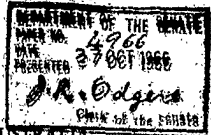


1966



THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

EIGHTY-EIGHTH REPORT

TREASURY MINUTES ON THE  
SEVENTY-FOURTH REPORT

TOGETHER WITH

SUMMARIES OF THAT REPORT

JOINT COMMITTEE OF PUBLIC ACCOUNTS

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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. COOKLE, ESQUIRE, M.P. (3)

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

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

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

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

R. H. WHITFORD, 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 1951-1965 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.	Treasury Minute on the Seventy-fourth Report of Your Committee on Expenditure from Advance to the Treasurer, 1964-65	6
3.	Observations of Your Committee	20

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JOINT COMMITTEE OF PUBLIC ACCOUNTSEIGHTY-EIGHTH REPORTTREASURY MINUTES OF THE SEVENTY-FOURTH REPORTCHAPTER 1 - INTRODUCTION

In its Seventy-ninth Report dated 10th March, 1966 Your Committee set out in detail the basis of the Treasury Minute arrangements which have been made since the inception of Your Committee to ensure that appropriate action ensues from comments contained in our Reports.

F.P. No. 275  
of 1964-65-66

- As they now stand, the arrangements concerned arose—
- (1) The Report of the Committee is tabled by the Chairman in the House of Representatives and by a Member of the Committee in the Senate. Motions are moved in both Houses of the Parliament that the Report be printed as a Parliamentary Paper.
  - (2) The Chairman of the Committee thereafter forwards a copy of the Report to the Departments affected and to the Treasurer with a request that he give the Report his consideration and inform the Chairman of the action taken to deal with the Committee's comments.
  - (3) The replies received, which are in the form of Treasury Minutes, are then examined by Your Committee and, together with the conclusions of the Report to which they relate, are submitted as soon as possible to the Parliament as a Report.
  - (4) Where during its examination of a Treasury Minute Your Committee finds that there are recommendations not fully dealt with or which are subject to a further Minute, it holds an exploratory discussion with officers of the Department of the Treasury prior to the submission of the Minute to the Parliament.
  - (5) In reporting a Treasury Minute to the Parliament, Your Committee does not usually make any comment on the Minute other than to note recommendations not fully dealt with or subject to a further Minute. In special cases where comment is thought to be necessary, Your Committee makes it.
  - (6) Your Committee reviews a Treasury Minute, if necessary, when it again examines the department concerned.
  - (7) The Department of the Treasury furnishes Your Committee with a half-yearly report on outstanding Treasury Minutes, indicating the progress made in dealing with Your Committee's comments.

CHAPTER 2 - TREASURY MINUTE ON THE SEVENTY-FOURTH  
REPORT OF YOUR COMMITTEE ON EXPENDITURE FROM THE ADVANCE  
TO THE TREASURER (APPROPRIATION ACT 1964-65)

In the Seventy-fourth Report concerning Expenditure  
from the Advance to the Treasurer (Appropriation Act 1964-65) -

Summary of Committee's Conclusions  
(30th November, 1965)

Your Committee stated -

Treasury Minute  
(16th August, 1966)

I am directed to state -  
The Treasury has examined the  
Report and has discussed with  
relevant Departments and  
Authorities the observations  
of the Committee which have,  
where necessary, been brought  
to the notice of officers  
concerned.

DEPARTMENT OF EXTERNAL AFFAIRS

- (i) Division No. 190/2/06 - Embassy - Laos - Administrative  
Expenditure - Rent and Maintenance - Other Buildings

Your Committee is concerned that  
an error of the type described  
should have occurred at the Paris  
Embassy and is disturbed that the  
error was not detected until  
some ten months after its  
occurrence and only then when  
a shortage of funds became  
apparent to the Department of  
External Affairs in Canberra. We  
note that action has been taken  
to recover the overpayment  
concerned and would expect that  
this recovery action will be  
pursued to early finality.

(Para. 17)

The overpayment of rent has been  
recovered. The Department of  
External Affairs has drawn  
the omission to the attention  
of the posts concerned and  
expects that improved  
accounting will result.

Summary of Committee's Conclusions  
(30th November, 1965)

Treasury Minute (16th August, 1966)

(ii) Division No. 194/1/01 - Embassy, Philippines - Salaries and Payments in the Nature of Salary - Salaries and Allowances

In respect of the outlay allowances Your Committee is satisfied that postings that occurred in April, May and June 1965, could not have been foreseen in time for their outlay allowances to be included in Appropriation Act (No. 3). Your Committee is concerned, however, that the evidence tendered did not disclose that a posting, involving an outlay allowance of £125, was made in January, 1965, but was not provided for in Appropriation Act (No. 3). Your Committee is further disturbed by the fact that, in respect of education reimbursement expenses, the evidence did not disclose that a delay by the Department in the submission of certain information to the Department of the Treasury had resulted in the failure of the appropriate amount to be included in Appropriation Act (No. 3). (Para. 21)

The Department has noted the comments of the Committee and has drawn the attention of all officers concerned to the need to maintain greater care to ensure that such errors and omissions are avoided.

(iii) Division No. 197/1/01 - Embassy, South Africa - Salaries and Payments in the Nature of Salary - Salaries and Allowances

Your Committee is concerned that the error in calculation of the amount estimated to remain unspent under this item should have occurred and is also concerned that sufficient care was not taken to ensure that the additional provision to cover the cost of the higher-paid replacement officer was not sought in Appropriation Act (No. 3). (Para. 25)

The Department has noted the comments of the Committee and has drawn the attention of all officers concerned to the need to maintain greater care to ensure that such errors and omissions are avoided.

Summary of Committee's Conclusions  
(30th November, 1965)

Treasury Minute  
(16th August, 1966)

(iv) Division No. 197/2/03 - Embassy, South Africa - Administrative Expenses - Postage, telegrams, telephonic services and cablegrams

Your Committee is of the opinion that as preliminary requests for additional funds amounting to £550 had been made previously by the Embassy for inclusion in Appropriation Act (No. 3), proper care should have been exercised by the Embassy to advise the Department that the amount of £850 requested in January, 1965, was additional to the amount of £550 previously sought and that in the circumstances the Department should have verified the facts before finalizing the total figure for inclusion in Appropriation Act (No. 3). (Para. 28)

The Department has noted the comments of the Committee and has drawn the attention of all officers concerned to the need to maintain greater care to ensure that such errors and omissions are avoided.

(v) Division No. 202/1/03 - Embassy, United States of America - Salaries and Payments in the Nature of Salary - Extra Duty Pay

The evidence submitted to Your Committee is a matter of considerable concern. The facts show that the acceleration in expenditure was detected, not by the overseas posts which, under the present arrangements exercise autonomous financial control, but by the Department of External Affairs in Canberra. The facts also show that the Department, which receives monthly returns of actual expenditure from the posts, but no record of unpaid commitments, discovered the acceleration in expenditure after the end of March, 1965 whereas the final date for inclusion of amounts in the additional estimates

The Finance Office in New York, which was referred to in the evidence given to the Committee, was established as a Sub-Treasury on 20th May, 1957.

The Department has pointed out, and the Treasury agrees, that the Certifying Officer at the Sub-Treasury, New York should have ensured that expenditure did not exceed the Overseas Funds Advice held for the appropriation. The accounting procedures in the Sub-Treasury have been revised and the Certifying Officer has been reminded of his duty not to certify any account until he has ascertained that he has funds available.



Summary of Committee's Conclusions  
(30th November, 1965)

Treasury Minute  
(16th August, 1966)

was 19th March, 1965.

Circumstances such as those described in evidence reflect poorly on the present method of overseas financial arrangement and control as exercised by the Department's overseas posts and on the ultimate financial supervision of the posts exercised by the Department in Canberra. (Para. 33)

However, the preparation of estimates, the control of commitments and the seeking of additional funds are not responsibilities of the Sub-Treasury. The Department has advised that it expects that, in future, close liaison will be maintained between Washington and the Sub-Treasury, New York, to ensure that -

- (a) funds are available to meet the overtime to be worked in any fortnight; and
- (b) any exception to the normal pattern of overtime will quickly be brought to the attention of the Central Office of the Department in relation to the provision of funds.

(vi) Division No. 215/1/02 - High Commission, India - Salaries and Payments in the Nature of Salary - Temporary and Casual Employees.

Your Committee accepts that provision for the two temporary positions referred to could not have been made in Appropriation Act (No. 3) but is disturbed that an error in calculation of retrospective salary increases amounting to £1,864 should have occurred and should not have been detected until June, 1965. (Para. 37)

The Department has noted the comments of the Committee and has drawn the attention of all officers concerned to the need to maintain greater care to ensure that such errors and omissions are avoided.

Summary of Committee's Conclusions  
(30th November, 1965)

Treasury Minute  
(16th August, 1966)

- (vii) Division No. 231/2/05 - Consulate General, New York -  
Administrative Expenses - Maintenance, Consul-General's  
residence.

Your Committee is again concerned that an error of this kind should have occurred, particularly as provision had been made for corresponding expenditure in the previous year and draws attention to the need for greater care to be exercised both at the overseas post concerned and in the Department of External Affairs in Canberra. It is alarming that an omission of this type should remain undetected until so late in the financial year that it must be charged to the advance to the Treasurer.  
(Para. 41)

The Department has noted the comments of the Committee and has drawn the attention of all officers concerned to the need to maintain greater care to ensure that such errors and omissions are avoided.

DEPARTMENT OF HEALTH

- (i) Division No. 872/2/03 - Northern Territory Health Services -  
Administrative Expenses - Postage, telegrams and telephone  
services.

Your Committee feels some concern over the confusing nature of part of the evidence received during our examination of expenditure under this item and suggests that a clearer explanation might have been received if the Department had endeavoured to be explicit and had not resorted to irrelevancies. Your Committee believes that evidence of this quality is unacceptable. (Para. 47)

The Department of Health agrees that some confusion may have arisen following the evidence given concerning the Postmaster-General's Department circular on Darwin telephone charges. As was stated at the time, a copy of the circular was not then available to the departmental witnesses, and arrangements were made for copies to be forwarded to the Committee.

Summary of Committee's Conclusions  
(30th November, 1965)

Treasury Minute  
(16th August, 1966)

Apart from the inadequacies contained in evidence received, Your Committee doubts whether due care was taken in the formulation of the estimates for this Item. Despite the suggested failure of the Treasury to notify the Department of the increased telephone charges, notification of the amendment to the Regulations appeared in the "Commonwealth of Australia Gazette" in September, 1964, providing ample opportunity for the Department to seek additional funds in the Appropriation Act (No. 3). Your Committee also doubts that an entirely unforeseen need for eight new telephone services could become apparent within the period between the time the Additional Estimates were prepared and the end of the financial year. (Para. 48) Your Committee does not accept as satisfactory the explanations tendered by the Department. (Para. 49)

After this was done the matter was further clarified by discussion between the departmental witness and the Committee's staff. The Department notes with regret the Committee's suggestion that it had not endeavoured to be explicit in its explanation and had resorted to irrelevancies, as the Department always endeavours to state the position clearly and fairly. The Department has noted the Committee's comments regarding the formulation of the estimates for this item.

DEPARTMENT OF THE NAVY

- (1) Division No. 668/03 - Administrative Expenses and General Services - Office requisites and equipment, stationery and printing.

Your Committee is not satisfied that the need for stationery supplies which arose in the last months of the financial

The Department of the Navy has advised that its ordering of the supplies accorded with normal provisioning procedures,

Summary of Committee's Conclusions  
(30th November 1965)

Treasury Minute  
(16th August, 1966)

year demanded immediate expenditure to the extent of £17,000. Your Committee feels that the need could have been satisfied more appropriately by limiting the acquisitions to the level of expected consumption in the remaining months of the year and replenishing the stocks at the beginning of the new year with funds available under the Supply Act (No. 1). The course adopted by the Department appears to be in complete disregard to the principles of budgeted expenditure. (Para. 57)

due regard being given to the economy to be achieved by bulk ordering. To have ordered a lesser quantity and subsequently placed further orders for delivery in the new financial year would have resulted in less economical purchasing by the Department and was not considered desirable. As indicated in the evidence given before the Committee, deliveries, and consequently payment, were accelerated to meet an earlier than anticipated run-down in existing stocks.

With regard to the Committee's stricture that "the course adopted appears to be in complete disregard of the principles of budgeted expenditure", the Department has pointed out that the additional expenditure on stationery in 1964-65 was offset by underexpenditure on other items within the Department's appropriations for that year (o.f. paragraph 105 of the Seventy-Fifth Report). This meant that money which would have been spent on stationery in 1965-66 was available for other expenditure required in connection with the Naval programme. This procedure accords with the views expressed in paragraph 79 of the Sixty-Third Report -

"Your Committee realises that, as expenditure by the Defence Department is restricted to an overall maximum figure, adjustments within the various Divisions are necessary from time to time in order that the most effective use may be made of available funds".

Summary of Committee's Conclusions  
(30th November, 1965)

Treasury Minute  
(16th August, 1966)

(ii) Division No. 668/04 - Administrative Expenses and General Services - Postage, telegrams and telephone services.

The evidence received by Your Committee suggests that the estimate in respect of one of the installation charges was grossly deficient due to a lack of care in preparing that estimate. We were informed that £3,500 had been provided for the work but that the Department had no idea of what the cost would be and this suggests to Your Committee that the Estimate might have been the result of guesswork and that no approach was made to the Postmaster-General's Department to ascertain what the charge might be. (Para. 61) Your Committee is concerned to note that another account for services by the Postmaster-General's Department was not rendered until two years after the work was completed. We trust that the Department of the Treasury will provide an explanation of this matter in the Treasury Minute subsequent to the tabling of this Report. (Para. 62)

The Committee raised two aspects under this heading: the first, lack of care in preparing the estimate and the second, late rendition of the account.

As to the first aspect the Department of the Navy has advised that it obtained a written quotation of £3,500 from the Postmaster-General's Department in 1961 for the cost of removing the P.A.B.X. and installing another unit and made several subsequent oral inquiries which confirmed that figure. Investigation by the Postmaster-General's Department indicates that the estimate was understated because of a clerical error which resulted in the application of an incorrect manhour rate to the estimated number of manhours involved. As to the second, the Postmaster-General's Department had advised that it is the general practice not to issue an account for the lease of temporary equipment until the service ends. Some 95 per cent of temporary installations are made available for only a few weeks, but the Navy installation lasted two years. Following a detailed review a new procedure was introduced in July, 1965, which limits temporary services to a maximum period of eight months.

Summary of Committee's Conclusions  
(30th November, 1965)

Treasury Minute  
(16th August, 1966)

PRIME MINISTER'S DEPARTMENT

- (i) Division No. 405/2/18 - Ministers of State, Leaders of the Opposition and Parliamentary Parties and Staffs - Administrative Expenses - Visit abroad of the Minister for Immigration - 1965.

Your Committee feels some mis-giving over the present system of arranging overseas visits on an ad hoc basis under this item. We appreciate that a need for such visits may, on occasions, arise unexpectedly but Your Committee notes that, in this case, the Prime Minister's Department was aware of the proposed journey on 18th December, 1964. We trust that the discussions being held by officers of the Department of the Treasury and the Prime Minister's Department will result in the adoption of a revised procedure which will permit some financial planning in futuro in respect of similar visits of a foreseeable nature. (Para. 68)

Commencing in 1966-67, provision will be made in the relevant Appropriation Acts for foreseeable overseas visits.

- (ii) Division No. 405/2/25 - Ministers of State, Leaders of the Opposition and Parliamentary Parties and Staffs - Administrative Expenses - Visit of Parliamentary Delegation to South America - 1965

Subject to Your Committee's comments on the similar circumstances relative to other overseas visits, we accept the explanation tendered by the Department. (Para. 70)

Commencing in 1966-67, provision will be made in the relevant Appropriation Acts for foreseeable overseas visits.

Summary of Committee's Conclusions  
(30th November, 1965)

Treasury Minute  
(16th August, 1966)

- (iii) Division No. 405/2/26 - Ministers of State, Leaders of the Opposition and Parliamentary Parties and Staffs - Administrative Expenses - Visit Abroad of the Minister for Civil Aviation - 1965

Subject to earlier comments in this Chapter, Your Committee again accepts the explanation tendered. (Para. 72)

Commencing in 1966-67, provision will be made in the relevant Appropriation Acts for foreseeable overseas visits.

DEPARTMENT OF TRADE AND INDUSTRY

- (i) Division No. 512/1/02 - Commercial Intelligence Service, Canada - Salaries and Payments in the Nature of Salary - Temporary and Casual Employees

Your Committee accepts the explanation that the underestimate was due to error and trusts that the officers concerned are now aware of the correct procedure. (Para. 75)

The Department of Trade and Industry has advised that the Committee's comments on the above matter have been drawn to the attention of all officers concerned.

- (ii) Division No. 555/1/01 - Commercial Intelligence Service - United Kingdom - Salaries and Payments in the Nature of Salary

Your Committee is disturbed at the apparent lack of care in failing to make provision in the Additional Estimates for this item and we note the conflict between the evidence contained in the Exhibit and verbal evidence given by the witness concerning the reason for this failure. Your Committee is of the opinion that greater attention should have been devoted to the compilation of the Additional Estimates and we trust that any future variation in expected levels of expenditure will be catered for after an adequate analysis has been made. (Para. 78)

The Department of Trade and Industry has advised that the Committee's comments on the above matter have been drawn to the attention of all officers concerned.

Summary of Committee's Conclusions  
(30th November, 1965)

Treasury Minute  
(16th August, 1966)

(iii) Division No. 555/2/04 - Commercial Intelligence Service -  
United Kingdom - Administrative Expenses - Incidental and  
Other Expenditure

Your Committee is not satisfied with the explanations tendered by the Department and we are concerned about three aspects of the evidence received relative to this item. In the first instance, Your Committee is disturbed at the apparent absence of preparation of Departmental officers when appearing as witnesses before the Committee, which in this particular instance necessitated a direction by Your Committee that a further submission be tendered by the Department. Your Committee is further disturbed at the apparent lack of liaison between Departmental officers and the particular authorities in the United Kingdom in regard to expenses incurred under items of this nature and, finally, Your Committee is particularly concerned at suggestions made by Departmental Officers concerning the incorrect itemization of expenses incurred under the Incidental and Trade Publicity votes. (Para. 81)

A Treasury Circular has been issued drawing the attention of Departments to the Committee's comments urging more careful attention to the checking of written statements and the preparation of witnesses.

The Department of Trade and Industry has reminded its departmental officers in London of their responsibilities for the control of funds appropriated for expenditure in the United Kingdom. The Department states that on the basis of the limited information appearing on the vouchers received from London a reasonable doubt was held, at the time of the Committee's enquiry, as to the correct costing of certain accounts. However, after further correspondence with its Senior Trade Commissioner, London, the Department is now satisfied that the vouchers were correctly costed.



Summary of Committee's Conclusions  
(30th November, 1965)

Treasury Minute  
(16th August, 1966)

- (iv) Division No. 559/2/01 - Commercial Intelligence Service -  
Venezuela - Administrative Expenses - Travelling and subsistence

Your Committee is again concerned at this further evidence of lack of co-ordination between overseas posts and the Department in Canberra, but subject to earlier comments, Your Committee accepts the Department's explanation. (Para. 84)

The Department of Trade and Industry has advised that the Committee's comments on the above matter have been drawn to the attention of all officers concerned.

- (v) Division No. 563/2/02 - Commercial Intelligence Service,  
Relieving, Transit and Other Staff - Administrative Expenses -  
Travelling and subsistence, overseas transfers

Your Committee accepts that the Department is faced with a difficult task in forecasting the ultimate level of annual expenditure under this Item. We cannot agree, however, that the evidence submitted provided any excuse for the Department's failure to seek any additional provision when an examination of the rate of expenditure, at the time of the preparation of the Additional Estimates, definitely indicated that the existing provision would be inadequate. Your Committee notes from the evidence received that the administrative practices formerly adopted in the preparation of the Estimates have been revised and we trust that it will not be necessary to comment upon errors of this nature in the future. (Para. 87)

The Department of Trade and Industry has advised that the Committee's comments on the above matter have been drawn to the attention of all officers concerned.

Summary of Committee's Conclusions  
(30th November, 1965)

Treasury Minute  
(16th August, 1966)

General

In its previous Report relating to expenditure from the Advance to the Treasurer in 1963-64, Your Committee drew attention to the unsatisfactory nature of some of the explanatory statements submitted by Departments. During the course of that public inquiry, the attention of witnesses was drawn to the defects discovered and representatives of the Department of the Treasury undertook to prepare, in collaboration with members of Your Committee's staff, a suitable pro-forma statement and to circulate copies of this to departments together with the Treasury circular that is sent to departments each year in connection with expenditure from the Advance to the Treasurer. The discussions concerned were held late in 1964 and a pro-forma developed which it was felt would meet fully the needs of the Department of the Treasury and this Committee. (Para. 89). Our initial examination of the explanatory statements submitted in connection with expenditure from the Advance to the Treasurer in 1964-65 and based on the agreed pro-forma showed a very substantial improvement in the quality of

Treasury Officers have had further discussions with the Committee's staff about the form in which the Committee wishes Departments to provide explanatory statements for amounts expended from the Advance to the Treasurer.

Summary of Committee's Conclusions  
(30th November, 1965)

Treasury Minute  
(16th August, 1966)

the explanations submitted.  
This improvement assisted Your Committee in the selection of items requiring further examination. At the same time, however, experience in the use of the pro-forma showed that it was in need of further refinement and Your Committee would be appreciative if the representatives of the Department of the Treasury would assist our staff further in this refining process.  
(Para. 90)

CHAPTER 3 - OBSERVATIONS OF YOUR COMMITTEE

Your Committee reports as follows on the foregoing Treasury Minute:

In the case of Division No. 872/2/03 administered by the Department of Health, the comments in the Treasury Minute imply that the submission of the circular from the Darwin office of the Postmaster-General's Department subsequent to the Public Inquiry and a further discussion between officers of the Department of Health and members of Your Committee's secretariat had clarified the evidence submitted by the departmental witness. In evidence we were informed that the Department had received a circular dated 1st July relating to retrospective telephone rental charges and pre-payment of telephone installation fees. The copy of the circular which was later forwarded to Your Committee, however, stated that the variations concerned would apply with effect from 1st July, 1965 and not, as we had expected, from 1st July, 1964. The increases referred to in the circular, therefore, have no relevance to expenditure by the Department of Health in respect of the financial year under review i.e. 1964-65. In regard to discussions held with Your Committee's secretariat, we would emphasise that any such discussions should be confirmed by Memorandum to the Secretary of the Committee if they are to be taken into account by Your Committee in reaching its conclusions.

In the case of Division No. 668/03 administered by the Department of the Navy, Your Committee reports that it has re-examined the evidence submitted by that Department in respect of this Item and finds that its conclusions were based on the evidence taken. Whilst we were informed that deliveries of stationery and consequent payments, were accelerated to meet an earlier than anticipated depletion of existing stocks, no mention was made by the witness relative to economics arising from bulk ordering, nor was evidence tendered to suggest that the circumstances of the case warranted consideration within

the accepted framework of defence expenditure as referred to in paragraph 79 of our Sixty-Third Report. Your Committee finds it difficult to understand why the information and argument which the Department now regards as material to the circumstances of the case were not tendered in evidence.

P.P. No. 305  
of 1962-63

For and on behalf of the Committee

*David N. Reid*

David N. Reid  
Secretary

Joint Committee of Parliamentary Accounts  
Parliament House,  
CANBERRA. A.C.T.  
13th October, 1966.

*Richard Gleaver*

RICHARD GLEAVER  
CHAIRMAN

*Ivy Wedgwood*