

1970

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

DEPARTMENT OF THE SENATE
PAPER NO. 1481
DATE PRESENTED 29 OCT 1970
<i>J.R. Odgers</i>
Clerk of the Senate

JOINT COMMITTEE OF PUBLIC ACCOUNTS

ONE HUNDRED AND TWENTY-THIRD
REPORT

EXPENDITURE FROM ADVANCE
TO THE TREASURER
(APPROPRIATION ACTS 1969-70)

JOINT COMMITTEE OF PUBLIC ACCOUNTS

EIGHTH COMMITTEE

J.D.M. Dobie, Esquire, M.P. (Chairman)

C.J. Hurford, Esquire, M.P. (Vice-Chairman)

Senator J.F.Fitzgerald

Senator J.J.Webster

Senator Dame Ivy Wedgwood

F.W.Collard, Esquire, M.P.

J.F.Cope, Esquire, M.P.

B.W.Graham, Esquire, M.P.

A.W.Jarman, Esquire, M.P.

I.L.Robinson, Esquire, M.P.

The Senate and the House of Representatives appointed their
Members on 25 November, 1969.

DUTIES OF THE COMMITTEE

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

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

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

Table of Contents

<u>Chapter</u>		<u>Page</u>
1	Introduction	5
2	Department of Civil Aviation	8
3	Department of Education and Science	12
4	Department of the Interior	14
5	Australian Broadcasting Control Board	30
6	Repatriation Department	33
7	Department of the Treasury - Commonwealth Taxation Office	40
8	Department of Works	44
9	General Observations and Conclusions	66

Chapter 1
Introduction

During July 1970 Your Committee obtained departmental explanations relating to expenditure during 1969-70 from the Advance to the Treasurer. These explanations were examined and from them eighteen Items were selected for further examination.

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

Tuesday	18 August 1970
Monday	24 August 1970
Tuesday	25 August 1970
Monday	14 September 1970

3. The following witnesses were sworn and examined by Your Committee:-

Department of Civil Aviation

Mr. R. A. Bickley	- Director, Finance
Mr. G. R. Woodward	- Assistant Director-General, Finance

Department of Education and Science

Mr. J. Gallagher	- Finance Officer
Mr. C. J. Lenihan	- Director, Establishments and Finance

Department of Health

Mr. J. L. Cockburn	- Assistant Director, Administration & Finance
Mr. H. West	- Assistant Director-General, Establishments and Finance

Department of Immigration

Mr. E. L. Charles	- Assistant Secretary, Integration
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Department of the Interior

Mr. J. W. Browne - Executive Officer, A.C.T. Police Administration
Mr. R. C. Burroughs - Finance Officer, Budgeting and Works
Programming
Mr. L. L. Gillespie - Assistant Secretary, Finance and Supply
Mr. W. D. Kennedy - Commonwealth Surveyor-General
Mr. D. M. Lalor - Director, Expenditure and Costing
Mr. J. J. Skinner - Acting Chief Property Officer
Mr. F. S. Smyth - Property Officer, A.C.T.

Repatriation Department

Mr. R. G. Kelly - First Assistant Commissioner, Management
Services and Secretary, Repatriation
Commission
Mr. G. A. Woodward - Director, Finance

Department of the Treasury

Taxation Branch

Mr. M. D. McPherson - Director, Establishments Branch, Management
Division
Mr. K. F. A. Myers - First Assistant Commissioner, Management
Division

Department of Works

Mr. A. W. G. Miles - Executive Officer, Works Administration

Australian Broadcasting Control Board

Mr. B. J. Connolly - Acting Assistant Secretary
Mr. J. A. McNamara - Secretary
Mr. J. M. O'Brien - Administrative Officer

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

Mr. A. K. Ragless - Auditor-General's Office
Mr. G. N. Vanthoff }
Mr. R. N. McLeod } - Public Service Board
Mr. G. S. Davidson }
Mr. J. I. Maunder } - Department of the Treasury

5. In examining expenditure from the Advance to the Treasurer, Your Committee has sought to ascertain whether or not the principle that expenditure from the Advance should be confined to urgent and unforeseeable requirements for which provision could not be made in the Appropriation Legislation has been maintained.

Chapter 2

Department of Civil Aviation

Division 810/1/01: Capital Works and Services -
Plant and Equipment - Navigational aids,
communication, power and lighting equipment.

<u>Funds Available</u>	<u>1967/68</u>	<u>1968/69</u>	<u>1969/70</u>
	\$	\$	\$
Appropriation Act No.2	5,100,000	5,100,000	3,900,000
Appropriation Act No.4	-	-	950,000
Advance to the Treasurer	-	-	300,000
TOTAL FUNDS AVAILABLE	5,100,000	5,100,000	5,150,000
TOTAL EXPENDITURE	<u>5,098,467</u>	<u>5,097,934</u>	<u>5,149,928</u>
UNEXPENDED FUNDS AVAILABLE:	<u>1,533</u>	<u>2,066</u>	<u>72</u>

6. We were informed that the original estimate of \$3,900,000 in 1969-70 was based on contracted delivery dates for a wide variety of equipments on order and allowed for deposits to be paid, as required, on new orders to be placed. It has been the Department's experience over many years for deliveries to be delayed for unforeseen reasons. Allowance was therefore made for some payments not to be made in 1969/70. Exhibit 123 /1 and Q.3

7. It was stated that two contracts for 1969-70 deliveries of radar equipment had been placed with a French manufacturer in 1968 and 1969. Deposits had been paid with the orders. Payments to be made on delivery totalled about \$1 million. No provision was made in Appropriation Act No.2 for these payments, however, because deliveries against earlier contracts with this supplier had been delayed, on occasions, for technical reasons, and the rendition of claims for payment had often been tardy. The Department expected, therefore, that payment would probably not be made until 1970-71, particularly as deliveries were scheduled very close to the end of 1969-70. Exhibit 123 /1 and Qs. 5 to 8

8. We were informed that a visit made by a departmental

officer to the contractor's premises during November/December 1969, disclosed that manufacture was progressing to schedule and that completion of the contracts could possibly be achieved before 30 June 1970. In addition, deliveries of other equipment by Australian contractors had not been subjected to delays that had been expected and this trend appeared likely to continue. In these circumstances an additional amount of \$950,000 was obtained in Appropriation Act No.4. In seeking this amount the Department believed that punctual deliveries of locally manufactured equipments would absorb any shortfall of payments to the French supplier.

Exhibit
123/1

9. The evidence showed that following approval of the Department's application for funds in the Additional Estimates, local deliveries accelerated further than expected and some of the additional warrant that had been received was released to make local payments. Details of expenditure on behalf of the Department in London for April 1970, were received early in May. This indicated that no substantial payments had been made to the French contractor.

Exhibit
123/1

10. The Department stated that, on 27 May 1970, in response to its request, it received cabled advice from the Sub-Treasury, London, that total expenditure for the year was expected to reach \$225,000 and that the balance of its warrant allocation could be withdrawn. As some payments to the French manufacturer were, by contract, to be paid against a letter of credit lodged with a French bank to expire on 30 May 1970, and as no request had been received for extension of the letter of credit, the Department decided to release further funds for local payments.

Exhibit
123/1

11. On 1 June 1970, however, the Sub-Treasury, London advised the Department that a payment of \$306,506 was due against the letter of credit in addition to the amount of \$225,000 previously advised as the total requirement. Acting on the earlier advice, however, the Department had released all surplus warrant for local payments which had greatly exceeded the volume expected. In these circumstances the Department found it necessary to obtain a further amount of \$300,000 from the Advance to the Treasurer to enable the payment against the letter of credit to be re-imbursed.

Exhibit
123/1
and Qs. 13
and 14

12. In elaborating on the problems experienced with the letter of credit the witness informed us that the relevant contract required an irrevocable letter of credit for 70 per cent of the purchase price of the equipment to be lodged with a French Bank. The required amount was lodged by the London Branch office of the Reserve Bank of Australia. To obtain payment, the French company presented its documents to the French bank and withdrew the payment. The French bank then advised the Australian bank in London which, in turn advised the High Commissioner's office. At that stage the Department was required to provide funds to London to reimburse the Reserve Bank. The witness added that the fact that the letter of credit had expired on 30 May did not bring the matter to a close. In accordance with the terms of the contract the letter of credit was renewed at the request of the contractor several days subsequent to 30 May for the amount of about \$47,000 that remained outstanding. On this point the Department had thought that if by 27 May or earlier, the claims were not to be lodged by the expiry date of the letter of credit, it would have received a request to renew the letter. Because such a request was not received, the Department diverted the funds involved to meet local claims. Qs.11 to 21

13. The Treasury Observer, Mr. Maunder, informed us that it is normal practice to make contact with a supplier as to his honouring a delivery date and therefore claiming on the letter of credit. On occasions, however, this is not achieved and the letter of credit is renewed for a later date for all or part of the amount involved. In some cases renewal, without prior notice, has occurred subsequent to the expiry date of a letter of credit. Qs.22 to 26

CONCLUSIONS

14. It appears to Your Committee that the need for additional funds from the Advance to the Treasurer under this Item arose from deliveries of equipments in France and Australia that could not have been reasonably foreseen by the Department when it formulated its request for extra funds in the Additional Estimates. It is clear that had the letter of credit in France been renewed prior to its expiry date on 30 May 1970, additional funds would have been required from the Advance to meet unexpected local deliveries.

15. At the same time Your Committee notes that the irrevocable letter of credit lodged in France was renewed subsequent to its date of expiry on 30 May 1970 rather than a new letter of credit being established by the parties concerned. Your Committee also notes with concern that on other occasions the renewal of letters of credit has occurred without prior notice, subsequent to the expiry date of a letter. We believe that the basis of these practices should be examined critically by the Department of the Treasury and other departments and authorities concerned.

Chapter 3
Department of Education and Science

Division 232/1/09 : Educational Services-Australian Capital Territory-
Pre-school education and training.

<u>Funds Available</u>	<u>1967-68</u>	<u>1968-69</u>	<u>1969-70</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Appropriation Act No.1	210,000	245,000	310,000
Appropriation Act No.3	-	-	1,800
Advance to the Treasurer	-	-	<u>17,200</u>
TOTAL FUNDS AVAILABLE	210,000	245,000	329,000
TOTAL EXPENDITURE	<u>200,826</u>	<u>244,974</u>	<u>326,139</u>
UNEXPENDED FUNDS AVAILABLE	<u>9,174</u>	<u>26</u>	<u>2,861</u>

16. This item provides for the operation of pre-school centres in the Australian Capital Territory and for pre-school scholarships awarded to trainees for staffing of such schools. Exhibit 123 / 2

17. We were informed that during the latter part of 1969 two additional positions of Assistant Grade 1 were created. When the Additional Estimates review was undertaken at the end of February 1970, the expenditure position indicated that an additional \$1,800 would be required, representing the estimated cost for the period that the new positions were expected to be occupied. Exhibit 123 / 2 and Qs.59 to 63

18. The Original Appropriation included an amount of \$261,500 to cover salaries of pre-school teachers and assistants. During the course of the financial year variations were made to the salaries of pre-school teachers but advice of this was not received by the Department until 3 April 1970. Exhibit 123 / 2 and Q.64

19. In addition the following eight new pre-school centres were opened during the year:

Aranda	- 21 July	Exhibit 123/2
Garran-Malkara	- 28 January	Qs.65 to 67 and
Cook and Page	- 2 February	Committee File
Scullin	- 4 February	1970/5
Farrer	- 17 February	
Waramanga	- 23 February	
Curtin North	- 11 April	

CONCLUSIONS

20. On the basis of the evidence Your Committee accepts that the Department was justified in seeking funds from the Advance to the Treasurer to cover variations in pre-school teacher salaries.

Chapter 4
Department of the Interior

- (1) Item 350.2.03: Administrative-Administrative Expenses-Postage, telegrams and telephone services.

<u>Funds Available</u>	<u>1967-68</u>	<u>1968-69</u>	<u>1969-70</u>
	\$	\$	\$
Appropriation Act No.1	16,400	19,300	17,300
Appropriation Act No.3	-	-	-
Advance to the Treasurer	<u>-</u>	<u>-</u>	<u>17,197</u>
TOTAL FUNDS AVAILABLE	16,400	19,300	39,497
TOTAL EXPENDITURE	<u>12,144</u>	<u>16,935</u>	<u>32,785</u>
UNEXPENDED FUNDS AVAILABLE	<u>4,256</u>	<u>2,365</u>	<u>1,712</u>

21. This item provides for postage, telegrams and telephone services for the Administrative elements of the Department in Canberra and the States. Exhibit
123 / 3

22. It was stated that telephone accounts received from the Postmaster-General's Department for this Department's P.A.B.X. in Canberra City are sub-costed according to the number of extensions in use in each Branch and are charged directly to the relevant Administrative vote. The provisions made each year are based on expected expenditure in the preceding year with appropriate adjustments for known changes in circumstances. Exhibit
123 / 3

23. We were informed that when the Additional Estimates review was made in February/March 1970 an overall expenditure of \$9,602 was disclosed under this Item as at the end of February 1970 and that there was no apparent justification for seeking additional funds in Appropriation Act No.3. Exhibit
123 / 3

24. However in April 1970 an account for \$63,181 was received from the Postmaster-General's Department for the installation and rental of a new 900-line P.A.B.X. installed in the Civic Offices on 10 May 1969.

This account included charges for an increase in rental from \$10,773 (October 1969 account) to \$33,848 (including a retrospective adjustment to 10 May 1969 at the rate of \$38,473 per annum). The account also included miscellaneous charges of \$27,562 of which \$24,640 referred to the installation of the P.A.B.X. in May 1969. These increases are summarised in Table No.1

Exhibit
123/3

Table No.1
Department of the Interior
Civic Offices- P.A.B.X. costs (excluding call charges)
(1968-69 and 1969-70)

6-monthly account for:-	1968-69	1969-70	
		Amount	Increase over 1968-69
	\$	\$	\$
(a) Rent			
October	9,782	10,773	991
April	9,980		23,868
(b) Miscellaneous charges			
October	235	397	162
April	4,603	27,562	22,959
Total	24,600	72,580	47,980

Source: Department of the Interior

25. The increase in the number of extensions available (900) allowed those in use to be increased from 385 to 688 resulting in the necessity to increase exchange lines from seventeen to fifty-two to cope with the increased traffic with the resultant increased costs for both calls and rent. The additional extensions available on the new P.A.B.X. and a re-arrangement of extensions from another P.A.B.X. were also said to have disturbed the pattern of previous apportionments and resulted in the need to spend \$22,247 in Canberra under this heading in 1969-70 compared with \$7,309 in 1968-69.

Exhibit
123/3

26. The witness informed us that when the Additional Estimates review for 1969-70 was conducted the Finance Branch of the Department was unaware of this commitment made by the Property Branch with the Postmaster-General's Department. This situation had arisen from the fact that prior to 1970-71, in which year the Finance Branch compiled

Qs.233,240
and 241.

the estimates for this Item, the Item had been managed by the Property Branch. In previous years the Property Branch had written direct to the Postmaster-General's Department in relation to its telephone requirements. In the present case the Finance Branch did not see the letter of request sent to the Postmaster-General's Department and was therefore unaware of the the commitment until the account was received in April 1970.

27. In addition to the account for the P.A.B.X. separate accounts totalling \$16,596 were received as follows:

Exhibit 123/3 and
Committee
File 1970/5

	\$	
New block cabling	1,081	-4 February 1970
New P.A.B.X. external plant	13,268	-24 November 1966
Renewal of block cabling	847	- 7 July 1969
35 new exchange lines	<u>1,400</u>	- 1 October 1969 and 1 April 1970
	<u>\$16,596</u>	

28. We were informed that following our inquiry into Expenditure from the Advance to the Treasurer and the Consolidated Revenue Fund for 1968-69 the Department of the Interior had arranged for the Postmaster-General's Department to render monthly accounts for metered calls by large users of telephone facilities. As a result, the Department was charged in some cases, for the equivalent of 15 months calls against a provision for only 12 months. The accounts for these additional 3 months' calls amounted to \$23,821.

Exhibit
123/ 3
Qs. 236 and 237

29. We were informed that the arrangement for monthly accounts for calls had been operating since about April or May 1970 in most states. The witness claimed that this arrangement would assist greatly in bringing to early notice significant departures from normal expenditure trends. By comparison, accounts were received on a six monthly basis under the previous arrangement. That situation made accurate estimating very difficult.

Q.237

CONCLUSIONS

30. The evidence shows a major cause of the need for the Department to obtain funds from the Advance to the Treasurer arose from a lack of adequate communication between the Property and Finance branches of the Department. While it appears that appropriate steps have now been taken to obviate a recurrence of that problem Your Committee believes that the problem should not have been permitted to arise.

31. A further cause of the need for funds from the Advance to the Treasurer arose from a change in billing procedures introduced by the Department of the Interior and the Postmaster-General's Department in accordance with Your Committee's observations relative to Item 355/2/03 in its One Hundred and Fifteenth Report. Your Committee notes with satisfaction the prompt introduction of this new arrangement which, it was claimed in evidence, will greatly assist the Department of the Interior in assessing changes that occur in expenditure trends under Item 350/2/03.

(ii) 352.1.01 : Real Estate Management-Salaries and Payments in the nature of Salary-Salaries and allowances.

<u>Funds Available</u>	<u>1967-68</u>	<u>1968-1969</u>	<u>1969-70</u>
	\$	\$	\$
Appropriation Act No.1	1,033,000	1,200,000	1,499,400
Appropriation Act No.3	25,300	27,000	35,600
Advance to the Treasurer	<u>3,100</u>	<u>19,000</u>	<u>11,500</u>
TOTAL FUNDS AVAILABLE	1,061,400	1,246,000	1,546,500
TOTAL EXPENDITURE	<u>1,057,529</u>	<u>1,244,773</u>	<u>1,542,178</u>
UNEXPENDED FUNDS AVAILABLE	<u>3,871</u>	<u>1,227</u>	<u>4,322</u>

32. This item provides for the salaries and allowances of all officers and employees engaged in the Real Estate Management function of the Department. Exhibit
123/4

33. We were informed that the Department, in formulating its original estimates according to Treasury instructions, makes an allowance for the period in the year in which it is estimated that each position existing at that time will be occupied, together with any additional allowances that will be charged to the salaries vote. Q.255

34. During the period 1 July 1969 to 12 March 1970 the following additional commitments were approved:- Exhibit
123/4

	\$
2 positions of Watchman provided	2,460
1 position of Clerk Class 8 created	6,556
1 position of Clerk Class 6 created	4,727
3 positions of Clerk Class 2/3 created	8,391
2 positions of Clerk Class 5 created	6,932
2 positions of Clerk Class 4 created	3,773
15 positions of Janitor, Watchman etc. provided	20,058
Reclassification of position of Clerk Class 6 to Class 7	450
Reclassification of position of Clerk Class 5 to Class 6	452

	\$
Reclassification of Attendant from \$2223 to \$2323	88
Increased costs as a result of P.S.B. Circular 1969/30-Salary increases to Second Division Officers	1,300
Determination 287 of 1969-Increase to typists	1,337
Determination 361 of 1969-Increase to Fourth Division	1,869
Increased costs as a result of National Wage Case, Equal pay(2nd phase) and P.S.B. Determination granting Industrial employees 6.6% increase	31,224
Determination 358 of 1969-increase to Property Supervisors	<u>3,260</u>
	<u>92,877</u>

35. Notwithstanding additional commitments amounting to \$92,877 the Department sought only \$35,600 in the Additional Estimates. In explaining the difference between these figures the witness informed us that account had been taken of expected delays in the filling of the newly-created positions.

Exhibit
123 / 4
and Qs. 258 and
259 and
Committee
File. 1970/5

36. We were informed that subsequent to 13 March 1970 the following further additional commitments were approved:-

	\$	
4 positions of Clerk Class 6 created	6,034	Exhibit
2 positions of Clerk Class 5 created	2,887	123 / 4
1 position of Clerk Class 4 created	1,255	
3 positions of Clerk 2/3 created	3,297	
1 position of Clerk Class 1 created	805	
6 positions of Custodian, Watchman etc. provided	2,229	
Reclassification of position of Clerk Class 1 to Class 2/3	35	
Reclassification of 2 positions of Inspector (Property) to Housing Inspector	723	
Reclassification of position of Supervisor (Property) to Clerical Assistant Grade 4	<u>180</u>	
	<u>17,445</u>	

37. An amount of \$11,500 was sought from the Advance to the Treasurer on 12 June 1970 but this proved to be \$4,322 in excess of the actual cash requirement for the Item as at the close of the financial year. Of this latter amount, \$2,732 occurred in the Department's New South Wales Regional Office. Exhibit 123/4 Qs.273 and 277

38. In commenting on the shortfall of \$4,322 that occurred on this Item and the problems of formulating estimates the witness informed us that while commitment records for salaries are maintained by the Department they cannot be regarded as adequate. However, late in August 1970 the Department of the Interior wrote to the Department of the Treasury requesting that a commitment record be placed on the Treasury computer to enable greater accuracy in estimating to be achieved. The Department of the Treasury had indicated that it would be prepared to consider this request. The Treasury Observer, Mr. Davidson, informed us that his Department hoped to provide as much assistance as possible through its computer for the Departments operating on it. Qs.262,278 to 282

CONCLUSIONS

39. It appears to Your Committee that, in the past, the Department's records which have formed the basis of estimating for this Item have been inadequate. While this inadequacy should not have been permitted to arise, Your Committee trusts that, through the use of its computer, the Department of the Treasury will be able to assist the Department of the Interior to establish better based records for future use in this important area of financial administration.

(iii) 354.08: Rent - Department of External Territories

Funds Available	<u>1967-68</u>	<u>1968-69</u>	<u>1969-70</u>
	\$	\$	\$
Appropriation Act No.1	195,200	187,700	202,600
Appropriation Act No.3	16,000	17,300	16,400
Advance to the Treasurer	-	<u>1,025</u>	<u>3,235</u>
TOTAL FUNDS AVAILABLE	211,200	206,025	222,235
TOTAL EXPENDITURE	<u>209,387</u>	<u>206,019</u>	<u>222,221</u>
UNEXPENDED FUNDS AVAILABLE	<u>1,813</u>	<u>6</u>	<u>.14</u>

40. This Item provides for rental of accommodation for the Department of External Territories.

41. We were informed that six additional commitments for new leases, increased rents etc. expected to cost \$17,065 in 1969-70 were approved and entered into between 1 July 1969 and 12 March 1970. The major items in these commitments, were as follows:-

Exhibit
123/5

. A.M.P. Building- Australian Capital Territory

42. A lease was renewed for 4 years with retrospective effect from 1 March 1969. As a result the rent increased from \$3.90 to \$4.75 per square foot per annum. In explaining the circumstances the witness informed us that the lease concerned was one of two leases in the A.M.P. building which were the subject of protracted negotiation on renewal rates. The lease was due for rental revision in January 1968 and for renewal in January 1972. The other lease was due for rental revision in 1969 and for renewal in February 1973. Negotiations took place with the owners of the premises between December 1968 and June 1969 regarding a rental level which might apply to the balance of the lease period. It was not until 23 June 1969 that negotiations were completed. Both leases were consolidated to a common lease period for rental revision to take effect as from 1 March 1969.

Exhibit
123/5
and Qs. 299 to
307 and 445

. Lloyd Building - Sydney

43. This building was leased as from 1 October 1969 at a cost of \$4,202 per annum. Exhibit 123/5

44. We were informed that subsequent to 12 March 1970, accommodation in the Sydney Building in Canberra was transferred from the Department of Interior to the Department of External Territories with effect from 19 February 1970. Having regard to this further commitment the additional cash requirement for 1969-70 was assessed at \$3,235 and provision of this amount was sought from the Advance to the Treasurer. Exhibit 123/5 and Qs. 313 and 314

CONCLUSIONS

45. Your Committee accepts the Department's explanation.

(iv) 355.1.01: Surveys -Salaries and Payments in the nature of Salary -
Salaries and allowances.

<u>Funds Available</u>	<u>1967-68</u>	<u>1968-69</u>	<u>1969-70</u>	
	\$	\$	\$	
Appropriation Act No.1	1,430,300	1,567,600	1,763,900	Exhibit
Appropriation Act No.3	84,000	68,000	23,000	123/6
Advance to the Treasurer	-	16,500	25,600	
TOTAL FUNDS AVAILABLE	1,514,300	1,652,100	1,812,500	
TOTAL EXPENDITURE	1,495,403	1,648,272	1,804,446	
UNEXPENDED FUNDS AVAILABLE	18,897	3,828	8,054	

46. This item provides for the salaries and allowances for all permanent, temporary and casual employees of the Survey Branch of the Department. Exhibit 123/6

47. We were informed that during the period 1 July 1969 to 12 March 1970 the following additional commitments were approved:- Exhibit 123/6

	\$
1 position of Cook created	1,596
4 positions of Senior Technical Officer Grade 1 created	8,319
4 positions of Technical Officer Grade 2 created	7,560
5 positions of Technical Officer Grade 1 created	7,171
1 position of Clerical Assistant Grade 1 created	860
Increased salary granted to Second Division Officers	1,300
Increased salary granted to typists	890
Increased salary granted to Land Surveyors	42,005
Increased salary granted to Fourth Division Officers	842
Equal pay Determination (first phase)	115
Increases arising from National Wage Case, Equal pay Determination (second phase) and 6.6% increase granted to Industrial staff	29,207
	<u>99,865</u>

48. It was stated that \$23,000 was sought in Appropriation Act No.3 as the additional cash requirement for 1969-70 resulting from this commitment.

49. The Department of the Interior informed us that subsequent to 12 March 1970 the following further additional new commitments were approved:-

Exhibit
123/6

	\$
21 positions of Trainee Technical Officer created	10,176
9 positions of Trainee Draftsman created	4,835
2 positions of Land Surveyor Class 2 created	2,176
11 positions of Chairman created	3,767
3 positions of Surveyor(student)created	1,100
1 position of Searcher Grade 1 created	805
1 position of Searcher Grade 2 created	950
30 positions of Trainee Technical Officer created	3,500
4 positions of Clerical Assistant Grade 4 created)	
1 position of Clerk Class 1 abolished)	
1 position of Clerk Class 2/3 abolished)	1,428
Reclassification of 1 position of Clerical)	
Assistant Grade 3 to Clerical Assistant Grade 4)	
Reclassification of 2 positions of Land Surveyor)	
Class 2 to Land Surveyor Class 3)	<u>1,810</u>
	<u>30,547</u>

50. Having regard to these further commitments, the additional cash requirement for 1969-70 was assessed at \$25,600 and this amount was sought from the Advance to the Treasurer on 12 June 1970. This proved to be \$8,054 in excess of actual cash requirements for the Item.

Exhibit
123 / 6
and Q.346

51. The witness informed us that the amount of \$8,054 was Q.347 made up from the following regional offices:

	\$
New South Wales	4,307
Victoria	7
Queensland	938
South Australia	1,079
Western Australia	232
Northern Territory	46
Australian Capital Territory	1,077
Australian Capital Territory (Treasury Control)	365
Warrant not issued	<u>3</u>
	<u>8,054</u>

52. The prime reason given by the witness for the shortfall in expenditure under the Item was the lack of adequate commitment records for salaries. This problem was mentioned also in relation to Item 352/1/01 in this Chapter where the witness explained that negotiations had been commenced by the Department of Interior with the Department of the Treasury to investigate the placing of such records on that Department's computer.

CONCLUSIONS

53. As in the case of Item 352/1/01, it appears to Your Committee that, in the past the Department's records which have formed the basis of estimating for this Item have been inadequate. Your Committee's remarks relating to that Item apply also to Item 355/1/01.

- (v) 362.1.01: Australian Capital Territory Services - Salaries and Payments in the nature of Salary --Salaries and allowances.

<u>Funds available</u>	<u>1967-68</u>	<u>1968-69</u>	<u>1969-70</u>	
	\$	\$	\$	
Appropriation Act No.1	2,349,000	2,710,000	3,669,000	Exhibit 123 / 7
Appropriation Act No.3	78,500	210,000	96,000	
Advance to the Treasurer	<u>21,000</u>	<u>-</u>	<u>30,000</u>	
TOTAL FUNDS AVAILABLE	2,448,500	2,920,000	3,795,000	
TOTAL EXPENDITURE	<u>2,441,407</u>	<u>2,896,815</u>	<u>3,783,614</u>	
UNEXPENDED FUNDS AVAILABLE	<u>7,093</u>	<u>23,185</u>	<u>11,386</u>	

54. This item provides for the payment of salaries and allowances to all permanent, temporary and casual employees of the Australian Capital Territory Services elements of the Department. Exhibit
123 / 7

55. We were informed that during the period 1 July 1969 to 12 March 1970 the following additional commitments were approved:- Exhibit
123 / 7

	\$
141 new positions created	343,784
22 positions reclassified	13,341
Determinations 146,153,154 and 177 of 1969-increases granted to traffic inspectors,motor drivers and storemen	6,850
Public Service Board Circular 1969/30 - increase granted to Second Division officers	9,400
Public Service Board Circular 1969/33-increase granted to engineers and architects	3,750
Equal Pay - first phase	1,200
Determination 287 of 1969- increase granted to typists	28,566
Determination 255 of 1969 - increase granted to social workers	3,167
Determinations 22 and 90 of 1969-increase granted to professional officers,attendants (female) and overseers	8,600
Determination 361 of 1969- increase granted to officers of the Fourth Division	32,260
National Wage Case & Equal Pay(second phase)	<u>69,660</u>
	<u>520,578</u>

56. Notwithstanding the new commitments totalling \$520,578 only \$96,000 was sought in Appropriation Act No.3. In this regard we were informed that the commitment related to the costs of the new positions for the remainder of the year but which would not necessarily be filled. It also related to possible adjustments to the Original Estimate.

Exhibit
123 / 7
and Q.356

57. It was stated that subsequent to 12 March 1970 the following additional commitments were approved:-

Exhibit
123 / 7

	\$
13 new positions created	8,079
16 positions reclassified	<u>2,440</u>
	<u>10,519</u>

58. The witness informed us that having regard to the conservative cash provision sought in the Appropriation Act No.3 and the additional commitments subsequent to 12 March 1970 the Department sought \$30,000 on 12 June 1970 from the Advance to the Treasurer. This proved to be \$11,386 in excess of the Department's requirements for this item. The witness added that this shortfall and the amount sought in Appropriation Act No.3 resulted from poor estimating aggravated by the lack of adequate commitment records for salaries to which reference had been made in connection with Item 352/1/01.

Qs.356 to 362

CONCLUSIONS

59. As in the case of Item 352/1/01, it appears to Your Committee that, in the past, the Department's records which have formed the basis of estimating for this Item have been inadequate. Your Committee's remarks relating to that Item apply also to Item 362/1/01.

(vi) 363.1.01: Australian Capital Territory Police- Salaries and Payments in the nature of Salary - Salaries and allowances

<u>Funds Available</u>	<u>1967-68</u>	<u>1968-69</u>	<u>1969-70</u>	
	₹	₹	₹	
Appropriation Act No.1	932,400	1,168,000	1,383,000	Exhibit 123/ 8
Appropriation Act No.3	38,900	32,000	50,000	
Advance to the Treasurer	<u>13,600</u>	<u>-</u>	<u>20,000</u>	
TOTAL FUNDS AVAILABLE	984,900	1,200,000	1,453,000	
TOTAL EXPENDITURE	<u>983,543</u>	<u>1,199,982</u>	<u>1,452,299</u>	
UNEXPENDED FUNDS AVAILABLE	<u>1,357</u>	<u>18</u>	<u>701</u>	

60. This item provides for payment of salaries and allowances to civilian and uniformed members of the Australian Capital Territory Police Force. Exhibit
123/ 8

61. We were informed that during the period 1 July 1969 to 12 March 1970 the following additional commitments were approved:- Exhibit
123/ 8

	₹
1 position of Stenographer(F)Grade 1 created	2,210
1 position of Clerical Assistant Grade 3 created	2,091
1 position of Senior Technical Officer Grade 1 created	2,375
1 position of Technical Assistant Grade 2 created	1,600
1 position of Cafeteria Supervisor(F)provided	1,034
Increase of 9 positions in authorised strength of A.C.T.Police Force	32,514
Public Service Board Circular 1969/18-increase in Regulation 97 allowances from 28 April 1969	6,916
Public Service Board Circular 1969/35-Equal Pay (first phase)	240
Determination 287 of 1969-Increase granted to typists	3,474
Determination 361 of 1969-Increase granted to Fourth Division	1,500
National Wage Case and Equal Pay(second phase)	18,546
Furlough payment to 2 retired officers	<u>4,371</u>
	<u>76,871</u>

62. We were informed that the reason for seeking only \$50,000 from the Appropriation Act No.3 in relation to the additional commitment of \$76,871 arose from a lack of adequate commitment records previously mentioned in this Chapter in relation to Item 352.1.01.

Exhibit
123/8
and Q.394

63. We were also informed that subsequent to 12 March 1970 the following further additional commitments were approved:

Exhibit
123/8

	\$	\$
Salary increase granted to Police Commissioner		550
Payment in lieu of furlough to officer who resigned		3,728
Regulation 97 payments to new recruits		<u>2,949</u>
		<u>7,227</u>

64. The witness said that the main reason for seeking \$20,000 from the Advance to the Treasurer apart from the additional commitments entered into subsequent to 12 March 1970 and the conservative provision sought in Appropriation Act No.3, was due mainly to an increase in penalty payments to members of the Australian Capital Territory Police Force associated with the Royal Visit in April 1970.

Exhibit
123/8
and Q.395

CONCLUSIONS

65. As in the case of Item 352/1/01, it appears to Your Committee that, in the past, the Department's records which have formed the basis of estimating for this Item have been inadequate. Your Committee's remarks relating that Item apply also to Item 363/1/01.

Chapter 5
Australian Broadcasting Control Board

Division 405/1 - Broadcasting and Television Services -
Australian Broadcasting Control Board-
For expenditure under the Broadcasting
and Television Act.

<u>Funds Available</u>	<u>1967-68</u>	<u>1968-69</u>	<u>1969-70</u>
	\$	\$	\$
Appropriation Act No.1	1,200,000	1,292,000	1,494,000
Appropriation Act No.3	26,000	-	-
Advance to the Treasurer	<u>23,000</u>	<u>25,600</u>	<u>32,000</u>
TOTAL FUNDS AVAILABLE	1,249,000	1,317,600	1,526,000
TOTAL EXPENDITURE	<u>1,249,000</u>	<u>1,317,600</u>	<u>1,526,000</u>
UNEXPENDED FUNDS AVAILABLE	<u>-</u>	<u>-</u>	<u>-</u>

66. This Item provides for the operational expenditure of the Australian Broadcasting Control Board.

Exhibit
123 / 9

67. We were informed that arising from a review of the Board's expenditure in connection with the Additional Estimates, the conclusion was reached that, owing to lower than anticipated expenditure on salaries, wages and allowances of \$18,000, provision of additional funds to cover known increases in other expenditure did not appear to be justified. In elaborating on this the witness stated that it had been estimated originally that .801,000 would be required to meet the Board's salary expenditure and this figure had been included in the Original Estimates. However, during the Additional Estimates review the Board had been doubtful as to whether it would, in fact, require that amount and, rather than risk a shortfall in expenditure, the Board, in consultation with the Department of the Treasury, decided not to seek further funds in the Additional Estimates to cover new commitments. However, the expected shortfall in expenditure on salaries and wages did not eventuate and, in addition, other unforeseen commitments totalling

Exhibit
123 / 9
and Q.463

\$46,000 arose. These were offset to the extent of \$14,000 by shortfalls in expenditure on other Items resulting in a net call on the Advance to the Treasurer to the extent of \$32,000.

68. Of the \$46,000 referred to, \$4,000 related to travelling allowance and fares associated with technical surveys in the Northern Territory. These were approved on 3 April 1970. A further amount of \$2,000 was required for increased Head Office telephone and postage costs.

Exhibit
123 / 9
and Q.468

69. An amount of \$3,000 was required, however, for two research surveys approved for the Research and Advisory Committee prior to the Additional Estimates. In regard to these surveys we were informed that the officer who was aware of them was on leave when the Additional Estimates review was conducted and the officer relieving him was unaware of the amount involved. It was stated that the former officer, who is the officer responsible for budgeting, did not maintain records of all matters relevant to movements in funds and commitments. The witness assured us that this situation will not arise again as a commitments register has been introduced. He added that, in addition, a new position of Assistant Secretary has been created recently, designed specifically to improve administrative processes and keep them under better control.

Exhibit
123 / 9
and Qs.468,
469,479 and
480

70. Other elements involved in the amount of \$46,000 included unforeseen repairs and maintenance and other incidental expenditure totalling \$2,600 and increased payments of \$16,400 to the Post Office for investigation of interference and inspections of commercial broadcasting stations.

Exhibit
123 / 9
and Qs.470 to
473

71. The principal elements in the compensating shortfall of \$14,000 in expenditure comprised \$3,579 for video noise measuring equipment, \$3,333 for a precision television very high frequency field strength meter, \$2,145 for a portable frequency meter and \$1,275 for 2 calibrating signal generators.

Exhibit
123 / 9
Q.476 and
Committee
File 1970/5

CONCLUSIONS

72. In relation to this Item Your Committee is disturbed by the additional expenditure charged to the Advance to the Treasurer concerning Research and Advisory Committees. Although in this instance the amount concerned is only \$3,000, the evidence revealed that in the past, the Board's Budget officer has not maintained a complete and proper record of funds movements and commitments. As a consequence the prior approval of additional research projects was overlooked, in the absence of that officer on leave, when the Additional Estimates review was undertaken. Your Committee believes that these circumstances reflect adversely on the administration of the Board.

73. At the same time we note that a commitments register has been introduced recently by the Board and that a new position of Assistant Secretary has been created to improve the Board's administrative processes and provide more adequate control. While Your Committee commends the Board for this action the evidence shows that it could well have been taken sooner.

Chapter 6

Repatriation Department

Item 460/1/01 - Administrative-Salaries and Payments in the nature of Salary -Salaries and allowances.

<u>Funds Available</u>	<u>1967-68</u>	<u>1968-69</u>	<u>1969-70</u>
	\$	\$	\$
Appropriation Act No.1	9,930,000	10,060,000	11,102,000
Appropriation Act No.3	-	150,000	434,000
Advance to the Treasurer	-	-	24,000
TOTAL FUNDS AVAILABLE	<u>9,930,000</u>	<u>10,210,000</u>	<u>11,560,000</u>
TOTAL EXPENDITURE	<u>9,783,237</u>	<u>10,182,189</u>	<u>11,629,394</u>
UNEXPENDED FUNDS AVAILABLE	146,763	22,811	-
OVER EXPENDITURE	<u>-</u>	<u>-</u>	<u>119,394</u>

74. This item provides for the payment of salaries and allowances for permanent and temporary officers at the Central and Branch Offices. Salaries of members of War Pensions Entitlement Appeal Tribunals, Chairmen of War Pensions Assessment Appeal Tribunals and clerks and typists assisting these Tribunals are included in the Item.

75. We were informed that the amount of \$434,000 obtained in the Additional Estimates comprised \$579,700 relating to salary determinations and an increased provision for furlough leave and allowances, offset to the extent of \$145,700 in relation to unfilled staff vacancies. During the year the staff of the Department's Central Office declined from 258 to 237 and slight reductions also occurred in the Regional offices.

Exhibit 123/10
and Q.510

76. A further amount of \$24,000 was obtained from the Advance to the Treasurer on 12 June 1970 as it was estimated that total funds available would be insufficient to meet expenditure on salaries. This arose from increases payable as from 23 March 1970 under salary determinations for library officers, librarians and inquiry officers and the incidence of early pays for the pay period ending on 1 July 1970.

Exhibit 123/10
Q.513

77. In relation to the overexpenditure of \$119,394 that occurred on the Item it was stated that misunderstandings arose relating to the transfer of \$147,544 in expenditure to the Sub-Treasury A.D.P. Salaries system in Victoria. The witness indicated that the errors that resulted from these misunderstandings should not have occurred but, having occurred, should have been detected quickly.

Exhibit
123/ 10
and Q.514

78. In elaborating on the problems that arose the witness informed us that the first salary pay for 1969-70 had been made by the Department's Victorian Regional Office by the normal accounting machine process that had operated for some time. Subsequent to that pay and up until the final pay in January 1970, however, the salaries of the Central Office and the Victorian Regional Office were paid through the Sub-Treasury computer located in Melbourne.

Exhibit
123 /10
and Q.514

79. From the first pay period in February, 1970 when the Central Office of the Department had moved to Canberra, the Treasury computer in Canberra assumed responsibility for paying the salaries of the Central Office. In the case of that Office, the Department receives a monthly statement from the Department of the Treasury showing progressive expenditure. In the case of the Victorian Regional Office the monthly statement is confined to salaries.

Q.514

80. It was stated that the first pay for 1969-70 was shown separately in the print-out from the computer because it was a pay which had not been made by the Department of the Treasury. The authorising officer in Victoria assumed that the entry was a memorandum entry and that the amount of \$147,000 had been included in the progressive total. This was an incorrect assumption. The entry was queried by the Central Office on 6 October 1969 and, after verbal advice, the Victorian Regional Office satisfied the Central Office that it was, in fact, a memorandum entry.

Exhibit
123/ 10
and Q.514

81. The error was continued until 19 June 1970 when the Sub-Treasury, Victoria advised the authorising officer of the Department's Victorian Regional Office that there were insufficient funds available

Exhibit
123/ 10
and Q.514

to meet the final salary payment under the Item for the year. The authorising officer, having made full inquiries, assumed incorrectly that the reason for the insufficiency of funds was that the warrant advice for the first pay in 1969-70 had not been given to the Department of the Treasury. He gave the warrant advice to that Department but there was no authority for this action.

82. The witness added that the error arose from a lack of judgment on the part of the Department's Victorian Regional Office, inexperience on the part of the Central Office staff concerned and a lack of adequate supervision at the Central Office. In connection with these circumstances the witness stated that during the move of the Central Office to Canberra 110 staff out of a total establishment of 260 declined to transfer. In the case of the Budget Section of the Central Office almost the whole of the staff declined to accept transfer to Canberra.

Exhibit
123/ 10
and Q.514

83. We were informed that an independent departmental committee of enquiry comprising the Assistant Commissioner (Methods and Services), the Assistant Commissioner (Treatment) and the Deputy Assistant Commissioner (Benefits and Institutions) was established to conduct detailed investigations into the circumstances of the over-expenditure. The witness stated that although the committee of inquiry took the view that there was nothing basically wrong with the system, action had been taken by the Department to strengthen the arrangements.

Exhibit
123/ 10
and Qs.514 and
522

84. During our hearing we requested that the Report of the Committee of inquiry be submitted for examination. The Report expressed no doubt as to the adequacy of the present procedures in the Victorian Branch. It stated, however, that due to the pressure of work resulting from lack of staff and the large number of inexperienced staff, the checks and balances necessary at the Central Office were not carried out. It added that when performed, these checks and balances provide adequate controls and action must therefore be taken by the management of the Finance Branch, Central Office and the Accounts Section,

Victorian Branch, to ensure that accepted procedures are followed. The Committee added that on the aspect of Treasury computing systems, it considered that although they played no direct part in the errors that occurred, they in no small way contributed to them. The Committee's inquiries had revealed that the Department of the Treasury had held discussions and carried out training courses on the computer systems but these were directed to the Staff Clerks concerned with input to the system and not with output, what each print-out meant and how it could be or should be used for departmental information and control purposes. It considered that this approach revealed a serious deficiency and that in its own departmental computer systems, full explanation of all items in a computer print-out and the purposes for which these could be used should be explained to all staff who will be in contact with them.

Q.521 and
Committee
File 1970/5

85. In the light of its investigation the Committee made the following recommendations:

- No entry should be made in a Warrant Advices Register without supporting documentation.
- All items in a Warrant Advices Register should be checked by the Authorising Officer:
 - (a) on receipt of approved Appropriation,
 - (b) at the time of signature of each individual Warrant Advice and
 - (c) monthly on receipt of all Forms 40.
- A "master" Appropriation Ledger should be maintained, compiled from Forms 40 received from all Authorising Officers including Central Office and Sub-Treasury.
- Computer print-outs should be checked against the "master" Appropriation Ledger monthly.
- The possibility of computer print-outs projecting future expenditure should be investigated.
- Training of new staff should be undertaken in finance areas and written and detailed procedural instructions should be prepared.

Q.521 and
Committee File
1970/5

- Clear lines of communication should be established between the Central Office, Branches and Sub-Treasuries.
- There should be documentation of all telephone conversations affecting Estimates, Appropriation, Warrant or Expenditure, particularly in the last four to six weeks of the financial year.
- Estimating procedures used in 1969-70 for Central Office and the Victorian Branch Office should be investigated in detail to ascertain reasons for under-estimating and to ensure that any error was not carried through to the 1970-71 financial year.
- Warrant Advices should be issued and controlled by Item only.
- A review be carried out of the present system of numbering Warrant Advices and consideration given to the introduction of a separate series of numbers for each Item for each Authorising Officer.
- Consideration should be given to the institution of a system of reconciliation and check of accuracy of financial records at the time of change in Authorising Officer.
- Uniform procedures should be adopted for issue of Warrant Advices where Sub-Treasuries are involved.
- Training should be given in Central Office and Branch Offices to ensure that all concerned are aware of what each item on computer print-outs mean and how each could or should be used for departmental purposes.
- In cases of doubt regarding funds or expenditure control, as arose in the Victorian Branch, an officer should discuss the matter at senior levels before a decision is made.

86.

The Committee added that the errors that had occurred in the Central and Victorian Regional Offices highlight the need for the importance of financial controls to be impressed on all Branches of the Department. It considered that its recommendations apply equally in areas other than salaries, and in all Branches, and could, with advantage, be referred in suitable form to all Deputy Commissioners.

Q.521 and
Committee
File 1970/5

CONCLUSIONS

87. The evidence shows that an overexpenditure of \$119,394 occurred on this Item in 1969-70. Your Committee views in a most serious light, overexpenditures from any cause as is evidenced by its remarks in its Eighty-second and Ninety-third Reports which related to expenditure from the Advance to the Treasurer in 1965-66 and 1966-67 respectively. In view of the recurrence of this problem in the present case we would again invite attention to Treasury Regulation 90(1) which states:

P.P. No.352
of 1964-65-
66 and P.P.
No.128 of
1967.

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

88. The evidence also shows that the overexpenditure on the Item arose mainly from misunderstandings that occurred in the Central and Regional Offices of the Department. These, in turn, were influenced partly by the transfer of the Central Office to Canberra early in 1970 and partly by basic misunderstandings regarding the interpretation of output data from the Treasury computer system.

89. On several occasions in recent years Your Committee has encountered the problems, including staff losses, confronting departments when transferring their Central Offices to Canberra. However, we believe that a clear responsibility rests on the Permanent Heads of such departments to recognise the problems that can arise and to ensure that they are minimised in the interests of efficient administration.

P.P. Nos.53
and 214 of 1968
and P.P. No.155
of 1970

90. Your Committee regards as entirely unsatisfactory the fact that adequate training was evidently not provided by the Department of the Treasury in connection with the interpretation of output data from the Treasury computers. We believe that urgent action is required to overcome this deficiency should it exist in relation to other users of that equipment.

91. On the basis of the evidence Your Committee agrees with the witness that the errors that occurred should not have arisen, but, having arisen, should have been detected and rectified promptly. We also agree with the view expressed by the departmental committee of inquiry that the importance of financial controls should be impressed on all branches of the Department and that the committee's recommendations should be referred to the attention of all Deputy Commissioners.

Chapter 7
Department of the Treasury
Commonwealth Taxation Office

Item 546/3/01 - Commonwealth Taxation Office-Other Services-Taxes and fines - Remission under special circumstances.

<u>Funds Available</u>	<u>1967-68</u>	<u>1968-69</u>	<u>1969-70</u>
	\$	\$	\$
Appropriation Act No.1	1,937,400	2,035,500	2,127,500
Appropriation Act No.3	233,200	100,500	1,055,800
Advance to the Treasurer	<u> -</u>	<u> -</u>	<u>209,200</u>
TOTAL FUNDS AVAILABLE	2,170,300	2,136,000	3,392,500
TOTAL EXPENDITURE	<u>2,156,320</u>	<u>2,059,198</u>	<u>3,280,324</u>
UNEXPENDED FUNDS AVAILABLE	<u>13,980</u>	<u>76,802</u>	<u>112,176</u>

92. This item covers the remission of taxes and fines imposed under the taxation laws where total exaction would be inequitable in one way or another but relief is not possible under the provisions of the relative taxing law. The amount of the remission is charged to this item and credited to the appropriate head of Taxation Revenue. Any amounts reimbursed have been credited to this expenditure item. The larger part of the expenditure relates to the increased income tax resulting from the inclusion in taxable income of overseas allowances paid to Government officials and servicemen stationed outside Australia. In the case of an employee of a State Government, a State Government Authority or a Commonwealth Authority not financed on a departmental basis, the amount is borne by the State Government or Authority which pays the amount to the Commonwealth.

Exhibits
123 / 11 and 12

93. We were informed that when the Additional Estimates Review was made, expenditure as at 28 February 1970 had reached a level of \$1,370,010. The review showed an increase in the number of remissions in the Central Office in Victoria where the major part of the Item is expended and an increase in the average cost of remissions in all States compared with corresponding figures for

Exhibits
123 / 11 and 12
and Qs.689 to
691

the previous year. In addition, a large unforeseen remission case involving approximately \$280,000 occurred in Victoria early in 1969-70. On the basis of these factors the Commonwealth Taxation Office sought a further \$1,055,800 in the Additional Estimates.

94. In regard to the amount of \$209,200 sought from the Advance to the Treasurer we were informed that the majority of taxpayers who qualify for remissions had hitherto lodged their returns at the Commissioner's Central Office in Melbourne. When it was decided to close down this office as from 30 June 1970, special arrangements were made to clear all outstanding work before that date. As a result many assessments were issued prior to 30 June which, in a normal year would not have been issued until after that date. When it became evident that an unusually large number of remission cases would be processed before 30 June, additional funds were sought from the Advance to the Treasurer to meet the unprecedented increase in the number of remission cases in the Central Office. The number increased from 1170 in 1968-69 to 1580 in 1969-70. It was stated that the additional funds sought for this purpose were, in fact, fully expended. Exhibit^s 123/11 and 12

95. So far as the unexpended amount of \$112,176 is concerned, we were informed that for many years the Commonwealth Taxation Office has been responsible for the expenditure incurred under this Item along guidelines laid down by the Department of the Treasury. In the case of some Government Authorities, the remissions have been reimbursed to the Commonwealth and these amounts have been credited in the Treasury Appropriation ledger. The reimbursements, however, were not reflected in the Commonwealth Taxation Office ledger. Exhibit^s 123 /11 and 12

96. It was stated that the amounts of the reimbursements had been relatively insignificant and it had not been the practice to take them into account when estimating expenditure under this Item. However, the reimbursements increased from \$4,870 in 1967-68 to \$57,148 in 1968-69 and recommendations were made for the reimbursements to Exhibit^s 123 11 and 12

be taken into account in future estimates.

97. We were informed that due to a misunderstanding, the Estimates Officer inadvertently overlooked the recommendations that had been made. In elaborating on this aspect the witness stated that, at that stage, a submission had been prepared providing for a change to be made in the system of accounting. It was proposed that the Taxation Office should discuss with the Department of the Treasury the question of reimbursements and should take over their collection from that Department and enter them straight into the Taxation Office accounting system. The officer concerned, however, thought that, until such time as the Taxation Office took over the accounting arrangements and the reimbursements came into the Taxation Account, he could not use the money concerned for the purposes of expenditure. In 1969-70 the reimbursements amounted to \$98,195. Exhibit 123 / 11 and 12 and Qs. 692 to 694.

98. In commenting on this matter, the Treasury Observer, Mr. Davidson, said that as far as his Department was concerned the Taxation Office had been advised of the amount of \$98,195 and it had been assumed that this figure had been taken into account by the Taxation Office when it sought funds from the Advance to the Treasurer. Q. 695

99. We were informed that the error that had occurred was recognised as soon as the final expenditure figures for 1969-70 became available. The Commonwealth Taxation Office held discussions with the Department of the Treasury and on 20 August 1970 wrote to that Department to formalise approval for the accounting system to be changed and for the Commonwealth Taxation Office in lieu of the Sub-Treasuries to collect the reimbursements. The Department of the Treasury gave formal approval to this arrangement on the same date. All Deputy Commissioners of Taxation were notified of the change and, as at the date of our inquiry (25 August 1970) the new system was in the process of implementation. Instructions were also given to ensure that the reimbursements will be taken into account in the formulation of future estimates for this Item. Exhibit 123 / 11 and 12 and Qs. 696 and 697

CONCLUSIONS

100. It appears to Your Committee that the shortfall of \$112,176 that occurred on this Item following the use of the Advance to the Treasurer arose from a misunderstanding on the part of the Estimates Officer of the Taxation Office concerning reimbursements made by Government authorities and credited, until very recently, to the Treasury Appropriation ledger.

101. It also appears that proposals were developed within the Taxation Office during 1969-70 for the accounting arrangements relating to these reimbursements to be altered and for the reimbursements to be entered direct into the Taxation Office accounting system. It was also proposed that the reimbursements were to be taken into account in the formulation of estimates for this Item. Your Committee believes that, in these circumstances, the fact that the reimbursements were to be considered in the framing of estimates, evidently prior to the proposed changes to the accounting system, should have been made quite clear to the officer responsible for the preparation of the estimates and the expenditure and funds position on the Item during 1969-70 should have been carefully oversights at senior levels within the Taxation Office.

102. While Your Committee would commend both the Taxation Office and the Department of the Treasury on the action taken to develop, approve and implement the new accounting procedures, we note that following discussions between both parties, proposals were formally submitted by the Taxation Office as late as 20 August 1970 and approved by the Department of the Treasury on the same day. When our inquiry occurred five days later, the new system was in the process of implementation and instructions had been issued to ensure that reimbursements will be taken into account in the formulation of future estimates for the Item.

Chapter 8
Department of Works

- (1) 582.1.06: Furniture and Fittings-Departmental-Department of Education and Science.

<u>Funds Available</u>	<u>1967-68</u>	<u>1968-69</u>	<u>1969-70</u>
	\$	\$	\$
Appropriation Act No.1	14,000	114,300	51,000
Appropriation Act No.3	7,700	-	-
Advance to the Treasurer	<u>2,540</u>	<u>-</u>	<u>8,200</u>
TOTAL FUNDS AVAILABLE	24,240	114,300	59,200
TOTAL EXPENDITURE	<u>22,940</u>	<u>102,131</u>	<u>52,364</u>
UNEXPENDED FUNDS AVAILABLE	<u>1,300</u>	<u>12,169</u>	<u>6,836</u>

103. This item provides for the furniture and fittings requirements for the Department of Education and Science throughout Australia with the exception of the Australian Capital Territory and Northern Territory Services. Exhibit
123/13

104. It was stated that the appropriation of \$51,000 was based on an unexpended balance of \$32,389 as at 1 July 1969 on items ordered in 1968-69 and a programme of new and replacement furniture to be ordered in 1969-70 totalling \$25,000. Exhibit
123/13

105. We were informed that it was necessary to seek an additional amount of \$8,200 from the Advance to the Treasurer to meet estimated expenditure of \$7,689 on additional items added to the approved programme on 3 April 1970 and to meet an anticipated increase of \$500 in demands for furniture items in Queensland. Exhibit
123/13
Q.748

106. However, it was stated that a delay of six or seven weeks occurred on the part of the New South Wales Branch of the Department of Education and Science in placing the order. This resulted in the manufacturer being unable to maintain his production of the furniture required as arranged previously by the Department Qs.750 and
758

of Works. Consequently, deliveries were not made prior to 30 June 1970 to effect payment in 1969-70.

107. The witness representing the Central Office of the Department of Education and Science stated that written advice of the approval of funds for the acquisition was received from the Department of the Treasury on 8 April 1970. On that day the witness informed the New South Wales Branch of his Department of this approval and supplied written confirmation on 10 April 1970. The witness informed us that the delay that occurred in placing the order was due wholly to inexperience on the part of the officer concerned in the Sydney Office and on the part of the witness who accepted responsibility for failing to ensure that the order was in fact, placed. He added that he had not joined the Department of Education and Science until 3 March 1970 and at that time he was concerned mainly with the preparation of the Estimates for 1970-71. He had assumed that the New South Wales Branch would take immediate action to place the order with the Department of Works as it had requested the funds for that purpose.

Qs.749 to 756

108. The witness stated that he has advised the Sydney office of the Department of Education and Science regarding procedures to be undertaken in future cases and has introduced a system for the Central Office of the Department to follow up information received from the Department of Works.

Q.757

CONCLUSIONS

109. The evidence shows that the Department was justified in seeking \$8,200 from the Advance to the Treasurer.

110. It appears to Your Committee, however, that the New South Wales office of the Department failed to take appropriate action to place an order for furniture that had been approved on 3 April 1970, thus involving a shortfall in expenditure on the Item as at 30 June 1970.

It also appears that this failure arose from inexperience of officers in both the Central and New South Wales Regional offices of the Department. While Your Committee notes that the Department has taken steps to ensure that errors of this nature will not be repeated, we believe that the error should not have arisen.

(ii) 582.1.24: Furniture and Fittings-Departmental-Department of Works.

<u>Funds Available</u>	<u>1967-68</u>	<u>1968-69</u>	<u>1969-70</u>
Appropriation Act No.1	\$ 170,000	\$ 192,400	\$ 153,000
Appropriation Act No.3	31,500	-	20,000
Advance to the Treasurer	-	-	5,000
TOTAL FUNDS AVAILABLE	201,500	192,400	178,000
TOTAL EXPENDITURE	<u>200,945</u>	<u>191,679</u>	<u>175,890</u>
UNEXPENDED FUNDS AVAILABLE	<u>555</u>	<u>721</u>	<u>2,110</u>

111. This item provides for new and replacement furniture and fittings requirements for the Department of Works at its offices, stores, depots, workshops etc., in all States and Papua/New Guinea. Exhibit 123/14

112. It was stated that the appropriation of \$153,000 was based on an unexpended balance of \$35,850 as at 1 July 1969 on items ordered in previous years and on a total programme of \$130,000 for new items to be ordered in 1969-70. Exhibit 123 /14

113. The witness informed us that when the Additional Estimates review was undertaken, expenditure on the Item as at 28 February 1970 amounted to \$117,769. In addition, the following additional items had been added to the programme between September 1969 and February 1970:- Exhibit 123 /14 and Qs.763 & 764

		\$
10 September 1969	Floorcoverings at Hawthorn, Victoria	8,000
28 October 1969	Furniture for two residences and one single officers quarters at Sirinumu, Papua	4,750
	Furniture for thirteen new positions in New South Wales	1,185
	Furniture for nine new positions in Queensland	1,060
28 November 1969	Furniture for eighteen additional positions in New South Wales	6,600

		\$
2 January 1970	Furniture for fifteen additional positions in Victoria	1,864
21 January 1970	Furniture to fourteen new positions in Head Office	3,203
3 February 1970	Furniture for five additional positions in Queensland	737
5 February 1970	Furniture for nine additional positions in Victoria	<u>2,324</u>
		<u>\$29,723</u>

114. It was stated that additional items estimated to cost a total of \$16,651 were added to the programme in March and April 1970 as follows: Exhibit 123 / 14 Q.767

		\$	
16 March 1970	Fifty-two new positions	8,918	Committee File 1970/5
3 April 1970	Seven new positions	665	
10 April 1970	Office furniture and room-conditioners for new offices in Malayasia	5,190	
24 April 1970	Fourteen new positions	<u>1,878</u>	
		<u>\$16,651</u>	

115. It was stated that it was necessary to seek an amount of \$5,000 on 26 May 1970 from the Advance to the Treasurer to cover estimated expenditure in 1969-70 on these items. Exhibit 123/14

116. We were informed that the \$2,110 remaining unspent at the close of the financial year comprised amounts ranging from \$1 to \$826 in all branches of the Department. Q.768

CONCLUSIONS

117. Your Committee accepts the Department's explanation.

(iii) 584.1.09: Repairs and Maintenance-Departmental - Department of Health.

Funds Available	<u>1967-68</u>	<u>1968-69</u>	<u>1969-70</u>
	\$	\$	\$
Appropriation Act No.1	195,000	380,000	330,000
Appropriation Act No.3	56,000	22,500	-
Advance to the Treasurer	-	-	<u>8,500</u>
TOTAL FUNDS AVAILABLE	<u>251,000</u>	<u>402,500</u>	<u>338,500</u>
TOTAL EXPENDITURE	<u>246,318</u>	<u>357,008</u>	<u>336,406</u>
UNEXPENDED FUNDS AVAILABLE	<u>4,682</u>	<u>45,492</u>	<u>2,094</u>

118. This item provides for the repairs and maintenance requirements of the Department of Health in all States and Territories other than for the Australian Capital Territory and Northern Territory Medical Services. Exhibit 123 / 15

119. It was stated that the Appropriation was based upon an unexpended balance of \$145,336 as at 1 July 1969 on works requested or committed in the previous financial year and not physically and financially complete at the end of that year, together with a new programme totalling \$330,000 for works to be commenced in 1969-70. Exhibit 123 / 15 and Qs.771 to 773

120. We were informed that an additional amount of \$8,500 was sought from the Advance to the Treasurer to cover estimated expenditure associated with better progress being made than had been anticipated on repairs to the Jetty at the Portsea Quarantine Station. It had been expected that completion of this project would be delayed due to unfavourable weather conditions and delays in obtaining timber supplies due to strikes. We were informed that this work was commenced under an accepted tender for \$5,854 on 21 January 1970 and due for completion on 21 April 1970. The witness stated that when the Additional Estimates review was made, little work had been undertaken, leading the Department to believe that the job would not proceed according to contract time and hence a lag Exhibit 123 / 15, Qs.774 and 792

in expenditure would occur. However, we were informed that the contractor was able to obtain alternative timber supplies and to complete the contract on time, resulting in an increased expenditure of \$5,200.

121. We were informed that the remaining \$3,300 sought from the Advance to the Treasurer resulted from an increased demand for unforeseeable urgent minor repairs and maintenance of a current nature during the latter part of the financial year and an earlier commencement than had been anticipated on repairs and alterations to a building at 38 Lonsdale Street, Melbourne.

Exhibit
123 / 15
Qs. 775 and
776

122. It was stated that the increased expenditure under the Item was offset partly by a delay that occurred in a contract which was due for completion on 24 June 1970. The contract was for repairs to the manproof boundary fencing to the North Head Quarantine Station. The delay was said to have been due to a late request made by the Department of Health for a change in its requirements. However, the witness representing the Department of Works stated that these changes were small variations totalling \$333 made to the project on 29 May 1970 and involved the widening of gates, provision of extra gates, manproofing under the fence and the strengthening of a signboard.

Exhibit
123 / 14

Q. 777

Committee
File
1970/5

123. We were informed by the Department of Works that the written brief received from the Department of Health indicated that the work to be carried out was replacement of dilapidated sections of the perimeter fences and fencing surrounding the isolation/ observation section. There was no mention of the question of gates.

Committee
File
1970/5

124. The Department of Works advised us that one of its officers had inspected the area prior to drawing up the specifications for the work. At this inspection, the Department of Health representative had made verbal requests to the officer to include "standard" gates to permit access out of the isolation area to the surrounding bushland and cliff area by firetrucks and fire engines

Committee
File
1970/5

and to widen the existing gates in the fence of the isolation area. Both these verbal requests, it was stated, appeared to have been misunderstood or overlooked.

125. A witness representing the Department of Health informed us that the need for these variations was noted after the contractor arrived on the site in March 1970. Information held by his Department indicated that the contract had been let on 4 March 1970, the contractor arrived on 24 March 1970 and a variation order was issued to the contractor on 20 April 1970. Regarding the access gates, the witnesses representing the Department of Health stated that after the job had commenced his department noted that these gates were not being provided. In accordance with the original request for access gates to allow passage of fire-fighting and rescue units through the North Head Quarantine Station to effect bushfire control and rescues from the base of the cliffs, the Department of Works was requested to make this provision. Also, it was the understanding of the Department of Health that these gates were to be ten feet wide and consequently the Department of Works was asked to widen them to thirteen feet to allow access by units of the local fire brigade. The total delay arising from these variations was two days. The contract was due for completion on 24 June 1970 and was actually completed on 26 June.

Qs.778 and 781

Q.781

126. The witness representing the Department of Works was unable to provide us with information concerning uniform general specifications to allow entry of fire fighting equipment to Commonwealth property. However, the Department subsequently advised us that the New South Wales Fire Brigade confirmed that a 9' gate would allow access of a fire engine and sufficient room for manoeuvring. The fire engines of this brigade are built seven feet wide and are allowed, by law, an overhang of six inches on either side.

Qs.779,780
and 782.

Committee
File
1970/5

CONCLUSIONS

127. In considering the evidence tendered Your Committee notes that provision was made in the Original Estimates for a contract for repairs to the manproof boundary fencing to the North Head Quarantine Station. The contract was due for completion on 24 June 1970.

128. Evidence submitted by the Department of Works indicates that the contract was varied on 29 May 1970 to provide for the widening of gates, provision of extra gates, manproofing under the fence and the strengthening of a signboard. On the other hand, evidence submitted by the Department of Health indicates that the need for these variations was noted after the contractor commenced work on 24 March 1970 and an appropriate order was issued to the contractor on 20 April 1970. The differences inherent in this evidence indicate the need for closer collaboration between the Department of Works and its client department in documentation of the facts relating to projects and in tendering evidence before Your Committee.

129. Apart from these considerations it is also evident that during the inspection of the area prior to the drawing of specifications verbal requests were made by the Department of Health officer in relation to gates and these requests, which were evidently not subsequently documented, were either overlooked or misunderstood by the Department of Works. Your Committee regards this as a most unsatisfactory state of affairs.

130. On the basis of the evidence, Your Committee believes, however, that the Department was justified in seeking additional funds from the Advance to the Treasurer.

(iv) 584.1.18: Repairs and Maintenance-Departmental-Repatriation
Department.

<u>Funds Available</u>	<u>1967-68</u>	<u>1968-69</u>	<u>1969-70</u>
	\$	\$	\$
Appropriation Act No.1	520,000	540,000	608,000
Appropriation Act No.3	-	19,000	-
Advance to the Treasurer	-	-	39,000
TOTAL FUNDS AVAILABLE	520,000	559,000	647,000
TOTAL EXPENDITURE	515,769	549,252	640,907
UNEXPENDED FUNDS AVAILABLE	4,231	9,748	6,093

131. This item provides for the operational costs of essential services at Repatriation General Hospitals and other institutions including steam raising plants and hospital equipment.

Exhibit
123 /16

132. It was stated that the appropriation was based on an unexpended balance of \$167 as at 1 July 1969 on works commenced in previous years plus a total programme of \$608,000 for works to be commenced in 1969-70.

Exhibit
123 /16

133. We were informed that as at 28 February 1970, the assessment carried out by the Department of Works revealed that the appropriation of \$608,000 would be sufficient for the remainder of the financial year.

Q.793

134. However, the witness stated that cost rises had occurred particularly in New South Wales and Western Australia, late in 1969-70 and an additional \$39,000 was approved on 25 May 1970 from the Advance to the Treasurer to maintain these essential services at a satisfactory level.

Exhibit
123 /16
Q.793

135. We were informed that of the amount of \$6,093 remaining unspent at the close of the year, \$3,000 arose from less coal being used than had been anticipated in Queensland. The remaining \$3,093 was attributed to overestimating on the part of the Department of Works.

Q.794

CONCLUSIONS

136. Your Committee accepts the Department's explanation relating to the need for recourse to the Advance to the Treasurer. At the same time Your Committee notes the admission of the witness that \$3,093 of the amount sought arose from overestimating on the part of the Department of Works. We consider that extra care should be taken by the Department in formulating its requirements from the Advance.

(v) 925.1.10: Capital Works and Services-Buildings and Works-Departmental
-Department of Health

<u>Funds Available</u>	<u>1967-68</u>	<u>1968-69</u>	<u>1969-70</u>
	\$	\$	\$
Appropriation Act No.2	412,000	470,000	450,000
Appropriation Act No.4	37,000	-	-
Advance to the Treasurer	-	-	11,000
TOTAL FUNDS AVAILABLE	449,000	470,000	461,000
TOTAL EXPENDITURE	434,323	399,058	450,928
UNEXPENDED FUNDS AVAILABLE	14,677	70,942	10,072

137. This item provides for the buildings and works requirements for the Department of Health other than for the Northern Territory and Australian Capital Territory Medical Services. Exhibit 123 / 17

138. We were informed that the Appropriation was based on an unexpended balance of \$298,001 as at 1 July 1969 on work commenced in previous financial years and on a total programme of \$262,800 for works due for commencement in 1969-70. Exhibit 123/ 17

139. It was stated that in December 1969 a supplementary item relating to alterations to office accommodation in the A.M.P. Building, Adelaide, for \$21,500 was included in the approved works programme. The terms of the lease of the accommodation stipulated that any work within the building must be arranged through the building owner's consultant architects, Exhibit 123/ 17

140. The witness explained that, based on experience with two previous contracts relating to the same building the claims for payment were usually submitted less frequently and received much later than in the case with Departmentally supervised contracts. In these cases contracts had to be arranged between the builder and the building owner rather than the normal direct contract with the Department of Works. This has led to procedures whereby Exhibit 123 / 17 Qs. 802 and 803
Committee File 1970/5

the consulting architect certified progress to the building owner who then paid the builder and claimed reimbursement from the Department of Works.

141. It was claimed that the increased number of stages in the payment process had meant some delay occasioned mainly by the owner of the building failing to lodge claims promptly. For example, work was certified by the consultant as complete on 1 April 1968 but a claim was not received by the Department until 27 May 1968.

Committee
File
1970/5

142. The witness confirmed that, generally, there is no undue delay in payments for works which are supervised by consultants. He added that the Department of Works is anxious to discharge liabilities as soon as work is physically complete. He stated that it is his Department's objective to inspect regularly jobs which are under the direct supervision of the Department and to make payments to all contractors based on the value of work completed as at the date of inspection by the Department to endeavour to keep expenditure to the budget.

Qs. 804,806
to 808.
Committee
File
1970/5

143. We were informed, however, that it is not the practice of the Department to regularly inspect jobs when they are being supervised by consultants. It was stated that in these cases, general inspections only are made on completion and at periodic intervals. The department claimed that it does not endeavour to duplicate the work of the consultant nor did it abrogate its responsibility for the satisfactory completion of the particular job.

Committee
File
1970/5

144. It was stated that in light of the experience with the consultant architect for the owners of the A.M.P. Building in Adelaide no additional provision was sought in Appropriation Act No.4 for the project to alter the office accommodation. However, advice was received in June 1970 that a certified claim was being lodged and an additional amount of \$11,000 was sought from the Advance to the Treasurer to enable payment to be made. The claim was actually paid in June 1970.

Exhibit
123/ 17

145. We were informed that the shortfalls in the separate projects mentioned below contributed to the underexpenditure of \$10,072 under this Item. The final balancing figure comprised variations in expenditure over the total \$570,000 programme for the year.

. Adelaide Quarantine Station-Sewer and Water Pumps

146. It was stated that the cost of a sewer pump and a water pump for the Adelaide Quarantine Station was inadvertently not charged to the project until after 30 June 1970 resulting in \$1,400 being unexpended. It was explained that the costs of this project, the framework for which was manufactured in the Department's own workshops, were maintained in a trust account and on completion a transfer was to be made to the Appropriation. It was stated that although the work was completed and the assembled Units ready for installation by 25 May 1970 a delay occurred in clearing the expenditure from the trust account to the Appropriation until after the close of the financial year.

Exhibit
123/17
and Q.809

. Port Pirie Health Laboratory-Alterations and Additions

147. We were informed that a contract of \$4,243 was let on 31 March 1970 for completion by 30 June 1970 for alterations and additions to the Port Pirie Health Laboratory. The witness representing the Department of Works stated that as this project did not exceed \$7,000 it was classified as a minor work and would not be scheduled into a work plan for commitment or processing to tender in a particular month of a financial year.

Exhibit
123/17
Q.811

148. A witness representing the Department of Health stated that following an inspection of the laboratory by the Department of Works and Department of Health in April 1969 a requisition was lodged on 22 July 1969 for \$4,250. On 9 January 1970 the Department of Works requested a supplementary requisition to cover electrical work not taken into account and wage and country allowance increases. This requisition which was provided on

Q.812

15 January 1970 increased the authorisation to \$5,000 which was reduced to \$4,243 when the contract was let on 31 March 1970.

149. Contact was made by the Department of Health with the Department of Works in August 1969 to provide further information. Contact by telephone was also made late in 1969 seeking advice of progress made and late in January 1970 seeking expedition of the work.

Committee File
1970/5

150. The witness representing the Department of Health claimed that his Department is concerned to see that progress of capital works is kept under review. With minor works this oversight is maintained by the Department of Health's State Branches. In this case, however, supervision of the progress of the work was left to the Department of Works following the letting of the contract.

Qs.813 to 815
and Committee
File 1970/5

151. It was emphasised by the witness representing the Department of Health that the opportunity was being taken to remind State Branches of the Department of the need for oversight to be maintained at all times both before a contract is let and while work is in progress. He claimed that he would be concerned personally, in his position as Assistant Director-General, that work admitted to a programme would be carried out during the year. He added that he considered it to be important that this particular work, including the installation of a fan in a fume cupboard and air-conditioning for a laboratory, be completed as quickly as possible.

Committee
File 1970/5
Q.814

152. We were informed that \$1,600 remained unexpended on this project due to slow progress made by the contractor.

Exhibit
123/17

. Laboratory-Tamworth, New South Wales

153. It was stated that although work was physically completed on the erection of a laboratory at Tamworth, New South Wales and repeated requests were made to the contractor by the Department of Works, the Department was unable to determine final

Exhibit
123/17
and Qs.816 and
820

costs for several variations to the contract and arrange payment in the financial year.

154. We were informed that variation prices were requested on 2 July 1969, 27 October 1969, 19 November 1969, 17 December 1969, 10 February 1970, and 20 February 1970. Follow-up letters were sent to the contractor on 3 September 1969, 2 April 1970, 27 May 1970, and 9 July 1970 in addition to verbal requests made by the Department of Works' supervising officer direct to the contractor. These prices, however, were not submitted by the contractor until 29 June 1970. Qs. 816 and 820

155. It was stated that the reduction in estimated expenditure in the 1969-70 financial year on this project was \$5,000. Exhibit 123 / 17

. Camperdown Hospital, New South Wales-Airconditioning
156. In its submission the Department stated that it had been anticipated that a payment of \$3,600 would be made early in June 1970 on a contract for the installation of airconditioning at Camperdown hospital. However, this claim was received too late in June to enable checking and processing prior to the closing of accounts. Exhibit 123 / 17

157. In elaborating on this matter the witness informed us that the contract had been completed on 20 March 1970 but a claim for payment was not forthcoming from the contractor. In these circumstances the Department made payment on 8 July 1970 of the amount of \$3,600 without a claim being received. The witness stated that it is normal practice for the Department to await the submission of claims by contractors before making payment. Qs. 817, 818 and 819

CONCLUSIONS

158. On the basis of the evidence Your Committee accepts the Department's explanation relating to its request for funds from the Advance to the Treasurer.

159. Your Committee, however, is disturbed by certain aspects of the evidence that relate to the shortfall of \$10,072 in expenditure that occurred on the Item as at 30 June 1970.

160. In the case of the Adelaide Quarantine Station project the cost of a sewer pump and water pump was inadvertently not charged to the project until after 30 June arising from a delay that occurred in clearing expenditure from a Trust Account. We believe that this delay should not have occurred and that appropriate action should be taken to prevent its repetition.

161. In the case of the alterations and additions to the health laboratory at Port Pirie it appears that the shortfall of \$1,600 in expenditure arose from slow progress made by the contractor. As in Item 584/1/09, however, the evidence also reflects a need for greater collaboration between the Department of Works and the Department of Health.

162. So far as the laboratory at Tamworth is concerned it appears that considerable difficulty was experienced in obtaining advice of variation prices from the contractor, despite regular verbal and written requests made by the Department's Works supervisor. We note, however, that while the required information was submitted by the contractor on 29 June 1970 a further letter requesting the information was issued by the Department on 9 July. Your Committee believes that this action could only have arisen from a failure of communication that should not have occurred, within the Department but, having arisen, reflects adversely and publicly on the Department.

163. The circumstances relating to the Camperdown project are of particular concern to Your Committee. On the basis of the evidence it is clear that the Department's submission is misleading in that it referred to a claim having been lodged too late in June

to enable checking and processing prior to the closing of accounts. The witness however, made it clear that no such claim had, in fact, been received and that, in its absence, the Department, contrary to its normal practice, initiated payment early in July. Had the payment been made in the circumstances described, prior to the closing of accounts in 1969-70, then the reason for the payment would have been understandable even if unacceptable. The motives involved in making such a payment early in July, however, are incomprehensible. Your Committee is disturbed by the conflicting nature of the evidence tendered and regards the action taken by the Department as unsatisfactory.

(vi) 925.1.12 Capital Works and Services-Buildings and Works-Departmental-
Department of Immigration.

<u>Funds Available</u>	<u>1967-68</u>	<u>1968-69</u>	<u>1969-70</u>
	\$	\$	\$
Appropriation Act No.2	78,000	3,105,000	3,200,000
Appropriation Act No.4	-	-	590,000
Advance to the Treasurer	-	-	<u>132,000</u>
TOTAL FUNDS AVAILABLE	78,000	3,105,000	3,922,000
TOTAL EXPENDITURE	<u>43,783</u>	<u>2,677,958</u>	<u>3,895,854</u>
UNEXPENDED FUNDS AVAILABLE	<u>34,217</u>	<u>427,042</u>	<u>26,146</u>

164. This item provides for the buildings and works requirements for the Department of Immigration. Exhibit 123 / 18

165. We were informed that the Appropriation was based on an unexpended balance of \$4,049,880 as at 1 July 1969 on works commenced in previous financial years plus a total programme of \$2,000 for new works for commencement in 1969-70. It was stated that this programme virtually consisted of two projects- migrant hostels at Randwick, New South Wales and Springvale, Victoria. Exhibit 123 / 18

166. We were informed that having regard to previous experience with the contractors on the earlier stages of construction of these hostels, the Department purposely estimated expenditure in 1969-70 on a conservative basis. This applied particularly to the Randwick hostel where the site was an old rubbish tip necessitating the redesign of the foundations of six of the sixteen buildings in the contract. Exhibit 123 / 18 and Q.843

167. It was stated that an additional \$590,000 was sought in Appropriation Act No.4 to meet an anticipated increased expenditure resulting from good progress achieved by the contractors on the two migrant hostel projects and two additional items included in the new programme prior to Additional Estimates. These additional items were \$14,000 for the rehabilitation of 'D' block at the Bonegilla Migrant Centre and \$62,700 for partitioning of Northbourne House, Canberra. Exhibit 123 / 18

168. It was stated that due to the continued good progress made by the contractors, the Department of Works sought \$132,000 from the Advance to the Treasurer on 30 May 1970 to cover finalisation of claims under the Rise-and-Fall clause in the contract. This comprised \$40,600 for the Randwick Hostel and \$96,304 for the Springvale project.

Exhibit
123/18
Qs.844 and
851

169. We were informed that Rise-and-Fall clauses in contracts extending over twelve months entitle the contractor to be reimbursed for increases arising during the course of the contract. The witness stated that this is assessed by the Department of Works after the lodgement of a claim by the contractor.

Qs.844 and
849

170. It was stated that the \$26,146 that remained unexpended as at 30 June 1970 was principally in respect of the Randwick Project. The claim of \$40,624 expected in relation to the Rise-and-Fall for this project amounted to only \$18,528 of which \$17,289 was paid on 5 June 1970.

Q.852

CONCLUSIONS

171. While it is clear from the evidence that the Department was justified in seeking extra funds from the Advance to the Treasurer, \$40,600 of the amount sought related to the Randwick Project. In respect of this project, however, only \$17,280 was required for expenditure in 1969-70. While payment of that amount was made on 5 June 1970, the amount of \$40,600 was sought on 30 May. Your Committee believes that the Department should have sought the extra funds from the Advance to the Treasurer subsequent to making the payment in respect of the Randwick Project.

(vii) 925.1.18: Capital Works-Services-Buildings and Works-Departmental
-Repatriation Department.

<u>Funds Available</u>	<u>1967-68</u>	<u>1968-69</u>	<u>1969-70</u>
	\$	\$	\$
Appropriation Act No.2	1,780,000	2,000,000	1,900,000
Appropriation Act No.4	-	-	-
Advance to the Treasurer	-	-	100,000
TOTAL FUNDS AVAILABLE	1,780,000	2,000,000	2,000,000
TOTAL EXPENDITURE	<u>1,628,667</u>	<u>1,949,774</u>	<u>1,974,939</u>
UNEXPENDED FUNDS AVAILABLE	<u>151,333</u>	<u>50,226</u>	<u>25,061</u>

172. This item provides for the buildings and works requirements of the Repatriation Department.

Exhibit
123 / 19

173. It was stated that the Appropriation was based on an unexpended balance of \$1,616,541 as at 1 July 1969 on works commenced in previous years plus a total programme of \$1,997,000 for new works for commencement in 1969-70.

Exhibit
123 / 19

174. We were informed that when the Additional Estimates review was undertaken, a substantial shortfall was anticipated in expenditure on a project in New South Wales at the Pathology Section of Concord Repatriation Hospital due to an expected late delivery of a chiller unit from the United States of America. The witness stated that advice of this delay which was caused by industrial strikes in the United States of America was given to his Department by the contractor.

Qs. 854 and
861

175. It was stated that as a consequence of this expected shortfall, no additional funds were sought in Appropriation Act No.4 to cover an expected increase in expenditure arising principally from Rise-and-Fall claims on a project for the erection of a new kitchen at the Heidelberg Repatriation General Hospital at a cost of \$1,142,000.

Exhibit
123/ 19 and
Q.854

176. We were informed that although the Department was unaware of the value of the chiller unit, it assessed that the increased expenditure on the Heidelberg project could be met with the Original Appropriation. Qs. 861 and 862

177. The additional amount of \$100,000 was sought from the Advance to the Treasurer to cover claims of \$88,000 received under the Rise-and-Fall provisions of the contract at the Heidelberg Repatriation General Hospital. An additional \$12,000 was required for progress payments in respect of unanticipated progress having been made by the Contractor. Exhibit 123/ 19

178. A witness representing the Department of Repatriation informed us that the Department of Works had notified the Victorian branch of his Department of Rise-and-Fall claims as follows:- Q. 856

	\$
September 1969	41,570
January 1970	6,821
February 1970	39,107
March 1970	<u>655</u>
	<u>\$88,153</u>

179. When explaining the shortfall of \$25,061 which occurred under this item, the witness representing the Department of Works stated that a contract in respect of the Concord Repatriation Hospital for \$196,536 was let on 23 February 1970. However in May 1970, a builders' labourers' strike of five weeks duration slowed physical progress on the site. Q. 857

CONCLUSIONS

180. Your Committee accepts the Department's explanation.

Chapter 9

General Observations and Conclusions

(i) General Observations

181. In its One Hundredth Report Your Committee referred to the development of a pro-forma for the guidance of Departments in tendering evidence connected with our inquiries into Expenditure from the Advance to the Treasurer. P.P. No. 214 of 1968

182. Arising from discussions between officers of the Department of the Treasury and Your Committee's staff late in 1964, a pro-forma was developed and used initially in connection with our inquiry in 1965. While the use of the pro-forma by Departments resulted in a substantial improvement in the quality of the submissions tendered, experience gained in its use showed a need for further refinement. Further discussions were held in May 1966 when it was agreed that Your Committee should design a pro-forma to meet its specific needs. The new pro-forma, which was used for the first time in connection with our inquiry in 1966 was based on an analysis of funds available to departments under each Item and a comparison of the total funds available with actual expenditure in each case.

183. The continued use of the pro-forma, designed on that basis, in each year since 1966 has highlighted cases where departments have sought and obtained funds from the Advance to the Treasurer late in the financial year but have not, for various reasons, finally required the amounts so obtained. In some instances this situation has reflected the absence of a realistic approach in the assessment of financial needs late in the financial year. In other instances the pro-forma has revealed amounts charged to the Advance to the Treasurer without Warrant Authority. Cases of this nature would not have been disclosed to Your Committee but for the fact that the pro-forma provided for an analysis of funds available.

184. A further matter to which Your Committee would invite attention relates to the general quality of documentary and oral evidence tendered during Public Inquiries. This matter has been mentioned in several of our Reports in recent years relating to expenditure from the Advance to the Treasurer and from the Consolidated Revenue Fund and reference has been made in this context to a circular issued by the Public Service Board to all Departments. When tabling Your Committee's One Hundred and Eighteenth Report in the Parliament on 11 June 1970 the Chairman commented specifically on the problem and expressed the hope that Permanent Heads would again be circularised on the matter.

P.P. No.103
of 1970

185. Your Committee notes with satisfaction that on 16 October 1970 the Secretary to the Treasury issued Treasury Circular 66/385 to all Permanent Heads. This Circular, which related to the preparation of material and briefing of witnesses for our inquiries included the following statement:-

"Not only has the Committee the right to expect that witnesses appearing before it are properly briefed but it is in the interests of each department and the Service generally that evidence tendered to the Joint Committee of Public Accounts is of the highest quality. Written submissions and explanations should be carefully prepared and thoroughly checked for adequacy and accuracy of detail and absence of ambiguity; officers who are to appear before the Committee to give evidence should undertake sufficient research and preparation and should be thoroughly briefed to enable them to answer, with authority, any questions which may reasonably be expected on the subject matter of the enquiry.

It would be appreciated if this circular could be brought to the attention of all officers of your Department who become concerned with the preparation of written material for the Committee or are required to attend in person at future hearings of the Committee and all Commonwealth authorities whose affairs come under the administration of your Minister."

Your Committee would draw attention to the fact that while the need for

a circular of this nature has arisen from time to time particularly in connection with our inquiries into Expenditure from the Advance to the Treasurer and the Consolidated Revenue Fund, it should not be construed as limited to that area but has an equal application in all areas where Your Committee obtains submissions and conducts Inquiries on behalf of the Parliament.

(ii) Conclusions

186. The evidence taken in this Inquiry shows cases where clerical errors, lack of adequate communication between Central and Regional Offices of Departments and between Branches of Central Offices of the same Department and misunderstandings between some Departments and their clients have resulted either in poor standards of estimating or inadequate administrative performances that have affected expenditure adversely. The evidence also reflects situations where requests were made prematurely for funds from the Advance to the Treasurer and significant proportions of the funds sought were not used. Your Committee believes that Departments should examine their administrative arrangements to ensure that inadequacies of those types are kept to a minimum.

187. There are, however, certain specific matters to which Your Committee believes that particular attention should be directed.

188. Arising from the evidence it is clear that letters of credit associated with overseas purchases have been renewed without prior notice subsequent to their date of expiry. Your Committee believes that the basis of practices connected with letters of credit should be examined critically by the Department of the Treasury and by other Departments and authorities concerned.

189. Other evidence tendered related to a significant

overexpenditure that occurred and which was not detected in time for correction prior to the closing of accounts in 1969-70. While misunderstandings that occurred within the Department's administration appear to have been a prime cause of the error, Your Committee is disturbed by the fact that the circumstances of the error were complicated by the transfer of the Central Office of the Department to Canberra. On several occasions in recent years Your Committee has encountered the problems, including staffing losses, that confront Departments in making such transfers. However we believe that a clear responsibility rests on the Permanent Heads of such Departments to recognise the problems that can arise and to ensure that they are minimised in the interests of efficient administration.

190. A further disturbing feature of the same case relates to the need for Departments that make computer services available to other Departments and to Statutory Authorities to ensure that adequate training is provided for the staffs of such Departments and Authorities in the interpretation of output data from the computers. We also believe that this problem could, with advantage, be examined by the A.D.P. Development Branch of the Public Service Board and by the client Departments and Authorities concerned.

191. Other evidence tendered in this Inquiry revealed a case where, over a considerable period of time, a Department had sought information from a contractor. Finally the contractor supplied the information but, almost a fortnight later the Department again requested the information. Your Committee believes that incidents of this nature reflect adversely on the administration of the Department and, perhaps of equal importance, can also adversely affect the public image of the Department and the Public Service.

192. Finally, Your Committee would refer to a case where factually conflicting evidence was tendered by a Department in its submission and by its witness in evidence. In this regard reference has been made earlier in this chapter to the need for quality in

evidence tendered to Your Committee and to Treasury Circular 66/385 of 16 October 1970. The circumstances of the present case, however, are such that Your Committee has taken up with the Department concerned the nature of the factual differences referred to and has sought an explanation of the circumstances involved.

For and on behalf of the Committee,

David N. Reid

DAVID N. REID
Secretary,
Joint Committee of Public Accounts,
Parliament House,
Canberra. A.C.T.
22 October, 1970

C.J. Hurford

C.J. HURFORD
Acting Chairman

Ivy Wedgwood