

DEPARTMENT OF THE SENATE  
PAPER NO. 1173  
DATE PRESENTED: OCT 1967  
*J.R. Odgers*

1967

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

---

JOINT COMMITTEE OF PUBLIC ACCOUNTS

---

NINETY-THIRD REPORT

---

EXPENDITURE FROM ADVANCE  
TO THE TREASURER

(APPROPRIATION ACT 1966-67)

By Authority:

A. J. ARNOLD, Commonwealth Government Printer, Canberra  
(Printed in Australia)

JOINT COMMITTEE OF PUBLIC ACCOUNTS

SEVENTH COMMITTEE

R. Cleaver, Esquire, M.P. (Chairman)  
Senator J.F. Fitzgerald (Vice-Chairman)

Senator J.J. Webster	F.W. Collard, Esquire, M.P.
Senator Dame Ivy Wedgwood	J.F. Cope, Esquire, M.P. (1)
	J.D.M. Dobie, Esquire, M.P.
	E.M.C. Fox, Esquire, M.P.
	G.H. Gray, Esquire, M.P. (2)
	E.W. Peters, Esquire, M.P.
	I.I. Robinson, Esquire, M.P.

The Senate and the House of Representatives appointed their  
Members on 22nd February, 1967.

- (1) Appointed 23rd August, 1967.  
(2) Deceased 2nd August, 1967.

DUTIES OF THE COMMITTEE

Section 8 of the Public Accounts Committee Act 1951-1966 reads as follows :-

8. The duties of the Committee are -

- (a) to examine the accounts of the receipts and expenditure of the Commonwealth and each statement and report transmitted to the Houses of Parliament by the Auditor-General in pursuance of sub-section (1.) of section fifty-three of the Audit Act 1901-1950;
- (b) to report to both Houses of the Parliament, with such comment as it thinks fit; any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Parliament should be directed;
- (c) to report to both Houses of the Parliament any alteration which the Committee thinks desirable in the form of the public accounts or in the method of keeping them, or in the mode of receipt, control, issue or payment of public moneys; and
- (d) to inquire into any question in connexion with the public accounts which is referred to it by either House of the Parliament, and to report to that House upon that question,

and include such other duties as are assigned to the Committee by Joint Standing Orders approved by both Houses of the Parliament.

TABLE OF CONTENTS

Chapter	Page
1. Introduction .. .. .	5
2. Department of Air .. .. .	9
3. Department of Army .. .. .	14
4. Department of Civil Aviation .. .. .	17
5. Department of External Affairs .. .. .	19
6. Department of Housing .. .. .	40
7. Department of the Interior .. .. .	43
8. Department of National Development .. .. .	50
9. Department of Navy .. .. .	61
10. Prime Minister's Department .. .. .	67
11. General .. .. .	70

JOINT COMMITTEE OF PUBLIC ACCOUNTSNINETY-THIRD REPORTEXPENDITURE FROM THE "ADVANCE TO THE TREASURER"(Appropriation Act 1966-67)CHAPTER 1 - INTRODUCTION

In recent years a series of combined inquiries relating to expenditure from the Advance to the Treasurer has been conducted concurrently with a comprehensive inquiry into expenditure from the Consolidated Revenue Fund. The question of the procedure which should be adopted in regard to these inquiries was examined in the Sixtieth and Seventy-Fifth Reports and Your Committee has taken the view, since 1964-65, 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 is clearly distinguishable from that relating to other expenditure from the Consolidated Revenue Fund, two separate reports should be submitted to the Parliament.

P.P. No. 152  
of 1962 and  
P.P. No. 249  
of 1964-65

2. This Ninety-third Report is based on the evidence received in respect of expenditure from the Advance to the Treasurer in 1966-67.

3. During July, 1967, Your Committee obtained departmental explanations relating to expenditure during 1966-67 from the Advance to the Treasurer. These explanations were examined and from them, Your Committee selected twenty-six Items which appeared to require further examination.

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

Tuesday, 15th August, 1967  
 Monday, 21st August, 1967  
 Tuesday, 22nd August, 1967  
 Tuesday, 29th August, 1967  
 Tuesday, 5th September, 1967  
 Monday, 18th September, 1967  
 Tuesday, 19th September, 1967.

5. The following witnesses were sworn at the Public Inquiry and were examined by your Committee:

Department of Air

Mr. N.C.D. Allen - Director, Financial Programming  
and Estimates.  
 Mr. H.J. Madden - Assistant Secretary, Finance  
 Mr. F.C.Sutherland, O.B.E. - First Assistant Secretary,  
Finance and Logistics.

Department of the Army

Mr. J.W. Nunn - First Assistant Secretary,  
Finance and Logistics

Department of Civil Aviation

Mr. B. Lewis - First Assistant Director General,  
Management Services.

Department of External Affairs

- Mr. K.G. Brennan - Senior Assistant Secretary,  
Management Services
- Mr. E.H. Hanfield - Executive Officer, Property
- Mr. R.E. Johns - Executive Officer, Finance
- Mr. J.P. Walsh, M.B.E. - Acting Director, Services

Department of Housing

- Mr. J.P. Campbell - Director, Establishments
- Mr. J.B. Elliott - Director, Finance

Department of the Interior

- Mr. I.L. Gillespie - Assistant Secretary,  
Management Services
- Mr. D.M. Lalor - Director, Finance and Supply
- Mr. N.A. Simpson - Transport Manager

Department of National Development

- Mr. W. Murphy - Finance Officer; Management  
Services

Department of the Navy

- Mr. C.M. Colgan - Assistant Secretary, Finance
- Mr. M.T. Hyland - First Assistant Secretary,  
Finance and Material
- Mr. J.T. McEntee - First Assistant Secretary,  
Controller of Supply

Prime Minister's Department

- Mr. N.J. Flanagan - Director, Establishments and  
Finance

6. During our Inquiry we were assisted by the following Observers:

Mr. A.K. Ragless	- Auditor-General's Office
Mr. G.N. Vanthoff	- Public Service Board
Mr. J. Attridge	}
Mr. G.J. Balfour	
Mr. H.G. Cowie	
Mr. H.G. Heinrich	
Mr. J. Hunter	
Mr. A.J. Pond	- Department of the Treasury

7. In its approach to the examination of expenditure from the Advance to the Treasurer, Your Committee has maintained the view expressed by earlier Committees that the reasons for and the nature of the particular expenditures concerned are the principal matters of importance. As on previous occasions we have sought to ascertain whether or not the principle is being maintained that the use of the Advance should be confined to urgent and unforeseeable requirements for which provision could not be made in the Original and Additional Appropriation measures.

8. The following nine chapters of the Report relate to those Items which were the subject of further examination at the Public Inquiry.



CHAPTER 2DEPARTMENT OF AIR

Division 736/01 : Administrative Expenses and General Services -  
Travelling and Subsistence.

Appropriation Act (No.1) \$4,905,000 : Expenditure \$5,886,994

9. This Item provides for travelling expenses in respect of civilian staff of the Department of Air and personnel of the Royal Australian Air Force, together with their entitled dependants, when travelling on official duty, and for subsistence-type allowances payable to R.A.A.F. personnel when they are not provided with official rations and quarters. Exhibit  
93/1

10. In addition to the \$4,905,000 included in Appropriation Act No. 1 the Department obtained \$895,000 in Appropriation Act No. 3, comprising \$515,000 for increased R.A.A.F. activities; \$210,000 for increased rates of Travelling Allowance; \$120,000 for Subsistence Allowances and \$50,000 to cover the costs of increased fares. Exhibit  
93/1

11. In regard to increased R.A.A.F. activities, we were informed that as a result of additional overseas commitments, the frequency and extent of movements by R.A.A.F. personnel increased and expenditure on fares and other travelling expenses not foreseen in the Budget Estimates became necessary. Apart from movements of staff on temporary duty in connection with planning conferences and other administrative arrangements, the filling of vacancies resulting from overseas postings, caused increased personnel movements within Australia. Additionally, the numbers of R.A.A.F. personnel proceeding overseas, for such purposes as aircraft procurement, business and training courses, together with the periods involved, exceeded the forecasts on which the Budget Estimates were based. Exhibit  
93/1  
and Q's.  
37 and 38

12. In the case of increased rates of Travelling Allowance, approval was given on 29th August, 1966, for R.A.A.F. personnel on temporary duty at an R.A.A.F. establishment other than their home station to be paid an allowance covering incidental expenditure. Payments were made retrospective to April, 1965. Additionally, normal Travelling Allowances for R.A.A.F. personnel on temporary duty away from home and not provided with official rations and quarters were increased on 31st March, 1967, with effect from February, 1966.

Exhibit  
93/1, Q.39  
and Committee  
file 1967/5

13. With regard to Subsistence Allowances, the number of personnel eligible was greater than expected when the Budget Estimate was formulated. Additional funds were also required in this regard to meet the extra cost of personnel stationed overseas for aircraft procurement business and training courses. We were informed that the estimate for Subsistence Allowances was based on past experience and statistics with an adjustment to provide for any increase or decrease that might be expected to occur.

Exhibit  
93/1 and  
Q's. 41 and  
42

14. In the case of increased fares, we were informed that internal air fares had been increased by approximately 3 percent on 5th September, 1966, while New South Wales and interstate rail fares had been increased on 1st March, 1967, the latter increase being approximately 10 percent.

Exhibit  
93/1, Q's. 43  
and 45 and  
Committee file  
1967/5

15. We were informed that expenditure under this Item during the period from 1st July, 1966 to 30th April, 1967 (\$4,659,161) was consistent with the revised estimate of \$5,800,000. However, expenditure during May and June 1967 was \$650,000 and \$578,000 respectively; the increase occurring in respect of fares and Travelling Allowances. It was claimed that during the Additional Estimates review, the trend in expenditure was such that the amount sought in the Additional Estimates appeared to be an accurate assessment of the Department's requirements under the Item.

Exhibit  
93/1 and  
Q.47

16. Based on the expenditure actually achieved at the end of May 1967, the Department sought an additional amount of \$100,000 from the Advance to the Treasurer. Of this amount, however, only \$86,994 was in fact required, as insufficient claims were received to take up the full amount sought. We were informed that the appropriation is allocated among a number of paying officers and it is necessary for each of them to keep within his allocation in order that the warrant authority is not exceeded in total. It was claimed that in these circumstances a situation can arise where one particular area finance officer is holding claims at the closing stage of the year but has exhausted his warrant allocation. The Department stated that, to the best of its ability, it transfers funds as between officers depending on the incidence of claims but that it discovers, at the close of the financial year, that unpaid claims are on hand because it has proved impossible to effect the necessary transfer of funds.

Exhibit  
93/1 and  
Q's. 47, 48  
and 50

17. We were also informed that airlines, railways and coach companies do not submit claims in respect of each warrant but may render their accounts on a two or three monthly basis depending on their own administrative arrangements. In particular, we questioned the witnesses on the possibility of entering into a standing arrangement with the airline companies to submit their claims up to 15th or 20th June each year so that payment could be effected before the close of the financial year. We were informed that while such a practice could be entered into it would represent a departure from normal commercial practice in respect of claims.

Q's. 58 to 65

18. At our request the Department tendered a submission relative to its register of liabilities. This showed that such a register is maintained at the head office of the Department in Canberra and that subsidiary registers are maintained at the Area Finance Offices located in Sydney, Melbourne, Brisbane and Perth. The submission revealed that the following Air appropriations are not recorded in a liabilities register -

Q's. 58 and  
67 and  
Committee  
file 1967/5

- (a) Royal Australian Air Force - Pay and Allowances in the Nature of Pay
- (b) Civil Personnel - Salaries and Payments in the Nature of Salary
- (c) Postage, Telegrams and Telephone Service Rentals
- (d) Electricity, Water Supply and Sanitation
- (e) Travelling and Subsistence
- (f) Freight and Cartage
- (g) Other Administrations Recoverable Expenditure

We were informed that the question of controlling, through the Liabilities Register, Travelling and Subsistence, which is under examination in this Item, was the subject of a conference of senior finance officers of the Department some years ago. As a result of these discussions, it was decided that although it would be possible for action on these lines to be taken, the considerable amount of work involved would be very costly in manpower and would be entirely out of proportion to the results which would be obtained. Accordingly, the instruction on the control of authorisations which was issued following the conference stated that this item would not be subject to control through the Liabilities Register.

19. In its examination of this Item, Your Committee noted that although the Department had recourse to the Additional Estimates in each of the years 1964-65 to 1966-67 inclusive, funds totalling \$160,000 in 1964-65, \$461,000 in 1965-66 and \$100,000 in 1966-67 were sought from the Advance to the Treasurer. Of these amounts, \$13,890 in 1964-65, \$9,410 in 1965-66 and \$13,006 in 1966-67 were not required. In view of this history and the evidence received in this Inquiry, Your Committee believes that there is scope for improvement in the basis of estimating and financial control under this Item. In the latter regard, Your Committee recognises the difficulties inherent in a system where finance officers are located in geographically wide-spread areas but we believe that this calls for the closest possible

liaison between these officers and their Central Office if claims received are to be paid before the close of the financial year. We also believe that a responsibility devolves upon departments to pursue their creditors to ensure that payment is effected, whenever possible in the financial year to which the service provided relates. In this regard we would draw attention to paragraph 113 of our Eighty-fourth Report in which we stated - Pp. No.350 of 1964-65-66

"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."

We would also draw attention in this context to Treasury Direction 31(3), which states -

"A register shall be kept, under the direction of the Authorizing Officer, to record by item all liabilities incurred, other than salaries. The register shall be designed to show at any time whether or not funds are available (Direction 31/4) for the purposes of regulation 47. It will be recommenced at the beginning of each financial year, the amount of outstanding liabilities at 30th June being carried forward to the new year."

CHAPTER 3  
DEPARTMENT OF ARMY

Division 698/1/01 - Australian Military Forces - Pay and  
Allowances in the Nature of Pay -  
Australian Regular Army.

Appropriation Act (No. 1) \$108,038,000 : Expenditure \$108,466,166

20. This Item provides for the issue of pay and allowances in the nature of pay, in accordance with Military Financial Regulations, to the following members of the Australian Military Forces -

- (a) Australian Regular Army (including staff cadets, Royal Australian Army Nursing Corps, Women's Royal Australian Army Corps, Apprentices and Pacific Islands Regiment);
- (b) Regular Army Supplement (including National Servicemen);
- (c) Citizen Military Forces on full-time duty;
- (d) Regular Army Emergency Reserve; and
- (e) R.A.A.F. personnel at No. 1 Division Army Aviation Regiment.

Exhibit  
93/2

21. We were informed that in formulating the Estimate for this Item an assessment is made of the number of personnel who are classified in each of the categories above and to this is applied a weighted average rate of pay. Details of rates of pay and a survey of the various numbers of personnel on varying rates of pay are obtained from the centralised Army accounts office in Melbourne. The rates are then adjusted to accord with the change in rank structure or pattern that it is expected may occur during the financial year. Having reached this basic figure, the Department then adds its assessment of the amounts it will be expected to pay by way of pay in lieu of long service leave, allowances payable to soldiers serving in overseas locations and allowances payable to soldiers in the various districts in Australia under localities allowances. From this

Q.252

total the Department deducts amounts which it expects to obtain by way of recoveries from soldiers serving on secondment with other authorities and the amount which it expects will be deducted from the pay of soldiers for the tenancy of Army married quarters.

22. A review of this Item was conducted at 28th February, 1967 in anticipation of the Additional Estimates. It was found that expenditure at that date accounted for 64 percent of the Budget provision which was 3 percent below the pro rata expenditure level. These percentage relationships led the Department to believe that the funds already available under the Item would be adequate to enable undrawn pay that may be drawn later in the financial year to be covered. Whereas at that time it had been estimated that the undrawn pay requirement would amount to about \$700,000 during the closing months of the year, an amount of about \$1,500,000 was, in fact, required.

Exhibit  
93/2 and Q's.  
256 and 260

23. We were informed that one of the factors which contribute to the difficulties of preparation of estimates and expenditure reviews on this Item is that members of the Regular Army are not required to draw their full pay each fortnight. They may, if they so desire, accumulate undrawn pay in their pay-books and draw it later in a lump sum. It was claimed that the rapid build-up in the Vietnam Force had accentuated these difficulties because the greater part of the undrawn pay element is applicable to members returning from Vietnam.

Exhibit  
93/2

24. An analysis of payments made to 2,200 members returning from Vietnam during May and June 1967, indicated that these members drew an average of \$700 upon their return to Australia which was more than double the rate allowed for in the Additional Estimates review. We were informed that in regard to the number of soldiers returning from Vietnam and drawing pay, the matter of whether or not they are to be discharged from service is of some significance. It was stated that the Department's experience on the amount of undrawn pay may have

Q.257

been led astray because of the number of servicemen who were finalising their service. In the Additional Estimates review, the Department had based its assumptions on undrawn pay continuing at the rate which had been experienced previously.

25. Although the Department sought \$500,000 from the Advance to the Treasurer under this Item, \$71,834 remained unexpended at 30th June, 1967. In this regard we were informed that when the final review of the Item was conducted in 1966-67, the Department had outstanding debits against the Departments of Supply, National Development, Defence, Treasury and External Affairs for reimbursement of pay and allowances of certain seconded officers. As the debits were fairly recent, there was no certainty that payments would be received before the close of the financial year. In the event, however, cheques in payment of the debit notes were received during the closing hours of business on 30th June and were credited to the vote. Exhibit  
93/2 and  
Q.268

26. In the case of this Item, Your Committee believes that the Department was led into difficulties by too great a reliance on a comparison between actual and pro rata expenditure, a comparison which must prove treacherous in an Item of this type unless it is evaluated with great care. Although the Department would almost certainly have had some prior knowledge of the likely number of discharges returning from Vietnam, the financial consequences of this fact do not seem to have been related to the Department's financial needs at the time when the Additional Estimates review was undertaken. On the matter of unexpended funds at the close of the financial year, we believe that the Department should reasonably have expected the Departments of Supply, National Development, Defence, Treasury and External Affairs to make reimbursements to it very late in the financial year in the process of clearing their own votes prior to 30th June.



CHAPTER 4DEPARTMENT OF CIVIL AVIATION

Division 998/01 - Capital Works and Services - Cocos Islands  
Working Advance (for Payment to  
Commonwealth Hostels Ltd.)

Appropriation NIL : Expenditure \$15,000.

27. This Item provides for the making of an advance in the form of working capital to Commonwealth Hostels Ltd. for the purpose of providing a catering service for personnel located at Cocos Islands. This catering service has, for the past ten years, been provided by Qantas Empire Airways Ltd., which has used the airport as an essential stop on its Australia/South Africa air service. As from the beginning of April 1967, however, Qantas and South African Airways commenced direct flights between Perth and Mauritius and there was no regular air service through Cocos Islands after that time. As Qantas no longer had an interest in the base, it withdrew its personnel and catering service progressively during May and June 1967.

Exhibit  
93/3 and  
Q.298

28. As it became apparent early in 1966 that Qantas desired to withdraw from Cocos Islands as from 1st April, 1967, a series of conferences was held, chaired by the Department of Territories, in regard to the provision of catering services. The concensus of opinion was that Commonwealth Hostels Ltd. should undertake this task and the Company carried out a feasibility study on the Islands towards the end of 1966.

Q.302

29. It was not until 31st March, 1967, that the Department of Civil Aviation was aware that an advance of \$15,000 was required. At that stage, it was too late for the amount to be included in the Additional Estimates although the Department approached the Department of the Treasury with a view to having it so included. Q.302

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

CHAPTER 5DEPARTMENT OF EXTERNAL AFFAIRS

- (i) Division 165/1/01 : Administration - Salaries and Payments in the Nature of Salary - Salaries and Allowances (Permanent Australia).

Appropriation Act (No. 1) \$1,628,000 : Expenditure \$1,588,108

31. This Item provides for payment of salaries and payments in the nature of salaries to permanent officers in Australia.

32. On 17th April, 1967, an application was made for an amount of \$2,933 from the Advance to the Treasurer to provide for payment to an officer in lieu of furlough. At that time, it was expected that funds available would be sufficient for the payment of salaries only for the remainder of the financial year. Although an increase in the number of permanent officers was expected between the time the application was made and the end of the financial year, a number of vacancies was subsequently filled by temporary employees. As a result, an overall shortfall in expenditure of \$42,825 occurred under this Item.

Exhibit  
93/4  
and Q.462

33. During our examination, we were informed that at 31st December, 1966, the pro rata figure under the Item was \$814,000 compared with actual expenditure of \$759,000, but two months later the pro rata figure stood at \$1,085,000 compared with actual expenditure of \$990,000. As at 31st March, the pro rata figure was \$1,221,000 compared with actual expenditure of \$1,178,000.

34. Although the extent to which the Department drew on the Advance to the Treasurer represented only one week's payroll, Your Committee believes that sufficient uncertainty existed as to the number of positions that would be filled by permanent and temporary officers for the Department to have waited until a later stage in the financial year before deciding whether or not to apply for funds from the Advance.

(ii) Division 165/1/02 : Administrative - Salaries and Payments  
in the Nature of Salary - Temporary  
and Casual Employees.

Appropriation Act (No. 1) \$176,000 : Expenditure \$253,377

35. This Item provides for payment of salaries and payments in the nature of salary for temporary and casual employees in Australia. Exhibit 93/5-6
36. At the time when the Department conducted its Additional Estimates review, it anticipated that vacant permanent positions would be filled by temporary and casual employees during the year 1966/67. Following the reorganisation of various sections in the Department, mainly the Management Service Section, an additional 45 positions were created in September/October 1966. This resulted in an increase in the number of temporary and casual employees pending appointment of permanent officers. Consequently an additional amount of \$75,000 was obtained in Appropriation Act (No. 3). Exhibit 93/5-6 and Q's. 463, 465 and 466
37. A review of expenditure under this Item to 31st May, 1967, disclosed an expenditure of \$235,298. An estimate of expenditure for the month of June 1967 indicated that the total expenditure for the financial year for temporary employees would be between \$255,000 and \$256,000. As at 30th June, 1966, there were 90 temporary employees on the Department's establishment. This number had increased to 115 by 31st December, 1966, and at 30th April, 1967, had risen to 122. We were informed that the large increase in the number of temporary employees between July 1966 and April 1967 was not anticipated and it was therefore not possible for the Department to assess its needs more accurately when calculating its requirements under the Additional Estimates. Exhibit 93/5-6
38. Your Committee accepts the Department's explanation.

(iii) Division 165/4/02 : Administrative - International  
Organisations - Contributions -  
General Agreement on Tariffs and  
Trade.

Appropriation Act (No. 1) \$43,600 : Expenditure \$57,000

39. This item provides for Australia's contribution to the  
General Agreement on Tariffs and Trade (G.A.T.T.).

40. Provision was made in the estimates for an estimated  
contribution for 1967 based on the assessed contribution for 1966.  
We were informed that the estimate for this Item each year is  
formulated as a percentage of the previous year's figure. At the  
commencement of the calendar year, a final figure is agreed upon  
between the parties concerned with relation to that contribution  
or with relation to what the contribution will be. The original  
estimate which is inserted in the draft estimates prior to the  
budget is based on expenditure that has already occurred. The  
payment of the assessed contribution for the financial year  
1966-67 required an additional \$13,400. Although the Department  
of the Treasury had admitted liability for the additional funds  
on 16th January, 1967, the Department of External Affairs omitted  
to make the necessary provision in the Additional Estimates thus  
necessitating recourse to the Advance to the Treasurer.

Exhibit  
93/7 and  
Q.504

41. Your Committee considers that the Department should  
have exercised greater care in the preparation of its Additional  
Estimate for this Item.

(iv) Division 176/1/01 : Brazil - Salary and Payments in the  
Nature of Salary - Salaries and  
Allowances.

Appropriation Act (No. 1) \$36,700 : Expenditure \$38,423

42. This Item provides for payment of salaries and allowances to Australian-based officers in Rio de Janeiro.

43. The Public Service Board approved the creation of an Australian-based position of Clerk Grade B at Rio de Janeiro. This position was filled from 31st December, 1966, and \$2,000 was sought accordingly under the Appropriation Act (No. 3) to make the necessary basic salary and allowance payments. Exhibit  
93/8

44. When the 1966/67 estimates were prepared for this Item, no allowance was made for accommodation subsidies, as a changeover of Australian-based staff was not anticipated during the financial year. However, following the filling of the new Australian-based position of Clerk, extreme difficulty was experienced in locating suitable long term accommodation for this officer and lengthy settling-in expenditure was incurred, amounting to \$1,391. When additional funds were sought to cover salary and allowance payments, provision for accommodation subsidies was omitted due to a clerical error. The allowances were reviewed and reduced in Rio de Janeiro and it was estimated that a saving of \$703 would occur. Following further allowance variations, however, this anticipated saving did not eventuate. The savings concerned were estimated on the basis of the figures available to the Department at the time of the Additional Estimates review. When the Additional Estimates were prepared, the estimated saving was mistakenly included and consequently funds were insufficient to meet the further allowance reviews. Exhibit  
93/8 and  
Q's. 592 and  
594

45. The provision of funds from the Advance to the Treasurer was sought in the first week of June 1967. It was not discovered until 29th June, however, that a debit of \$2,382 had been made incorrectly against this Item. This amount was transferred to the correct heading of expenditure before the end of the financial year, resulting in an under-expenditure of equal value.

Q.589  
Q.607

46. Your Committee is of the opinion that the circumstances disclosed in evidence under this Item point to a serious inadequacy in the financial administration of the Department.



(v) Division 179/1/02 : France - Salaries and Payments in  
the Nature of Salary - Temporary  
and Casual Employees.

Appropriation Act (No. 1) \$252,700 : Expenditure \$286,349

47. This Item provides for payment of salaries and allowances to temporary and casual employees in Paris.

48. The estimate for this Item is formulated from information submitted by the post in Paris. The post provides a schedule of positions which have been approved and then summarises the length of time that it expects the positions to be filled, any increments that may become due and payable to the employees, and any other extraneous payments that may become necessary. From this, it formulates an estimate of the amount it expects to require for the year. Q.608

49. When compiling its Additional Estimates for this Item, the post incorrectly calculated expenditure to the end of December 1966. The whole of the expenditure under this Item for August 1966, which was the last month prior to the transfer of the post's accounts to the Sub-Treasury in Geneva, was inadvertently omitted from the original calculation. This omission left the impression that funds were not required under the Additional Estimates and it was not until May 1967 that the need for additional funds was detected in the Canberra Office of the Department. Accordingly, a request was made for an amount of \$38,250 to be charged to the Advance to the Treasurer to cover all liabilities for which provision had not been made. The position had become further obscured by the post also omitting some extraneous payments from the original draft estimates.

Exhibit  
93/9 and  
Q's. 609, 611  
and 614

50. Your Committee believes that the circumstances revealed reflect adversely not only on the accounting standards at the post in Paris but on the quality of examination accorded by the Department in Canberra to estimates prepared at the post concerned.

- (vi) Division 181/1/01 : Greece - Salary and Payments in the Nature of Salary - Salaries and Allowances.

Appropriation Act (No. 1) \$48,100 : Expenditure \$54,901

51. This Item provides for payment of salaries and allowances to Australian-based officers in Athens.
52. The Public Service Board approved the creation of an Australian-based position of Clerk Class 4 as from January 1967, giving rise to a requirement of \$2,100 in the Additional Estimates. Also, following on the second division salary increases operative from 23rd December, 1966, further funds of \$400 were required and accordingly a total amount of \$2,500 was obtained in the Appropriation Act (No. 3). Exhibit 93/10
53. When the 1966/67 estimates were prepared for this Item, no allowance was made for accommodation subsidies, as no changeover of Australian-based staff was expected to occur in that financial year. However, during the year, two officers were replaced and a new position was created and filled. Due to the extreme difficulty in locating suitable long term accommodation for these officers, a lengthy settling in period resulted. The Department omitted to include figures for this in the Additional Estimates, notwithstanding that it checked the information supplied to it by the post concerned. Consequently, additional funds amounting to \$4,500 were obtained from the Advance to the Treasurer to enable salary payments to be made for the remainder of the financial year. The omission from the Additional Estimates was discovered by the Central Office of the Department in Canberra late in May or early June 1967, when it conducted its final review in relation to its need for additional funds. Exhibit 95/10 and Q's. 667 to 669
54. Your Committee is unable to accept the Department's explanation. It is clear that greater care should have been exercised in the formulation of Additional Estimates under this Item.

(vii) Division 191/2/02 : Mexico - Administrative Expenses -  
Office Requisites and Equipment.

Appropriation Act (No. 1) \$2,300 : Expenditure \$4,455

55. This Item provides for payments for office requisites and equipment in Mexico.

56. A provision of \$1,800 was made in the Additional Estimates for this Item as actual costs could not be determined until quotes were obtained and compared with Australian prices for office requisites and equipment.

57. As the Embassy building in Mexico City neared completion, essential office equipment was purchased and shipped from Australia involving additional funds of \$1,600. Following the appointment of the Ambassador to Mexico, the normal supply of Visiting and Invitation cards was printed. This had not been allowed for in the Original Estimates due to the uncertainty of the appointment. The funds required for this purpose amounted to \$200. However, a posting error occurred in the Liabilities Register of the Department in Canberra, causing the commitment of funds in excess of the Appropriation Advice held and resulting in a charge to the Advance to the Treasurer of \$355.

Exhibit  
93/11 and  
Q's. 671 to  
674

58. Although the degree of error in this instance is insubstantial, Your Committee takes a serious view of errors of this nature, particularly as accounting standards at the overseas posts are certain to be influenced by the standards achieved at the Central Office of the Department.

(viii) Division 219/2/06 : Pakistan - Administrative Expenses -  
Rent and Maintenance of Other  
Buildings.

Appropriation Act (No. 1) \$53,600 : Expenditure \$53,756

59. This Item provides for payment for rent and maintenance of leased residences, etc. in Pakistan.

60. Following a decision to retain the staff leave house at Murree after its lease had expired, further rental was required to be paid involving the provision of \$1,000 in the Appropriation Act (No. 3).

61. Twelve months rent (\$1,700) was paid in advance for the period April 1967 to March 1968 for accommodation for a married External Affairs Officer who replaced a bachelor on 25th February, 1967, the existing bachelor apartment being unsuitable for a married man. The details of arrangements for the married accommodation were not available until after the Additional Estimates had closed. The Department had expected to make a project payment of \$4,520 as rental for a house which was expected to be completed in May 1967. As late as 9th May, the owner of the house reported that he expected to complete the house in time for its occupation later that month. In fact, however, the house was not occupied until July 1967. In these circumstances, therefore, whilst an amount of \$1,530 had been obtained from the Advance to the Treasurer, the Item was under-spent at 30th June by \$2,374.

Exhibit  
93/12 and  
Q's. 811 and  
812

62. Your Committee accepts the Department's explanation.

- (ix) Division 233/1/02 : San Francisco - Salaries and Payments in the Nature of Salary - Temporary and Casual Employees.

Appropriation Act (No. 1) \$66,800 : Expenditure \$79,187

63. This Item provides for payments of salaries and allowances to temporary and casual employees in San Francisco. The Public Service Board approved the creation of an additional locally engaged position of driver as from November 1966 with a funds requirement of \$2,900. The Board also increased the salaries payable to all locally engaged staff with effect from July, 1966 involving a funds requirement of \$2,400. Accordingly, the Department obtained an amount of \$5,300 in Appropriation Act (No. 3).

64. Three positions had been created in April, 1966 but through an error, the funds for these positions had not been included in the draft Estimates prepared by the Post for 1966/67. When the Post prepared its revised estimates in January, 1967, this omission was not taken into account. When the error was discovered on 17th May, 1967, additional funds amounting to \$8,000 were sought from the Advance to the Treasurer to enable the salary payments to be made for the remainder of the financial year.

Exhibit  
93/13

65. In regard to the omissions from the Original Estimates, we were informed that when the Department examined the pro rata and actual expenditure figures at 28th February, 1967, it should have become aware that an error had occurred in the Original Estimates. The Department did not become aware of this, however, until advice was received from the Sub-Treasury in New York on 17th May, 1967, that it was running short of funds under the Item to pay salaries.

Q's. 850 and  
' 851

66. As in the case of similar previous Items, Your Committee considers that the state of affairs indicated by the evidence on this Item reflects adversely on the financial administration of the Department both in Australia and overseas.

(x) Division 236/1/01 : Noumea - Salaries and Payments in the  
Nature of Salary - Salaries and  
Allowances.

Appropriation Act (No. 1) \$24,800 ; Expenditure \$24,986

67. This Item provides for payment of salaries and allowances to Australian-based officers in Noumea.

68. Subsequent to the original estimates, the Public Service Board approved the payment of a special representation allowance of \$800 to the Consul in connection with the South Pacific Games. The Board also reviewed the allowances payable to officers in Noumea with effect to January, 1966, the additional funds for this purpose being estimated at \$1,800. Accordingly, the Department obtained \$2,600 in the Appropriation Act (No. 3).

Exhibit  
93/14

69. On 30th March, 1967, an additional amount of \$967 was provided from the Advance to the Treasurer for a newly created position of External Affairs Officer Grade C and at that stage, it was expected that this position would be filled in April, 1967. However, the officer originally posted did not take up the appointment and as a result, the position was not occupied until 23rd May, 1967. As a result, the Item remained unexpended to the extent of \$3,381 as at 30th June, 1967.

Exhibit  
93/14 and  
Q's. 857 and  
858

70. Your Committee accepts the Department's explanation.



- (xi) Division 238/1/01 : Other Representations Abroad -  
Salaries and Payments in the Nature  
of Salary - Salary and Allowances

Appropriation Act (No.1) \$102,500 : Expenditure \$113,900

71. This Item provides for payment of salaries and allowances of Australia-based officers.
72. The Public Service Board approved the creation of the following Australia-based positions in London -
- (a) External Affairs Officer Class 4 from January 1967, with a funds requirement of \$4,800.
  - (b) Two temporary positions of External Affairs Officer Class 1 from September, 1966 and January, 1967 respectively with a funds requirement of \$4,600.

Approval was also given to pay the Senior External Affairs Representative in London an increased upkeep allowance from September, 1966, the funds required amounting to \$200. Also, following Second Division salary increases which applied from 23rd December, 1966, additional funds amounting to \$400 were required. Accordingly, to cover these variations, the Department obtained \$10,000 in the Additional Estimates.

Exhibit  
93/15 and  
Q.863

73. In October 1966, the Imprest Account at the Australian Consulate at Dili was over-reimbursed due to an error in conversion. Arising from the misplacement of a decimal point, an amount of \$8,969 was reimbursed in lieu of an amount of \$896.9. We were informed that under local banking arrangements in Dili, which were known to the Department of External Affairs at the time, it was not possible to repatriate the excess funds without incurring a loss of between 20 and 40 percent of the amount reimbursed arising from currency conversion. It was stated that expenditure for the remainder of the year did not exhaust the

Exhibit  
93/15 and  
Q.869

Q's. 864 to  
868

excess funds remitted and the amount remaining at the end of the financial year (\$1,400) was obtained from the Advance to the Treasurer and charged to this Item. The Department had been unable to predict, when it conducted its Additional Estimates review, whether or not the over-reimbursement would be absorbed.

74. Your Committee is of the opinion that reasonable care was not exercised in regard to the reimbursement of the Imprest Account at Dili particularly as the problems which would be encountered in the repatriation of funds from that account were known to the Department at the time when the error occurred.

- (xii) Division 910/1/09 : Capital Works and Services - Buildings, Works, Plant and Equipment - Other Overseas Establishments.

Appropriation Act (No. 1) \$98,500 : Expenditure \$755,124

75. This Item provides for buildings, works, and plant and equipment costs at overseas posts.

76. In Appropriation Act (No. 3) the Department sought a further amount of \$221,000 for the following purposes:-

- (a) Purchase of a residence for the Ambassador in Vienna (\$143,900).
- (b) Purchase of official vehicles for a number of Posts (\$66,150).
- (c) Additional costs for a building project in Rangoon (\$6,600)
- (d) Air conditioning units for the official residence in Manila (\$800).
- (e) Weather proofing a terrace at No. 1 house in Tokyo (\$1,600)
- (f) Replacement of a burst heating boiler at the official residence in the Hague (\$950)
- (g) Provision of toilet facilities for domestic staff at official residence in Nairobi (\$500)
- (h) Purchase of a safe for the Chancery strongroom area in Beirut (\$500)

Exhibit  
93/16

77. Funds amounting to \$470,509 were obtained from the Advance to the Treasurer for the purchase of a residence for the Consul-General in New York (\$179,600) and a residence for the Ambassador in Mexico (\$290,909). Negotiations for the purchase of the residence in New York extended over several months and final approval to make the purchase was obtained on 5th May, 1967, following an inspection by a senior architect of the Department of Works. Although the possibility of a purchase could be foreseen, funds could not be sought until a firm choice had been made and approval given to purchase. Negotiations for the purchase of the residence in Mexico City also extended over

Exhibit  
93/16

several months and approval to purchase was obtained on 12th April, 1967.

78. Although \$470,509 had been obtained from the Advance to the Treasurer under this Item, the total funds available were underspent to the extent of \$34,885 by 30th June, 1967. The reasons for this under-expenditure were explored by Your Committee. It was stated that in the case of the official residence in Mexico City, an amount of \$3,735 was retained from the purchase price as a guarantee against not receiving vacant possession by 15th June, 1967, and acceptance of liability by the vendor for certain repairs. It was not possible to expend this sum before the closing of accounts by the Sub-Treasury in New York for the financial year. We were informed by the Treasury Observer, Mr. Cowie, however, that whilst the closing date for normal payments at the Sub-Treasury in New York is 23rd June, urgent payments may be processed as late as 29th June.

Exhibit  
93/16  
and Q.735

79. In regard to the purchase of a residence for the Ambassador in Vienna, an amount of \$8,984 provided for renovations remained unexpended. The Ambassador occupied the house on 15th April, 1967, after part of the renovation work had been carried out but it was later considered that architectural advice would be required before the remainder of the alterations and extensions could be completed. We were informed that the Department had always recognised that architectural advice would be needed at some stage in the renovations and alterations.

Exhibit  
93/16  
and Q.720

80. In the case of the additional \$6,600 sought in connection with the building proposal in Rangoon, we were informed that the figure had been estimated late in the first half of 1966-67 but that, in March, 1967, when the Additional Estimates review was undertaken, it became clear that an amount of only \$1,860 would be required. Due to a clerical error which occurred in the Department in Canberra, however, the amount was not reduced to this level when the Additional Estimates were completed.

Exhibit  
93/16  
and Q's. 719  
and 721 to 723

81. A provision of \$1,300 had been made in the Appropriation Act (No. 1) for security work at the offices in Capetown and Pretoria. Owing to delay by local architects in preparing detailed specifications for the work, these funds were not expended as planned. The Department has now received further advice on these projects and does not desire to proceed with some of the work which had been proposed earlier.

Exhibit  
93/16 and  
Qs. 724 to  
726

82. In Tokyo, an amount of \$2,300, based on a firm quotation, had been included in the Original Appropriation for remodelling a building into a habitable apartment. It became possible subsequently for the Department to adopt a more economical approach to the conversion and as a result savings amounting to \$827 were achieved.

Exhibit  
93/16

83. In regard to the purchase of motor vehicles, valued at \$66,150, an under-expenditure occurred to the extent of \$14,130. Four vehicles were delivered but were not paid for prior to the close of the financial year although the Department admitted that the account should have been paid. In respect of a further three vehicles, two were not shipped to Saigon until 27th July, 1967. The remaining vehicle, however, was available for shipment in March, 1967 but due to a clerical error, payment of the account was overlooked.

Exhibit  
93/16 and  
Qs. 718 and  
727 to 731.

84. In the case of this Item it is clear to your Committee that clerical errors have contributed to an unsatisfactory estimating and expenditure performance. In addition it is clear that some proposals for which funds were provided in the Original Appropriation, notably work at the offices in Capetown and Pretoria, were so far from certain that the Department did not know what expenditure, if any, would be required. In the case of the purchase of a residence for the Ambassador in Vienna it is clear that had architectural advice been obtained at an early stage a more satisfactory result may have been achieved. In the case of work in Tokyo, the evidence suggests that the Department should have explored more fully its approach to the project before seeking funds in the Original Appropriation. The failure by the Department to make payment for motor vehicles delivered, in one case in March, 1967, reflects adversely upon the administration of the Department.

(xiii)

General

85. We were informed that the Secretary of the Department of External Affairs has become very concerned at the frequent appearances of the Department before this Committee. The Department has circularised to all of its overseas Posts relevant extracts from Your Committee's Reports and has invited their attention to the lessons to be drawn from them. In approximately March 1967, the Secretary of the Department wrote to the Head of every Mission and outlined the problems of under and over-expenditure and indicated the steps which he considered might be taken to reduce the ambit of the problems. Consequent upon clerical shortcomings which have been experienced between the Department in Canberra and its overseas Posts, the Department has instituted, from the commencement of the financial year 1967-68, a monthly financial report from each Post on which they are required to match their firm commitments and actual expenditure against their pro rata expenditure, and to report monthly on their funds. The Department in Canberra is conducting a similar process and relating its examination of the results to the information furnished by the Posts in an endeavour to eliminate the late arrival of omissions which have occurred in previous years. In conjunction with that measure, the Department has assigned two additional officers to supervise the control of the votes. It has also consulted the Public Service Board which has indicated its willingness to conduct an Organisation and Methods review of the Department's finance section. This review is expected to commence in about November 1967. The Department has also reviewed its financial instructions and we were informed that it expects some modifications to be made to the Treasury Overseas Accounts Directions. Such changes are expected by the Department to be of considerable assistance to it in its endeavour to secure a better control of expenditure.

Q's. 852 and  
892

86. In view of the evidence received from the Department in respect of the financial year 1966-67 and previous years, Your Committee would commend the Department for undertaking what appears to be a positive and far reaching attack on basic problems in the field of financial administration which have clearly operated to the sustained embarrassment of the Department. The effectiveness of these measures will be reflected in closer accuracy in estimating and expenditure performances in the years ahead.

CHAPTER 6DEPARTMENT OF HOUSING

Division 260/1/02 : Administrative - Salaries and Payments in  
the Nature of Salary - Temporary and  
Casual Employees.

Appropriation Act (No. 1) \$455,400 : Expenditure \$480,618

87. Provision is made under this Item for the payment of salaries to temporary and casual staff occupying temporary positions and vacant permanent positions pending the filling of vacancies by permanent officers.

88. The Department obtained an amount of \$10,431 in the Additional Estimates to meet increased salary payments to temporary employees following the issue on 5th October, 1966, of Determination No. 230 of 1966 relating to temporary clerks and a 2½ percent increase in margins from 16th February, 1967. Exhibit  
93/17 and  
Q's. 914 and  
915

89. Later in the financial year, the Department obtained \$18,000 from the Advance to the Treasurer. In this connection, it was stated that the Original Appropriation of \$455,400 had been calculated to cover salary payments to an estimated 179 employees throughout the year. In fact, however, the number actually employed fluctuated between 168 at the commencement of the year to 204 at the end of January 1967, whilst the overall average of persons employed throughout the year was nearer 182 than the 179 originally envisaged. The cost of this increased employment amounted to \$7,800. A further factor which involved expenditure of \$7,000 arose from an error made in the calculation of future funds requirements when the Additional Estimates were being prepared. In this instance, the Sydney Branch Office had miscalculated by one the number of paydays for the balance of the financial year. Had this not occurred, the amount concerned would have been included in the Additional Estimates. The error was Exhibit  
93/17 and  
Q's. 920 to  
922



discovered in April 1967 by the Accountant of the Sydney Office who had been absent on sick leave when the error occurred. We were informed that the error could have been detected by the Central Office of the Department when the Branch Office estimates were checked. It was claimed, however, that even if the figure had appeared somewhat low, the Central Office could have failed to detect an error in the belief that the estimate had been formulated by the Branch in anticipation of a reduction in the level of temporary staff for the remainder of the year. Q.922

90. In connection with the Department's estimate for 1967-68, the witness informed us that steps had been taken by the Central Office of the Department to improve its review of estimates prepared by the State Branches. Q.926

91. A feature of this Item which attracted our attention was the fact that the Department, believing it had incurred expenditure from the Advance to the Treasurer, duly tendered its submission in response to our request made on 27th June, 1967 for submissions relative to expenditure from that Advance. The Treasurer's statement relating to expenditure from the Advance to the Treasurer, however, showed an amount of \$14,787 for this Item, as a charge to the Advance less an equal amount received from the War Service Homes Insurance Trust Account, Item 260/1/07. We sought an Observation from the Treasury Observer, Mr. Cowie, on this matter and were informed that the amounts provided under Items 260/1/07 and 260/1/08 are deduction lines and are deducted from the gross appropriation which in 1966-67 amounted to \$3,782,131. There was a deduction of two Items totalling \$457,700 thus reducing the net appropriation for the sub-division to \$3,324,431. The Department of Housing had available to it for expenditure under Item 260/1/02, the amount of \$465,831 being the sum of the provisions made in the Appropriation Acts (No. 1) and (No. 3) plus the amount of \$18,000 provided from the Advance to the Treasurer. The amounts received in respect of the deduction Q's. 916 to 919

lines are recorded in the Treasury ledgers and are offset in the Advance to the Treasurer Statement, but these funds do not become available to the Department of Housing for expenditure purposes under Item 260/1/02.

92. Your Committee notes that when the Additional Estimates were prepared in the Sydney Branch Office, the Accountant of that Office was absent on sick leave. Nevertheless, we believe that proper care should have been exercised by the officer relieving the Accountant and staff subject to his supervision. Your Committee is unable to accept that the Central Office of the Department is in any way relieved of responsibility in regard to the detection of the omission that occurred. We believe that a direct responsibility devolves upon Central Office Organisations to satisfy themselves completely in regard to estimates formulated by their regional offices and that the estimates submitted by such offices should be supported by appropriate material to enable Central Offices to perform their review function at a high standard.

93. In regard to the matter of Deduction lines which had an effect on this Item in 1966-67, Your Committee proposes to hold a discussion with Officers of the Department of the Treasury at a suitable time.

CHAPTER 7DEPARTMENT OF THE INTERIOR

- (i) Division 853/2/01 : Australian Capital Territory  
 Services - Administrative Expenses  
 - Travelling and subsistence

Appropriation Act (No. 1) \$26,000 : Expenditure \$35,019

94. This Item provides for travelling, subsistence and living allowance payments to officers of the Australian Capital Territory Services Division.

95. A total of 98 new positions were created in 1965/66 and a number of these were filled in 1966/67. From the 1st July 1966 to the 17th March 1967, when applications for funds in Appropriation Act (No. 3) closed, a total of 80 new positions which were a charge to this Item had been created. This rapid expansion of staff led to increased expenditure both on travel and in payment of Public Service Board Regulation 97 allowances. These increases were covered by an amount of \$9,000 under Appropriation Act (No. 3). Exhibit 93/18  
and Q.997

96. In its submission, the Department advised us that on Appropriation Advice No. 8 of the 27th September, 1966, the Sub-Treasury in New York was authorised to incur expenditure not exceeding \$100 against this Item. Up to the 31st May, 1967 no expenditure had been recorded in relation to this Appropriation Advice. As there was a requirement for these funds in Canberra and as no expenditure had been recorded in New York after the passage of eight months, Appropriation Advice No. 41 was issued on the 9th June, 1967 withdrawing these funds from New York for re-issue. However, telegraphic advice received from New York in June, revealed expenditure of \$55. The fact that this caused an over-expenditure of \$19 did not come to notice until overall figures were received early in July. It was then too late to seek Warrant Authority. Exhibit 93/18

97. We were informed in evidence that whilst the Department understood that no expenditure had occurred in New York against this Item, some expenditure had been recorded incorrectly against the Item earlier in the financial year. This had been discovered by the Department in July 1966 when the error occurred but it had not been corrected properly. The Division number had been corrected by the Department of Interior but the officer who made the correction omitted to inform New York and the amount of \$55 remained a charge against this vote in the New York Ledger. When the Department found that it was running short of funds towards the end of the financial year the \$100 was withdrawn from New York. The significance of the telegraphic advice received from New York as late as 18th June was not realised until too late for proper action to be taken. The witness stated that the Department has instituted a check with the Treasury ledgers to ensure that its ledgers agree with the master appropriation ledgers. Under this new procedure it is expected that errors of the type which occurred under this Item in 1966/67 will not recur.

Qs. 992  
to 996

98. As an expenditure of \$19 had occurred under this Item without proper Warrant Authority we sought from the Treasury observer an explanation as to how such an amount would be treated in the Treasury accounting system. Mr. Balfour, the Treasury observer, informed us that by a direction of the delegate of the Treasurer the \$19 would be charged to Item 853/2/01 under Section 36 (a) of the Audit Act and an explanation would be sought from the Department concerned as to why the amount had not been covered by Warrant Authority.

Qs. 999 to  
1001

99. Your Committee is concerned that a clerical error should have occurred early in the financial year and that its correction should have been mishandled in the manner disclosed in evidence. The circumstances reflect a lack of adequate supervision in regard to follow-up action on the correction that had been made in the Canberra office of the Department.

- (ii) Division 853/4/16 : Australian Capital Territory Services  
 - General Services - City Omnibus  
 Service - Loss on Operations (for  
 payment to the credit of the  
 Australian Capital Territory  
 Transport Trust Account)

Appropriation Act (No. 1) \$186,000 : Expenditure \$269,000

100. This Item provides for payments to offset the loss on operations of the City Omnibus Service.

101. The Departmental submission stated that the estimate of \$186,000 made for Appropriation Act (No. 1) was based mainly on operational results disclosed by cost statements to the 2nd January 1966. A review conducted in March 1967, indicated that the provision made was inadequate and it was assessed that additional costs for 1966/67 would be as follows:-

(a)	Basic wage increase (\$2) from the 11th July 1966	\$22,300	Exhibit 93/19
(b)	Under estimated operational costs beyond the 1965/66 level	\$8,000	
(c)	Over estimated earnings compared with the 1965/66 level	\$6,000	
(d)	Margins increases from 23rd January 1967	\$5,300	
(e)	Determination No. 104 of 1966 operative from 16th June 1966	\$2,100	
(f)	Extension of the financial year to 54 weeks	\$11,000	
(g)	Miscellaneous increases in operational costs	\$2,000	

102. Accordingly, an amount of \$57,000 was obtained by the Department under Appropriation Act (No. 3). The Department stated that its assessment was complicated by uncertainty as to the effect on patronage of fare increases which had become effective from the 3rd February 1967.

103. We questioned the Department on the basis on which it had formulated its Original Estimates for 1966/67 and were informed that the cost statement which had formed the main part of that basis was somewhat out of date and that the Department had recently taken steps to have an Organisation and Methods investigation made in the section concerned, particularly in regard to the matter of whether a more prompt submission or preparation of these cost statements could be obtained. The witness agreed that the fact that the cost statement was out of date was probably the main reason why an incorrect result was obtained in the formulation of the estimates for this Item.

Qs. 1005,  
1006 and  
1020

104. We questioned the witness on the element relating to the extension of the financial year to 54 weeks and were informed that at long term intervals it is necessary to make an adjustment of this nature in the commercial accounts of the bus service in order to bring the date for closing the accounts as close as possible to the 30th June.

Qs. 1008  
to 1014

105. It was stated that the results of operations up to the 9th April 1967 disclosed that the loss for 1966/67 would be approximately \$269,000. Further examination of the reasons for this disclosed that the expectation that income derived from rural school bus runs let out to contractors had not been fully offset in savings in operational costs to the service as a whole and that progressive expansion of the service, mainly to new suburbs, had absorbed these savings as well as causing deterioration to operational results. In regard to the rural school bus service we were informed that the Education Section of the Department of the Interior pays a mileage rate for the miles travelled. In about October 1966, it had been decided to ascertain whether there would be any interest shown by private contractors in taking over these runs and whether it would be more economic for this to be done. After the tenders were examined, it was discovered that it would, in fact, be economic

Exhibit 93/19  
and Q.1019

to dispense with three of the runs but for two to be retained by the Canberra Bus Service. In the transition period, until the bus service can relocate men and dispose of some of its buses, it is continuing to carry the depreciation charges and overhead costs associated with a situation in which it was providing the whole of the rural school bus service.

106. The Department claimed that despite every effort made to assess accurately the requirement, it became clear in retrospect that forecasts made in respect of the financial effect on the operations of savings from rural school buses and extended services proved to be over optimistic and it became necessary to have recourse to the Advance to the Treasurer to the extent of \$26,000.

Exhibit /19

107. In view of the evidence submitted we questioned the Department on the checks which it has applied to the efficiency of operation of the Canberra Bus Service. We were informed that the Department and the National Capital Development Commission had engaged a consultant to examine the bus service and to make recommendations. The consultant's final report had come to hand shortly before our Inquiry and was said to be under consideration. We were advised that some services are not well patronised but that in a city such as Canberra where the Government virtually determines the locations of new suburbs it is necessary for bus services to be provided which are not economic. We were informed that over the years it has been departmental policy to provide services at the early stages of growth of new suburbs. We sought from the Department a further submission relating to the statistics of operation of the Canberra City Bus Service. Table No. 1 which follows shows details of these statistics derived from that submission.

Qs. 1021 to  
1046 and  
Committee  
File 1967/5

TABLE NO. 1  
CANBERRA BUS SERVICE STATISTICS  
1959/60 to 1966/67

Item	Unit	1959/60	1960/61	1961/62	1962/63	1963/64	1964/65	1965/66	1966/67
Approximate Population of Canberra	No (000)	50	57	63	71	77	85	93	100
Subsidy on Bus Services	\$ (000)	122	113	120	116	175	181	195	269
Passengers carried on timetable buses	No (000)	2,795	2,896	3,023	3,165	3,423	3,726	4,088	4,536
Distance run on Timetable Buses	Miles (000)	942	961	1,021	1,071	1,349	1,496	1,561	1,786
Subsidy per Head of Population	\$	2.43	2.00	1.89	1.63	2.27	2.13	2.09	2.69
Subsidy per Mile	¢	12.94	11.79	11.71	10.81	12.94	12.10	12.50	15.06
Subsidy per Passenger Trip	¢	4.36	3.91	3.95	3.66	5.10	4.86	4.77	5.93
Passengers carried per annum per Head of Population	No	55.68	51.26	47.76	44.70	44.46	43.84	43.87	45.36

Notes - Conversion from two to one man operation was progressive from 1956 to 1963. Since 1963 wage rises could no longer be absorbed by the consequential savings.

- Fare increases were introduced on 19th November, 1964 and 3rd February, 1967.



108. Your Committee believes that the basis of estimating applied to this Item has been deficient and that this had been a major cause in the funds sought under this Item being under-stated. But for this, the funds sought by the Department from the Advance to the Treasurer might well have been less than the amount of \$26,000 obtained. We would commend the Department, however, for the action it has taken to conduct an Organisation and Methods investigation into its transport costing section and, in conjunction with the National Capital Development Commission, to engage a consultant to advise it on the bus service. Your Committee trusts that these reviews will yield beneficial results.

CHAPTER 8DEPARTMENT OF NATIONAL DEVELOPMENT

- (i) Division 345/2/03 : Bureau of Mineral Resources -  
Administration - Administrative  
Expenses - Postage, Telegrams and  
Telephone Services.

Appropriation Act (No. 1) \$54,500 : Expenditure \$71,351

109. This Item provides for postage and private box fees; telegrams, phonograms, cablegrams and registered telegraphic addresses; installation, extension, alteration and maintenance of telephone and teleprinter services, rental and call charges.

Exhibit  
93/20

110. We were informed that the estimate under this Item, which covers a range of matters, is based mainly on the experience of preceding years adjusted to take account of any abnormal elements which have occurred in the immediately preceding financial year or which are likely to occur in the financial year to which the estimate relates. Q.1118

111. In its submission, the Department informed us that insufficient funds had been available late in June, 1966 to enable the telephone account for the Bureau of Mineral Resources building switchboard to be paid in full. The balance was, in fact, paid in July, 1966 but provision for this expenditure had not been made in the 1966/67 estimates. In this regard, we noted that as at 30th June, 1966, this Item had been underspent to the extent of \$2,724 and we were informed that this amount would comprise an accumulation of small balances available in Canberra, Melbourne, Perth and Darwin. Subsequent to the hearing, however, we were informed by the witness that of the amount of \$2,724, \$2,224 had been held in Melbourne, \$71 in Perth, \$300 in Canberra and \$129 in Darwin. Although the Departmental submission had indicated an

insufficiency of funds amounting to \$6,650 to pay this telephone account, the witness considered that the main cause of the difficulty had been an error of judgment on the part of the Accountant of the Department responsible for the payment of the account arising mainly from a communication problem between the Central Office in Canberra and the major Branches.

Exhibit  
93/20 and  
Q's. 1122 to  
1129 and  
Committee file  
1967/5

112. The departmental submission also stated that the estimated cost (\$300) of four direct (party) lines between buildings occupied by the Bureau of Mineral Resources and Canberra Fire Stations, had been inadvertently omitted when the Original Estimates for this Item were prepared. We were informed by the witness that whilst the Bureau of Mineral Resources is well aware of all the telephones for which they should receive accounts, these were simply omitted when the estimates were compiled.

Exhibit  
93/20 and  
Q's. 1134 and  
1135

113. The submission also stated that in November, 1966 arrangements were completed for a direct line from Mount Stromlo Observatory to the Bureau of Mineral Resources building in Parkes at an estimated cost of \$30 for installation and an annual rental of \$250. 1966/67 was the first full year in which both wings of the Bureau of Mineral Resources building in Parkes were occupied. Based on the first account received for that year, it was estimated that an additional \$6,500 would be required in the Additional Estimates for expenditure on telephones.

Exhibit  
93/20

114. As an offset against these additional amounts, the Department's submission indicated that expenditure on bulk postage was estimated to require \$3,030 less than the amount originally provided and on the teleprinter service \$1,100 less than that provided. The decline in bulk postage was said to have arisen from a diminution in the number of publications received by the Bureau of Mineral Resources early in the year, due mainly to printing delays or delays in delivery from private and Government printers.

Exhibit  
93/20 and  
Q's. 1142 to  
1144

115. In regard to the amount of \$8,000 charged to the Advance to the Treasurer, the departmental submission stated that in April, 1967, the second account for the year for the Bureau of Mineral Resources switchboard was received. As it was for an amount of \$18,162, or approximately \$9,000 more than the first account, it was queried with the Telephone Accounts Branch of the Postmaster-General's Department in Sydney who maintained that the account was correct. On reference to the District Telephone Office, however, the account was amended to \$16,783. The witness informed us that the account had contained a rental charge on the additional telephones for twelve months longer than they had been installed. The problem was resolved either late in May or early in June, 1967. The account concerned, however, had included installation charges (\$4,260) and back rental on 197 installations which had been installed in the second wing of the Bureau of Mineral Resources building early in 1966. The Department of National Development was under the impression that these charges had been paid in 1965/66. On the question of uncertainty as to whether these charges had been paid in that year, we were informed that the Accounts Section which is responsible for making the payments, is not concerned with the preparation of the estimates and that the problem that had arisen was due mainly to a change that had been made in estimating officers within the Bureau of Mineral Resources.

Exhibit  
93/20 and  
Q's. 1145, 1146,  
1164 and 1167

116. Your Committee finds that the evidence on this Item displays a laxity in estimating and a serious lack of proper liaison between the Accounts Section of the Department which is responsible for effecting payments and the Finance Section which is responsible for the formulation of Estimates. It is clear that until these two Sections effect a proper working arrangement, the Estimates will continue to be based in part on impressions of what may or may not have occurred in the Finance Section. Your Committee desires that, in any future inquiry of this nature involving the Department, the Accounts Section, in addition to the Finance Section, should be represented by a responsible officer.

- (ii) Division 346/1/02 : Bureau of Mineral Resources - Field Operations - Salaries and Payments in the Nature of Salary - Temporary and Casual Employees.

Appropriation Act (No. 1) \$513,300 : Expenditure \$579,026

117. This Item provides for salaries, wages and allowances of temporary, casual and exempt employees including those on loan from other Departments.

Exhibit  
93/21

118. We were informed that the estimate for this Item, as in other salaries items, is based on a schedule of all approved positions whether occupied or not at the time when the estimate is formulated. Against each position an estimate is made of the expenditure on salaries for the year. These are totalled and allowance is made for casual vacancies during the year. This allowance is deducted from the total so arrived at and then provision is made for such allowances as higher duties and district allowances for personnel working in remote localities.

Q.1177

119. The Department's submission showed that it obtained \$57,500 under the Appropriation Act (No. 3) arising from four factors. One of these was a payment of increases granted on 17th February, 1967, by the 1967 interim margin adjustment decisions at an estimated cost of \$11,000. In addition, the Original Estimate had provided for a staff increase from 92 on 1st July, 1966 to 100 on 30th June, 1967, with an average full time employment of 94 for the year. At 28th February, 1967, however, the staff had increased to 119 with an average employment of 102. The increased financial requirement caused by this development was estimated to be \$11,900. A further element arose from payments to industrial employees engaged as field hands who are casual employees assisting Professional Officers in the field. Because of variations in the numbers of this type of employee and increased rates payable, this sector of the estimate was increased

by \$5,000. Finally, during the review of the estimates in anticipation of the Appropriation Act (No. 3), it was found that some rates which had been used originally were too low and it was considered that an additional \$29,600 would be required. We were informed that each month, staff statistics are extracted and totalled progressively for the purpose of arriving at an average figure. The Department knows the total salaries that have been paid and these are divided by the average number employed on a full time basis during the year in order to arrive at an average salary.

Exhibit  
93/21 and  
Q.1182

120. The submission stated that when the estimates were reviewed in March 1967, it was known that several resignations were pending and although these did in fact occur, the consequent vacancies were filled quickly and the allowance made for resignations had to be partially restored to the extent of \$5,500. Moreover, as field operations were not interrupted to the extent expected, the allowance made for the termination of the services of some industrial employees had also to be partially restored to the extent of \$2,800. These amounts, totalling \$8,300, were charged to the Advance to the Treasurer.

Exhibit  
93/21 and  
Q.1183

121. In regard to the problem of formulating reliable estimates under this Item we were informed that in 1963/64, at the request of the Department of the Treasury the Bureau of Mineral Resources was divided into two parts for the purpose of estimating. One part dealt with the administration of the Bureau and the other dealt with field operations. Ever since that time the Department has experienced serious difficulties in estimating salaries. It was stated, however, that as from 1967/68 the Department of the Treasury has agreed that the administration of the Bureau and the field operations may again be combined and in these circumstances, the estimating problems that have been experienced under this Item are expected to be resolved.

Q.1186

122. Your Committee accepts the Department's explanation but will examine the financial results achieved under this Division in future years when the effects of the re-combination of administrative and field operations of the Bureau have had an opportunity to be reflected.

- (iii) Division 348/2/01 : Forestry and Timber Bureau -  
Administration Expenses -  
Travelling and Subsistence

Appropriation Act (No. 1) \$69,000 : Expenditure \$75,515

123. This Item provides for travelling and meal allowances, railway, air and other fares, transfer expenses and allowances, hire of official vehicles, allowances for the use of officers' own vehicles and allowances where officers are unable to obtain quarters (Public Service Regulations 96 and 97).

Exhibit  
93/22

124. The Departmental submission indicated that an amount of \$6,300 had been obtained in the Additional Estimates for the following purposes:

- (a) Officers of the Fire Control Section of the Forestry and Timber Bureau travelled to and in Tasmania to assist in the investigation into the causes, extent and damage and in the preparation of a report on the bush fires in February 1967 at a cost of \$1,000.
- (b) Bureau officers accompanied five tours organised in connection with the World Symposium on Man Made Forests. Fares for these officers had been met by the Department of External Affairs but their travelling allowances amounting to \$700 had not been included.
- (c) An officer was recruited in Britain in July 1966 and his fare and those of his family amounted to \$1,046.
- (d) At the request of the Minister an investigation was conducted into ways and means of encouraging forestry on private land. Expenditure on travel associated with this project, amounting to \$650, could not have been foreseen in time for its inclusion in the Original Estimates.



- (e) Additional officers became entitled to receive a Public Service Board Regulation 97 allowance during the year, resulting in increased expenditure of \$2,953.

Exhibit 93/22

125. Although funds from the Advance to the Treasurer were not sought, this Item was overspent to the extent of \$215. The Department's submission stated that on the 6th June 1967 a cablegram sent to the Australian Consulate-General in Geneva from the Department of National Development had stated in error that funds were being made available under this Item to pay the travelling expenses of an officer overseas. The correct head of expenditure was Division 874/2/01 and this was shown on documents posted in Canberra to Geneva on the same day. The authorising officer in Geneva acted on the advice given him in the cablegram and this resulted in an over-expenditure under Item 348/2/01. The error was not detected until the Department received its final figures for the year from the Department of the Treasury. The witness informed us that he would have expected the Consulate-General in Geneva to await written confirmation before making the payment concerned rather than rely on the cablegram. In this regard the Treasury observer, Mr. Balfour, indicated that the officer in charge of the Sub-Treasury in Geneva would have been justified in making the payment on the advice that had been cabled to him. Treasury direction 34/33 states that telegraphic requisitions to overseas offices for the payment of monies shall be restricted to cases of emergency. Mr. Balfour assumed that the case in point was of an urgent nature. As the cablegram had been despatched by the Accounts Branch of the Department, the witness was unable to advise us whether or not its contents had been checked after transmission.

Exhibit  
93/22 and  
Qs. 1196 to  
1199, 1204  
and 1205

126. It appears to Your Committee that insufficient care was taken in checking the contents of the cablegram despatched to Geneva and that this circumstance gave rise to the payment of funds without Warrant Authority. Your Committee trusts that proper care will be exercised in like cases in the future.

- (iv) Division 348/2/03 : Forestry and Timber Bureau -  
 Administrative Expenses -  
 Postage, Telegrams and Telephone  
 Services

Appropriation Act (No. 1) \$12,000 : Expenditure \$13,999

127. This Item provides for postage and private box fees; telegrams, phonograms, cablegrams and registered telegraphic addresses; the installation, extension, alteration and maintenance of telephone and teleprinter services, rental and call charges.

128. The Departmental submission stated that when the additional estimates were being prepared the Department was aware that the amount which had been approved in Appropriation Act (No. 1) for 1966/67 would be insufficient but, due to an oversight, an application to have funds included in Appropriation Act (No. 3) for this Item was omitted. Expenditure in 1966/67 included \$2,267 for 1965/66 telephone accounts which had not been paid until July, 1966. When the Original Estimates were settled it was not realised that 1965/66 funds would be insufficient. Arising from this an amount of \$2,100 was charged to the Advance to the Treasurer in 1966/67. Exhibit 93/24

129. In view of the circumstances mentioned and as the Department had an amount of \$440 underspent under this Item at the 30th June, 1966 we questioned whether an account had been held over for payment to 1966/67. In a supplementary submission we were informed that ten telephone accounts for a total value of \$1,917 were received in Canberra late in February, 1966 and were paid in July, 1966. A further telephone account for \$350 was received in Melbourne early in June, 1966 and was paid in July. The Canberra accounts were held pending the receipt of a contribution from the Australian National University of its portion of the cost of Qs. 1215 to 1218 and Committee File 1967/5

a shared telephone service. When the amount owing was received and credited to the vote, accounts of more recent origin were paid but senior officers were not advised of the value of the accounts which remained unpaid.

130. In regard to the question of why these amounts had not been included in the Additional Estimates for 1966/67, the witness admitted responsibility for failing to make application to the Department of the Treasury for approval to obtain the necessary funds. Q.1220

131. We questioned the witness generally on the Department's control of telephone facilities and accounts and were informed that where a variation is found in accounts submitted by the Postmaster-General, the Department may or may not query the account prior to payment. It was pointed out that querying an account may involve a substantial delay in payment and that if the account contains an overcharge, the amount would be refunded in due course by the Postmaster-General's Department. Q.1227

132. The witness informed us that so far as telephones are concerned the Department has instituted a system of recording the amounts it pays against each telephone account for each half year so that it can study trends and expenditure. It was claimed that, in general, the system of financial reporting in the Department is being improved constantly, and each month the Department produces a summary of expenditure. As from the beginning of the financial year 1967/68, the Department of the Treasury is able to supply the Department with complete expenditure figures on the third working day of each month. Q.1224

133. Your Committee finds the circumstances revealed in connection with this Item to be unsatisfactory. As in the case of Item 345/2/03, there is a clear need for closer liaison between the Accounts and Finance Sections if estimating performances are

to be improved. The failure of the Finance Section to make proper provision in the Additional Estimates of an amount which it knew should have been included is to be deplored. Your Committee disagrees with the proposition suggested by the witness that, on the basis that overcharges would be refunded by the Postmaster-General's Department. Accounts rendered by that Department should be paid without necessary query in order to effect prompt payment. We believe that such a process would be contrary to the basic principles of proper financial control and, indeed, the evidence submitted by the Department in respect of Item 345/2/03 which was considered earlier in this chapter, reveals that this point is well understood by its Accounts Section.

134. In regard to the failure to pay the eleven telephone accounts received in the second half of 1965-66, no comment was submitted to suggest that any of these accounts had been the subject of query with the Postmaster-General's Department. As ten of these had been received in Canberra in February, 1966, it seems clear that action should have been taken to effect an early recovery from the Australian National University in order to clear these accounts prior to 30th June, 1966. In the case of the account for \$350 which was received in Melbourne early in June, 1966, it is clear that had this account been paid promptly, the Item would not have been underspent to the extent of \$440 at 30th June, 1966.

CHAPTER 9DEPARTMENT OF NAVY

- (i) Division 664/1/02 : Australian Naval Forces - Pay and Allowances in the Nature of Pay - Royal Australian Naval Reserve.

Appropriation Act (No. 1) \$622,000 : Expenditure \$653,060

135. This Item provides for pay and allowances for members of the Royal Australian Naval Reserve.

136. In formulating its Original Estimate, the Department had provided \$319,400 to enable 832 members of the Royal Australian Naval Reserve to undertake training and for other payments that would be due to them as a result of that activity. \$274,000 was also provided for the Royal Australian Naval Emergency Reserve (R.A.N.E.R.), in which it was expected that some 930 members would undertake training. The balance of the provision was made up of \$28,600 to cover the Royal Australian Naval Seagoing Reserve (R.A.N.S.R.), a small reserve of Merchant Marine Officers; the Royal Australian Naval Volunteer Reserve (R.A.N.V.R.), a fairly large reserve but only about 70 officers of which are required to assist the Navy. It also provided in that figure for the Royal Australian Naval Fleet Reserve (R.A.N.F.R.) which, for the most part, is a non-training reserve. In all, the estimate provided for \$319,400 for the R.A.N.R.; \$274,000 for the R.A.N.E.R.; and \$28,600 for the R.A.N.S.R., R.A.N.V.R. and R.A.N.F.R.

Exhibit  
93/25  
and Q.1253

137. The Department's submission indicated that early in the financial year the pattern of attendances by reserve personnel at training, followed that of previous years and gave no indication when the Additional Estimates were prepared in March 1967 that extra funds would be required. Subsequently, however, it became apparent that a considerably higher number of reservists were fulfilling their training commitment and that

funds budgeted initially and based on past attendances would be inadequate, e.g., whereas the Original Estimate was based on an attendance of 65 percent of 2,580 reservists, the actual percentage reached was 71 percent of an increased number of 3,283 due mainly to the operational commitments of the fleet. In February, 1967, the pro rata expenditure on the Item was considerably below the Estimate for the 8 months of the year that had expired. Also, in the final quarter of the year, the Department found an increase in the number of personnel seeking to fulfil their obligations, a fact which in part appeared to have arisen from the impact of national service.

Exhibit  
93/25 and  
Q's. 1254

138. The submission stated that there was a marked increase in the last few months of the financial year with personnel undertaking annual continuous training. This training, which includes sea time, occupies 13 consecutive days. Owing to operational requirements the billets for reserve training in fleet units were difficult to arrange. As a result, many reservists delayed their applications for annual continuous training in the hope that an opportunity for training at sea would eventuate. We were informed that the main records of attendances are kept in the local areas which submit returns to the Director of Reserves at the Navy Office on a monthly basis. Advice sought early in June, 1967 from the various reserve training establishments indicated that the overall effect of the higher incidence of training late in the financial year was that an estimated additional \$48,000 would be required to meet the pay entitlements of reservists.

Exhibit  
93/25 and  
Q's. 1255 and  
1256

139. As it eventuated, \$31,060 only of the estimated \$48,000 requested was expended. This was said to have been due to the fact that a number of reservists did not collect their entitlements amounting to approximately \$5,000 at the final paymaster before the end of June, 1967, whilst the balance of approximately \$11,900 was due to an overestimate of requirements.

In regard to the failure of reservists to collect their entitlements, we were informed that training does not cease at the end of a financial year and therefore some entitlements may probably be carried over from year to year. Although every effort was made to see that those who were entitled to be paid before the end of the financial year did in fact collect their entitlement so that they would not carry forward a liability into the next financial year, some reservists did not attend the final paymaster in the financial year. It was claimed that, in addition, some reservists are not anxious to collect their money immediately it is due. In regard to the overestimate of \$11,900, most of the eight establishments concerned with reserve training overestimated their financial requirements to some extent during the final six weeks of the financial year.

Exhibit  
93/25  
and Q's. 1258,  
1259 and  
1262

140. It appears to Your Committee that, when the Additional Estimates review was conducted in February, 1967, the Department had no reason, on the basis of information available, to assume that additional funds would be required under this Item but that changes that occurred subsequent to that time gave rise to an unexpected demand for funds. This demand was assessed by the various Reserve Training Establishments which apparently did not make a proper allowance, based on experience, of the number of reservists who would not collect their entitlements at the final paymaster for the year. Coupled with this, the establishments also over-estimated their financial requirements for the final month of the year. In these circumstances, we consider that the basis adopted by the Reserve Training Establishments in formulating their estimates could, with advantage, be examined by the Department of Navy and that, in any case, a clear

responsibility devolves upon the Central Office of that Department to satisfy itself that requests made by these establishments for funds at any stage of a financial year are soundly based and supported in sufficient detail to enable this conclusion to be drawn firmly.

141. A further feature of the evidence to which Your Committee feels that attention might well be directed, not only by the Department of Navy but by other Departments which provide training for reservists and other part-time training, is the method of payment employed. It is clear from the evidence that an absentee from a paymuster fails to receive his pay until he attends a subsequent muster and that by deliberately failing to attend such musters a trainee can, if he so desires, accumulate undrawn pay as a form of saving. Not only do circumstances of this kind render it unduly difficult for the Department concerned to formulate accurate estimates but, in practice, they create a situation not dissimilar, in effect, from that in which a Department fails to pursue claims for settlement and for which funds have been provided in the financial year concerned. Your Committee believes that consideration should be given to the method at present adopted in effecting payment to reservists and other part-time trainees with a view to minimising these problems.



- (ii) Division 687/1/03 : Other Administration - Recoverable Expenditure -  
Expenditure - Other Countries.

Appropriation Act (No. 1) \$56,000 : Expenditure \$122,495

142. This Item provides for expenditure on a re-payment basis for stores and services on behalf of countries other than the United Kingdom and New Zealand (provided for under Item 01 and 02 respectively of this Division).

Exhibit  
93/26

143. We were informed that this vote is possibly the most difficult on which to make an estimate because the Department is unable to assess accurately in advance what the countries concerned will require from the point of view of the ships that will visit Australia. To a certain extent, the Department is guided by the previous years' expenditure and any known visits that the ships may make to Australia.

Q.1626

144. The Departmental submission stated that in December, 1966, it became known that an additional commitment had arisen in connection with a joint R.A.N./U.S.N. Oceanographic Survey in the Darwin area. The anticipated United States Navy share of the cost of this activity was \$12,000 and provision was made in the Additional Estimates to meet the expenditure subject to later recovery. Provision was also required to cover increased expenditure on behalf of the Malaysian authorities arising from the posting of additional R.A.N. personnel for duty with the Malaysian Navy. To cover this expenditure, the sum of \$17,000 was included in the Additional Estimates subject to later recovery.

Exhibit  
93/26

145. When the Additional Estimates were prepared, it was not foreseen that there would be 13 United States Naval vessels visiting Australia for the Coral Sea week ceremonies in May 1967 in lieu of the usual 4 to 6 ships which had been used as the basis for estimating expenditure in that connection. On the basis that,

proportionately, the additional number of ships would require stores and services to the value of \$61,000, this amount was sought from the Advance to the Treasurer. In the event, however, this proved to be an overestimate to the extent of \$43,505.

Exhibit  
93/26 and  
Qs. 1627  
and 1633.

146. Your Committee accepts the Department's explanation. In view of the obvious difficulties involved in the formulation of estimates for this Item, it is clear that in this case a greater use could be made of the Advance to the Treasurer. In this regard we would invite attention to Treasury Circular BA65/2193 of 18th March, 1966 in which that Department stated that Estimates should not include amounts for proposals which are so far from firm that it is not possible to know what payments, if any, will be made.

CHAPTER 10PRIME MINISTER'S DEPARTMENT

- (i) Division 407/2/11 : High Commissioners Office United Kingdom -  
Administrative Expenses - Furniture and  
Fittings.

Appropriation Act (No. 1) \$25,000 : Expenditure \$31,919

147. The Department's submission stated that in December, 1966, premises were leased in Bristol for a new Regional Immigration Office and a provision of \$5,000 was made in the Additional Estimates for furniture and fittings for this Office.

Exhibit  
93/27

148. In February, 1967, funds were sought to cover the cost of furniture and fittings for a new official residence which had been purchased for the Official Secretary at Bryanston Square, London. In April 1967, the Department of the Treasury advised that liability had been admitted for \$6,500 from the Advance to the Treasurer for this purpose subject to the assurances that the amount spent would not exceed this figure; that the standards laid down for an officer of the Official Secretary's status would not be exceeded, and that the actual items of cost would be submitted in detail eventually to the Department of the Treasury. As the Official Secretary was experiencing difficulty in selecting furniture and fittings and obtaining delivery of these before the end of the financial year, the amount of expenditure was uncertain. Because of this, no Warrant Authority was obtained from the Department of the Treasury. On 7th April, 1967, the Department sent a cable to its Office in London indicating that the Department of the Treasury had approved \$6,500 for furniture, for Bryanston Square. On 11th April, a further cablegram was sent to the Official Secretary stating that liability had been admitted for \$6,500 and indicating that approval was subject to the assurances referred to above. Arising from these advices, a misunderstanding occurred in the High Commissioner's Office in London and that Office formed the impression that Warrant Authority had

Exhibit  
93/27 and  
Q's. 1470,  
1475 and 1478  
to 1482

been issued by the Department of the Treasury for expenditure from the Advance to the Treasurer. Acting on this assumption, payments amounting to \$3,752 were made, thus exceeding the funds available under the Item by \$1,919. We were informed by the witness that Warrant Authority had not been sought from the Department of the Treasury because as late as 26th May, the Official Secretary in London had advised the Department that it expected its expenditure to fall considerably short of the amount available for furniture and fittings, but at no time did he indicate precisely how much of the \$6,500 would be spent. The witness indicated that the onus in regard to this matter lay with the Official Secretary's Office in London as the Department had no details of the funds available in the London ledger.

149. Your Committee finds the circumstances revealed in evidence in connection with this Item to be most unsatisfactory.

Cablegram advices despatched by the Department on 7th and 11th April, 1967, were inadequate in that they failed to inform the Official Secretary of the complete state of affairs relative to the amount of \$6,500. The evidence also reveals a need for the Department, which is responsible for this Item, to arrange to keep itself fully informed on the state of the ledger held in London and in this regard we would draw attention to the action taken recently by the Department of External Affairs in relation to the finances of its overseas posts and which are set out in Chapter 5 (xiii) of this Report.

- (ii) Division 411/2/04 : Official Establishments -  
 Administrative Expenses -  
 Repairs and Maintenance.

Appropriation Act (No. 1) \$44,900 : Expenditure \$46,407

150. This Item covers the repairs and maintenance of buildings and contents of Government House, Admiralty House, Kirribilli House and the Prime Minister's Lodge.

151. The Department's submission stated that in October 1966, an advance of \$3,000 was made to the Department of Works in accordance with Treasury Direction 16/24 to cover expenditure on the official establishments in Sydney. \$2,799 of the advance was refunded to the Prime Minister's Department on 30th June, 1967. Although this credit was correctly shown to the correct Item by the officer dealing with it, a junior officer incorrectly credited the amount to Division 411/2/05. This error was not realised until 7th July when the Department obtained its final figures from the Department of the Treasury. As a consequence of this, an amount of \$1,507 was expended from the Advance to the Treasurer without prior Warrant Authority.

Exhibit  
93/28 and  
Qs. 1518 to  
1524

152. The witness informed us that the Public Service Board been investigating problems in the Establishments and Finance Branch of the Department since February 1967. The Board's report arising from this investigation had not, at the time of our inquiry, been submitted to the Department for further consideration.

Exhibit  
93/28 and  
Q's. 1521  
and 1522

153. Elsewhere in this Report Your Committee has commented on clerical errors of the type revealed in evidence taken under this Item. It would emphasise again the need for care in clerical work and the equal need for adequate supervision in respect of the work undertaken.

CHAPTER 11GENERAL

154. This chapter relates to certain comments of a general nature which Your Committee desires to make in connection with the evidence taken during its inquiry and relating to expenditure from the Advance to the Treasurer.

155. In earlier Reports reference was made to the development of pro-forma statements for the guidance of departments in relation to the type and form of information required by Your Committee for this type of Inquiry. Apart from very minor modifications which might be required, the pro-forma used in respect of the present inquiry has proved adequate for Your Committee's needs.

Pp. No.248  
of 1964-65 and  
352 of 1964-  
65-66

156. During our inquiry into the Advance to the Treasurer (Appropriation Act 1965-66), we found that in a number of cases, amounts had been charged to the Advance without Warrant Authority. In some of these cases the failure to obtain that Authority had resulted from the unforeseen, but urgent, need for expenditure by the Department concerned and in other cases departments had obtained Treasury approval to incur liability but had subsequently neglected to acquire Warrant Authority from the Department of the Treasury. The present inquiry revealed further instances where amounts had been charged to the Advance without Warrant Authority and in addition to the causes mentioned, we detected a number of cases where this failure had arisen from clerical errors which had not been detected in time for their correction prior to the end of the financial year. In these circumstances, Your Committee would emphasise the need for Treasury Regulation 90(1) to be observed by departments. This Regulation, which was set out in our Eighty-second Report, is as follows -

Pp. No.352 of  
1964-65-66

"90(1) An Authorizing Officer shall not authorize expenditure from Revenue or Loan Appropriation until a Warrant Authority for Expenditure in accordance with Form 30 authorizing expenditure accordingly has been obtained from the Secretary, Department of the Treasury."

Pp.352 of  
1964-65-66

157. Our Inquiry this year, and our preceding examination of departmental submissions revealed a considerable number of instances where unsatisfactory results achieved under particular Items arose primarily from clerical errors, many of which occurred in the early stages of the financial year but which were not detected before the close of the financial year or later. Reference has been made to these in connection with failures to obtain Warrant Authority. However, errors of this nature and the failure to detect them reflect adversely on the administrative controls exercised in the Departments concerned and are deplored by Your Committee. These circumstances indicate a pressing need for improved supervision of clerical work in the finance areas of several departments.

158. A further feature to which Your Committee would invite attention is the evidence of inadequate liaison between the Central, Regional and Overseas Offices of some departments, a circumstance which has given rise to undetected errors and misunderstandings as to expenditures which have occurred and funds which are available. In this regard, Your Committee notes with satisfaction the action which has been taken by the Department of External Affairs and which is referred to in Chapter V(xiii) of this Report. Associated with this matter is the clear need for the Central Offices of departments to obtain from their Regional and Overseas Offices adequate supporting detail as a basis for them to form reliable judgments regarding expenditure levels in those offices and the validity of draft estimates which they have prepared for inclusion in the Original and Additional Estimates.

159. The evidence taken in this Inquiry also points to a need for close liaison between Accounts and Finance organisations in Departments where these functions operate independently. Your Committee believes that unless a close relationship exists and adequate and prompt communication is maintained between such organisations, the estimates prepared by the departments concerned must contain large areas of uncertainty.

160. A further unsatisfactory area revealed in evidence was that in which estimating officers failed, through oversight, to include known requirements in either the Original or Additional Estimates. This state of affairs is thoroughly unsatisfactory and highlights a serious degree of laxity in administration.

161. In conclusion, Your Committee believes that it should again enunciate for the guidance of departments the following principles relating to Estimating which were set out in our Seventy-fourth Report -

Pp. No.248  
of 1964-65

- "(a) Each particular estimate should comprise a realistic assessment of the amount expected to be required, based on the information available to the Department when the estimates are being formulated.
- .(b) Estimates should not make provision for proposals that are of such an uncertain nature that the department is unable to determine what payments, if any, will be made.
- (c) Experience, wisely evaluated, should be used as the basis for formulating estimates relating to recurring expenses.



- (d) The use of the Advance to the Treasurer should be confined to those items of expenditure which could not have been foreseen in time for their inclusion in the Original or Additional Estimates."

For and on behalf of the Committee.

(Richard Cleaver)

Chairman

David N. Reid,  
Secretary,  
Joint Committee of Public Accounts,  
Parliament House,  
CANBERRA. ... A.C.T.

16th October, 1967.