summarised the position by informing us that the failure to expend the sum made available for the purchase of uniforms was due to bad management while the remainder of the funds were unexpended due to the Department's inability to recruit the required number of new members of the Police Force.

Q.449

46. Your Committee concedes that the failure to recruit the required numbers of new officers was a matter largely beyond the control of the Department but we cannot excuse the Department's underexpenditure on clothing or accept the suggestions that the fault could be attributed to a storeman's failure to discharge his duties properly. Your Committee notes, however, that remedial measures have been effected to avoid any future mismanagement of stores and we trust that it will not be necessary to examine the Department again in this respect.

CHAPTER 6 - DEPARTMENT OF NATIONAL DEVELOPMENT

Division No. 340/2/03 : Administrative - Administrative Expenses -
 Postage, telegrams and telephone services.
 Original Appropriation \$49,000 : Additional Appropriation \$8,000 :
 Expenditure \$49,322

47. The Department informed us that at the time the Additional Estimates were formulated, it had been estimated that expenditure on telephones by 30th June, 1966 would reach a level of \$30,500. It was expected that the cost of the telephone installations in newly occupied premises would amount to \$5,700 and that the account would be received and paid by 30th June, 1966. However, despite the fact that the work had been undertaken in October, 1965, the account had not been received by mid-July, 1966. The Department also informed us that accounts for the rental of equipment and for telephone calls were expected to total \$38,600 for the year 1965-66 but that the accounts received in time for payment totalled only \$35,800, while, during the same period, expenditure on teleprinter equipment and postages amounted to a sum \$820 in excess of the revised estimates. The net result of the sum of these variances had resulted in an underexpenditure of \$7,678. Exhibit
84/9

48. Mr. Murphy indicated that some difficulty had been occasioned by the Department's transfer to Canberra and the amalgamation of the Melbourne based staff with the Canberra staff. Furthermore, when the Additional Estimates were being prepared, the Department had contacted the Postmaster-General's Department and, as a result of the discussions, it appeared reasonably certain that the accounts for installation and rental of equipment in the new premises would be received by the 30th June. Mr. Murphy admitted, however, that no approach had been made to the Postmaster-General's Department in order to acquire the outstanding accounts as it was not a practice within the Department to do so. Another factor that was pertinent to the underexpenditure was the advice which he had received in June Q.467

from an officer of his staff as a result of which he had assumed that the estimate of expenditure would be exceeded and that it might be necessary to seek funds from the Advance to the Treasurer.

49. Your Committee finds the Departmental explanation to be unsatisfactory and we do not accept the suggestion that it should not be incumbent upon a Department to seek out its creditors. In addition, we believe that senior officers, charged with the responsibility of administering departmental expenditures, should make inquiries to an extent sufficient to satisfy themselves personally as to the state of appropriations under their control during the closing weeks of a financial year.

(ii) Division No. 874/2/07 : Forestry (Northern Territory) -
Administrative Expenses - Aerial
Photography

Original Appropriation £14,600 : Expenditure £5,534

50. The Department informed us that in 1965-66, provision had been made for two contracts for mapping areas in the Arnhem Bay district in the Northern Territory. The work was to be undertaken in two parts, viz., the preparation of slotted templates at an estimated cost of £4,400 and the photo annotation, compilation of base sheets and plotting of map details at an estimated cost of £4,600. The balance of the appropriation had been sought in order to effect payments on a contract let in 1964-65 for the mapping of other forest areas in the Northern Territory. Exhibit
84/10

51. It was stated that discussions on the detail of work to be included in the contracts commenced late in July 1965 between the Forestry and Timber Bureau and the Division of National Mapping. The specifications necessary for the preparation of the first contract were forwarded to the Directorate of Contracts in November, 1965 with a request that tenders be called and the contract was signed in April, 1966. Exhibit
84/10
However, the work had not been completed in a satisfactory manner by 30th June, 1966.

52. In response to questions relative to the delay between the time discussions were held in July, 1965 and the date in April, 1966 when the contract was signed, Mr. Murphy informed Your Committee that the section of the Division of National Mapping dealing with this type of aerial photography is located in Melbourne. It had been necessary to assemble approximately 2,500 aerial photographs and to acquire other technical data with the result that it was not until 1st November, 1965, that the Division of National Mapping had forwarded the draft specifications to the Forestry and Timber Bureau for approval. A further delay was occasioned by additional work required by the Forestry and Timber Bureau with the result that tenders for the contract were not called until December, 1965. The tenders closed in February, 1966 and, after examination by officers of the Division of National Mapping, an indication was given to the Directorate of Contracts as to the tender which was most acceptable to the Department. Thereafter Q.513-
Q.514

the contract was signed on the 15th April, 1966. Mr. Murphy informed us that it was not usual for such a long period to elapse while preliminary work relative to the letting of a contract was being undertaken. However, in this instance some of the necessary technical data had to be acquired by physical observations in a difficult area of the Arnhem Land Peninsula. Q.515

58. We were also informed that in view of the shortfall in expenditure in each of the financial years in which provision had been made for expenditure on aerial photography, a more conservative approach had been made in the estimates for 1966-67. Although provision would be made to incur liabilities of £9,000 in respect of the two contracts, the appropriation sought was to be limited to £4,600. If better results were obtained in the current financial year, the machinery of the Additional Estimates would be used to secure additional funds. Q.516

54. Your Committee notes the extent of the preliminary work required prior to the letting of contracts and the difficulties associated with the acquisition of technical data by physical observations which were undertaken in Arnhem Land. Notwithstanding the explanations we received relative to the separate procedures which had to be completed prior to the signing of the contract, Your Committee doubts whether it was necessary for such lengthy periods to elapse between each step in the arrangements. For example, the draft specifications relative to the first contract were sent by the Division of National Mapping to the Forestry and Timber Bureau on 1st November, 1965 but it was not until December that tenders were called. Thereafter a further delay occurred until the contract was signed on the 15th April, 1966.

55. Your Committee notes that a more conservative approach has been adopted by the Department in the preparation of estimates of expenditure under this item for the year 1966-67. We believe this conservatism should have been prompted earlier by the history of underexpenditure under this item and we trust that a repetition will not occur in future years.

CHAPTER 7 - DEPARTMENT OF PRIMARY INDUSTRY

Division 383/2/03 : Administration of the Commerce (Trade Descriptions)

Act - Administrative Expenses - Payments to
States for Services in connection with the
Inspection of Primary Products

Original Appropriation £472,000 : Additional Appropriation £10,000
Expenditure £436,098

56. We were informed that the inspection for export purposes of many primary products such as fruit, vegetables, grain and timber is carried out by State Departments on behalf of the Department of Primary Industry and that the States are reimbursed by the Commonwealth for the additional costs incurred in performing the work. Exhibit
84/11

57. It was stated that seasonal conditions exert a major influence on the extent of the inspection work performed by officers of the State Departments and consequently upon the extent of the reimbursement made to those officers. Estimates of expenditure by the State Departments on inspection services were sought when the Department of Primary Industry was formulating its original estimates for the financial year 1965-66 and, at the time the Additional Estimates were prepared, the State Departments were asked to revise the estimates which they had previously submitted. On the basis of the advice received, a further sum of £10,000 was sought in order to meet expected claims which would be rendered in the remainder of the financial year. Exhibit
84/11

58. Although all States were reminded early in June, 1966 to submit their claims for reimbursement as early as possible one claim from the Department of Health, Brisbane, to the value of £13,138 was received too late to be processed through the Commonwealth accounts by 30th June, 1966 and was paid on the 4th July. Another claim from the Department of Primary Industry, Brisbane, amounting to £12,186 was received in sufficient time for payment to be effected but, due to an oversight in the accounts branch in the Commonwealth Department, it was not paid before the end of the financial year. Exhibit
84/11
& Q.533

59. We were informed also that the actual expenditure recorded against this item had been inflated to the extent of £9,690 as a result of the incorrect posting of accounts. The error had not been revealed until after the 30th June, 1966 Q.535

when it was established that the expenditure properly recorded against the item had amounted to only £426,408 leaving a sum unexpended of £55,592.

60. It was stated that another major factor which contributed to the underexpenditure was the extent of drought conditions which resulted in a reduction in the grain submitted for export inspection. The position was very marked in New South Wales and Queensland and led to the States' expenditure on grain inspection being reduced below the sum estimated by approximately £20,000. In addition a claim for reimbursement by the Department of Health, Queensland, for analytical work performed by the Queensland Government Chemical Laboratory was £4,900 less than the estimate for the year while the Tasmanian Department of Agriculture was able to effect savings of £5,000 during the year. Exhibit
84/11

61. Referring to the indications of a degree of inefficiency Q.542 within the Departmental accounting branch, Mr. MacFarlane informed us that since January, 1956, when the former Department of Commerce and Agriculture was abolished and the Departments of Trade and Industry and Primary Industry were established, the two Departments had been financially administered through the medium of one accounts branch. In the last few years, and consequent to the diversification of the functions of the two Departments and the substantial increases in staff, some difficulty had been experienced because the administrative organisation had not been strengthened to an appropriate extent. Discussions had taken place recently with officers of the Department of Trade and the position was being examined in order to determine whether an accounting branch should be established within the Department of Primary Industry. The present organisation does not provide for the employment of officers of a status and degree of experience appropriate to their responsibilities and this factor, together with a rapid turnover of staff, provided a situation in which the Department simply did not have the facilities to handle the multiplicity of accounts at the level expected of it.

62. Your Committee notes that the Department's difficulties have been prompted by both the necessity to rely upon the estimates of external organisations and the existence of an apparently inadequate staff organisation. We trust that as a result of evidence

tendered by the Department, the attention of State Departments will be invited to the Department's need for a maximum degree of co-operation and that some sense of urgency will attach to the joint deliberations on the future accounting arrangements which might be effected in the Department of Primary Industry.

(ii) Division No. 383/2/07 : Administration of the Commerce (Trade Descriptions) Act - Administrative Expenses - Incidental and Other Expenditure
Original Appropriation £43,000 : Additional Appropriation £15,500 :
Expenditure £47,008

63. We were informed that provision is made under this item to meet such varied expenses as the purchase of protective clothing for meat inspectors, removal expenses, advertising, stationery, and subscriptions to periodicals in connection with the inspection services provided in the administration of the Act. It was stated that the failure to expend fully the available funds was brought about by accounting errors in the costing of expenditure and the non-receipt of accounts for the printing of books and forms by the Government Printer. On the basis of recorded expenditure and known commitments existing at the time the Additional Estimates were prepared, funds to the extent of £15,500 had been sought in the Appropriation Act No. 3. However, it was later established that an amount of £5,762 had been debited against the item instead of against item 380/2/07. Although entries correcting the accounting error were processed by the 30th June, 1966, the apparent increased rate in expenditure had prompted the Department to seek further funds in the Additional Estimates. Exhibit
84/12

64. Referring to the non-receipt of accounts from the Government Printer, the Department stated that substantial orders for printed forms had been placed in the second half of the financial year. However, due to the heavy demands being made upon the Government Printer, some of the orders to the value of £5,600 could not be fulfilled by the end of 1965-66. Exhibit
84/12
Mr. Cleary admitted that the Department had made no inquiry at the time the orders were placed as to whether the Government Printer would be able to satisfy the requirement before the end of the financial year; most of the orders had been placed between 2nd and 8th March, 1966, and the Department's previous experience in dealing with the Government Printer had not suggested that the order would not be satisfied.

65. Your Committee does not condone the error made by the Department in incorrectly debiting this item with a charge which resulted in a request for additional

funds but we have noted earlier in our Report the Department's difficulties prompted by the existing accounting arrangements. We also believe that the Government Printer's inability to meet the Department's order for printing services was an unusual circumstance and we accept the Department's explanations.

CHAPTER 8 - PRIME MINISTER'S DEPARTMENT

Division No. 407/2/12 : High Commissioner's Office, United Kingdom -
 Administrative Expenses - Incidental and
 Other Expenditure
 Original Appropriation £68,000 : Additional Appropriation \$18,400 :
 Expenditure \$50,971

66. The Department informed us that the primary amounts Exhibit
 involved in the total undorexpenditure of £35,429 were sums of 84/13
 \$1,505 relative to the transfer of the effects to London of the
 new Deputy High Commissioner, £10,000 which had been provided
 as a fee for the survey of Australia House, \$6,269 in
 connection with the lease of Canberra House and \$15,870 which
 had been provided for survey and legal fees in connection with
 the sub-letting of 186 Strand, Aldwych and four floors of
 Canberra House.

67. It was stated that when the estimates were prepared Exhibit
 a provision of £2,704 had been made for the transfer of the 84/13
 effects of the new Deputy High Commissioner to London and the & Q.548
 return of one officer to Australia. The new Deputy High
 Commissioner was not appointed until 12th March, 1966 and left
 Australia by air on 1st April, 1966. However, the accounts for
 both the airfreight and seafreight on his effects had not been
 received by the 30th June, 1966.

68. We were also informed that when it was decided to Exhibit
 lease the premises known as Canberra House in order to replace 84/13
 offices situated in Aldwych, 186 Strand and in garages in Soho, & Q.550
 it was also decided that a feasibility study on the future of
 Australia House should be undertaken, and a sum of £10,000 was
 included under this item to cover surveyors' and technical
 advisers' fees. The study had been prompted by the fact that
 Australia House had been built many years previously and the
 increased number of staff employed had been reflected in
 the less efficient use of available office space. The
 feasibility study, which had been designed to establish the
 best means of utilising the available space, had subsequently
 been abandoned upon the resignation of an officer from the
 Prime Minister's Department who had been appointed Chairman
 of the Feasibility Committee in Australia.

69. Explaining the underexpenditure of £6,269 relative to the survey fees in connection with the lease of Canberra House, the Department informed us that the unexpended sum represented the balance of a fee of £25,075 agreed for the negotiation of the lease. Part of the fee was paid after the lease was signed and the remainder was to be payable six months later upon receipt of a completion certificate from the surveyors. At the time the estimates were prepared it was expected that the Commonwealth would assume control over Canberra House towards the end of July, 1965 but, due to the need to remedy a number of defects, the buildings were not handed over until 29th September with the result that a six months maintenance period did not expire until 29th March, 1966. However, by 30th June, 1966 the surveyors had neither issued their completion certificate nor lodged a claim.

Exhibit
84/13
& Q.552

70. Your Committee was also informed that, apart from the £25,075 provided for the negotiation of the lease, the rental to be paid for the lease of Canberra House is in the order of £500,000 per annum. We therefore asked what consideration had been given to the purchase, rather than the lease, of property and we were informed that it was extremely difficult to acquire freehold titles in the area adjacent to Australia House.

Q.552

71. Explaining the reference to the underexpenditure of £15,870 in connection with survey and legal fees to be incurred prior to the sub-letting of premises in the Strand, at Aldwych and on four floors of Canberra House, the Department stated that some difficulty had been encountered in arranging the sub-letting of the former premises but negotiations for the sub-letting of three floors of Canberra House were well advanced although lease agreements had not been signed. We were also informed that the leases in respect of the premises situated in the Strand and at Aldwych do not expire until 1969 which prompted Your Committee to ask why, in the light of the difficulty in finding suitable sub-tenants, the Department could not endeavour to continue in occupancy until the end of the lease period. In a subsequent submission the Department informed us that, between 1960 and 1965, the number of established positions on the staff of the Australian High Commission in London increased from 760 to 869. The latter figure was made up of 624 officers accommodated at Australia

Q.592

Committee
File
1966/2

House, 218 in the Strand premises, 12 in Aldwyoh House and 15 in Africa House. Although office accommodation in Australia House and in the Strand had become seriously overcrowded, provision had to be made for an additional 60 positions to meet the demands of the larger programme of British migration to Australia. It was suggested that the extent of overcrowding could be gauged from the formula that the average standard of office space per employee is considered to be 120 square feet of overall space, including service facilities, corridors, waiting rooms etc. On this basis the overcrowding at Australia House amounted to about 80 persons and, at the Strand premises, to about 40 persons. This degree of overcrowding, and the need to provide office accommodation for an additional sixty positions, had not permitted the Department to defer any longer the question of alternative accommodation and accommodation proposals had been submitted to the Government for consideration. After suggested alternatives had been examined, it was determined that the lease of a building (now called Canberra House) should be arranged and that the leases held by the Commonwealth in the Strand and at Aldwyoh House should be disposed of or alternatively sub-let on the best possible terms.

72. The Department also invited attention to the fact that the cost of office space in London within the proximity of Australia House depends upon size, location, standard of accommodation, term of lease and the services provided. However, the general rate for adequate accommodation in the area amounts to £17.50 per square foot while, in the case of Canberra House, the rate approximates £16.85 per square foot.

Committee
File
1966/2

73. Your Committee asked why the Department had not endeavoured to secure from the surveyors both a completion certificate in respect of Canberra House and the submission of a claim for services rendered. It was indicated that the services to be performed by the surveyors included the sub-letting of the vacated office premises but that the difficulties encountered in this respect had apparently prompted the surveyor not to tender a claim before all the transactions were completed.

Q.569

74. Your Committee is satisfied that the underexpenditures incurred in respect of this item, with one exception, have been prompted by circumstances beyond the control of the Department.

We note, however, that a feasibility study (in respect of which a sum of \$10,000 had been provided) to be undertaken in respect of the future of Australia House was abandoned after the resignation of an officer of the Prime Minister's Department who had been nominated as Chairman of the Committee. Your Committee is at a loss to understand both why another officer was not nominated as Chairman and why it was necessary to abandon the study.

Trade Promotion Visits

Original Appropriation \$60,000 : Additional Appropriation \$20,000

Expenditure \$60,319

Exhibit
84/14

Q. 608

Q.616

Q.602

77. Your Committee is satisfied that the circumstances surrounding the underexpenditures of funds available under this item were beyond the control of the Department and we accordingly accept the explanation. We note, however, the delay in the rendition of accounts by Qantas Empire Airways Ltd., a company in which the shares are wholly owned by the Commonwealth, and we trust that the company administrators will be reminded of the Department's need for the prompt rendition of accounts in the future.

(11) Division 500/2/05 : Administrative - Administrative Expenses -
Trade Publicity
Original Appropriation \$2,696,000 : Expenditure \$2,608,851

78. The Department indicated that funds were provided under this item to meet matching contributions by the Australian Meat Board and the Australian Dairy Produce Board. However, the funds were underexpended due to drought conditions, which seriously affected the Meat Board's campaign in the United Kingdom and in Sweden, while delays by a local company had affected promotion plans in Japan. In addition, the non-eligibility of a processed milk product which was to be the subject of a promotion campaign resulted in reduced expenditure in the Philippine Islands. Factors outside the control of other boards usually providing matching expenditure resulted in a reduction of the funds required in respect of their activities. The setting aside from the provision made under this item, of a sum of \$20,000 to augment funds required for trade promotion visits was a final factor which resulted in an overall underexpenditure under the item of \$87,149.

Exhibit
84/15

79. The Department explained that the reservation of a sum of \$20,000 for expenditure under another item had been properly authorised by the Treasury since this item, together with that relative to the Trade Promotion Visits Fund, was subject to a global or overall limit of expenditure.

Exhibit
84/15

80. Your Committee notes that the level of expenditure achieved under this item is largely dependent upon the receipt of matching contributions from primary producers' boards and that the underexpenditure was incurred because of circumstances outside the control of the Department. Your Committee accepts the departmental explanation in this instance.

CHAPTER 10 - DEPARTMENT OF THE TREASURY

Division No. 570/2/02 : Administrative - Administrative Expenses -
Office Requisites, equipment, stationery
and Printing.

Original Appropriation £294,800 : Additional Appropriation £18,400 :
Expenditure \$295,416

81. The Department informed us that the major factor in the underexpenditure of £17,784 was the non-payment of a claim rendered on 26th May, 1966 for an amount of £9,401 relative to the supply of cheque forms. It was explained that, in December, 1964, the Commonwealth Stores Supply and Tender Board had approved the purchase of 2,209,000 cheque forms to be used in a proposed system designed to produce cheques by computer in respect of Sub-Treasury drawings. The cheques arrived in Australia during the period April - June, 1965, and were subjected to quality control tests by the Reserve Bank of Australia and the Government Printing Office. These tests resulted in complaints being referred to the supplier relative to the technical specifications of the cheque forms, their susceptibility to damage and the lack of security afforded by the background tint. (It was stated, however, that the background tint was later considered by the Reserve Bank to be acceptable.)

Exhibit
84/16

82. We were informed that, after discussions had been held with the supplier, it was agreed that the entire order would be replaced on the grounds of the technical deficiency of the cheque forms. The original consignment was destroyed at the Government Printing Office and the replacement cheques arrived in Melbourne during May 1966. The new cheque forms had been subjected to examination by the Reserve Bank and the Automatic Data Processing Section of the Department of the Treasury after which a certificate relative to the satisfactory nature of the cheques was obtained on 12th July, 1966 and the supplier's account processed for payment during the financial year 1966-67.

Exhibit
84/16

83. The Department stated that the balance of the funds remaining unexpended at the end of the financial year was attributable to both the non-receipt of claims from two suppliers relative to the supply of machines and machinery

Exhibit
84/16

conversion services and the difficulty of estimating with accuracy the amount of funds required for the printing and distribution of material associated with the change-over to decimal currency in February, 1966.

84. Mr. Perriman informed us that the first order for a supply of cheque forms was issued on the 23rd December, 1964, and that the first sample cheques were delivered in April, 1965. The bulk of the order was delivered in June, 1965, but the cheque forms were not rejected until the period between late November, 1965 and February, 1966. In response to a question as to why the Department had not determined the quality of the product at the point of manufacture in order to avoid subsequent delays, the witness suggested that as a specification had been submitted to an experienced manufacturer, the Department had not felt it necessary to undertake testing at an overseas point prior to accepting the goods for delivery. Q.661 Q.662

85. Referring to the failure on the part of other suppliers to submit accounts before the end of the financial year, Mr. Perriman informed us that no attempt had been made to secure receipt of the outstanding claims. This reply prompted Your Committee to seek the assistance of the Observers from the Audit Office and the Department of the Treasury and we were informed that the Audit Office paid particular attention to the incidence of outstanding claims within a Department at the end of a financial year and that, if the number of outstanding claims was unduly high, discussions were undertaken with the Department involved. Mr. Balfour indicated that the Department of the Treasury had informed all departments prior to the close of the financial year that Commonwealth creditors should be requested to render their claims promptly, particularly if any substantial amounts were involved. If the amount of a monthly or quarterly payment due on 30th June could not be ascertained, the claimant was to be asked to render an account to an earlier date, e.g. 15th June, and to include the balance of the amount in his next account. Q.662 Q.667 Q.668 Q.669

86. Your Committee notes, with some degree of concern, that the bulk of the cheque forms ordered for the computer operation was received in June, 1965, but that it was not until late November, 1965, or February, 1966, some seven months later, that the forms were rejected as being unsatisfactory.

We also note that no effort was made by the Department of the Treasury to secure the receipt of outstanding claims notwithstanding that it had circularised all Departments informing them that Commonwealth creditors should be asked to submit their claims prior to the end of the financial year in order to minimise the liabilities carried forward to 1966-67.

(ii) Division No. 570/2/05 : Administrative - Administrative Expenses -
Loan Management Expenses

Original Appropriation \$342,000 ; Expenditure £297,859

87. The Department informed us that provision is made under this item for payment to the Reserve Bank of the cost of conducting inscribed stock registries in Australia and London and to meet charges payable to stock exchanges, fiscal agents and sinking fund agents located in the United States, Canada, Switzerland and the Netherlands,

Exhibit
84/17

88. It was indicated that the State Governments reimburse the Commonwealth for a proportion of the charges which is based on their share of the debt outstanding at the respective Reserve Bank registries in Australia and in London as at 31st December in the financial year concerned or on their shares of the individual loans to which charges relate in other centres. The charge for conducting the registries is calculated by the Reserve Bank on the basis of a year ending 30th April, but interim payments are made quarterly for expenses in Australia after which adjustments are made in the light of actual costs. The amounts payable to agents overseas are generally based on the amount of business transacted such as the number of coupons and bonds paid or securities redeemed. The charges are paid when agents submit their accounts and reimbursement is obtained through the State's representatives in London or through the State Treasuries in Australia. The general arrangements regarding the sharing of costs and the obtaining of reimbursements were established after agreement had been reached between the Commonwealth and the States.

Exhibit
84/17

89. We were informed that transfers of debt between the Commonwealth Treasury registry and those registries conducted by the Reserve Bank, due to operations such as those of the Loan Consolidation and Investment Reserve, effect both the total level and the proportion of debt relevant to the calculations. Redemptions and the cancellation of debt throughout the year also cause variations in the proportions of charges payable by the respective Governments.

Exhibit
84/17

90. It was stated that provision had been made in the Estimates for the Commonwealth share of loan management expenses, which was in part based on estimates provided by the Reserve

Exhibit
84/17

Bank, while provision for other overseas expenditure was based on amounts paid in the previous year. The shares of the debt as at 31st December, 1964, were used in the apportionment of total expenses between the Commonwealth and the States but the Commonwealth share of debt in Australia at 31st December, 1965 had proved to be lower than the level of a year earlier. The resulting apportionment realised a saving of £35,000 but this figure was offset by the fact that the Commonwealth share of registry expenses exceeded the estimate by £30,000. Expenses in London and other overseas centres were also lower than had been foreseen with the result that savings to the extent of £44,141, as reflected by the underexpenditure of the provision, had been effected.

Exhibit
84/17

91. Mr. Perriman indicated that the present method of apportioning the charges between the Commonwealth and the States had been agreed to in about 1927 and had been reviewed in the year 1963 when it was agreed that the system should continue to operate. Mr. Perriman indicated that a primary difficulty in arriving at a precise estimate of expenditure was the necessity to base the distribution of charges on the distribution of the debt between the Commonwealth and the States at the 31st December preceding the end of the financial year in which the charges were being incurred. In addition, the payments made to overseas fiscal agents were based on the volume of work they are required to handle. This was felt to be an equitable and realistic basis for remuneration although it would not be impossible to engage the services of such agents for a fixed annual fee.

Q.671

Q.678

Q.672

92. Your Committee believes that the history of inaccuracies in estimating the level of expenditure to be achieved under this item in each year may be attributed to the uncertainties surrounding the calculation of the charges to be apportioned between the Commonwealth and the States. Although the evidence indicates that Commonwealth and State representatives are satisfied that the present method of allocating charges results in an equitable distribution, Your Committee believes that the imprecision attached to the original calculations justifies a suggestion that the methods of determining the amount to be required in the annual Estimates of the Commonwealth should be reviewed.

CHAPTER 11 - DEPARTMENT OF WORKS

Division No. 610/-/05 : Furniture and Fittings - Department of Customs
and Excise

Original Appropriation £200,000 : Expenditure £97,544

93. The Department informed us that provision had been made under this item for expenditure on furniture and fittings for the Department of Customs and Excise for which liability to the value of £85,156 had been carried forward from 1964-65 and for the acquisition of new items valued at £150,800 against which it was estimated that a sum of £114,844 would be expended. We were informed that the underexpenditures had been principally related to the provision of furniture and fittings for the Customs House, Melbourne and that when the original estimates of expenditure were prepared, it had been expected that the required furniture would be purchased in 1965-66 and stored until actually required on the completion of the Customs House building. However, difficulties in regard to storage later became apparent as all available space at the Department of Works store at Port Melbourne had been otherwise committed and the Department of Customs and Excise had preferred not to make storage arrangements for itself. Ultimately the only expenditure incurred was in respect of items of selected furniture which the Department was able to use immediately. Exhibit 84/18

94. Mr. Walsh informed Your Committee that the Department of Customs and Excise expected to take up accommodation in the new Customs House in March, 1967. We therefore asked why the Department of Works had sought funds in order to purchase furniture which had not been required immediately and Mr. Tate explained that the furniture and equipment made available to Commonwealth Departments was of a standard design which was purchased in bulk by the Department of Works. That Department prepared its furniture acquisition programme on the basis of the anticipated requirements of the individual departments and, as the furniture was made available to the departments throughout the year, the Department of Works simply placed further orders against existing long-term contracts. Q.721

95. Your Committee also asked Mr. Tate whether the Department of Works had made any enquiries as to the availability of storage accommodation before seeking funds for the acquisition of furniture. Mr. Tate indicated that the Department could provide Q.719

at any time only a limited amount of accommodation but that the accommodation which was available had been fully occupied because of the near completion of the new Commonwealth Office block in Melbourne. We then sought from Mr. Walsh an explanation as to why the Department of Customs and Excise had chosen not to make its own furniture storage arrangements and the witness informed us that his Department had not wished to store new furniture for an indefinite period during which storage charges would be incurred while the furniture itself may have been subject to deterioration. Mr. Tate indicated that in order to avoid such a situation, his Department had endeavoured to reach agreement with manufacturers for them to store the furniture until such time as it was purchased by the Commonwealth. However, the manufacturers had indicated that they also experienced difficulty in storing furniture and that if they were required to do so under a contract the storage charges would be reflected in the price finally paid by the Commonwealth.

Q.716

Q.733

96. Your Committee believes that the underexpenditure of funds under this item was incurred due to a breakdown in the degree of liaison effected between the Department of Customs and Excise and the Department of Works. The evidence suggests that if the former Department had advised the latter that some uncertainty existed as to the final date on which the new Customs Building would be occupied, the Department of Works would have been justified in deferring any application for funds in the first Appropriation Bill. Your Committee trusts that the Department of Works will make our views known to its other sponsor departments and that such departments will afford a degree of consideration as to their actual requirements which will obviate difficulties in this respect at a future date.

(ii) Division No.610/-/20 : Furniture and Fittings - Department
of the Treasury

Original Appropriation £320,000 : Expenditure £215,737

97. The Department informed us that the acquisition programme for furniture and fittings in the Australian Capital Territory had amounted to £318,310 against which it was expected that expenditure of £230,000 would be incurred during 1965-66. However, requisitions totalling £105,276 were not received until November, 1965, after which the level of requisitions for the entire year had reached only £187,740. The expenditure against this total had amounted to only £120,000 and this shortfall was the primary factor involved in the underexpenditures from the provision.

Exhibit
84/19

Q.749

98. Mr. Perriman explained that the underexpenditure of £110,000 in the Australian Capital Territory was made up of two amounts: a sum of £42,000 which Treasury did not commit and a sum of £67,000 which had been committed but not spent. Of the latter sum, £40,000 related to a high density storage unit to be installed in the new Treasury building, the completion date of which had been put back by a period of six months. The order for the installation of the storage unit had therefore been delayed, with the result that the expenditures incurred in respect of its acquisition were not brought to account in the financial year 1965-66. A further sum of £27,000 which related to the cost of carpet laying in the new building was not brought to account for the same reason.

Q.749

99. Referring to the sum of £42,000 which the Department had not committed, Mr. Perriman informed us that £10,000 represented an overestimate of the cost of the storage unit referred to earlier, while another £10,000, which had been earmarked for the acquisition of bookcases, was not expended because of the unsatisfactory design of the standard item which it had been proposed to instal in the new building. The remaining sum of £22,000 not committed was constituted by overestimated costs in respect of various items which had been acquired by the Department of Works.

Q.749

100. Mr. Perriman indicated that the Department had not considered utilising the Additional Estimates at the time the original estimates were prepared as no uncertainty had been experienced within the Department of the Treasury as to how

Q.753

the funds would be employed. However, the National Capital Development Commission had decided to modify the plans for the new building and the Department of the Treasury had not been aware, at the time the Estimates were prepared, that the modifications would have such a significant impact on the completion date.

101. Your Committee notes that the underexpenditures incurred under this provision were due largely to circumstances beyond the control of the Department of the Treasury. We do not, however, regard as satisfactory a state of affairs in which an amount of \$22,000 was provided because of the liberal cost accorded to the various items to be acquired. Your Committee trusts that its requirements in terms of estimating procedures as set out in our Seventy-Fourth and Seventy-Fifth Reports will be drawn to the attention of the officers concerned.

(iii) Division 988/3/- : L.C.T. Capital Works and Services -
 Department of Works - Plant and Equipment
 Original Appropriation £440,000 : Expenditure £345,809

102. The Department informed us that the main factors contributing to the underexpenditure was the non-delivery before 30th June, 1966, of four major plant items which involved an estimated expenditure of £67,000. The major plant items were a line-marking machine, a pneumatic tyred roller, a barge to be used on Lake Burley Griffin and a service truck of a specialised design.

Exhibit
84/20

103. Referring to the line-marking machine, the Department informed us that no Australian manufacturer could supply the type of machine required, and that difficulties had been experienced in the past in obtaining spare and replacement parts for machines of overseas origin. In order to avoid a situation in which the machine might be off the road for long periods for maintenance purposes, certain components of Australian manufacture were required to be incorporated in the machine which was to be purchased. It was expected that protracted negotiations with manufacturers would be necessary to obtain a unit acceptable to the Commonwealth and that, accordingly, tenders were called on 7th July, 1965. The subsequent negotiations, which had to be conducted through Australian agents, proved to be time-consuming and resulted in a tender not being accepted until May, 1966, with delivery to be effected six months later.

Exhibit
84/20

Q.759

104. Your Committee sought from Mr. Tate an explanation as to why the Department found it necessary to acquire an imported product when line-marking machines were in such extensive use throughout Australia. In a subsequent submission it was stated that, in February, 1965, enquiries were made to ascertain the type of equipment which was available and in use both in Australia and overseas. It was established that all the self-propelled type of machines are, to some degree, imported (other than those manufactured by the road authorities for their own use), but that a great deal of time and money had been expended by both the Country Roads Board in Victoria, and the Department of Main Roads in New South Wales in developing equipment designed primarily for highway marking and that neither of these authorities had been entirely successful in their efforts up to the time of inquiry.

Q.765

105. It was stated that when the Commonwealth called public tenders in July, 1965, three tenders had been received, all of which offered equipment basically of overseas origin. One tender was entirely unsatisfactory and it was obvious that both of the other types of machines would require modifications in order to be satisfactory from the departmental point of view. It was then decided to accept the lower-priced tender after consideration was given to the success with which a number of machines of the same make, but different model, were being operated in Australia by Government, semi-Government and private enterprise organisations. Smaller self-propelled machines had been tested in the Australian Capital Territory but had proved to be inadequate for the task expected of them while larger truck-mounted type machines, such as those manufactured by the Department of Main Roads in New South Wales, were considered to be insufficiently manoeuvrable for urban-type work. However, the machine acquired by the Department was of an intermediate size, capable of marking both urban streets and highways.

Q.759

Q.765

106. We were informed that the pneumatic-tyred roller required by the Department was of a type normally available from stock, but that when tenders were called in March 1966, it had been necessary for a unit to be imported with a consequent delay of eighteen weeks before delivery. Mr. Tate advised us that the machine was required for a particular task at the Canberra Airport where it was necessary that the landing area should be of a sufficient compaction to cater for the proposed landings of Boeing 727 aircraft. We therefore asked Mr. Tate why the Department had not endeavoured to borrow a roller if the task was a specific and isolated one and, in a subsequent submission, the Department indicated that inquiries had been made in order to borrow or hire the equipment required but the negotiations had proved to be fruitless. In addition, although the roller which had been ordered would be required initially for a specific task, there existed an increasing workload for road plant in the Australian Capital Territory consequent to the extension and improvement of the current road system. The particular roller to be acquired was eminently suitable for such work and would be fully utilised on both aerodrome and general road work within the Australian Capital Territory.

Exhibit
84/20

Q.770

Q.774

Q.777

107. Explaining the underexpenditure associated with the acquisition of the barge for use on Lako Burley Griffin, the Department stated that the unit had been designed by departmental engineers, after receiving the technical advice of a consultant, and that a contract had been let in April, 1966, with delivery scheduled for August, 1966. The Department had not been aware of the delay which would be occasioned by the necessity to design the barge since the Department had no experience of the maintenance needs of an artificial lako.

Exhibit
84/20

Q.779

After the services of a consultant had been engaged it became necessary to effect certain alterations to the original design in order to cater for all the demands which might be made upon the equipment, with the result that the design was not completed until March, 1966. A good deal of consideration had previously been given to the acquisition of a barge from manufacturers but, despite the advice received from the manufacturers, the Department had not been convinced that the available equipment would be satisfactory. In a subsequent submission, the Department informed us that a variety of special tasks was required of the equipment but that although there are a number of standard features incorporated into the design, barges were almost invariably custombuilt to meet the particular requirements of the operating authority. Normal standard details were incorporated in the design specially prepared to meet the particular requirements of Lako Burley Griffin but, when tenders were called for its manufacture, prospective tenderers were invited also to submit for consideration alternative tenders based on standard barges which would be capable of meeting the requirements of the Department. However, no standard barges were offered.

Q.779

Q.781

Q.788

108. Your Committee also sought evidence in respect of the service truck required by the Department and we were informed that detailed design and specifications had to be developed for the body and fittings before calling tenders as no suitable unit was available from stock lines. Tenders were invited in February, but the successful tenderer required six months to complete the unit to the specifications supplied and it was not possible to have the period reduced.

Exhibit
84/20

109. Your Committee notes that the underexpenditures incurred in respect of this item were occasioned by the Department's efforts to acquire specialised equipment most suited to the tasks upon which each item would be employed. Your Committee noted in the subsequent submissions the inference that the Department's efforts were designed to avoid the expenditure of public funds on unsuitable, and therefore eventually uneconomic, acquisitions. Your Committee accepts the departmental explanations and commends the Department for the efforts which were revealed in evidence in this respect.

CHAPTER 12 - GENERAL

110. In recent years Your Committee has paid particular attention to the Estimates and related expenditure of the various Departments. As a poor standard of estimating has wide ramifications, it has been not only excess spending which has attracted our criticism, but also the over-provision of funds. Such over-provisions have been highlighted as undesirable, misloading and, perhaps, unfair to other Departments whose financial needs might not have been fully met.

111. In its Sixty-fourth Report, Your Committee expressed the view that this type of investigation may, in future, produce even more positive results if a restricted but typical sample of unsatisfactory estimating is selected for investigation purposes and that, perhaps, a more concentrated inquiry would achieve the results which successive Committees have sought - thus establishing, in fact, remedial action over a much larger area of the total estimates than that subjected to oral examination. Consistent with this view, Your Committee selected twenty items for further examination in respect of the financial year 1965-66 compared with sixty-four items selected in respect of the financial year 1963-64.

P.P.No.43
of 1964

112. In its Seventy-fifth Report relating to expenditure from the Consolidated Revenue Fund for the financial year 1964-65, Your Committee referred to work it had undertaken in the formulation of a questionnaire for use by Departments in this type of inquiry. The questionnaire pro-forma was refined further in anticipation of the present inquiry and the very considerable improvements subsequently observed in the quality of departmental explanations submitted indicated that the form and content of the questionnaire are now adequate to meet Your Committee's needs.

P.P. No. 249
of 1964/65

113. One feature of the evidence submitted in the present inquiry to which Your Committee desires to draw particular attention is that relating to the failure of some Departments to seek out their creditors. Where Departments find that accounts for payment are not being rendered promptly by their creditors, and as a result, funds provided to meet such expenses are likely to remain unspent, Your

Committee believes that those Departments have a direct responsibility to ensure that they take positive action in order that such accounts are obtained for settlement. Allied to this, Your Committee would emphasise the need for Departments to maintain their liabilities registers in an efficient manner for, without the protection of this device, the financial position of Departments becomes obscured to the detriment of sound financial management.

114. From those observations it follows that any Department which charges other Departments for services it renders has a clear responsibility to ensure that it submits accounts for payment to debtor Departments as soon as possible after the provision of the service concerned. Where the service provided is of a continuous nature, the Department rendering the service should, in Your Committee's view, arrange for the submission of accounts at such intervals as will ensure that debtor Departments are given the opportunity to effect regular payments.

For and on behalf of the Committee

David N. Reid

DAVID N. REID,
Secretary,

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

29th September, 1966.

Richard Cleaver

RICHARD CLEAVER
CHAIRMAN

Ivy Wedgwood