

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA
1968—Parliamentary Paper No. 214

JOINT COMMITTEE OF PUBLIC ACCOUNTS

ONE HUNDREDTH REPORT

EXPENDITURE FROM ADVANCE

TO THE TREASURER

(APPROPRIATION ACTS 1967-68)

*Presented pursuant to Statute
and ordered to be printed 7 November 1968*

COMMONWEALTH GOVERNMENT PRINTING OFFICE
CANBERRA: 1969

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Members on 22 February 1967.*

(1) Appointed 23 August 1967.

(2) Deceased 2 August 1967.

DUTIES OF THE COMMITTEE

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

8. The duties of the Committee are:

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

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

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JOINT COMMITTEE OF PUBLIC ACCOUNTS

ONE HUNDREDTH REPORT

EXPENDITURE FROM ADVANCE TO THE TREASURER

(*Appropriation Acts 1967-68*)

CHAPTER 1—INTRODUCTION

In recent years a series of combined inquiries relating to expenditure from the Advance to the Treasurer has been conducted concurrently with a comprehensive inquiry into expenditure from the Consolidated Revenue Fund. The question of the procedure that should be adopted in regard to these inquiries was examined in the Sixtieth and Seventy-fifth Reports and Your Committee has taken the view, since 1964-65, that as some departments would be involved in both inquiries, considerable economy of time would be achieved if a single inquiry were to be held but that, as the subject matter relating to the expenditure from the Advance to the Treasurer is clearly distinguishable from that relating to other expenditure from the Consolidated Revenue Fund, two separate reports should be submitted to the Parliament.

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

2. This One hundredth Report is based on the evidence received in respect of expenditure from the Advance to the Treasurer in 1967-68.
3. During July 1968, Your Committee obtained departmental explanations relating to expenditure during 1967-68 from the Advance to the Treasurer. These explanations were examined and from them sixteen Items were selected which appeared to require further examination.
4. The Items selected were made the subject of a Public Inquiry held at Parliament House, Canberra, on:
Tuesday, 20 August 1968
Tuesday, 27 August 1968
Monday, 9 September 1968
Tuesday, 10 September 1968
Tuesday, 17 September 1968.
5. The following witnesses were sworn and examined by Your Committee:

Attorney-General's Department

Mr R. Phillips—Director, Management Services Branch.

Department of External Territories

Mr L. W. Temby—Acting Assistant Secretary, Finance.

Department of Health

- Mr T. C. Boag—Acting Administrative Officer, Tuberculosis Division.
Mr H. West—Acting Assistant Director-General, Establishments and Finance Branch.

Department of the Interior

- Mr G. A. Bennett—Executive Officer, Australian Capital Territory, Police.
Mr R. C. Burroughs—Finance Officer, Budgeting and Works Programming.
Mr L. L. Gillespie, Assistant Secretary, Finance and Supply.
Mr G. H. Nichol—Executive Officer, Bureau of Meteorology.
Mr J. J. Ravenscroft—Director of Finance, Northern Territory Administration.
Mr K. J. Walshe—Administrative Officer, Bureau of Meteorology.

Department of Supply

- Mr F. M. McDonough—Officer-in-Charge, Logistics Section.
Mr K. McKnown—Assistant Secretary, Finance.
Mr D. J. O'Connor—First Assistant Secretary, Finance and Management Services.

Department of Trade and Industry

- Mr T. J. McMahon—Assistant Secretary, Management Services.

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

- Mr A. K. Ragless—Auditor-General's Office.
Mr G. N. Vanthoff—Public Service Board.
Mr M. G. Cowie—Department of the Treasury.
Mr C. T. Monaghan—Department of the Treasury.

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

8. The following six chapters of the Report relate to those Items that were made the subject of further examination at the Public Inquiry.

CHAPTER 2—ATTORNEY-GENERAL'S DEPARTMENT

(i) DIVISION 125/2/01: PATENT, TRADE MARKS, DESIGNS AND COPYRIGHT OFFICES—ADMINISTRATIVE EXPENSES—TRAVELLING AND SUBSISTENCE

Available funds	1965-66	1966-67	1967-68
	\$	\$	\$
Appropriation Act No. 1	57,380	39,300	48,600
Appropriation Act No. 3 .. ..	..	..	18,000
Advance to the Treasurer .. ..	..	..	18,600
Total Funds Available	57,380	39,300	85,200
Total Expenditure	47,781	36,673	84,863
Unexpended Available Funds ..	9,599	2,627	337

9. This Item is charged with costs of fares, travelling allowances, car hire, hiring allowance (Public Service Regulation 97) and the associated incidental expenditure for officers and employees of the Patent, Trade Marks, Designs and Copyright Offices in Canberra and the Trade Marks Sub-Offices in Sydney, Melbourne, Brisbane, Adelaide and Perth.

10. We were informed that the Original Estimate of \$48,600 provided for this Item was based on expected expenditure in Australia with some allowance for the fact that the Department intended to arrange an additional advertisement in Australia for Examiners of Patents and that it also had approval to advertise in Britain for the same purpose. In its original draft estimate for 1967-68 the Department had put forward a figure of about \$82,000 for this purpose. In subsequent discussions with the Department of the Treasury, however, it had been agreed that a part of this figure should be deferred pending the results of the proposed advertising campaigns. Accordingly, the agreed Estimate included \$20,000 for fares and \$20,000 for Living Allowances compared with \$42,000 and \$33,000 respectively that had been sought originally.

Exhibit 100/1
and Q's 207,
223 and 224

11. The Departmental submission stated that the Department's explanation relating to the \$20,000 included in the Original Estimate for fares had stated erroneously that \$4,700 had been provided for British recruits whereas the explanation should have stated that \$4,700 was provided for recruits in Australia and Britain. This error occurred in the Central Office of the Department when the provisional estimate was being recast following the discussion between officers of the Attorney-General's Department and the Department of the Treasury.

Exhibit 100/1
and Q's 225,
226 and 235

12. In regard to the \$18,000 provided in Appropriation Act No. 3 we were informed that in January 1968, it became apparent that a special

Exhibit 100/1
and Q.'s 210 and
211

recruiting campaign for Examiners of Patents which in 1967 involved two additional advertisements both at the end of May, one in Australia and one in Britain, would meet with a greater measure of success than anticipated and that the amount provided for fares, travelling and living allowances for new recruits would not be sufficient to permit all approved recruits to be moved to Canberra. It was stated that difficulties in the recruitment of Patent Examiners are almost as long as the history of the Patent Office but they have become considerably graver since 1960. Whereas the increase in staff has averaged about 2½ per cent per annum, the number of applications to be processed has increased by 6 per cent. In regard to staff losses, it was said that engineers and scientists seem to prefer practical work rather than the desk work involved in the Patent Office and they generally succeed in obtaining more lucrative employment elsewhere in the Commonwealth Public Service or outside the Service.

Exhibit 100/1
and Q. 227

13. Also in January 1968, it appeared that between twelve and sixteen recruits would arrive in Australia in 1967-68 and, at that stage, \$4,523 had been spent in connection with the first four recruits who took up duty. Accordingly, the \$18,000 included \$7,250 for fares and \$6,000 to cover living allowances. A further amount of \$2,500 was provided to meet retrospectively the cost of an approved visit to Geneva by the Deputy Commissioner in September-October 1967. In addition, \$1,200 was provided to meet retrospectively the cost of travelling allowance associated with the provision of relief for the Sydney and Melbourne Sub-Offices in November 1967, to enable officers in each State to take accumulated leave. We were informed that this cost had not been foreseen when the Original Estimates were formulated and had arisen from a policy decision announced during that particular year that officers were required to take all leave accrued within twelve months. Finally, as the successful recruiting campaign in Australia for Examiners of Patents made it clear by January 1968, that additional expenditure would be incurred beyond that appropriated, an amount of \$1,050 was included.

14. So far as the provision from the Advance to the Treasurer is concerned, we were informed that following a cable from London on 18 April 1968, it became apparent that the amount allocated for payment of fares in Britain for passage to Australia would be inadequate due to an upward trend in fares associated with the need to transport larger families of the recruits selected. This required a further \$16,000. In May 1967, the Department received advice of the release of four officers from other Departments on temporary transfer to the Patent Office Examiners Training Course for whom travelling allowance would be payable. An amount of \$600 was required for this purpose. We were also informed that very heavy expenditure became necessary for the

settling in period of the latest arrivals from Britain as, due to their larger families, hostel accommodation was not available. An amount of \$1,000 was required to meet the additional costs. Finally, the Department discovered in May 1968, that the fares paid in Australia would cost about \$1,000 more than had been expected originally. As fares vary depending on the distance to be traversed, the witness informed us that it has not been possible to calculate fares based on average experience.

Exhibit 100/1
and Q.'s 228 to
232

15. In general comments related to its submission the Department contended that sufficient emphasis had not been given to detail in the preparation of the Patent Office Estimates. The evidence showed that the original estimates for this Item are formulated by the Patent Office and are then examined by the Central Office of the Attorney-General's Department. In this regard the Departmental witness advised us that, in respect of travelling and subsistence allowances, the Department is required to obtain advice from the Patent Office as to the number of recruiting advertisements they are likely to place during the year, and the number and type of recruits they expect to obtain. The Department must then examine the provision proposed by the Patent Office for the allowances that are payable. The witness indicated that it is very difficult to check the validity of these allowance provisions because although in some cases it may be possible to place arrivals directly into Commonwealth hostels, it is very often found that accommodation must be arranged in hotels or motels until hostel accommodation can be arranged. When this occurs, and particularly where large families are involved, expenditure proves to be very high.

Exhibit 100/1
and Q. 234

16. The Treasury Observer, Mr Cowie, expressed the view that the Department had probably been unnecessarily self-critical in its general comments. He stated that a great deal of uncertainty had existed as to the likely results of the special recruiting campaign and it had not been possible to estimate what travelling costs, if any, would be incurred. The Department therefore did not provide for these costs in the original estimate but provided for some of them in the Additional Estimates. Finally, after the Additional Estimates were framed, unforeseen costs were incurred and the Department completed the year with an overall result that involved a mere \$300 unexpended in a total appropriation of \$85,000.

Q. 242

17. A further general comment made by the Department referred to uncertainty that is always present as to when accounts will be submitted. The witness representing the Patent Office informed us that a close examination of outstanding accounts is made each May and special steps are taken from that stage onwards to secure all possible accounts so that they can be charged against the current year's expenditure. It was said that although the responsibility for maintaining a liabilities

Exhibit 100/1
and Q.'s 238 to
240

register for general expenses rests with the Central Office of the Attorney-General's Department, the Patent Office maintains a register of its own in a form that enables it to identify the requisitions that are unpaid.

Conclusions

18. Your Committee notes that the provisional estimate put forward initially by the Department on this Item was for an amount of \$82,000 and that by comparison, actual expenditure amounted to \$84,863. Although, *prima facie*, it may appear that the Department was justified in seeking that figure, the evidence tendered shows that throughout the year considerable uncertainty existed as to the likely course of events. Accordingly we believe that the Department of the Treasury was justified in seeking a substantial reduction in the provisional estimate to arrive at a figure for inclusion in the Original Appropriation and requiring the Department to make use of the Additional Estimates if required. Even so, it appears that beyond the closing date for the Additional Estimates, unforeseen events required a comparatively substantial use to be made of the Advance to the Treasurer.

19. Arising also from the evidence we would again emphasise the need for care by departments in formulating estimates and preparing explanations connected with them. We believe that the Central Office of the Attorney-General's Department did not, in the present case, exercise due care in the formulation of its explanation of the amount of \$4,700 following discussions with officers of the Department of the Treasury.

20. Finally, we would commend the Patent Office for its action in maintaining a register of liabilities although the official responsibility for maintaining such a register for general expenses rests with the Central Office of the Attorney-General's Department. We trust that the Department will examine critically the form and operation of its liabilities register relating to general expenses.

(ii) DIVISION 131/2/05: COURTS OFFICE NORTHERN TERRITORY— ADMINISTRATIVE EXPENSES—FEES—JURORS AND WITNESSES

Available funds		1965-66	1966-67	1967-68
		\$	\$	\$
Appropriation Act No. 1 ..	..	15,000	15,100	15,100
Appropriation Act No. 3 ..	..	1,200	..	39,400
Advance to the Treasurer ..	..	..	..	8,500
Total Funds Available ..	..	16,200	15,100	63,000
Total Expenditure ..	..	14,932	15,055	57,590
Unexpended Available Funds ..	..	1,268	45	5,410

21. This Item provides for the payment of jurors' and witnesses' fees and expenses for the Northern Territory Supreme Court for Supreme Court Sittings in Darwin and Alice Springs and witnesses' fees and expenses for sittings of the Courts of Summary Jurisdiction held at Darwin, Katherine, Tennant Creek and Alice Springs.

22. We were informed that the Original Estimate for this Item had been formulated on the basis of past experience and comprised \$9,000 for jurors and \$6,100 for witnesses.

Exhibit 100/2
and Q. 262

23. During October 1967, it became apparent that the initial appropriation of \$15,100 would be insufficient if the trend in expenditure from 1 July to 17 October 1967, continued. By the latter date expenditure, mainly representing jurors' fees had reached a level of \$13,592. In addition, claims amounting to \$2,910 were outstanding, making a total commitment of about \$1,400 in excess of the Original Appropriation.

Exhibit 100/2

24. We were informed that as at 17 October 1967, there had been three sittings of the Supreme Court in Darwin totalling fifty-six days on which 180 jurors had been called. The commitment of \$9,240 for jurors' fees included an advance of \$2,500 to the Clerk of Courts, Darwin, for the then current Darwin sitting of the Supreme Court and an additional amount of \$1,000 that had been made available to the Clerk of the Courts, Alice Springs, for the sittings which were to commence on 23 October 1967. The Department's Revised Estimate submitted on 9 January 1968, forecast an expenditure on this Item of \$40,000, based on known expenditure of \$19,196 at 31 December 1967. However, the high rate of expenditure on the Item continued in the period October 1967-March 1968, and a further application for funds amounting to \$24,500 was made on 14 March 1968, when it was estimated that expenditure for 1967-68 would reach \$54,500. Expenditure figures for the second half of the financial year are shown in Table No. 1.

Exhibit 100/2

TABLE NO. 1: ATTORNEY-GENERAL'S DEPARTMENT
ITEM 131.2.05: EXPENDITURE AND COMMITMENTS
(January-June, 1968)

Exhibit 100/2

Date	Expenditure	Outstanding commitments
	\$	\$
31 January 1968	20,868	..
29 February 1968	27,003	3,769
31 March 1968	30,751	6,736
30 April 1968	38,944	12,886
31 May 1968	41,537	12,515
30 June 1968	57,590	(a) 4,236

Source: Attorney-General's Department

(a) As recorded by the Department of the Treasury

25. The selected statistics shown in Table No. 2 are considered by the Department to be a fair indication of the level of Court proceedings for the three years, 1965-66 to 1967-68.

TABLE NO. 2: ATTORNEY-GENERAL'S DEPARTMENT
SELECTED NORTHERN TERRITORY COURT STATISTICS
(1965-66 to 1967-68)

Item	1965-66	1966-67	1967-68
Number of court sittings	8	10	10
Number of guilty pleas	62	72	88
Number of not guilty pleas	25	25	43
Duration of sittings (days)	48	52	102
Number of jurors called	375	480	564
Number of jurors empanelled	204	204	396
Number of witnesses for whom fares and accommodation were paid	43	40	146

Source: Attorney-General's Department

Exhibit 100/2
and Q's 263 to
266

26. As records do not appear to have been maintained prior to 1965-66, statistics given for that year in Table No. 2 may not be accurate. It was claimed, however, that since the statistics vary considerably from year to year they are of little assistance in the formulation of estimates.

Exhibit 100/2

27. In addition to the increased activity reflected by Table No. 2 it was said that the establishment of a Forensic Branch in the Northern Territory Police Force some two years prior to our Inquiry, had made possible more scientific evidence than had been available previously and this had resulted in trials taking place that would not have occurred otherwise. It was also said that some trials in 1967-68 were of longer duration than those held in previous years, due to lengthy cross-examination of scientific evidence. It was pointed out in this regard that the length of trial governs the cost of witness accommodation expenses and fees. The cost of hotel accommodation in Darwin and Alice Springs was said to be high and transport difficulties often made it necessary for witnesses to be kept in these centres longer than would normally be expected.

Exhibit 100/2

28. In regard to the amount of \$8,500 obtained from the Advance to the Treasurer the Department informed us that its submission of 14 June 1968, had stated that expenditure as at 31 May 1968 had reached the level of \$51,076. This amount, however, had not in fact been paid but had been passed by the Department to the Northern Territory Sub-Treasury for payment. Outstanding claims on hand as at 9 June 1968 were reported to have amounted to \$5,500 for jury expenses and \$6,400 for witnesses' expenses. The amount passed to the Sub-Treasury for payment and the outstanding claims indicated an apparent need for about \$63,000 for the year or an additional \$8,500 above the amounts appropriated previously.

29. Of the amount of \$8,500 obtained from the Advance to the Treasurer, only \$3,090 was actually expended by 30 June 1968. In this regard we were informed that claims totalling \$4,814 were passed prior to 21 June 1968 to the Northern Territory Sub-Treasury for

payment but were not paid due to pressure of business while other claims amounting to about \$147 were received too late to be paid during the financial year. In elaborating on the circumstances the Department informed us that it had received from its Darwin Office a request dated 11 June for funds from the Advance to the Treasurer. On 14 June, the Department had transmitted this request to the Department of the Treasury. The claims amounting to \$4,814 had been held by the Sub-Treasury Darwin pending approval of the allocation of funds from the Advance to the Treasurer. Approval of such an allocation was conveyed by the Department of the Treasury to the Attorney-General's Department in Canberra on 20 June and that Department immediately telegraphed that advice to the Sub-Treasury in Darwin. However, the accounts of the Darwin Sub-Treasury were closed for payment on 21 June and it was said that the Sub-Treasury had insufficient time to pay the accounts prior to the closing date. Q. 260

Conclusions

30. On the basis of the evidence Your Committee accepts that, in an Item of this nature, the formulation of estimates is a matter of considerable difficulty. While we accept, in the circumstances, the Department's explanation in relation to the use of the Advance to the Treasurer, we are somewhat concerned at the events that occurred between 14 and 21 June 1968. It appears that, having received a request dated 11 June from its Darwin Office for funds from the Advance to the Treasurer, the Department transmitted this request to the Department of the Treasury on 14 June. We believe that the Department of the Treasury should have cleared the request prior to Thursday, 20 June. Moreover, we believe that as the Sub-Treasury in Darwin had for some time been holding the accounts in anticipation of approval of funds from the Advance to the Treasurer, it should have been ready to take immediate action on them when it received appropriate telegraphic advice from the Attorney-General's Department.

CHAPTER 3—DEPARTMENT OF EXTERNAL TERRITORIES

DIVISION 955/7/01: CAPITAL WORKS AND SERVICES—ADVANCES AND LOANS—COCOS (KEELING) ISLANDS—COMMONWEALTH HOSTELS LIMITED—WORKING CAPITAL ADVANCE

Available funds	1965-66	1966-67	1967-68
	\$	\$	\$
Appropriation No. 2
Appropriation Act No. 4	15,000
Advances to the Treasurer	31,000
Total Funds Available	46,000
Total Expenditure	46,000
Unexpended Available Funds

31. This Item provides for the payment of advances to Commonwealth Hostels Limited to provide working capital to finance hostel and store operations on Cocos (Keeling) Islands. The Company commenced operating the Cocos hostel for single employees and the Cocos store on 1 May 1967. To permit the Company to commence operations the Commonwealth provided it with a working capital of \$15,000 which was charged to Division 998/01—Department of Civil Aviation.

P.P. No. 128 of
1967

32. During our Inquiry into Expenditure from the Advance to the Treasurer 1966-67, we examined the circumstances relating to the amount of \$15,000 provided for Item 998/01 administered by the Department of Civil Aviation. We were informed that the amount provided at that time was to make an advance in the form of working capital to Commonwealth Hostels Ltd for the purpose of providing a catering services for personnel located at Cocos Islands. For the previous ten years this service had been provided by Qantas Empire Airways Ltd which had used the airport as an essential stop on its Australia/South Africa air service. As from the beginning of April 1967, however, Qantas and South African Airways commenced direct flights between Perth and Mauritius and there was no regular air service through Cocos Islands after that time. As Qantas no longer had an interest in the base, it withdrew its personnel and catering service progressively through May and June 1967. As it became apparent early in 1966 that Qantas desired to withdraw from Cocos Islands as from 1 April 1967, a series of conferences was held, chaired by the then Department of Territories, in regard to the provision of catering services. The consensus of opinion was that Commonwealth Hostels Ltd should undertake this task and the Company carried out a feasibility study on the Islands towards the end of 1966. In March 1967, the Department of Civil Aviation became aware that an advance of \$15,000 was required by the Company and as it was too late for this amount to be included in the Additional Estimates for 1966-67 it was charged to the Advance to the Treasurer.

33. We were informed in the present Inquiry that by August 1967 Commonwealth Hostels Ltd had received an account for \$40,872 from Qantas and in view of this the Company sought a further advance of \$15,000 to provide adequate working capital. This amount was provided in the Additional Estimates (Appropriation Act No. 4) for 1967-68.

Exhibit 100/3
Q. 548

34. In June 1968, Commonwealth Hostels Ltd requested additional working capital amounting to \$31,000. It was stated that this amount was considered necessary to cover the full value of stock held (\$40,872) and to allow for the normal delay in the reimbursement of net expenditure on the Company's accounts. The average net expenditure was said to be \$10,000 per month. The Department of External Territories informed us that the request for additional working capital had been supported by the Department of Labour and National Service. The amount was provided from the Advance to the Treasurer.

Exhibit 100/3

35. In view of the history of this matter which extended back into the previous financial year we questioned the witness as to why it was not until June 1968 that Commonwealth Hostels Ltd had requested the additional \$31,000. We were informed that the Company had experienced difficulty in organising its accounting for the operation. The activity taken over from Qantas had been reduced considerably in size and the Company lacked previous experience of the relevant costs. It was also said that the Company had experienced difficulty arising from infrequent communication with the Islands as mails were delivered only on a fortnightly basis. This delayed the receipt of accounting information and also delayed the resolving of queries that arose in the examination of the information that came forward. The witness informed us that the claim for \$40,872 made by Qantas related to stock taken over by Commonwealth Hostels Ltd. When the claim was received, the Company was uncertain as to the exact amount of working capital that it would require, as there was no certainty that, with a smaller operation, it would need to maintain stocks at the previous higher level operated by Qantas. Accordingly, when the Company received the claim from Qantas it advised that its best estimate of additional working capital requirement was \$15,000 which, together with the \$15,000 provided from the Advance to the Treasurer in 1966-67 under Item 998/01, made a total requirement of \$30,000. Because of the time needed to bring the Company's accounting up to date, however, it was not until June 1968 that it advised the Department of External Territories of its additional need for a further capital advance of \$31,000.

Q.'s 549 to 551

36. As at 30 June 1968, the total working capital provided for the Company arising from the Cocos Island project amounted to \$61,000. When questioned further on the matter the witness representing the Department of External Territories informed us that this figure, in fact, comprised \$41,000 to meet the Qantas claim for stock and equipment and \$20,000 for two months net expenditure by Commonwealth Hostels

Ltd. This was said to have been calculated on the basis that, at most times, reimbursements by the Commonwealth to the Company will be two months in arrears. However, when the request was made for \$15,000 to be included in the Additional Estimates for 1967-68, the figure had been prepared on the basis that reimbursements would be current at all times. However, the Company had found this to be an impracticable basis because variations in monthly payments were found to vary considerably from about \$6,000 to \$20,000 per month, arising from the fact that shipments to Cocos Islands occur only about three times per year. When the Company reviewed the situation after having brought its accounts up to date it considered that a preferable arrangement would be to increase its working capital. This decision was not conveyed to the Department of External Territories until June 1968.

Conclusions

37. It appears to Your Committee from its examination of the payments to Commonwealth Hostels Ltd, over two successive years that, partly for reasons beyond the control of the Company, difficulty was experienced in reaching a final figure for the working capital required to finance the Cocos Islands catering service. We note, however, that the Company conducted a feasibility study of the project late in 1966 and we assume that such a study, if undertaken adequately, would have revealed some of the accounting and other problems that did not, evidently, become apparent until a much later stage. We also note with some concern, that at least a part of the difficulty that confronted the Company arose from arrears in its accounts.

38. While it is clear in the circumstances that the Department of External Territories had no option but to obtain an amount of \$31,000 from the Advance to the Treasurer late in 1967-68 we are disturbed by the fact that much of the essential information surrounding the nature of this payment found no place in the Submission tendered to us but was obtained only after close examination of the witness.

CHAPTER 4—DEPARTMENT OF HEALTH

ITEM 914/03: PAYMENTS TO OR FOR THE STATES—TUBERCULOSIS ACT—REIMBURSEMENT OF CAPITAL EXPENDITURE BY STATE GOVERNMENTS

Available funds	1965-66	1966-67	1967-68
	\$	\$	\$
Appropriation Act No. 2	696,000	688,000	632,000
Appropriation Act No. 4 .. ..	..	..	..
Advance to the Treasurer .. ..	..	..	148,210
Total Funds Available	696,000	688,000	780,210
Total Expenditure	696,000	498,618	780,207
Unexpended Available Funds ..	..	189,382	3

39. This Item provides for the reimbursement to State Governments of expenditure on approved capital projects for use in the diagnosis, treatment and control of tuberculosis.

40. Your Committee examined the Department of Health in regard to this Item in its Inquiry into the Advance to the Treasurer and the Consolidated Revenue Fund 1966-67. Arising from that examination we expressed the view that while the expenditure results on the Item had been unsatisfactory in relation to the corresponding estimates over a period of several years, the prime cause of difficulty stemmed from problems arising within the administrations of the several States. We found that the Department of Health had made strenuous and persistent efforts to obtain from the States a more realistic assessment of their financial needs and we suggested that, this course having evidently failed, it might not be inappropriate for the difficulties concerned to be the subject of discussion at the Ministerial level. While we recognised that at least some of the States are reluctant to adopt the use of Additional Estimates within their own budgetary structures we felt that a useful purpose might be served if the State Authorities concerned were to be informed of the availability of Additional Estimates within the Commonwealth financial structure and were requested to formulate their initial requests for funds each year in the knowledge that the Department of Health has access to this facility.

P.P. No. 31 of
1968

41. During the present Inquiry the Department of Health submitted details of the estimates submitted by the States which are shown in Table No. 3.

TABLE NO. 3: DEPARTMENT OF HEALTH: ITEM 914.03
ESTIMATED EXPENDITURE: APPROPRIATIONS: REIMBURSEMENTS
(1967-68)

State	Estimate submitted	Appropriation	Reimbursement
	\$	\$	\$
New South Wales ..	535,245	350,000	591,053
Victoria	127,900	128,000	10,012
Queensland	85,246	80,000	135,675
South Australia ..	43,380	43,000	30,680
Western Australia ..	20,100	20,000	9,982
Tasmania	16,250	11,000	2,805
Total	828,121	632,000	780,207

Source: Department of Health

42. It was stated that on 22 November 1967, following the Public Hearing by Your Committee on the shortfall in expenditure on the Item, letters were sent to each State drawing attention to the disparity between the estimates that they had submitted and the reimbursement claims that they had eventually lodged. The letters also drew attention to the opportunity of seeking additional funds by use of the Commonwealth Additional Estimates procedure. These letters were followed up by visits and personal discussions with all States. With the exception of New South Wales where the Department of Health had drawn attention to estimating for some years, it became apparent that the State Administrations were not fully aware of how inadequate their estimating had been until they received the Department's letter of 22 November. The witness felt that, arising from the letter and subsequent discussions there had developed a general attitude of co-operation and a desire to formulate more realistic estimates.

Exhibit 100/4
and Q. 566

TABLE NO. 4: DEPARTMENT OF HEALTH: ITEM 914.03
REVISED ESTIMATES: 1967-68

States	Expenditure to date and claims on hand	Estimated claims to 30 June 1968	Total estimated reimbursement for 1967-68 (c)
	\$	\$	\$
New South Wales ..	117,240	(a)	..
Victoria	2,783	6,050	8,833
Queensland	101,612 (b)	35,567	137,179
South Australia ..	12,574	16,805	29,379
Western Australia ..	9,982	Nil	9,982
Tasmania .. ..	..	(a)	..
Total	244,191	54,422	185,373

Source: Department of Health

(a) No reply received

(b) Included claim on \$89,138

(c) Excludes N.S.W. and Tasmania

43. On 15 February 1968 the States were requested to advise the estimated amount and period covered by claims to be submitted by June 1968, thus providing a revised estimate for 1967-68. Details of these estimates obtained prior to the closing date for the Additional Estimates are given in Table No. 4. Exhibit 100/4

44. It was stated that despite telephonic and telegraphic follow-up action, replies were not received in adequate time from New South Wales and Tasmania. In the case of New South Wales it was discovered that certain details had been sent to the State Director of Tuberculosis and that these would have to be processed through the State Department of Health before being forwarded to the Commonwealth. The witness considered that the State Administration had not sought to be unco-operative but was unable to assess the position and supply the information by the date required. It was said that the construction of three villa wards at the Randwick Chest Hospital was one element that affected the situation in New South Wales. At the time of the Additional Estimates review only \$6,000 had been expended on this project and it was understood from the Director of Tuberculosis in New South Wales that the information relating to claims which would be lodged in the ensuing three or four months had to be collected from the Department of Works and Architects and this had retarded the collection of data. In the case of Tasmania, a telegram had been forwarded but no further follow-up action had been taken as the Department considered that, with a small programme of \$11,000 it was not necessary for the exact nature of individual items to be ascertained. Exhibit 100/4
and Q.'s 567 to
569

45. Apart from these two States, the total estimated liability for 1967-68 amounted to \$185,373 leaving a balance of \$446,627 from the appropriation of \$632,000 to cover all claims from New South Wales and Tasmania. After setting aside \$11,000 for Tasmania, the balance of funds available for New South Wales claims was \$435,627, or allowing for the expenditure to date of \$117,240, a remaining balance of \$318,387. Exhibit 100/4

46. Consideration was then given to the need to seek further funds in Additional Estimates for New South Wales. Included in the amount of \$117,240 already paid was an amount of \$88,116 which was provided for in 1966-67 but for which the claims were received too late for payment to be made in that financial year. This meant that only \$29,124 had been claimed in respect of the 1967-68 programme, and, in view of past experience with this State's estimates and actual results, the Department felt that it would not be justified in seeking further funds in Additional Estimates when an estimated amount of \$318,387 was still available from the original appropriation. Exhibit 100/4

47. Replies were received from New South Wales on 25 March 1968, and Tasmania on 22 March 1968, which indicated that further claims amounting to \$445,000 and \$3,200 respectively would be submitted Exhibit 100/4

for payment during the remainder of the financial year. In regard to New South Wales, the further claims envisaged were made up of \$437,000 for Randwick Chest Hospital and \$18,000 for other projects. In the original amount of \$350,000 for New South Wales included in the Commonwealth Appropriation of \$632,000, provision was made for an amount of \$180,000 for Randwick Chest Hospital and \$170,000 for other projects. It was claimed that at the Additional Estimates stage, the amount available for New South Wales projects for the year 1967-68 could reasonably be regarded as \$435,627 representing \$117,240 already paid (including \$88,116 carried forward from 1966-67) and \$318,387 for the balance of the year. The further claims finally submitted by New South Wales totalled \$473,813 being \$18,813 in excess of the revised estimate received on 25 March 1968, and \$155,426 in excess of the estimated funds available for further New South Wales claims at the Additional Estimates stage. The total expenditure for New South Wales amounted to \$591,053 compared with the Original Estimate of \$535,245 submitted by that State and the amount of \$350,000 included in the original appropriation of \$632,000. Towards the close of the financial year, the States were approached with a view to ascertaining the final claims which would be submitted for payment in 1967-68. The total of these claims together with payments already made and claims on hand disclosed that the total expenditure for 1967-68 would exceed the appropriation by \$148,207 and this amount was provided from the Advance to the Treasurer.

Q. 574 and 575

48. As the Department of Health in New South Wales had featured as a major cause of the financial results obtained on this Item in 1966-67 and 1967-68 we questioned the witness on the estimating problems in that State, other than those associated with the Randwick Chest Hospital. We were informed that the State Administration had taken measures to improve its estimating performance. The State Director of Tuberculosis had been given direct responsibility for oversighting the estimates. Following suggestions made by the Commonwealth Department of Health that careful supervision should be maintained on a project basis, a record has been set up for each project and expenditure is offset against it as it occurs. The witness felt that this newly instituted arrangement will produce the desired results.

Conclusions

49. Your Committee considers that, in view of the expenditure position when the Additional Estimates review was undertaken; past experience on this Item; the absence of replies from New South Wales in particular and also from Tasmania; and the overall funds position on the Item, the Department of Health would not have been justified in seeking further funds in the Additional Estimates. It is also clear that the claims subsequently submitted could not have been reasonably foreseen

by the Department, despite its earlier efforts to obtain advance information, and in the circumstances we believe that the Department was justified in seeking funds from the Advance to the Treasurer to enable the claims to be met in the financial year.

50. Your Committee would also commend the Department for its positive and sustained efforts, following our previous Inquiry to draw the attention of the State Administrations concerned to the need for greater realism in the formulation of estimates and for offering its practical advice and guidance to at least one of those administrations in an effort to assist it to implement a system for the recording of expenditure which, we trust, will prove to be of benefit to both Administrations in future years.

CHAPTER 5—DEPARTMENT OF THE INTERIOR

(i) ITEM 319/2/02: BUREAU OF METEOROLOGY—ADMINISTRATIVE EXPENSES—OFFICE REQUISITES AND EQUIPMENT, STATIONERY AND PRINTING

Available funds	1965-66	1966-67	1967-68
	\$	\$	\$
Appropriation Act No. 1	164,000	203,900	282,000
Appropriation Act No. 3 .. ..	..	2,000	..
Advance to the Treasurer .. ..	..	..	..
Total Funds Available	164,000	205,900	282,000
Total Expenditure	153,518	204,483	282,066
Unexpended Available Funds	10,482	1,417	..
Over Expenditure .. ..	..	..	66

51. This Item provides funds for the purchase of capital items of office equipment, text books, printing and reproducing materials, computer rental and requisites, and general stationery.

52. We were informed that late in June 1968, the authorising officer in the Sub-Treasury, Melbourne, advised that an additional allocation of \$280 was required under the Item to enable it to process final accounts for 1967-68. The processing of final accounts had, at that time, ceased in all other States and final balances of allocations had been advised to the Central Office. This information indicated that sufficient funds were available and the amount sought was re-allocated to the Sub-Treasury in Melbourne.

53. It was stated that on 25 June a number of entries were credited to the Item and these credits were duplicated by the Sub-Treasury, Melbourne, on 27 June. In the final accounts there had been an account for \$700 that the Bureau desired to pay, if possible. The Bureau was advised by the Sub-Treasury that funds were available to meet this account. The second credit adjustment made by the Sub-Treasury, however, resulted in an over-expenditure of \$66 in the Item. The Treasury Observer, Mr Monaghan, informed us that the error occurred when an officer of the Sub-Treasury failed to complete an appropriate record. When the error was discovered on Saturday, 29 June, the officer concerned was confronted with the choice of either allowing the error to remain or of correcting it and he chose to correct it. He added that while the resultant over-spending of the Appropriation represented a technical breach, he thought the action of the officer was understandable. Had the error occurred at any other period of the year the Department concerned would no doubt have sought additional funds from the Advance to the Treasurer to enable the entry to be processed.

54. The Bureau also informed us that during the two previous years it had been aware that closer control was necessary, particularly towards the end of a financial year when the closing of accounts is under con-

Exhibit 100/5

Exhibit 100/5
and Q.'s 589 to
598

sideration. As the authorising and certifying functions had always been performed by the Sub-Treasury, the question of whether these functions should be taken over by the Bureau had been examined and early in 1967-68 had been discussed with the Chief Finance Officer. He had agreed in principle that the Bureau should take over the functions and with this in view an approach had been made to the Public Service Inspector on 6 September 1968, to have the required staff positions created. The witness considered that with the authorising and certifying functions held by officers of the Bureau, judgments can be made readily and speedily by the Bureau itself as to whether accounts can be paid. The Treasury Observer, Mr Monaghan, stated that although the Treasury has been expanding its function of giving an accounting service to the departments it is not in favour of taking over from them the authorising function. The Sub-Treasuries carry out this task for them, on occasions, mainly where the Departments do not have a large establishment in the State concerned. He was unaware of the reason why the Sub-Treasury, Melbourne, had carried out this function on behalf of the Bureau of Meteorology.

Exhibit 100/5
and Q.'s 591 to
595

Conclusions

55. Your Committee notes that, arising from an error made in the Sub-Treasury, Melbourne, an account of \$66 was expended without proper authority. Although we appreciate that the amount involved is small and that the officer concerned was confronted with a difficult decision as to whether or not to correct an error made previously but not detected earlier, Your Committee believes that the Treasury Regulations do not and should not provide scope for a decision of this type. The evidence shows that the error that gave rise to the excess expenditure arose from the failure of an officer to complete a record as part of a usual and proper procedure. We believe that greater care should have been exercised in the execution of that procedure and that the error should have been detected more promptly.

56. We trust that the transfer of the authorising and certifying functions from the Sub-Treasury, Melbourne, to the Bureau of Meteorology will facilitate the necessary close control of funds and assist in the elimination of errors of the type that occurred on this Item.

(ii) ITEM 323/4/09: AUSTRALIAN CAPITAL TERRITORY SERVICES— GENERAL EXPENSES—SWIMMING POOLS AND MAINTENANCE

Available funds	1965-66	1966-67	1967-68
Appropriation No. 1	\$ 30,000	\$ 36,000	\$ 34,000
Appropriation No. 3	2,000	..	..
Advance to the Treasurer .. ..	..	..	3,500
Total Funds Available	32,000	36,000	37,500
Total Expenditure	31,007	33,827	37,245
Unexpended Available Funds	993	2,173	255

Exhibit 100/6
and Q.'s 687 to
689

57. In May 1963, the Manager of the Olympic Swimming Pool was granted a special allowance of \$1,212 per annum in lieu of overtime. In October 1967, this allowance was reviewed by the Public Service Board and increased to \$1,260 retrospective to 8 July 1965, and was further increased by \$90 to \$1,350 in February 1968. Although the allowance had been included in the estimates for 1966-67, we were informed that, due to an oversight, provision for the allowance had been omitted in the preparation of the salary schedule for 1967-68. The omission did not become apparent, however, until it was realised, subsequent to the closing date for the Additional Estimates, that the funds available under the Original Appropriation would be inadequate for the full year.

Exhibit 100/6

58. We were also informed that two attendants and three cashiers employed at the Olympic Baths during the season were granted increases in salary of nearly \$6 and \$10 per week respectively from 7 October 1967.

Exhibit 100/6
and Q. 690

59. It was also stated that in April 1968, the season was extended by three weeks due to the exceptionally hot summer and the total additional funds requirement for salaries was assessed at \$3,500.

Conclusions

60. Your Committee is disturbed to note that while the allowance for the Manager of the Olympic Swimming Pool had been included in the estimates for 1966-67, no provision had been made for this in the Original Estimates for 1967-68. Your Committee believes that this oversight should have been detected when expenditure on the Item was reviewed in anticipation of the Additional Estimates. We further believe that, in the circumstances, provision should have been made in the Additional Estimates for that allowance and for increases in salaries for attendants and cashiers which had applied from 7 October 1967, and that the Department should have confined its use of the Advance to the Treasurer to the expenditure associated with the extension of the swimming season.

(iii) ITEM 324/1/01: AUSTRALIAN CAPITAL TERRITORY POLICE— SALARIES AND PAYMENTS IN THE NATURE OF SALARY—SALARIES AND ALLOWANCES

Available funds	1965-66	1966-67	1967-68
	\$	\$	\$
Appropriation Act No. 1	605,000	763,000	889,000
Appropriation Act No. 3	41,500	..	31,400
Advance to the Treasurer	4,650	7,470	13,600
Total Funds Available	651,150	770,470	934,000
Total Expenditure	647,885	769,424	932,899
Unexpended Available Funds ..	3,265	1,046	1,101

61. We were informed that the provision initially sought for this Item had amounted to \$840,300. In May 1967, however, approval was given for an additional thirty-seven policemen to be recruited at a cost of \$69,315. Moreover, a provision had to be included for \$12,036 for salary increases arising from the 1967 National Wage Case, effective from the first pay commencing in July 1967. These two adjustments increased the original provision to \$922,000. Early in July, it was decided, subject to further review, to reduce the number of policemen recruited from 37 to 20. Due to a clerical error that occurred when the necessary consequent reduction of the provision by \$10,376 was made, however, the final rounded provision agreed upon for the Item was \$889,000 whereas it should have been \$899,000. The error was recognised when it occurred but due to the late stage at which the provision had been adjusted it was decided to await the additional estimates review and, if at that stage the additional \$10,000 was required, to seek it in the Additional Estimates.

Exhibit 100/7
and Q. 710

62. During the period 1 July 1967 to 14 March 1968 the following new commitments were approved by Treasury:

	\$
Increase in salary of the Commissioner of Police ..	1,500
Creation of two positions in Administration Section ..	3,536
Reclassification of one position	890
Recruitment of twenty-three constables	10,142
Furlough for retired officers	7,950
Pro rata recreation leave payment to sixteen officers resigned or retired	2,800
Promotion of eighteen constables—increase in salary .	3,340
Other minor variations	1,284
	<hr/> 31,442 <hr/>

63. The requirement for additional funds from Appropriation Act No. 3 was assessed at \$31,400 and provision was made accordingly.

64. Between 15 March and 30 June 1968, a new commitment of \$1,923 was approved in respect of payment in lieu of furlough for a sergeant who resigned. Exhibit 100/7

65. We were informed that the warrant Authority of \$13,600 sought from the Advance to the Treasurer was to cover the under-provision of \$10,376 arising from the clerical error; \$1,923 for the sergeant's furlough and \$1,301 for contingencies such as policemen proceeding on recreation leave in the period from 20 to 30 June 1968. Exhibit 100/7

66. The Department claimed that due to the magnitude of the provision for this Item and to fluctuations in Police pay due to penalty rates,

the omission of the \$10,000 was not clearly evident when the requirement for Appropriation No. 3 was estimated and the failure to make such an inclusion, revealed as a result of expenditure trends in the latter part of the year, was confirmed by subsequent investigation.

Conclusions

67. Your Committee rejects the claim made by the Department that, due to the magnitude of the provision for this Item and to fluctuations in police pay due to penalty rates, the omission of the \$10,000 was not clearly evident when the requirement for Appropriation Act No. 3 was estimated. The evidence shows clearly that the error of \$10,000 in the final adjustment to the original estimate was known to officers of the Department when it occurred and a decision was taken at that time not to correct the Original Estimate but to make an adjustment, if necessary during the Additional Estimates review. The amount of \$31,400 sought in the Additional Estimates, however, represented the round total of new commitments approved between 1 July 1967 and 14 March 1968, and no evidence was tendered to suggest that the need to provide an additional \$10,376 to compensate for the error made earlier was considered. Indeed, the evidence also shows that the failure to make such an inclusion at that time was not discovered until much later in the financial year when expenditure trends disclosed an insufficiency of funds for the Item.

68. We consider that the Department should have advised the Department of the Treasury when the error in rounding the original estimate occurred and, even if it had then been decided to allow the error to remain, it should have taken care to ensure that the likely need to make an adjustment in the Additional Estimates was kept clearly before the officers concerned.

(iv) ITEM 485/1/01: NORTHERN TERRITORY SERVICES—SALARIES
AND PAYMENTS IN THE NATURE OF SALARY—SALARIES AND
ALLOWANCES

Available funds	1965-66	1966-67	1967-68
	\$	\$	\$
Appropriation Act No. 1	3,440,000	3,900,000	4,568,300
Appropriation Act No. 3 .. ..	..	200,000	262,000
Advance to the Treasurer .. ..	..	..	44,000
Total Funds Available	3,440,000	4,100,000	4,874,300
Total Expenditure	3,360,897	4,098,835	4,863,379
Unexpended Funds Available ..	79,103	1,165	10,921

69. This Item provides for the payment of salaries and allowances for permanent staff of the Northern Territory Administration.

70. In regard to the funds provided in the Additional Estimates we were informed that net recruitment proved to be higher in the early months of 1967-68 than in the previous year and losses due to resignations were lower than expected. The net increase in staff in the first quarter of the year was 93 compared with an estimated total recruitment of a net 150 for the whole year. We were also informed that while an amount of \$10,000 had been provided in the Original Appropriation for furlough payments, additional unforeseen payments increased the requirements by \$36,000. To 23 October 1967, \$25,000 had been expended and there were further commitments arising from the deaths of three officers. Further resignations were also pending.

Exhibit 100/8
and Q.'s 730 to
733

71. In connection with the amount of \$44,000 sought from the Advance to the Treasurer we were informed that the request made for funds in the Additional Estimates had been based on expenditure at the end of pay No. 18 that occurred about 28 February 1968. It was discovered subsequently, however, that \$24,440 had not been posted to a ledger card at that time and as a result the assessment of funds required in the Additional Estimates was understated accordingly. In elaboration of the circumstances the witness informed us that the Northern Territory Administration operates the Sub-Treasury in Darwin on behalf of the Department of the Treasury. When a pay has been made for the Administration and the smaller Commonwealth departments in the Territory, the Sub-Treasury receives from the two larger Departments—the Department of Works and the Department of Health—their deductions from salaries for taxation, medical benefits, insurance and payments of rental for Commonwealth houses. In an endeavour to save effort and duplication these deductions are collated in the Sub-Treasury and one cheque only is forwarded to each of the payees. Therefore after each pay there is always one later posting and it was one of these postings that had been missed by the checking officer.

Exhibit 100/8
and Q.'s 735 and
736

72. We were also informed that provision had not been included in the Additional Estimates for unexpected furlough payments and for 1968-69 recreation leave which was payable in advance in 1967-68. In the latter regard it was stated that, due to the entitlement of a recreation leave fare every second year there has for many years been a very strong pattern in the Northern Territory for staff to take their annual leave between November and February, which normally coincides with school vacations. During 1967-68, and particularly between January and June 1968, however, a marked change occurred in the leave pattern as indicated by the fact that 199 officers took leave between January and June 1967, but between January and June 1968, 277 officers took their recreation leave and were paid in advance. The witness added that the Administration is not disturbed by this departure from the previous leave pattern as the exodus of staff that has normally occurred between November and February each year has created problems in relation to staff and operations.

Exhibit 100/8
and Q.'s 739 to
741

73. In regard to the excess request of \$10,921 that had been made for funds from the Advance to the Treasurer, it was stated that when the Administration conducted its final review prior to seeking those funds an examination made of pays Nos 19 to 24 and the amount of pay in lieu of recreation leave included in those pays was found to have been in the vicinity of \$10,000. There was no reason to assume that this requirement would not also apply to pays Nos 25 and 26. However, pay in lieu of furlough amounted to only \$8,000 in pay No. 25 and \$2,000 in pay No. 26, thus giving rise to a combined shortfall of \$10,000 on the two pays combined.

Conclusions

74. It appears to Your Committee from the evidence that had an error amounting to \$24,440 not occurred as a result of a failure to make a posting, the amount sought by the Administration in the Additional Estimates would have been greater by that amount and the funds sought from the Advance to the Treasurer would have been correspondingly less. Your Committee is disturbed that errors of this nature should occur and that they should not be detected in sufficient time to enable appropriate corrective action to be taken.

75. The evidence also shows, however, that due to an unexpected change that occurred in the pattern of recreation leave in the late stages of the financial year a final shortfall in expenditure on the Item was inevitable. We trust that if the newly emergent pattern of recreation leave is sustained in the years ahead, the change involved will operate to the benefit of administration in the Northern Territory.

(v) ITEM 753/01: METEOROLOGICAL SERVICES (DEPARTMENT OF AIR)—PROPORTION OF SALARIES PROVIDED UNDER THE DEPARTMENT OF THE INTERIOR

Available funds	1965-66	1966-67	1967-68
Appropriation Act No. 1	\$ 414,000	\$ 458,000	\$ 250,900
Appropriation Act No. 3	8,800	8,000	5,400
Advance to the Treasury .. ..	..	..	..
Total Funds Available	422,800	466,000	256,300
Total Expenditure	413,797	459,771	262,876
Unexpended Available Funds ..	9,003	6,229	..
Over Expenditure .. ..	..	..	6,576

Figures for 1965-66 and 1966-67 are for Division 753
Figures for 1967-68 are for Item 01 only of Division 753

76. This Item provides the funds for the Department of Air's contribution towards salaries and payments in the nature of salaries provided under the Department of the Interior—Bureau of Meteorology Division 319.

77. We were informed that the original estimate of \$250,900 was based on a formula of 5 per cent of the estimate for salaries (Item 319/1) and of administrative expenses (Item 319/2). The figure of 5 per cent was determined in 1958 following a review of the services provided by the Bureau of Meteorology to the Department of Air. Prior to that review the charges made had amounted to the equivalent of 16 per cent for salaries and 15 per cent for administration. Q's 602 and 603

78. Appropriation Act No. 3 provided funds totalling \$130,000 for salaries and payments in the nature of salaries by the Bureau of Meteorology. The contribution by the Department of Air towards this additional expenditure for Item 753/01 was assessed at \$5,400 based on an administrative judgment as the requirement. Exhibit 100/9

79. In regard to the over-expenditure of \$6,576 that occurred on the Item we were informed that Division 753 was divided into two Items for the first time when the original estimates were formulated for 1967-68, viz.:

ITEM 01—PROPORTION OF SALARIES PROVIDED UNDER THE DEPARTMENT OF THE INTERIOR; AND Exhibit 100/9

ITEM 02—PROPORTION OF ADMINISTRATIVE EXPENSES PROVIDED UNDER THE DEPARTMENT OF THE INTERIOR.

This change in presentation brought Division 753 into the same format as had operated for Division 147 (Department of Civil Aviation) for some years.

80. It was stated that expenditure had been brought to account on behalf of the Bureau of Meteorology by Sub-Treasuries in all States, London, New York and Geneva. The Bureau had issued Warrant Advice to all of these Sub-Treasuries separately under each Item of both Divisions to enable the correct apportionment of expenditure to be made. Examination of the end of the year expenditure revealed that correct charges had been made in all Sub-Treasuries except London and Darwin. In those two Sub-Treasuries all expenditure chargeable to Division 753 had been debited to one Item and, on consolidation, appeared under Item 753/01. In the final accounts the Item 01 of Division 753 showed an overexpenditure of \$6,576 due to these incorrect postings while Item 02 of the same Division showed a shortfall in expenditure sufficient to cover this amount. Questioned as to the reason for the failure to detect the error in the postings until late in the financial year, the witness informed us that the postings are made each month and while the Bureau had been careful to ensure that the correct postings were made within its own vote, it had been in error in assuming that there would be automatic posting to the other two votes of the Department of Air. Although the postings were being received on a monthly basis they showed that they related to Division 753 but no Item was specified. The overspending became apparent as regards the Darwin Sub-Treasury towards the Exhibit 100/9
and A.'s 605 to
609

close of the financial year and the Bureau informed that Sub-Treasury on 28 June as to the correct postings that should have been made. The error that occurred at the Sub-Treasury, London, however, was not discovered at that time.

Exhibit 100/9
and Q.'s 610 to
613

P.P. No. 31 of
1968

81. To overcome problems that have occurred in connection with the present practice of apportioning costs by deduction lines, the Department of the Treasury and the Bureau of Meteorology have agreed to discontinue the practice in the accounts for 1968-69 and succeeding years. The Treasury Observer, Mr Monaghan, informed us that his Department had reviewed the procedure following our Inquiry into Item 147/02 in connection with Expenditure from the Consolidated Revenue Fund, 1966-67. As the Meteorological Act of 1955 provides that the Director of the Meteorological Bureau has authority to charge for services provided by the Bureau, the interdepartmental payments by the three Departments of Civil Aviation, Air and Supply to the Bureau have been continued but the payments are now credited direct to revenue in substitution for the deduction line arrangement that operated previously.

Conclusions

82. It appears to Your Committee from the evidence that while the Bureau had issued to each of the Sub-Treasuries, separate Warrant Advice under each Item of both Divisions, to enable the correct apportionment of expenditure to be made, the Sub-Treasuries in London and Darwin failed to allocate the funds as directed. It is also clear, however, that the Bureau was aware, from the postings that it received on a monthly basis from the Sub-Treasuries, that the postings referred to Division 753 without identifying which of the Items 01 and 02 was concerned. We believe that this lack of detail should have alerted the Bureau early in the financial year to the need to satisfy itself that each Sub-Treasury was implementing the arrangements according to the directions given. Had such a check been made the error would have been discovered and corrected without embarrassment.

P.P. No. 87 of
1961

83. In regard to the deletion of the deduction line arrangements for this Item but the retention of interdepartmental payments by the Departments of Civil Aviation, Air and Supply to the Bureau of Meteorology and the crediting of these payments to the Consolidated Revenue Fund, Your Committee would invite attention to paragraph 99 of its Fifty-fifth Report of 28 September 1961. In that paragraph we expressed doubts as to the desirability or necessity for one department, as a general rule, to charge another for any service of function. To this general rule, however, we found an exception in the case of the Postmaster-General's Department, which maintains accounts in commercial form. We also note that section 8 of the Meteorology Act (No. 6 of 1955) provides that the Director of the Meteorological Bureau *may, subject to any direction of the Minister, make charges* for forecasts, information,

advice, publications and other matter supplied in pursuance of that Act. It would appear that as the arrangements now stand, the recovery of charges from the departments concerned and payment to revenue has the effect of inflating the expenditure and revenue figures of the Commonwealth. In the circumstances Your Committee considers that the practice of charging these Departments for those services should be reviewed.

CHAPTER 6—DEPARTMENT OF SUPPLY

(i) ITEMS 763/1/01: ADMINISTRATIVE—SALARIES AND PAYMENTS IN THE NATURE OF SALARY—SALARIES AND ALLOWANCES

Available funds	1965-66	1966-67	1967-68
	\$	\$	\$
Appropriation Act No. 1	5,166,000	6,399,000	7,238,000
Appropriation Act No. 3	134,000	..	..
Advance to the Treasurer .. ..	..	53,000	56,000
 Total Funds Available	 5,300,000	 6,452,000	 7,294,000
Total Expenditure	5,284,416	6,442,320	7,285,317
 Unexpended Available Funds ..	 15,584	 9,680	 8,683

84. This Item provides for the payment of salaries, allowances in the nature of salary, wages, higher duty pay, overtime, holiday pay and retirement leave of officers and employees of Central and Regional Offices, Overseas Representatives, Officers and Cadets under training.

Exhibit 100/10
and Q. 882

85. We were informed that the Original Estimates included a provision for the estimated cost in 1967-68 of a new organisation consequent upon the separation of the Central and Victorian Regional Offices of the Department. The first group of Central Office personnel, which included the Finance Branch and the Budget and Estimating Section, were transferred to Canberra early in 1968.

86. The Department's submission stated that in reviewing the Item for Additional Estimates it had been assessed that the Budget provision of \$7,238,000 would be adequate to cover expenditure to 29 February and the Estimated Additional expenditure to 30 June 1968.

Exhibit 100/10
and Q. 881

87. The witness informed us, however that when the Additional Estimates review was undertaken the Department considered that its expenditure on the Item would reach about \$7,251,000 or about \$13,000 more than the original provision. He indicated that the question of whether or not to seek this extra amount in the Additional Estimates had been considered but it had been decided that as the amount concerned was small in relation to the funds still available for the Item the extra funds should not be sought at that stage.

Exhibit 100/10
Q. 882

88. The Department's submission stated that due to difficulties in estimating arising from the Department's reorganisation, the full year cost of the Central and Victorian Regional Offices after the physical transfer of the Central Office to Canberra proved to be in excess of the provision. When questioned on this matter the witness informed us that when the Additional Estimates review was made, the Department had based its forecast of requirements on the last available payroll in February 1968. However it discovered that the payroll that it had

used for the Victorian Office had been distorted to some extent by an adjustment in the previous payroll period arising from a recovery made in respect of Department of Supply staff who are attached to the British Defence Research and Supply Staff. Because of the disturbance associated with the transfer of staff to Canberra the distortion in the payroll figure was not detected and this led the Department to underestimate the funds it would require for the remainder of the financial year.

Conclusions

89. While Your Committee is sympathetic regarding the problems that confront departments in the process of relocation in Canberra it appears that in the present case the Department, when conducting its additional estimates review failed, through an oversight, to take into account a recovery of salary arising from an arrangement that it had with the British Defence Research and Supply Staff and as a result it underestimated its requirements for the remainder of the financial year. We consider that this oversight should not have occurred and that the Department should have sought further funds in the Additional Estimates.

(ii) ITEM 763/2/09: ADMINISTRATIVE—ADMINISTRATIVE EXPENSES —PATENT FEES

Available funds	1965-66	1966-67	1967-68
	\$	\$	\$
Appropriation Act No. 1	30,000	30,000	25,000
Appropriation Act No. 3 .. ..	..	..	..
Advance to the Treasurer .. ..	..	..	2,483
Total Funds Available	30,000	30,000	27,483
Total Expenditure	26,293	23,652	27,481
Unexpended Available Funds ..	3,707	6,348	2

90. This Item provides for the costs associated with the patenting of processes discovered during the course of research work in departmental establishments. Patents held and/or patent applications lodged by the Department to provide for its inventions total nearly 500, spread over about thirteen countries.

91. We were informed that expenditure charged to this item covers the costs of lodging patent applications, the cost of actions taken by our Patent Attorneys prior to the granting of patents and renewal fees necessary to maintain the currency of our patents. Before Letters Patent is granted on any invention, the patent specification is examined by Patent Examiners in the countries concerned and this may result in a considerable amount of work by our Patent Attorneys in Australia or by their overseas Associates. The Department claimed that it is difficult

Exhibit 100/11

to forecast accurately how many applications will be examined in any one year or the volume of work which the Patent Attorneys will be required to carry out in respect of any particular patent application, which, of course governs the costs which the Attorneys will subsequently claim.

Q. 889

92. We were informed that the original estimate of \$25,000 was based largely on expenditure experience in previous years. In its draft estimate the Department had included a figure of \$30,000 as in each of the two previous years but on examining its actual expenditure record in earlier years had decided to reduce the figure. The witness informed us that when the additional estimates review was conducted the trend in expenditure did not indicate that more than \$25,000 would be required for the year.

Q. 892

93. Of the \$2,483 obtained from the Advance to the Treasurer \$2,000 had been sought in March 1968 to cover claims then on hand and the remaining \$483 was sought in June to cover payments to the Department of Trade and Industry for expenditure in respect of patents granted in Japan in the period March to June.

Conclusions

94. It appears to Your Committee that the Department was justified in seeking funds from the Advance to the Treasurer for this Item in 1967-68. Indeed, based on the estimating and expenditure record of the Item in each of the preceding years it appears that the Department could have framed its Original Estimates on a more conservative basis and made use of the Additional Estimates and, if necessary, the Advance to the Treasurer, in those years also.

(iii) ITEM 771/1/02: WEAPONS RESEARCH ESTABLISHMENT— SALARIES AND PAYMENTS IN THE NATURE OF SALARY—TEMPORARY AND CASUAL EMPLOYEES

Available funds	1965-66	1966-67	1967-68
	\$	\$	\$
Appropriation Act No. 1	7,398,000	7,419,000	7,791,000
Appropriation Act No. 3 .. ..	..	71,000	..
Advance to Treasurer .. ..	..	151,000	103,000
Total Funds Available	7,398,000	7,641,000	7,894,000
Total Expenditure	7,293,970	7,617,746	7,888,343
Unexpended Available Funds ..	104,030	23,254	5,657

95. This Item provides for the payment of salaries, allowances in the nature of salary, wages, higher duty pay, overtime, holiday pay and retirement leave of temporary employees and wages staff engaged on the Joint U.K./Australia Guided Weapons Project, controlled through the Weapons Research Establishment at Salisbury and Woomera, South Australia.

96. We were informed that when the Original Estimate of \$7,791,000 was being prepared, it was expected that the Department's Staff at the Weapons Research Establishment would remain at about its current level but it was thought that the temporary staff would decline from a level of 3,201 as at July 1967 to about 3,150. The Department was also required to make allowance in its estimate in 1967-68 for various recoveries that were to be made from its work on behalf of other projects, e.g. the ELDO firing and American project activities. It was claimed that the formulation of the estimate was complicated by the fact that it was necessary to assess the amount of effort that would be expended full time on these projects. The salaries element in that effort would be credited to the vote and therefore reduce it. Q.911

97. In regard to the recoveries made for projects such as ELDO and NASA we were informed that Area 6 at Woomera is made available completely to the preparation of vehicles for ELDO launchings. The cost of Staff working in this area is regarded as fully recoverable and must be appropriated initially against Item 771/1/02. So far as temporary staff is concerned the Department has a costing system which enables it to identify expenditure in the ELDO area. That expenditure has been calculated monthly and credited back to the appropriation. Similarly, in the case of the American projects, the Department has an area at Island Lagoon fully staffed for American projects. Non-contract staff are regarded as part of the Weapons Research Establishment staff. Their costs must be appropriated for Item 771/1/02 and must be recouped at the end of each month when the costings are calculated. Due to the difficulties involved with these recoveries, arrangements have been made, with the agreement of the Department of the Treasury, for the estimates for 1968-69 to record the gross expenditure and for recoveries to be credited to Revenue. Q.913

98. We were informed that the mid-year review of expenditure was based largely on a pro-rata comparison with the Original Estimate and information based on average payrolls and expected staff trends projected for the remainder of the year. The review indicated an expenditure shortfall of about \$82,000 against the Estimate through variations in recoveries and reductions in wages staffs expected to be employed. These expected reductions arose from the fact that negotiations were proceeding with the British Government regarding the form of the joint project for the subsequent three year period commencing in July 1968 and a decision was taken to restrain expansion. It appeared certain at that stage that there would be some lessening of the work load at Woomera and the Department felt that, pending discussions with the Public Service Board, it should restrain its planned transfer of temporary staff to permanent status and generally, perhaps, allow some wastage of industrial staff to go unreplaced. At the conclusion of the Additional Estimates Review it appeared that expenditure for the year would amount to about \$7,709,000. Exhibit 100/12, Q's 911 and 912

Exhibit 100/12
and Q's 916 to
918

99. In March 1968, a firm decision was taken to cease transferring staff from a temporary to a permanent basis, pending a major re-organisation of the establishment. We were informed that the Minister for Supply had issued a statement in connection with re-negotiation of the joint project, wherein he announced that the joint project would be confined to trials activity. It was explained that the Department has the range at Woomera and an associated group at Salisbury, but it regards the joint project as the Woomera Complex with direct support from Salisbury. Much of the Salisbury organisation, which was previously devoted almost entirely to joint project work must be diverted to tasks which are not necessarily dependent on sponsorship by the joint project. The witness stated that there are tasks in which the Australian Services could make use of staff available in Salisbury and he expressed the hope that a greater proportion of the scientific work might be diverted to other than purely joint project tasks. The Department was said to realise that there is a heavy work load at the Woomera range and staff in Salisbury will be acquired by the joint project to carry out this support work for the range but it was hoped that over the next three years the staff could be diverted progressively to purely Australian Services work. The additional cost in 1967-68 arising from the decision to cease transfers of temporary employees to permanent status pending the major re-organisation was estimated at \$87,000.

Exhibit 100/12

100. Apart from the foregoing considerations it was stated that the Federal Metal Trades Award Decision varying Determination No. 39 which was issued in May 1968 was estimated to cost a further \$98,000 in 1967-68.

Conclusions

101. Your Committee accepts the Departments explanation. We note that action has been taken, with effect from 1968-69, for a change to be made in the recovery arrangements which in the past, have proved difficult to estimate as credits to the Items. We trust that the change made will assist the Department in future years. We also trust that the re-direction of staff arising from the variations made to the joint project, will be achieved smoothly and economically.

CHAPTER 7—DEPARTMENT OF TRADE AND INDUSTRY

(i) ITEM 533/2/04: COMMERCIAL INTELLIGENCE SERVICE— LEBANON—ADMINISTRATIVE EXPENSES—RENT AND MAINTENANCE, OTHER BUILDINGS

Available funds	1965-66	1966-67	1967-68
Appropriation Act No. 1	\$ 4,120	\$ 4,300	\$ 4,000
Appropriation Act No. 3 .. ..	..	..	4,200
Advance to the Treasurer .. ..	..	..	107
Total Funds Available	4,120	4,300	8,307
Total Expenditure	4,087	4,228	8,307
Unexpended Available Funds ..	33	72	..

102. This Item provides for the cost of rental and maintenance of residential accommodation for the Trade Commissioner in Beirut.

103. We were informed that the lease of the Trade Commissioner's apartment expired on 30 April 1968. As the apartment was unsuitable for representational work an alternative residence was acquired as from 1 April 1968, the overlap of one month in the leases of the two buildings having arisen from the scarcity of leases at the time.

Exhibit 100/13
and Q's 993 and 996

104. Negotiations to acquire the new residence were proceeding when the Additional Estimates review was undertaken and, at that time, a provision of \$4,200 was made to meet the cost of a down payment for fifteen months rent in advance which had been insisted upon by the owner.

105. It was stated that prior to vacating the old residence at the end of April, and in accordance with the terms of the lease, the Trade Commissioner arranged for minor repairs and touch-up painting to be undertaken but it was not possible to ascertain the costs of this work until the premises were vacated and as a result it became necessary for \$107 to be charged to the Advance to the Treasurer. It was explained that in such cases disagreement often arises between Landlords and Lessees as to the work to be undertaken to restore premises to their former condition and that in some cases it is only after the removal of furniture that the need for certain work becomes apparent. Although such work would be undertaken on the basis of quotations, the residence had not been vacated when the Additional Estimates were formulated and hence the work to be undertaken on the building could not be specified at that stage.

Exhibit 100/13
Q's 992 and 995

Conclusion

106. Your Committee accepts the Department's explanation.

(ii) ITEM 533/2/07: COMMERCIAL INTELLIGENCE SERVICE—
LEBANON—ADMINISTRATIVE EXPENSES—INCIDENTAL AND OTHER
EXPENDITURE

Available funds	1965-66	1966-67	1967-68
	\$	\$	\$
Appropriation Act No. 2	2,100	2,300	2,000
Appropriation Act No. 3 .. ..	..	..	300
Advance to the Treasurer .. ..	..	..	84
Total Funds Available	2,100	2,300	2,384
Total Expenditure	2,037	1,964	2,383
Unexpended Available Funds ..	63	336	1

107. This Item provides for expenditure on Stationery, the purchase and maintenance of Office Machines, Freight, Australia Day expenditure, and Sundry Expenses.

Exhibit 100/14

108. We were informed that the Trade Commission vacated its office premises on 15 September 1967 and moved to the Palm Beach Hotel while a joint office was obtained. Due to the cramped conditions at the hotel, it was necessary to arrange for storage of some office furniture. During January 1968, an account was received for storage and removal charges and \$300 was sought in the Additional Estimates.

Exhibit 100/14
Q's 1002 and
1003

109. It was also stated that during 1967-68 it had been discovered that the Post was using an incorrect rate of exchange in its accounts. The accounts had shown expenditure as being within the appropriation but when an adjustment was made to the correct official rate, the need for an additional \$84 from the Advance to the Treasurer became apparent. In this regard the witness explained that exchange rates vary and the Department had found that, on occasions, Overseas Posts use a rate for their own accounting based on the rate operative when they receive the funds.

110. The witness added that it is obviously essential, if the accounts of the Overseas Posts are to remain consistent with the accounts of the Department in Canberra, that the same rates of exchange should apply in both places. He conceded that although in the present case, the fault lay mainly at the Posts the Department should exercise closer supervision. He added that the Department receives monthly returns from the Posts and should have inquired from the at an earlier stage regarding the exchange rates used. The problem is being investigated in association with the Department of External Affairs.

Conclusions

111. As the problem revealed in evidence on this Item is elementary in nature we believe that the Department should have ensured from the outset that a clear understanding existed between its Central Office

Administration in Canberra and its Overseas Posts regarding the Exchange rates to be adopted. Had such an understanding existed it is clear that, in the case of this Item, it would have been unnecessary to make use of the Advance to the Treasurer.

(iii) ITEM 541/1/01: COMMERCIAL INTELLIGENCE SERVICE—PERU—
SALARIES AND PAYMENTS IN THE NATURE OF SALARY—SALARIES AND
ALLOWANCES

Available funds	1965-66	1966-67	1967-68
	\$	\$	\$
Appropriation Act No. 1	29,600	33,200	40,000
Appropriation Act No. 3	1,300	900	3,000
Advance to the Treasurer	2,960	..	996
Total Funds Available	33,860	34,100	43,996
Total Expenditure	33,857	31,060	43,995
Unexpended Funds Available ..	3	3,040	1

112. This Item provides for Salaries and Allowances for the Trade Commissioner and other Australia-based staff in Lima. Exhibit 100/15

113. We were informed that during July 1967, approval was obtained for the creation of a position of Trade Officer at Lima and accordingly \$3,000 was sought in the Additional Estimates.

114. When the Trade Officer arrived at Lima on 15 January 1968, he was unable to obtain residential accommodation and so he resided at an hotel until 5 February at a cost of \$644. The Department in Canberra, however, was unaware that this cost had been incurred until it received the appropriate vouchers in the following April. The witness did not regard the delay in the receipt of the vouchers as excessive having regard to the fact that the Post is a Joint Post. He explained that vouchers are forwarded by such Posts to the Department of External Affairs in Canberra after the month of expenditure has closed. That Department reimburses its Post and then claims reimbursement from the Department of Trade and Industry. Exhibit 100/15
and Q's 1011 to
1013

115. We were also informed that additional funds were required for a Special Child Allowance for the Trade Commissioner. Although in about February 1968, that Officer made known his requirements it had been proposed that he would transfer to the Department of External Affairs before the end of March in which case that Department would be liable for the provision of funds for the allowance. Delays occurred in the arrangement of the transfer, however, and as a result the Department of Trade and Industry was required to bear all of the costs of the allowance amounting to \$352 for the remainder of the financial year. Exhibit 100/15,
Q's 114 and 115

Conclusions

116. It appears to Your Committee that the circumstances that gave rise to the charge of \$996 against the Advance to the Treasurer were beyond the control of the Central Office of the Department of Trade and Industry in Canberra. We are somewhat concerned however, by the circumstances associated with the amount of \$644 involved in the payment of hotel accommodation. In view of the payment and reimbursement arrangements that are operating we believe that the Overseas Post concerned should have advised the Department of Trade and Industry of the payment that had occurred so that appropriate provision could be made for it in the Additional Estimates. We further believe that the Department of Trade and Industry should, in respect of all of its Overseas Posts, ensure that it is appropriately advised of unforeseen expenditures when they occur.

(iv) ITEM 549/1/01: COMMERCIAL INTELLIGENCE SERVICE—
THAILAND—SALARIES AND PAYMENTS IN THE NATURE OF SALARY—
SALARIES AND ALLOWANCES

Available funds	1965-66	1966-67	1967-68
	\$	\$	\$
Appropriation Act No. 1	25,800	44,300	39,200
Appropriation Act No. 3	1,100	400	1,000
Advance to the Treasurer	1,030	2,280	2,750
Total Funds Available	27,930	46,980	42,950
Total Expenditure	27,924	46,979	42,909
Unexpended Available Funds ..	6	1	41

117. This item provides for Salaries and Allowances for the Trade Commissioner and other Australia-based staff in Bangkok.

118. We were informed that late in 1967 approval was obtained for the creation of two new positions of Trade Officer and Stenographer in Bangkok. The admission of additional liability amounting to \$4,050 for salaries and allowances attributable to these positions was obtained. When the Additional Estimates were prepared, however, an additional \$1,000 only was sought, due to an error. In regard to this error the witness informed us that when the Additional Estimates review was undertaken the expenditure on the Item was compared with the pro rata expenditure for the period of the year that had passed and it appeared that the Post was underspending, at that stage, by \$2,639. This shortfall was interpreted by the Department in Canberra as savings and it appeared that the provision of an extra \$1,000 would meet the requirement on the Item for the remainder of the year. In fact, however, the \$2,639 was not a saving under the Item but arose from a time lag in expenditure at the Post that was subsequently restored and hence was not available to meet the additional liabilities associated with the Trade

Exhibit 100/16
and Q's 1016
and 1017

Officer and the Stenographer. The error was not discovered until subsequent monthly returns from the Post revealed an expenditure rate in excess of the pro rata for the Item. The Department found it necessary to seek \$2,750 from the Advance to the Treasurer in order to pay the Salaries and Allowances for staff at the Post.

Conclusions

119. The evidence shows that due to an error in the interpretation of expenditure results the Department incorrectly assessed its requirements on this Item during the Additional Estimates Review. The evidence also suggests that the Additional Estimates Review was conducted without any advice being sought from or tendered by the Post concerned and that the Department reached the conclusion that unexpected savings had occurred without seeking confirmation of the fact from the Post. Your Committee considers that the situation that arose points strongly to the need for a more adequate form of funds control to be developed by the Department in relation to Overseas Posts.

CHAPTER 8—GENERAL OBSERVATIONS AND CONCLUSIONS

(i) GENERAL OBSERVATIONS

P.P. No. 131 of
1964

120. Arising from its Inquiry into Expenditure from the Advance to the Treasurer for the Financial Year 1963-64, Your Committee reported that its initial examination of statements submitted by departments showed that in many cases the explanations were unsatisfactory. The Statement submitted by some departments appeared to display a lack of appreciation of our requirements and a disinterest on the part of the departments concerned. Generally, the documents showed a lack of uniformity in the presentation of figures and explanations. In many cases the Statements failed to disclose separately the amounts provided under the Original and Additional Estimates and the amount provided from the Advance to the Treasurer. Also, in many instances no attempt was made to explain the need for extra funds either from the Additional Estimates or the Advance to the Treasurer.

In some cases, departments confined their explanations to a mere statement of the factors that had contributed to over-expenditure without attempting to explain their necessity or justification. During the course of that Inquiry the attention of witnesses was drawn to these defects in the statements and the representatives of the Department of the Treasury undertook to prepare in collaboration with your Committee's staff a suitable pro-forma statement to guide departments in the submission of evidence relative to expenditure from the Advance to the Treasurer.

P.P. No. 248 of
1964-65

121. Arising from discussions between officers of the Department of the Treasury and Your Committee's staff late in 1964, a pro-forma statement was developed and used for the first time in connection with our Inquiry into Expenditure from the Advance to the Treasurer, 1964-65. The use of the pro-forma by departments resulted in a substantial improvement in the quality of the submissions tendered in evidence. At the same time, however, experience gained in the use of the pro-forma showed that it was in need of refinement.

122. Further discussions were held in May 1966 when it was agreed that Your Committee should design a pro-forma to meet its specific needs. The new pro-forma which was used initially in connection with our Inquiry into Expenditure from the Advance to the Treasurer, 1965-66, provided for separate explanations relating to expenditure from the Additional Estimates and Expenditure from the Advance to the Treasurer. Moreover, it made provision for an analysis of funds available to departments rather than an analysis of expenditure as had been required previously. This change highlighted at once a number of cases where departments had sought and obtained funds from the Advance to the Treasurer late in the financial year but had not, for various reasons, finally required the amounts so obtained. In some

cases, this situation reflected the absence of a realistic approach in the assessment of needs in the closing weeks of the financial year. The new pro-forma also showed that in a number of cases amounts had been charged to the Advance to the Treasurer without Warrant Authority.

(ii) CONCLUSIONS

123. Your Committee's preliminary examination of departmental submissions connected with expenditure from the Advance to the Treasurer for 1967-68 showed a marked improvement both in the quality of the material furnished and in the use made by the departments of the Advance. We believe that this two-fold improvement stems partly from the use of the pro-forma in its present form over three successive years and partly from a greater awareness by departments of the principles of sound estimating and the valid purposes for which the Advance to the Treasurer may be used. In these circumstances Your Committee was able to reduce the number of Items requiring oral examination to sixteen compared with twenty-six in the previous year.

124. Notwithstanding the improvements to which we have referred, the evidence taken during the present Inquiry revealed cases where insufficient care had been taken by departments in the formulation of their Original and Additional Estimates. While the evidence also revealed instances where clerical errors had occurred we are disturbed by the fact that these errors were not detected readily and in some cases were not discovered until after the close of the financial year. In this regard we believe that departments should examine their accounting arrangements to ensure that, wherever possible, clerical errors are detected promptly. Unless this can be achieved, the formulation of estimates becomes poorly based and expenditure results become unreliable.

125. We also believe that where a department makes a change in an accounting arrangement, as occurred in the case of Division 753 administered by the Department of the Interior, the department should ensure that the consequences of the change are understood clearly and are implemented properly from the outset.

126. The evidence also reflected a need for the Department of the Treasury, the Sub-Treasuries and departments generally to act promptly in regard to urgent requests made late in the financial year for funds from the Advance to the Treasurer.

127. Your Committee would again draw attention to a lack of adequate liaison evident between Central Offices of Departments and Overseas Posts. A lack of proper liaison gives rise to undetected errors and misunderstandings as to expenditures that have occurred and funds that are available. Associated with this is the need for the Central offices

of departments to obtain from their Overseas Posts, adequate supporting detail as a basis on which to form reliable judgments regarding expenditure levels at those Posts and the validity of draft estimates that they have prepared.

128. Finally, we have considered the position that arises where deduction lines involving Commonwealth departments, other than those engaged in operations of a trading nature have been deleted but the charges imposed on those departments have been retained and the proceeds credited to revenue. It appears that where such arrangements have been made the recovery of charges and payments to revenue has the effect of inflating the expenditure and revenue figures of the Commonwealth. In these circumstances and having regard also to Your Committee's views relating to inter-departmental charging as set out in the Fifty-fifth Report, we consider that the practice of charging non-trading type Commonwealth Departments for services provided for them and crediting the proceeds to revenue should be reviewed by the Department of the Treasury and the other Departments concerned.

P.P. No. 87 of
1961

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.
24 October 1968