

DEPARTMENT OF THE SENATE
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THE PARLIAMENT OF THE COMMONWEALTH OF

AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

ONE HUNDRED AND TWENTIETH
REPORT

TREASURY MINUTE ON THE
ONE HUNDRED AND SECOND REPORT

TOGETHER WITH A

SUMMARY OF THAT REPORT

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.

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JOINT COMMITTEE OF PUBLIC ACCOUNTS

One Hundred and Twentieth Report

Treasury Minute on the One Hundred and Second Report Relating to Expenditure from the Consolidated Revenue Fund for the year 1967-68

CHAPTER 1 --INTRODUCTION

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

As they now stand, the arrangements concerned are:-

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

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

CHAPTER 2 - TREASURY MINUTE ON THE ONE HUNDRED
AND SECOND REPORT RELATING TO
EXPENDITURE FROM THE CONSOLIDATED
REVENUE FUND FOR THE YEAR 1967-68

On 27 July, 1970 and in accordance with the arrangements relating to follow-up action on Your Committee's Report, the Treasurer conveyed to the Chairman a Treasury Minute which reported the action taken on Your Committee's One Hundred and Second Report.

Committee's Conclusions
One Hundred and Second Report
(7 November 1968)

Treasury Minute
(27 July 1970)

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

DEPARTMENT OF AIR
Civil Personnel - Salaries

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

The Department has advised that the recent re-organisation and strengthening of the Budget and Costing Branch now enables budget information to be produced in greater depth; this should, in future, result in more intensive analysis and accuracy in estimates matters.

Action has been taken by the Treasury to standardise the time of posting fortnightly ledger debits associated with the Sub-Treasury A.D.P. salaries processing systems to ensure that this expenditure is included in the same month by all Sub-Treasuries.

Committee's Conclusions
One Hundred and Second Report
 (7 November 1968)

Treasury Minute
 (27 July 1970.)

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

DEPARTMENT OF THE ARMY
Communications, Electrical and General Engineering Equipment

55. Your Committee notes that this Item covers a wide range of communications, electrical and general engineering equipment for use by the Army. The evidence shows that not only is the acquisition of this equipment fraught with technological and manufacturing difficulties but changes in the demand for these items, including changes in design and structure can pose problems requiring early solution. While mindful of these difficulties we believe that the Department must be particularly vigilant to ensure that in an effort to meet pressing demands, due care is taken in the placing of orders for equipment and the inclusion of a financial provision in the estimates to cover its cost. In this regard

The Department has taken action to remind procurement directorates of the need to exercise the greatest care in assessing delivery dates of new equipment and in making financial provision against those dates.

The Department has advised that the 500 watt generating set was being developed to replace a 300 watt set, which was of World War II origin and approaching the end of its useful operational life. The quickening of events in Vietnam at that time increased the urgency of the need to replace the equipment and orders were placed somewhat sooner than might otherwise have been the case.

Committee's Conclusions
One Hundred and Second Report
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we note the circumstances surrounding the PRC/Fl radio sets and the generator sets on which specific evidence was given. In the former case the evidence shows that when the 1967-68 Estimate was formulated, it was known that design and engineering developments were incomplete and at that stage a production line model of the sets had not been completed. In this regard we also note the opinion expressed by the witness that in the absence of such a model risks are involved in relation to delivery of the goods ordered by a nominated date. In the case of the generator sets we note with some concern that two initial orders were placed for the equipment in July and October 1965, but it was not until April 1966 that the Department had the benefit of the final report on the field trials that had been made on prototype generator sets.

ATTORNEY GENERAL'S DEPARTMENT
High Court - Office Requisites

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

The Department has advised that supplies of the special stationery used by Justices of the High Court were received by the Department in May 1969 and the account paid in the financial year 1968-69.

Committee's Conclusions
One Hundred and Second Report
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contract has been included in the Estimates for 1968-69.

Conciliation and Arbitration Branch - Library Books,
 Journals and Periodicals

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

In addition to issuing the instruction relating to the prompt placing of orders, the Department has pointed out to the officers concerned the need for closer supervision over purchasing generally. The Department considers that the action taken should ensure that orders are placed early enough for payment to be made in the year in which funds are provided and that all orders placed are subject to follow-up action.

Committee's Conclusions
One Hundred and Second Report
 (7 November 1968)

Treasury Minute.
 (27 July 1970.)

Office of Commissioner of Trade Practices
Administrative Expenses

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

The Estimates for 1968-69 took account of the experience gained in the previous year and amounts closer to requirements were provided under the items 'Travelling and Subsistence' and 'Office Requisites and Equipment, Stationery and Printing.'

93. It appears to your Committee that an even greater degree of uncertainty surrounded the formulation of the Estimate for this Item than was found to have occurred in respect of Item 127.2.01. We believe that our observations made in relation to the use of the Additional Estimates under that Item apply at least with equal force to Item 127.2.02.

Committee's Conclusions
One Hundred and Second Report
 (7 November 1968)

Treasury Minute
 (27 July 1970.)

Australian Police College
Salaries

98. It appears to Your Committee that greater care should have been exercised to ensure that appropriate arrangements were made for Item 129.1.01 to meet the cost of the salaries of staff transferred temporarily from the Commonwealth Police Force to fill the vacancies that arose at the Police College. Your Committee is disturbed by the fact that errors of this kind should occur.

The Department has advised that a fortnightly statement is now furnished by the Principal of the College to the Administrative Officer, Sydney, showing the personnel employed during the preceding fortnight. The Administrative Officer will ensure that the correct appropriation is charged with the expenditure on salaries.

DEPARTMENT OF CIVIL AVIATION
Postage, Telegrams and Telephone Services

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

Telephone accounts are issued by the Postmaster-General's Department in January and July each year. That Department has advised that the documentation for the account for \$20,740 was not received in its Accounts Branch until after the telephone account for the second half of the financial year had been issued to the Department of Civil Aviation. As the subscriber was a Commonwealth Department, and ability to pay was not in question, the rendering of an interim account was not considered.

The account for \$6,511 was for bulk postage charges for postings made in May by the Government Printer, Hobart on behalf of the Department of Civil Aviation. As the latter Department's

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 (27 July 1970.)

108. Your Committee believes, on the evidence, that due care should have been exercised by the Department of Civil Aviation in formulating its estimated allowance for prospective postal and telephone charge increases and the Postmaster-General's Department should ensure that telephone accounts are rendered promptly to subscribers. We trust that appropriate action will be taken to ensure that the circumstances associated with the mis-direction of the account for \$6,511 will not be repeated.

bulk postage charge account was domiciled in Victoria, details of the charges relating to the Hobart postings were forwarded to Melbourne for inclusion in the monthly account. This information was unaccountably delayed in transit and the Department was not billed until August. In order to avoid a repetition of this occurrence, arrangements have been made for similar accounts in the future to be rendered direct by the Hobart Administration of the Postmaster-General's Department on the Department of Civil Aviation.

Aircraft, Launches, Vehicles, Engines and Equipment

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

The Department has issued instructions to discontinue the practice of varying contracts in the circumstances examined by the Committee.

135. Your Committee has examined Treasury Circular 1967/G.3 and its Reports which were quoted in that circular as well as the evidence and

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

DEPARTMENT OF EDUCATION AND SCIENCE
Commonwealth Advanced Education Scholarships

148. It appears to Your Committee that the shortfall in expenditure that occurred under this Item in 1967-68 arose from circumstances beyond the control of the Department and which were associated with the administration by the State Governments of the University Scholarship scheme. We note, however, that as from 1 January, 1968, the Commonwealth Government assumed complete responsibility for the administration of that scheme and that under the new arrangement the Department of Education and Science will be able to obtain direct access to statistical

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 (27 July, 1970.)

information required in the formulation of estimates. Your Committee proposes to again examine the estimating and expenditure results achieved on this Item in connection with its inquiry into the Consolidated Revenue Fund for the year 1969-70 by which time the new arrangement will have been operative for a full financial year.

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

The Department has advised that every endeavour will be made to ensure that the amount included in the original Estimates each year for this item will be a realistic assessment of the amount expected to be spent in that financial year.

DEPARTMENT OF EXTERNAL AFFAIRS
Embassy-Mexico, Office Requisites and Equipment,
Stationery and Printing

164. On the basis of the evidence it appears that the Embassy in Mexico took insufficient care in the formulation of its estimate for books and newspapers

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

The Department has advised that its Estimates Section has been strengthened to enable expenditure budgets to be continuously reviewed.

Embassy-Union of Soviet Socialist Republic
Postage, Telegrams, Telephone Services and Cablegrams

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

The Department has stated that the revised form of appropriation adopted in 1968-69 for its expenditure at overseas posts is expected to lead to the formulation of more realistic estimates for this expenditure.

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Permanent Mission to the United Nations
Rent and Maintenance - Office

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

The Department expects that the recent reorganisation of the Property and Supply Section should overcome the difficulties experienced in this area.

High Commission India
Office Requisites and Equipment, Stationery and Printing

180. It appears from the evidence that the original estimate for this Item was formulated by the Department on the basis of inadequate information supplied by the Posts in India in relation to a

The Department has advised that the preparation of estimates has again been the subject of departmental circulars and instructions to overseas posts. This has resulted in a considerable

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shredding machine and typewriter for use by the High Commissioner, New Delhi, and a calculator for use in the office of the Deputy High Commissioner in Bombay. At the same time, however, the Posts had over-estimated their requirements for stationery, books and newspapers by approximately \$1,400. We believe that the Posts should have exercised greater care in the formulation of their estimates and that the Department should examine with them the basis on which such estimates are made.

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 (27 July 1970.)

improvement in the standard of submissions on estimates matters being received in the Central Office of the Department.

Consulate General, New York
Furniture and Fittings

193. Your Committee is disturbed by the lack of information tendered by the Department in its original submission on this Item and the imprecise nature of the information that it contained. Whereas that submission attributed the shortfall of \$13,697 expenditure to the withholding of commission payable to the Interior Decorator, the witness informed us that \$12,177 was, in fact, attributable to that cause and the remaining \$1,500 due to savings that had been achieved. No information was contained in the Department's original submission to explain the purpose of the \$86,000 included in the Additional Estimates. While this was stated by the witness to have been required for furnishing for a new residence for the Consul-General in New York, the

As reported above under the heading 'Permanent Mission to the United Nations - Rent and Maintenance, Office', the Department expects that the recent reorganisation of the Property and Supply Section should overcome the difficulties experienced in this area.

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supplementary submission tendered by the Department indicated that \$78,000 had been required for this purpose, \$5,405 had been required for visa and passport furniture, \$2,600 for consulate office furniture and \$595 for Australian News and Information Bureau furniture.

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

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

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

Other Representation Abroad
Representation in London

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

The revised Treasury (*Overseas Accounts*) Directions, which now provide for re-allocation advices between overseas posts and between overseas posts and the Central Office of the Department to enable authorised commitments to be funded, have considerably reduced the possibility of an omission to make payments owing to insufficient funds.

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Advance to the Treasurer to enable the accounts to be paid.

DEPARTMENT OF EXTERNAL TERRITORIES
Acquisition of Sites and Buildings - Department of Civil Aviation

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

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

211. Your Committee is greatly disturbed by the fact that the Department of Civil Aviation sought to acquire

The Department of Civil Aviation has pointed out that it had two requirements for the Goroka property. The first in order of priority was the removal or lopping of the trees obstructing the view of the runway landing threshold from the airport control tower to ensure safe operation of aircraft and the second was to purchase the land for the future expansion of the airport building area. Although lopping of the trees on the land was finally arranged without ownership passing to the Commonwealth, the Department considers that its original plan to acquire the property was the better course to follow as the trees could have been removed and the recurring costs of tree lopping avoided.

In regard to the Madang houses, instructions have been issued within the Department of Civil Aviation to the effect that all buildings proposed for purchase shall be properly inspected to ensure that they meet all departmental requirements before acquisition programming action is commenced.

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3 houses at Madang without carrying out the elementary task of inspecting the premises and did not discover until funds had been committed for their purchase that the houses were not of the required standard.

Capital Works and Salaries
(Recoverable from Christmas Island Phosphate Commission.)

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

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

DEPARTMENT OF THE INTERIOR
News and Information Bureau - Film Production

229. Your Committee accepts the Department's explanation with the exception of the misunderstanding that apparently occurred in relation to the extra payment of \$2,944. It appears on the evidence that some confusion occurred both in London and Canberra in regard to this matter. We would endorse the view expressed by the witness that the

The Department has advised that a revised procedure designed to achieve a more suitable and direct control of expenditure was introduced on 1 November 1969. In designing the new procedure the Department retained the essential Head Office control over all appropriations and improved the

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relevant procedures in the Department of the Interior and the News and Information Film Division require examination with a view to achieving a more suitable and direct form of control of expenditure than evidently exists under present arrangements,

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commitment of funds record and the flow of documents. The Film Unit is now able to control directly both commitments and expenditure against the allocation for each film production and reconciliations with the appropriation ledger will be completed each month.

Meteorological Services
Department of Air

235. It appears to Your Committee from the evidence that while the Bureau had issued to all of the Sub-Treasuries, separate Warrant Advice under each Item of both Divisions, to enable the correct apportionment of expenditure to be made, the Sub-Treasuries in London and Darwin failed to allocate the funds as directed. It is also clear, however, that the Bureau was aware from the postings that it received on a monthly basis from the Sub-Treasuries, that the postings referred to Division 753 without identifying which of the Items O1 and O2 was concerned. We believe that this lack of detail should have alerted the Bureau early in the financial year to the need to satisfy itself that each Sub-Treasury was implementing the arrangements according to the directions given. Had such a check been made the error would have been discovered and corrected without embarrassment.

The Department of the Interior has agreed that advices showing that Sub-Treasuries at Darwin and London had not allocated the funds as directed should have alerted the Bureau of Meteorology early in the financial year and allowed the errors to be corrected.

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Meteorological Services
Interdepartmental Payments

236. In regard to the deletion of the deduction line arrangements for this Item, but the retention of inter-departmental payments by the Departments of Civil Aviation, Air and Supply to the Bureau of Meteorology and the crediting of these payments to the Consolidated Revenue Fund, Your Committee would invite attention to paragraph 99 of its Fifty-fifth Report of 28 September, 1961. In that paragraph we expressed doubts as to the desirability or necessity for one department, as a general rule, to charge another for any service or function. To this general rule, however, we found an exception in the case of the Postmaster-General's Department, which maintains accounts in commercial form. We also note that Section 8 of the Meteorology Act (No. 6 of 1955) provides that the Director of the Meteorological Bureau may, subject to any direction of the Minister, make charges for forecasts, information, advice, publications and other matter supplied in pursuance of that Act. It would appear that as the arrangements now stand, the recovery of charges from the departments concerned and payment to revenue has the effect of inflating the expenditure and revenue figures of the Commonwealth. In the circumstances, Your Committee considers that the practice of charging these Departments for those services should be reviewed.

As advised in the Treasury Minute on the One Hundredth Report, the Treasury has decided that the present practice of charging the Departments of Civil Aviation, Air and Supply for meteorological services supplied by the Bureau of Meteorology and crediting the receipts to the Consolidated Revenue Fund should be continued.

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Northern Territory
Loans to Church Organisations

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

244. While Your Committee recognises the global financing arrangements that have applied to the defence group of departments for some years, we are somewhat concerned at the suggestion that similar principles apply in the case of the Northern Territory. Administration and at the stricture placed by the Department of the Treasury on the permitted expenditure level under this Item. In this regard we note that while no provision was made within the level of \$200,000 for expenditure by the Synod of the Diocese of Carpentaria in 1967-68 an amount of \$34,432 was, in fact, expended for extensions to the Synod's

Commencing with appropriations for 1968-69 the global financing arrangement for the Northern Territory which was discussed in the Committee's Thirty-sixth and Thirty-seventh Reports was discontinued. The Northern Territory Administration estimates are now examined and the amounts to be included in the Appropriation Bills determined in the same way as other civil departments.

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college. It appears to Your Committee that had the need for this expenditure arisen at a later stage in the financial year, it might have been necessary for the assistance accorded to the Synod to be deferred until 1968-69 in view of the stricture imposed by the Department of the Treasury on the level of expenditure permitted under the Item.

Acquisition of Sites and Buildings
Sound Broadcasting Transmission

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

The administrative procedures covering the acquisition of land and buildings for the Commonwealth require the Department of the Interior to make a realistic estimate of the cash required during the year for each item included in the acquisition programme so that provision can be made in the original Estimates. The Naracoorte proposal was included in the programme and in the estimate of cash required at \$2,800, which the Treasury at that point of time accepted as a firm estimate of cost and reliable enough for programming purposes.

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Acquisition of Sites and Buildings
Sound Broadcasting Studios

259. It appears to Your Committee that the Australian Broadcasting Commission should have forwarded its requisition for the houses concerned to the Department of Territories in Canberra and not to the Northern Territory Administration in Darwin. The obvious error of address shown on the letter that accompanied the requisition and the unfamiliar nature of that document should have alerted the Northern Territory Administration to the strong possibility that it had been misdirected and we consider that the Administration should either have returned the requisition to the A.B.C. or forwarded it to the Department of Territories in Canberra which at that stage was the responsible Department. The requisition for acquisition of property should not have been permitted to rest without further action on a file and we are surprised that the A.B.C. evidently did not press for action on the matter in the later months of the financial year. Finally, we are disturbed by the difficulties that apparently confronted the Department of the Interior in establishing files relating to the Northern Territory when it assumed functions that had been carried out previously by the Department of Territories. We believe that the new Department of External Territories should have offered every possible facility to the Department of

The Department of External Territories maintains that all practicable assistance was given to the Department of the Interior during the transition period when that Department assumed functions previously carried out by the Department of Territories.

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the Interior during the period of the transition and in particular should have ensured that it obtained a full and clear understanding of the circumstances connected with each of the Items in the estimates for which it would in future be responsible.

DEPARTMENT OF THE NAVY
Mechinery and Plant for Naval Dockyards and Establishments

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

273. In the case of generator load resistance units, however, we note that while the order for the units was placed in October 1966, for delivery in June 1967, the prototype which was required to be produced by the Contractor for approval prior to entering the production run, had not been approved

The Department maintains that the decision to include the expenditure for the purchase of the generator load resistance units in the 1967-68 Estimates was justified because at the time the Estimates were being considered there was no apparent impediment to delivery being effected during the financial year. The supplier was a large electrical manufacturer with overseas affiliations and by June 1968 the company would have had 20 months from the time the order was placed in October 1966 in which to solve any manufacturing problems and complete delivery of the units. Furthermore, the company had advised the Department by letter on 17 March 1967 that although deliveries were lagging due to technical problems, they were due to commence in July 1967 and be completed by September 1967 and that they were endeavouring to improve on those dates. In addition, the Department of Supply advised on 12 May 1967 that assembly of the

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in September 1968. Although the reasons for this lay with the contractor we believe that in the circumstances, the Department sought the funds for this contract prematurely.

units was now proceeding with delivery of the first unit scheduled for early July and the balance by 31 August 1967.

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

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

276. The circumstances relating to the purchase of the bandsaw and the

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

POSTMASTER-GENERAL'S DEPARTMENT
Stores and Material - Other General Stores

287. Your Committee accepts that the shortfalls that occurred in expenditure in respect of mail bag deliveries and industrial difficulties that occurred in connection with the Redfern Mail Exchange were beyond the control of the Department. The Post and Telegraph Act (No. 2) 1968 established new financial arrangements for the Post Office as from 1 July 1968. Among other things, it established a Post Office Trust Account into which all Post Office revenue is paid and from which all expenditures are met. The net requirements of the Post Office from the Commonwealth Budget are now provided annually under a single line appropriation in the Appropriation Act (No. 2)
288. While we appreciate the nature of the problem confronting the Department on an Item of this nature it appears from the evidence and the estimating and expenditure results achieved that funds were sought prematurely in the Original Estimates for the other items of equipment on which specific evidence was taken. For example, \$90,000 was sought for the production of a prototype facer cancelling machine but delays that occurred in the preliminary planning work impeded the placement of a contract. In the case of the letter coding and decoding equipment for

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which \$120,000 had been provided in the Original Estimate, it became necessary to effect modifications and as a result expenditure planned for Brisbane could not proceed. Again, \$80,000 had been provided for the extension of closed circuit television observation facilities for the Sydney and Melbourne Mail Exchanges but this work was deferred pending increased experience with existing installations. In the case of the fluorescent tapes for which \$20,000 had been provided, difficulties had been experienced from the outset. Finally, \$20,000 was sought for expenditure on coin counting machines but this commitment was deferred pending investigations into the overall arrangements for handling cash collections from public telephones.

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

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Engineering Services.
Telegraph Services

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

295. Your Committee would also invite attention to the paucity of information tendered by the Department in its submission and we would emphasise that explanatory statements that are deficient in basic information will continue to attract our attention in public inquiry. In this regard we would refer the Department to Memorandum 66/411 of 18 January 1966, circulated by the Secretary of the Public Service Board to all Permanent Heads. Although that circular arose mainly

The Department has advised that the comments made by the Committee regarding the lack of detailed information in some of the Department's submissions will be taken into consideration when documents are being prepared for submission to the Committee.

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from factual inaccuracies in departmental submissions it lays emphasis on the need for such submissions to maintain a high level of quality. The circular contained the following advice:

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

Technical and Other Services
Sound Broadcasting and Television

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

As advised under the previous heading, the comments made by the Committee concerning departmental submissions will be taken into consideration by the Department when documents are being prepared for submission to the Committee.

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PRIME MINISTER'S DEPARTMENT
Music - Assistance to Australian Composers

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

Official Establishments
Furniture and Fittings

316. While Your Committee appreciates the problems that arise on an Item of this nature, we consider that the Department was not justified in seeking a further \$4,000 in the Additional Estimates, particularly as one of the considerations underlying that decision was the desire to retain intact the 'contingency' provision which had been set at a figure of \$9,000 for the whole year. We also consider that, having regard to the expenditure results on this Item in 1966-67 and 1967-68 and the availability of the Advance to the Treasurer both prior to and subsequent to the Additional Estimates, the Prime Minister's Department and the Department of the Treasury should examine carefully the justification for this provision.

The Department has stated that the provision of \$9,000 which was intended to cover a number of small items requiring attention during the year, was reduced to \$2,500 for 1969-70. This provision was based on actual expenditure of \$2,770 in 1968-69.

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DEPARTMENT OF TRADE AND INDUSTRY
Australian Industrial Research and Development Grants Board
Expenditure under the Industrial Research and Development Grants Act

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

As explained to the Committee during the inquiry, the estimate of expenditure for 1967-68, the first year of operation of the scheme, was an unusually difficult one to make and it seemed reasonable at the time to provide for expenditure of \$3 million, which was one-half the maximum sum the Government had indicated it was prepared to make available in any year. However, the Committee's comments were kept in mind for 1968-69, when \$4 million was included in the original Estimates and \$1.3 million in Additional Estimates. The expenditure for the year was equal to the sum of the two appropriations.

Commercial Intelligence Service, Bahrain
Rent and Maintenance, Office

328. While Your Committee accepts the Department's explanation we note that the Department had been unable to obtain a positive statement from the Trade Commissioner in Bahrain that appropriate action had been taken to obtain outstanding accounts for rates and taxes from the local authority. We trust

The Department has advised that during 1968 the Bahrain Municipal Authority decided to change from rendering accounts each half-year for local taxes to the presentation of one account at the end of the calendar year to cover the year's taxes. No advice of the change was

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that the Department will pursue this matter and we will expect to be advised in due course of the outcome of its further inquiries.

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given to the Trade Commissioner until December 1968. The Trade Commissioner had requested an account for taxes from the Authority before 30 June 1968, so that payment could be made from funds available in 1967-68, but he was unable to obtain an account or an explanation for its non-arrival. The account for 1968 local taxes was received by the Trade Commissioner during December 1968 and was paid on 31 December 1968.

Trade Commissioners are under standing instructions to watch the progress of expenditure under each item in relation to the programme supporting the funds allocated for the financial year, and to remind creditors to submit accounts, if necessary. They report to the Department's Head Office, Canberra on each month's expenditure and provide reasons for any significant differences between current expenditure and the pro-rata expenditure figure.

Commercial Intelligence Service
Ceylon, New Zealand and the United Kingdom

333. Your Committee considers that the Department of Trade and Industry should have exercised greater care in relation to its devaluation savings when framing its Additional Estimates. We also believe, however, that the Department of the Treasury,

The Treasury Circular on the preparation of Additional Estimates issued on 7 February 1968 drew special attention to the need for departments to make allowance for savings due to devaluation. The circular stated:-

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being mindful that savings could arise from devaluation should have examined this aspect with the Department of Trade and Industry prior to concurring in the inclusion of the \$100 in the Additional Estimates.

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

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

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"When estimating the amount of the additional appropriation finally required, the overall appropriation or cash position of the item should be reviewed to ensure that there are no compensating savings (including savings arising from the effects of devaluation) partly or wholly offsetting the amount requested in the approved application for liability or additional funds."

The Treasury considers that the special circular on the effect of devaluation issued on 19 January 1968, which was mentioned during the enquiry and the issue of the above instruction in February should have been sufficient warning to departments to allow for the effects of devaluation when preparing Additional Estimates.

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Trade and Industry prior to concurring in the inclusion of the \$200 in the Additional Estimates.

Commercial Intelligence Service United States of America
Incidental and Other Expenditure

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

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

The Treasury accounting representatives in charge of overseas Sub-Treasuries each exercise financial review over a number of overseas posts; under this arrangement the Trade Post located at San Francisco is subject to financial review by the Sub-Treasury, New York. The Department considers that any weaknesses in funds control at such a Post should be overcome by a procedure introduced from 1 July 1968, whereby the Trade Commissioner is advised that funds have been approved for a service or activity and that an Allocation Advice has been forwarded to the Sub-Treasury. The Sub-Treasury is informed of the particular Post to which the funds should be allocated. The Department has also pointed out that Trade Commissioners are required to report on each month's expenditure and provide reasons for any significant differences between current expenditure and the pro-rata figure and to follow up with creditors any overdue accounts.

Since July 1968 the Department has checked all classifications on each month's expenditure vouchers paid by the Sub-Treasury, New York so that any errors in

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Service Board to all Permanent Heads on 18 January 1966. The Circular contained the following advice:-

the classification of expenditure may be promptly corrected.

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

The Department has stated that it briefs its witnesses due to appear at hearings of the Joint Committee of Public Accounts as fully as possible. In this case difficulty was experienced in obtaining the full details of transactions from the Post in the time available. It has been the Department's practice to draw the attention of departmental witnesses to Public Service Board Circular 66/411 and the practice will be continued.

Commercial Intelligence Service
Trade Correspondents

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

The Department has examined the agreements with Trade Correspondents and has instructed Trade Commissioners in whose areas the correspondents are located to pay their remuneration in twelve monthly payments within the financial year. All reimbursements to Trade Correspondents were brought up-to-date in 1968-69.

GENERAL

365. During its Inquiry this year Your Committee noted that in a number of cases where departments had incurred shortfalls in expenditure, funds had been

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

366. We would also invite attention to instances where departmental explanations relating to shortfalls in expenditure were lacking in detail and where witnesses who appeared before Your Committee were inadequately briefed on matters of fact. In this regard we would again draw attention to Circular 66/411 of 18 January, 1966, circulated by the Secretary, Public Service Board, to all Permanent Heads where it was stated:-

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

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

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Interdepartmental Payments

368. Finally, as Your Committee indicated in its One Hundredth Report, we consider that the practice of charging non-trading type Commonwealth departments for services provided for them and crediting the proceeds to revenue should be reviewed by the Department of the Treasury and the other Departments concerned.

As mentioned in the Treasury Minute on the Committee's Fifty-fifth Report, the Treasury is continuing its examination of the remaining interdepartmental payments with a view to applying, where possible, the principles enunciated by the Committee in that Report.

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.

27 August, 1970.

Don Dobie

DON DOBIE
 Chairman.

Ivy Wedgwood