

1967

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

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

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JOINT COMMITTEE OF PUBLIC ACCOUNTS

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NINETY-FIRST REPORT

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TREASURY MINUTES ON THE  
SEVENTY-THIRD, SEVENTY-FIFTH  
AND EIGHTY-SEVENTH REPORTS

TOGETHER WITH

SUMMARIES OF THOSE REPORTS

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

SEVENTH COMMITTEE

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

Senator J.J. Webster	P.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.L. Robinson, Esquire, M.P.

The Senate and the House of Representatives appointed their  
Members on 22 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 subsection (1.) of section fifty-three of the Audit Act 1901-1950;
  - (b) to report to both Houses of the Parliament, with such comment as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Parliament should be directed;
  - (c) to report to both Houses of the Parliament any alteration which the Committee thinks desirable in the form of the public accounts or in the method of keeping them, or in the mode of receipt, control, issue or payment of public moneys; and
  - (d) to inquire into any question in connexion with the public accounts which is referred to it by either House of the Parliament, and to report to that House upon that question,

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

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JOINT COMMITTEE OF PUBLIC ACCOUNTSNINETY-FIRST REPORTTREASURY MINUTECHAPTER 1 - INTRODUCTION

In its Seventy-ninth Report dated 10th March, 1966, P.F.No.275  
Your Committee set out in detail the basis of the Treasury of 1964-65-66  
Minute arrangements which have been made to ensure that appropriate  
action ensues from comments contained in our Reports.

As they now stand, the arrangements concerned are:-

- (1) The Report of Your Committee is tabled by the Chairman in the House of Representatives and by a Member of the Committee in the Senate. Motions are moved in both Houses of the Parliament that the Report be printed as a Parliamentary Paper.
- (2) The Chairman of Your Committee thereafter forwards a copy of the Report to the Departments affected and to the Treasurer with a request that he give the Report his consideration and inform the Chairman of the action taken to deal with Your Committee's comments.
- (3) The reply received, which is in the form of a Treasury Minute, is then examined by Your Committee and, together with the conclusions of the Report to which it relates, is submitted as soon as possible to the Parliament as a Report.
- (4) Where during its examination of a Treasury Minute Your Committee finds that there are recommendations not fully dealt with or which are subject to a further Minute, it holds an exploratory discussion with officers of the Department of the Treasury prior to the submission of the Minute to the Parliament.

- (5) In reporting a Treasury Minute to the Parliament, Your Committee does not usually make any comment on the Minute other than to note recommendations not fully dealt with or subject to a further Minute. In special cases where comment is thought to be necessary, Your Committee makes it.
- (6) Your Committee reviews a Treasury Minute, if necessary, when it again examines the department concerned.
- (7) The Department of the Treasury furnishes Your Committee with a half-yearly report on outstanding Treasury Minutes, indicating the progress made in dealing with Your Committee's comments.

CHAPTER 2 -- TREASURY MINUTE ON THE SEVENTY-THIRD  
REPORT RELATING TO THE DEPARTMENT OF SOCIAL  
SERVICES

In the Seventy-Third Report concerning the Department of  
Social Services:

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Your Committee concluded:

463. Your Committee's inquiry into the accounts and operations of the Department of Social Services, under section 8 of the Public Accounts Committee Act 1951, constitutes the first comprehensive inquiry into that Department by a Parliamentary Committee. Our decision to undertake the inquiry was made, not because the Department has been the subject of censure, but because the growth in the extent and variety of social services provided by the Commonwealth in recent years has expanded substantially and because, in the discharge of their responsibilities, many Members of the Parliament find themselves engaged frequently with the Department of Social Services on behalf of their constituents. Your Committee feels that, for this reason, the present Report, which covers the detailed administrative operations of the Department will provide a useful source of information for Members of the Parliament and the public.

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I am directed to state:

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

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ORGANISATION OF THE DEPARTMENT

464. The structure of the Department of Social Services comprises a Central Office and State Administrations which in turn are responsible for Regional Offices in all States except Western Australia. We were informed that the Department is not bound to adhere to its present criteria for the establishment of Regional Offices and that a Committee had been established to review existing criteria. Your Committee trusts that the Committee appointed by the Department will take into consideration the particular needs of beneficiaries in less densely settled areas in any reformulation of the criteria applied to the establishment of Regional Offices. (Paras. 41 to 43)

The problems of beneficiaries in less densely populated areas are considered by the Departmental Committee formed to review the criteria for establishing Regional Offices.

STAFF AND ESTABLISHMENTS

465. Between 30th June 1953 and 30th June 1965, the Department's establishment increased from 2,335 positions to 3,145 positions, a percentage increase of 34.7 per cent. and the number of persons employed at the same dates were 2,289 and 3,070 respectively, a percentage increase of 34.1 per cent. Over the same period the number of benefits current as at 30th June, increased by approximately 40 per cent. During the period, benefits have been extended to additional classes of persons and the Aged Persons Homes Lot and Disabled

Except in Rehabilitation Centres, where permanent appointment is not encouraged because of the categories of staff involved, the Department prefers to employ permanent, rather than temporary, staff. However, if not enough permanent officers can be obtained to fill permanent positions, there is no alternative but to resort to temporary employment. It is this which has resulted in the number of temporary staff exceeding the number of temporary positions in the Victorian Administration of the Department.

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Persons Accommodation Act have commenced operation. Considerable expansion has taken place in the number of staff employed in Regional Offices whilst the preliminary investigations into automatic data processing have required staff not necessary in 1953. Accordingly, Your Committee considers that the Department's achievement in limiting the increase in staff to a percentage roughly equivalent to the increase in benefits paid indicates that staff control is soundly based. (Paras. 53 to 57)

466. Your Committee is disturbed by the continuing excess of temporary staff employed over the number of temporary positions provided in the Department's establishment, particularly in the Victorian Administration. Information subsequently submitted to Your Committee indicates that Clerical Assistants, Grade 1 and Typists were the major areas of temporary employment in the Victorian Administration when this aspect of the Department's administration was under examination by Your Committee. Information supplied subsequently by the Public Service Board indicated that, as at 30th June 1964, the Department's establishment for Clerical Assistants, Grade 1 and Typists was 176 permanent and 30 temporary positions. The Department indicated that 163 of those positions were being filled by temporary staff. Your Committee considers that the

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continuing excess of temporary staff over temporary positions in the Victorian Administration should be reduced to levels more consistent with those pertaining in the other State Administrations. (Paras. 60 and 61)

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INTER-DEPARTMENTAL PAYMENTS

467. We were informed that the Repatriation Department achieved estimated savings of £48,500 when its processes for paying pensions were assumed by the Department of Social Services in Queensland, South Australia and Western Australia without reimbursement of cost. However, there is no corresponding figure available for the cost of such additional work to the Department of Social Services. Your Committee regards cost savings achieved by one Department when another Department performs part of its operations on its behalf as meaningless unless the overall saving to the Commonwealth is known. Accordingly, Your Committee is anxious that Departments perform adequate studies to determine both the estimated savings to one Department and the estimated cost to the other Department when such transfers of operations between Departments are proposed. In its Fifty-Fifth Report, Your Committee referred to the practice of including transfer payments in the details of appropriations. It stated that a number of services are provided by

The Treasury and the Department have examined the question of inter-departmental payments in respect of services provided for the Repatriation Department in the processing of Repatriation pensions. It has been concluded that there are no exceptional circumstances warranting a deviation from the present Treasury policy which is based on the Committee's Fifty-Fifth Report, in which the Committee expressed the view that it doubted the desirability or necessity for one Department, as a general rule, to charge another for any service or function.

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Departments without transfer payments being involved and, accordingly, recommended that Departments involved in performing services on behalf of other Departments should review the practice in consultation with the Department of the Treasury. We are of the opinion that the non-reimbursement of the Department of Social Services in respect of work which it performs in the processing of Repatriation pensions should be reviewed in consultation with the Department of the Treasury. (Paras. 121 and 122)

AUTOMATIC DATA PROCESSING

468. We were informed that despite improvements that had been effected by the introduction of punched card methods of data processing it had become increasingly evident to the Department that greater benefits could be derived from the use of automatic data processing methods. Accordingly, since 1960 the Department has actively participated in plans to introduce automatic data processing methods of operation. By December 1963, the Department's Feasibility Study Team had recommended that the Department install automatic data processing systems, initially in its Sydney and Melbourne offices. The evidence shows that whilst the Department originally desired to introduce automatic data processing methods by February, 1966, examinations of its proposals by various authorities, had delayed

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The Department approached the Inter-Departmental Committee on A.D.P. on 30th July 1964 for authority to invite tenders for the installation of computers of appropriate size in the mainland State capital city offices of the Department. Following further correspondence with the Department the Inter-Departmental Committee did not support the departmental proposal and, on 8th December 1964, suggested to the Department that it draft specifications for a range of alternative configurations based on one centralised installation, regional configurations in Sydney and Melbourne, or a computer in each State capital. While unwilling to commit the future in these States, the Department agreed to proceed on this basis. Agreement to the form of the tender specifications followed the Inter-Departmental Committee's meeting

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implementation of the proposals to a point where the equipment might not be functioning before late 1966 or early 1967 in the Sydney Office.

469. Information supplied subsequently to Your Committee shows that the Inter-Departmental Committee has approved the issue of specifications for the calling of tenders for the installation of automatic data processing equipment in the Sydney Office of the Department. However, the Inter-Departmental Committee, pending the receipt of tenders, has not approved the Department's proposal for the use which would be made of the equipment in the Sydney Office. The Department is now in a situation where it is still unable to plan on the basis of a definite automatic data processing installation for its Melbourne office, nor does it know what the final pattern for the processing of its payment work will be in any of the State Branches, including New South Wales.

470. Your Committee is of the opinion that the Department of Social Services, which appears to have devoted 4 years to formulating and testing its proposals before submitting them for review to the various authorities concerned, has been involved in a lengthy and potentially costly delay. This Department is responsible for over 36 million benefit payments each year, a fact which warrants the use

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on 29th June 1965. Tenders were called by the Commonwealth Stores Supply and Tender Board on 10th August 1965 and closed on 26th October 1965. Following evaluation of tenders by the Department and consideration of the evaluation report and recommendation by the Inter-Departmental Committee, the Commonwealth Stores Supply and Tender Board approved the acceptance of a tender for the installation of a computer in Sydney at its meeting of 17th June 1966. However, it was learnt on 13th October 1966 that the selected tenderer was unable to meet an important part of his initial offer. The Commonwealth Stores Supply and Tender Board therefore, having consulted the Deputy Crown Solicitor, invited original tenderers to confirm the terms of their initial offers. The Department and the Inter-Departmental Committee subsequently analysed the offers received. On 25th November 1966, acting on the recommendations of both these parties, the Commonwealth Stores Supply and Tender Board approved the acceptance of the revised tender submitted by I.B.M. (Aust.) Pty. Ltd., for the installation of a computer in Sydney. This equipment is to be installed in July 1967 and will be used for processing payment documents as well as other work. The offer which was accepted included an option to purchase an additional installation for Melbourne at an advantageous price

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of the most modern methods of processing available, but recognition should also be given to the fact that forward planning to simplify and improve its service to its beneficiaries cannot be deferred without some significant embarrassment. (Paras. 124 to 148)

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provided an order is placed by September 1967 and it is proposed, subject to satisfactory introduction of systems on the Sydney installation, to proceed with the establishment of a similar second installation in Melbourne.

The question as to whether the facilities in Sydney and Melbourne will be developed in the longer term as regional installations, serving certain requirements of the smaller States as well, will be decided in the light of experience with those two installations. Meanwhile, improved facilities based on the use of a hired small-scale computer have been installed in Brisbane and action is in course to install similar equipment in Adelaide.

The Treasury considers it important that the Inter-Departmental Committee should, in exercising its co-ordinating role, probe departmental submissions in depth. It is acknowledged that this necessarily adds something to the total time taken for consideration of proposals, but this seems to be a not unacceptable price to pay if there is to be effective co-ordination of automatic data processing development in Departments.

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REVENUE

471. Until 1963-64, monies credited to a head of revenue of the Department of Social Services were combined by the Department of the Treasury with the revenues of several other Departments under a common head of miscellaneous revenues. Your Committee notes with approval that the Department now prepares estimates of revenue in addition to estimates of expenditure and that those receipts are separately recorded in both the Department and the Treasury's records. (Paras. 149 to 155)

ESTIMATES OF EXPENDITURE

Grants Under the Disabled Persons Accommodation Act, 1963

472. It is of considerable concern to Your Committee that the Department's generally accurate estimates of expenditure are marred by widely inaccurate estimating in respect of grants to eligible organizations under the Disabled Persons Accommodation Act. The Department appropriated £150,000 in both 1963-64 and 1964-65 for this purpose but incurred expenditure of £6,600 in 1964-65 only. We were informed that these appropriations had been based largely on the force of the campaign launched by voluntary organizations to obtain assistance as the Department had no past experience on which to base its estimates. As indicated in our

The Department considers that proper care was exercised in this matter. The difficulties encountered in arriving at precise estimates of expenditure for capital grants of this kind were set out in evidence given before the Committee. In this scheme one of the key factors affecting actual expenditure is the degree of success of the fund-raising efforts of voluntary organisations. The Department knows of no effective way of determining accurately what will be accomplished in this field in any year, and it was this aspect which was responsible for the under-expenditures which occurred in 1963-64 and 1964-65. The Department believes that these estimates were reasonably based, taking into account



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Seventy-First Report relating to the Northern Territory Administration, sound estimating by any department requires the careful assessment of its needs in the preparation of its original estimates, the provision of increased funds in the second Appropriation to meet changed circumstances and recourse to expenditure from the Advance to the Treasurer to meet emergency payments. Accordingly, it is difficult to appreciate why the Department having sought an amount of £150,000 in 1963-64 and having recorded no expenditure in that year, made provision for the same amount again in the first Appropriation in the following year. (Paras. 276 and 277)

Claims from the Queensland Government for Reimbursement in Connection with the Unemployment and Sickness Benefits Scheme

473. We were informed that annual payments are made to the Queensland Government for services performed in connection with the Unemployment and Sickness Benefits Scheme under the Head 'Payments for Services of Magistrates, Police, Registrars and Agents'. Due to the time of the year at which the Queensland Government submits its claim for reimbursement the estimates in respect of this head may have to be revised subsequently due to changes in the State Government's costs. Your Committee considers that this is an administrative matter that should

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the pressure for the legislation, which followed an intensive three-year campaign by groups of voluntary organisations interested in the care of disabled persons, and the volume of enquiries received during the first year. However, experience in the establishment stages of this scheme and the comments of the Committee have been noted within the Department.

The Department has arranged with Queensland Government officials that a claim will be lodged for each year ending 31 December thus permitting recourse to Additional Estimates if necessary.

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have been rectified and that the State Government concerned might reasonably be requested to co-operate by the submission of its reimbursement claims at a specific date to suit the Department's financial procedures. (Para. 299)

Medical Examinations by Private Medical Practitioners

474. Your Committee took evidence on the fees paid by the Department in respect of medical examinations of invalid pensioners by private medical practitioners. The evidence disclosed that various fees are paid by different Departments. The fee of £1 17s. 6d. for the examination of an invalid pensioner has more recently been increased to 22 2s. 6d. When compared with the existing fees for a private person, the charge to the Department appears to be substantial. The Department of the Treasury informed Your Committee that the fees are fixed after an evaluation of the relative work value of each type of examination. (Paras. 301 to 303)

Fees are payable to private medical practitioners for medical examinations of claimants for invalid pension and review examinations of existing invalid pensioners. The medical practitioner is required to make a comprehensive medical examination of the claimant or pensioner and complete a detailed report and certificate on the claimant's or pensioner's degree of incapacity. These examinations and reports are quite different from consultations in a doctor's surgery which usually involve considerably less time and accordingly attract lower fees from patients. The criteria on which decisions on fees are reached have been re-examined and are considered satisfactory by the Treasury. These criteria include the relative work value of the medical examination and report considered against the work value of medical examinations and reports for comparable services both within and without the Commonwealth's field of administration. The Treasury considers that the principles observed result in the determination of appropriate fees.

INTERNAL AUDIT

Independence of Local Internal Auditors

475. Due to its recurrent nature, the problem of internal audit has attracted the attention of successive Committees, in a wide variety of inquiries conducted over the years. For this reason Your Committee paid particular attention to the organization and procedure of this function within the Department of Social Services, the principal functions of which involve a wide variety and large volume of payment to the public.
476. The evidence shows that the internal audit sections of the State branches have an administrative responsibility to the State Directors of Social Services but in regard to policy direction and the overall technical control of their activities they are subject to the direct control of the Chief Internal Auditor in the Central Administration. The Audit Office observer, Mr. Fealy, said that while internal audit is primarily a subject for which the management of the Department is responsible, the Audit Office considers that internal auditors should be given as much independence as possible and in this regard they should not have a local responsibility for their audit work. This difference of opinion between the Department and the Audit observer is of concern to Your Committee. (Paras. 311, 312 and 326)
- The Department agrees that internal auditors should be independent of those whose work they examine and free to express critical opinions. The Department believes, however, that the application of this principle must vary according to the size and type of organisation. The Department of Social Services is highly decentralised and State Directors are required, under suitable delegations, to direct and control operations within State Headquarters, Regional Offices and Rehabilitation Centres. For such arrangements to be effective it is essential that the internal auditors provide the Director with prompt intelligence regarding the efficiency of accounting work in various parts of his State. Copies of all reports are sent to Central Office for perusal and follow up. While the internal auditors normally carry out programmes of check laid down centrally, the Director must be able to order special investigations of suspected trouble spots if he is expected to carry personal responsibility for his State's operations and to take prompt remedial action where necessary. The Department's considered view is that control of internal audit staff by Directors of Social Services ensures an adequate degree of independence of action and comment.

Qualifications of Internal Audit Staff and Reorganisation of Internal Audit Establishment

477. The Department of Social Services is unable to obtain and retain qualified accountants in all of the top 26 positions of its internal audit organisation. The general practice in the Commonwealth Service is that officers are not recruited directly to accountancy positions. Officers entering the Service are advised of the necessity to obtain some form of qualifications. Those officers who desire to obtain accountancy qualifications must pursue their studies through outside organizations. They are encouraged to obtain their qualifications through the grant of a maximum of 5 hours leave per week to complete their studies. The Audit observer expressed the view that there should be a greater number of qualified officers doing internal audit work in order to raise the standard of the work performed. This position reveals a deficiency of very great importance and calls for urgent re-examination. (Paras. 322 to 326)
478. The Department of Social Services approached the Public Service Board on 5th October, 1964 to obtain approval for a re-organization of the internal audit staff. The proposal was designed to create a more flexible, centrally disposed group of staff who could be
- The Public Service Board has noted the findings of the Committee. The findings, and the observations made during the hearings by the Auditor-General's and Department of Social Services' representatives, have been brought to the attention of the Interdepartmental Review Committee set up by the Board to carry out a review of all internal audit positions in Departments.
- The Board is unable to agree with the Committee's finding that the deferral of the Department's proposed reorganisation of its internal audit staff may result in serious delay in improving the efficiency of the Department's internal audit work. An interdepartmental committee was set up because it was felt that, in this particular area, a thorough review of similar positions in all Departments, undertaken as a single exercise, was likely to produce more worthwhile results for the Service generally than would the individual examination of the internal audit organisations of the various Departments.
- This overall approach has been the basis of a large number of recent reviews of particular employment categories throughout the Service. For example, the review of the internal audit positions follows upon the completion of separate reviews covering such

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deployed on particular, programmed examinations as required. The proposed re-organization would require a higher grade of staff and more specialized training to assist internal auditors to employ statistical sampling techniques. Adoption of statistical sampling instead of judgment sampling in the larger areas of the Department's internal audit work would reduce the number of transactions checked, the time absorbed in unnecessary checking and produce greater certainty in the accuracy of the results obtained. The Public Service Board subsequently advised us that consideration of the Department's re-organization has been deferred pending an extensive general review of accounting and audit work in the Commonwealth Service. Your Committee has reservations regarding the Public Service Board's decision which, in the case of internal audit in the Department of Social Services, is seriously hindering the Department in its endeavours to introduce a more efficient control on financial transactions. (Paras. 316 to 320)

PAYMENT OF BENEFITS

479. A test in progress in the Victorian Administration of the Department during the inquiry was designed to determine the advantages which may result from granting immediate interviews to

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groups as Cost Investigators and Assessors, Audit Inspectors, Librarians, and Psychologists. Of necessity, some time must elapse between the point when a situation requiring attention is recognised and the time when a review is concluded. However, the Board is satisfied that the overall administrative benefits which flow from a comprehensive examination of the work of specific employment categories common to a number of Departments outweigh the temporary difficulties which some Departments may occasionally experience while awaiting the outcome of such a review.

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claimants for benefits who come to offices of the Department. The results of this test had not been evaluated at the time of compilation of this Report. Your Committee expresses its considerable interest in the nature of this experiment and the improved service which may result from its conclusions. (Para. 349)

480. The evidence presented to Your Committee shows that considerable administrative efficiency would be obtained from the payment of pensions solely by cheque. The important advantage resulting from payment by cheque is the ready ability of the Department to give effect to changes in legislation. When a pensioner dies, it is a simple operation to stop the payment of a cheque. Use of the order book system was said to be a cumbersome machinery and clerical process when changes in legislation are to be effected and considerable difficulty may be experienced by the Department in endeavouring to secure the return of order books on the death of a pensioner. An alternative method of payment, by direct payment to a bank account, has the disadvantage of doubling the clerical work involved in processing payments. Difficulties could also arise in the cases of deceased persons and persons who have left Australia, as the Department would be involved in

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The Department has adopted the Committee's recommendation that payment by cheque should be the standard method of payment of pensions and, by August 1967, practically all pensions now paid at post offices will be transferred to cheque payment. In its examination of the matter the Department recognised that a small number of pensioners could face difficulties in accepting cheque payment because of extreme age, immobility or remoteness from banks. In these, and other cases where special problems are involved, payment will be continued at post offices. There may be a need, however, for some change in the method of payment at post offices.

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additional costs in recovering payment. Comparison of the advantages accruing to Repatriation pensioners, who receive payment of their pensions directly to their bank accounts, was said to be an unfavourable comparison as many Repatriation pensions are small and the pensioner does not experience any marked inconvenience in having to wait twelve weeks to receive payment, whereas social service pensioners were said to be generally in need of their payments for daily commitments. On balance, these factors, together with the evidence presented that relatively few cheques go astray, would seem to indicate that the Department should increase its endeavours to obtain a system of uniform payment of pensions by cheque. (Paras. 360 to 363)

481. Departments should be continually aware of the need to simplify all communications with the public to the maximum extent consistent with efficiency. Your Committee commends the Department's action in establishing a Forms' Committee to review all departmental forms. (Para. 90)

PAYMENT OF BENEFITS TO ABORIGINES

482. In respect to payment of social service benefits to aborigines, Your Committee was informed that of the three methods of payment used in payment of pensions, the 'controlled community' and 'warrantee methods' do not provide the safeguards normally associated with

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the payment of benefits. Evidence was given which shows that payment to aborigines in controlled communities is made by a group payment method - the Department sends a lump sum cheque in respect of the total number of pensioners appearing on the payment schedule each fortnight, any necessary adjustments for deaths, absences and new pensioners being made by the manager of the community. While provision was originally made for controlled communities to pay lesser amounts than the then ruling rate of 'pocket money' under the benevolent home method of payment, the 'pocket money' portion is gradually being increased to the full rate. Your Committee is satisfied that the Department has been able to overcome the problems of isolation associated with the payment of benefits to aborigines, but recognises that under these circumstances the usual provision for efficiency checks and audit cannot apply. (Paras. 379 to 395)

REHABILITATION SERVICE

483. Your Committee is of the opinion that the operation of the Rehabilitation Service is worthy of the highest commendation. We are impressed by the Department's use of public relations to obtain community acceptance of disabled persons. The Rehabilitation Service endeavours to keep the rehabilitee's former employer in close contact with the rehabilitee's progress. Before an employer receives a disabled person, careful assessment of

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the disabled person's abilities are made to ensure that the Rehabilitation Service is not harmed by giving the employer a wrong indication of the person's ability. The concurrence of both the employer and the trade union concerned is obtained before any rehabilitee is given on-the-job training. The Rehabilitation Service uses mass media in an endeavour to present commerce and industry with a challenge to accept a fair share of the responsibility for employment of rehabilitated persons. The services provided by a private organization have recently assisted the Department's rehabilitation work. The Department regularly programmes visits to its rehabilitation centres for groups of employers. Your Committee's attention was drawn to a number of disabilities to which an unfavourable community attitude to employment is attached. We would hope that the Department, in its public relations work, will continue to endeavour to eliminate such attitudes. (Paras. 396 to 423)

484. The Department has performed only one survey of the rehabilitees placed in employment. The purpose of the survey was to determine the number of persons who returned to the Department as invalid pensioners, sickness and unemployment beneficiaries or recipients of tuberculosis allowance, the length of time for which they had again been in receipt of a benefit and whether they were likely to be temporary or permanent beneficiaries. Your Committee is of the opinion that if

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such surveys were made regularly and were published subsequently in the Director-General's Annual Report they would provide a very useful and helpful guide to the value of the work performed by the Rehabilitation Service. (Paras. 417 and 418)

485. Evidence submitted to Your Committee indicates that there is a growing number of organizations providing rehabilitation facilities. Related evidence shows that rehabilitation work could be duplicated during a period in which medical labour is in short supply. Recruitment difficulties have already been experienced by the Department in its medical technological or paramedical work. In an endeavour to overcome the recruitment difficulties in this area, the Public Service Board has decided to depart from the established practice of salary fixation in the Commonwealth Service, i.e., determining a uniform rate of pay for application throughout Australia by matching, as closely as possible, State rates of pay. Your Committee was informed that a system of co-ordination and liaison may be required to ensure that the various organizations providing rehabilitation facilities do not work at cross purposes. Your Committee is anxious that the Department ensure that any co-ordination and liaison action which is open to it, be taken. (Paras. 58 and 59, and 73 to 76)

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486. Your Committee notes that corrective action was being taken during the course of the inquiry to ensure that moneys received from work performed in rehabilitation centres for private industry, will be paid into the Consolidated Revenue Fund in futuro. Your Committee is concerned that the Department's administrative procedures in this matter should have been established contrary to the Audit Act and Treasury Regulations. (Para. 429)

INVESTIGATIONS AND PROSECUTIONS

487. The information supplied to us shows that the administration of the Act should be performed benevolently. Your Committee recognises that a benevolent attitude might be shown, for example, to elderly and semi-invalid beneficiaries, for whom investigations and prosecution procedures would exist mainly as a deterrent to tending wilfully incorrect information. In the more extreme cases, the Department would be fully justified in taking prosecution action and its present procedures would appear to be appropriate for these cases. Your Committee has considerable sympathy for the view that, in intensifying the investigations it performs, the Department may be unnecessarily disturbing innocent people. However, we are of the opinion that to detect persons guilty of misleading and fraudulent statements, the Department must continue to adopt and apply, procedures which will act both as a

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deterrent and provide an avenue for prosecution of those cases which merit such action. (Paras. 433 to 442)

488. Treasury Instruction 25/11 enunciates the principle that, in the case of most of the Department's cheques, the property passes to the payee when the cheque is posted. However, the Treasury Instruction 25/18 further provides that Departments may take action to recover the amount of payment on behalf of the beneficiary if the cheque is forged or used without authority. Your Committee considers that this policy is justified in view of the difficulties many beneficiaries might experience if it was necessary that they initiate their own recovery actions. (Para. 443)

AGED PERSONS HOMES GRANT

489. Your Committee notes that as at 30th June, 1964, expenditure of £24,454,530 had been approved under the Aged Persons Homes Act, to a variety of organizations. (Paras. 451 to 452.)

Treasury Minute  
(23rd May, 1967)

CHAPTER 3 - TREASURY MINUTES ON THE SEVENTY-FIFTH  
REPORT RELATING TO EXPENDITURE FROM THE CONSOLIDATED  
REVENUE FUND, 1964-65.

In the Seventy-fifth Report concerning Expenditure from  
the Consolidated Revenue Fund, 1964-65:

Summary of Committee's Conclusions  
(3rd December, 1965)

Your Committee concluded:

Treasury Minute  
(14th June, 1967)

I am directed to state:

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

COMMONWEALTH SCIENTIFIC AND INDUSTRIAL RESEARCH ORGANISATION

Division No. 150/3/01: Administrative - Works Services - Buildings, works, plant and developmental expenditure.

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

The Treasury has agreed with the Organization that from 1966-67 the appropriation sought from the Consolidated Revenue Fund will exclude expenditure attributable to contributory funds. The deduction lines appearing as Items 150/3/21 and 150/3/22 in the Appropriation Act (No. 1) 1965-66 and Item 905/0/07 in the Appropriation Act (No.-2) 1965-66 will not be included in future bills. Items 150/3/21 and 905/0/07 - "Amounts to be received from the Specific Research Trust Fund" - will no longer be necessary because of the removal of contributory funds from the Investigation expenditure items. Amounts which in 1965-66 were

Summary of Committee's Conclusions  
(3rd December, 1965)

Treasury Minute  
(4th June, 1967)

credited to Item 150/3/22 - "Amounts to be received from other sources" - will from 1966-67 be credited to Consolidated Revenue Fund Receipts - Other Revenue - Commonwealth Scientific and Industrial Research Organisation - Miscellaneous. Particulars of estimated expenditure from the Specific Research Trust Fund (together with details of expenditure covered in the Appropriation Bill) will, as at present, be included in the explanatory notes distributed for the information of Members and Senators before Parliamentary consideration of the Organization's estimated expenditure. The Organization's Annual Report, which is tabled and distributed shortly after the close of the financial year, will continue to include details of expenditure.

Division No. 150/3/05: Administrative - Works Services -  
Plant and equipment.

18. Your Committee believes that the Commonwealth Scientific and Industrial Research Organization could well make use of the Additional Estimates each year if initial inquiries indicate that attempts to procure equipment will continue to be subject to long and uncertain delays. Your Committee declines to accept a simple explanation, relative to an under-

The Organization sees disadvantages if the full programme of purchases for the year were not to be provided for in the Budget Estimate because approaches to the Treasury in each case for further purchases would be necessary and even if this involved only slight delays these could in themselves affect delivery times. The Organization and the Treasury consider that the general

Summary of Committee's Conclusions  
(3rd December, 1965)

expenditure of 25 per cent. of an appropriation, that it is difficult to predict delivery dates and we suggest that more careful planning may obviate the Organization's procurement difficulties in the future.

Division No. 150/4/17: Administrative - Investigations -  
Fodder conservation

20. Mr. R. W. Vincy, Finance Manager of the C.S.I.R.O. stated that the additional funds acquired by the Organization were sought to meet retrospective salary increases. However, Your Committee notes that these additional funds were sought despite the fact that the Organization's financial administrators had been aware that the original Appropriation would not be fully utilised and that, under the financial arrangements peculiar

Treasury Minute  
(14th June, 1967)

principles on estimating enunciated in the Treasury Minute on the Committee's Sixty-Fourth Report should be observed. The Organization is conscious of its obligation to budget as accurately as possible for expenditure. Accordingly, it is not the Organization's practice to include in its Budget Estimates amounts for large items of scientific plant and equipment unless after proper investigation it is a realistic judgment that payment can be achieved in the financial year. The Organization will, however, intensify its efforts to plan its procurement action so as to minimise uncertainties.

Summary of Committee's Conclusions  
(3rd December, 1965)

Treasury Minute  
(14th June, 1967)

to the C.S.I.R.O., funds appropriated for purposes, other than salary payments could have been used, if required, to augment the existing salary provision. Your Committee's concern over any degree of faulty estimating, wherever occurring, was heightened on this occasion by the witness's admission that the increase could have been absorbed by the existing provision. Your Committee believes that more forethought could have been given to the submission seeking additional funds and we trust that it will not be necessary in future, to comment on errors of this nature.

Division No. 150/4/27: Administrative - Investigations - Miscellaneous

41. Whilst Your Committee is most sympathetic towards C.S.I.R.O. regarding the problems which gave rise to this arrangement, it is concerned that an arrangement should have been made which involves the necessary underspending of an appropriation made by the Parliament. Your Committee is, however, gratified to learn that its examination of this arrangement has focussed the attention of the Department of the Treasury and C.S.I.R.O. on the matter and that steps have already been taken to overcome Your Committee's objections.

The revised estimating arrangements in respect of vacant positions, and reductions in the amount of salaries estimated to remain unexpended, have been adopted.



Summary of Committee's Conclusions  
(3rd December, 1965)

The Department and C.S.I.R.O. are to be commended for their prompt action and Your Committee hopes that the new arrangement to apply from 1966-67 will prove satisfactory to C.S.I.R.O.

DEPARTMENT OF INTERNAL AFFAIRS

Division No. 217/2/04: High Commission - New Zealand -

Administrative Expenses - rent and maintenance, office.

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

The Department has obtained approval to a reorganization of its Finance Branch. The provision of additional positions will, among other things, enable the estimates to be checked by a single authority within the Department.

Treasury Minute  
(14th June, 1967)

Summary of Committee's Conclusions  
(3rd December, 1965)

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

Treasury Minute  
(14th June, 1967)

Division No. 240/13: Overseas Establishments - Buildings, Works, Equipment and Furniture - Other overseas establishments.

62. Notwithstanding Your Committee's general satisfaction with the explanations submitted by the Department, there are two aspects of the Department's financial administration, revealed in our examination of this item, which deserve critical comment. The first matter is the Department's apparent view that appropriations revoted at ten posts should not be defined as under-expenditures, this view being reflected in the Department's failure to include in its submission to Your Committee any detailed explanation of the £11,450 revoted in the financial year 1965-66. The failure to provide this explanation necessitated a direction by Your Committee that a further submission be tendered by the Department.

Reference is made below, under the heading Department of the Interior, to the Treasury advice to Departments regarding revotes. The Department of External Affairs advises that all posts are required to submit details of revotes required; these are checked against expenditure records in Canberra to guard against the incorrect seeking of revotes. However, the Committee will appreciate that the necessity for early finalization of the following year's Estimates, for consideration by the Government, does lead to difficulty in some cases in adjusting those Estimates to take account of expenditure incurred in the closing days of the current year for which revote provision has been made.

Summary of Committee's Conclusions  
(3rd December, 1965)

63. The second matter of concern to Your Committee is the apparent failure of the Department to adequately reconcile expenditure towards the close of the financial year with commitments incurred during the year. The submissions tendered by the Department revealed three instances (of which two were disclosed in the second submission) in which funds were revoted despite the payment of the relevant accounts in the preceding year. Your Committee expressed disapproval of these oversights and directs the attention of the Department to Your Committee's further comments in our Report on the Electoral Branch of the Department of the Interior (page 6).

DEPARTMENT OF THE INTERIOR

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

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

The comments of the Committee in paragraph 78 of the Report have been drawn to the attention of Departments, together with the following Treasury comment:

"It is, of course, axiomatic that provision should not be made in estimates for the following year to cover amounts already spent in the current year. It is, therefore, incumbent on Departments in the final weeks of the year to

Summary of Committee's Conclusions  
(3rd December, 1965)

Preparation and Printing of Maps:  
Allocation of  
Appropriation .. £8,000  
Expenditure .. £ 233

Treasury Minute  
(14th June, 1967)

maintain a close liaison between officers responsible for estimates and officers who are processing the payment of accounts in respect of relatively large amounts where there is uncertainty as to whether or not payment was expected to be effected in the current year".

Division No. 321/3/01: News and Information Bureau -  
Works Services - Plant and equipment.

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

Summary of Committee's Conclusions  
(3rd December, 1965)

exists. We trust that more careful consideration will be given to future estimates of funds required under this item and that explanations will not, in future, be required in this respect.

DEPARTMENT OF NATIONAL DEVELOPMENT

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

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

Division No. 353/01: River Murray Commission - For  
expenditure under the River Murray Waters Act - Works Services.

99. Your Committee reported previously on this matter of under-expenditure under Works and Services of the River Murray Commission in its Fifty-

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(14th June, 1967)

The Department considers that its inexperience in recruiting suitable officers was the greatest single factor in the under-expenditure of the salaries item for the Forestry and Timber Bureau. The Committee's comments, which the Department agrees are reasonable in view of the result achieved, have been noted, and will be kept in mind should a similar set of circumstances occur in the future.

The Committee's observations regarding the River Murray Commission have been drawn to the attention of the Commission.

Summary of Committee's Conclusions  
(3rd December, 1965)

first Report. In that Report, Your Committee concluded at paragraph 27 that:-

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

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

DEPARTMENT OF SHIPPING AND TRANSPORT

Division No. 453/01: Railway Projects - For expenditure under  
the Railway Standardisation (South Australia) Agreement Act.

118. Your Committee accepts the assurance given by the Department of the Treasury that the method of financing expenditure under this item has not given rise to any

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(14th June, 1967)

The Commissioners indicated that the States as a whole did not favour the use of Additional Estimates; that the States were in a somewhat different position to the Commonwealth, and initial under-estimating for the year could cause embarrassment in the State set-up. The Commissioners indicated, further, that they appreciated the desirability of estimates being as realistic as possible.

Under the Railway Standardisation (South Australia) Agreement Act 1949 and the Railway Agreement (Western Australia) Act 1961 the prime responsibility for the

Summary of Committee's Conclusions  
(3rd December, 1965)

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

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(14th June, 1967)

preparation of estimates rests with the States. The Department will continue to impress upon the State authorities the Commonwealth's desire that the amounts included in the Commonwealth's Budget Estimates should be a realistic assessment of the amount that will need to be paid to the State in accordance with the Agreements in the financial year. Having regard to the circumstance that the Commonwealth is obliged, under an agreement ratified by the Parliament, to provide funds required to carry out certain work, the States will be informed when each year's estimates are being discussed that, should the best possible estimate that can be made at the time of formulation of the Commonwealth Budget prove later in the financial year to be insufficient, the Commonwealth will be prepared to seek in the Additional Estimates further amounts for payment to the States.

Summary of Committee's Conclusions  
(3rd December, 1965)

Treasury Minute  
(14th June, 1967)

Division No. 453/02: Railway Projects - For expenditure under the Railway Agreement (Western Australia) Act.

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

129. However, after considering the extent of earlier estimates and comparing them with subsequent expenditures, Your Committee considers that, in future, the amount to be provided initially each year should be limited to a more realistic level and that, in the event of the State's expenditure reaching this estimated level, additional funds should be made

Under the Railway Standardisation (South Australia) Agreement Act 1949 and the Railway Agreement (Western Australia) Act 1961 the prime responsibility for the preparation of estimates rests with the States. The Department will continue to impress upon the State authorities the Commonwealth's desire that the amounts included in the Commonwealth's Budget Estimates should be a realistic assessment of the amount that will need to be paid to the State in accordance with the Agreements in the financial year. Having regard to the circumstance that the Commonwealth is obliged, under an agreement ratified by the Parliament, to provide funds required to carry out certain work, the States will be informed when each year's estimates are being discussed that, should the best possible estimate that can be made at the time of formulation of the Commonwealth Budget prove later in the financial year to be insufficient, the Commonwealth will be prepared to seek in the Additional Estimates further amounts for payment to the States.

Summary of Committee's Conclusions  
(3rd December, 1965)

available either in the second Appropriation Act or from the Advance to the Treasurer if the need for extra funds is not demonstrated in time for their inclusion in the Additional Estimates.

130. Your Committee considers that, regardless of the objections which may be raised in connection with these findings, a situation in which only 64 per cent of three years' appropriations totalling £17,300,000 has been expended, is so unsatisfactory that the Parliament should confine the Appropriations to amounts which represent realistic assessments of the expenditure that is expected to occur.

DEPARTMENT OF TRADE AND INDUSTRY

Division No. 500/4/04: Administrative - Other Services - South American shipping service - Subsidy.

133. Your Committee appreciates that the ultimate expenditure in full of funds appropriated for shipping subsidies cannot be guaranteed by the Department. However, we believe that this item is another instance in which the estimates for the first Appropriation Act could well be restricted in the light of the earlier history of expenditure, and recourse had to the Additional Estimates if a funds requirement became apparent later in each year. Your Committee does not accept the Department's

The provision of shipping subsidies is governed by written agreements with the companies concerned. The terms of the agreement are clear in that a stipulated number of voyages is to be provided during the year and subsidy payments are due in respect of those voyages. At the time the estimates were compiled it was reasonably certain that the companies' schedules of sailings would be completed. The Department states

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Summary of Committee's Conclusions  
(3rd December, 1965)

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

DEPARTMENT OF WORKS

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

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

Treasury Minute  
(14th June, 1967)

that in formulating the estimates for this item the four principles enumerated by the Committee in paragraph 158 of the Report were followed.

Summary of Committee's Conclusions  
(3rd December, 1965)

of the Treasury Circular of 31st July, 1959, entitled "Commonwealth Civil Works Budgeting - Forward Planning Arrangements".

Division No. 615/09: Repairs and Maintenance - Department of the Interior.

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

153. A second feature of this item, which Your Committee feels to have more general application, is the failure of the Department to restrict the amount of funds

Treasury Minute  
(14th June, 1967)

The Department of Works agrees that a more thorough inspection should have been made of the front of Phillip House and of Grace Building before the estimates for painting were prepared and the attention of the responsible officers has been directed to the defects observed by the Committee. The attention of all officers concerned has been drawn also to the need in such circumstances to exercise due care in assessing expenditure requirements.

Summary of Committee's Conclusions  
(3rd December, 1965)

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

GENERAL

156. In Chapter 7 of the Seventy-fourth Report relating to expenditure from the Advance to the Treasurer, Your Committee referred to the unsatisfactory nature of the evidence that had been received during its inquiry into expenditure from the Advance to the Treasurer in 1963-64 and the development of a suitable pro-forma for use in connection with that inquiry in 1964-65. During the preparation of that pro-forma, Your Committee's staff proceeded concurrently to develop a further

Treasury Minute  
(14th June, 1967)

As advised in the Treasury Minute on the Seventy-fourth Report, a Treasury Circular has been issued drawing attention to the comments of the Committee regarding inadequacies in oral and written evidence.

Summary of Committee's Conclusions  
(3rd December, 1965)

pro-forma for use in the examination of items of expenditure where over-estimating had occurred. The use of these pro-forma's by departments provided Your Committee with information on a uniform basis and in each case showed the history of estimating and expenditure for a period of three years. This information proved to be of considerable value to Your Committee both at the stage of selecting items for further examination and during these examinations in due course.

158. Over the years Your Committee's attention has been drawn on a number of occasions to the efforts made by the Department of the Treasury to inform departments of the availability of Additional Estimates to meet expenditure which could not have been foreseen when the original estimates were prepared. As this Report discloses that a number of Departments have failed to make appropriate use of this facility, Your Committee would reiterate the following principles which it has also announced in its Seventy-fourth Report for the guidance of departments in the formulation of estimates:-
- (a) Each particular estimate should comprise a realistic assessment of the amount expected to be required, based on the information available to the Department when the formulation of

Treasury Minute  
(14th June, 1967)

The Committee in this Report has, in respect of several items, referred to the use of Additional Estimates. The Treasury's views on the policy to be followed in relation to preparation of the Budget Estimates were set down in the Treasury Minute on the Sixty-fourth Report which was presented as the Seventy-sixth Report of the Committee. The principles are:-

- (1) each individual estimate is to represent a realistic assessment of the sum that is expected to be spent, having regard to the information available to the Department at the time of preparation;

Summary of Committee's Conclusions  
(3rd December, 1965)

estimates is being made.

(b) Estimates should not make provision for proposals that are of such an uncertain nature that the Department is unable to determine whether payments, if any, will be made, and

(c) Experience, wisely evaluated, should be used as the basis for formulating estimates relating to recurring expenses.

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

Treasury Minute  
(14th June, 1967)

(2) 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;

(3) where an item is for a type of recurring expense (e.g., office services, travelling expenses) it is appropriate to budget on the basis of experience.

These principles have been agreed by the Committee in its Seventy-Sixth Report to be consistent with the Committee's observations in its Seventy-fourth, Seventy-fifth and previous Reports. The Treasury believes that the Additional Estimates must always be regarded as supplementary to, and not a substitute for, sound original estimates. It is essential for good budgeting that, having full regard to the above principle, the best possible estimate of the year's total expenditure be provided initially, taking account of all relevant information obtainable at the time, so that the means for financing the expenditure can be assured, and in order that all expenditure proposals can be properly considered in the context of the Government's overall financial and economic policy.

Summary of Committee's Conclusions  
(3rd December, 1965)

Treasury Minute  
(14th June, 1967)

Treasury feels that, if substantially greater use were to be made of Additional Estimates, the Government might well be placed in the position of having to introduce supplementary revenue proposals to finance them. Although this consequence of the greater use of Additional Estimates was apparently contemplated by the Committee in Chapter 3 of the Seventy-sixth Report, the Treasury view is that such a development is not one which the Executive Government would be likely to favour in other than exceptional circumstances related to the general economic wellbeing of the country.

CHAPTER 4 - TREASURY MINUTE ON THE EIGHTY-SEVENTH  
REPORT RELATING TO THE REPORT OF THE AUDITOR-GENERAL -  
FINANCIAL YEAR 1965-66

In the Eighty-Seventh Report concerning the Report of the Auditor-General - Financial Year 1965-66:

Summary of Committee's Conclusions  
(12th October, 1966)

Treasury Minute  
(26th May, 1967)

Your Committee concluded:

I am directed to state:

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

DEPARTMENT OF EXTERNAL AFFAIRS

21. The written statement submitted by the Department, prior to the opening of our inquiry, was supported by copies of a number of memoranda which had been circulated to overseas posts drawing the attention of officers concerned to the need for a higher standard of accounting practices overseas. Your Committee feels that a statement appearing in one memorandum is well worthy of recital in that it admirably summarises the attitude of Your Committee to administrative failings, not only within the Department of External Affairs, but in any department which is subjected to public examination. The memorandum stated, inter alia:



Summary of Committee's Conclusions  
(12th October, 1966)

47.

Treasury Minute  
(26th May, 1967)

"At a time when with regulatory authorities, such as the Auditor-General and the Parliamentary Joint Committee on Public Accounts (as indeed it is with the Department) is that those who have the custody and control of public funds have a responsibility to expend those funds in accordance with the directions of those who put the funds under their control. Any failure to live up to this obligation is rightly looked upon as a failure to discharge a responsibility of some importance and consequently slackness in dealing with funds suggests to regulatory authorities that those who have the control of the expenditure have the wrong attitude towards the expenditure of funds. A department with a reputation for prudence and caution in the expenditure of funds is more likely to have its requests considered favourably than one which has developed a reputation for slackness. Regulatory authorities, not unnaturally, infer that such Departments regard the financial aspects of policy issues as unimportant - or at any rate subordinate."

22. Your Committee has reviewed the evidence, not only in respect of the inquiry upon which this Report is based, but also that which was tendered during our inquiry at the close of the financial year 1964-65. We have noted that the Department of External Affairs has consistently objected to the Department of the Treasury that certain Treasury Directions are impractical in their application to the financial administration of overseas posts and that these objections have been voiced before Your Committee during our inquiries. However, we would reiterate that it is not a function of Your Committee to resolve

Summary of Committee's Conclusions  
(12th October, 1966)

48.

Treasury Minute  
(26th May, 1967)

differences existing between departments of the administration. Your Committee's function is to satisfy itself that public funds are being employed in an economical and efficient manner but the repeated criticisms of the Department of External Affairs by the Auditor-General suggests that the required standard of administration is not being achieved within that Department. The Department itself, in its own memorandum (see above) is conscious of its shortcomings in this respect and we trust that the reorganised staff structure now existing within the Management Services Branch will result in a higher standard of accounting and a consequential absence of any critical comment in future Reports of the Auditor-General.

DEPARTMENT OF THE INTERIOR

35. Your Committee is satisfied that the Department of the Interior has made an earnest attempt to overcome the administrative shortcomings which have attracted comment by the Auditor-General in 1965-66 and earlier years. We believe that the problems revealed in evidence on this occasion have been a continuation of earlier difficulties and that, if it had not been for the delays experienced relative to the direct accounting computers, the situation within the Department would have improved to a greater extent than that disclosed in evidence. Your

Summary of Committee's Conclusions  
(12th October, 1966)

Committee is supported in this view by the limited extent of the Auditor-General's criticisms and the Audit observer's concession that the matters brought to attention were of relatively minor importance.

36. Your Committee commends the Department for the improvements which it has achieved during 1965-66, despite the increase in work load associated with the growth of Canberra, and trusts that further improvements will be evidenced by the absence of adverse comment in the next Report of the Auditor-General. We expect that the Department of the Treasury will assist the Department of the Interior by expediting the further discussions which it has stated must precede the action sought in our Seventy-eighth Report which was presented to the Parliament on 24th March, 1966.

DEPARTMENT OF THE NAVY

51. Your Committee notes that although the need for a new motor vehicle policy became apparent to the Department of the Navy in 1964 it was not until very recently that a new policy was formulated. Your Committee believes, based on the evidence received, that a compelling need for the formulation of such a policy has existed in the Department for many years but that, as the proceeds of vehicle disposals are not available to the Department of the Navy to assist in the purchase of new

The Treasury is making a general view of motor vehicle fleet replacement policies.

Treasury Minute  
(26th May, 1967)

Summary of Committee's Conclusions  
(12th October, 1966)

vehicles, that Department has, at least until recently, failed to take into account, the material advantage accruing to the Commonwealth as a whole from the operation of a vehicle retirement policy which is economic in the wider sense. In reaching this view we are nevertheless mindful of the problem experienced by the Department where the disposal of vehicles results in a higher level of expenditure on new vehicles at the expense of other essential needs.

52. Your Committee's examination of this matter indicates clearly the need for all Departments operating vehicle fleets to recognise the wider economic context in which their vehicle replacement policies should be set. Your Committee also believes, from the particular vehicle retirement policies it has examined, that a strong case exists for such policies of all Departments operating vehicle fleets to be examined closely within the framework of an inquiry into the economics of departmental motor transport usage.

NORTHERN TERRITORY TOURIST BOARD

61. Your Committee is concerned by the fact that when the Tourist Board Ordinance was formulated in 1962, provision was not made in regard to the matter of reporting on the Board's financial statements and that this deficiency in the Ordinance was not rectified until 1966. The need for provisions of this nature

The Committee's comments have been noted by the Tourist Board.

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(26th May, 1967)

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in statutory authority legislation was referred to in our Twenty-first and Twenty-second Reports relating to the Australian Aluminium Production Commission and again more recently in our Eighty-third Report relating to the National Capital Development Commission.

62. Your Committee is greatly disturbed by the wide-spread nature of the criticisms conveyed to us by the Audit observer relative to the financial affairs of the Board. Those criticisms reflect adversely on the total administration of the organisation.
63. Having examined on previous occasions the problems of staffing in the Northern Territory with its consequent effects on administrative efficiency in the area, Your Committee is sympathetic to the staffing problems experienced by the Board. Although the Public Service Board has no responsibility for the staffing of the Tourist Board, it would seem to Your Committee should that staffing problems of the type encountered in the past by the Board recur, the Board could with considerable advantage seek the advice and guidance of the Public Service Board as the experienced staffing authority of the Commonwealth Service.
64. Your Committee also believes that, irrespective of the level at which staff is recruited to Commonwealth departments and statutory authorities from outside the Commonwealth Service, a responsibility devolves on the

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employing authorities concerned to ensure that such staff is adequately trained in the relevant administrative procedures of the Service with minimum delay.

65. Your Committee supports the view of the Auditor-General that inordinate delays occurring in the submission of financial statements for audit detract seriously from the value of such statements. We trust that this view will be borne in mind by the Tourist Board.

DEPARTMENT OF PRIMARY INDUSTRY

Licence and Charges - Collection Action

82. Your Committee believes that the difficulties experienced by the Department of Primary Industry have not been occasioned by faults within the Department itself. The evidence suggests that the Department has endeavoured to recruit suitable staff to undertake the required inspections but that its efforts have been frustrated by salary ranges which are apparently inadequate when the extensive travel required of the Inspectors is taken into account.
83. Your Committee notes the suggestion by the Public Service Board that the recent general salary increases might assist the Department to engage the required numbers of new staff. However, the evidence has revealed that, since the new salary ranges were approved only two applicants have responded to the advertisements inserted by the Department. It would

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The Public Service Board states that the internal audit review committee has now completed its task and has submitted its report to the Board. Because of the Service-wide implications of the review, the Board, on the recommendation of the committee, has forwarded copies of the report to all departmental Permanent Heads concerned, requesting their consideration and comments.

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appear that the salary increases, by their general nature, may have simply maintained the degree of relativity between the vacant positions and other positions within the Commonwealth Public Service requiring accountancy qualifications. For this reason, it is probable that the Department's position is unlikely to be eased by applications from within the Service itself. On the other hand, the results of the advertisements calling for recruits indicate that notwithstanding that the salary classification is identical to that of Grade I Inspectors in the Audit Office, the remuneration offered has not attracted the required staff.

84. Your Committee appreciates that the review being conducted by the Public Service Board has been hampered in its progress by the other demands made upon its resources. However, in the light of evidence received in our earlier inquiries and the unsatisfactory situation revealed during this inquiry, Your Committee believes that the Public Service Board might with advantage reconsider the degree of priority previously afforded to this review as it appears that past delays may be contributing to the failure of the Department of Primary Industry to collect Commonwealth revenue.

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ACCOUNTING

98. The evidence has disclosed to Your Committee that the errors committed in respect of the Dairy Produce Research Trust Account, the Poultry Industry Trust Fund and the Sultan's Stabilisation Fund may be attributed largely to the inexperience of certain officers within the Department of Trade and Industry and also to the arrangements under which the Department undertakes the accounting administration for the Department of Primary Industry. Notwithstanding the unsatisfactory nature of these arrangements (a matter which is discussed later in this Report) Your Committee believes that both Departments have been at fault in failing to ensure that adequate internal control procedures were in existence to forestall errors which might occur in such a situation. It was not discovered that a sum of \$52,790 had not been properly transferred to an appropriate account until an examination was made by an Audit Inspector. While Your Committee recognises that the failure to so transfer this amount (and other amounts discussed in evidence) did not constitute a threat to the security of public funds, the fact remains that the failure constituted a departure from established accounting procedures within the Department. Your Committee is

The Departments of Primary Industry and Trade and Industry have taken action to improve their controls in relation to investments.

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disturbed that errors of this type should remain undetected by departmental officers and trusts that both Departments will review their internal accounting practices as a matter of urgency in order to forestall any future incidents of a similar nature.

DEPARTMENT OF TRADE AND INDUSTRY

Departmental Accounting Standards

109. Your Committee is satisfied that the Department has made a vigorous attempt to rectify the shortcomings in the accounting at overseas posts through the introduction of a training course in accounting procedures for its Trade Commissioners and Assistant Trade Commissioners. We also note with approval the innovation of simplified accounting instructions for the use of local staff at overseas posts, thus avoiding the necessity for such staff to refer to the unfamiliar terminology of the Treasury (Overseas Accounts) Directions.

110. Your Committee is mindful of the evidence submitted by the Department that the staffing difficulties in the central office have contributed largely to the differences in the standard of local accounting. However, we also note the opinions, expressed on behalf of the Public Service Board, that the situation is one which might be remedied by the more efficient use

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The Public Service Board has advised that the Department of Primary Industry has recently been given approval to establish its own accounts, personnel and stores sections.

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of existing staff and that the methods review being undertaken should be completed before any further staff increase is sought. In the light of this opinion, Your Committee trusts that the conduct of the review will be expedited in order to provide a rationalised situation in which the Department's real staff requirements may be clearly assessed.

DEPARTMENTS OF TRADE AND INDUSTRY AND PRIMARY INDUSTRY

Joint Accounting Arrangements

121. Whilst Your Committee would not wish to pre-judge in any way the merits of the proposals submitted by the Departments of Trade and Industry and Primary Industry to the Public Service Board for the creation of separate accounting and related services, the evidence indicates clearly that the common services arrangements, particularly in respect of accounting, stores and personnel functions have become an impediment to efficient administration as the scope of activities of the Departments concerned has increased. Indeed Your Committee would express some surprise that it was not until as recently as 1964 that serious problems began to emerge in this field. In those circumstances we would pay a tribute to the officers of both Departments who for a period of ten years since 1956 have ensured that this arrangement has continued to operate as effectively as it has.

The Public Service Board has advised that the Department of Primary Industry has recently been given approval to establish its own accounts, personnel and stores sections.

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122. From the evidence received and from the comments made by the Public Service Board observer, however, Your Committee would doubt whether staffing problems have contributed as significantly as was claimed, to the difficulties experienced by the two Departments in administering common services. In this regard we agree with the Public Service Board observer, that should separate arrangements be made for each Department as envisaged in their recent proposals to the Public Service Board, competition between them for staff will persist as it does between all Departments in the Commonwealth Service.

CHAPTER 5 - OBSERVATIONS OF YOUR COMMITTEE

Your Committee reports as follows on the foregoing Treasury Minutes:

In the case of the Minute relating to the Seventy-third Report, attention is invited to the section relating to qualifications of Internal Audit Staff and re-organisation of Internal Audit Establishments.

During Your Committee's Inquiry into the Department of Social Services which terminated on 3rd March, 1965, we were informed by the Department that the number of fully qualified internal audit officers, particularly in the senior levels of the internal audit sections, was not as high as desirable. Whilst the Audit Observer indicated that, generally, the Auditor-General's Office was satisfied with the Department's arrangements for internal audit, the arrangements were continually under review as the Auditor-General's Office relies upon the efficiency of departments' internal audits to a large extent in order to perform its own audit of departmental accounts. The Audit Observer further commented that the Auditor-General would like to see more qualified officers doing internal audit work in order to raise the standard of the work performed.

Your Committee notes from the Treasury Minute that an interdepartmental committee was set up because it was felt that, in this particular area, a thorough review of similar positions in all Departments undertaken as a single exercise, was likely to produce more worthwhile results for the Service generally than would the individual examination of internal audit organisations of the various Departments.

In his Report for 1965-66, the Auditor-General stated at paragraph 273 that early in 1966, an interdepartmental committee appointed by the Public Service Board commenced a review of the functions and duties of Third Division officers engaged in internal audit work in Departments with a view to recommending to the Board whether any change in work levels was necessary and whether qualifications should be

prescribed. A senior officer of the Auditor-General's staff had been made available to assist the Committee.

In his Report for 1966-67, the Auditor-General again made reference to this matter at paragraph 268 and added that at the time of preparation of that Report, the Committee's report was under consideration by the Public Service Board.

Whilst Your Committee accepts as desirable the objective enunciated by the Public Service Board of conducting a thorough review of similar positions in all Departments undertaken in a single exercise, we note that although this review was commenced early in 1966, the report arising from that review was still under consideration by the Public Service Board in August 1967 when the Auditor-General's Report for 1966-67 was presented to the Parliament.

Your Committee notes from the Treasury Minute that -

"The Board is unable to agree with the Committee's finding that the deferment of the Department's proposed re-organisation of its internal audit staff may result in serious delay in improving the efficiency of the Department's internal audit work."

Having regard to the length of time which has so far elapsed in the review being undertaken at the request of the Public Service Board, Your Committee is unable to agree with the Board on this matter and is re-inforced in its attitude by its inquiry into the collection of levies and charges by the Department of Primary Industry in the context of the Auditor-General's Report for 1965-66. In that Report, and in connection with the same review being conducted at the request of the Board, Your Committee stated -

"Your Committee appreciates that the review being conducted by the Public Service Board has been hampered in its progress by other demands made upon its resources. However, in the light of evidence received in our earlier inquiries and the unsatisfactory situation revealed during this inquiry, Your Committee believes that the Public Service Board might with advantage reconsider the degree of priority previously afforded to this review as it appears that past delays may be contributing to the failure of the Department of Primary Industry to collect Commonwealth revenue."

In the case of the Minute relating to the Seventy-fifth Report, attention is invited to Division No. 353/01: River Murray Commission - For Expenditure under the River Murray Waters Act - Works Services. The Treasury Minute, stated:-

"The Committee's observations regarding the River Murray Commission have been drawn to the attention of the Commission. The Commissioners indicated that the States as a whole did not favour the use of Additional Estimates; that the States were in a somewhat different position to the Commonwealth, and initial under-estimating for the year could cause embarrassment in the State set-up. The Commissioners indicated, further, that they appreciated the desirability of estimates being as realistic as possible."

Whilst Your Committee would commend the Commission for accepting the desirability of estimates being as realistic as possible, we would make it clear that it was the use of Additional Estimates by the Commonwealth, not the States, to which our conclusions was directed in the Report. In paragraph 99 of the Report, we stated, inter alia:-

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

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.



7th September, 1967.