

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

1968—Parliamentary Paper No. 219

JOINT COMMITTEE OF PUBLIC ACCOUNTS

ONE HUNDRED AND
SECOND REPORT

EXPENDITURE FROM THE
CONSOLIDATED REVENUE FUND
FOR THE YEAR 1967-68

(APPROPRIATION ACTS 1967-68)

*Presented pursuant to Statute
and ordered to be printed 21 November 1968*

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*The Senate and the House of Representatives appointed their
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 House 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 HUNDRED AND SECOND REPORT

EXPENDITURE FROM THE CONSOLIDATED REVENUE FUND

(*Appropriation Acts 1967-68*)

CHAPTER 1—INTRODUCTION

In recent years a series of 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. Your Committee's One Hundredth Report related to that aspect of the Inquiry in respect of expenditure from the Advance to the Treasurer in 1967-68. This One Hundred and Second Report is based on the remainder of the evidence taken during that Inquiry and pertaining to expenditure from the Consolidated Revenue Fund.

3. As in previous years, the Department of the Treasury made available early in July, the preliminary figures of expenditure from the Consolidated Revenue Fund. Each item appearing in the Estimates and Additional Estimates of Expenditure was examined by Your Committee and a large number of written explanations were received from departments. Your Committee selected forty-three items which appeared to require further examination.

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

Monday, 19 August 1968.	Monday, 9 September 1968.
Tuesday, 20 August 1968.	Tuesday, 10 September 1968.
Tuesday, 27 August 1968.	Tuesday, 17 September 1968.

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

Department of Air

Mr N. C. D. Allen . . . Director (Finance, Programming
and Estimates)
Mr F. C. Sutherland, O.B.E. . . First Assistant Secretary (Finance
and Logistics)

Department of the Army

Mr H. F. Walker . . . Assistant Secretary (Finance)

Attorney-General's Department

Mr K. Collings . . . Assistant Commissioner, Office
of the Commissioner of Trade
Practices
Mr R. Phillips . . . Director, Management Services
Branch

Department of Civil Aviation

Mr R. A. Bickley . . . Director (Finance)
Mr J. P. Harris . . . Director (Business and Property)
Mr B. Lewis . . . First Assistant Director-General
(Management Services)
Mr J. A. Munday . . . Property Officer
Mr G. R. Woodward . . . Assistant Director-General
(Finance)

Department of Education and Science

Mr C. J. Lenihan . . . Director (Establishments and
Finance)

Department of External Affairs

Mr K. G. Brennan . . . Senior Assistant Secretary
Mr R. A. Jenkins . . . Executive Officer (Property)
Mr R. E. Johns . . . Executive Officer (Finance)

Department of External Territories

Mr A. C. H. Campbell . . . Officer-in-Charge, Lands and
Mining Rights Section
Mr L. W. Temby . . . Acting Assistant Secretary
(Finance)

Department of the Interior

Mr D. E. Brown . . .	Acting Producer in Chief, Commonwealth Film Unit
Mr L. L. Gillespie . . .	Assistant Secretary (Finance and Supply)
Mr T. H. Hall . . .	Chief Property Officer, South Australia
Mr T. F. Hopkinson . . .	Director of Programming and Projects Section, Property Branch
Mr D. M. Lalor . . .	Director, Finance and Supply
Mr G. P. Murphy . . .	Chief Clerk, Facilities Branch
Mr G. H. Nichol . . .	Executive Officer, Bureau of Meteorology
Mr J. J. Ravenscroft . . .	Director of Finance, Northern Territory Administration, Darwin
Mr G. N. Steele . . .	Executive Officer, Land, Agriculture and Stock Section, Northern Territory Economic Affairs Branch, Canberra
Mr K. J. Walshe . . .	Administrative Officer, Bureau of Meteorology
Mr J. R. Wood . . .	Administrative Officer, Commonwealth Film Unit

Department of the Navy

Mr J. T. McEntee . . .	First Assistant Secretary (Controller of Supply)
Mr L. J. Nixon . . .	Director of Machinery and Spares

Postmaster-General's Department

Mr A. J. Fitzgerald . . .	Acting Deputy Assistant Director-General (Finance)
Mr L. D. Sebire . . .	Divisional Engineer

Prime Minister's Department

Mr W. R. Cumming, C.V.O . . .	Assistant Secretary, Education and Arts Branch
Mr N. J. Flanagan . . .	Director, Establishments and Finance Branch

Department of Trade and Industry

Mr T. J. McMahon	.	.	Assistant Secretary, Management Services
Mr W. M. Scriven	.	.	Chairman, Australian Industrial Research and Development Grants Board
Mr R. J. Stephens	.	.	Director, Finance, Management Services Branch
Mr I. J. Swan	.	.	Assistant Director, Trade Commissioner 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	.	.	
Mr A. J. Pond	.	.	
Mr A. B. Smith	.	.	

7. The following twelve chapters relate to those Items which were the subject of further examination at the Public Inquiry.

CHAPTER 2—DEPARTMENT OF AIR

(i) DIVISION 734/1/01: CIVIL PERSONNEL—SALARIES AND PAYMENTS
IN THE NATURE OF SALARY—SALARIES AND ALLOWANCES—
PERMANENT OFFICERS

Available funds	1965-66	1966-67	1967-68
	\$	\$	\$
Appropriation Act No. 1 ..	3,964,000	4,687,000	5,676,000
Appropriation Act No. 3 ..	124,000	..	33,000
Advance to the Treasurer ..	..	..	..
Total Funds Available ..	4,088,000	4,687,000	5,709,000
Total Expenditure ..	4,051,909	4,676,348	5,487,350
Unexpended Available Funds ..	36,091	10,652	221,650

8. Provision is made under this item for salaries and payments in the nature of salary to permanent civilian officers of the Department of Air. Exhibit 102/1

9. Estimated expenditure on this Item, which formed the basis of the Original Appropriation for 1967-68, was as follows:

	\$
(i) Salary of an average 1,711 officers at an average annual rate of \$3,372	5,769,000
(ii) Pay in lieu of Long Service Leave	12,000
	<u>5,781,000</u>
Less Recoveries	105,000
	<u>5,676,000</u>

10. We were informed that the salaries component in the original estimate was based on expected recruitment for the year against the approved establishment whilst the original estimate of \$12,000 for pay in lieu of long service leave was based on past experience. In this latter regard it was stated that there is no guarantee that leave will always be taken when it falls due and provision cannot be made for officers who may be invalided out of the service or who, at the time of death, have long service leave entitlements. Exhibit 102/1
and Q's 3 to 5

11. The recoveries, which were included in the Item were said to arise from work undertaken by permanent officers of the Department of Air on behalf of the Weapons Research Establishment at Woomera in South Australia. The work undertaken by these officers was said to be in the field of quality control of equipment made under contract at locations throughout Australia. The value of the exact number of hours worked by these officers is recovered from the Department of Supply on a monthly basis which, in due course, recovers the amount involved from Exhibit 102/1
and Q's 11
to 20

the British Ministry of Technology. The estimate for recoveries is made by the quality Control Branch of the Department of Air located in Melbourne.

Exhibit 102/1
and Q.'s 22
to 25

Q.'s 26 to 30

Exhibit 102/1

Exhibit 102/1

Exhibit 102/1

Exhibit 102/1

12. When the Additional Estimates review was undertaken, the total requirement for the year was assessed on the basis of expenditure to 31 January 1968, and it was assumed that expenditure to that date covered only 15 pay periods. This assumption proved to be correct in the case of expenditure by the Sub-Treasuries in Sydney, Canberra and Adelaide, but the Sub-Treasuries in Brisbane, Melbourne and Perth had included expenditure for pay period No. 16 in the January 1968 expenditure. The expenditure to 31 January therefore included an amount of \$108,000 relating to pay No. 16. The expenditure based on 15 pays was projected to ascertain the total requirement for 26 pays, i.e., for the whole year, thus giving rise to an overstatement of requirements of \$187,000. The witness representing the Department informed us that this method of forecasting financial requirements based on expenditure to 31 January has generally proved to be satisfactory providing sufficient care is exercised in the process. In the present case, however, the officers concerned had assumed that all Treasury payments were recorded in the overall expenditure appropriation on the same day and they were not entitled to make such an assumption. Incorrect assumptions in this area had not been made in past years because in earlier years the Department had not been operating fully on the Sub-Treasury computer system. We were informed that suitable directions had been issued to the officers concerned. The witness was not confident, however, that such errors would not occur in the future as he claimed to have experienced a staff turnover of 300 per cent during the previous three years in the relevant section of the Department.

13. Also during the Additional Estimates review the average number of personnel for the year was re-assessed at 1,672 compared with the original estimate of 1,711. The actual average for the year, however, turned out to be 1,655 or 17 short of the re-assessed figure, thus giving rise to a shortfall in expenditure of \$57,000.

14. Pay in lieu of furlough was re-assessed during the Additional Estimates Review at \$32,000 but expenditure for this purpose amounted to only \$25,000 by 30 June 1968, thus resulting in a shortfall of \$7,000.

15. The amount of recoveries was re-assessed and a total of \$118,000 was included. This amount was \$6,000 short of the amount actually achieved due mainly to recoveries from the Department of the Navy being \$6,000 higher than had been expected. These recoveries accentuated the shortfall in expenditure.

16. We were informed that the gross shortfall of \$257,000 arising from the foregoing factors had been offset by an additional requirement of \$35,000 because the average annual rate which resulted from the

Additional Estimates review was \$3,354 after allowing for the incorrect assumptions made in relation to pay No. 16, whereas the actual rate turned out to be \$3,375.

Conclusions

17. While Your Committee is sympathetic to the problems involved in formulating estimates for an Item of this nature, it appears that the principal cause of the shortfall in expenditure that occurred in 1967-68 arose when the officers undertaking the Additional Estimates review, made incorrect and indeed, unjustified assumptions as to the number of pays included by three of the Sub-Treasuries in expenditure figures to 31 January 1968. We note with satisfaction that the Department issued to the officers concerned instructions relative to this matter. We believe that where departments experience a high turnover in staff, as was claimed in this case, a strong responsibility rests on departmental management to ensure that the attention of newly appointed staff in the Section concerned is drawn to such instructions.

(ii) DIVISION 734/1/02: CIVIL PERSONNEL—SALARIES AND PAYMENTS IN THE NATURE OF SALARY—TEMPORARY AND EXEMPT EMPLOYEES

Available funds	1965-66	1966-67	1967-68
	\$	\$	\$
Appropriation Act No. 1 ..	3,110,000	4,244,000	4,761,000
Appropriation Act No. 3 ..	299,000	..	382,000
Advance to the Treasurer ..	59,700	..	..
Total Funds Available ..	3,468,700	4,244,000	5,143,000
Total Expenditure ..	3,441,923	4,173,453	4,881,695
Unexpended Available Funds ..	26,777	70,547	261,305

18. Provision is made under this item for salaries and wages of temporary and exempt employees of the Department of Air. Exhibit 102/2

19. Estimated expenditure on this Item, which formed the basis of the Original Appropriation for 1967-68 comprised the following components:

	\$
(i) Salary and wages of an average 2,021 employees at an average annual rate of \$2,496	5,045,000
(ii) Pay in lieu of Long Service Leave	13,000
	5,058,000
Less Recoveries	297,000
Total	4,761,000

Exhibit 102/2
and Q. 36

20. We were informed that the salary and wages component in the estimate was based on the previous year's expenditure and the actual strength as at 30 June 1967. Allowance was also made for a weighted average of input of personnel. To this were added increases for technical personnel which were given in a determination in that particular year for a full year and also a marginal determination. These elements resulted in the selection of the per capita figure of \$2,496.

Exhibit 102/2
and Q.'s 36
to 39

21. We were informed that the recoveries under this Item were similar to those referred to in Item 734/1/01 except that they related to domestic and technical musterings at the Weapons Research Establishment centre. In 1966 the British Government decided to reduce the effort at that establishment and while this fact was known to the Department of Air it was not aware, until February 1968, of the extent of the proposed reduction.

Exhibit 102/2
and Q. 40

22. When the Additional Estimates Review was undertaken an error similar to that referred to in Item 734/1/01 regarding the number of pay periods occurred in respect of the Sub-Treasuries in Brisbane, Melbourne and Perth. In this instance the amounts included in January expenditure for pay No. 16 was approximately \$105,000. The expenditure based on 15 pays was projected to obtain the total requirement for 26 pays involving an over-statement of \$182,000.

Exhibit 102/2

23. The average annual rate for salaries and wages which resulted from the Additional Estimates review was \$2,477 after allowing for the error in respect of pay periods, whereas the actual rate for the year was based on \$2,461. The lower rate resulted in a further shortfall of \$35,000. In addition, payments in lieu of Long Service Leave, which were re-assessed at the review at \$32,000 totalled only \$30,000 resulting in another shortfall of \$2,000.

Exhibit 102/2

24. At the Additional Estimates review the amount of recoveries was re-assessed at \$193,000, i.e., a reduction of \$104,000 over the amount assessed in the original estimates. This reduction related chiefly to the Weapons Research Establishment where the estimated recoveries were reduced by \$106,000. Actual total recoveries were \$247,000, an increase of \$54,000 on the total recoveries estimated at the Additional Estimates review. The additional amount recovered was chiefly due to recoveries from the Weapons Research Establishment being \$51,000 higher than the amount assessed at the Additional Estimates. The increased recoveries resulted therefore in a shortfall of \$54,000 on net expenditure as estimated at the Additional Estimates review.

Exhibit 102/2
and Q. 42

25. The total shortfall on estimated expenditure, \$273,000 was offset by \$12,000, the amount expended in salaries and wages in respect of five employees in excess of the estimate made at the time of the Additional Estimates review. In respect of the shortfall in expenditure in

1967-68 the witness representing the Department acknowledged that, having regard to the uncertainties in the item, effective use could have been made of the Advance to the Treasurer.

Conclusions

26. It appears to Your Committee, on the evidence, that the main circumstances that gave rise to the shortfall of expenditure on this Item were identical with those that gave rise to the shortfall on Item 734/1/01 i.e. that the officers undertaking the Additional Estimates Review, made unjustified assumptions as to the number of pays included by three of the Sub-Treasuries in expenditure figures to 31 January 1968. Accordingly, the observations that we made in regard to that Item apply equally in the present case.

CHAPTER 3—DEPARTMENT OF THE ARMY

DIVISION 708/01: ARMS, ARMAMENT AND EQUIPMENT— COMMUNICATIONS, ELECTRICAL AND GENERAL ENGINEERING EQUIPMENT

Available funds	1965-66	1966-67	1967-68(i)
	\$	\$	\$
Appropriation Act No. 1 ..	28,092,000	24,602,000	16,053,000
Appropriation Act No. 3 ..	500,000	..	..
Advance to the Treasurer ..	..	136,000	..
Total Funds Available ..	28,592,000	24,738,000	16,053,000
Total Expenditure ..	20,315,886	24,637,241	10,073,866
Unexpended Available Funds ..	276,114	100,759	5,979,134

(i) Prior to 1967-68, Division 708/0/01 also covered purchases of weapons and ammunition, provision for which was made in 1967-68 under a new appropriation, Division 708/0/04.

Exhibit 102/3

27. This Item provides for expenditure on purchases of communications, electrical and general engineering equipment for the Australian Military forces to equip new units, re-equip existing units with new items, replace current consumption and maintain reserve stocks.

Exhibit 102/3
and Q. 49
Q. 50

28. The Original Estimate of \$16,053,000, for this Item in the financial year 1967-68, was based on orders for equipment placed in previous years but not finalised by the commencement of the financial year, amounting to \$15,800,000, most of which was expected to be due in 1967-68, together with a small element of expenditure on new orders to a total value of \$12,200,000 to be placed in 1967-68. In the event, however, the total value of orders placed amounted to nearly \$14,000,000 compared with the estimated \$12,200,000. When questioned as to why orders placed in 1967-68 were \$1.8m. in excess of the estimate we were informed by the witness that the procedure for the programming and forecasting of orders in the Department of the Army is based on known requirements for a capital equipment programme for the financial year which has been put forward for the approval of the Government, the Minister and the Department of Defence. During the year, however, as requirements change, approval is given for the Department to either insert additional items shown to be necessary or in some instances to substitute one item for another in the schedule that has been approved previously. It was said that in most cases, particularly major items, these changes require the approval of the Minister and in regard to matters of particular importance the approval of the Minister for Defence is also obtained.

Q. 50

29. It was said that variations to programmed orders could occur due to changes in the size of forces overseas or changes in costs. At the beginning of the year the amount for a particular item included in the

programme would be based on the best estimate of cost available at the time. However, at the stage of placement of a procurement demand with the Department of Supply Contract Board, the price may be different from that quoted earlier. In some instances when tenders are received and the price is above the estimated cost, an adjustment to the programme would be made. In those cases where the tender price is substantially different from the original estimate, approval to the change must be obtained. A further factor which could lead to changes in the original programme is information becoming available of a different type of equipment or a model different from that anticipated.

30. Details of the principal items of equipment included in the outstanding liabilities as at 1 July 1967, are given in Table No. 1.

TABLE No. 1: DEPARTMENT OF THE ARMY
ITEM 708/01: PRINCIPAL ITEMS INCLUDED IN THE OUTSTANDING
LIABILITIES AS AT 1 JULY 1967

Item					Amount	Q.'s 47 and 48
					\$'000	
Radio sets PRC/F1 (including tooling)	..	..	..	..	3,500	
High frequency transmitters	..	..	..	..	490	
2.5 kw generating sets	..	..	..	..	507	
500 watts generating sets	..	..	..	..	256	
Telephone terminals	..	..	..	..	200	
Cipher equipment	..	..	..	..	360	
Telephone sets	..	..	..	..	333	
Other (smaller orders)	..	..	..	..	354	
Total	..	..	..	..	6,000	

Source: Department of the Army.

Radio Set PRC/F1

31. In 1960 it became apparent that for operations in South-East Asia it would be necessary to obtain a new man-pack radio to replace the existing set. A feasibility study was conducted, between 1961 and 1963, to determine whether the required equipment could be produced in Australia and in the latter year a contract was awarded to an Australian firm for the construction of four pilot model sets.

Exhibit 102/3
and Q. 55

32. We were told that the feasibility study was made to produce an outline of the type of set needed to satisfy the requirement. In the development of the set and the production of pilot models it is necessary for the firm's engineers to undertake precise design, construction, testing and development in order to produce a pilot model for testing which will conform to the characteristics required of it. Construction of the pilot models continued until early in 1966 when, because of the urgency of the requirement, it was decided to arrange for the firm to proceed concurrently with product improvements and the manufacture of tooling and at the same time be given a contract for the production of the first 500 sets.

Exhibit 102/3
and Q. 56

Q. 57

33. When questioned as to the nature of the urgency of the requirement we were informed by the witness that the PRC/F1 was to replace a set known as the A510 which had been developed in Australia and produced in the late 1950's. The A510 was at that time becoming outmoded in that it used valves. The despatch of forces to Vietnam increased the urgency of the need for a replacement set of better performance, lighter weight and more rugged character.

Exhibit 102/3

Q. 48

34. In May 1966, the Department of Supply advised the Department of the Army that delivery of the first PRC/F1 equipment was expected to be made to the Army in October 1967. The quote received from the firm in October 1966, confirmed this date and forecast the delivery of the full 500 sets, by December 1968. A procurement demand for the production of 500 sets, valued at \$3,500,000 was forwarded to the Department of Supply in March 1967, and at the same time the intention to order another 500 sets was notified. The second order was placed with the Department of Supply in February 1968. It was expected that expenditure on this order, including tooling valued at \$460,000 would amount to \$3,500,000 in 1967-68.

Exhibit 102/3
and Q. 70

35. The estimate concerned was made on the basis of the anticipated costs and promised delivery rate. It was said that discussion in respect to the formulation of the Original Estimate had taken place between the Department of the Army finance officers, procurement officers in the Branch of the Master-General of Ordnance, and technical officers in the M.G.O. Branch who had been concerned with the contract and development of the set. We were informed that these officers would have examined the progress made, the designs, information obtained from the firm in the manufacture of the pilot models and tests undertaken by the Army of the pilot models obtained as a result of the development contract. We were told that there would have been discussions by the Department's officers with the firm concerned on the progress of the tooling contract and possible difficulties to be encountered in unresolved production problems.

Q. 59

36. It was said that when the estimate was made there was still design and engineering development to be completed which introduced a variable factor, and that unless a production line model is available when estimates are made, there are risks involved in expecting delivery at a given date.

Exhibit 102/3

37. Allowance was also made in the Original Estimate for progress payments for materials and components on 'long lead time' which were ordered in advance of production. The urgent need for the set and the desire for all concerned to speed production encouraged the view that work would proceed at a rate which would demand expenditure of \$3,500,000.

38. It was the judgment of the officers who had followed the project through, that delivery or a great part of it would be made during 1967-68. However, actual expenditure on the PRC/F1 radio sets amounted to only \$800,000 because of technical difficulties encountered in the delivery of the set, resulting in a shortfall on estimated expenditure of \$2,700,000.

Exhibit 102/3
and Q. 59

39. The technical difficulties encountered in production were related to metal conductivity, gearing arrangements used in the set and casting of a panel used in the set. To achieve the very light weight specified for the set, it was necessary to use a light metal in construction which did not have the required electrical conductivity. Improvement of conductivity was said to be an exacting process involving plating successively with three different metals. It was said that some difficulties were encountered in the process because the technique was new to Australian industry.

Q.'s 67 and 68

40. Gearing arrangements used in the set are extremely high precision but very small and difficulties were experienced in manufacturing these satisfactorily in quantity production. The front panel of the set made from a special magnesium alloy was said to require very complicated casting, and that some time was taken to overcome the difficulties encountered in the process. These problems arose in the quantity production phase of the project, during the period June to September 1967. It was said that this production is significantly different from the manufacture of the pilot models which are virtually produced on a single hand-made basis. At the time of our Inquiry these problems had been overcome.

Q.'s 67 and 68

41. The reduction in expected expenditure in respect of the PRC/F1 radio sets was included in the normal monthly review of expenditure made on 31 December.

Q. 68

Generator Sets

42. Four new types of generators have been developed in Australia to replace old pattern equipment which no longer meets current requirements. In each case production orders were placed with the firms who had manufactured the prototypes. It was said that as the prototypes had been subjected to the normal design and field trials and as the selected contractors had been associated with the development, no production difficulties were envisaged and expenditure was planned accordingly.

Exhibit 102/3

43. When asked to explain the nature of normal field trials the witness representing the Department of the Army said that design examination would be made by qualified engineering experts in the Army establishments. The field trials would be conducted by units running generators under field conditions, as far as possible reproducing conditions to which the generators would be subjected in operational conditions.

Q. 76

For example, the generators would be run for periods to test the engines, output for prolonged loads, and exposure to climatic conditions such as hot and wet conditions and dust. It was suggested that the generators would have been subjected to tests for ruggedness in anticipation of movement from place to place in a variety of conditions.

Q. 82 44. With respect to the obligation of a firm to produce the prototype after a contract has been placed, it was said that in some cases the order for production is virtually understood to follow production of a satisfactory pilot model, although this does not always happen. Should the prototype not perform satisfactorily the Department could invite other firms in the industry to tender for production. In the event, however, Exhibit 102/3 unforeseen production difficulties occurred which necessitated changes in design and manufacturing techniques.

Q.'s 75 to 81 45. There were four types of generators involved. The first was a generator producing 500 watts. Field trials of prototypes for these sets were undertaken in the period January to April 1965, and the final report on the trials was made in April 1966. Two initial orders for 370 of these sets had been placed in July and October 1965. At the beginning of 1967-68 it was expected that the 370 sets would be delivered and paid for during 1967-68. The value of these orders was \$374,000. A further order for 300 of these sets, valued at \$239,000 was placed in December 1967. Delivery of 320 sets involving payment of \$182,000 was made against the initial orders for 370 sets. There were no deliveries and no payments made in respect of the order placed in December 1967.

Q.'s 77, 78 and 85 46. The first 100 generators of 500 watts were delivered over the period July 1967 to January 1968. These sets failed to meet the specifications and were withdrawn by the firm for modification. Faults were found in castings for the pole pieces which created serious problems in the magnetic circuits. Mufflers produced by a sub-contractor were unsuitable and there were some failures of engine cylinder block castings. These faults, which occurred in April 1967 were corrected, but were responsible for delays in the placement of further orders. The sets were ultimately accepted and paid for. The second order placed with the same firm was accepted with modification.

Q.'s 85 and 86 47. There were two orders placed in respect of the 2.5KVA sets. One order for 263 sets was placed with a contractor on 15 March 1967. This contractor had previously produced and delivered 187 generators of this capacity in 1966-67. When delivery of these generators commenced some difficulties were encountered. The rate of progress on these sets was not considered to be satisfactory and a further order for 200 sets was placed with another manufacturer. Negotiations and difficulties in respect of the contracts caused delays with the result that 463 sets were not delivered during the financial year.

48. The first order for 156 10KVA sets was placed in January 1967. The first deliveries, received in September 1967, against this order failed to meet the specifications and considerable time was spent in subsequent negotiation and change. Design changes were necessary to the heat sink, diodes and resistors in control boxes, and to the general circuit. These changes delayed deliveries against the orders.

Q.'s 86 to 90

49. Delays also occurred in the receipt of some components from sub-contractors and despite the maximum assistance which it was claimed was given by the Army, including an agreement to air freight certain components from Britain, it was not possible to avoid delays in the assembly programme.

Exhibit 102/3

50. Assistance provided by the Department of the Army included that given by design engineers who were made available to the firm to assist in the resolution of design problems. A decision was made in February 1968 for an amendment to be made to the contracts to allow for air freight costs from Britain for diodes to be used in the 10KVA generators.

Q.'s 91 and 92

51. It was said that under normal circumstances the follow-up orders would have gone to the existing contractors but because of the production difficulties encountered an examination was made of the capability of other manufacturers to produce some of the generators. On 21 December 1967, a decision was made to place the second order for 300 of the 500 watt sets with the Ordnance Factory. Part of the order for 2.5KVA generating sets was also placed with an outside contractor.

Exhibit 102/3
and Q.'s 93
to 95

Radio Transmitter HF 15/20 kW

52. There was a shortfall in expenditure of \$490,000 on this equipment, a high frequency transmitter for use on Army fixed communications such as the link from New Guinea to the mainland. Four tenders were received to supply equipment to an Army specification. The first of these was received in March 1966. Despite the fact that the tenders were received from leading firms in the radio field, all failed to meet the specification in certain important aspects and all were rejected for varying technical reasons.

Exhibit 102/3
and Q. 96

53. On 20 January 1967, tenders for the transmitters were recalled with revised quotes on a basis which would both be acceptable as far as performance criteria were concerned and within the manufacturing capability of the contractors.

Exhibit 102/3
and Q. 98

54. At the time of our Inquiry the procurement demand had been forwarded to the Department of Supply for seven transmitting sets at an estimated cost of \$490,000, and the tenders were under examination. No expenditure is expected to be made on this item in 1968-69.

Q.'s 101 and
102

Conclusions

55. Your Committee notes that this Item covers a wide range of communications, electrical and general engineering equipment for use by the Army. The evidence shows that not only is the acquisition of this equipment fraught with technological and manufacturing difficulties but changes in the demand for these items, including changes in design and structure can pose problems requiring early solution. While mindful of these difficulties we believe that the Department must be particularly vigilant to ensure that in an effort to meet pressing demands, due care is taken in the placing of orders for equipment and the inclusion of a financial provision in the estimates to cover its cost. In this regard we note the circumstances surrounding the PRC/F1 radio sets and the generator sets on which specific evidence was given. In the former case the evidence shows that when the 1967-68 Estimate was formulated, it was known that design and engineering developments were incomplete and at that stage a production line model of the sets had not been completed. In this regard we also note the opinion expressed by the witness that in the absence of such a model risks are involved in relation to delivery of the goods ordered by a nominated date. In the case of the generator sets we note with some concern that two initial orders were placed for the equipment in July and October 1965, but it was not until April 1966 that the Department had the benefit of the final report on the field trials that had been made on prototype generator sets.

CHAPTER 4—ATTORNEY-GENERAL'S DEPARTMENT

(1) DIVISION 120/2/02: HIGH COURT—ADMINISTRATIVE EXPENSES— OFFICE REQUISITES, ETC.

Available funds	1965-66	1966-67	1967-68
	\$	\$	\$
Appropriation Act No. 1 ..	2,140	4,600	4,700
Appropriation Act No. 3 ..	..	..	1,000
Treasurer's Advance ..	..	..	..
Total Funds Available ..	2,140	4,600	5,700
Total Expenditure ..	1,867	3,905	4,766
Unexpended Available Funds ..	237	695	934

56. This item provides for the purchase of office requisites and office equipment for use in the High Court Registries. Exhibit 102/4

57. The Original Estimate for this item in 1967-68 was based on past expenditure and expected expenditure during 1967-68. Q. 109

58. The Additional Estimate of \$1,000 was said to have been based on expected increased expenditure in respect of a Rank Xerox copying machine used in the registry of the Sydney Office of the Department. The Original Estimate for this component was based on an anticipated monthly expenditure of \$230. At the time of the Additional Estimates Review, however, expenditure had been recorded at the rate of \$300 per month. This increase in pro rata expenditure was said to be due to increased use of the copying machine and an increased charge of 0.7c per copy from 1 December 1967. Exhibit 102/4
and Q. 110

59. The copying machine is hired at a minimum monthly rental of \$31 and the present charge for copies produced is 3.1c per copy. More copies than had been anticipated were produced on the machine until February 1968, when, due to unforeseen circumstances, the number declined. Fewer judgments were produced after February, due in part to the absence of Mr Justice Windeyer following a motor car accident. Q. 111
Q. 112

60. A further reason for the shortfall in expenditure on this item was that although endeavours were made to obtain accounts from the Rank Xerox Corporation, the accounts for May and June were not received before the close of the financial year, due to a change to computer processing of accounts. We were informed that although the Administrative officer of the Department had attempted on three occasions to obtain accounts from Rank Xerox, the June account was not received until 1 August 1968. Exhibit 102/4
Q. 113

61. When the Original Estimate was formulated it had been anticipated that a considerable number of judgments would be delivered by the Court prior to the end of May 1968. In the event, however, many of these judgments were not delivered until June 1968, and expenditure Exhibit 102/4
and Q. 114

Exhibit 102/4
and Q's 117
to 121.

in respect of their processing will be incurred during 1968-69. The basis of the estimate of expenditure in respect of High Court judgments was said to have been the programme of the Court, which was known prior to the beginning of the financial year. It was said that the Department is aware, broadly, of the number of copies of judgments to be produced from each sitting. While the size of the judgments vary, it was said that a fairly reliable estimate of the number of pages that would be required in any one year could be made. In respect of the early months of 1967-68 the number of pages had been underestimated. Later in the year, however, due to the absence of some of the Justices, the estimate made proved to be too high.

62. Provision was made in the estimates for the purchase from the Government Printer, Canberra, of a quantity of stationery which has to be specially printed for the Justices of the Court. Due to a desire on the part of the Chief Justice of the High Court to change the heading in order to use the Commonwealth Arms rather than the Royal Arms on the notepaper, the order involving expenditure of \$150 was delayed and a decision as to the forms had not been made at the time of our Inquiry. An amount of \$150 for the stationery was included in the estimates for 1968-69. The view was expressed that a decision on the stationery would certainly be made during the financial year 1968-69.

Conclusions

63. On the basis of the evidence tendered it appears to Your Committee that the circumstances that gave rise to the shortfall of expenditure on this Item were beyond the control of the Department. We are somewhat concerned, however, by the circumstances that gave rise to the delay in placing an order with the Government Printer for stationery required by the High Court. Your Committee trusts that an early decision will be made on this matter, particularly as provision for the contract has been included in the Estimates for 1968-69.

(ii) DIVISION 122/1/01: BANKRUPTCY BRANCH, SALARIES AND PAYMENTS IN THE NATURE OF SALARY SALARIES AND ALLOWANCES

Available funds	1965-66	1966-67	1967-68
	\$	\$	\$
Appropriation Act No. 1 ..	511,720	588,200	748,300
Appropriation Act No. 3 ..	..	71,600	6,200
Advance to the Treasurer ..	..	..	..
Total Funds Available ..	511,720	659,800	754,500
Total Expenditure ..	489,235	647,693	748,833
Unexpended Available Funds ..	22,485	12,107	5,667

64. This item provides for the payment of salaries and payments in the nature of salaries to permanent officers of the Bankruptcy Branch of the Attorney-General's Department. Exhibit 102/5

65. We were informed that the Original Estimate for this item is made by calculating the cost of the number of positions expected to be filled during a financial year. It was said that expenditure on the Item in previous years is not relevant to the estimate, apart from allowances which are based on those paid in previous years. Q's 129 and 130

66. The Additional Estimate of \$6,200 provided \$1,826 for the reclassification of offices, \$513 for increases in salary arising from Determination 174 of 1967, and \$3,861 for increases arising from Determination No. 200 of 1967. Exhibit 102/5

67. The Additional Estimate was said to have been based on expenditure as at 31 January which amounted to \$448,492, or \$64,000 per month. It was assessed that if expenditure should continue at this rate for the remainder of the financial year it would amount to \$768,840. Q. 131

68. In the event, however, expenditure amounted to only \$748,833 or \$62,402 per month, a decline compared with the actual monthly rate of expenditure recorded prior to 31 January.

69. We were informed that the shortfall in expenditure was due in the main, to an inability to keep the approved establishment fully staffed during the whole of the period. Five positions became vacant in the official Receivers Office, Sydney during the final quarter of 1967-68 resulting in a shortfall of \$2,927. In the same period four positions became vacant in the Department's Adelaide office resulting in a shortfall of \$2,808. It was said that these vacancies could not have been foreseen when the additional estimates were prepared. Exhibit 102/5

Conclusions

70. Your Committee accepts the Department's explanation.

(iii) DIVISION 124/2/06: CONCILIATION AND ARBITRATION ADMINISTRATION EXPENSES—LIBRARY BOOKS, JOURNALS AND PERIODICALS

Available funds	1965-66	1966-67	1967-68
	\$	\$	\$
Appropriation Act No. 1 ..	5,340	7,600	6,600
Appropriation Act No. 2 ..	..	500	1,000
Advance to the Treasurer ..	..	..	..
Total Funds Available ..	5,340	8,100	7,600
Total Expenditure ..	4,695	7,815	6,622
Unexpended Available Funds ..	645	285	978

Exhibit 102/6

71. This Item provides for the purchase of library books, journals and periodicals and for binding and subscriptions to journals for the library of the Conciliation and Arbitration Branch. A comparison of actual expenditure in 1966-67, and estimated and actual expenditure for the three components of the item, library books, subscriptions and binding is given in Table No. 2.

Exhibit 102/6

TABLE No. 2: ATTORNEY-GENERAL'S DEPARTMENT
ACTUAL EXPENDITURE, 1966-67: AND ESTIMATED AND ACTUAL EXPENDITURE, 1967-68

Item	Expenditure 1966-67	Original estimate 1967-68	Expenditure to 29.2.68	Estimate to 30.6.68	Actual expenditure 1967-68
	\$	\$	\$	\$	\$
Library books	2,689	900	1,055	1,650	1,249
Subscriptions	3,132	3,360	1,826	3,150	2,998
Binding	1,994	2,340	1,651	2,800	2,375
Total	7,815	6,600	4,532	7,600	6,622

Source: Attorney-General's Department.

72. The shortfall in expenditure in 1967-68 amounted to \$401 for library books; \$152 for subscriptions; and \$432 for binding.

Q. 148

73. With respect to the formulation of the Original Estimates for this item it was said that expenditure on subscriptions is usually fixed from year to year whilst that on library books and binding varies and the estimate is based on past expenditure.

Q. 149

74. The Additional Estimate for the item, \$1,000, was based on expenditure amounting to about \$4,500 to the end of February. This indicated that the Original Estimate for the year of \$6,600 was approximately correct if expenditure continued at the earlier rate. However, the Industrial Registrar's Branch sought an additional amount of \$750 to purchase library books, copies of which were already available in the Department's Melbourne Registry. The books were required for the Sydney Chambers of the President and Vice-President of the Conciliation and Arbitration Commission. A request was also made for special binding to the value of \$540 to be carried out during the remainder of the financial year. As it was anticipated that subscriptions for the year would be \$210 less than the estimated amount, \$1,000 was sought in the Additional Estimates.

Exhibit 102/6
Q. 150

75. The shortfall in respect of library books involved \$182 related to the Department's normal expenditure on library books and \$218 from the special request for \$750 sought by the Sydney Office. An account for \$219 for books ordered in May 1967, and delivered in July 1967, was not rendered. The fact that this account had not been paid was not discovered until reasons for the shortfall in expenditure were being sought. In this regard, we were informed that the firm concerned, Butterworth and Co. (Australia) Ltd, furnishes monthly statements of

Q. 199
and Committee
File 1968/7

account in respect of those branches of the Department which make regular purchases. In branches such as the Deputy Industrial Registrar's Office, Sydney, where irregular purchases are made, monthly statements of account are not furnished.

76. The witness representing the Department admitted that the usual follow-up action had not been taken in respect of this account, in that the administrative officer concerned had not ensured that the account had been paid. We were informed that the Department maintains a liabilities register in which copies of purchase orders should be retained and reviewed until the goods are delivered and accounts paid. In this instance, however, a mistake had been made in that the purchase order had been filed incorrectly within the Department. Q.'s 153 to 163

77. The Audit Observer, Mr Ragless informed us that a distinction should be drawn between the function of the Liabilities Register and outstanding orders in that the failure of a firm to render an account should be detected by reason of the order not having been fulfilled. Q. 204

78. The remainder of the shortfall in respect of library books, \$182, arose from funds provided to meet unforeseen requirements of members of the Industrial Court and Conciliation Commission. It was said that it is most difficult to estimate these requirements because it is not known whether books to be published will be of interest to members of the Court and the Commission. In practice a small amount is provided in the estimates for unforeseen requirements for library books for members of the Commission. Exhibit 102/6 and Q. 190

79. The shortfall of \$152 in respect of subscriptions arose from the fact that only one volume each of Commonwealth and Federal Law Reports was received during 1967-68 as against two volumes in 1966-67. It was said that it is not practicable to ascertain, when estimates are prepared, how many of these volumes will be published during the period covered by the estimate. Exhibit 102/6

80. In regard to the shortfall of \$425 relating to binding we were informed that \$540 had been sought in the Additional Estimates for this purpose and it was expected that work to this value would be ordered during the year. In the event, however, the first order amounting to \$275 had not been placed until April and two successive orders had not been placed until May and June 1968. The Department admitted that the orders should have been placed earlier and, when placed, action should have been taken to ensure that the work was carried out promptly and that the relevant accounts were rendered and paid. Exhibit 102/6 and Q.'s 192

81. Following our request to the Department for an explanation of its shortfall in expenditure, a departmental instruction was issued to all branches requesting that orders be placed as soon as practicable after the passing of the estimates. We were informed that instructions of this nature had not been issued earlier because our request was the occasion on which it had brought to notice that some members of the staff were deficient in these matters. Exhibit 102/6 and Q.'s 193 and 194

Conclusions

82. Based on the evidence submitted, the circumstances underlying the shortfall in expenditure on this Item reflect a degree of administrative laxity which is a matter of concern to Your Committee. This applies in particular to the failure of the Department to detect, until we sought an explanation as to the shortfall in expenditure on the Item, that an invoice from Butterworth and Co. (Australia) Ltd had not been paid and that the purchase order concerned had been misfiled within the Department. The circumstances relating to the shortfall on binding are also disturbing. It is also clear from the evidence tendered on this matter that the Department should have taken much prompter action in placing its orders for binding. While we note with satisfaction that our Inquiry gave rise to the issue of a departmental instruction relating to the prompt placing of orders, we believe that adequate supervision should have revealed the need for such an instruction prior to our interest in the matter.

(iv) DIVISION 127/2/01: OFFICE OF THE COMMISSIONER OF TRADE
PRACTICES—ADMINISTRATIVE EXPENSES—TRAVELLING AND
SUBSISTENCE

Available funds		1965-66	1966-67	1967-68
		\$	\$	\$
Appropriation Act No. 1	4,400	46,000
Appropriation Act No. 3
Advance to the Treasurer
Total Funds Available	4,400	46,000
Less Total Expenditure	4,361	25,856
Amount Unexpended	39	20,144

Exhibit 102/7

83. This item provides for payment of fares, travelling allowance, car hire, living allowance (regulation 97) and meal allowance.

Exhibit 102/7
and Q. 246

84. The Original Estimate for this Item was prepared on two premises. First, that the Trade Practices Act would come into operation on 1 July 1967, and secondly that the number of agreements lodged for registration would be similar in number to those registered in Britain. The first premise was said to be based on discussions that had been held with the Attorney-General. In the event, however, the Act did not become operative until 1 September 1967.

Exhibit 102/7
and Q.'s 247
and 248

85. With respect to the second premise we were informed that while the Trade Practices Act differs from similar legislation in other countries it has some similarity to the British legislation. It was said that the best guide towards the number of agreements likely to be registered was the 2,240 registrations that had been made in Britain. However, by the end of the first two months of operation of the Australian legislation more

than 5,800 agreements had been registered and 10,000 had been registered before the end of the first year. The registration of this unexpectedly heavy volume of agreements confined most of the staff, including project staff, to Canberra well into the second half of the financial year. Exhibit 102/7

Conclusions

86. Your Committee believes that, in the case of this Item, there was sufficient uncertainty, when the Original Estimates were formulated, for a somewhat more conservative view to be taken regarding prospective expenditure in 1967-68, particularly in connection with the number of agreements that might be registered following the proclamation of the Trade Practices Act. In these circumstances, we feel that greater use might well have been made of the Additional Estimates should the need have arisen. We also believe that the use of this device should be considered by the Office of the Commissioner of Trade Practices until sufficient experience has been gained to enable Original Estimates to be formulated with greater confidence.

(v) DIVISION 127/2/02: OFFICE OF THE COMMISSIONER OF TRADE PRACTICES—ADMINISTRATIVE EXPENSES—OFFICE REQUISITES AND EQUIPMENT, STATIONERY AND PRINTING

Available funds		1965-66	1966-67	1967-68
		\$	\$	\$
Appropriation Act No. 1	36,000
Appropriation Act No. 3	16,400	..
Advance to the Treasurer
Total Funds Available	16,400	36,000
Less Total Expenditure	8,067	26,788
Amount Unexpended	8,333	9,212

87. This Item provides for purchases of office requisites and equipment, stationery and printing. Exhibit 102/8

88. 1967-68 was the first financial year in which the office operated following the proclamation of the Trade Practices Act. In this year there was a need to purchase, without the benefit of prior experience, the stationery, forms, office machines and other office supplies that would be required to implement the necessary systems and procedures.

89. It became apparent during the year that it would not be necessary to purchase two office machines for which provision had been made in the estimates. These were an automatic typewriter valued at \$4,600 and a franking machine valued at \$430. Exhibit 102/8

90. The automatic typewriter which, once a copy has been made, automatically types the number of copies required, was said to be suited to Q. 251

the work of the Commission. When the estimate was discussed with the Department of the Treasury it was thought that a machine of this type would be needed during 1967-68. However, the need did not arise and at the time of our Inquiry it was thought that this would arise in 1968-69 or 1969-70. No provision has been made for it in the Estimates for 1968-69.

Exhibit 102/8
and Q. 251

91. In September 1968, it became clear that a franking machine would not be the most economic method of postage available to the Office and it was decided not to proceed with the purchase of such a machine. Experience also showed that requirements for stationery, forms and other office supplies were less than had been expected.

Q. 253

92. In the circumstances, the witness was asked to indicate the basis on which the Original Estimate of \$36,000 had been reached. It was said that when the estimate was being formulated in March-April 1967, there was a staff of eight in the office of the Commissioner of Trade Practices. Apart from stationery such as envelopes and file covers a decision had to be made on requirements such as statutory declaration forms and memorandum of lodgment forms. It had been expected that ten types of each of these forms would be needed. About July-August 1967, however, it was decided that only one statutory declaration and one memorandum of lodgment form would be printed, thus reducing the total cost of these particular forms and resulting in a considerable shortfall in the estimated expenditure. Provision had also to be made for the use of State officers of the Office and an estimate for this was made without prior experience.

Conclusions

93. It appears to Your Committee that an even greater degree of uncertainty surrounded the formulation of the Estimate for this Item than was found to have occurred in respect of Item 127/2/01. We believe that our observations made in relation to the use of the Additional Estimates under that Item apply at least with equal force to Item 127/2/02.

(vi) DIVISION 129/1/01: AUSTRALIAN POLICE COLLEGE—SALARY AND PAYMENTS IN THE NATURE OF SALARY—SALARIES AND ALLOWANCES

Available funds	1965-66	1966-67	1967-68
	\$	\$	\$
Appropriation Act No. 1 ..	34,000	26,900	37,000
Appropriation Act No. 3 ..	..	..	..
Advance to the Treasurer ..	..	..	..
Total Funds Available ..	34,000	26,900	37,000
Total Expenditure ..	27,898	26,484	25,456
Unexpended Available Funds ..	6,102	416	11,544

94. This Item provides for payments of salaries and expenditure in the nature of salary of the Instructional and Domestic Staff of the Australian Police College, Manly, New South Wales. Exhibit 102/9

95. The shortfall in expenditure in 1967-68 was due to positions not being filled for part of the year. Unforeseen delay in the filling of the position of Library Officer resulted in a shortfall of \$1,154. The Registrar of the College was granted leave without pay from September 1967 to 5 July 1968, involving a shortfall of \$3,411. The duties of the position of Registrar were carried out, to the extent possible, by a Commonwealth Police Officer attached to the College under the close supervision of the Principal who acted as Collector of Public Moneys. Exhibit 102/9

96. Vacancies in two positions of Sergeant involved a shortfall in expenditure of \$7,357. The absence of the two Sergeants was covered by the temporary transfer to the College of two police officers whose salaries were debited to Division 128/1/01. Two Sergeants were transferred temporarily from the Commonwealth Police Force to fill the vacancies at the College. While the salaries of these officers should have been transferred to Item 129/1/01 they continued, in error, to be paid out of the funds provided for the Commonwealth Police Force. Exhibit 102/9
and Q. 257

97. Instructions were issued subsequently to the Commissioner of the Commonwealth Police Force to ensure that the salaries of persons temporarily transferred to the College are debited in future to Item 129/1/01. Exhibit 102/9

Conclusions

98. It appears to Your Committee that greater care should have been exercised to ensure that appropriate arrangements were made for Item 129/1/01 to meet the cost of the salaries of staff transferred temporarily from the Commonwealth Police Force to fill the vacancies that arose at the Police College. Your Committee is disturbed by the fact that errors of this kind should occur.

CHAPTER 5—DEPARTMENT OF CIVIL AVIATION

(i) DIVISION 135/2/03—ADMINISTRATIVE—ADMINISTRATIVE EXPENSES—POSTAGE, TELEGRAM AND TELEPHONE SERVICES

Available funds		1965-66	1966-67	1967-68
		\$	\$	\$
Appropriation Act No. 1	..	582,000	750,000	910,000
Appropriation Act No. 3	..	18,000	..	..
Total Funds Available	..	600,000	750,000	910,000
Total Expenditure	..	583,511	711,409	835,893
Unexpended Available Funds	..	16,489	38,591	74,107

99. This Item provides for the payment of postage, telegram and telephone charges.

Exhibit 102/10
and Q. 274

100. The estimate for 1967-68 was based on the trend of previous expenditure and allowed for increased postal and telephone charges to become effective from 1 October 1967. The Original Estimate submitted to the Department of the Treasury early in April 1967 was \$810,000 to which was added in June 1967 an amount of \$100,000 estimated for the proposed increased P.M.G. charges. When the adjustment was made, in June 1967, the Department considered it unlikely that more than one account reflecting the increased telephone charges would be received during the year.

Exhibit 102/10
and Q. 275

101. In regard to the shortfall of \$74,107 in expenditure we were informed that the appropriation for 1967-68 provided for additional costs for telephone services resulting from the transfer of Head Office staff in Melbourne to new accommodation. The additional costs included line rental, PABX rental and telephone instrument installation fees. Accounts for these services—amounting to \$20,740 were not tendered by the Postal Department in 1967-68. Towards the end of the financial year when it was obvious that considerable charges were outstanding, requests made to the Postmaster-General's Department led to the belief that all accounts which should have been received had been received. In fact, however, accounts totalling \$20,740 were subsequently received in July 1968.

Exhibit 102/10
and Q. 276

102. During the strike of Postal Van Drivers in January-February 1968, all mail from the Department was despatched by air express or air freight instead of by the normal postal channels. The cost of this service, included in the accounts of the airline companies, was charged to another vote (Item 135/2/11) for freight and cartage. The resultant shortfall in expenditure on Item 135/2/03 was estimated at approximately \$5,000. It was said that this change would have been apparent at the monthly reviews of expenditure.

103. Claims were not received from the Postal Department for bulk postage items despatched in 1967-68, including in particular, a claim for \$6,511 for publications printed and despatched by the Government Printer, Hobart. This claim valued at \$10,000 was mis-directed by the Post Office and was not paid in 1967-68. It was said that the Department of Civil Aviation was aware that this charge was outstanding and several unsuccessful requests were made to obtain the outstanding account.

Exhibit 102/10
and Q. 277

104. During the year, in an effort to reduce the workload of the Department's Publication Centre, distribution of many publications and documents, such as, aeronautical information publications, aviation safety digests, aeronautical charts and amendments, was combined. By withholding distribution of less urgent publications and including these with more important ones, the number of distributions was subsequently reduced. This meant that expenditure on postage was reduced as the larger bulk distribution would benefit from the cheaper postal rate for bulk postage. The shortfall in expenditure as a result of this charge could not be assessed but it was said to be in the vicinity of \$5,000 to \$6,000.

Exhibit 102/10
and Q. 290

105. It also became apparent during the financial year that the amount of \$100,000 allowed for increased P.M.G. charges had been over-estimated by \$36,000. The correct figure calculated on the detailed list of amended P.M.G. rates should have been \$64,000.

Exhibit 102/10

106. The witness representing the Department of Civil Aviation said that the Department was fully aware of the Additional Estimates facility. While it was acknowledged that perhaps \$36,000 of the shortfall in expenditure under this item was due to the incorrect formulation of the estimate, it was said that other factors responsible for the shortfall in expenditure under this Item were beyond the control of the Department.

Q. 289

Conclusions

107. Your Committee finds that of the shortfall of \$74,107 in expenditure on this Item, \$36,000 was attributable to faulty estimating on the part of the Department of Civil Aviation, \$20,740 arose from a failure by the Postmaster-General's Department to tender accounts for payment, \$6,511 arose from the misdirection of an account by that Department and between \$5,000 and \$6,000 arose from savings achieved by the Department of Civil Aviation in the rationalisation of distribution of its publications. The remainder of the shortfall arose from other factors beyond the control of either the Department of Civil Aviation or the Postmaster-General's Department.

108. Your Committee believes, on the evidence, that due care should have been exercised by the Department of Civil Aviation in formulating its estimated allowance for prospective postal and telephone charge increases and the Postmaster-General's Department should ensure that

telephone accounts are rendered promptly to subscribers. We trust that appropriate action will be taken to ensure that the circumstances associated with the misdirection of the accounts for \$6,511 will not be repeated.

(ii) DIVISION 900/2: CAPITAL WORKS AND SERVICES—AIRCRAFT
LAUNCHES, VEHICLES, ENGINES AND EQUIPMENT

Available funds		1965-66	1966-67	1967-68
		\$	\$	\$
Appropriation Act No. 2 ..		1,240,000	1,650,000	2,200,000
Appropriation Act No. 4 ..		..	..	..
Total Funds Available ..		1,240,000	1,650,000	2,200,000
Less Total Expenditure ..		1,230,328	1,643,205	1,808,959
Amount Unexpended ..	..	9,672	6,795	391,041

Exhibit 102/1

109. The purpose of this Item is to provide funds for the purchase of aircraft, vehicles, aerodrome maintenance plant, fire service vehicles, workshop equipment, stores handling equipment, marine craft and other miscellaneous items of equipment.

Q. 296

110. It was said that the preparation of the estimate for this Item is a complex procedure in that it is closely related to Item 900/1 which provides for safety and navigational aids and equipment. Formulation of the estimate was said to be fundamentally an exercise in programming. Each year the estimate is discussed with officers of the Department of the Treasury, the basis of the discussions being the requirements for the year in question and for future years, not necessarily involving expenditure in the year for which the estimate is being made. It was said that the complexity of the estimate is related to the fact that invariably the Department of the Treasury does not approve the total requirements for the Department's technical works programmes. We were informed that after prolonged discussion a final figure is reached which basically the Department of Civil Aviation agrees to by accepting less than the requirements for its programme. In these circumstances the two items 900/1 and 900/2 are examined together to decide on deferment or other arrangements for components of the estimate.

Exhibit 102/11
and Q. 297

111. The total shortfall of \$391,000 in 1967-68 was said to have been caused by delayed deliveries against a number of contracts for the purchase of aircraft, vehicles and plant. Because delivery of these items had been expected during 1967-68 funds had been provided for payment for them in the estimates for that year. It was said that there was a multiplicity of reasons for the delay in deliveries associated with technical equipment. In some instances delivery may have been made

at the end of June but the volume of documents requiring processing would make it impossible to complete payment before the close of the financial year.

112. For most of the equipment purchased under this appropriation, it is normal practice for the Department to invite tenders, carry out the necessary technical and financial assessment of the tenders received and place contracts for delivery in the latter part of the financial year. In 1967-68, as in previous years, a number of contracts were let for delivery of equipment in the May-June period but for a number of reasons some contractors failed to deliver equipment in time for payment to be made in 1967-68. Exhibit 102/11

113. Amongst the hundreds of contracts let each year it was said to be inevitable that some deliveries will be delayed beyond the end of the year and in estimating the funds required for 1967-68, a calculated and liberal allowance was made for non-delivery of some items. It has also been the practice of the Department when equipment is being manufactured towards the end of the year, to make progress payments or full payments as circumstances warrant. These progress payments have been made when substantial progress in manufacture has been achieved, the goods identified as Commonwealth property and the supplier indemnifies the Commonwealth against non-completion of the contract or loss of the partly completed work. Retention of an appropriate part of the total payment was said to give further protection to the Commonwealth. Exhibit 102/11

114. During 1967-68 the Auditor-General's Office questioned these practices and expressed the view that they were not within the spirit of Treasury Circular 1967/G.3. Subsequently, the Auditor-General's Office referred the matter to the Department of the Treasury stating that certain payments made in June 1967, appeared to the Chief Auditor, Victoria, to have been payments made in advance for the express purpose of using available funds. The Department of the Treasury supported this view and, when the attitude of that Department was made known, late in 1967-68, no contracts were varied by the Department of Civil Aviation during June 1968. Exhibit 102/11

115. It was said that expenditure from Item 900/2 would have been within about \$100,000 of the total appropriation were it not for the expression of the Department of the Treasury's view and a subsequent request made by the Auditor-General's Office that the practices concerned be discontinued. The Department expressed the view that variations in writing to contracts negotiated by its own Contract Board are justified in the circumstances outlined above. It was claimed that these variations achieve expenditure in the year of budget provision, avoid a large carryover of liability from one year to the next and ensure the more efficient development of civil aviation. Exhibit 102/11
and Q's 307
and 308

Q. 298

116. In view of the foregoing we questioned the departmental witness regarding his understanding of Treasury Circular 1967/G.3. The witness referred to paragraph 3 of the circular which indicates that ideally, departments should, in framing an estimate assess the amounts which should be paid in the year having regard to a normal but not excessive lapse of time between the execution of works, furnishing of stores or performance of services and the date of payment of accounts. This circular also indicates that within the limits of sensible administration every effort should be made to achieve payment in the year in respect of the works, stores and services which were intended to be covered by the estimate. The witness added that the actions of his Department in respect to payments made in previous years represented sensible administration and that every effort should be made by the Department to spend the amount appropriated so long as this is not done in a foolish way. It was said that efforts are made within the Department to reduce the liability carried over to the following year since if this is not done there will be a reduction in the programme in subsequent years.

Q. 298

Q.'s 300, 309
and 312

117. The Audit Observer, Mr Ragless, expressed the view that these payments were made for the express purpose of utilising available funds. In order to permit these payments to be made legally, the Department resorted to an amendment of contracts which did not initially contain the necessary clauses and provisions. He added that the Auditor-General's Office has no reason to believe that the Commonwealth has not been fully protected in these instances and this had not been suggested at any time. He said that should this method of utilising funds become generally accepted by departments, however, control of the position could be lost rapidly. He pointed out that all advance payments are subject to a degree of risk because service has not been rendered or goods have not been supplied, and that for this reason proper follow up action is required. Mr Ragless said that whilst the Department of Civil Aviation has made it quite clear that it does not normally engage in progress payments, but makes partial payments against goods despatched, it seemed to be a rather novel approach to make payments in advance other than in favour of the contractor. He expressed the opinion that the motivation of the Department of Civil Aviation in this matter has never been anything but honest and frank.

Q. 301

118. The Treasury Observer, Mr Cowie, stated that any payment made must be in accordance with the provision of the Audit Act. He said that over the years, progress payments had been made merely to use up a parliamentary appropriation and the progress payments had been made without the necessary certification of the work performed. He added that no such transgression is involved in this case. However, in the view of the Department of the Treasury it is wrong in principle to alter a contract in order to make a progress payment.

119. Mr Cowie continued that in these cases the contracts let with the suppliers did not call for progress payments before deliveries were made and the Department adopted the practice of arranging for the contract to be altered. This was said to confer no financial advantage on the Commonwealth. On the other hand there could be a disadvantage in that the Commonwealth was required to expend money before being legally bound to do so. In the cases concerned it was not legally incumbent on the Commonwealth to make these payments because deliveries had not been made under the contract. The legal requirement did not arise until the contract was altered for that specific purpose. Mr Cowie concluded by pointing out that his Department dislikes in principle any device or unnatural administrative actions taken merely to use an unexpended appropriation. Q. 361

120. In view of the evidence tendered and observations made we sought further submissions from the Department of Civil Aviation and the Department of the Treasury in relation to the practice of varying contracts.

121. The Department of Civil Aviation confirmed that it had varied contracts in past years so as to make payments for goods ordered during the year but not delivered and for which provision for full payment had been made in the Estimates for that year against a planned programme of purchases. It stated that although it does not intentionally budget for part payment on goods not delivered and, in fact, allowance is made when the estimates are being formulated for a proportion of goods not being delivered, it has been its experience that significant underexpenditures would usually occur if the flexibility derived from making part payments were denied to it.

Q. 316 and
Committee
File 1968/7

122. Details of the budget results in recent years for Item 900/2 were submitted by the Department and are set out in Table No. 3.

TABLE NO. 3: DEPARTMENT OF CIVIL AVIATION
BUDGET RESULT, 1965-66 to 1967-68: ITEM 900/2

	1965-66	1966-67	1967-68
	\$	\$	\$
Budget provision	1,240,000	1,650,000	2,200,000
Expenditure on fulfilled contracts	1,052,328	1,193,205	1,808,000
Expenditure resulting from contract variations	178,000	450,000	..
Total Expenditure	1,230,328	1,643,205	1,808,959
Shortfall	9,672	6,795	391,041

Source: Department of Civil Aviation.

123. It was claimed that in the case of 1967-68, part payments amounting to \$306,000 could have been made by varying contracts if this practice had not been discontinued.

Q. 316 and
Committee
File 1967/8

124. The Department of Civil Aviation restated its view that where funds have been appropriated by the Parliament for a planned programme of purchases it should vary contracts for those purchases where necessary to achieve maximum budget performance, subject to certain safeguards. These would include identification of the goods on which payments are made as Commonwealth property, the obtaining of indemnities to ensure full protection for the Commonwealth and completion of the contracts and the exercise of business acumen in the application of contract variations to carefully selected suppliers. The Department argued that the achievement of maximum budget performance each year ensures maximum development of civil aviation consistent with the amount of funds appropriated annually.

125. The subsequent submission made by the Department of the Treasury included the text of its Memorandum of 14 May 1968 to the Auditor-General in reply to his Memorandum of 29 March 1968. The Treasury Memorandum is as follows:

Committee
File 1967/8

126. 'I refer to your memorandum 58/24 of 29 March 1968 drawing attention to instances where the Department of Civil Aviation made payments to contractors earlier than would have been the case had the terms of the original contract been observed.

127. 'The Treasury considers that the departmental action referred to in your memorandum could not be justified by the provisions of Treasury Circular 1967-G3.

The Treasury is firmly opposed to:

- (a) payment of a claim before checks can be made to enable certification of the claim in terms of the Audit Act;
- (b) payment of a claim in advance of the time when the Commonwealth is contractually obliged to make a payment (e.g., by making extra-contractual progress payments or unessential advances to contractors);
- (c) the approval by a Contract Board to the acceptance of terms less favourable to the Commonwealth than a contract provides for (e.g., involving payment at an earlier stage of the transaction) merely as a device for avoiding unexpended appropriations; and
- (d) any other such devices to use up potentially unexpended funds.

Having regard to the above considerations, Treasury is of the view that the departmental action referred to could not be regarded as satisfactory.'

128. In its submission the Department of the Treasury expressed strong agreement with the Audit Observer in his desire to see that the type of payments under examination are not encouraged and added the following points of general principle:

129. 'The amounts included for supplies in an Appropriation Bill are generally based on a programme which envisages that certain supplies will be delivered at certain times and that certain payments will thereby fall due within the financial year. It is then to be expected that a Department will not permit unnecessary administrative delays in the execution of the programme of expenditure envisaged in the formulation of the Budget Estimate, e.g., by lateness in placing orders or by failing to press for execution of the orders. However, there is no merit in a Department's adopting unnatural devices merely in order to bring its expenditure closer to the estimate. The merit is in making an estimate which is so soundly compiled that, barring unforeseeable changes in circumstances, it accords with actual expenditure.

130. 'Changing the terms of a contract merely to enable payments to be made at an earlier stage of the transaction than was envisaged in the original contract bestows no financial advantage on the Commonwealth. Indeed, advance payments are generally to be avoided except in special circumstances (such as where supplies could otherwise not be obtained). The Committee will recall an example of how advances can give rise to administrative difficulties, from its examination of advances necessarily made for Defence supplies from the United States Navy and Army (Seventy-eighth Report refers).

131. 'In its evidence to the Committee on the current occasion the Department of Civil Aviation gave as one defence of its practice that it tended to result in a greater allocation of national resources to civil aviation. Even if this goal is one which may legitimately be pursued by the Department of Civil Aviation, it does not necessarily follow that the national interest lies in that direction. Indeed, taken to excess, such practices can distort the optimum allocation of resources which the Government seeks to achieve.

Q 316 and
Committee
File 1967/8

132. 'In any case, it does not seem logical to claim that the practice adopted would have the *continuing* effect of increasing expenditure. Now that the practice has stopped, for example, the supplies which would under the previous practice have been paid for in 1967-68 will be paid for in 1968-69, increasing expenditure in that year by (according to the Department's explanatory statement some \$300,000. The supplies themselves will be available to the Department at exactly the same time, whether they are paid for "in advance" or not.

133. 'It is of course true that if a Department consistently underspends a particular appropriation item, Treasury officers will in their examination of the draft estimates look rather more closely than usual at the amount sought by the Department: the Committee is similarly alerted if it sees consistent under-expenditure for a particular item. Nor is it desired to minimise the difficulties which confront a Department in accurately estimating its expenditure for an item involving the purchase of technical equipment and the like. Delays on the part of suppliers, in no way

attributable to the fault of a Department, can have a significant effect on the expenditure for the year. But these difficulties must be faced: they may validly be advanced as a reason for underexpenditure, but not as a reason for paying money to contractors ahead of the proper time.'

Conclusions

134. The central issue arising from the evidence and other information obtained in relation to this Item concerns the variation of contracts by the Department of Civil Aviation for the express purpose of ensuring that funds are expended in the year in which they are appropriated. The cessation of this practice in 1967-68 gave rise to a substantial shortfall in expenditure on this Item in that year compared with the results achieved in each of the two previous years.

135. Your Committee has examined Treasury Circular 1967/G.3 and its Reports which were quoted in that circular as well as the evidence and other information tendered by the witnesses and observers concerned. On the basis of this examination Your Committee agrees with the views expressed by the Department of the Treasury and the Audit Observer. We believe that our Reports, and the Treasury Circular concerned were directed to the problems that arise where claims for work performed and services rendered are not obtained and paid promptly. In this context we are unable to reach the conclusion that the Treasury Circular concerned either intends or seeks to encourage the varying of contracts to ensure the expenditure of appropriated funds.

CHAPTER 6—DEPARTMENT OF EDUCATION AND SCIENCE

(i) DIVISION 157/4/02: ADMINISTRATION—COMMONWEALTH SCHOLARSHIPS SCHEMES—COMMONWEALTH UNIVERSITY SCHOLARSHIPS TUITION, FEES AND ALLOWANCES

Available funds	1965-66	1966-67	1967-68
	\$	\$	\$
Appropriation Act No. 1 ..	9,076,000	12,314,000	16,894,000
Appropriation Act No. 3 ..	..	1,576,000	..
Advance to the Treasurer ..	1,000,000	..	..
Total Funds Available ..	10,076,000	13,890,000	16,894,000
Total Expenditure ..	10,063,991	13,889,978	13,382,619
Unexpended Available Funds ..	12,009	22	3,511,381

136. This Item provides for the payment of tuition fees, examination fees, matriculation fees, degree fees and other compulsory fees, to students awarded university scholarships. In addition, provision is made under the Item for the payment of living allowances and, in certain circumstances, for the payment of travelling allowances. Exhibit 102/12

137. Under the Commonwealth University Scholarship Scheme up to 6,000 awards are provided for students commencing courses at Australian universities each year. In addition, up to 2,000 awards are available each year for students who have completed a part of a university course. A small quota of places is provided for students beyond the age limit applicable to the awards available, for those who are about to commence, or who have commenced, a university course. Exhibit 102/12

138. The estimates of expenditure under this item for 1967-68 were based on the following assumptions: Exhibit 102/12
and Q. 325

- (a) that the Amount of \$13,890,000 appropriated for the Item in 1966-67 would be fully spent;
- (b) that the numbers in training under the scheme would be 25,000 in 1967 and 28,000 in 1968;
- (c) that from the beginning of 1968 certain changes would be introduced in relation to the living allowances payable under the scheme; and
- (d) that increases in fees at universities would operate from the beginning of 1968.

139. The expectation that the amount of \$13,890,000 appropriated for 1966-67 would be fully spent was in fact realised, but subsequent information showed that, although the full amount was advanced by the Commonwealth to the States it was not spent by the States. The agreement between the Commonwealth and the States for the administration Exhibit 102/12

of university scholarships provided that, on request from State Governments the Commonwealth would pay, by way of advances, the amount estimated to be required by each State to meet quarterly payments of fees and living allowances. In accordance with this arrangement, advances were made to the States during 1966-67, but it was not until some time after the close of the 1966-67 financial year that information was received that the New South Wales Education Department had, in fact, carried forward from the advance made to it in 1966-67 an amount of \$1,964,051, which it had applied to the fees and living allowances payable in 1967-68. This information became available when, in accordance with the agreement, a statement certified by the State Auditor-General was received which showed actual expenditure in respect of the advances made to the State during the 1966-67 financial year. We were informed that it had not been a regular practice for the State departments concerned to supply the Department of Education and Science with regular expenditure returns during the year as agreements between the Commonwealth and State governments provided that on request from a State Government the Commonwealth Government would advance such funds as the State considered necessary to administer the scheme.

Q. 329

Q. 341

140. The Treasury Observer, Mr Cowie, stated that the carrying forward to 1967-68 of \$1,964,051 of the finance made available to the New South Wales Government under this Item in 1966-67 would be regarded as unsatisfactory by the Department of the Treasury.

Exhibit 102/12
and Q. 325

141. Another factor which contributed to under-expenditure in respect of this Item in 1967-68 related to the numbers in training under the scheme. As mentioned above, it was expected that there would be 25,000 students in training under the scheme in 1967 and 28,000 in 1968. In fact, the numbers in training were 22,732 in 1967 and although final figures were not available at the time of our Inquiry, it was estimated that the number in training in 1968 was approximately 25,500.

Exhibit 102/12
and Q. 332

142. We were informed that the Commonwealth Government assumed complete responsibility for the administration of awards under the university scholarship scheme on 1 January 1968. Prior to this assumption of responsibility, statistics relating to the scheme were supplied by the State Education Departments.

Q. 332

143. The arrangement that had existed with the States provided that the Commonwealth would seek limited statistics only and that these would be provided at regular intervals during each calendar year. The census date for the statistics originally set at 30 November, was subsequently brought forward to 30 September and then to 30 June. It was said that even 30 June is not a satisfactory date on which to base estimates for the following financial year. The State departments, and the Commonwealth Department had all experienced difficulty in determining the

exact numbers in training under the scheme for the purpose of estimating expenditure because at the time of preparation of the estimates, scholarships had been offered to students who may or may not have accepted them.

144. We were informed that the number of open entrance awards had been increased from 4,000 to 5,000 in 1964, and from 5,000 to 6,000 in 1966. The number of later year awards had been increased from 1,280 to 1,530 in 1966, and from 1,530 to 2,000 in 1967. It was said that it will take approximately five or six years before the maximum numbers in training in respect of these increases become effective. Exhibit 102/12

145. The numbers of new awards formed the basic criterion for determining numbers in training under the scheme. Against this had to be balanced the number expected to complete a course during the year, or to terminate or discontinue a course for any other reason. In estimating the numbers in training in 1967, account was taken of the increased number of awards available from 1964 and from 1966 in respect of open entrance awards, and from 1966 and 1967 in respect of later year awards. Q. 335
Exhibit 102/12

146. It was said that, with the resumption by the Commonwealth of the administration of these awards, statistical information will be available more readily and should ensure greater accuracy in estimating the numbers likely to be in training. In this regard it was said that the agreement between the Commonwealth and State governments had provided for a minimum of Commonwealth interference and there had been a clear understanding that while the Commonwealth would provide the funds and in general, the rules, the State Governments would administer the scheme. Q.'s 338 to
340

147. Under the new arrangement operative from 1 January 1968, however, the Department of Education and Science is able to request statistical information whenever it is required. Q. 339

Conclusions

148. It appears to Your Committee that the shortfall in expenditure that occurred under this Item in 1967-68 arose from circumstances beyond the control of the Department and which were associated with the administration by the State Governments of the University Scholarship scheme. We note, however, that as from 1 January 1968, the Commonwealth Government assumed complete responsibility for the administration of that scheme and that under the new arrangement the Department of Education and Science will be able to obtain direct access to statistical information required in the formulation of estimates. Your Committee proposes to again examine the estimating and expenditure results achieved on this Item in connection with its inquiry into the Consolidated Revenue Fund for the year 1969-70 by which time the new arrangement will have been operative for a full financial year.

(ii) DIVISION 157/4/03: ADMINISTRATIVE—COMMONWEALTH
SCHOLARSHIP SCHEMES—COMMONWEALTH ADVANCED EDUCATION
SCHOLARSHIPS—TUITION, FEES AND ALLOWANCES

Available funds		1965-66	1966-67	1967-68
		\$	\$	\$
Appropriation Act No. 1 ..		200,000	667,000	936,000
Appropriation Act No. 3 ..		..	48,000	..
Advance to the Treasurer ..		..	..	..
Total Funds Available ..		200,000	715,000	936,000
Total Expenditure ..		198,287	660,380	754,394
Unexpended Available Funds ..		1,713	54,620	181,606

- Exhibit 102/13 149. This Item provides for up to 1,000 new awards each year for students proceeding to non-university tertiary courses. The benefits consist of payment of compulsory tuition and other fees without a means test, and a living allowance subject to a means test.
- Exhibit 102/13 150. Under this Item provision was made for expenditure of \$536,000 in respect of living allowances and \$400,000 for payment of fees. Actual expenditure amounted to \$438,523 for living allowances and \$315,871 for fees.
- Exhibit 102/13 151. The estimate in respect of fees was based on an assumed fee of \$200 per student. In reaching this figure allowance was made for increased fees at some institutions at which awards are tenable. In the event, however, the average expenditure on fees per scholar during the financial year amounted to only \$150.
- Exhibit 102/13 and Q. 347 152. When the estimates for living allowance payments for 1967-68 were being prepared, the scheme had been in operation for only one year, and there was, therefore, no accumulated data on which to base the estimate although the means test provisions of the advanced education scholarships are the same as the means test provisions of university scholarships. Information available in respect of holders of Commonwealth University scholarships indicated that the average expenditure per scholar on living allowances would be in the vicinity of \$266. In fact, the average expenditure was only \$205 per student.
- Exhibit 102/13 153. Both the average fee and living allowance paid in 1967-68 were reduced considerably because of the high proportion of students who elected to undertake their courses on a part-time basis. Information available at the time of our Inquiry indicated that some 22 per cent of students covered by the scheme elected to study on a part-time basis in 1967. Since no living allowance is payable to part-time students and, in general, a lower level of fees is payable on their behalf in each part-time year of study, the average payment per scholar proved to be lower than the 1967-68 estimate.

154. In 1966-67, the Department obtained \$667,000 in the Original Estimates and \$48,000 in the Additional Estimates for this Item but completed the year with a shortfall in expenditure of \$54,620. In regard to this result we were informed that in the original appropriation for that year an amount of \$280,000 had been provided for fees. During the course of the financial year, however, the Department was advised by the training institutions that their fees were to be increased and the information available indicated that the average increase would be about 15 per cent. The Department therefore sought the additional \$48,000 to cover this expected increase in fee payments. However, the distribution of the scholars amongst the available approved courses was such that the amount payable in respect of fees did not reach the estimated level.

Exhibit 102/13
and Q. 352

Conclusions

155. The evidence shows that the Scholarship Scheme financed under this Item is of recent origin and that the Department of Education and Science is, at this stage, heavily dependent on advice furnished by the technical education institutions concerned, in the formulation of its estimates. In these circumstances, and having regard to the estimating and expenditure results in 1966-67 and 1967-68 we believe that, until it has acquired greater experience in this area, the Department would be justified in formulating its Original Estimates for the Item on a conservative basis and in then seeking further funds in the Additional Estimates later in the financial year should such a course be indicated.

CHAPTER 7—DEPARTMENT OF EXTERNAL AFFAIRS

(i) DIVISION 165/2/15: ADMINISTRATIVE—ADMINISTRATIVE EXPENSES, POPULATION COMMISSION—AD HOC COMMITTEE PROGRAMMES ON DEMOGRAPHIC ASPECTS OF URBINISATION, SYDNEY, 1967

Available funds	1965-66	1966-67	1967-68
	\$	\$	\$
Appropriation Act No. 1	10,300
Appropriation Act No. 3
Advance to the Treasurer
Total Funds Available	10,300
Total Expenditure	2,772
Unexpended Available Funds	7,528

Exhibit 102/14
and Q. 373

156. This Item provided for administrative expenses in respect of the conference on Demographic Aspects of Urbanisation held in Sydney in August-September 1967. On 19 October 1967, the Australian Mission to the United Nations, New York, was requested to obtain an account from the Secretariat of the Population Commission of the United Nations for travel and subsistence costs for four experts, four Secretariat members and an interpreter who attended the Conference in Sydney. The account was not received in time for payment in 1967-68.

Q.'s 373 to 379

157. On receipt of the request to obtain the account the Australian mission to the United Nations made a request by telephone for the account and this was followed by a letter dated 27 October 1967. It was said that further frequent representations made by the Mission elicited a reply to the effect that the matter was receiving attention. It was indicated that the delay in the rendition of the account related to a disagreement that occurred between the Department of Economic and Social Affairs and the Controller's Office as to whether any savings in relation to their original estimate would be passed on to the Commonwealth of Australia. The matter was not resolved until the account was lodged with the Australian Mission in New York on 13 August 1968.

Q. 378

158. When asked to outline the follow-up action normally taken by the Department in respect of outstanding accounts involving overseas organisations the witness stated that should a debit arise from a department in Australia a letter is sent to the post concerned giving instructions in respect of the collection of the debt. Funds would then be allocated by the Department of External Affairs to the post for the payment of the account. It was claimed that the circumstances of the account under investigation in this Item were unusual.

Conclusions

159. Your Committee accepts the Department's explanation.

(ii) DIVISION 192/2/02: EMBASSY MEXICO—ADMINISTRATIVE
EXPENSES—OFFICE REQUISITES AND EQUIPMENT, STATIONERY AND
PRINTING

Available funds	1965-66	1966-67	1967-68
	\$	\$	\$
Appropriation Act No. 1 ..	..	2,300	5,100
Appropriation Act No. 3 ..	..	1,800	300
Advance to the Treasurer ..	668	356	..
Total Funds Available ..	668	4,456	5,400
Total Expenditure ..	668	4,455	4,429
Unexpended Available Funds ..	..	1	971

160. The Original Estimate of \$5,100 for 1967-68 was based on advice received by the Department from the Overseas Post as to its estimated requirements which comprised \$100 for office machines, \$1,400 for stationery and 3,600 for books and newspapers. Q. 382

161. We were informed that when the Additional Estimates review was conducted in January 1968, expenditure had reached a level of \$2,995 compared with pro-rata expenditure of \$2,970. As at the end of February when the Department had a final opportunity to assess its cash requirements, expenditure on the Item had reached \$4,081 compared with a pro-rata expenditure of \$3,400. On the basis of these figures it was decided to seek a further \$300 in the Additional Estimates to meet the cost of a typewriter for a newly appointed Trade Assistant to the Marketing Officer and to pay a delayed account on two typewriters ordered in March 1967 but not delivered until the 1967-68 financial year. Exhibit 102/15
and Q. 383

162. On examination it was found that excess expenditure of \$1,016 above the pro-rata level, associated with printing and advisings of the death of the late Prime Minister Mr Holt, had been charged against the Item by the Sub-Treasury, New York pending a final decision as to the allocation of the amount. A Journal entry was made in March, transferring the expenditure of \$1,016 to the incidental vote where provision had been made for the costs relating to the death of Mr Holt. Q. 384

163. In connection with the shortfall in expenditure the Departments submission states that the Post had overestimated its requirement for books and newspapers to the extent of \$854. We were informed by the witness that each Post makes an estimate of its requirements for the coming year to renew contracts for the supply of various periodicals Exhibit 102/15
Q's 397 and
398

and newspapers. As far as possible the Department checks these estimates but the witness added that the purchase of these supplies is controlled greatly by the local requirements of the Ambassador and staff as to the types of publications they consider to be particularly relevant to their Posts.

Conclusions

164. On the basis of the evidence it appears that the Embassy in Mexico took insufficient care in the formulation of its estimate for books and newspapers and we believe that the Department should examine carefully the estimates formulated by its posts for that purpose. It also appears from the evidence that when the Department conducted its final review at the end of February 1968 in anticipation of the Additional Estimates, it was aware that an amount of \$1,016 had been temporarily charged to the vote otherwise it would have been evident at that stage that an amount in excess of \$300 would have been required for the remainder of the year. If the amount of \$1,016 had been deducted from the actual expenditure of \$4,081 at the end of February, expenditure at that stage would have amounted to \$3,065 compared with pro-rata expenditure of \$3,400 and this comparison would have suggested that there was no need to seek a further \$300 in the Additional Estimates.

(iii) DIVISION 200/2/03: EMBASSY, UNION OF SOVIET SOCIALIST
REPUBLICS—ADMINISTRATIVE EXPENSES, POSTAGE, TELEGRAMS,
TELEPHONE SERVICES AND CABLEGRAMS

Available funds	1965-66	1966-67	1967-68
	\$	\$	\$
Appropriation Act No. 1 ..	10,800	6,000	6,000
Appropriation Act No. 3 ..	..	..	..
Advance to the Treasurer ..	..	..	..
Total Funds Available ..	10,800	6,000	6,000
Total Expenditure ..	3,909	2,930	2,934
Unexpended Available Funds ..	6,891	3,070	3,066

Q's 418 and
422

165. We were informed that estimates of this nature are formulated by the Overseas Posts, based on their assessment of financial needs having due regard to the load of reporting. Where fluctuations in expenditure are to be expected, as in this Item a higher estimate than that of the previous year would be supported by the Canberra Office only if the information given by the post suggested that expenditure in the previous year had been non-typical and would not be reproduced in the succeeding year.

166. An assessment of estimated requirements for this Item in 1967-68 had been made having regard to the expected volume of reporting. In the event, however, telex costs proved to be very much less than anticipated. Cable traffic did not reach the expected level and consequently telex charges were considerably reduced.

Exhibit 102/16
and Q. 418

167. We noted that while the witness claimed that the Central Office of the Department is not in a position to say whether the funds requested for an Item of this type should be reduced, the Central Office has reduced the Estimate to \$3,300 for 1968-69, in line generally with actual expenditure in the three previous years.

Conclusion

168. Your Committee recognises that Items of this nature are prone to fluctuation from year to year and that the formulation of Estimates is therefore surrounded by considerable uncertainty as to the expenditure level that will be achieved. In these circumstances we consider that the Department has a responsibility to approach the framing of estimates for Items of this type with very great caution and to make use of the Additional Estimates and the Advance to the Treasurer later in the financial year should such a course prove to be warranted.

(iv) DIVISION 207/2/04: PERMANENT MISSION TO THE UNITED NATIONS—ADMINISTRATIVE EXPENSES—RENT AND MAINTENANCE, OFFICE

Available funds	1965-66	1966-67	1967-68
	\$	\$	\$
Appropriation Act No. 1 ..	29,800	35,900	44,500
Appropriation Act No. 3 ..	..	1,000	10,800
Advance to the Treasurer ..	..	..	..
Total Funds Available ..	29,800	36,900	55,300
Total Expenditure ..	29,792	33,363	37,007
Unexpended Available Funds ..	8	3,537	18,293

169. This Item provides for rent and maintenance of the office of the Australian Mission to the United Nations.

170. We were informed that the Original Estimates for this Item provided \$28,100 for rent, \$15,650 for office maintenance and \$750 for maintenance of furniture. Of these components, it was said that rental payments are fairly stable, maintenance of furniture is a minor component but the amount of \$15,650 had accounted for the greater part of the under-expenditure on the Item. This component had included an

Q.'s 424 to 426

amount of \$12,200 for architects' fees and \$400 for engineering consultants' fees in connection with renovations and a revised lay-out of a larger office.

Q. 434

171. In regard to the amount of \$15,650 it was stated that for some years the Australian Mission to the United Nations has been seeking to solve its present inadequate accommodation problem. A difficulty that has confronted the Australian Government in this regard, however, is that a long term lease is held of the premises currently occupied and implicit in any proposal to abandon that office is the risk of financial loss to the Commonwealth. The Mission, the Department of External Affairs, the Department of the Treasury and the Public Service Board have been conducting a continuous survey in an effort to alleviate the position. At about the time when the Original Estimates were prepared the possibility existed, and was subsequently realised, of the Mission being able to secure accommodation adjacent to its office. The acquisition of such an office would mean that the Mission could extend its accommodation without the risk of any financial loss in relation to the existing tenancy. When the possibility of securing this space became a reality an architectural survey was made to assess the costs that would be involved in re-partitioning the office and combining the two offices into one. It was mainly for the purpose of re-partitioning the office that the amount of \$15,650 was provided in the Original Estimates.

Q.'s 435, 437
441 and 444

172. When the new office space became available an Assistant Director-General of the Department of Works who was in North America for another purpose, was asked to examine the matter. This officer developed a plan for the re-partitioning of the old and the new offices so as to bring them into one convenient functional office. On 21 January 1968, the Department of External Affairs received the preliminary plans from its Mission in New York, approved them in principle and requested the Mission to seek an estimate of cost of the work involved. The estimate, which was prepared by a local architect in New York, indicated that the cost of the project would amount to \$150,000. The Department of External Affairs considered this cost to be excessive and decided that certain features in the plans should be eliminated. Arising from this, discussions took place from January to March 1968 between that Department, the Department of Works and the Mission in New York and as a result the plans were modified to a point at which it was expected that a saving of between \$50,000 and \$60,000 would be achieved compared with the original cost estimate. Accordingly, the Department deferred the carrying out of any of the work for which it had obtained funds until such time as all of the work on both buildings could be undertaken concurrently.

Q.'s 434 to 437
and 445 to 454

173. We were informed that the \$10,800 sought in the Additional Estimates comprised \$271 for rental for the existing office, \$8,200 for rent for the new building and \$2,252 for supplementary air conditioning.

These funds were sought during the currency of the discussions relating to the plans that had been drawn up for both buildings and at that stage the Department believed that the additional funds would be required before the close of the financial year. In fact, however, the Mission took possession of the new premises on 1 March instead of 1 February 1968, and as a result \$2,200 of the amount obtained in the Additional Estimates remained unexpended. Of the remaining shortfall, \$14,993 arose from the deferment of the project of both buildings. \$650 from savings in normal maintenance and \$450 from maintenance of office furniture.

Conclusions

174. The evidence suggests to Your Committee that when the Original Estimates were formulated for this Item an amount of \$15,650 was included in respect of work on a building the acquisition of which was regarded by the Department as a possibility. Having regard to the availability of Additional Estimates later in the year and the fact that, when the Original Estimates were formulated the acquisition of the building was not settled, we believe that the Department was not justified in seeking that amount at that time. We also believe, from the events that followed the subsequent acquisition of the building that in considering its request for further funds in the Additional Estimates, the Department should have recognised that a strong possibility existed of the project either being deferred or, if not deferred, of not reaching a sufficiently advanced stage in the remaining months of the financial year for the \$15,650 already provided to be expended.

(v) DIVISION 214/2/02: HIGH COMMISSION, INDIA—ADMINISTRATIVE EXPENSES—OFFICE REQUISITES AND EQUIPMENT, STATIONERY AND PRINTING

Available funds		1965-66	1966-67	1967-68
		\$	\$	\$
Appropriation Act No. 1	..	4,700	5,900	9,200
Appropriation Act No. 3	..	300	2,500	800
Advance to the Treasurer	..	507	..	..
Total Funds Available	..	5,507	8,400	10,000
Total Expenditure	..	5,507	5,360	8,585
Unexpended Available Funds	..	..	3,040	1,415

175. This Item provides for the purchase of stationery and office requisites at the Australian High Commission in New Delhi and the Deputy High Commission in Bombay. The Original Estimate of \$9,200 provided \$1,200 for office machines, \$4,500 for stationery, and \$3,500 for books and periodicals.

Exhibit 102/18
and Q. 455

Exhibit 102/18 176. Of the total appropriation of \$10,000 for this Item, \$2,000 was in respect of office machines of which \$1,979 was spent; \$4,500 for stationery of which \$3,354 was spent; and \$3,500 for books and newspapers of which \$3,252 was spent, leaving a shortfall of \$1,415.

Q.'s 458 to 467 177. A further \$800 was provided under the Additional Estimates to meet outstanding accounts from 1966-67 for the supply of a shredding machine and typewriter to the High Commissioner, New Delhi, and a calculator for the office of the Deputy High Commissioner, Bombay. The fact that these items had not been paid for in 1966-67 was not known in time for their inclusion in the estimates for 1967-68. Although orders were placed early in 1967, delivery was delayed and accounts not presented until after the close of the 1966-67 financial year. The calculating machine ordered on 18 April 1967 was delivered on 21 August of that year. The typewriters were ordered on 3 May 1967 and paid for on 1 June 1968. At the time of our inquiry the account for the calculator had not been presented.

Q.'s 468 and 469 178. When the Additional Estimates review was undertaken at the end of February 1968, expenditure on the Item amounted to \$5,401 and it was considered that an Additional Appropriation of \$800 was justified. However, the witness admitted that the Department had over-estimated its requirement for the Item.

Q. 470 179. In relation to the shortfall in expenditure, the Department's submission stated that the Posts in India had over-estimated their requirements for stationery by \$1,146 and books and newspapers by \$248. In this regard the witness conceded that the estimates had been poorly formulated.

Conclusions

180. It appears from the evidence that the original estimate for this Item was formulated by the Department on the basis of inadequate information supplied by the Posts in India in relation to a shredding machine and typewriter for use by the High Commissioner, New Delhi, and a calculator for use in the office of the Deputy High Commissioner in Bombay. At the same time, however, the Posts had over-estimated their requirements for stationery, books and newspapers by approximately \$1,400. We believe that the Posts should have exercised greater care in the formulation of their Estimates and that the Department should examine with them the basis on which such estimates are made.

(vi) ITEM 231/2/08: CONSULATE-GENERAL, NEW YORK—
ADMINISTRATIVE EXPENSES—FURNITURE AND FITTINGS

Available funds	1965-66	1966-67	1967-68
	\$	\$	\$
Appropriation Act No. 1 ..	2,400	5,000	4,600
Appropriation Act No. 3 ..	200	2,800	86,600
Advance to the Treasurer ..	1,325	..	..
Total Funds Available ..	3,925	7,800	91,200
Total Expenditure ..	3,925	7,083	77,503
Unexpended Available Funds ..	..	717	13,697

181. The Department's submission stated that the shortfall of \$13,697 in expenditure was caused through delays in the supply of items for the furnishing of the Consul-General's Residence at Beekman Place and the consequent withholding of Commission payable to the Interior Decorator. The witness informed us, however, that in fact, the amount of \$13,697 comprised \$12,177 arising from non-delivery and non-payment of Commission and \$1,500 due to savings that had been achieved.

Exhibit 102/19
and Q. 477

182. It was stated that the amount of \$86,600 included in the Additional Estimates had been sought as a result of a decision taken by Ministers, but without Cabinet consultation, that it would be desirable to obtain a somewhat more commodious residence for the Consul-General in New York and the amount provided was to enable the new residence to be furnished.

Q.'s 475 and
494

183. In regard to the shortfall that occurred on the Item we were informed that the withholding of Commission from the Interior Decorator was attributable to her failure to submit to the Consul-General the documentation which would be necessary to justify the payments, notwithstanding that the Department had made strenuous efforts to obtain the relevant documents.

Q. 485

184. In view of the paucity of information included by the Department in its submission and our interest in the acquisition of the property as well as its furnishing we requested the witness to submit further information relating to the circumstances of this project. The information tendered subsequently is set out below.

Q.'s 478, 488
and 491

Acquisition of the Apartment

185. When the Australian Consulate-General was established in New York in 1945 a residence at 1060 Fifth Avenue was leased at a rental of \$US500 per month. Later an apartment in the same building was purchased as a residence for the Consul-General. The apartment, which was said to be quite modest in size, was obtained by the usual method of acquisition of units, namely the purchase of shares in a holding corporation. A payment of \$7,898 was made and annual amortisation

Q.'s 478, 488,
491 and
Committee
File 1967/8

instalments are paid. As Australian interests in the United States grew with the passage of time, the apartment became too small for the Consul-General's representational requirements. Following discussions which the Consul-General had in the latter part of 1966 with the Treasurer and the Minister for External Affairs, it was agreed by Ministers that a new residence should be acquired for the Consul-General in New York with possibilities for entertainment on the scale which is expected in New York including guest facilities. The Consul-General inspected several residences and referred details of them to Canberra.

186. Apart from the premises at 1 Beekman Place, which were eventually purchased, very serious consideration was given to two other proposals. A house at 20 East 64th Street was offered at a price of \$US385,000 but its layout was not considered appropriate for the representational responsibilities of the Consul-General and departments recommended against its acquisition. An apartment at 4 East 66th Street (on the corner of Fifth Avenue and in the same block of apartments as the British Representative at the United Nations) was offered at \$US290,000 but it was suggested that the apartment might be obtained at a cost of \$US270,000. The owners were said to have refused offers of up to \$260,000 for this apartment. A valuation was sought from the Chase Manhattan Bank which valued the apartment at \$US150,000. In view of the disparity between the valuation and the price sought, departments did not recommend purchase. Shortly afterwards the apartment was sold for \$US270,000.

17. On 23 February 1967 a recommendation was made by an inter-departmental Committee consisting of representatives of the Department of the Treasury, the Department of Works and the Department of External Affairs, that a senior architect from the Department of Works should be sent to New York to assist the Consul-General in his search. Ministers approved the recommendation. In the course of his inquiries the senior architect consulted the principals of three leading real estate firms in New York and the Vice-President in charge of real estate and property matters for the Morgan Guaranty Trust Company (the bankers who are the fiscal agents for the Commonwealth in New York). Subsequently he contacted a further three real estate brokers. No apartment then available on the market could be found which met requirements in all particulars without some alteration. The senior architect narrowed his search to six apartments which appeared to provide accommodation close to the Department's requirements and after inspecting each of these he recommended the purchase of an apartment at 1 Beekman Place. This apartment which for some thirty years, had been the home of two ladies, lacked superficial maintenance and required redecoration throughout. In addition some structural alterations were necessary to bring the accommodation more closely into harmony with the representational needs stipulated by the Department.

188. The price sought for the apartment was \$US225,000. The apartment was valued by Morgan Guaranty Trust Company, for the Commonwealth at between \$US175,000 and \$US200,000. The senior architect recommended modification and renovations totalling \$US61,770 (\$A55,439). With the agreement of the Department of the Treasury a recommendation was made to the Minister for External Affairs that approval be given for the purchase of the apartment at a price not exceeding \$US200,000 (\$A179,590). The agents of the premises declined to give an option to purchase, indicating that another prospective buyer was extremely interested and said that an offer of \$US180,000 was too low. An offer of \$US200,000 was made and accepted. An amount of \$A179,600 for the purchase was provided in additional estimates for 1966/67 and expended in full. On 8 May 1967, the Consul-General reported that within two days of settling the deal another interested buyer offered \$US240,000 (\$A215,000) to the vendors. The apartment at 1060 Fifth Avenue is now being used as a residence by the Minister in the Australian Mission to the United Nations.

Renovation and Furnishing of the Apartment

189. While in New York, the senior architect discussed with the superintendent of the apartment buildings comprising 1 Beekman Place, the alterations and renovation that would be needed to adapt the new apartment to the representational needs of the Consul-General and the best way of bringing them about. He recommended renovations and alterations the first estimates for which he put at \$A55,439. Quotations for renovations and alterations were sought from a firm (Major Builders) whose name was given by the management of 1 Beekman Place and from an interior decorator, whose quotation for renovations and alterations was lower. The senior architect also discussed with the managing agents of 1 Beekman Place the question of furnishing the residence. The interior decorator was also recommended by the managing agents to carry out the furnishing of the residence. She had carried out the interior decoration and furnishing of a number of large apartments in New York including several at the United Nations Plaza. Her furnishing work had been inspected by the senior architect who was impressed by her quiet, good taste and by her approach to the problems involved. While in New York, he explained in detail to her the renovations and structural modifications he was proposing and provided her with furnishing schedules in order that she would be fully aware of the range and extent of furniture and furnishings provided for official residences.

Q.'s 478, 488,
491 and
Committee
File 1968/7

190. For renovations and alterations, the interior decorator was paid a commission of 5 per cent of the total work cost based on written quotations received by her from various sub-contractors. For this fee, she was responsible for the arrangement, execution and supervision of

all work through various sub-contractors. Included in the fee of 5 per cent was the provision of an architect to supervise the work and to give periodical certifications for payments to be made. The amount of the contract was \$US61,481 (\$A55,400) of which \$US2,938 (\$A2,635) represented the interior decorator's Commission. The fees of the architect were also met from the Commission. For furnishings, the interior decorator was commissioned on the basis of a list of net prices of individual items constituting a plan of furnishing and fittings which she submitted. The plan provided details of discounts which business firms would allow in respect of each item and which the interior decorator would pass on to the Commonwealth. Her fees as a decorator were derived by way of a commission, fixed in some instances (smaller items) at 10 per cent and in others (e.g. furniture) at 5 per cent on the net price of articles, depending on the nature of the articles being supplied. Her furnishing plan was submitted to Canberra and approved by the Department of External Affairs and the Department of the Treasury. A ceiling amount was placed on items of furniture, savings to accrue to the Commonwealth. The maximum total was \$US86,000 (\$A78,000) including maximum commission of US\$6,350.

191. For the alterations and renovations contract, funds were provided in the Additional Estimates for 1967-68 as follows:

<i>Division</i>	<i>Appropriation</i>	<i>Expenditure</i>
910/108	\$55,400	\$55,400

For the furnishing contract, funds were provided in additional estimates for 1967-68 as follows:

<i>Division</i>	<i>Appropriation</i>	<i>Expenditure</i>
231/2/08	\$78,000	\$64,565

192. In its supplementary submission the department qualified the answer given by the witness during the hearing in relation to the purpose for which the amount of \$86,000 had been sought in the Additional Estimates for Item 231/2/08. Whereas we had been informed that \$86,000 was required for furnishing of the residence it stated that the amount required for furnishing was \$78,000 which co-incided with the equivalent of \$US86,000 and that the Additional Estimates for the Item in fact comprised the following:

	<i>Appropriation</i>	<i>Expenditure</i>
	\$	\$
Furnishing of Consul-General's residence	78,000	64,565
Consulate Office furniture	2,600	2,599
Australian News and Information Bureau furniture	595	595
Visa and Passport furniture	5,405	5,144
	<hr/> 86,600	<hr/> 72,903

Conclusions

193. Your Committee is disturbed by the lack of information tendered by the Department in its original submission on this Item and the imprecise nature of the information that it contained. Whereas that submission attributed the shortfall of \$13,697 expenditure to the withholding of commission payable to the interior decorator, the witness informed us that \$12,177 was, in fact, attributable to that cause and the remaining \$1,500 due to savings that had been achieved. No information was contained in the Department's original submission to explain the purpose of the \$86,000 included in the Additional Estimates. While this was stated by the witness to have been required for furnishing for a new residence for the Consul-General in New York, the supplementary submission tendered by the Department indicated that \$78,000 had been required for this purpose, \$5,405 had been required for visa and passport furniture, \$2,600 for consulate office furniture and \$595 for Australian News and Information Bureau furniture.

194. In the circumstances Your Committee regards the Department's original submission and the evidence tendered orally by the witness as inadequate and would invite attention to memorandum 66/411 issued by the Secretary of the Public Service Board to all Permanent Heads on 18 January 1966. The memorandum contained the following advice:

The importance of thorough briefing of witnesses and the accuracy of departmental written submissions cannot be overestimated. It is in the interests of each Department and the Service generally, that the evidence tendered to the Public Accounts Committee is of the highest quality. It would therefore be appreciated if this Circular could be brought to the attention of those officers in your Department who are likely to be concerned with the preparation of material for the Committee, or who may be required to appear in person at future public hearings of the Committee.

195. We note from the supplementary submission tendered by the Department, that for furnishings, the interior decorator was commissioned on the basis of a list of net prices of individual items constituting a plan of furnishing and fittings that she submitted. Her fees as a decorator were derived by way of a commission fixed in some instances at 10 per cent and in others at 5 per cent on the net price of articles depending on the nature of the articles to be supplied. Your Committee is disturbed by the basis of this arrangement which, by its nature, would tend to favour the purchase of higher priced furnishings. Indeed we would question whether lower prices for the same furnishings might not have been achieved had the Consulate-General sought to obtain them direct from the trades concerned.

(vii) DIVISION 238/2/03: OTHER REPRESENTATION ABROAD.
ADMINISTRATIVE EXPENSES. REPRESENTATION IN LONDON.

Available funds	1965-66	1966-67	1967-68
	\$	\$	\$
Appropriation Act No. 1 ..	2,800	3,200	4,200
Appropriation Act No. 3 ..	..	1,000	200
Advance to the Treasurer ..	364	..	..
Total Funds Available ..	3,164	4,200	4,400
Total Expenditure ..	3,164	3,532	3,749
Unexpended Available Funds ..	..	668	651

Exhibit 102/20
and Q. 498

196. We were informed that the London office had requested a further allocation of \$200 in the Additional Estimates to cover rises that had occurred in the prices of various British publications. When the Additional Estimates review was conducted at the end of February 1968, actual expenditure on the Item was found to have exceeded the pro-rata expenditure by \$171 and the Department therefore concluded that the extra \$200 would be required.

Q's 499 to 504

197. During the final two months of the financial year and particularly during the final month, expenditure on the Item declined substantially. The witness informed us that initially it appeared that the Post had overestimated its requirements but when, subsequent to 30 June, the Department sought an explanation for the shortfall, it discovered that accounts for \$592 had not been paid as the Post had expended its total allocation and had not sought further funds to enable the accounts to be paid. The accounts had been held over for payment in 1968-69.

Conclusions

198. It is difficult to understand why the Post concerned withheld from payment accounts to a value of \$592 in the belief that it had exhausted its allocation of funds if it had been informed that a further \$200 had been provided for the Item in the Additional Estimates. In any case we believe that, had the funds for this Item been exhausted, the Post should have sought additional funds from the Advance to the Treasurer to enable the accounts to be paid.

CHAPTER 8—DEPARTMENT OF EXTERNAL TERRITORIES

(i) DIVISION 955/1/01: CAPITAL WORKS AND SERVICES—ACQUISITION OF SITES AND BUILDINGS—DEPARTMENT OF CIVIL AVIATION

Available funds	1965-66	1966-67	1967-68
	\$	\$	\$
Appropriation Act No. 2 ..	16,400	15,000	87,000
Appropriation Act No. 4 ..	..	..	..
Advance to the Treasurer ..	..	..	..
Total Funds Available ..	16,400	15,000	87,000
Total Expenditure ..	..	..	44,570
Unexpended Available Funds ..	16,400	15,000	42,430

199. This Item provides for acquisitions in the external territories on behalf of the Department of Civil Aviation. Details of the location and value of the main components of the Original Estimate for this Item in 1967-68 are given in Table No. 4.

TABLE No. 4: DEPARTMENT OF EXTERNAL TERRITORIES
ITEM 955/1/01 ORIGINAL APPROPRIATION 1967-68

Exhibit 102/21
and Q. 516

Location						Value
						\$
Cocos Island .. .. .	..	..	..	..	..	19,920
Madang .. .. .	..	..	..	..	..	36,000
Wewak .. .. .	..	..	..	..	..	14,400
Goroka .. .. .	..	..	..	..	..	14,600
Port Moresby .. .. .	..	..	..	..	..	1,900
Total .. .. .	..	..	..	..	..	86,820

Source: Department of External Territories.

Goroka

200. A proposal for the acquisition of land for the extension of a building area at Goroka was included in the 1965-66 acquisitions programme and funds for the acquisition have been provided in each financial year since that time. Survey plans were completed in August 1966, and an instruction for final valuation was issued by the Papua and New Guinea Administration on 1 September 1966. Completion of the transaction was delayed during 1966-67, however, by the death of an owner of the land. The Administrator advised the Department of External Territories in January 1967 that final valuations were complete, negotiations had commenced, and that it was possible that the acquisition could be completed in 1966-67. The acquisition was not completed in 1966-67 but because of the advice received provision was

Exhibit 102/21
and Q's 517 and
536

Exhibit 102/21 made for it in the 1967-68 estimates. Agreement was not reached, however, in respect of the price sought by the lessee and the Administration valuation.

Q.'s 519 and 521 201. We questioned the witness on the purposes for which the lease was required by the Department of Civil Aviation and were informed that initially the Department required the site to enable trees to be lopped so that an unobstructed view could be obtained of the approach to the air strip from the control tower. At that stage the Department was prepared for the owners to remain in occupation of the land for some time afterwards. When problems arose in relation to the price for the land, agreement was reached for the trees to be lopped and this removed the urgency for the acquisition of the site although the Department of Civil Aviation desires to acquire the site ultimately.

Wewak

Exhibit 102/21 202. A shortfall of \$14,000 in expenditure occurred in respect of the purchase of a house for the Department of Civil Aviation from the Attorney-General's Department. The transfer of the property was completed in 1967-68.

Exhibit 102/21 and Q. 523 203. Provision for the expenditure of \$14,000 for this transfer was made following a request from the Department of Civil Aviation for it to be included in the acquisitions programme for 1967-68 and in accordance with Treasury Circular 1965/G/23 which provides that 'it is necessary to include every transfer of land and buildings in the acquisitions programme and for the price of such transfers to be appropriated in votes under the control of the Department of (External Territories).' On 17 April 1968, the Department of the Treasury advised the Department of External Territories that it had no objection to the transfer of this house on a 'no cost' basis.

Q. 524 204. The Treasury Observer, Mr Cowie, informed us that under the terms of Treasury Circular 1965/G/23 there is a cash transfer in accordance with every property transfer. He stated that following the Committee's recommendations in respect of inter-departmental payments the matter had been under investigation when the present case came under notice and had reached the stage where the Department of the Treasury was on the verge of considering whether the procedure should be reversed and a procedure adopted whereby a book entry without any financial transaction between the two departments should be adopted. In the expectation that there would be a change in the practice with regard to transfers the departments were advised by the Department of the Treasury that this particular transfer should be made without adjustment. In the consideration of the matter of inter-departmental payments, however, some complications became evident and the principle expressed in Treasury Circular 1965/G/23 had not been changed.

Madang

205. Provision was made in the Original Estimates for \$36,000 for the purchase of three houses from the Papua and New Guinea Administration for the Department of Civil Aviation. The witness representing the Department of External Territories stated that a request, without any conditions attached, for the houses to be included in the acquisitions programme was received from the Department of Civil Aviation on 8 June 1967. As the houses were available provision for them was made in the acquisitions programme. The Treasury Observer, Mr Cowie, indicated that by consultation and negotiation with the Department of the Treasury, it is possible, as late as 8 June to have a request included in the Original Estimates.

Exhibit 102/21
and Q's 526 to
529 and 531 to
532

206. The witness representing the Department of Civil Aviation informed us that his Department's housing requirements in Madang were known much earlier than 8 June. The Department had approached the Papua and New Guinea Administration for sites on which to build four houses. The Department had been advised, however, that while sites were not available at that stage it was expected that they would become available ultimately. A further approach to the Administration in late May 1967, elicited the reply that while sites were still not available three houses could be made available to the Department. It was said that because of the date of this advice there was no opportunity to inspect the houses but that it was assumed that the houses would meet the Department's requirements. The Department of External Territories was therefore requested to arrange the acquisition.

Q. 530

207. In discussions held with the Department of the Treasury in June the Department of Civil Aviation advised that should the houses be acquired, three houses could be deleted from the current works programme. The Department of the Treasury agreed to this proposal. The houses were inspected subsequent to the approval of the acquisitions programme when it was found that they were of a standard different from that required by the Department of Civil Aviation. These standards are set by the Inter-departmental Housing Committee.

Q's 530, 533
and 534

208. A request was then made to the Department of the Treasury for the deletion of the item from the acquisition programme. The witness indicated that the reply received from that Department indicated that a substitution should be made against it if possible. At the time there was a need for funds for the Cocos Island proposal, which was on the approved acquisitions programme. The witness representing the Department of Civil Aviation expressed the view that his Department was at fault in not inspecting the houses before a request was made to the Department of the Treasury for the inclusion of funds in the Original Estimates.

Q's 530 and 535

Conclusions

209. It appears to Your Committee that while the delay in the acquisition of the property at Goroka arose from circumstances beyond the control of the Department of External Territories, the question of acquisition need not have arisen had the Department of Civil Aviation entered into an arrangement for the lopping of the trees at the outset. Had such an arrangement been made, funds amounting to \$14,400 for the acquisition of the property need not have been sought in three successive years, 1965-66 to 1967-68.

210. It also appears clear from the evidence that the decision to permit the transfer of ownership of the property at Wewak without an inter-departmental transfer of cost was made by the Department of the Treasury in anticipation of an amendment to Treasury Circular 1965/G/23. Notwithstanding Your Committee's views in relation to inter-departmental payments we think that in the circumstances outlined by the Treasury Observer the requirements of that circular should have been implemented.

211. Your Committee is greatly disturbed by the fact that the Department of Civil Aviation sought to acquire three houses at Madang without carrying out the elementary task of inspecting the premises and did not discover until funds had been committed for their purchase that the houses were not of the required standard.

(ii) DIVISION 955/2: CAPITAL WORKS AND SERVICES—BUILDINGS, WORKS, PLANT AND EQUIPMENT—CHRISTMAS ISLAND (RECOVERABLE FROM CHRISTMAS ISLAND PHOSPHATE COMMISSION)

Available funds		1965-66	1966-67	1967-68
		\$	\$	\$
Appropriation Act No. 2 ..		107,880	78,000	70,000
Appropriation Act No. 4 ..		..	..	..
Advance to the Treasurer ..		..	..	..
Total Funds Available ..		107,880	78,000	70,000
Total Expenditure ..		52,405	47,976	27,267
Unexpended Available Funds ..		55,475	30,024	42,733

212. This Item provides for the construction of new works and purchases of plant and equipment for the Christmas Island Administration.

Exhibit 102/22 213. Capital works and services are undertaken at Christmas Island by the British Phosphate Commission for the Administration. The estimate is prepared each year at Christmas Island in consultation with the Island Manager of the Commission who indicates the work that the Commission expects to be able to complete in the financial year.

214. During our Inquiry into the Consolidated Revenue Fund, 1966-67 in the examination of the then Item 863/1/01 we were informed that a change had been made in the rather liberal approach to the Christmas Island Estimates that had prevailed in previous years. Accordingly we asked the witness representing the Department of External Territories to comment on this approach to the Christmas Island estimates with respect to Item 955/2. He informed us that it is not very practicable for the Department to make any independent assessment of the Commission's estimates in that it has no professional staff at Christmas Island to assess the estimates given by the Commission whose advice must be accepted. It was said that the problems associated with the Christmas Island Estimates had been explained to the Commissioners who endeavoured to supply the Department with reliable estimates.

P.P. 31 of 1968
and Q's 541
and 542

215. We were informed that the Head Office of the Commission had confirmed advice given by its Island Manager that building work to the value of \$50,000, the amount included in the Original Estimate for this purpose, should be completed in 1967-68. An amount of \$31,500 was also included in the Original Estimate for the construction of two houses for the Asian teaching staff and \$4,600 for the construction of concrete tennis courts at the Asian Primary School. Due to its own heavy works programmes, however, the Commission was unable to commence these projects during the financial year 1967-68.

Exhibit 102/22

216. The witness representing the Department of External Territories had discussed the non-commencement of these works projects in 1967-68 with the production manager of the Commission who explained that the reason for the delay had arisen from the Commission's own large expansion programme which, at the time of our Inquiry was nearing completion, and also because 1967-68 was a year of high phosphate production.

Q. 543

217. An amount of \$6,500 for the construction of a sports shed and shelter at the Asian Primary School had also been included in the Original Estimates. The Commission was able to commence this work late in 1967-68 but did not extract costs incurred during the year in time for payment before 30 June. The witness representing the Department of External Territories indicated that his Department had to accept this situation as being beyond its control. He said that the Administration at Christmas Island would have negotiated with the manager at Christmas Island to have the work commenced and completed as early as practicable.

Exhibit 102/22
and Q's 544
and 545

218. The witness informed us that an Administrator had recently been appointed at Christmas Island to replace the official representative and that his supporting staff had been strengthened. He hoped that this stronger administrative arrangement on Christmas Island would produce beneficial changes in the future.

Q. 546

Conclusions

219. Your Committee examined this Item during its Inquiry into the Consolidated Revenue Fund, 1966-67. At that stage the relevant Item number was 989/01. Arising from that examination we noted that shortfalls in expenditure under the Item had amounted to about 37 per cent of the Original Appropriation in 1964-65, 51 per cent in 1965-66 and 38 per cent in 1966-67. Based on these results and the evidence taken we expressed the hope that in the future the Department would apply the same degree of scrutiny to estimates put forward for inclusion under the Item as it would apply to other Items under its direct administrative control and that, where reasonable uncertainty exists as to the expenditure which might occur, would make greater use of the Additional Estimates and, if necessary, the Advance to the Treasurer.

220. In 1967-68 the shortfall in expenditure amounted to about 61 per cent of the Original Appropriation. It appears that the heavy work programme maintained by the British Phosphate Commission at Christmas Island has been the principal factor impeding the work programme of the Administration there. We note that the Commission's work programme is nearing completion and that the Administration at the Island has been strengthened. We trust that these factors will result in a marked improvement in the position in 1968-69. Should this not prove to be the case, however, we believe that the Department would be justified, in the circumstances of past years, in applying its own administrative judgment to the question of the funds that are likely to be spent, when formulating the Original Estimate for the Item and then seeking further funds in the Additional Estimates should the circumstances warrant at that stage.

CHAPTER 9—DEPARTMENT OF THE INTERIOR

(i) DIVISION 321/2/07: NEWS AND INFORMATION BUREAU— ADMINISTRATIVE EXPENSES—FILM PRODUCTION

Available funds	1965-66	1966-67	1967-68
	\$	\$	\$
Appropriation Act No. 1 ..	180,000	215,000	224,000
Appropriation Act No. 3 ..	9,000	60,000	7,600
Advance to the Treasurer ..	..	..	..
Total Funds Available ..	189,000	275,000	231,600
Total Expenditure ..	186,890	274,033	222,871
Unexpended Available Funds ..	2,110	967	8,729

221. This Item provides for the cost of production of films used by the Bureau in connection with overseas publicity.

222. The witness representing the Commonwealth Film Unit stated that when the Additional Estimate review for this Item was undertaken a target was being adhered to for the Unit's programme of film production. The Additional Appropriation of \$7,600 consisted of \$1,800 to cover emergency repairs to the Film Division's rectifier at its Lindfield studios, and \$5,800 for the production of a film on the memorial service for the late Prime Minister, Mr Harold Holt. It was said that the whole of the amount obtained in the Additional Estimates had been spent in accordance with the purposes for which it had been sought.

Exhibit 102/23
and Q. 616

223. We were informed that allocations amounting to \$14,519 were made during the year to three Sub-Treasuries located in overseas countries in respect of expenditure on film production. Of this amount \$5,922 was spent leaving a shortfall of \$8,597. Of this shortfall, \$3,543 occurred in London and \$500 in Rome in respect of the production of a film on Australian Sculpture. Negotiations in respect of the contract for the production of the film commenced on 25 November 1967, and a company was commissioned in London in February 1968, to film the sequences in late April and early May. The sequences were filmed between 6 and 9 May and the material was delivered to Australia House, London, on 27 June. The delay that occurred between 9 May and 27 June was said to have arisen from several causes but mainly from difficulties experienced in the company's laboratories and a complete re-organisation of the company that occurred at that time. In the case of the associated work in Rome, the Bureau wrote to the Commercial Counsellor concerned on 4 January 1968, indicating its requirements and providing the appropriate funds. A sculptress was commissioned for work in the film in January 1968, and departed from Australia in February. Although she was expected to return to Australia in May she did not complete her work until 25 June and did not return to Australia until mid-July.

Exhibit 102/23

Exhibit 102/23
and Q's 618 to
621

Exhibit 102/23
and Q. 622

224. It was stated that production of a film for the Department of the Navy involving locations in London, Paris and Geneva was delayed because of civil disturbances in Paris and unsuitable weather in London. Because of this, accounts amounting to \$1,442 were not received until July and August 1968, and therefore could not be passed for payment before the close of the financial year.

Exhibit 102/23

225. During the financial year 1966-67 an order was received in London to cover estimated expenditure of \$8,325 in Britain of which some \$5,381 was spent. The balance of the order, \$2,944 was carried forward for expenditure in 1967-68 and following an urgent request from London in October 1967, funds for this purpose were provided. Following a further urgent request from London in January 1968, an additional allocation of \$3,268 was provided. Due to a misunderstanding that occurred in Canberra, however, it was not realised that this second allocation duplicated the provision of \$2,944 already made. In regard to this matter the witness representing the Department of the Interior informed us that in September 1967, a request for funds was received from London to pay for orders placed in the previous financial year. In the absence of any knowledge in the Canberra Office of details of costing under which the funds could be made available or of total outstanding liabilities, a cabled request was made for details of outstanding commitments so that control of funds could be maintained. A reply to this cable was not received and on 18 October 1967, a letter was despatched in which attention was drawn to the cable and a further request for the information was made.

Q. 624

Q. 624

226. A cable from London on 17 October requested an additional appropriation and overseas funds advice to meet liabilities until the end of November. A memorandum from London dated 4 November referred to the cable request for funds, to the letter from the Canberra Office, and again requested funds. It appeared to the Canberra Office at that time that there may have been some misunderstanding, and since there was an urgent need for the funds a cable was sent to the effect that an authority could be anticipated. An appropriate warrant was subsequently issued.

Q's 624 and 628

227. On 8 January 1968, a request was received from London for the urgent issue of an appropriation and overseas funds advice for estimated expenditure to 31 March. In the first warrant that had been issued a sum of \$2,944 was included. In the second request, however, a paragraph of the cable was misinterpreted and the \$2,944 was included again in the second warrant issued. The duplication was not discovered until investigations were made as to the reasons for the shortfall in expenditure against the Item.

Q's 631 to 633

228. It was said that when this error occurred the finance section of the Department was experiencing staffing difficulties and that the error was related to the presence in the section of an inexperienced officer

and to the international communications involved. The witness stated that in an endeavour to eliminate the recurrence of this type of error the relevant procedures in both the Department of the Interior and the News and Information Film Division area will require examination in order to achieve a more suitable and direct control.

Conclusions

229. Your Committee accepts the Department's explanation with the exception of the misunderstanding that apparently occurred in relation to the extra payment of \$2,944. It appears, on the evidence that some confusion occurred both in London and Canberra in regard to this matter. We would endorse the view expressed by the witness that the relevant procedures in the Department of the Interior and the News and Information Film Division require examination with a view to achieving a more suitable and direct form of control of expenditure than evidently exists under present arrangements.

(ii) ITEM 753/02: METEOROLOGICAL SERVICES (DEPARTMENT OF AIR)—PROPORTION OF ADMINISTRATIVE EXPENSES PROVIDED UNDER THE DEPARTMENT OF THE INTERIOR

Available funds	1965-66	1966-67	1967-68
	\$	\$	\$
Appropriation Act No. 1 ..	414,000	458,000	246,000
Appropriation Act No. 3 ..	8,800	8,000	5,600
Advance to the Treasurer ..	..	..	..
Total Funds Available ..	422,800	466,000	251,600
Total Expenditure ..	413,797	459,771	244,251
Unexpended Available Funds ..	9,003	6,229	7,349

Figures for 1965-66 and 1966-67 are for Division 753.

Figures for 1967-68 and for Item 02 only of Division 753.

230. This Item provides the funds for the Department of Air's contribution towards Administrative Expenses provided under the Department of the Interior—Bureau of Meteorology Division 319.

231. We were informed that the original estimate of \$246,000 was based on a formula of five per cent of the estimate for salaries (Item 319/1) and of administrative expenses (Item 319/2). The figure of five 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 sixteen per cent for salaries and fifteen per cent for administration. Q's 602 and 603

232. In regard to the shortfall in expenditure of \$7,349 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

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.

233. 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 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.

234. 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

Exhibit 102/24

Exhibit 102/24
and Q's 605 to
609

Exhibit 102/24
and Q's 610 to
613
P.P. No. 31 of
1968.

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 inter-departmental 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

235. It appears to Your Committee from the evidence that while the Bureau had issued to all 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.

236. 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 or 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.

P.P. No. 87 of
1961

(iii) DIVISION 955/5/02: CAPITAL WORKS AND SERVICES—ADVANCES
AND LOANS—N.T. LOANS TO CHURCH ORGANISATIONS FOR THE
ERECTION OF RESIDENTIAL ACCOMMODATION

Available funds	1965-66	1966-67	1967-68
	\$	\$	\$
Appropriation Act No. 2 ..	300,000	200,000	200,000
Appropriation Act No. 4 ..	..	..	..
Advance to the Treasurer ..	..	..	..
Total Funds Available ..	300,000	200,000	200,000
Total Expenditure ..	105,849	186,010	164,237
Unexpended Available Funds ..	194,151	13,990	35,763

237. The Item provides for loans to be made to approved organisations to finance the erection of hostels for school children. The loans which are for a period of 60 years at one per cent interest provide for the establishment and furnishing of institutions for:

- the care and education of children up to the age of 11 years;
- children of post-primary age attending post-primary schools;
- young apprentices and young working people; and
- young persons attending educational institutions in the main centres from areas where education services are not available to them.

Exhibit 102/25
and Q. 692

238. Four Church Organisations submitted proposals for an expected total cash expenditure of \$561,729 in 1967-68 but in view of past experience of Church Organisations proceeding slowly in these matters a notional amount of \$200,000 was appropriated on the basis of the four proposals shown in Table No. 5.

TABLE No. 5: DEPARTMENT OF THE INTERIOR
ITEM No. 955/5/02: ESTIMATED AND ACTUAL EXPENDITURE—1967-68

Item	Cash amount requested by organisation for 1967-68	Notional amount estimated as actual requirement 1967-68	Actual expenditure 1967-68
	\$	\$	\$
Methodist Church of Australia—Completion of Cottage Homes, Darwin (Ministerial approval 31.12.65) ..	153,783	118,928	114,749
The Daughters of Our Lady of the Sacred Heart—Girls Residential College Hostel, Darwin (Ministerial approval 2.2.66) ..	200,000	56,072	Nil
Baptist Union of Australia—Hostel for Young Working People (Ministerial approval 21.10.65) ..	176,946	25,000	15,056
Synod of Diocese of Carpentaria—Extensions to Carpentaria College (Ministerial approval 20.6.67) (On 2.4.68 Minister approved increase from \$31,000 to \$35,000) ..	31,000	Nil	34,432
	561,729	200,000	164,237

Source: Department of the Interior.

239. With respect to the girls residential college hostel in Darwin, an application for the proposal was first made by the Sydney based Order in March 1965. Subsequent to lengthy negotiations between the Northern Territory Administration and the Order, including an examination of the proposal by the Department of Works, acting as consultant to the Administration, a loan of \$224,000 for the project was approved. In October 1966, the Order had more sketch plans and some brief specifications prepared by its consultant which were submitted to the Administration. The revised plan was again submitted to the Department of Works and a further approach was made to the Minister in April 1967, to increase the original approval from \$224,000 to \$387,200. In May 1967, a request was made to the order for a working plan of the proposal. This was supplied by its consultant architect late in the same month. The application for the proposal has, however, been withdrawn.

Exhibit 102/25
and Q. 695

240. As noted in Table No. 5 \$176,946 was requested for the hostel for young working people being erected for the Baptist Union of Australia and a notional amount of \$25,000 was provided in the Estimates. It was said that some delay had occurred in the Department of External Territories in relation to the approval of the funds. In spite of this, however, it is the opinion of the Northern Territory Administration that had tenders for the project not been as high as they were and had the lowest tender not proved to be unacceptable to the Baptist Union, more progress would have been made. In the event, however, the plans were adjusted and another tender accepted in time for \$15,000 to be spent on the project in 1967-68.

Exhibit 102/25,
and Q. 696

241. The shortfall in expenditure on the Item was offset partly by payments to the Synod of Diocese of Carpentaria of \$34,432 in excess of the notional Estimate.

Exhibit 102/25

242. When questioned in relation to the basis of formulation of the Original Estimate for this Item and the advantages to be derived from the use of the Additional Estimates the witness representing the Northern Territory Administration informed us that when the votes were reviewed in February 1968, and also when the Additional Estimates review was made, the Administration had informed the Department of the Interior that a shortfall of \$50,000 would occur on this Item arising from the slow progress that the Church authorities were making. The shortfall on the Item was, in fact, used, through the Additional Estimates, to provide funds for expenditure under another Item subject to the condition imposed by the Department of the Treasury that the saving of \$50,000 would in fact be achieved on Item 955/5/02. The Treasury Observer, Mr Monaghan, informed us that the application of such a stricture is not normal practice but the position has arisen elsewhere, where a total provision has been approved and if a need arises on one Item, the Department concerned is required to achieve savings elsewhere.

Q's 698 to 704

Conclusions

243. Your Committee notes that in the case of this Item the Administration sought an amount of \$200,000 for inclusion in the Original Estimates compared with an amount of \$561,729 which represented the expected total cash expenditure on the Item in 1967-68. In relation to the actual expenditure of \$186,010 that occurred in the previous year, and having regard to the uncertainties that surround projects put forward by voluntary organisations we do not consider that the provision of \$200,000 was unreasonable. The evidence also shows that in each case where a shortfall occurred, the circumstances were beyond the control of the Administration.

244. While Your Committee recognises the global financing arrangements that have applied to the defence group of departments for some years, we are somewhat concerned at the suggestion that similar principles apply in the case of the Northern Territory Administration and at the stricture placed by the Department of the Treasury on the permitted expenditure level under this Item. In this regard we note that while no provision was made within the level of \$200,000 for expenditure by the Synod of the Diocese of Carpentaria in 1967-68 an amount of \$34,432 was, in fact, expended for extensions to the Synod's college. It appears to Your Committee that had the need for this expenditure arisen at a later stage in the financial year, it might have been necessary for the assistance accorded to the Synod to be deferred until 1968-69 in view of the stricture imposed by the Department of the Treasury on the level of expenditure permitted under the Item.

(iv) DIVISION 981/1/01: CAPITAL WORKS AND SERVICES— ACQUISITION OF SITES AND BUILDINGS—SOUND BROADCASTING TRANSMISSION

Available funds	1965-66	1966-67	1967-68
	\$	\$	\$
Appropriation Act No. 2 ..	12,000	2,000	10,800
Appropriation Act No. 4 ..	1,900	..	..
Advance to the Treasurer ..	..	886	..
Total Funds Available ..	13,900	2,886	10,800
Total Expenditure ..	13,276	2,886	1,312
Unexpended Available Funds ..	624	..	9,488

245. This Item provides for the acquisition of sites and buildings for use in sound broadcasting transmission.

Exhibit 102/26
and Q. 641

246. The estimate for this Item is based on information provided by the State Offices of the Department of the Interior, the estimate for 1967-68 comprising \$8,000 in respect of Western Australia and \$2,800 in

respect of South Australia. The shortfall of \$9,488 in expenditure comprised \$7,920 in respect of the Western Australian acquisition, and \$1,568 in respect of that in South Australia.

Western Australia

247. The site required by the Department in Western Australia comprised approximately 30 acres adjoining the Radio-Telephone Transmitting Station located at Port Hedland. A formal written approach for the land was first made to the Department of Lands, Western Australia, in February 1967, while that Department indicated that the land could be made available, no indication could be given as to the likely cost of the land.

Exhibit 102/26-
and Q's 657
and 658

248. Advice which was sought from the Valuation Section of the Taxation Branch in February-March 1967, regarding the likely cost of the land suggested a figure of \$8,000, which was then used for programming purposes. On 11 October 1967, however, the Western Australian State Lands Department advised the Department of the Interior that the land requested could be made available to the Commonwealth Government for \$10. We were informed that while in some instances land has been transferred between the Commonwealth and the Western Australian Governments at nominal figures, the usual arrangement is for a transfer to be made at market value.

Exhibit 102/26-
and Q's 657
to 663

Q. 663

249. Early in 1968 the State Lands Department arranged for a survey of the land to be undertaken and on 10 June 1968, the Department of the Interior was advised that the total cost of the transfer including the survey was \$80. Settlement of the transfer was effected on 28 June 1968.

Exhibit 102/26-
and Q. 665

Naracoorte—South Australia

250. We were informed that the actual location of the area required by the Postmaster-General's Department had not been advised to the Department of the Interior until 26 June 1967, although it was known previously that the land required was in the vicinity of Naracoorte. Land values in that area were known to vary according to the carrying capacity of the land and the Chief Property Officer for South Australia expected that a suitable site could be obtained in the area within an estimated cost of \$2,800.

Exhibit 102/26-
and Q's 643
and 644

251. The Postmaster-General's Department selected a site in the Naracoorte area during June 1967, when the Crown lessee indicated his willingness to relinquish his interest in the land. Final negotiations, however, could not be completed until the programme had been approved and the item achieved programme status. The price of \$1,232 sought by the lessee and the State of South Australia was confirmed by the Federal Taxation Office as being reasonable. We were informed

Exhibit 102/26-
and Q. 652

Q. 655 and
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subsequently that in a letter dated 16 June 1967, the Postmaster-General's Department had requested the Department of the Treasury to include the Naracoorte proposal in the draft programme for 1967-68. On 29 June the Department of the Interior advised the Department of the Treasury that a site had been selected and that it could arrange settlement in 1967-68. It was on this understanding that the item had been included in the draft acquisitions programme submitted to Cabinet.

Conclusions

252. Your Committee accepts the Department's explanation in relation to the acquisition of land at Port Hedland in Western Australia. In the case of the acquisition at Naracoorte in South Australia, however, we recognise that a valuation figure would have been required to enable the item to acquire programme status and that such status would have been necessary to enable the negotiations for the acquisition of the site to be completed. However, it is clear that the actual cost of the site and hence the funds required for its acquisition could not be assessed until the negotiations for purchase had reached their final stages. In these circumstances we consider that the Department would have been justified in withholding its request for funds for this purchase for inclusion at a later stage in the Additional Estimates.

(v) DIVISION 982/1/01: CAPITAL WORKS AND SERVICES—ACQUISITION OF SITES AND BUILDINGS—SOUND BROADCASTING STUDIOS

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

253. This Item provided funds to meet the cost of acquiring three houses for the Australian Broadcasting Commission.

Exhibit 102/27
and Q. 673

254. The Item was under the control of the former Department of Territories until March 1968, when certain Northern Territory functions, including acquisitions under the Lands Acquisition Act, became the responsibility of the Department of the Interior.

Exhibit 102/27
Q's 672, 680
and 683

255. We were informed that on 24 April 1967, the Minister approved the sale of three houses to the Australian Broadcasting Commission and on 25 July 1967, he approved of the grants of the three leases 813, 1523 and 3283 for these houses. Late in July 1967, the Northern

Territory Administration wrote to the A.B.C. setting out the lease conditions and forwarding other details connected with the acquisition. The A.B.C. forwarded the property requisition to the Northern Territory Administration under cover of a letter dated 12 December 1967 and addressed to the Director, Department of Territories, Darwin.

Q's 672, 680
and 683

256. The requisition, which had been forwarded to Darwin in error, was an unfamiliar document so far as the Northern Territory Administration was concerned and was placed by an unidentified junior officer on an Administration Lands Branch file relating to the transfer of leases as opposed to the acquisition of residences where it became obscured by papers and subsequently to the file.

Exhibit 102/27
and Q. 681

257. As the Department of the Interior had taken over from the Department of Territories the responsibility for the acquisition involving the amount of \$31,000 on this Item we questioned the witness as to the reasons why the failure to complete the transaction had not become apparent to the Department of the Interior in Canberra. The witness expressed the view that had the Department of Territories not been separated in March 1968, the problem would not have occurred. On the separation, new staff had taken over the administration of transferred matters. The description of the Item relates to sound broadcasting studios whereas in fact the acquisition related to three residences. In preparing a check list of acquisition items in May 1968 the item was overlooked by the Department of the Interior. While the witness admitted that the Item should not have been overlooked during that check he stated that difficulties had arisen in accumulating papers from the old Department of Territories which had maintained all of its acquisitions for all Territories for each particular department or authority on one file. It proved necessary to obtain files from the new Department of External Territories when they could be made available and to take photo-copies of the relevant papers. From these, the Department of the Interior constructed its own files. In this process the Item relating to the acquisitions by the A.B.C. was not entered on the Department's check list. The witness added, however, that had the requisition been sent to the Department's Central Office in Canberra, as is normal practice, the Department would have acted appropriately and the shortfall in expenditure on the Item would not have occurred.

Q's 679 and
680

258. The document that had been incorrectly filed in the Lands Branch in Darwin was not located until a search was made following queries raised in July 1968, by the Central Office of the Department of the Interior.

Exhibit 102/27

Conclusions

259. It appears to Your Committee that the Australian Broadcasting Commission should have forwarded its requisition for the houses concerned to the Department of Territories in Canberra and not to the

Northern Territory Administration in Darwin. The obvious error of address shown on the letter that accompanied the requisition and the unfamiliar nature of that document should have alerted the Northern Territory Administration to the strong possibility that it had been misdirected and we consider that the Administration should either have returned the requisition to the A.B.C. or forwarded it to the Department of Territories in Canberra which at that stage was the responsible Department. The requisition for acquisition of property should not have been permitted to rest without further action on a file and we are surprised that the A.B.C. evidently did not press for action on the matter in the later months of the financial year. Finally, we are disturbed by the difficulties that apparently confronted the Department of the Interior in establishing files relating to the Northern Territory when it assumed functions that had been carried out previously by the Department of Territories. We believe that the new Department of External Territories should have offered every possible facility to the Department of the Interior during the period of the transition and in particular should have ensured that it obtained a full and clear understanding of the circumstances connected with each of the items in the estimates for which it would in future be responsible.

CHAPTER 10—DEPARTMENT OF THE NAVY

ITEM 681: MACHINERY AND PLANT FOR NAVAL DOCKYARDS AND ESTABLISHMENTS

Available funds	1965-66	1966-67	1967-68
	\$	\$	\$
Appropriation Act No. 1 ..	2,594,000	2,067,000	2,312,000
Appropriation Act No. 3 ..	..	126,000	85,000
Advance to the Treasurer ..	..	..	..
Total Available Funds ..	2,594,000	2,193,000	2,397,000
Total Expenditure ..	1,326,318	2,107,802	1,889,672
Unexpended Available Funds ..	1,267,682	85,198	497,328

260. This Item covers the purchase of machinery and plant, both new and replacement items, machine tools, and motor vehicles for use in Naval Dockyards and Establishments.

261. In regard to the formulation of estimates for this Item we were informed that each of the goods acquired are subject to rigid controls both at the point of use and at the headquarters of the Navy Office. Each administrative authority is required to investigate all requirements for these pieces of equipment and is required to make a report to the Naval Board including priorities for acquisition. The reports concerned are examined by a departmental Machinery and Plant Programming Committee at the Navy Office after which a firm priority list is passed to the Naval Board for approval and endorsement. This list becomes the formal programme for implementation which, when related to deliveries coming forward from the previous year and an assessment of the elements of the new programme that can be expected to be delivered and paid for in the forthcoming financial year, forms the basis of the estimate. Q's 794 to 796

262. Subsequent to the preparation of the Original Estimate an urgent requirement arose for extra workshop, office and classroom accommodation at Garden Island and Williamstown Dockyards and at H.M.A.S. *Waterhen*, Sydney, and H.M.A.S. *Cresswell*, Jervis Bay. Due to the urgency of the matter agreement was reached between the Department of Works and the Department of the Navy that the latter department should acquire the buildings from its own funds. The estimated cost of these buildings was \$125,000 but this requirement was partly offset by savings arising mainly from devaluation of sterling, and as a result \$85,000 was sought in the Additional Estimates. Exhibit 102/28
and Q's 761
and 762

263. We were informed that when the Additional Estimates were prepared there was no indication that target dates set for the delivery of and payment for other machinery and plant items would not be met. Exhibit 102/28

However, a number of lags in deliveries subsequently occurred which contributed to a shortfall of \$507,328 in expenditure. The main factors that contributed to the shortfall are set out in Table No. 6.

TABLE No. 6
ITEM 681: SHORTFALLS IN EXPENDITURE
(1967-68)

Item	Shortfall
	\$
Motor vehicles	171,000
Generator load resistance units	80,000
Plate bending machines	70,000
Generator sets	36,000
Switchboards	28,000
Aircraft arrester gear	12,000
Bandsaw	8,000
Other net lags in deliveries and claims	51,000
Loss of capacity due to industrial disputes and priority variations	35,000
Net reduction in costs on orders	6,000
Total	497,000

Source: Department of the Navy.

(a) Motor Vehicles

264. In regard to the shortfall on motor vehicles we were informed that when, in May 1967, the Department sought the agreement of the Department of the Treasury to its programme in relation to vehicles, that Department questioned the merits of the Department of the Navy purchasing the vehicles compared with operating on a hire basis and the question was also raised as to the positive need for some of the individual items of motor transport. These had to be referred back for investigation by the appropriate administrative authority within the Department of the Navy. Approval to the programme was not obtained from the Department of the Treasury until November 1967. The Department of the Navy placed its orders for vehicles on the Department of Supply in November and December 1967, and at that stage it was confidently expected that deliveries would be achieved and payment made within the financial year, particularly as the majority of the vehicles were of conventional types. However, some contractual arrangements took longer to complete than had been anticipated. The witness instanced the fact that portion of the Navy requirements were displaced on the priority line due to requirements of greater urgency by the Department of the Army for the same type of vehicles for Vietnam and aid to Malaysia also affected Navy's deliveries. Moreover, a difficulty was encountered with a contractor who was introducing a new model and a departure occurred in production technique. It was found that there was no longer a basic model available, every individual

vehicle being offered with numerous options. Hence there was not available a stockpile of vehicles to release, particularly to Government customers, and almost every order was treated as one for a custom built vehicle. A delay also occurred in the delivery of bus chassis from Britain due to the London dock strike that occurred about November 1967. The witness stated that during the period of the strike the manufacturer concerned foresaw the difficulties he would experience in stock-piling chassis in a limited area and he therefore ceased production for export. The chassis in fact arrived subsequent to the close of the year and, at the time of our Inquiry, some cases of components necessary to assemble or re-assemble them into complete units had not reached Australia.

(b) *Generator Load Resistance Units*

265. It was stated that orders for eight of these units were placed on 4 October 1966, for delivery on 2 June 1967. However, at the time of our Inquiry (September 1968) the prototype which was required to be produced by the contractor for approval prior to entering the production run had not been approved. It was explained that the technical staffs of the Department of Supply and the Department of the Navy had been in close consultation with the contractor for some time. The witness thought that the technical reason underlying the delay in approval of the prototype was that a particular component that the contractor had proposed to use in his original design and which had become the accepted design became unavailable and an item of inferior quality had been substituted by the contractor. The negotiations had included the question of an extension of the warranty or guarantee period by the contractor from two to five years. The extension of the period was acceptable to the Department of Supply and had been accepted verbally by the contractor but, at the time of our Inquiry, had not been committed to writing. The extension of the guarantee in written form would release quickly the prototype and the remaining seven units.

Exhibit 102/28
and Q's 768 to
771

(c) *Plate Bending Machines*

266. A plate bending machine had been planned for delivery in 1967-68 but it was stated that contractual arrangements were delayed due to the finalisation of technical details. Tenders for this purchase were under consideration when our Inquiry took place. A further machine was ordered for delivery on 17 June 1968, but the contractor failed to meet the delivery date. In regard to this equipment we were informed that on 19 July 1966, the Department of Supply was requested to invite tenders for a plate bending and straightening machine. Tenders were received by the Department of the Navy on 22 November 1966. As the machine was required for use at the Cockatoo Island Dockyard, Sydney, the offers were referred to that Dockyard for its investigation as to suitability

Exhibit 102/28
and Q. 772

regarding the functional requirements that it had to meet. Prior to this the Department of the Navy had engaged a consultant group to investigate existing facilities at the Dockyard both as to current and future naval requirements associated with the refitting of the new types of submarines that are coming into service. Among the investigations being carried out by the consultant group was a complete review of the plant in the Dockyard. In its preliminary report to the Dockyard, the consultant group suggested that instead of one machine of a dual purpose nature being provided, two machines, one for bending and one for straightening plate, should be provided. This information was conveyed by the Dockyard to the Department of the Navy in reply to the Department's request in relation to the offers it had received. The Dockyard recommended that the Department should cancel the existing procurement action and invite tenders on the basis of two machines. The technical authorities of the Navy Office agreed with this action and at that stage the Department requested the Dockyard to produce specifications for the unit. The Dockyard, however, followed the recommendation of the consultant group by suggesting a single proprietary article to meet only one requirement. As this involved restricted tendering it was unacceptable to the Department of the Navy and the Department of Supply. The Department of the Navy insisted on obtaining specifications for the machine. The firm that the consultants had recommended, however, went into receivership and as the receiver is not prepared to accept an order for this type of equipment the Department will now be forced to consider another tender at a higher price. At the time of our Inquiry the necessary recommendation had been passed to the Department of Supply and the order was in the process of being issued. Delivery is expected to be completed and paid for in 1968-69.

(d) *Generator Sets*

Exhibit 102/28
and Q's 782
and 783

267. The procurement demand for these sets was forwarded to the Department of Supply on 16 June 1967, and on 20 November 1967, the contract acceptance and purchase orders were placed on a local firm on the basis of delivery in March 1968. In December 1967, the Department of Supply was informed that these items were especially urgent and was asked to seek an earlier delivery date from the contractor. In February 1968, the contractor advised that the contracted delivery would be made and that, at that time 50 per cent of the total quantity was, in fact on seaboard on the east coast of the United States of America awaiting shipment to Australia and that the remainder would be shipped from February production. However, the items were received in Australia in a single consignment in August 1968, and in a damaged condition. We were informed that, at the time of our Inquiry, the generators, which are not irreparably damaged, were held by the local contractor for rectification prior to delivery.

(e) *Switchboards*

268. It was stated that the procurement demand for this equipment was forwarded to the Department of Supply in May 1967. A tender was received by the Department of the Navy in August 1967, but was found to be unsatisfactory in that it offered certain equipment that had not been sought by the specification. A revised tender was received in October 1967, and, being satisfactory to the Department of the Navy was recommended to the Department of Supply for acceptance. As there had been an increase in price over the cost paid for similar units purchased previously from the same contractor, however, the Department of Supply conducted an investigation to justify the increase in cost prior to issuing the order on 28 March 1968. At that stage delivery was expected in June but, when our Inquiry was conducted delivery was not expected until November 1968. In regard to this shippage it was explained that one of the major components, the circuit breaker, is of American origin and the sub-contractor concerned in that country had fallen into arrears in delivery by a further twenty weeks.

Exhibit 102/28
and Q's 784
and 785

(f) *Aircraft Arrester Gear*

269. The order for this equipment, valued at \$237,628, was placed on 23 February 1967, delivery being due on 31 May 1967. In November 1967, the contractor advised the Department of the Navy that the final instalment of the order valued at \$12,000 was in the process of being cleared through the Department of Customs and Excise. However, the consignment was not delivered. The Department took the matter up with the contractor in February 1968, and it transpired that the packages had been lost in transit either from a failure to load them at the port of export or from delivery at an incorrect port. As the contractor was responsible for the importation he accepted in March 1968, that the packages were lost and re-ordered the consignment. This was not delivered, however, until July 1968.

Exhibit 102/28
and Q's 786 to
788

(g) *Bandsaw*

270. We were informed that due to a delay in making the contract the order for this item was not placed until 3 January 1968. The witness stated that six months elapsed between the date of the initial inquiry concerning the purchase of the bandsaw and the issue of the purchase order. He admitted that this was an unduly long period for a relatively simple item of equipment of Australian origin. Delivery was effected on 28 June 1968, and payment was made in the first week of July.

Exhibit 102/28
and Q. 790

(f) *Industrial Disputes*

271. The Department's submission stated that there had been a deferment of a number of small jobs at Garden Island Dockyard for the manufacture and installation of miscellaneous equipment due to the pressure of high priority tasks and the loss of capacity due to industrial disputes. One witness informed us that there had been a series of

Exhibit 102/28
and Q's 791 to
793

industrial disputes at the Dockyard that had affected the operations of the production shops at the yard and consequently had cost \$35,000 involving 223 separate orders. Another witness, however, stated that the shortfall is due also to a large extent to priority work associated with the refit of H.M.A.S. *Melbourne* and certain tradesmen involved being required on that ship.

Conclusions

272. It appears to Your Committee that the shortfall in expenditure on this Item was caused mainly by failures in deliveries and other factors which could not reasonably have been foreseen when provision was made for them in the Original Estimates and which could not be foreseen when the Department sought a further \$85,000 in the Additional Estimates to meet the cost of buildings that were urgently required. Your Committee finds that the shortfalls arising from the acquisition of motor vehicles, generator sets and switchboards and from industrial disputes were beyond the control of the Department.

273. In the case of generator load resistance units, however, we note that while the order for the units was placed in October 1966, for delivery in June 1967, the prototype which was required to be produced by the Contractor for approval prior to entering the production run, had not been approved in September 1968. Although the reasons for this lay with the contractor we believe that, in the circumstances, the Department sought the funds for this contract prematurely.

274. With regard to the plate bending machines we believe that the requirements of the Garden Island Dockyard should have been established prior to the calling of tenders. In any case the requirements of the Dockyard were dependent on the Report of a consultant group which had been appointed by the Department to inquire into the current and future requirements of the Dockyard. The circumstances of this matter, as set out in the evidence, appear to Your Committee to suggest a lack of adequate co-ordination.

275. In the case of aircraft arrester gear the evidence shows that while the Department understood, in November 1967, that the goods were in the process of clearance through Customs it was not until the following February that concern was shown regarding their non-delivery. It appears that had the Department pursued the matter of non-delivery at an earlier stage, the loss of the goods in transit would have been discovered sooner and the reconsignment might have been made in time for payment in 1967-68.

276. The circumstances relating to the purchase of the bandsaw and the admission of the witness indicate that an undue delay occurred in the placing of the order with the result that the equipment was not acquired in time for payment to be effected in 1967-68. Your Committee trusts that the Department will take adequate action to ensure that, subject to proper care, orders for equipment are placed promptly.

CHAPTER 11—POSTMASTER-GENERAL'S DEPARTMENT

(1.) ITEM 820/3/02—ADMINISTRATIVE—STORES AND MATERIAL— OTHER GENERAL STORES

Available funds	1965-66	1966-67	1967-68
	\$	\$	\$
Appropriation Act No. 1 ..	3,530,000	4,466,000	3,447,000
Appropriation Act No. 3 ..	..	..	20,000
Advance to the Treasurer ..	..	..	..
Total Funds Available ..	3,530,000	4,466,000	3,467,000
Total Expenditure ..	3,433,221	4,109,937	2,980,929
Unexpended Available Funds ..	96,779	356,063	486,071

277. Expenditure under this Item comprises payments for letter and newspaper receivers and boxes, private box units, stamp printing machines, automatic vending machines, mail handling equipment, stores handling equipment, cafeteria equipment in Departmental food service establishments, amenities in Departmental buildings, miscellaneous equipment, mail bags and other mail equipment and minor building material.

278. We were informed that the Department had planned to commence the manufacture of a prototype facer cancelling machine for use in mail exchanges and an amount of \$90,000 was included in the Original Estimates for this purpose. Preliminary planning work on this project was delayed with the result that a contract for manufacture of the machine was not placed until late in the financial year and no expenditure was incurred in 1967-68. It was also stated that due to the need to effect modifications to letter coding and decoding equipment installed in the Sydney Mail Exchange to ensure efficient operation, final specifications and drawings for similar equipment for the Brisbane Mail Exchange could not be completed. Consequently, \$120,000 provided for the Brisbane equipment was not expended. The Department expected however, that a contract would be placed for this equipment by December 1968. Exhibit 102/29

279. In regard to the mail handling plant the witness stated that the Department had embarked on a project that was very new, the equipment having been developed in Australia by Post Office engineers and the company concerned, Telephone Electrical Industries. It was said that the development of the equipment is a continuing process and even in September 1968, when our Inquiry was held, it could not be said that the equipment had reached a final form although at that stage it was operating satisfactorily in the Redfern Mail Exchange. The witness added that the extension of the equipment to other areas will require Q's 801 to 808

different considerations, depending on the relative loads of letter, parcel, and other types of mail. To that extent it will require further development in relation to specific locations.

Exhibit 102/29
and Q's 809
and 810

280. We were also informed that the proposed extension of closed circuit television observation facilities for the Sydney and Melbourne Mail Exchanges at an estimated cost of \$80,000 had been deferred in October or November 1967, pending increased experience with existing installations and to allow for a revision of installation and equipment specifications. It was claimed that when the Original Estimates were prepared the Department had expected to extend this facility at the Redfern Mail Exchange and to the Melbourne Mail Exchange. In September 1968, however, the Department was still experiencing difficulty in developing a completely satisfactory system and had not proceeded with the contract.

Exhibit 102/29
and Q's 811 to
813

281. It was stated that the Department has a standing contract with the Commonwealth Clothing Factory for the supply of mail bags. In September 1967, it became apparent that difficulties would arise due to delays in the delivery of flax canvas from overseas suppliers to the Clothing Factory. Notwithstanding pressure that the Department maintained on the Clothing Factory, deliveries of mail bags came forward in smaller quantities than had been expected and a shortfall in expenditure of \$91,000 occurred.

Exhibit 102/29
and Q. 814

282. A further shortfall in expenditure of \$20,000 arose from the non-delivery of fluorescent tapes from overseas due to an inability on the part of the manufacturer to meet the Department's test requirements. We were informed that these tapes, which form an essential part of the coding process in Sydney, had proved troublesome from the outset. Considerable difficulty had been experienced in obtaining a satisfactory type of tape from overseas and the Department had found it necessary to develop an article in its own research laboratories to suit the required standard.

Exhibit 102/29
and Q. 815

283. The Department informed us that under the new business financial arrangements for the Post Office, it is currently exploring avenues to achieve greater economies in procedures and processes. One such matter under examination had been the possibility of having money collected for security and other reasons, by contract armoured payroll type services. For that reason the Department had deferred commitments on coin counting machines pending investigations into the overall arrangements for handling cash collections from public telephones in metropolitan areas. The shortfall in expenditure arising from this deferment amounted to \$20,000.

Exhibit 102/29
and Q. 816

284. It was stated that part of the problem experienced in bringing the Redfern Mail Exchange into full operation arose from the fact that it required to be tested under full load for an extended period. Various

industrial difficulties interrupted this programme, however, which meant that the Department could not conduct final tests of the equipment and man it fully. Arising from this it had not proved possible to transfer staff from the G.P.O. Sydney to the Redfern Mail Exchange and as a result it became impossible to re-arrange the facilities, at the G.P.O. Sydney, particularly mechanised sorting equipment for postmen in the city area. The shortfall in expenditure arising from this chain of related events was said to have amounted to \$30,000.

285. The remaining shortfall of about \$35,000 in expenditure under the Item was said to have arisen from failures in delivery of minor items of general stores such as food services and welfare equipment, office cleaning requisites, minor building materials and stores handling plant. Exhibit 102/29

286. In view of the estimating and expenditure experience on this Item over each of the three years 1965-66 to 1967-68 we examined the witness on the general approach to estimating adopted by the Department. We were informed that similar types of equipment have been involved in the expenditure shortfalls that occurred in these three years. The items concerned are of a capital nature and due to the voting system under which the Department has operated until the end of 1967-68, the amounts concerned were transferred out to the capital works and services votes. We were informed that it has been the Government's policy over that period to determine a total investment level for the Department's capital and to leave to the Department, in collaboration with the Department of the Treasury, the distribution of these total amounts over various items. The Department accepts, at the time when this distribution is made that events will occur and that priorities will alter throughout the year which will make it necessary to divert activity from one area to another. The witness could not give an assurance that a particular contract will be placed or that a contract is in existence when the estimate is made. Part of the continuing build-up of the design and estimate for the equipment occurs over a very lengthy period and in most cases the Department can only accept the assurance of the technical people concerned that the commitment will eventuate. Some of these may not mature but others advance ahead of expectations, a situation which requires re-arrangement throughout the year. Q's 817 and 818

Conclusions

287. Your Committee accepts that the shortfalls that occurred in expenditure in respect of mail bag deliveries and industrial difficulties that occurred in connection with the Redfern Mail Exchange were beyond the control of the Department.

288. While we appreciate the nature of the problem confronting the Department on an Item of this nature it appears from the evidence and the estimating and expenditure results achieved that funds were sought prematurely in the Original Estimates for the other items of equipment

on which specific evidence was taken. For example, \$90,000 was sought for the production of a prototype facer cancelling machine but delays that occurred in the preliminary planning work impeded the placement of a contract. In the case of the letter coding and decoding equipment for which \$120,000 had been provided in the Original Estimate, it became necessary to effect modifications and as a result expenditure planned for Brisbane could not proceed. Again, \$80,000 had been provided for the extension of closed circuit television observation facilities for the Sydney and Melbourne Mail Exchanges but this work was deferred pending increased experience with existing installations. In the case of the fluorescent tapes for which \$20,000 had been provided, difficulties had been experienced from the outset. Finally, \$20,000 was sought for expenditure on coin counting machines but this commitment was deferred pending investigations into the overall arrangements for handling cash collections from public telephones.

289. Your Committee believes that where a department knows from experience that difficulties are very likely to arise in implementing programmes and where, over a period of years it is apparent that actual expenditure is tending to fall below the Original Estimates to a marked degree as occurred in the case of this Item, the Department would be justified in formulating its Original Estimates on a more conservative basis and making greater use of the Additional Estimates later in the financial year, should the circumstances warrant.

(ii) ITEM 820/5/02: ADMINISTRATIVE—ENGINEERING SERVICES
(OTHER THAN CAPITAL WORKS AND SERVICES)—TELEGRAPH SERVICES

Available funds		1965-66	1966-67	1967-68
		\$	\$	\$
Appropriation Act No. 1 ..		946,000	1,090,000	1,275,000
Appropriation Act No. 3 ..		35,000	16,000	31,000
Advance to the Treasurer ..		46,000	..	..
Total Funds Available ..		1,027,000	1,106,000	1,306,000
Total Expenditure ..		995,107	1,071,972	1,256,223
Unexpended Available Funds ..		31,893	34,028	49,777

290. This Item provides for the cost of maintaining telegraph services, including the correction of faults, restoration of services following storm, bush fire or flood damage, modifications to equipment and the replacement of worn or obsolete plant where the charge is not of a capital nature.

291. We were informed that this Item is part of a composite sub-division—sub-division 5—which covers the maintenance of all of the Department's plant and equipment. The Original Estimate of \$1,275,000 had

been formulated having regard to the expected disposal of staff on the maintenance of telephone or telegraph facilities. When the Additional Estimates review was undertaken, the Department took into account expenditure of \$724,000 that had occurred to the end of December 1967. This represented expenditure at a rate of about \$121,000 per month, which, had it continued, would have involved expenditure of about \$1,400,000 for the year. The analysis of expenditure revealed that unexpected replacement of equipment had occurred early in the financial year. While such replacements were not expected to recur to the same extent in the remainder of the year it was expected that a certain fault pattern would continue. On the basis of the considerations at that time the Department re-assessed its expenditure requirement for the year at \$1,306,000 and accordingly sought \$31,000 in the Additional Estimates. The witness stated that for some unknown reason expenditure over the remaining months of the year dropped off to average less than \$89,000 per month compared with \$121,000 per month for the first six months of the year.

Exhibit 102/30
and Q. 828

292. The Department's submission stated that equipment purchased from overseas suppliers was received too late in the financial year to be issued prior to 30 June 1968, and accordingly expenditure was lower than anticipated. As the equipment concerned was said to arrive in a continual stream, the witness was unable to furnish details of the equipment that had failed to arrive in adequate time. He assured us, however, that while the Department must rely on the contractor for advice of shipments, its supply organisation follows up closely with suppliers, the matter of deliveries.

Exhibit 102/30
and Q's 829 to
836

293. The witness informed us that the formulation of estimates under this Item is very difficult and the Department accepts that there must always be a margin of error in estimating, particularly when a composite staff of 30,000 or 40,000 technical officers is involved and whose activities can be diverted from one area to another due to a breakdown of plant.

Q. 837

Conclusions

294. Your Committee has noted the estimating and expenditure experience on this Item over the years 1965-66 to 1967-68 inclusive. In each of those years the Department had recourse to both the Original and Additional Estimates and in 1965-66 had recourse also to the Advance to the Treasurer. In each of those years, however, a shortfall occurred in expenditure and in 1966-67 and 1967-68 this exceeded by a substantial margin the amounts sought in the Additional Estimates. In these circumstances and having regard to the evidence tendered, Your Committee considers that the Department could, with advantage, examine critically the basis on which the estimates for this Item are formulated.

295. Your Committee would also invite attention to the paucity of information tendered by the Department in its submission and we would emphasise that explanatory statements that are deficient in basic information will continue to attract our attention in public inquiry. In this regard we would refer the Department to Memorandum 66/411 of 18 January 1966, circulated by the Secretary of the Public Service Board to all Permanent Heads. Although that circular arose mainly from factual inaccuracies in departmental submissions it lays emphasis on the need for such submissions to maintain a high level of quality. The memorandum contained the following advice:

The importance of thorough briefing of witnesses and the accuracy of departmental written submissions cannot be overestimated. It is in the interests of each Department and the Service generally, that the evidence tendered to the Public Accounts Committee is of the highest quality. It would therefore be appreciated if this Circular could be brought to the attention of those officers in your Department who are likely to be concerned with the preparation of material for the Committee, or who may be required to appear in person at future public hearings of the Committee.

(iii) ITEM 842/07: TECHNICAL AND OTHER SERVICES—SOUND BROADCASTING AND TELEVISION—EXPENDITURE UNDER THE WIRELESS TELEGRAPHY ACT

Available funds		1965-66	1966-67	1967-68
		\$	\$	\$
Appropriation Act No. 1	..	524,000	722,000	942,000
Appropriation Act No. 3	..	..	35,000	7,200
Advance to the Treasurer	..	..	..	..
Total Funds Available	..	524,000	757,000	949,200
Total Expenditure	..	472,884	734,659	916,847
Unexpended Available Funds	..	51,116	22,341	32,353

296. This Item covers direct and overhead costs associated with the licensing and supervision of radio-communications services under the Wireless Telegraphy Act. These services include mobile police, fire brigade, taxi and radio-telephone facilities.

Exhibit 102/31

297. The Department's submission stated that the under-expenditure on this Item was due mainly to the non-delivery of technical equipment ordered for supply in 1967-68, particularly equipment ordered as replacement for equipment destroyed in the radio-monitoring station during the Tasmanian bushfires in February 1967.

Q. 838

298. In regard to this matter the witness informed us that the equipment concerned is of a highly specialised nature and is almost wholly imported. Tenders were invited before 30 June and in spite of assurances relating to delivery the equipment did not arrive. On an

examination of the history of estimating and expenditure on the Item the witness agreed that the Department might have been somewhat optimistic in expecting the delivery of the equipment.

299. As no explanation was tendered in the Department's submission concerning the need for extra funds in the Additional Estimates, we questioned the witness on the expenditure position of the Item when the Additional Estimates review was made. Although he did not have the information available he assured us that the review conducted in December 1967, indicated that the extra funds would be required, Q. 839 largely for awards arising from a margins adjustment.

300. We also questioned the witness on the shortfalls that had occurred in expenditure in the years 1965-66 and 1966-67. We were informed that \$19,000 of the shortfall that occurred in 1965-66 arose from an inability to staff created positions with appropriately qualified personnel. The remaining \$32,000 comprised \$20,000 for material not delivered prior to 30 June 1966, \$5,000 related to purchases that had been deferred because suitable equipment was not available and \$7,000 Q. 840 related to material that the Department was able to secure at prices lower than had been expected. He explained that the pattern in 1966-67 was similar to that which occurred in 1965-66, \$16,000 of the shortfall relating to equipment which did not arrive and the remainder of the shortfall being due to savings on labour.

Conclusions

301. It appears to Your Committee on the evidence tendered and the admission of the witness that the Department could, with advantage, examine closely the basis on which it formulates its requests for funds on this Item. We would again invite attention to the lack of adequate detail supplied by the Department in its submission and our remarks made in that regard in connection with Item 820/5/02.

CHAPTER 12—PRIME MINISTER'S DEPARTMENT

(i) ITEM 400/3/12: ADMINISTRATIVE—OTHER SERVICES—MUSIC— ASSISTANCE TO AUSTRALIAN COMPOSERS

Available funds	1965-66	1966-67	1967-68
	\$	\$	\$
Appropriation Act No. 1	10,000
Appropriation Act No. 2	10,000	..
Advance to the Treasurer
Total Funds Available	10,000	10,000
Total Expenditure	3,995
Unexpenditure Available Funds	10,000	6,005

302. This Item provided for Commonwealth aid to assist any project which will facilitate the performance of Australian serious music composition and to promote a better understanding of Australian music, thereby improving the status of Australian composers.

Q's 850 and
851

303. As an amount of \$10,000 had been sought in the Additional Estimates for this Item in 1966-67 but remained unexpended as at 30 June 1967, we questioned the witness in relation to this provision. We were informed that Cabinet had decided to make an initial amount of \$10,000 available for assistance to Australian composers. The Advisory Board relating to Commonwealth Assistance to Australian Composers had been appointed by the Prime Minister in December 1966, and held its first meeting on 14 March 1967.

Exhibit 102/32

304. We were informed that during 1967-68 the Advisory Board, with the approval of the Prime Minister, commenced work on a scheme to be known as Australian Music Survey No. 1 to enable the works of Australian composers to be known nationally and internationally. Under this scheme 200 copies of a Survey featuring ten noted composers and fourteen of their works were to be obtained for complimentary distribution overseas to a number of eminent conductors, music organisations and major radio networks. Each Survey set to comprise:

- A short history of music composition in Australia, including a French and German translation;
- A catalogue containing biographical notes about important Australian composers, a general bibliography and a discography;
- A recorded talk by each of the ten composers selected (or by someone nominated if the composer is dead) explaining his music and giving musical illustrations;
- A printed pamphlet (also in French and German) to correspond with the composers' recorded talks;
- A miniature score of an important work by each composer;

Exhibit 102/32

Commercial recordings of works by the composers featured in the Survey. These recordings have been provided free of charge by the Australian Performing Rights Association.

305. It was said that this is the first time that a scheme of this nature has been undertaken in Australia and therefore the Advisory Board was not able to formulate any accurate estimates of either time or money until all the material had been assembled.

306. It had been envisaged that the short history of Australian music would be covered by an article of 7,500 words. The Board held discussions with the Australian Performing Rights Association in an endeavour to assess the components of the survey and the methods of bringing the survey into being. About October 1967, the Board approached a person to write the history of music composition but he died in February 1968. Another person who was then approached to write the history undertook a very quick task on the history, bearing in mind that the work should be completed and the relevant accounts paid by 30 June 1968. He discovered however, that he could not do justice to the subject in 7,500 words and therefore wrote what he considered to be an appropriate study of the subject. The Board was impressed by the study and realised that its original estimate of 7,500 words was not sufficient to undertake the task it required. Although the work had not been finally completed when we conducted our Inquiry in September 1968, the author had been paid because he had undertaken the work required by the Board. When the history is completed it must be printed. The Department expected the work to be completed and printed by December 1968.

Exhibit 102/32
and Q's 852 to
856

307. We were also informed that concurrent with the decision to embark on the history of Australian composers it had been decided that to give a true picture of the work of Australian composers, it was necessary to compile a catalogue of the names of noted Australian composers, past and present, together with lists of their important works, a general bibliography and a discography. The Board is convinced that this material is the core of the Survey and that every effort must be made to ensure its complete accuracy. This has involved writing, re-writing, checking, re-checking and editing of the written material and because of this it was not possible to make final arrangements for printing before 30 June 1968, as had been planned. Because the written material is incomplete it has not been possible either for arrangements to be made for the translations—a very necessary element of the Survey in reaching international music organisations.

Exhibit 102/32
and Q. 855

308. The Department informed us that the amount of \$6,005 representing the shortfall on the Item in 1967-68 was intended mainly for printing and other associated charges which comprises work that cannot be commenced until the written material has been cleared by the Advisory Board.

Exhibit 102/32

309. We noticed that an amount of \$20,000 has been provided for this purpose in the Estimates for 1968-69 and were informed that this amount comprises \$10,000 for the costs of the surveys commenced in 1967-68 and \$10,000 provided in accordance with the original directions by Cabinet.

Conclusions

310. It appears to Your Committee on the evidence that the amount of \$10,000 included in the Additional Estimates for 1966-67 was sought prematurely by the Department. Your Committee, however, accepts the Department's explanation in respect of 1967-68.

(ii) ITEM 411/2/08: OFFICIAL ESTABLISHMENTS—ADMINISTRATIVE EXPENSES—FURNITURE AND FITTINGS

Available funds	1965-66	1966-67	1967-68
	\$	\$	\$
Appropriation Act No. 1 ..	13,200	55,200	51,400
Appropriation Act No. 3 ..	11,000	7,000	4,000
Advance to the Treasurer ..	..	..	..
Total Funds Available ..	24,200	62,200	55,400
Total Expenditure ..	23,677	50,922	43,746
Unexpended Available Funds ..	523	11,278	11,654

311. The cost of furniture, furnishings, etc., for Government House, Admiralty House, the Prime Minister's Lodge and Kirribilli House is financed from this Item.

Exhibit 102/33
Q. 863 and
Committee File
1968/7

312. We were informed that when the Original Estimate of \$51,400 was formulated, provision was made for the purchase of furniture and furnishings for the four official establishments—the Prime Minister's Lodge and Government House in Canberra, and Admiralty House and Kirribilli House in Sydney. In addition a contingency provision of \$9,000 was said to have been included for unforeseen requirements to facilitate urgent purchases to be made with the least inconvenience to the Governor-General and the Prime Minister. The main components of the Original Estimate for 1967-68 were as follows:

Government House ..	..	\$7,300
Admiralty House ..	..	\$2,300
Prime Minister's Lodge ..	..	\$26,800
Kirribilli House ..	..	\$6,000
All Residences ..	..	\$9,000
Total ..	..	\$51,400

313. It was stated that while provision had been made under Item 411/2/04 for alterations to and the conversion of the cottage adjacent to the gates at Admiralty House, to quarters for the Governor-General's staff, no provision was made in the Estimates for the cost of furniture, carpets and built-in cupboards. When the Additional Estimates review was undertaken there had been a change of occupancy at the Prime Minister's Lodge following the death of the Prime Minister, the Right Honourable Harold Holt. At that stage work had been planned and the Department expected that this would continue. Also at that stage it was decided to refurnish the caretaker's cottage at Admiralty House and it was then decided that new furniture and new carpets were required. Having regard to expenditure that had occurred on the Item and the expectation that the programme of work proposed would continue, the Department requested a further \$4,000 to meet the cost of new furniture and carpet that had been requested for the Admiralty House cottage. The request for \$4,000, however, was based also on the decision to retain the contingency provision of \$9,000 for further unforeseen expenditure.

Exhibit 102/33
and Q. 864

314. It had been decided that a local furniture designer should prepare plans for the furniture required in the cottage and that it would be manufactured in Canberra. Shortly after the designer was requested to undertake the work he became ill and was unable to work for some six weeks. This delayed both the plans and the manufacture. It had also been planned that the carpet should be selected in Sydney in April 1968. However, no opportunity occurred for this to be done before early July 1968. As a result of these circumstances, the \$4,000 was not expended in 1967-68. The remainder of the under-expenditure, namely \$7,654, represents the unspent balance of the contingency provision of \$9,000.

Exhibit 102/33

315. The witness expressed the view that the term 'contingency' which had been used in the Department's submission is misleading as it relates to a multitude of small items which are considered to be too small to list in detail and also to cover unforeseen expenditure. In this regard the Treasury Observer, Mr Monaghan, stated that the amount of \$9,000 had not been depicted to the Department of the Treasury as a contingency item but as an amount based on experience of the total of very small items which require attention during the year. He added that the Department of the Treasury would not regard favourably a contingency provision unless it was based on an experience of some recurring expenses where a reasonable estimate could be made.

Q's 863 and
872

Conclusions

316. While Your Committee appreciates the problems that arise on an item of this nature, we consider that the Department was not justified in seeking a further \$4,000 in the Additional Estimates, particularly as one of the considerations underlying that decision was the desire to

retain intact the 'contingency' provision which had been set at a figure of \$9,000 for the whole year. We also consider that, having regard to the expenditure results on this Item in 1966-67 and 1967-68 and the availability of the Advance to the Treasurer both prior to and subsequent to the Additional Estimates, the Prime Minister's Department and the Department of the Treasury should examine carefully the justification for this provision.

CHAPTER 13—DEPARTMENT OF TRADE AND INDUSTRY

(i) ITEM 506/3/01: AUSTRALIAN INDUSTRIAL RESEARCH AND DEVELOPMENT GRANTS BOARD—OTHER SERVICES—FOR EXPENDITURE UNDER THE INDUSTRIAL RESEARCH AND DEVELOPMENT GRANTS ACT

Available funds	1965-66	1966-67	1967-68
	\$	\$	\$
Appropriation Act No. 1	3,000,000
Appropriation Act No. 3
Advance to the Treasurer
Total Funds Available	3,000,000
Total Expenditure	653,703
Unexpended Available Funds	2,346,297

317. The Australian Industrial Research and Development Grants Board as established by Act No. 51 of 1967 was appointed on 21 August and held its first meeting in September 1967. This Act, which was assented to on 26 May 1967 provides for grants to be paid in respect of expenditure on industrial research and development by eligible firms in a grant year. The first grant year commenced on 1 July 1967.

Exhibit 102/34
and Q. 944

318. When the scheme was first made public the Government announced that an amount of up to \$6m would be made available in any year for the scheme but it was recognised that this figure would not be reached in the first year of operation. In formulating the estimate in 1967-68 the Department was confronted by two problems, the first of which was that too large a figure would lead to under-expenditure and the other was that the provision of too small a figure might set the scheme in operation with inadequate finance. At first a figure of \$4m was contemplated but subsequent to discussions with the Department of the Treasury the figure was reduced to \$3m with some doubts as to whether this would prove adequate.

Q.938

319. We were informed that the Grants Board had arranged for wide publicity to be given to the grants scheme by means of newspaper advertisements and meetings that were arranged throughout the Commonwealth mainly with the assistance of organisations such as the Chambers of Manufactures.

Q. 940

320. It was proposed that expenditure by the firms concerned would be admitted on an advance i.e., on a partly completed basis. This approach required the firms concerned to carry out additional complex accounting tasks. It was said, that few of the larger companies eligible for the grants applied for advance payments, preferring to wait until the close of their financial years. It was also said, however, that the Grants Board itself had found it necessary to make certain interpretations of

Exhibit 102/34
and Q. 950

the legislation. It was this period of interpretation which resulted perhaps in companies not being asked to apply for grants at an earlier stage. Also because the companies felt that they did not understand the Act they felt that they could not apply for advances until they had had discussions with the Grants Board in connection with it.

Exhibit 102/34

321. We were informed that the expenditure that occurred in 1967-68 represented grants to the smaller companies with uncomplicated management and accounting structures whose claims against the grants scheme were consequently smaller.

Conclusions

322. Your Committee recognises that as 1967-68 was the first year of operation of this scheme the Department lacked any previous experience on which to base a figure for inclusion in the Original Estimates. While we also recognise that a large demand for grants in the initial stages of the scheme could have raised a significant problem in the formulation of the Additional Estimates if no provision had been made initially in the Budget, we think that the complexities that were evidently inherent in the legislation and the known accounting problems confronting applicants might have guided the Department of Trade and Industry and the Department of the Treasury towards the selection of a lesser figure for inclusion in the Original Estimates.

(ii) ITEM 510/2/03: COMMERCIAL INTELLIGENCE SERVICE, BAHRAIN —ADMINISTRATIVE EXPENSES—RENT AND MAINTENANCE—OFFICE

Available funds	1965-66	1966-67	1967-68
	\$	\$	\$
Appropriation Act No. 1 ..	5,700	6,300	5,900
Appropriation Act No. 3 ..	..	..	600
Advance to the Treasurer ..	131	..	..
Total Funds Available ..	5,831	6,300	6,500
Total Expenditure ..	5,831	6,166	5,664
Unexpended Available Funds ..	Nil	134	836

Exhibit 102/35
Q. 960

323. We were informed that the Original Estimate of \$5,900 for this Item had been formulated at the overseas post by the Trade Commissioner based on his records of previous expenditure for this Item and particular plans that he contemplated at that time for maintenance and like work. The estimate so formulated was examined by the Department of Trade and Industry and a judgment made as to its reasonable accuracy.

Exhibit 102/35
and Q's 967
and 969

324. It was stated that when the Additional Estimates review was undertaken total expenditure on the Item amounted to \$4,480 compared with a pro rata allocation from the Original Estimate of \$4,428. At that stage therefore, the expenditure by the post was

slightly ahead of the pro rata. The \$600 sought in the Additional Estimates comprised—\$200 for electricity; \$278 for expected maintenance expenditure and \$120 for cleaning.

325. We were informed that air conditioning costs for the office for the winter period were much lower than had been expected due apparently to a comparatively mild winter. Exhibit 102/35
and Q. 962

326. A main element in the over-estimation that occurred on the Item when the Additional Estimates review was undertaken was said to relate to electricity bills for the post which declined during the winter and a reduction was made on that account at the estimating stage but as events proved, the reduction made was insufficient. It was also stated that under-expenditure had arisen from a failure by local authority to submit accounts for rates and taxes covering the second half of the year. This was said to have been simply a delay that occurred in the local authority office although the staff at all posts have been instructed to pursue outstanding accounts for which funds have been provided in the estimates. The Department however, had been unable to obtain a positive statement from the Trade Commissioner of the Bahrain post as to whether appropriate action had been taken in this case. Exhibit 102/35
and Q.'s 961,
963 and 965

327. While \$278 had been sought in the Additional Estimates, accounts for maintenance including some office re-arrangements were not received before 30 June 1968. It was said that the claims that were received took the form of a number of small accounts presented over the months of April to June 1968, and in fact they totalled only about \$118. Exhibit 102/35
and Q. 972

Conclusions

328. While Your Committee accepts the Department's explanation we note that the Department had been unable to obtain a positive statement from the Trade Commissioner in Bahrain that appropriate action had been taken to obtain outstanding accounts for rates and taxes from the local Authority. We trust that the Department will pursue this matter and we will expect to be advised in due course of the outcome of its further inquiries.

(iii) ITEM 515/1/02: COMMERCIAL INTELLIGENCE SERVICE—CEYLON —SALARIES AND PAYMENTS IN THE NATURE OF SALARY—TEMPORARY AND CASUAL EMPLOYEES

Available funds	1965-66	1966-67	1967-68
	\$	\$	\$
Appropriation Act No. 1 ..	9,200	9,600	10,000
Appropriation Act No. 3 ..	..	..	100
Advance to the Treasurer ..	..	..	..
Total Funds Available ..	9,200	9,600	10,100
Total Expenditure ..	9,153	9,575	8,869
Unexpended Available Funds ..	47	25	1,231

329. This Item provides for payment of locally engaged staff at the Trade post in Colombo.

330. We were informed that the shortfall of \$1,231 in expenditure arose from the effects of the devaluation of the Ceylon rupee. It was explained that the devaluation had occurred in November 1967, and when the Additional Estimates were being calculated in March, 1968, the matter was simply not taken into account as it should have been. The witness explained that when approaching the Department of the Treasury for funds in the Additional Estimates, the Department should have explained that it required a further \$100 to meet the cost of the recently approved Marketing Officer's Entertainment Allowance, but should also have sought permission to use some of its devaluation savings for this purpose. The Department was not aware that the savings were available, however, and accordingly sought extra funds.

Q. 974

331. In regard to the matter of devaluation the Treasury Observer, Mr Cowie, stated that the Department of the Treasury had issued a circular in January 1968, directing attention to the effects of devaluation and setting out the principle, that, in effect, savings resulting from devaluation were not to be applied to other purposes but that the position of each item of appropriation was to be reviewed to ascertain what the requirements were subsequent to devaluation because in many cases the devaluation had been followed by a price increase in the country concerned.

Q. 976

332. The witness informed us that the error was discovered by the Department of Trade and Industry in Canberra at the close of the financial year when the size of the shortfall on this Item was noticed and the reasons for it were sought.

Conclusions

333. Your Committee considers that the Department of Trade and Industry should have exercised greater care in relation to its devaluation savings when framing its Additional Estimates. We also believe, however, that the Department of the Treasury, being mindful that savings could arise from devaluation, should have examined this aspect with the Department of Trade and Industry prior to concurring in the inclusion of the \$100 in the Additional Estimates.

(iv) ITEM 516/2/01: COMMERCIAL INTELLIGENCE SERVICE—
MISSION TO THE EUROPEAN ECONOMIC COMMUNITY AND PERMANENT
MISSION TO THE EUROPEAN OFFICE OF THE UNITED NATIONS—
ADMINISTRATIVE EXPENSES—TRAVELLING AND SUBSISTENCE

Available funds		1965-66	1966-67	1967-68
		\$	\$	\$
Appropriation Act No. 1	..	800	900	3,100
Appropriation Act No. 3	..	..	3,400	1,000
Advance to the Treasurer	..	..	..	..
Total Funds Available	..	800	4,300	4,100
Total Expenditure	..	772	2,439	2,609
Unexpended Available Funds	..	28	1,861	1,491

334. This Item provides for fares and travelling allowances for the Trade Commissioners in Belgium and Switzerland.

335. We were informed that the Original Estimate was based on departmental assessments of the number of tours and trips to be undertaken by the Trade Commissioners and other staff members in Geneva and Brussels. Apart from a number of trips or tours that were formally scheduled when the estimate was prepared an allowance was included for un-scheduled trips based on past experience.

Exhibit 102/37
and Q. 980

336. The additional \$1,000 sought in the Additional Estimates was intended for use in connection with travel other than travel undertaken by the Trade Commissioners. It concerned travel costs arising from the engagement of a Britain-based stenographer in Brussels and her travel between Britain and Brussels. It was said that the amount concerned had been estimated accurately and that the shortfall that occurred on the Item had arisen from the cancellation of trips by the two Trade Commissioners.

Exhibit 102/37
and Q. 981

337. We were informed that the Trade Commissioner had taken unplanned leave in Australia between 28 May and 10 August 1967. Also the Trade Commissioner attended unexpectedly the U.N.C.T.A.D. Conferences in New Delhi which occurred between 29 January and 28 March 1968. In the absence of the Trade Commissioner in Geneva at that conference, his place at the Post was taken by the Assistant Trade Commissioner who became engaged substantially in work at the Post and was, therefore, unable to undertake his normal travel commitments.

Exhibit 102/37
and Q. 982
Exhibit 102/37
and Q. 981 and
Committee File
1968/7

Conclusions

338. Your Committee accepts the Department's explanation.

(v) ITEM 527/2/06: COMMERCIAL INTELLIGENCE SERVICE— REPUBLIC OF ITALY—ADMINISTRATIVE EXPENSES—FURNITURE AND FITTINGS

Available funds	1965-66	1966-67	1967-68
	\$	\$	\$
Appropriation Act No. 1 ..	200	500	2,700
Appropriation Act No. 3 ..	..	200	200
Advance to the Treasurer ..	..	..	..
Total Funds Available ..	200	700	2,900
Total Expenditure ..	199	681	2,108
Unexpended Available Funds ..	1	19	792

339. This Item provides for furniture and fittings required for three official residences. We were informed that the original provision of \$2,700 for this Item was made up as follows:

Q. 988 and
Committee File
1968/7

Rome—	
Trade Commissioner's residence	\$ 1,738
Assistant Trade Commissioner's residence	562
Milan—	
Trade Commissioner's residence	200
Assistant Trade Commissioner's residence	200
	<hr/>
	\$2,700

Exhibit 102/38
Q's 987 and
988 and
Committee File
1968/7

340. Cabinet approval had been given on 28 March 1967 to the establishment of a Trade Commission at Milan and as a consequence nominal provisions totalling \$400 as shown above had been made in the Original Estimates for 1967-68. The Post was opened in February 1968 and the Trade Commissioner and Assistant Trade Commissioner took up residence in April 1968. The Trade Commissioner informed the Department that \$600 would be required to meet the cost of furniture for the two residences and accordingly a further \$200 was included in the Additional Estimates.

Exhibit 102/38
and Q's 987
and 991

341. It was stated that the shortfall of \$792 on the Item arose from the fact that negotiations with the lessor of the Trade Commissioner's residence in Rome to maintain the residence at a satisfactory standard failed in April 1968, and the lease was terminated on 31 May. On 1 June 1968 the Trade Commissioner located an alternative residence that was suitably furnished and the funds provided were therefore not required.

Conclusions

342. Your Committee accepts the Department's explanation.

(vi) ITEM 537/2/03: COMMERCIAL INTELLIGENCE SERVICE—NEW ZEALAND—ADMINISTRATIVE EXPENSES—RENT AND MAINTENANCE—OFFICE

Available funds	1965-66	1966-67	1967-68
	\$	\$	\$
Appropriation Act No. 1 ..	7,960	8,300	26,100
Appropriation Act No. 3 ..	..	4,300	2,600
Advance to the Treasurer ..	..	..	..
Total Funds Available ..	7,960	12,600	28,700
Total Expenditure ..	7,692	12,597	24,061
Unexpended Available Funds ..	268	3	4,639

343. This Item provides for the rent and maintenance costs of the offices in Auckland, Christchurch and Wellington.

344. We were informed that the Additional Estimate of \$2,600 was required for initial work in the Department's new office premises in Christchurch. It included \$1,200 for new shelving, \$550 for air conditioning work, \$550 for plumbing and \$250 for electrical work. It was said that while the estimate was reasonably accurate a mistake occurred when the Additional Estimates were approved in that the Department had not recognised that it already had the funds available through savings that it had made in November 1967, arising from devaluation in New Zealand.

Exhibit 102/39
and Q's 1009
and 1010

Conclusions

345. Your Committee finds that the Department did not exercise due care in relation to savings arising from devaluation when it framed its Additional Estimates. We also believe that the Department of the Treasury, being mindful that savings could arise from devaluation, should have examined this aspect with the Department of Trade and Industry prior to concurring in the inclusion of \$2,600 in the Additional Estimates.

(vii) ITEM 555/1/02—COMMERCIAL INTELLIGENCE SERVICE— UNITED KINGDOM—SALARIES AND PAYMENTS IN THE NATURE OF SALARY—TEMPORARY AND CASUAL EMPLOYEES

Available funds	1965-66	1966-67	1967-68
	\$	\$	\$
Appropriation Act No. 1 ..	97,800	97,200	106,200
Appropriation Act No. 3 ..	..	..	200
Advance to the Treasurer ..	..	..	..
Total Funds Available ..	97,800	97,200	106,400
Total Expenditure ..	81,914	94,541	94,485
Unexpended Available Funds ..	5,886	2,659	11,915

346. This Item provides for salaries and allowances payable to locally engaged staff in Dublin and to temporary staff engaged on trade publicity work in the United Kingdom.

347. We were informed that the \$200 included in the Additional Estimates had been required to cover increases in locally engaged staff in Dublin. When the amount was sought, however, the Department did not realise that savings were available to it from devaluation. Of the shortfall of \$11,915 in expenditure, \$8,500 was said to have arisen from savings resulting from the devaluation of sterling while the remaining \$3,415 was attributed to delays that occurred in filling positions that became vacant. The positions concerned which related to trade publicity work in Britain were said to be filled intermittently by transient Australians in Britain. The Department has a programme for

Exhibit 102/40
and Q. 1018

Exhibit 102/40
and Q. 1019

their employment but this is varied during the year in accordance with the opportunities that occur. Consequently there is a certain fluidity in the Department's staffing in London on Trade publicity work. A further problem is that the Department is not always able to obtain the staff it desires at a particular point in time and hence delays occur in employing temporary staff for a particular promotion activity. This gives rise to shortfalls in expenditure.

Conclusions

348. It appears to Your Committee that the Department of Trade and Industry should have exercised greater care in relation to its devaluation savings when formulating its Additional Estimates. We also believe, however, that the Department of the Treasury, being mindful that savings could arise from devaluation should have examined this aspect with the Department of Trade and Industry prior to concurring in the inclusion of the \$200 in the Additional Estimates.

(viii) ITEM 557/2/01: COMMERCIAL INTELLIGENCE SERVICE—
UNITED STATES OF AMERICA—ADMINISTRATIVE EXPENSES—
TRAVELLING AND SUBSISTENCE

Available funds	1965-66	1966-67	1967-68
	\$	\$	\$
Appropriation Act No. 1 ..	13,680	20,900	22,500
Appropriation Act No. 3 ..	..	1,000	1,900
Advance to the Treasurer ..	..	..	..
Total Funds Available ..	13,680	21,900	24,400
Total Expenditure ..	12,911	17,778	22,226
Unexpended Available Funds ..	769	4,122	2,174

349. This Item provides for fares and travelling allowances of Trade Commissioners in New York, Washington, San Francisco and Los Angeles for official travel throughout the U.S.A.

Q. 1020

350. We were informed that the Additional Estimate of \$1,900 comprised four separate components for travel that had not been provided for in the Original Estimates. Seven hundred and twenty dollars was required to meet the cost of travel of the Trade Commissioners in New York, Washington and Los Angeles to Montreal to study techniques of display and exhibition in connection with Expo '67. Another \$400 was required for the marketing officer in Mexico who was accorded a travel allowance for the first time following approval given by the Minister in July 1967. A further \$560 was necessary to move the Assistant Trade Commissioner in New York to provide relief at Ottawa during the unexpected absence of the Trade Commissioner in Ottawa who was required to attend the F.A.O. Conference in Rome. Finally \$200 was

required for unscheduled travel by the Assistant Trade Commissioner in New York to Minneapolis where he attended the World Trade Association Conference.

351. In regard to the shortfall of \$2,174 that occurred in expenditure we were informed that on 14 March 1968, the Trade Commissioner (Textiles) based in Los Angeles, was transferred urgently to Australia in connection with the cessation of activity of the Australian Textiles Export Corporation. Initially the Department in Canberra had instructed the Post to endeavour to maintain its initial programme including travel but this proved difficult and it became necessary for a number of tours to be cancelled. We were also informed that another major tour programmed for the New York Post had been cancelled on 29 March 1968, too late for its effect to be taken into account in formulating the Additional Estimates.

Exhibit 102/41
and Q's 1022
to 1024

Conclusions

352. Your Committee accepts the Department's explanation.

(ix) ITEM 557/2/07: COMMERCIAL INTELLIGENCE SERVICE—
UNITED STATES OF AMERICA—ADMINISTRATIVE EXPENSES—
—INCIDENTAL AND OTHER EXPENDITURE

Available funds	1965-66	1966-67	1967-68
	\$	\$	\$
Appropriation Act No. 1 ..	15,500	15,400	18,500
Appropriation Act No. 3 ..	..	2,300	1,200
Advance to the Treasurer ..	..	..	..
Total Funds Available ..	15,500	17,700	19,700
Total Expenditure ..	13,923	16,819	17,116
Unexpended Available Funds ..	1,577	881	2,584

353. This Item provides for stationery, office requirements and other incidental expenditure for the Trade Posts at New York, San Francisco, Washington and Los Angeles.

354. We were informed that, of the total shortfall of \$2,584 in expenditure, \$850 had arisen from a delay in the payment of an account from Dun and Bradstreet, a commercial reporting firm which the San Francisco Post had expected to pay during 1967-68. The account had been opened late in the year by the Post concerned. It was stated that the documentary work connected with this matter had not been completed and it appeared that the New York Post did not know for which Post the funds had been provided. The San Francisco Post did not receive an account and therefore took no action to spend the money. It was not until after the close of the financial year that this element of the shortfall in expenditure was recognised as having arisen from the failure of Dun and Bradstreet to render their account.

Exhibit 102/42
Q's 1025 to
1027 and
Committee File
1968/67

355. We were also informed that during March 1968 it had been discovered that freight and clearing charges of display material had been incorrectly charged as a result of an accounting error at the Posts, against Item 557/2/07 instead of the Trade Publicity Item 500/215. Although the error was adjusted in April it had not been discovered until after the Additional Estimates had been finalised. Consequently, when those Estimates for Item 557/2/07 were prepared, the actual expenditure on the Item was recorded as \$600 higher than it should have been and hence \$600 more than was, in fact, required was sought in the Additional Estimates for that Item.

356. The remainder of the shortfall in expenditure—\$1,134—was said to have arisen in connection with a number of incidental expenditures at the Posts concerned.

Conclusions

357. Your Committee is concerned at the failure of the San Francisco Post to recognise that an account from Dun and Bradstreet had not been rendered. The circumstances surrounding this matter point, we believe, to a weakness in the funds control exercised at that Post.

358. Your Committee is also disturbed by the error that occurred in charging the costs of display material incorrectly to Item 500/2/05. The failure to detect the error at an earlier stage resulted in funds being sought needlessly in the Additional Estimates for Item 557/2/07. In regard to this matter we would make a further comment. The Department's submission stated that the error had been discovered in March and corrected in April. The witness, however, stated that the error was discovered and corrected in April but later indicated that it had, in fact, been discovered shortly after the Additional Estimates had closed, i.e., in March. In this regard we would again draw attention to the need for thorough briefing of witnesses and would invite the attention of the Department to Memorandum 66/411 issued by the Public Service Board to all Permanent Heads on 18 January 1966. The memorandum contained the following advice:

The importance of thorough briefing of witnesses and the accuracy of departmental written submissions cannot be overestimated. It is in the interests of each Department and the Service generally, that the evidence tendered to the Public Accounts Committee is of the highest quality. It would therefore be appreciated if this Circular could be brought to the attention of those officers in your Department who are likely to be concerned with the preparation of material for the Committee, or who may be required to appear in person at future public hearings of the Committee.

(x) ITEM 563/2/03: COMMERCIAL INTELLIGENCE SERVICE—
RELIEVING, TRANSIT AND OTHER STAFF—ADMINISTRATIVE EXPENSES—
TRADE CORRESPONDENTS

Available funds	1965-66	1966-67	1967-68
	\$	\$	\$
Appropriation Act No. 1 ..	18,000	12,000	11,000
Appropriation Act No. 3 ..	..	3,500	2,100
Advance to the Treasurer ..	..	..	..
Total Funds Available ..	18,000	15,500	13,100
Total Expenditure ..	13,798	14,932	11,834
Unexpended Available Funds ..	4,202	568	1,266

359. This Item provides for salaries and incidental costs of the Trade Correspondents in Fiji, Mauritius, Turkey, Israel, Malta and Mozambique.

360. We were informed that \$2,100 had been included in the Additional Estimates to cover the appointment on 1 August 1967, of a Trade Correspondent in Mozambique.

Exhibit 102/43
and Q. 1031

361. Due to an oversight, accounts for six months' salary in respect of the Trade Correspondent in Turkey and three months' salary for the Trade Correspondent in Israel were not forwarded to the Sub-Treasury in Geneva in time for payment to be made during 1967-68. It was explained that the oversight occurred in the Central Office of the Department in Canberra. Early in the year the Department provided the Sub-Treasury in Geneva with \$6,000 and hoped later to provide additional money from savings under the Item. In fact the matter was overlooked, the Sub-Treasury was not provided with the extra funds and the error was not discovered until the close of the financial year when it was found that expenditure had fallen short of the programmed level. Inquiries made at that time revealed that the accounts had been held because funds had not been provided. It was further explained that the Trade Correspondents are not employees of the Department but have a contractual relationship with it. In many cases they are not prompt in submitting claims for money owed to them although the Department has approached them on many occasions to submit claims.

Exhibit 102/43
and Q's 1032
to 1035

Conclusions

362. Your Committee considers on the evidence that the error that occurred on this Item arose from an administrative breakdown within the Department's central office in Canberra and reflects an inadequate control of funds. We also consider that the contracts under which the Trade Correspondents are employed should be examined critically with a view to ensuring that the method of reimbursing them is improved.

CHAPTER 14—GENERAL OBSERVATIONS AND CONCLUSIONS

(i) GENERAL OBSERVATIONS

363. Since 1952 Your Committee has directed particular attention to a scrutiny of the Estimates and related expenditure of the departments of the Administration. A poor standard of budgeting has wide ramifications. It has, therefore, not only been excess spending that has attracted our criticism but the over-provision of funds has been highlighted as being undesirable, misleading and perhaps unfair to other departments whose financial needs might not have been met fully.

P. P. No. 249
of 1964-65

364. In the Seventy-fifth Report relating to Expenditure from the Consolidated Revenue Fund Your Committee referred to the development of a pro-forma statement for use by departments tendering evidence in cases where over-provision of funds had occurred. It reported that the use of that statement by departments had provided Your Committee with information on a uniform basis and in each case showed the estimating and expenditure patterns for a period of three years. The information so obtained proved to be of considerable value to Your Committee both at the stage of selecting items for further examination and during the examination at a later stage. The continued use of the pro-forma in respect of the years subsequent to 1964-65 has, we believe been of benefit not only to the Committee but also to the departments in preparing their material for Committee consideration.

(ii) CONCLUSIONS

365. During its Inquiry this year Your Committee noted that in a number of cases where departments had incurred shortfalls in expenditure, funds had been obtained both in the Original and Additional Estimates but no attempt was made by the departments to explain the reasons or justification for the funds sought in the Additional Estimates. In this regard Your Committee would make it clear that when departments evidently require further funds as late in the financial year as the Additional Estimates are provided and then experience a shortfall in expenditure, sometimes greater than the amount sought in the Additional Estimates, the circumstances of estimating and expenditure on the Items concerned must attract our close scrutiny. Accordingly, in such circumstances, we would expect the departments concerned to tender a clear indication of the expenditure position on the Item when the Additional Estimates were formulated and the need for the Additional funds as well as the itemised reasons that gave rise to the ultimate shortfall in expenditure.

P. P. No. 352
of 1964-65-66

366. We would also invite attention to instances where departmental explanations relating to shortfalls in expenditure were lacking in detail and where witnesses who appeared before Your Committee were

inadequately briefed on matters of fact. In this regard we would again draw attention to memorandum 66/411 of 18 January 1966, circulated by the Secretary, Public Service Board, to all Permanent Heads where it was stated:

The importance of thorough briefing of witnesses and the accuracy of departmental written submissions cannot be overestimated. It is in the interests of each Department and the Service generally, that the evidence tendered to the Public Accounts Committee is of the highest quality. It would therefore be appreciated if this Circular could be brought to the attention of those officers in your Department who are likely to be concerned with the preparation of material for the Committee, or who may be required to appear in person at future public hearings of the Committee.

367. As this Report shows, there are cases where expenditure variations from the estimates are acceptable due to unforeseen circumstances or other factors beyond the control of the departments. However, the evidence taken by Your Committee also shows cases where estimates have been based on unjustified assumptions or formulated with considerable uncertainty as to the likely expenditure that will be involved. In some cases shortfalls in expenditure have arisen from delays that occurred in the placing of orders and from administrative laxity and weaknesses in departmental procedures as well as from errors that have occurred but which have not been detected promptly. Your Committee will continue to criticise these weaknesses in estimating and administrative practices whenever they occur.

368. Finally, as Your Committee indicated in its One Hundredth 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.

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.
7 November 1968