1971

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

ONE HUNDRED AND THIRTIETH REPORT

TREASURY MINUTE ON THE EIGHTY-FOURTH REPORT

TOGETHER WITH A

SUMMARY OF THAT REPORT

18922/71 Printed by Authority by the Government Printer of the Commonwealth of Australia

JOINT COMMITTEE OF PUBLIC ACCOUNTS

EIGHTH COMMITTEE

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

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

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

(1) Term of Service as a Senator expired on 1 July 1971

(2) Appointed 18 August,1971

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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CHAPTER 1 --INTRODUCTION

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

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 EIGHTY-FOURTH REPORT RELATING TO EXPENDITURE FROM THE CONSOLIDATED REVENUE FUND FOR THE YEAR 1969-70

Committee's Conclusions Eighty-Fourth Report (29 September 1966)	Treasury Minute (22 June 1971)
	The Treasury has examined the Report and has discussed with relevant departments and authorities the observations and conclusions of the Committee which have, where necessary, been brought to the notice of officers concerned.

DEPARTMENT OF EXTERNAL AFFAIRS

Economic Development under the Colombo Plan

11. Your Committee accepts the explanations submitted by the Department of External Affairs and the Department of the Treasury.

Capital Works and Services-Burma

16. Your Committee recognises that the delays in the construction of the Chancery project and the consequential failure to utilise the funds made available in the appropriation have been matters which were largely beyond the control of the Department. However, we would repeat the principle, enunciated in our Seventy-fifth Report, that Estimates should not make provision for proposals that are of such an uncertain nature that the Department is unable to determine whether payments, if any, will be made during the financial year. We note in this

The Department has advised that all its overseas posts are required to submit details of revotes required and these are checked against expenditure records in Canberra. The Department is conscious of the need for accuracy in its revote information and is endeavouring to ensure that the information is up to date. The Committee will appreciate that the necessity for early finalization of the following year's Estimates, for consideratior by the Government, does lead to difficulty in some cases in adjusting those Estimates to take account of payments made in the closing days of the financial year. The Department made a full examination of

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respect that the Department has adopted a more cautious approach in the formulation of its estimate of expenditure on this project during the current financial year.	revotes during June 1967 and sought a revote of funds only where it was clear that payment could not be made before the end of the financial year.
17. Notwithstanding our acceptance of the Department's statement concerning the major aspect of under-expenditure, Your Committee is manifestly dissatisfied that our inquiries into the financial administration of this Department should again reveal that funds have been sought to pay an account(viz. the purchase of a Landrover) which the Department believed to be outstanding but which in fact had been discharged in a previous year. The Department of External Affairs was the subject of adverse comment in our Seventy-fifth Report due to its similar failing during the 1964-65 financial year. In the light of other evidence received by Your Committee, we concede that the Department's difficulties have been occasioned in many respects by a deficient staff structure. However, the practice of revoting paid accounts is an error of commission, not one of omission prompted by staff shortages, and we believe that this further instance	

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of a type of error, which has previously prompted adverse comment, reflects adversely on the financial administration of the Department.

Capital Works and Services-Pakistan

22. Your Committee does not accept as satisfactory the explanations tendered by the Department in respect of the under-expenditure of funds provided for the Islamabad construction project. A sum of $2,500 was appro riated in respect of the project in August, 1964, but no expenditure was incurred. In August 1965, a sum of $16,000 was appropriated to the project but the Department appears to have only spent $1,586. Your Committee notes that, despite these earlier delays, and the failure to expend funds appropriated to the item, it was not until May 1966 that a senior architect from the Department of Works visited Islamabad to undertake the basic task of determining what investigations might be necessary in respect of the site. Your Committee believes these delays to have been the result of the Department's failure to adopt a more vigorous course of action in order to overcome minor delays encountered during the transaction and Your Committee does not readily accept evidence

The Department believes that in its written and oral evidence it may not have adequately explained the position. It has advised that while no large financial commitments could be entered into because of uncertainty as to office space requirements and until the lease was finalised, the Department did press on with the interdepartmental discussions on space requirements.

The Department of Foreign Affairs is conscious of the need to undertake advance planning on capital works projects overseas as expeditiously as possible.

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that a period of at least nine months should have elapsed while a lease, satisfactory to the Australian Government, was being formulated. We are dissatisfied that the Department, apparently, has undertaken so little planning in respect of the project that even by this late date, it cannot specify a time by which the project will be completed. We believe that the management of this project has provided an example of the very type of administration against which a Public Accounts Committee must guard. The need for the proposed buildings is an established fact as evidenced by the appropriation of funds for their construction. Accordingly we expect the Department to take positive steps to have the project implemented within the current financial year, or alternatively, to be in a position to show by the time of our next review of expenditure from the Consolidated Revenue Fund that any failure to undertake the project has been due to circumstances beyond the Department's control.	

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DEPARTMENT OF HOUSING

War Service Homes Relief Trust Account

29. Your Committee notes that the Department's difficulties in arriving at an accurate estimate of expenditure under this item had been largely due to the uncertainties surrounding the extent of likely receipts and payments. We recognised that the abolition of the Trust Account method of control, and its attendant obligation to estimate the net sum required in an appropriation, will not entirely obviate the Department's difficulties but we believe that under the revised arrangements, appropriate use should be made of the Additional Estimates. In the light of the circumstances revealed in evidence, Your Committee accepts the explanations in respect of the under-expenditure and trusts that the Department has been assisted as a result of our inquiry.

DEPARTMENT OF IMMIGRATION

Migration Office, Kingdom of Greece

32. Your Committee finds the Departmental explanations to be unsatisfactory. We believe that the under-expenditure incurred under this item was due to an apparent lack

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of adequate financial planning within the Department and we suggest that this does not reflect favourably upon the Department.

Migration Office, Lebanon

34. After considering the evidence tendered by the Department, Your Committee is satisfied that the under-expenditures were incurred due to circumstances beyond the control of the Department and we accept the explanation.

DEPARTMENT OF THE INTERIOR

Acquisition of Sites and Buildings - Department of the Navy

43. Your Committee is aware that the total defence vote forms such a significant part of the Government's annual budget that it is essential to ensure that the sum total to be provided should be assessed with a degree of accuracy which will obviate any necessity to significantly augment the sum appropriated at a date later in each financial year. This arrangement must inevitably result in the appropriation of funds which cannot, for one reason or another, be expended in the year for which they are

The Department has advised that it considers the amounts involved for the acquisition of sites and buildings for the Department of the Navy were the best estimates that could be established in the light of the circumstances existing at the time the estimates were finalised. The estimated amounts were, therefore, included in accordance with the accepted principles for the formulation of estimates. These principles apply to both civil and defence estimates.

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appropriated but we believe that the explanations tendered by the witnesses in respect of property acquisitions would not be acceptable from Departments outside of the defence group which are not subject to global limitations of expenditure. Although not satisfied with the situation revealed in evidence, but which was made necessary by the present defence funding arrangement, Your Committee accepts the explanations received.

Australian Capital Territory Police

46. Your Committee concedes that the failure to recruit the required numbers of new officers was a matter largely beyond the control of the Department but we cannot excuse the Department's under-expenditure on clothing or accept the suggestions that the fault could be attributed to a storeman's failure to dischage his duties properly. Your Committee notes, however, that remedial measures have been effected to avoid any future mismanagement of stores and we trust that it will not be necessary to examine the Department again in this respect.

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DEPARTMENT OF NATIONAL DEVELOPMENT
Administrative-Administrative Expenses

49. Your Committee finds the Departmental explanation to be unsatisfactory and we do not accept the suggestion that it should not be incumbent upon a Department to seek out its creditors. In addition, we believe that senior officers, charged with the responsibility of administering departmental expenditures, should make inquiries to an extent sufficient to satisfy themselves personally as to the state of appropriations under their control during the closing weeks of a financial year.

Forestry and Timber Bureau

54. Your Committee notes the extent of the preliminary work required prior to the letting of contracts and the difficulties associated with the acquisition of technical data by physical observations which were undertaken in Arnhem Land. Notwithstanding the explanations we received relative to the separate procedures which had to be completed prior to the signing

The Department agrees that delays occurred between some of the steps leading to contracts for special maps for the Forestry and Timber Bureau and has drawn the Committee's comments to the to the attention of officers concerned.

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of the contract, Your Committee doubts whether it was necessary for such lengthy periods to elapse between each step in the arrangements. For example, the draft specifications relative to the first contract were sent by the Division of National Mapping to the Forestry and Timber Bureau on 1 November 1965 but it was not until December that tenders were called. Thereafter a further delay occurred until the contract was signed on 15 April 1966.	
55. Your Committee notes that a more conservative approach has been adopted by the Department in the preparation of estimates of expenditure under this item for the year 1966-67. We believe this conservatism should have been prompted earlier by the history of under-expenditure under this item and we trust that a repetition will not occur in future years.	

DEPARTMENT OF PRIMARY INDUSTRY

Administration of the Commerce(Trade Descriptions) Act - Payment to the States

62. Your Committee notes that the Department's difficulties have been prompted by both the	The Department has sought maximum co-operation from State Departments in the submission of claims for reimbursement.

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necessity to rely upon the estimates of external organisations and the existence of an apparently inadequate staff organisation. We trust that as a result of evidence tendered by the Department, the attention of State Departments will be invited to the Department's need for a maximum degree of co-operation and that some sense of urgency will attach to the joint deliberations on the future accounting arrangements which might be effected in the Department of Primary Industry.	Approval was given in April 1967 for the Department of Primary Industry to establish its own accounts, personnel and stores sections.

ADMINISTRATION OF THE COMMERCE(TRADE DESCRIPTIONS)ACT

Administrative Expenses

65. Your Committee does not condone the error made by the Department in incorrectly debiting this item with a charge which resulted in a request for additional funds but we have noted earlier in our Report the Department's difficulties promopted by the existing accounting arrangements. We also believe that the Government Printer's inability to meet the Department's order for printing services was an unusual circumstance and we accept the Department's explanation.

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PRIME MINISTER'S DEPARTMENT

High Commissioner's Office, United Kingdom-

Incidental and Other Expenditure

74. Your Committee is satisied that the under-expenditure incurred in respect of this item, with one exception, have been prompted by circumstances beyond the control of the Department. We note, however, that a feasibility study (in respect of which a sum of $10,000 had been provided) to be undertaken in respect of the future of Australia House was abandoned after the resignation of an officer of the Prime Minister's Department who had been nominated as Chairman of the Committee. Your Committee is at a loss to understand both why another officer was not nominated as Chairman and why it was necessary to abandon the study.

The Department has explained that its evidence, that the feasibility study relating to Australia House had been frustrated by the resignation of an officer, was directed solely to explaining under-expenditure in 1965-66: it was not intended to convey that the study had been abandoned. As soon as a suitable officer was available, the Committee making the study was re-convened; this occurred on 27 April 1966.

DEPARTMENT OF TRADE AND INDUSTRY

Administrative - Trade Promotion Visits

77. Your Committee is satisfied that the circumstances surrounding the under-expenditure of funds available under this item were beyond the control of the Department and we accordingly accept the explanation.

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We note, however, the delay in the rendition of accounts by Qantas Empire Airways Ltd., a company in which the shares are wholly owned by the Commonwealth, and we trust that the company administrators will be reminded of the Department's need for the prompt rendition of accounts in the future.	

Administrative - Trade Publicity

80. Your Committee notes that the level of expenditure achieved under this item is largely dependant upon the receipt of matching contributions from primary producers' boards and that the under-expenditure was incurred because of circumstances outside the control of the Department. Your Committee accepts the departmental explanation in this instance	

DEPARTMENT OF THE TREASURY

Office Requisites and Equipment, Stationery and Printing

86. Your Committee notes with some degree of concern, that the bulk of the cheque forms ordered for the computer operation was received in June 1965, but that it was not until late November 1965, or February 1966, some seven months	Technical officers of the Department of the Treasury are satisfied that the programme of examination, inspection and trial was not over-prolonged and was necessary to ensure that the cheques supplied met the specifications required. The introduction of mechanised cheque

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later, that the forms were rejected as being unsatisfactory. We also note that no effort was made by the Department of the Treasury to secure **the receipt of these outstanding** claims notwithstanding that it had circularised all Departments informing them that Commonwealth creditors should be asked to submit their claims prior to the end of the financial year in order to minimise the liabilities carried forward to 1966-67.

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handling systems by the Australian banks, which rely on the ability of the equipment to read accurately the magnetic characters encoded on cheque forms by the printers, means that it is necessary to test the encoding and paper thickness thoroughly before the forms are put into use. If this thorough testing is not carried out and the printing is not up to specification, a breakdown of the mechanised systems could result.

Loan Management Expenses

92 Your Committee believes that the history of inaccuracies in estimating the level of expenditure to be achieved under this item in each year may be attributed to the uncertainties surrounding the calculation of the charges to be apportioned between the Commonwealth and the States. Although the evidence indicates that Commonwealth and State representatives are satisfied that the present method of allocating charges results in an equitable distribution, Your Committee believes that the imprecision attached to the original calculations justifies a suggestion that the methods of determining the

A review has been made of the method of determining the amount which should be included in the annual estimates for loan management expenses. It has been concluded that most of the components of the estimate are firmly based and accurate and the methods of estimating these components are considered to be satisfactory. It has also been concluded that there will always be a measure of imprecision about some of the components, such as payments made to overseas fiscal agents, which are based on overseas loan raisings as well as the volume of work they are required to handle. Regarding the apportionment of the charges between the Commonwealth and the States, a statement of charges is now obtained from the Reserve Bank as soon

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amount to be required in the annual Estimates of the Commonwealth should be reviewed.	as possible after 30 April and the States' share of the expenses can be expected to be recouped by 30 June each year. The estimating performance on this item over the last three years has greatly improved. Expenditure exceeded the Budget estimate in 1967-68, 1968-69, and 1969-70, by only \$8,665, \$12,931 and \$13,206 respectively, compared with underexpenditure of \$44,141 in 1965-66 and overexpenditure of \$46,579 in 1966-67.

THE DEPARTMENT OF WORKS

Furniture and Fittings - Department of Customs and Excise

96. Your Committee believes that the under-expenditure of funds under this item was incurred due to a breakdown in the degree of liaison effected between the Department of Customs and Excise and the Department of Works. The evidence suggests that if the former Department had advised the latter that some uncertainty existed as to the final date on which the new Customs Building would be occupied, the Department of Works would have been justified in deferring any application for funds in the First Appropriation Bill. Your Committee trusts that	The Department of Works has advised that by 31 January each year, sponsoring departments submit to the Departments of the Treasury and Works furniture and fittings proposals for the following financial year. These proposals are fully discussed at individual joint meetings held between officers of the Department of the Treasury, the sponsoring departments and the Department of Works prior to the commencement of the new financial year. These discussions cover, inter alia, the expected completion dates of new buildings or renovations, where the provision of new furniture or fittings

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the Department of Works will make our views known to its other sponsor departments and that such departments will afford a degree of consideration as to their actual requirements which will obviate difficulties in this respect at a future date.

is involved. As a result, draft furniture and fittings programmes are formulated and the cash estimated for the agreed programmes is included in the Budget Estimates.

Furniture and Fittings - Department of the Treasury

101. Your Committee notes that the under-expenditures incurred under this provision were due largely to circumstances beyond the control of the Department of the Treasury. We do not, however, regard as satisfactory a state of affairs in which an amount of $22,000 was provided because of the liberal cost accorded to the various items to be acquired. Your Committee trusts that its requirements in terms of estimating procedures as set out in our Seveny-fourth and Seventy-fifth Reports will be drawn to the attention of the officers concerned.

A.C.T. Capital Works and Services

109. Your Committee notes that under-expenditures incurred in respect of this item were occasioned by the Department's efforts to acquire

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specialised equipment more suited to the tasks upon which each item would be employed. Your Committee noted in the subsequent submissions the inference that the Department's efforts were designed to avoid the expenditure of public funds on unsuitable, and therefore eventually uneconomic, acquisitions. Your Committee accepts the departmental explanations and commends the Department for the efforts which were revealed in evidence in this respect.

GENERAL

110. In recent years Your Committee has paid particular attention to the Estimates and related expenditure of the various Departments. As a poor standard of estimating has wide ramifications, it has been not only excess spending which has attracted our criticism, but also the over-provision of funds. Such over-provisions have been highlighted as undesirable, misleading and, perhaps, unfair to other Departments whose financial needs might not have been fully met.

111. In its Sixty-fourth Report, Your Committee expressed

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the view that this type of investigation may, in future, produce even more positive results if a restricted but typical sample of unsatisfactory estimating is selected for investigation purposes and that, perhaps, a more concentrated inquiry would achieve the results which successive Committees have sought-thus establishing, in fact, remedial action over a much larger area of the total estimates than that subjected to oral examination. Consistent with this view, Your Committee selected twenty items for further examination in respect of the financial year 1965-66 compared with sixty-four items selected in respect of the financial year 1963-64.	
112. In its Seventy-fifth Report relating to expenditure from the Consolidated Revenue Fund for the financial year 1964-65, Your Committee referred to work it had undertaken in the formulation of a questionnaire for use by departments in this type of inquiry. The questionnaire pro-forma was refined further in anticipation of the present inquiry and the very considerable improvements subsequently observed in the quality of departmental explanations submitted indicated that the form and content of the questionnaire are now adequate to meet Your Committee's needs.	

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113. One feature of the evidence submitted in the present inquiry to which Your Committee desires to draw particular attention is that relating to the failure of some Departments to seek out their creditors. Where Departments find that accounts for payment are not being rendered promptly by their creditors, and as a result, funds provided to meet such expenses are likely to remain unspent, Your Committee believes that those Departments have a direct responsibility to ensure that they take positive action in order that such accounts are obtained for settlement. Allied to this, Your Committee would emphasise the need for Departments to maintain their liabilities registers in an efficient manner for, without the protection of this device, the financial position of Departments becomes obscured to the detriment of sound financial management.

114. From these observations it follows that any Department which charges other Departments for services it renders has a clear responsibility to ensure that it submits accounts for payment to debtor Departments as soon as possible after the provision of the service concerned. Where the service provided is of a continuous nature, the Department rendering the

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The Committee's precept that departments should seek out their creditors raises an important question of principle in connection with the payment of accounts and the Treasury has given full consideration to the issues involved.

There is a normal course of events leading up to the disbursement of funds. A programme of activity is drawn up and approved; appropriations are sought and obtained for the estimated expenditure requirements for a particular year; after provision of the service or delivery of the supplies the creditor renders the account which is examined in relation to performance etc., certified correct and finally paid. The estimates should provide for payments which in that normal course of events will fall due within the financial year. If the programme is changed or delayed or the expected time for payment is otherwise changed, e.g. by unexpected delays in the provision of supplies, or slowness on the part of the creditor in rendering his account there is no warrant for a department to disturb the natural cycle of events. To accelerate the payment unnaturally by for example, seeking out creditors, leads not only to the payment of money before it is necessary and in some cases before it is proper, but also to unnecessary administrative work that may require overtime especially towards the end of a financial

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service should, in Your Committee's view, arrange for the submission of accounts at such intervals as will ensure that debtor Departments are given the opportunity to effect regular payments.	year. Payments must, of course, always be made promptly when properly due. On the other hand if the supplies have been satisfactorily provided and there is an abnormal delay in the receipt of a claim for payment, it would not be a distortion of the natural course of events for the supplier to be told that his claim had not been received. This type of action would, of course, be a round-the-year process and not related solely to the end of the financial year. The Treasury has now withdrawn Treasury Circular 1967/G3 and new guidelines for the payment of accounts have been issued to departments.

CHAPTER 3 - OBSERVATIONS OF YOUR COMMITTEE

In the case of incidental and other expenditure of the High Commissioner's office, United Kingdom our re-examination of the evidence shows that, on the basis of the evidence tendered to it during its inquiry in August 1966 Your Committee was justified in reaching the conclusion that the feasibility study referred to had been abandoned. Your Committee now notes with concern that although the feasibility study Committee had been reconvened in April 1966, some four months prior to our inquiry, this fact was not mentioned in evidence.

In relation to the general comments included in the Treasury Minute Your Committee agrees that its precept that departments should seek out their creditors raises an important question of principle, particularly where departments have gone to extraordinary lengths to accelerate payment unnaturally before an appropriation has lapsed. Two such cases have been examined by Your Committee and reported on in the One Hundred and Second and One Hundred and Thirteenth Reports. However, Your Committee agrees with the present view taken by the Treasury that if supplies have been satisfactorily provided and there is an abnormal delay in the receipt of a claim for payment, it would not be a distortion of the natural course of events for a supplier to be informed that his claim had not been received. Indeed it was such a situation that led Your Committee in its Eighty-fourth Report to refer to the need for departments to seek out their creditors.

For and on behalf of the Committee,

DAVID N. REID,
Secretary,
Joint Committee of Public Accounts,
Parliament House,
Canberra.

5 August 1971

DON DOBIE,
Chairman