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THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

DEPARTMENT OF THE SENATE
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PRESENTED
<i>J.R. Odgers</i>
<small>Clerk of the Senate</small>

JOINT COMMITTEE OF PUBLIC ACCOUNTS

ONE HUNDRED AND THIRTY-THIRD
REPORT

EXPENDITURE FROM THE ADVANCE
TO THE TREASURER
(APPROPRIATION ACTS 1970-71)

JOINT COMMITTEE OF PUBLIC ACCOUNTS

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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) Discharged 19 August, 1971
- (3) Appointed 19 August, 1971
- (4) Elected 24 August, 1971
- (5) Discharged 8 September, 1971
- (6) Appointed 8 September, 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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Joint Committee of Public Accounts
One Hundred and Thirty-third Report
Expenditure from the Advance to the Treasurer
(Appropriation Acts 1970-71)

Chapter 1
Introduction

During July 1971 the Committee obtained departmental explanations relating to expenditure during 1970-71 from the Advance to the Treasurer. These explanations were examined and from them fifteen items were selected for further examination.

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

Tuesday, 17 August 1971
Thursday, 19 August 1971
Tuesday, 7 September, 1971
Tuesday, 14 September, 1971
Tuesday, 28 September 1971

3. The following witnesses were sworn and examined during the Public Inquiry.

Department of the Parliamentary Library

Mr. H. Knight - Finance Officer

Joint House Department

Mr. R. L. Burrell - Chief Executive Officer

Department of Civil Aviation

Mr. R. A. Bickley - Director of Finance
Mr. H. S. Griffiths - Chief Investigator (Financial Studies and Assistance)
Mr. B. Lewis - First Assistant Director-General (Management Services)

Department of Education and Science

Mr. A. F. A. Harper - Executive Member, Metric Conversion Board
Mr. C. A. Webster - Director, Establishments and Finance Branch

Department of External Territories

Mr.N.W.H.Hunt -Officer-in-Charge,Finance and Works Programming
Section
Mr.L.W.Temby -Assistant Secretary(Finance)

Department of Health

Mr.H.C.Harrison -Assistant Director,Administration and Finance,
Darwin
Mr.H.Wost -Assistant Director-General,Establishment and
Finance Branch

Department of the Interior

Mr.N.H.Burke -Senior Clerk,Electoral Branch
Mr.R.C.Burroughs -Finance Officer(Budgeting and Works Programming)
Mr.L.L.Gillespie -Assistant Secretary(Finance and Supply)
Mr.D.M.Lalor -Director(Expenditure and Costing)
Mr.R.M.Smeaton -Inspector(Personnel)
Mr.W.L.Weston -Acting Director of Welfare

Department of Primary Industry

Mr.G.M.Beer -Director,Finance and General Services Section
Mr.D.P.Cleary -Director,Personnel Establishment
Mr.J.G.Rainbow -Assistant Secretary,Management Services Branch

Department of the Navy

Mr.W.H.Boreham -Assistant Secretary(Finance)
Mr.L.J.Murphy -Director,Financial Programming and Estimates

Department of Air

Mr.I.D.McLeod -Director of Budgets(B)
Mr.H.Pearlman -Chief Executive Officer(Budgets and Costing)
Mr.F.C.Sutherland -First Assistant Secretary(Finance and Logistics)

Department of Supply

Mr.W.Grey-Reitz -Director(Transport)
Mr.K.McKnown -Assistant Secretary(Finance)

Department of Works

Mr.E.B.Tato

-Assistant Director, Management Services A.C.T.
Branch

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

Mr.R.G.Parker } Auditor-General's Office
Mr.A.K.Rabloss }

Mr.G.N.Vanthoff.. Public Service Board

Mr.G.S.Davidson } Department of the Treasury
Mr.J.J.Ravenscroft }
Mr.T.A.Wharton }

5. For the Financial Year 1970-71 an amount of \$20,000,000 was provided under Division 560-Advance to the Treasurer - in Appropriation Act (No. 1) to enable the Treasurer -

- (a) to make advances that will be recovered during the financial year, in respect of expenditure that is expenditure for the ordinary annual services of the Government; and
- (b) to make moneys available for expenditure, being expenditure for the ordinary annual services of the Government -
 - (i) particulars of which will afterwards be submitted to the Parliament; or
 - (ii) pending the issue of a warrant of the Governor-General specifically applicable to the expenditure

A further amount of \$20,000,000 was provided under Division 920-Advance to the Treasurer - in Appropriation Act (No. 2) to enable the Treasurer -

- (a) to make advances that will be recovered during the financial year;
- (b) to make moneys available for expenditure, particulars of which will afterwards be submitted to the Parliament, including payments by way of financial assistance to a State on such terms and conditions, if any, as the Treasurer determines; and
- (c) to make moneys available for expenditure pending the issue of a warrant of the Governor-General specifically applicable to the expenditure.

6. In examining expenditure from the Advance to the Treasurer, the Committee has sought to ascertain whether or not expenditure from the Advance has been confined to urgent and unforeseeable requirements for which provision could not have been made elsewhere in the Original and Additional Estimates. Your Committee has also sought to ascertain whether or not the departments concerned have maintained efficient administration in the expenditure of funds under the items selected for **public inquiry**.

Chapter 2
Department of the Parliamentary Library

Item 104/1/03: Library-Salaries and Allowances-Parliamentary Librarian Salary.

<u>Funds Available</u>	<u>1968-69</u>	<u>1969-70</u>	<u>1970-71</u>
	\$	\$	\$
Appropriation Act No.1	13,132	14,040	14,040
Appropriation Act No.3	-	-	-
Advance to the Treasurer	-	-	-
Total Funds Available	<u>13,132</u>	<u>14,040</u>	<u>14,040</u>
Total Expenditure	<u>13,016</u>	<u>13,995</u>	<u>14,696</u>
Unexpended Funds Available	<u>116</u>	<u>45</u>	<u>656*</u>

*Overexpenditure

7. Of the amount over-expended, \$118 arose from the charging by the Australian High Commission in London of three days salary for the Parliamentary Librarian from the financial year 1969-70 to the 1970-71 vote. It was explained that the Parliamentary Librarian had occupied the position of Official Secretary at Australia House, London prior to his new appointment as from 15 June 1970.

Exhibit
133/1 and
Q.3

8. When the Librarian was first appointed the Library administration expected that it would be required to pay his salary from the date when he commenced duty. On 8 July 1970 however, the Library administration was advised by the Department of the Treasury that, based on an opinion expressed by the Prime Minister's Department, the Library Administration would be required to pay the newly-appointed Librarian as from 1 July 1970. To meet this requirement the Library administration forwarded a warrant for \$3,000 to Australia House, London. The Treasury Observer, Mr. Davidson agreed that this would be a normal procedure in the circumstances.

Qs. 7 to 23

9. When the Parliamentary Librarian commenced duty in Australia the Library administration received advice from Australia House, London that the Librarian had been paid only until 28 August, 1970. In elaborating on this the witness stated that when the Librarian's file arrived in Canberra from London he

Qs.23 to 30

assumed that the Librarian had been paid for only five pay periods ending on that date. There was no indication on the file that payment for a further three days had been made. It was not until June 1971 when the over-expenditure of \$114 was discovered that it became apparent that payment for the three days concerned had been made in London to the Librarian.

10. In view of the evidence tendered we sought specific advice from the Treasury Observer regarding the circumstances of this matter. Q.31

11. Following its own examination the Department of the Treasury advised us that the payment made in Canberra on 30 June 1971, which resulted in the overexpenditure on the Item, would not have been made by the Sub-Treasury Canberra without questioning the Parliamentary Library, had not excess warrant advice been issued to the Sub-Treasury. Q.31 and Committee File 1971/4

12. The Department of the Treasury submission explained that expenditure through the Office of the High Commissioner, London, was debited to Division 104/1/03 by London Office Transfer Account No. 42 in November 1970 and amounted to \$A2,852.88. Advice of the debit would have been forwarded by the Sub-Treasury London to the Parliamentary Library during December 1970. Q.31 and Committee File 1971/4

13. The Department of the Treasury submission added that the Transfer Account was reflected in the Treasury Central Ledger at 30 November, 1970. The Sub-Treasury Canberra forwarded monthly to the Parliamentary Library an extract of the Central Ledger detailing each vote under the control of that department. The details for this vote included the expenditure for the current month and the progressive total of expenditure for the financial year made by London, by Canberra and in total; the amount of the appropriation; and finally, a comparison of the actual expenditure with that part of the appropriation which related to the same period, expressed as a percentage. In this vote, dealing as it does with the salary of a single officer, the percentage should have been 100 per cent or a little less. In fact, for every month from November 1970 onwards it exceeded 100 per cent. This should have alerted the Parliamentary Library Finance Officer to the need to enquire into this vote Q.31 and Committee File 1971/4

14. The Department of the Treasury discussed its submission with the Parliamentary Librarian and the Parliamentary Library Finance Officer and informed us that the Finance Officer is now fully aware of the need to keep an adequate record of Warrant Authorities issued to him and of Warrant Advices and Allocation Advices which he issues. He also now understands the uses of the extracts from the Central Ledger which he receives each month. On 10 September, 1971 the Finance Officer of the Parliamentary Library explained to the Parliamentary Librarian that on 12 November 1970 a Warrant Advice for \$11,040 had been sent to the Sub-Treasury Canberra. This provided for the \$3,000 which had been sent to London on 7 July 1970 but omitted to take note of the expenditure in London for 5.3 pay period. The Finance Officer admitted that this was an oversight for which he was responsible.

Q.31 and
Committee
File
1971/4

15. The remaining over-expenditure of \$538 related to the fact that the Parliamentary Librarian had proceeded on recreation leave for the first two weeks in July 1971 and received prepayment of salary on 30 June 1971 for the first pay period in the financial year 1971-72. This amount was charged by the Department of the Treasury against expenditure for 1970-71. In this regard officers of the Parliamentary Library staff had inquired verbally, at the time, of officers of the Department of the Treasury as to the effect of the prepayment on the Parliamentary Librarian's taxation group certificate. On being assured that the prepayment would not affect the certificate the Parliamentary Library staff officers had also assumed that the prepayment itself would not affect the charge for 1970-71 on the Parliamentary Librarian's salary.

Exhibit
133/1
Q.36

CONCLUSIONS

16. It appears to the Committee that the over-expenditure that occurred on this Item arose from a serious inadequacy in the administration of the Parliamentary Library. As a consequence of this inadequacy an amount of \$656 was charged to the Advance to the Treasurer without Warrant Authority in contravention of Treasury Regulation 90(1.). That Regulation states:-

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

17. The Committee also notes with satisfaction however, that, as a direct consequence of its inquiry, action has already been taken to remedy the inadequacy concerned.

18. In connection with this Item the Committee would also invite attention to the fact that for many years its Secretary has issued Notes Relating to Evidence for the guidance of departments appearing before it. These notes indicate that where an error is discovered by a department in its submission prior to the public inquiry, it should tender an Additional Submission rectifying the error.

19. In more recent years, to assist departments in the submission of evidence, twelve (12) copies only of submissions have been sought initially in connection with inquiries relating to Expenditure from the Advance to the Treasurer. The remaining copies required are not sought until the Committee has completed its selection of items for public inquiry.

20. It should be noted, however, that the copies of submissions tendered originally by departments are retained by Committee members and form the basis of examination during the public inquiry. Hence if the further copies of submissions are not identical with the original copies tendered, the differences in detail will become apparent during the public inquiry to the manifest embarrassment of the witnesses.

21. In the case of the submission made by the Parliamentary Library on this item the Committee's examination disclosed that the text of the submission has been changed without prior consultation with or advice to our Secretariat. Indeed the change was not admitted by the witness until it was disclosed through oral examination. The Committee views in a most serious light the substitution of submissions in the manner described.

Chapter 3
Joint House Department

Division 105/2/01 -Joint House Department-Administrative Expenses-
Travelling and Subsistence.

<u>Funds Available</u>	<u>1968-69</u>	<u>1969-70</u>	<u>1970-71</u>
	\$	\$	\$
Appropriation Act No. 1	10,500	10,500	10,500
Appropriation Act No. 3	1,000	-	200
Advance to the Treasurer	-	-	600
Total Funds Available	<u>11,500</u>	<u>10,500</u>	<u>11,300</u>
Total Expenditure	<u>10,333</u>	<u>7,482</u>	<u>11,275</u>
Unexpended Funds Available	<u>1,167</u>	<u>3,018</u>	<u>25</u>

22. This item provides for the payment of fares, travelling, car transport and meal allowances incurred by officers of the Joint House Department. The Original Estimate for the item was based on the level of expenditure in previous years. As the parliamentary year in 1969-70 consisted of only sixty-three sitting days compared with an average of seventy generally used for the purpose of expenditure estimates; and because of an increase in hire car rates the estimate of the previous year, \$10,500, was agreed on for the Original Estimate for 1970-71.

Exhibit
133/2 and
Qs.47

23. Prior to settling the Additional Estimates a review of the vote resulted in the admission of additional liability by the Department of the Treasury to provide a total amount of \$11,250 for the item. On 2 February 1971 the Treasurer requested that departmental Estimates for 1970-71, as revised at the end of December 1970 be examined with a view to achieving substantial reductions in expenditure which Cabinet had decided should be effected in the remainder of that financial year. In accordance with this request the funds available under the item were arbitrarily reduced to \$10,700 including \$200 to be obtained in the Additional Estimates.

Exhibit
133/2 and
Qs.48 to 50

24. When the \$200 was sought in the Additional Estimates it appeared that the Parliament might rise early. However, the Senate continued to sit for approximately two weeks longer than the House of Representatives. This gave rise to the need for expenditure from the Advance to the Treasurer.

Exhibit
133/2 and
Q.51

CONCLUSIONS

25. The Committee accepts the Department's explanation.

Chapter 4

Department of Civil Aviation

Division 170/1/01 Administrative and Operational-Salaries and payments in the Nature of salary-Salaries and Allowances.

<u>Funds Available</u>	<u>1968-69</u> \$	<u>1969-70</u> \$	<u>1970-71</u> \$
Appropriation Act No.1	26,896,000	33,710,000	40,300,000
Appropriation Act No.3	2,160,000	2,610,000	4,080,000
Advance to the Treasurer	<u>88,000</u>	<u>-</u>	<u>105,000</u>
Total Funds Available	29,144,000	36,320,000	44,485,000
Total Expenditure	<u>28,136,972</u>	<u>36,306,840</u>	<u>44,482,494</u>
Unexpended Funds Available	<u>7,028</u>	<u>13,160</u>	<u>2,506</u>

26. This item provides for the payment of salaries and allowances of all staff except the Director of Civil Aviation.

Q.57

27. The Original Estimate for this item in 1970/71 was based on the staff establishment as at 1 July 1970. The Estimate provided for staff employed and those expected to be recruited during the financial year 1970/71.

28. An amount of \$4,080,000 was appropriated in the Additional Estimates to provide for the recruitment of staff to approved positions, the costs of approved reclassifications and reorganisations, salary increases awarded to Third Division administrative and clerical personnel and engineers, the 6 per cent National Wage increase and Arbitrator's Determinations issued during 1970-71.

Exhibit
133/3

29. The amount of \$105,000 obtained from the Advance to the Treasurer, was required to provide for Arbitrator's Determinations, a retrospective education allowance and a number of furlough, retirement and recreation leave payments.

Exhibit
133/3

30. The Department stated in its Exhibit that during April 1971, after the submission of the Additional Estimates,

Exhibit
133/3 and
Q.58

Arbitrators Determinations Nos. 1, 16, 61 and 73 of 1971 were issued. These increased the rates of payment to certain categories of staff. The Determinations, which included retrospective payments, necessitated an additional requirement of \$56,000 chiefly for aircraft mechanics, superintendents and air safety inspectors. In evidence the witness indicated that the Public Service Board's instructions relating to Determinations Nos. 16, 61 and 73 had been issued in March and April 1971 but the instructions relating to Determination No. 1 had been issued on 23 February, 1971.

31. A Public Service Board circular approving a retrospective education allowance payable to staff in the Territory of Papua and New Guinea for education of their children in Australia was received by the Department from the Public Service Board on 8 January 1971. This created a further requirement for \$32,000.

Exhibit
133/3
and Q.59

32. In addition, a number of furlough, retirement and recreation leave payments totalling \$17,000 were made in the latter months of the year. It was explained that this part of the item is very difficult to estimate. At the expenditure review conducted in February 1971 it was considered that expenditure had been running at the rate of \$23,500 per month over the previous eight payments. At that rate, funds available would have been \$17,000 short of requirements.

Exhibit
133/3

CONCLUSIONS

33. On the basis of the evidence it appears to the Committee that the Department was justified in seeking funds from the Advance to the Treasurer in respect of Arbitrator's Determinations Nos. 16, 61 and 73 of 1971 and for the payment of unforeseen furlough, retirement and recreation leave entitlements. It also appears, however, that the Department was not justified in seeking such funds in respect of Determination No. 1 of 1971 and in respect of the retrospective education allowance payable to staff in the Territory of Papua and New Guinea. The evidence shows that advice of these commitments was conveyed to the Department in time for their inclusion in the Additional Estimates.

34. In these circumstances the Committee is concerned by the fact that the submission tendered by the Department stated that all of the Arbitrator's Determinations referred to were issued in April and therefore occurred subsequent to the closing date for the Additional Estimates. In addition the submission failed to make clear the fact that the Public Service Board circular approving a retrospective education allowance for staff in the Territory of Papua and New Guinea had been issued prior to the closing date for the Additional Estimates.

Chapter 5
Department of Education and Science

Division 231/1/1 Metric Conversion Board-Salaries and Payments
in the Nature of salary-Salaries and Allowances

<u>Funds Available</u>	<u>1968-69</u>	<u>1969-70</u>	<u>1970-71</u>
	\$	\$	\$
Appropriation Act No.1	Nil	Nil	Nil
Appropriation Act No.3	Nil	Nil	32,700
Advance to the Treasurer	<u>Nil</u>	<u>Nil</u>	<u>13,392</u>
Total Funds Available	Nil	Nil	46,092
Total Expenditure	<u>Nil</u>	<u>Nil</u>	<u>45,810</u>
Unexpended Funds Available	<u>Nil</u>	<u>Nil</u>	<u>282</u>

35. This item provides for the payment of salaries of the staff of the Metric Conversion Board.

36. The Metric Conversion Board came into operation on 1 July, 1970. No provision was sought in Appropriation Act No.1 for salaries of staff to service the activities of the Board whose administrative operations were then being performed by officers on loan from other Departments. Subsequently, on 23 October, 1970; 22 December, 1970; 21 January 1971 and 29 January 1971, fourteen positions were created of which ten were filled. To meet the cost of salaries involved, an amount of \$32,700 was sought in the Additional Estimates. In accordance with Treasury Direction 20/32, this did not include the salaries of two unattached officers of the Department of the Treasury allocated to the Australian Government Publishing Service on loan to the Metric Conversion Board. Exhibit
133/4
and Q.109

37. Of the \$13,392 sought from the Advance to the Treasurer, \$10,092 related to the salaries of the officers on loan to the Board whose Department insisted on reimbursement covering the period 30 July, 1970 to 8 April 1971. In addition \$3,300 was required to meet additional salary costs for three positions which were filled subsequent to the Additional Estimates. Exhibit
133/4

38. With regard to the \$10,092 required to meet the salaries of officers on loan to the Board the evidence showed that when the officers were made available to it the Board understood that until formal positions were available, the Australian Government Publishing Service would meet the salary costs involved. The basis of this understanding was a discussion held between personnel officers of the Department of the Treasury and the Department of Education and Science. However, on 20 April, 1971 a letter was received from the Australian Government Publishing Service requesting that payment be made. Qs. 110 and 111

CONCLUSIONS

39. It appears to the Committee that the Department was justified in charging \$3,300 to the Advance to the Treasurer to cover the salary costs of three positions that were filled subsequent to the Additional Estimates.

40. It also appears, however, that the arrangements relating to the payment of officers loaned by the Department of the Treasury to the Metric Conversion Board in July 1970 were not soundly established in that they emanated from a discussion between officers of the Departments concerned but were evidently not confirmed by an exchange of Memoranda. It would appear that but for this administrative weakness the circumstances that gave rise to the need for \$10,092 to be charged to the Advance to the Treasurer should not have arisen.

Chapter 6

Department of External Territories

Division 276.2.05 -Cocos(Koeling)Island-Administrative Expenses-
Incidental and Other expenditure

<u>Funds Available</u>	<u>1968-69</u>	<u>1969-70</u>	<u>1970-71</u>
	\$	\$	\$
Appropriation Act No.1	25,800	30,100	37,200
Appropriation Act No.3	15,300	6,700	600
Advance to the Treasurer	--	--	--
Total Funds Available	39,100	36,800	37,800
Total Expenditure	<u>38,638</u>	<u>35,470</u>	<u>37,929</u>
Unexpended Funds Available	<u>462</u>	<u>1,330</u>	<u>.. *</u>

*Expenditure of \$129 was charged to the Advance to the Treasurer.

41. This Item provides for the payment of incidental and other expenditure at Cocos(Koeling)Island for Drugs and Medical Supplies, Laundry, Light and Power, Plant and Equipment, Postage, Cables, Stationery etc., Petrol, Oils and Lubricants, Maintenance of Vehicles, Plant and Equipment, Hospital Incidentals, Rent, Sea Freight, Dental Visits, Education Allowances, Telephone Services, Sundry Expenses and a subsidy for the Home Island School. Exhibit
133/5

42. The Original Estimate for this Item is prepared by the Official Representative at Cocos Island and is based on the previous year's expenditure and other anticipated expenditure. The estimate is examined by the Department before ministerial approval for the proposed expenditure is requested. Q.149

43. Additional funds required in 1970-71 amounted to \$600 for telephone charges, \$500 for medical supplies, \$800 for dental equipment and \$800 for maintenance for vehicles and plant. These amounts were offset by an amount of \$2,100 included incorrectly under Division 276/2/05 in the Additional Estimates. Exhibit
133/5

44. The additional funds required for telephones related to increased rates for telephone services in 1968 and 1969 and for an additional six months charge in 1970-71 to cover an adjustment in the accounting period. Telephone services from Cocos Island are Exhibit
133/5
Qs.150 and
151

provided by the Department of Civil Aviation and the change was made to bring the accounts from a calender year to a financial year basis.

45. The \$500 required for medical supplies included an amount for the replacement of drugs, such as antibiotics, for which disposal must be arranged if not used within a stated period. There had been no expenditure for the replacement of stale drugs in 1969/70. Details of drugs replaced, mainly vaccines, at a total value of \$185 were submitted in evidence.

Exhibit 133/5
Qs. 152 to 158
and Committee
File 1971/4

46. It was also explained that a dentist visits Cocos Island twice each year and dental equipment valued at \$800 was required to replace existing facilities which had been in use for some time.

Exhibit 133/5
Qs. 159 and
160

47. Extensive repairs to a mobile crane amounting to \$800 included \$273 for labour and \$516 for parts. This particular equipment on Cocos Island is under the charge of the Official Representative and is maintained for the Department of External Territories by the Department of Civil Aviation.

Exhibit 133/5
and Qs. 161 to
163

48. Due to a clerical error that occurred in the Department of the Treasury an amount of \$2,100 requested in the Additional Estimates under Division 276/2/05 was provided incorrectly under Division 276/2/03. In this regard the Department of External Territories, in applying for funds in the Additional Estimates, submitted to the Department of the Treasury a schedule showing the Division numbers; additional funds already applied for; warrant authority numbers; Department of the Treasury and Department of External Territories reference numbers; funds no longer required and finally, the amounts required from the Additional Estimates. The schedule showed division 276/2/03 on the left side with no amount required on the right. Immediately below 276/2/03 there appeared Item 276/2/05. On the right hand side there were three figures for this Item comprising two individual amounts of \$2,100

Exhibit
133/5 Q. 171
and Committee
File 1971/4

and \$600, and the total of \$2,700. In reading the amounts for insertion in the draft bill, the amount of \$2,100 was read as relating to Item 276/2/03, and the amount of \$600 as applicable to 276/2/05.

49. The shortfall of \$1,971 on the amount appropriated from the Advance to the Treasurer included \$1,226. This amount was not required because a dental technician was not included in the team of three on its second visit to the Island in 1970-71.

Exhibit
133/5

50. A shortfall of \$676 occurred due to actual expenditure on postage, cables and stationery amounting to only \$2,824 compared with the corresponding estimate of \$3,500. This difference was said to reflect a more judicious use of Cables by the Official Representative and a lesser requirement for stationery. Expenditure on hospital laundry was \$69 less than had been estimated.

Exhibit
133/5 and
Q.169

CONCLUSIONS

51. The Committee's main point of concern with this Item is that an amount of \$129 was charged to the Advance to the Treasurer in contravention of Treasury Regulation 90(1.). The details of this Regulation have been set out previously in this Report in connection with Item 104/1/03 which relates to the Department of the Parliamentary Library.

52. The evidence shows that the overcharge under Item 276/2/05 arose primarily from a clerical error that occurred in the Department of the Treasury during the process of Additional Estimates compilation and from a failure on the part of the Department of External Territories, as the Department administering the Item, to detect the error either from the details contained in Appropriation Bill No. 3 or, in the preparation of material relating to the examination of the Additional Estimates by the Senate Estimates Committees or from the Warrant Authorities issued by the Department of the Treasury subsequent to the passage of Appropriation Act No. 3 or in the final review of expenditure against the Estimates in connection with requirements from the Advance to the Treasurer.

53. The Committee believes that the clerical error made by the

Department of the Treasury should not have occurred and that appropriate action should be taken by that Department to guard against a repetition of errors of this kind in the important area of estimates compilation. At the same time the Committee believes that the failure on the part of the Department of External Territories to detect the error is the more serious, having regard to the opportunities available for its discovery. Indeed these opportunities are now greater than ever before following the establishment of the Estimates Committees in the Senate. In all the circumstances the Committee believes that the failure of the Department to detect this error reflects adversely on the quality of its financial administration.

Chapter 7
Department of Health

Division 294/1/01 Northern Territory Health Services--Salaries and payments in the nature of salary--Salaries and Allowances.

<u>Funds Available</u>	<u>1968 - 69</u>	<u>1969 - 70</u>	<u>1970 - 71</u>
	\$	\$	\$
Appropriation Act No.1	3,630,000	4,100,000	5,500,000
Appropriation Act No.3	150,000	411,000	265,000
Advance to the Treasurer	--	<u>172,000</u>	<u>199,500</u>
Total Funds Available	3,780,000	4,645,000	5,964,500
Total Expenditure	<u>3,742,011</u>	<u>4,610,426</u>	<u>5,926,001</u>
Unexpended Funds Available	<u>37,989</u>	<u>32,574</u>	<u>38,499</u>

54. This Item provides for salaries and allowances for permanent officers and temporary employees engaged in activities associated with health, dental services and other health matters covered by Northern Territory Ordinances.

55. It was claimed that difficulties had been experienced in formulating the estimate for this Item in 1970-71 due to wide fluctuations that occurred in fortnightly funds requirements for salaries and also because of an inadequate clerical staff which was subject to **constant pressure of work**. Details of the Additional Estimates requirement of \$265,000 are given in Table No. 1.

Exhibit
133/6

Table No. 1.
Department of Health
Division 294.1.01: Additional Estimates 1960-71

Item	Amount
Now positions	86,200
National Wage adjustment	139,500
Salary increases (third division)	25,200
Increased allowances	51,500
Determinations	82,000
	<u>384,400</u>
Less reduced requirements	119,400
Total	<u>265,000</u>

Source: Department of Health

56. The reduced requirement of \$119,400 included \$19,400 for positions abolished or cancelled and \$100,000 in respect of an expected inability to fill vacant positions.

Exhibit
133/6

57. Details of the gross requirements from the Advance to the Treasurer are given in Table No. 2.

Table No. 2.

Department of Health - Division 294.1.01

Gross Funds Required from the Advance to the Treasurer 1970-71

Item	Amount
	\$
New positions and reclassification	48,000
Salaries	111,000
Leave payments	9,000
Filling of vacant positions	8,000
Additional Staff	23,500
Total	199,500

Exhibit
133/6

Source: Department of Health

58. Funds were required to provide for the filling of additional new positions created in August, September, October and December 1970. Positions in the technical and paramedical areas were reclassified in October and November 1970 and funds were required to provide for the 5 percent equal pay provision for females operative from January 1971.

Exhibit 133/6
qs. 219 to 220

59. Of the \$111,000 required for salaries, \$22,000 had been incorrectly considered as a proper charge against the National Welfare Fund-Miscellaneous salaries. Salaries in respect of the Health Laboratory in the Northern Territory, as with other Health Laboratories throughout Australia, are a charge against the National Welfare Fund. Northern Territory Medical Services, however, are charged to Division 294, and quarantine work to Division 290. Because of unfamiliarity on the part of officers with the coding system, some errors in coding required correction by journal entry. Allowance was made for a journal entry of about \$56,000 when the correct amount to be transferred was only \$34,000.

Exhibit
133/6 and
Qs. 221 to 229

60. With regard to training in ADP procedures we were informed that a senior officer of the Department of Health visited the Darwin Divisional Office late in 1968 to investigate appropriate applications for ADP in the Territory. The officer was a senior programmer thoroughly experienced in ADP and in training who had been employed in the Department's ADP Branch since its inception. Before entering the Commonwealth Service he had been a school teacher.

Exhibit 133/6
Q.223 and
Committee File
1971/4

61. The introduction of computer processing of salaries in the Northern Territory was the responsibility of the Department of the Treasury and was an extension of that Department's standard ADP systems provided elsewhere throughout Australia. The Department of Health was informed in April 1970 of the Department of the Treasury's intention to introduce, during the latter half of 1970, an ADP communications based system linking the Darwin and Sydney Sub-Treasuries for computer processing of the Northern Territory departmental salaries and Appropriation/Revenue ledgers. Appropriate liaison was established between the Department of the Treasury and the Department of Health's office in Darwin with a view to facilitating the smooth introduction of the new arrangements.

Exhibit 133/6
Q.223 and
Committee File
1971/4

62. The training for the Department of Health's Northern Territory Division Office staff in relation to the transfer of the salaries from manual to computer processing was provided by the Department of the Treasury officers from Canberra who were familiar with implementation procedures and who visited the Northern Territory specially for this purpose. The training concerned was given to Clerks Class 2/3 and Class 1 in the Industrial Terms Personnel Section, and to the Assistant Personnel Officer and salary staff at the Darwin Hospital.

Exhibit 133/6
Q.223 and
Committee File
1971/4

63. The training followed the established form which had been successful in the Southern States. It consisted of four sessions each of four hours duration over the period of conversion, in the second week of October 1970, two weeks before the changeover occurred. The training included completion of sample forms under the guidance of the instructor, supplemented by a manual compiled by the Department of the Treasury for the purpose. A further

Exhibit 133/6
Q.223 and
Committee File
1971/4

training session for new staff was given at the end of July 1971. Clerks have access to a Manual for reference purposes.

64. A further \$89,000 was required for salaries from the Advance to the Treasurer when it became evident, on 1 June 1971, that funds previously obtained for this purpose would be inadequate for the remainder of the financial year. When calculating the additional requirements for salaries in April 1971 the officers involved provided only for net salaries. Due to an oversight they made no allowance for increased penalty payments for nurses and other hospital staff in respect of public holidays in April and May 1971. They also failed to provide for additional penalty rates involved for Easter holidays, Anzac Day and May Day. The estimate for fortnightly payments for these periods was based on a payment of \$14,000 when actual payments amounted to \$30,170 for the fortnight ended 5 May and \$27,092 for the fortnight ended 19 May. In addition, whereas the normal pay for the period ending 30 June 1971 was payable in 1971/72, prepayment attributable to this period was a proper charge against the 1970-71 Appropriation. However, no allowance was made for this in the estimates.

Exhibit
133/6
and Q.233

65. It was found that there was a larger turnover of staff than had been anticipated, requiring additional funds of \$9,000 for pro rata leave payments and the accelerated filling of vacant higher classified key positions required a further \$8,000.

Exhibit
133/6
and Q.230

66. An amount of \$23,500 was obtained from the Advance to the Treasurer for additional staff. Because of restrictions imposed by the Government on staff numbers the industrial and nursing staff employed in the Territory at that time was substantially below the establishment provisions. It was claimed that this situation, in itself, was creating industrial unrest. The position was aggravated by a serious outbreak of gastro enteritis in the Northern Territory in late March and early April 1971. This was responsible for the Darwin Hospital being filled to almost maximum capacity. To contain this situation the Department raised the staff ceiling

Exhibit
133/6 Qs.231
and 232

for the Northern Territory at the end of April by fifty-two so that an additional thirty-one nurses and twenty-one industrial staff could be employed.

67. A joint Department of Health/Public Service Board review of the Northern Territory Medical Services was commenced in April 1971. The terms of reference of the joint review are to report to the Public Service Board and the Director-General of Health on:

Exhibit
133/6 and
Q.235

- (1) the nature and scope of health services currently provided by the Department in the Northern Territory and the authority therefore
- (2) the nature and level of health services proposed to be provided by the Department within the current approved programmes
- (3) costs of current services and cost implications of services proposed to be provided having regard particularly to estimated future staffing requirements and to recoveries effected by the Department by means of fees, charges, etc.
- (4) whether there is a need to vary administrative arrangements for the provision of Northern Territory health services

68. It was expected that the review team would examine an organisation proposal dated 14 December 1970, prepared by the Department of Health, having regard to the Government's current policies of restraint on the growth of Commonwealth Public Service establishments and to immediate departmental requirements in the Territory. It was expected that the review team would make recommendations on the proposal as soon as possible and would give priority to those positions which were considered to be urgent.

Exhibit
133/6 and Qs.
235 to 260

69. Following an interim report in June 1971 by the Review Committee, the Department of Health in the Northern Territory was

Q.236

provided with an additional forty positions, including twenty-one in the administrative field. The investigations of the team were expected to be completed in October 1971.

70. On 21 June 1971 approval was given to the establishment of an Estimating and Costing Section in the Darwin Divisional Office. Exhibit
133/6 and
Q.242
It was expected that with the recruitment of qualified and experienced people into this Section, the difficulties experienced in 1970-71 should be avoided in future years.

CONCLUSIONS

71. An amount of \$48,000 was obtained from the Advance to the Treasurer for new positions created in August, September, October and December 1970; for the reclassification of salaries for technical and paramedical staff in October and November 1970 and to meet the cost of a 5 percent pay variation operative from January 1971 for females. The evidence shows that appropriate provision should have been made for these items in the Additional Estimates and that they should not have been charged to the Advance to the Treasurer.

72. The evidence also shows that an amount of \$22,000 had been incorrectly charged against the Miscellaneous salaries component of the National Welfare Fund. While it was claimed that this error arose from unfamiliarity on the part of officers concerned with the coding system, the Committee has difficulty in accepting this explanation, particularly in view of the nature and extent of training in LDP procedures that has evidently been provided by the Department of the Treasury for the officers concerned.

73. It also appears from the evidence that a further amount of \$89,000 was charged to the Advance to the Treasurer instead of being included in the Additional Estimates due to oversights that occurred at that time in relation to salary requirements.

74. While the Committee believes that these errors and oversights should not have occurred, we note that a joint Department of Health/Public Service Board review of the Northern Territory Medical Services was commenced in April 1971. We also note that on 21 June 1971 approval was given to the

establishment of an estimating and Costing Section in the Darwin Divisional Office. The evidence suggests that these developments could, with advantage, have occurred sooner. The Committee expects to be advised in due course of the benefits obtained from these developments.

Chapter 8

Department of the Interior

- (i) Division 357/1/01 Electoral Branch-Salaries and Payments in the nature of Salary-Salaries and Allowances.

<u>Funds Available</u>	<u>1968-69</u>	<u>1969-70</u>	<u>1970-71</u>
	<u>3</u>	<u>3</u>	<u>3</u>
Appropriation Act No.1	1,485,000	1,670,400	1,800,000
Appropriation Act No.3	47,700	72,000	108,000
Advance to the Treasurer	<u> </u>	<u> </u>	<u>13,700</u>
Total Funds Available	1,532,700	1,742,400	1,921,700
Total Expenditure	<u>1,509,643</u>	<u>1,734,664</u>	<u>1,920,061</u>
Unexpended Funds Available	<u>23,057</u>	<u>7,736</u>	<u>1,639</u>

75. This Item provides for the salaries and allowances for all officers and employees of the Electoral Branch.

76. During the period 1 July 1970 to 5 March 1971 additional commitments were approved totalling \$142,211. Of this amount \$3,400 related to the creation of one position of Clerical Assistant Grade 3 \$1,540 related to one position of Clerical Assistant Grade 2, created for a period of six months; \$7,900 was required for the creation of five positions of Card Punch Operator; and \$150 was required for one position of Junior Assistant reclassified as Clerical Assistant Grade 1. Increased salaries following the Public Service Arbitrator's Determination No. 355 of 1970 for Clerical/Administrative and related salaries required \$82,274; and increased salaries following the 1970 National Wage Case decision required \$46,947.

Exhibit
133/7

77. The additional cash requirement of \$108,000 in the Additional Estimates was assessed after considering delays which had occurred in the filling of the newly-created positions of Clerical Assistant and Card Punch Operator; inability to always recruit staff on a temporary basis for the replacement of officers on leave; enforced savings to be effected following restraints imposed on Commonwealth employment and expenditure; a reduced requirement for higher duties allowances and the deferment of recreation leave entitlements.

Exhibit
133/7

78. Subsequent to the closing date for the Additional Estimates five commitments totalling \$13,700 were approved. These comprised \$7,000 required on 19 April 1971 for payment in lieu of furlough for an officer in New South Wales who retired on the grounds of ill-health. Also, on 15 April 1971 it was decided that \$2,150 would be required for the replacement of an officer on extended sick leave in Victoria. On the same date it was decided that \$2,500 would be required to provide replacements for two officers in Queensland on extended sick leave pending their retirement on the grounds of ill-health. On 15 April 1971 an additional \$750 was required to provide for the replacement of an officer in Western Australia who was also on extended sick leave pending retirement on the grounds of ill-health.

Exhibit 133/7
Qs. 352 and
353

79. On 25 May 1971 an amount of \$1,150 was sought to cover increased salaries following the Public Service Arbitrator's Determinations No.115 and No.116 in respect of rates of pay for the keyboard group of designations. At that time \$150 was also sought for the replacement of officers on extended sick leave.

Exhibit 133/7
and Q.354

80. The shortfall in expenditure of \$1,639 was due mainly to an inability to recruit staff. It was said that the Electoral Branch has a staff of approximately 364 employed at 132 locations and that it is sometimes impossible to recruit local staff in country areas.

Exhibit 133/7
and Q.358

CONCLUSIONS

81. The Committee accepts the Department's explanation.

(ii) Division 362/3/17 Australian Capital Territory Services-
Other services-Children's Shelter-Maintenance

<u>Funds Available</u>	<u>1968-69</u>	<u>1969-70</u>	<u>1970-71</u>
	\$	\$	\$
Appropriation Act No.1	21,000	22,000	22,000
Appropriation Act No.3	-	-	-
Advance to the Treasurer	-	-	4,151
Total Funds Available	21,000	22,000	26, 151
Total Expenditure	19,253	17,772	26, 116
Unexpended Funds Available	1,747	4,228	35

82. This Item provides for the operational costs of the children's remand shelter in Canberra.

83. An examination by the Department of the Interior of the circumstances which required funds from the Advance to the Treasurer established that a failure to request funds from the Additional Estimates had arisen from a breakdown in communication between Branches within the Department in relation to increases in salaries granted under a New South Wales Government Determination and to an inadequate analysis of expenditure trends because of other work pressures. Exhibit 133/8 Q.419

84. On 11 January 1971 increased rates of pay were granted by the Commonwealth Public Service Board to staff employed at the Quamby Remand Shelter in accordance with the increased rates granted to staff employed in institutions of the New South Wales Department of Child Welfare. The increased rates were effective from 10 April 1970 and, although payment was made on 14 January 1971, the matter of further funds, amounting to \$3,536 was overlooked when the Additional Estimates review was made. Exhibit 133/8

85. In elaborating on this oversight, the witness explained that, acting on verbal advice from the Public Service Board late in December, the Establishments Branch of the Department of the Interior arranged payment of the salary increases. The subsequent Exhibit 133/8 and Qs.421 to 427

Public Service Board memorandum of 11 January 1971 was placed on a file requiring action by another Section of the Establishments Branch which was engaged in reviewing the staffing and relief requirements of the rerand shelter. The Public Service Board's advice was not received in the Personnel Section until early in May 1971.

86. The inadequate analysis of expenditure trends was said to have arisen from difficulties experienced by departmental financial advisers during the installation of new accounting machines. While the new machines were being programmed, the existing machines, which were inadequate in capacity continued in use. Arising from this situation, machine posting fell into arrears and the staff was constantly under **considerable work pressure**. In these circumstances the usual analysis of expenditure was not carried out. Q.420

87. On 19 January 1971 a Cook/Housekeeper was employed at the shelter. Although the position was included on the establishment when the Original Estimates for 1970-71 were prepared, no provision was made for it to be filled. The additional cost of wages for filling this position in 1970-71 was estimated at \$575. However, due to a costing error the charge was not brought to account under Item 362/3/17 in 1970-71. Exhibit 133/8

88. The costing error was disclosed during the preparation of the submission on this Item which we had requested in relation to our inquiry into Expenditure from the Advance to the Treasurer. It was explained that a number had been omitted from the wages time docket for the position of housekeeper. The docket was classified as social welfare and was processed as being part of the social welfare Vote, Item 352/3/06, instead of Item 362/3/17. Instructions have since been issued by the Welfare Branch that numbers are to be shown on all time dockets. Exhibit 133/8 and 4

89. In addition, the supervisor and the Deputy Matron at the shelter had each accumulated six weeks recreation leave and in order to enable them to proceed on leave it was necessary to provide relief for the period 30 January 1971 to 13 March 1971. Exhibit 133/8 and Qs.412 to 417

It was said that considerable difficulty has been experienced over a number of years in obtaining staff for the positions of Supervisor and Deputy Matron. Difficulty is also experienced in obtaining responsible, trained relief staff for these positions. As expenditure for leave payments in respect of these positions was uncertain, provision was not made for it in the Estimates and an amount of \$869 was required from the Advance to the Treasurer.

90. The Appropriation under this Item is allocated partly to the A.C.T. Sub-Treasury Authorising Officer to meet expenditure on salaries and partly to the Department's A.C.T. Authorising Officer to meet expenditure on wages and normal operational costs. The functional responsibility for the vote rests with the Welfare Branch and, although in the past that Branch has been informed by the Finance and Supply Branch of the monthly expenditure incurred by the A.C.T. Authorising Officer, no such report was provided by the Finance and Supply Branch in respect of expenditure incurred by the A.C.T. Sub-Treasury Authorising Officer. At the time of our Inquiry this deficiency has been corrected.

Exhibit
133/8

CONCLUSIONS

91. The evidence submitted to the Committee on this Item discloses inadequate communication between the Branches of the Department; failure to include known amounts in the Additional Estimates; failure to carry out the usual analysis of expenditure during a period of machine conversion; the omission of essential records from dockets resulting in the incorrect classification of expenditure and a failure to make financial provision in the Additional Estimates for recreation relief that occurred between January and March 1971. While the Committee recognises that some of these defects have been rectified, we believe that their occurrence reflects adversely on the Department's financial administration. The Committee also notes that the circumstances relating to the incorrect classification of expenditure arising from the omission of essential records from dockets was not discovered by the Department until we sought an explanation from it in relation to the expenditure that had occurred from the Advance to the Treasurer.

Chapter 9
Department of Primary Industry

(i) Division 412/2/01 Administration of the Commerce(Trade Descriptions)
Act-Administrative Expenses- Travelling and Subsistence

<u>Funds Available</u>	<u>1968-69</u>	<u>1969-70</u>	<u>1970-71</u>
	\$	\$	\$
Appropriation Act No.1	668,000	760,000	925,000
Appropriation Act No.3	25,000	35,000	125,000
Advance to the Treasurer	-	<u>45,800</u>	<u>70,000</u>
Total Funds Available	693,000	840,800	1,120,000
Total Expenditure	<u>692,844</u>	<u>840,109</u>	<u>1,119,982</u>
Unexpended Funds Available	<u>156</u>	<u>691</u>	<u>18</u>

92. This Item provides funds for fares, travelling allowances, living allowances, meal allowances and other allowances, for staff engaged in the administration of the provisions of the Commerce(Trade Descriptions) Act and the Exports Regulations made under that Act. Staff are engaged in the inspection of primary industry commodities entered for export. About 90 percent of the staff employed are engaged on meat inspection.

93. Although the Estimates for this Item are based largely on past experience, a number of factors influence the costs of travel and subsistence provided under the Item. Included in these factors are the recruitment of meat inspection staff who, without exception, are required to be absent from their head office for long periods. The length of absence is influenced by seasonal factors, the length of killing seasons; the opening of new abattoirs and the reopening of others; the demands on inspection standards by importing countries and the provision of relief for recreation leave purposes. A number of circumstances related to the employment of veterinary staff, which could not be foreseen at the time of preparation of the Estimates in 1970-71, were responsible for the need to seek funds from the Additional Estimates and the Advance to the Treasurer. Exhibit
133/9

94. The provision of relief for recreation leave purposes has involved substantial accumulated recreation leave credits, a situation which has given rise to grave concern within the Department. As new markets are obtained the demand upon the Department of Primary Industry for the supply of meat inspectors for the industry increases. Because of increasing demand over the past few years and the shortage of meat inspectors, it has been necessary to defer recreation leave. During 1971 leave rosters for all meat inspectors throughout Australia were introduced to ensure that each inspector was given three weeks leave during this year. While an agreement has been reached with the industry to maintain the rosters, and a small impact has been made on the backlog of leave, **some inspectors have leave credits amounting to ten or eleven weeks.**

Exhibit 133/9
and Qs.445 to 447

95. In order to overcome a shortage of Meat Inspectors in Victoria and Tasmania, the Department of Primary Industry entered into an arrangement in August, 1970 with New Zealand authorities for the loan to the Department of forty-six Meat Inspectors for a period of about eight weeks.

Exhibit 133/9
and Q.441

96. The particular shortage of inspectors arose from the number completing training courses conducted by the Victorian Department of Health. Of the forty-three who completed the course in 1970 thirty-four were available for meat inspection work. The Victorian Department of Health recruited eighteen of those available. At that time there were eighty-four meat inspectors on temporary transfer in Victoria and Tasmania.

Q.441

97. As there was an urgent need to obtain more meat inspectors the arrangement made with the New Zealand Government provided for thirty-five inspectors to be placed in Victoria and eleven in New South Wales. The Department of Primary Industry accepted responsibility for the payment of salaries and all allowances to the New Zealand inspectors while they were in Australia. They were paid in accordance with salary rates and ranges applicable

Exhibit 133/9
Qs.441 and 442

to Australian meat inspection staff. An amount of \$33,000 was provided in the Additional Estimates for fares, travelling allowance and subsistence.

98. In December 1970 Public Service Board approval was given to a meat inspector-in-training scheme under which applicants would be selected and trained through a twelve weeks course to a stage where, subject to successful completion of the course, they would be engaged by the Department. A provision of \$16,000 was made in the Additional Estimates to cover travel and subsistence for applicants selected for interview and allowance while attending the course.

Exhibit
133/9

99. In addition veterinary staff have been recruited by the Department from other countries. During the period July 1970 to February 1971, five veterinary officers were brought from Britain, two from the United States of America and one from France. An amount of \$29,000 was obtained from the Additional Estimates to cover the cost of travel of these officers and their families to Australia.

Exhibit
133/9

100. At the end of April 1971 it became evident that following a greater rate of recruitment than had been expected, expenditure on travel and subsistence exceeded the expected level. The number of meat inspection staff employed at the time is shown in the following figures:-

Exhibit
133/9 and
Qs. 447 to 452

January	1971	1,452
February	"	1,463
March	"	1,535
April	"	1,559
May	"	1,613
June	"	1,610

101. With the commencement of the Northern killing season it became necessary for meat inspectors on transfer from Queensland to Victoria to be returned to the former State and for inspectors from other States to be transferred to Victoria. The amount of \$70,000 sought from the Advance to the Treasurer was required for the costs of the movement of staff to meet industry demands for inspection services as they arose.

CONCLUSIONS

102. The Committee accepts the Department's explanation.

(ii) Division 414/1/01 Bureau of Agricultural Economics-Salaries and Payments in the nature of salary-Salaries and Allowances

<u>Funds Available</u>	<u>1968-69</u>	<u>1969-70</u>	<u>1970-71</u>
	\$	\$	\$
Appropriation Act No. 1	910,000	1,033,000	1,300,000
Appropriation Act No. 3	-	80,000	40,000
Advance to the Treasurer		11,400	8,700
Total Funds Available	910,000	1,124,400	1,348,700
Total Expenditure	858,912	1,123,995	1,348,645
Unexpended Funds Available	51,088	405	55

103. This Item provides for salaries and payments in the nature of salary for staff employed under the approved staff organisation of the Bureau of Agricultural Economics.

104. In December 1970 a decision made in the National Wage Case required an increase of 6 per cent in salaries as from 14 January 1971. An amount of \$33,000 was sought from the Additional Estimates to meet the cost of this increase. Exhibit 133/10

105. Also in December 1970, Determination No. 355 of that year granted increases to the clerical/administrative group of officers. An amount of \$7,000 was required from the Additional Estimates towards meeting the cost of this increase.

106. In February 1971 when expenditure for the year was under review, it was considered that the amount provided for salaries would be adequate, subject to the non operation of influences beyond the control of the Department. Exhibit 133/10

107. In April 1971, however, it was realised that in making its projection of salary expenditure for the remainder of the year the Department had not taken full account of the number of Agricultural Economics Cadet positions for which it would be responsible during the March/June period. In the calendar year 1970 there were eight Agricultural Economics Cadets. Of this number two were promoted as Research Officer Grade 1 as from 1 January 1971. Exhibit 133/10 and Q.464

In March 1971, however, an intake of nine such Cadets occurred for which, due to an oversight, no provision was made in the Additional Estimates. An amount of \$7,300 was therefore required from the Advance to the Treasurer.

108. In elaboration of this matter it was claimed that a number of factors were responsible for the omission of the salary provision from the Additional Estimates. It was said that the number of cadets as at 1 January each year is no indication of the number that will be obtained during the year. It is not until after examination results have been obtained and decisions made, about February, that the Department is aware of the final number in a particular intake of cadets. The oversight in respect of the salaries was due to the fact that the cadets were not on the Department's payroll when the Additional Estimates were prepared. Action has since been taken to ensure that a similar oversight does not occur again.

Exhibit
133/10 and
Q.464

109. In April 1971 Determinations Nos. 115 and 116 of that year granted salary increases to typists and other "keyboard" designations, with effect from 8 April, 1971. An amount of \$1,400 was obtained from the Advance to the Treasurer for this purpose.

Exhibit
133/10

CONCLUSIONS

110. The Committee accepts the Department's explanation relating to Determinations No. 115 and 116 of 1971 which granted salary increases amounting to \$1,400 in 1970-'71 for typists and other "keyboard" designations of staff.

111. The evidence shows however that an amount of \$7,300 was charged to the Advance to the Treasurer as a result of an administrative oversight that occurred in relation to salaries for Agricultural Economics Cadets when the Additional Estimates were formulated. While this oversight should not have occurred, the evidence also shows that action has been taken within the Department to obviate a similar occurrence.

Chapter 10

Department of the Navy

Division 634/08 Administrative Expenses and General Services - Payment under the Commonwealth Employee's Compensation Act.

<u>Funds Available</u>	<u>1968-69</u>	<u>1969-70</u>	<u>1970-71</u>
	\$	\$	\$
Appropriation Act No.1	250,000	335,000	440,000
Appropriation Act No.3	85,000	26,000	20,000
Advance to the Treasurer	<u>5,000</u>	<u>36,000</u>	<u>4,200</u>
Total Funds Available	340,000	397,000	464,200
Total Expenditure	<u>339,996</u>	<u>396,868</u>	<u>463,542</u>
Unexpended Funds Available	<u>4</u>	<u>132</u>	<u>658</u>

112. The Original Estimate for this Item was based on the previous year's expenditure with provision for increases in compensation rates which became effective on 24 June, 1970. Exhibit 133/11

113. On 28 February, 1971 expenditure amounted to \$299,037. On this basis it was estimated that \$161,000 would be required to meet compensation claims during the remainder of the year. The overall requirement for the full year was therefore \$460,000. This required \$20,000 to be sought from the Additional Estimates. Exhibit 133/11

114. Subsequent to the Additional Estimates, payments under the vote continued at the expected rate. However, on 22 June, 1971 the Deputy Crown Solicitor, Melbourne, advised the Department that a common law claim for personal injury sustained by an employee at Williamstown Naval Dockyard had been settled in favour of the plaintiff for \$8,20f. The Department's submission stated that the payment was made on 23 June 1971 but was debited in error to Division 634/08 instead of to Division 634/09 which relates to compensation payable for damage to property and personal injury. Exhibit 133/11

115. In relation to this error it was explained that the employee concerned had been receiving payments from Item 634/08 under the provisions of the Commonwealth Employees Compensation Act.

Payment in respect of the common law claim for personal injury was charged to Item 634/08 in error on 25 June 1971. In its written submission the Department informed us that the error had not been discovered until after the close of the financial year. In evidence, however, the witness stated that the error was discovered at the Central Office of the Department, in connection with the request for funds from the Advance to the Treasurer, i.e. prior to the close of the financial year.

Exhibit
133/11 and
Qs. 562 and
563

116. Had the payment been debited to the correct vote and not to Item 634/08, total payments under Item 634/08 would have been \$455,340 i.e. \$4,660 less than the appropriation of \$460,000. As the payment was made from Item 634/08 and as the error was not detected there were sufficient funds to meet the final weekly payments for 1970/71 payable under the Commonwealth Employees' Compensation Act, the additional amount required being estimated at \$4,200. Accordingly, it was necessary to seek these funds from the Advance to the Treasurer.

Exhibit
133/11

117. The \$658 shortfall on the Item was the net result of expenditure made on this Item by the Department of the Navy both in Australia and overseas.

Q.565

CONCLUSIONS

118. The evidence shows that the amount of \$4,600 was charged to the Advance to the Treasurer as a result of an error that occurred in charging a claim for personal injury to this Item. The Committee believes that this error should not have occurred.

119. A further matter to which the Committee would invite attention relates to the factual quality of the evidence tendered. In this regard we note that in its written submission the Department stated that the payment concerned had been made on 23 June 1971 whereas the witness informed us that payment had been made on 25 June 1971. Moreover, the Departmental submission stated that the error had been discovered subsequent to 30 June, 1971. The witness however, informed us that the error had been discovered in connection with the department's request for funds from the Advance to the Treasurer.

In this regard the Committee would draw attention to Treasury Memorandum (66/385) of 16 October 1970 to all Permanent Heads. This Memorandum which related to the preparation of material and the briefing of witnesses for our inquiries included the following statement:

"In its 148th Report the Committee invited attention to cases where witnesses who appeared were inadequately briefed on matters of fact referred to in departmental submissions. When tabling that Report in Parliament the Chairman commented specifically on the problem and expressed the hope that Permanent Heads would again be circularised on the importance of thorough briefing and accuracy of departmental submissions by those officers in departments who are likely to be concerned with the preparation of material for the Committee or may be required to appear in person at future public hearings. Not only has the Committee the right to expect that witnesses appearing before it are properly briefed but it is in the interests of each department and the Service generally that evidence tendered to the Joint Committee of Public Accounts is of the highest quality. Written submissions and explanations should be carefully prepared and thoroughly checked for adequacy and accuracy of detail and absence of ambiguity; officers who are to appear before the Committee to give evidence should undertake sufficient research and preparation and should be thoroughly briefed to enable them to answer, with authority, any questions which may reasonably be expected on the subject matter of the inquiry.

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

Chapter 11

Department of Air

(i) Division 694/00 Administrative Expenses and General Services - Hire of equipment.

<u>Funds Available</u>	<u>1968-69</u>	<u>1969-70</u>	<u>1970-71</u>
Appropriation Act No. 1	240,000	250,000	375,000
Appropriation Act No. 3	-	100,000	125,000
Advance to the Treasurer	-	-	49,500
<hr/>	<hr/>	<hr/>	<hr/>
Total Funds Available	240,000	350,000	549,500
Total Expenditure	229,717	349,814	549,389
<hr/>	<hr/>	<hr/>	<hr/>
Unexpended Funds Available	10,283	186	111

120. This item provides for expenditure on the hire of equipment, other than passenger transport for RAAF purposes. Hire of passenger transport is charged to Division 694, Item 01-Travelling and subsistence.

121. A budget provision of \$172,000 was made under Item 694/01 to cover the hire of vehicles from the Department of Supply at RAAF Base Edinburgh, in the belief that the vehicles related to passenger transport. It was subsequently discovered, however, that the bulk of the vehicles being hired at Edinburgh from the Department of Supply were of a specialist nature such as cranes, fork-lift trucks, aircraft fuel tankers and dump trucks. Of the total estimated expenditure of \$172,000 for vehicle hire at Edinburgh, only \$35,000 related to passenger vehicles and was therefore properly chargeable to Item 694/01.

Exhibit
133/12

122. It was explained that prior to February 1968 when the Edinburgh RAAF Base was part of the joint British-Australian Weapons Research Establishment project, equipment was taken on hire as required and the charges were brought to account and charged against the joint project. These charges were finally adjusted between Britain and Australia. In February, 1968 when the Edinburgh Base became the responsibility of the Department of Air, it was understood that vehicles hired would continue to be charged to Item 694/01 in the

Exhibit
133/12,
Q.584 to
587 and
Committee
File
1971/4

Department of Air Budget. During August 1970, however, it was discovered in the Central Office of the Department that most of the expenditure relating to the hire of vehicles at the RAAF Base Edinburgh was correctly chargeable to Item 694/09 rather than to Item 694/01.

123. In elaborating on this error the witness informed us that the actual commencement of a change to the Item usually takes place at unit level and is undertaken by junior service or civilian officers. While the detection of misappropriations is a continuing process within the Department, some considerable time elapses before errors are discovered.

124. The balance of funds obtained from the Additional Estimates related to specialist vehicles. Initially it had been proposed to seek \$137,000 from the Additional Estimates. However, the full amount was not sought because it was expected that reductions in this and other areas of equipment hire could be made in accordance with the Treasurer's direction to reduce expenditure during the 1970-71 financial year. When the request for expenditure reductions was made, the Department of Air sought and was permitted complete flexibility between all of its votes and between the Additional Estimates and the Advance to the Treasurer in order to reduce expenditure in some areas and to continue expenditure as planned in others.

Exhibit
133/11
and
Q.587

125. While expenditure on the hire of vehicles at RAAF Base Edinburgh totalled \$90,795 compared with a provision of \$125,000, total expenditure on the item exceeded the revised appropriation of \$500,000. This arose partly from the charging of \$24,185 to the Item in respect of key punching, verifying, reproduction and sorting of punched cards containing catalogue data of newly identified stores items. Expenditure on this equipment had been charged previously to Item 694/02 which relates to Office requisites and equipment, stationery, printing and text books. The equipment concerned, however, should not have been charged to Item 694/02. It was explained that this accounting error had arisen from the procedures involved in the processing of equipment which happened to include printing. This error was not discovered until after the Additional Estimates had been prepared.

Exhibit
133/11
and
Q.588-
590.

126. There was an increased need in 1970/71 for the hire of computer time. An amount of \$6,000, based on the previous years' expenditure had been provided initially but actual expenditure amounted to \$25,113, an increase of \$19,113 above the estimate. There was also an increase in the need for Xerox photo-copying machines. While an amount of \$210,000 was provided for Xerox meter charges, actual expenditure amounted to \$223,414. It was explained that the increased need which began to emerge in February, 1971 for these two services, arose in relation to the Aircraft Research and Development Unit at Laverton and the Scientific Adviser to the Air Board. It was said that neither the Department of Defence nor the Department of Air Computers were suitable for these requirements.

Exhibit
133/11 and
Q.591 to
594.

127. Gross expenditure in excess of the Estimates for this Item amounted to \$56,712. The shortfall on vehicle hire at Edinburgh RAAF Base amounted to \$34,205 and excess expenditure of \$26,882 occurred on the hiring of various types of equipment not available from RAAF sources. As a result a net amount of \$49,389 was charged to the Advance to the Treasurer.

Exhibit
133/11
and Q.591

CONCLUSIONS

128. From the evidence tendered it appears to the Committee that, arising mainly from a change in accounting arrangements concerning the joint British/Australian Weapons Research Establishment a misunderstanding occurred within the Department, as a result of which \$35,000 was charged in error to Item 694/09 instead of to Item 694/01. While it is fortunate that this error was discovered in August 1970 in time for its correction during the financial year, it appears to your Committee that this error should not have occurred.

129. It also appears from the evidence that an amount of \$24,185 was charged to the Advance to the Treasurer as a result of the discovery of the fact that the costs of certain equipment had been charged in error to Item 694/02 instead of to Item 694/09. The correction of this error subsequent to the Additional Estimates gave rise to the need for funds from the Advance to the Treasurer.

130. The nature of the errors that occurred in this Item indicate a need for review of the procedures that permitted the errors to arise and a further need for adequate training to be provided for junior service and civilian officers who are engaged, at unit level, in arranging for the charging of **expenditure to items**.

- (ii) Division 694/15 Administrative Expenses and General Services-
Incidental and other expenditure.

<u>Funds Available</u>	<u>1968-69</u>	<u>1969-70</u>	<u>1970-71</u>
	\$	\$	\$
Appropriation Act No. 1	236,000	273,000	255,000
Appropriation Act No. 3	24,030	-	-
Advance to the Treasurer	-	-	36,800
Total Funds Available	260,030	273,000	291,000
Total Expenditure	253,234	260,813	290,855
Unexpended Funds Available	6,796	12,187	945

131. This Item provides for miscellaneous expenditure not covered by any other specific head of expenditure.

132. The Additional Estimates review was required by the Department of Defence on 8 March, 1971. In these circumstances, and as overseas expenditure for any month cannot be detailed over departmental dissections until near the end of the following month, when overseas vouchers have been received, the latest expenditure figures available for analysis on a dissection basis were those to 31 January, 1971. The position as at that date was :-

	<u>Original Budget Provision</u>	<u>Expenditure to 31 January 1971</u>
	\$	\$
Recruiting Expenses	40,000	35,558
Aircraft Handling Charges	12,000	8,492

133. Expenditure on recruiting activities in particular was high in relation to the budget provision, and it was known that further expenditure would occur on this element. Expenditure to 28 February 1971 under Item 694/15 amounted to \$197,699 which exceeded the pro rata of the budget provision of \$255,000. Further funds were not sought in the Additional Estimates, however, because in previous years, expenditure under this Item had shown a tendency to decrease late in the financial year. It was expected

Exhibit
133/13
Q.616 and
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Exhibit
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that the tendency for decreased expenditure in the latter months of 1970/71 would be accentuated because of the imposition of expenditure restrictions and general economy measures. In these circumstances it was considered that the expected overexpenditure that had occurred on recruiting could be offset by shortfalls in other areas of the Item. It was also considered that, in view of the uncertainty that additional funds would be required, it would be prudent not to seek further funds in the Additional Estimates, but to examine the situation as it developed and, if necessary, request funds from the Advance to the Treasurer.

134. The main reason for the requirement of funds from the Advance to the Treasurer related to increased expenditure on recruiting activities. The provision of \$40,000 for this purpose in the Original Estimates was based on the expected continuation of recruiting activities at previous levels. However, arising partly from increased recruiting activities, the number of recruits obtained during the second half of the financial year reached 1,677 compared with 705 during the first half of the year. A total amount of \$72,919 was therefore spent on recruitment in 1970/71, representing an increase of \$32,919 above the Original Estimate.

Exhibit
133/13 and
Qs. 614 to
618

135. The Original Estimate provision of \$12,000 for aircraft handling charges in respect of RAAF aircraft at civil airports was based on the previous year's expenditure. The incidence of aircraft landings at Civil airports is not subject to accurate prediction because of several variable influences including loading and weather conditions. Actual expenditure for this purpose amounted to \$17,638 compared with the estimated requirement of \$12,000.

Exhibit
133/13 and
Qs. 619 to
629

136. We were informed that a significant part of these charges was met by the Department of Foreign Affairs in respect of RAAF aircraft landing at various foreign and international airports. An account for a substantial amount was received in May 1971, through the Department of Foreign Affairs for fees connected with landings during September, 1969 at the Bali International Airport in respect of aircraft

Q. 620

in transit to Malaysia.

137. The gross increase in expenditure concerned amounted to \$38,577. However, other variations in expenditure under the Item resulted in a net decrease of \$2,702. A net amount of \$35,855 was required from the Advance to the Treasurer.

Exhibit
133/13

CONCLUSIONS

138. In general, the Committee accepts the Department's explanation in relation to this Item. It notes, however, that it was not until May 1971 that the Department of Foreign Affairs rendered an account on the Department of Air for RAAF aircraft landings that had occurred some twenty months earlier at the Bali International Airport. Had this account been submitted even as late as February 1971 it might well have influenced the Department of Air to seek funds in the Additional Estimates and thereby minimise the demand on the Advance to the Treasurer.

139. The Committee believes that the Department of Foreign Affairs should explore, as a matter of urgency, the necessary ways and means of ensuring that accounts payable by other departments are rendered promptly after the provision of services.

Chapter 12
Department of Supply

(i) Division 730/02 Working Capital Advances-For payment to the Supply Storage and Transport Trust Account

<u>Funds Available</u>	<u>1968-69</u>	<u>1969-70</u>	<u>1970-71</u>
Appropriation Act No.1	\$ 69,000*	\$ -	298,000 *
Appropriation Act No.3	2,310,000 *	465,000 *	-
Advance to the Treasurer	-	-	<u>1,080,000</u>
Total Funds Available	2,379,000	465,000	1,378,000
Total Expenditure	<u>2,379,000</u>	<u>465,000</u>	<u>1,364,000</u>
Unexpended Funds Available	-	-	14,000

*These amounts were appropriated for various Trust Accounts under the control of the Department of Supply but did not include the Supply Storage and Transport Trust Account.

140. Additions to the working capital of Departmental Munitions and Aircraft Factories and Stores and Transport establishments are provided by appropriation to the relevant Trust Account. The working capital needs of each Trust Account are assessed annually and action is taken, as required, to repay surplus funds to the Consolidated Revenue Fund or to seek Parliamentary approval to increase the working capital. The need for additional working capital can arise from such causes as increased volume of business, increased costs or alteration in the level of stockholdings, creditors and debtors. Exhibit 133/14

141. For some years the Department, with the endorsement of the Department of the Treasury, has been applying a formula which, by relating the several factors relevant to the flow of funds, assists in its assessment of the working capital requirements of each establishment. Exhibit 133/14

142. In the case of the stores and transport organisation the formula takes account of stocks of fuel and oil, spare parts for vehicles and general domestic supplies. Provision is also made in the formula for work in progress in respect of stores and transport operations. Exhibit 133/14 and Q.647

work in the carpenters stores, and work in packing for overseas and office removals. The main element of expenditure is for work in progress for the operation of the transport fleet for light transport which is the passenger car service operated by the Department of Supply. The formula provides that twelve weeks' operations must be funded by the Trust Account. This time is involved in the cycle of incurring expenditure, costing, rendering of debit claims and obtaining payment from clients for restoration of the Supply Storage and Transport Trust Account.

143. A similar procedure is followed in the assessment of capital requirements for heavy transport, recoverable workshop and shipping work. Allowance is provided in the formula for the accrual of funds from creditors. It was indicated that the formula is not precise and is used only as a guide. Although the calculations are carried out, a judgement must be made in respect of the liquidity of the Supply Storage and Transport Trust Account. Q.647

144. When the Original Draft estimates for 1970/71 were prepared, the cash balance of the Supply Storage and Transport Trust Account indicated a reasonable state of liquidity and a request was not made for funds at that stage, pending further investigation. Subsequently, towards the end of the calendar year 1970 it became apparent that the Trust Account was only financing its operations by continuing to withhold from the Consolidated Revenue Fund amounts due in respect of depreciation of vehicles, proceeds of sale of vehicles, and operational profits. In addition, from 11 January 1971 the operation of the Weapons Research Establishment's Woomera Transport fleet was to be financed from the Supply Storage and Transport Trust Account in lieu of annual appropriations from the Consolidated Revenue Fund. Exhibit 133/14 and Q.648

145. On 21 December, 1970 a submission from the Department of Supply was forwarded to the Department of the Treasury requesting approval for an increase of \$1,420,000 in the Working Capital Advance of the Stores and Transport Trust Account. This amount, calculated on the basis of the working capital requirements formula, provided Exhibit 133/14 and Committee File 1971/4

for \$1,050,000 to finance normal operations and \$370,000 to finance new activities in the takeover of the transport fleet operations at Woomera from the Joint British/Australian project.

146. On 3 January 1971 the Department of the Treasury questioned the calculation of the amount required for the operation of the Woomera Fleet. The main query related to the validity of a period of twelve weeks as the time required to settle accounts. A request was also made by the Department of the Treasury for a copy of the 1969-70 accounts and the fact was noted that further points would require clarification.

Exhibit
113/14 and
Q.649

147. The Department of Supply replied on 6 January 1971 to the effect that it expected the normal cycle for all debtors to operate in the payment of accounts. On 11 January 1971 the Department of the Treasury again questioned the calculation of the Woomera Fleet requirement. Further investigations were carried out by the Department of Supply and discussions were held with the accountant at the Weapons Research Establishment which was the only debtor involved. It was decided that the cycle could be shortened by two weeks. On 15 January 1971 the Department of Supply replied to the Department of the Treasury and agreed to reduce the requirement from \$370,000 to \$325,000 on the basis of accounts for services at Woomera being paid more promptly than those of the average client department.

Exhibit
113/14 and
Q.650

148. The Department of the Treasury advised us that a meeting was convened between its representatives and those of the Department of Supply on 28 January 1971 for the purpose of further discussions on the need for additional working capital and the level of that need if it existed. Discussions took place on the following matters:

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- (i) the state of financial stringency and the need to exercise all possible economies;
- (ii) the level of assistance that the Department of the Treasury could provide in assisting the Department of Supply to reduce the level of sundry debtors;

- (iii) the actual amount required to finance the new operation at Woomera;
- (iv) the requirement for some facts and figures on the payment histories of client departments;
- (v) the practicability of Treasury Direction 6/22 in its current form;
- (vi) the system operated by the Department of Supply in preparing and despatching claims for transport services;
- (vii) a proposal to require departments to make advances in cases of large, unusual, specific transport tasks;
- (viii) the use of internal transfers within the Department of Supply for the payment of intradepartmental accounts;
- (ix) the need or otherwise to review current hire rates;
- (x) the non-payment to Revenue of approximately \$700,000 which the Department of Supply had withheld to assist its liquidity problem.

Since the meeting on 28 January 1971 a number of formal and informal discussions have been held in respect of the debtor situation relating to claims raised for services or transport provided by the Department of Supply to Commonwealth departments.

Exhibit
133/14 and
Q.653

149. On 5 February 1971 the Department of the Treasury wrote to the Department of Supply to express its views following the meeting of 28 January 1971 and to advise that, in its opinion the liquidity problem of the Supply Storage and Transport Trust Account was occasioned by the slow payment of claims and that to assist in

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Q.659 and
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a further appreciation of the problem, additional information was required regarding Stores and Transport Accounts, including some case histories, particularly in respect of persistently slow payers.

150. On 11 February 1971 the Department of the Treasury issued Treasury Circular 1971/3, advising Departments of the difficulties being experienced in maintaining liquidity in the Trust Account and requesting the co-operation of all Departments in the prompt payment of accounts for Transport Services. The circular also advised that the Department of the Treasury intended to convene a meeting with representatives of selected departments to ascertain the reasons why large accounts remained unpaid for lengthy periods.

Exhibit
133/14

151. On 19 February 1971 the Department of Supply replied to the letter from the Department of the Treasury. It answered most of the queries raised and set out its views on other matters. A copy of this letter together with the case histories of debtors were submitted in evidence.

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152. On 3 March 1971 the Department of the Treasury advised the Departments concerned that a meeting would be held on 11 March, 1971. The discussion at the meeting, which was chaired by the Department of the Treasury representative and attended by client departments, covered proposals to expedite the payment of accounts for services provided by the Department of Supply. Several matters were discussed which departments could implement immediately. Among these were:-

- (i) improved departmental management controls and payment within fourteen days (Treasury Direction 6/22 refers);
- (ii) disputed items in claims should be extracted and the balance paid without delay;
- (iii) Department of the Treasury to examine the monetary reference in Treasury Direction 6/22 with a view to increasing it to \$20.

Exhibit
133/14

The critical examination of management control measures and procedures for examination and certification of claims were also discussed. Although it was recognised that some time would be involved in implementing these measures, the departments represented at the meeting agreed to co-operate.

153. On 4 May 1971 the Department of Supply forwarded its draft estimates of expenditure for 1971/72 to the Department of the Treasury. These included an amount of \$1,386,000 in Division 730 for working capital for the Supply Storage and Transport Trust Account. Exhibit 1331/4

154. Also on 4 May 1971 the Department of the Treasury requested advice from the Department of Supply as to whether there had been an improvement in the payment of claims for transport services and requested advice of the amount outstanding, on a departmental basis in each State. A request was also made for an age analysis of the sundry debtors ledger and advice as to whether departments were paying their accounts more promptly than previously. Committee File 1971/4

155. Arising from a Memorandum from the Department of the Interior to the Department of Supply, a copy of which was forwarded to the Department of the Treasury, the latter Department wrote to the Department of Supply on 3 June 1971 requesting a copy of the answer to the billing query raised by the Department of the Interior and also asking whether a monthly statement of account would be sent to a nominated senior officer in client departments when the non-payment of transport claims raised against that department reached an unsatisfactory level. Committee File 1971/4

156. On 4 June 1971 the Department of the Treasury requested from the Department of Supply a reply to its letter of 4 May 1971. On 7 June 1971 an analysis of balances outstanding as at 4 April, 1971 was received from the Department of Supply, but this was not accompanied by any comment which would indicate an improvement or otherwise in the sundry debtor position. The fact that this information had not been provided was pointed out to the Department of Supply in a further memorandum dated 11 June, 1971, from the Department Q.660 and Committee File 1971/4

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Exhibit
1331/4

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of the Treasury. The memorandum also pointed out that Branches of the Department of Supply owed the Stores and Transport Trust Account at least \$530,000 for services rendered of which at least \$143,000 related to the period ending 7 February 1971 or earlier.

157. On 22 June 1971 discussions were held between the Department of Supply and the Department of the Treasury which included the matter of repayment to the Consolidated Revenue Fund of the amounts held in the Trust Account for depreciation, and proceeds from the sale of vehicles. It was considered by the Department of Supply that, in accordance with policy set down following the Thirty-fourth Report of the Joint Committee of Public Accounts, payment should be made to the Consolidated Revenue Fund in 1970-71. Because insufficient time had elapsed for the remedial action being taken as the result of the meeting on 11 March 1971 to become fully effective in increasing credits to the Trust Account, the Department of the Treasury was prepared to make available a temporary advance of working capital.

Exhibit
133/14

158. A re-assessment was made of the amount required and on 23 June 1971 an application was made for Warrant Authority from the Advance to the Treasurer in the amount of \$1,080,000. Warrant Authority for this amount was issued by the Department of the Treasury on 24 June 1971. Of this amount \$14,000 was not spent due to an error by the Tasmanian Regional Office of the Department of Supply. In relation to this error it was explained that on 21 May 1971 all State branches of the Department of Supply had been advised of the likely availability of funds from the Advance to the Treasurer. On 23 June the branches were advised that the funds would be available on 25 June. The normal Treasury Accounting procedures became operative and warrant advice was issued. When the warrant advice was received in the States the problem arose as to how the funds should be taken from Division 730 and placed in the Trust Account. The method by which this was to be accomplished

Exhibit
133/14 and
Q.662

Q.662

had been determined and advised to the State branches. The method provided for an appropriation revenue ledger system posting schedule, a device whereby the funds were to be made available in a Sub-Treasury to be posted for Division 730 and then immediately a Treasury transfer advice was to be passed transferring the funds from Division 730 into the Trust Account.

159. On receipt of the warrants in the States, the authorising officers did not have the code number for Division 730 because an unusual transaction was involved. The authorising officers Q.662 were advised to obtain the code number from the Sub-Treasurers and post the appropriate transactions. The authorising officers in all States except Tasmania acted as requested. The officer in Tasmania, however, treated the warrant as a Trust Fund credit. The posting was rejected but this was not discovered until after the close of the financial year.

160. On 30 June 1971 the Department of the Treasury requested from the Department of Supply a detailed reply to its memorandum of 11 June 1971. On 12 July 1971 formal advice was given by the Department of the Treasury to the Department of Supply confirming the advance of the additional working capital. That Department was also advised that the review of the Trust Account was to continue, that additional working capital had only been made available as an interim measure, that the effects of increased hire charges and a reduction in the outstanding debtors were to be carefully considered and that the Department of the Treasury was to be provided, not later than 15 January 1972 with a special report as at 31 December 1971. The reply from the Department of Supply included comments relating to the basis of issue of claims, basis of age analysis, the Department of Supply method of assessment of an overdue account and statistical data showing the history of the value of overdue debts for four financial years. The memorandum also concluded that recent action taken by the Department of the Treasury had not resulted in the quicker payment

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of Stores and Transport claims by client departments.

161. On 22 July 1971 the Department of the Treasury requested comment from the Department of Supply on the unsatisfactory position of intradepartmental payments. This point had been raised in correspondence of 11 June and had not been specifically mentioned in subsequent correspondence from the Department of Supply.

162. At a meeting between representatives of the Department of the Treasury and the Department of Supply on 24 August 1971 it was decided that a joint operation would be conducted using the Victorian Franch as a base, to list all Stores and Transport claims of any type issued during the period 20 September to 4 November 1971, to record payments received during that period and to provide the Department of the Treasury with a detailed return by 5 November. It was decided that, should it be revealed that client departments' paying performance was unsatisfactory and not in accordance with Treasury Direction 6/22A, individual cases would be taken up with the departments concerned. In an endeavour to ensure the success of this arrangement officers from the Department of the Treasury and the Department of Supply visited Melbourne to make the necessary arrangements and to discuss procedures with the officers concerned.

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163. A reminder was sent by the Department of the Treasury to the Department of Supply on 24 August 1971 regarding previous correspondence of 3 and 11 June 1971. On 17 September 1971 a reply was received expressing the view of the Department of Supply on some of the matters raised and advising of action taken to improve the position of outstanding intradepartmental debtors.

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164. On 24 September 1971 Treasury Circular 1971/4 was issued regarding the payment of claims for transport services. It was stated that in order to facilitate prompt payment a review had been made of the requirements governing the payment of transport claims, and amendments made to Treasury Directions 6/4, 6/20, 6/21 and 6/22; and that Treasury Direction 6/22A had been added. With a view to speeding up the processing of transport accounts the revised Treasury Directions were designed to give some flexibility in the degree of check to which those accounts are to be subjected. The amended directions more

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clearly define the nature of checks required during examination and acknowledge the greater degree of accuracy inherent in accounts prepared by computer.

165. The circular also stated that any reduction of detailed checking of transport accounts should be consistent with management controls exercised by departments over the ordering and use of official transport and that it was essential that, unless there are major errors in the accounts, payment should be made within fourteen days of receipt of accounts. Departments were advised to take all actions necessary to ensure that officers are made aware of the need for urgency in processing accounts for transport services.

166. A further memorandum was sent by the Department of the Treasury to the Department of Supply on 18 October, 1971 requesting that Department to reconsider its views on the provision of special statements of account to nominated officers in departments where the level of unpaid claims warrant special action being taken.

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CONCLUSIONS

167. It appears from the evidence that the Department of Supply took action in December 1970 to seek an increase of \$1,420,000 in the Working Capital Advance of the Stores and Transport Trust Account. It also appears that, in response to that request, the Department of the Treasury took appropriate action to question the validity of calculations that had been made in connection with the operations of the Weapons Research Establishment's Woomera Transport fleet which was to be financed from the Trust Account as from January 1971.

168. The subsequent discussions and correspondence between the two departments disclosed that the liquidity problem of the Trust Account was occasioned by the slow payment of claims by departments and that a substantial amount was owed to the Trust Account by branches of the Department of Supply itself.

169. The Committee believes that the Department of Supply should not have permitted this state of affairs to arise and, as expressed in several of its previous reports, the Committee believes that the

debtor departments concerned should have ensured that accounts rendered on them were paid promptly. The Committee will expect to be advised in due course of the results of the remedial action that was in hand when its inquiry occurred.

170. The evidence also shows that when financial assistance was provided by the Department of the Treasury for the Department of Supply late in June 1971, \$14,000 of the amount provided remained unspent as a result of an error that occurred in the Tasmanian Regional Office of the Department of Supply. This error appears to have arisen from a failure on the part of the officer concerned to act as directed in relation to the accounting procedure required in the processing of the particular transaction. The Committee expects that appropriate action will be taken to ensure that errors of this nature do not recur.

(ii) Division 735 Furniture Removals and Storage

<u>Funds Available</u>	<u>1968/69</u>	<u>1969/70</u>	<u>1970/71</u>	Exhibit
	\$	\$	\$	133/15
Appropriation Act No. 1	3,800,000	4,322,000	4,988,000	
Appropriation Act No. 3	500,000	339,000	576,000	
Advance to the Treasurer	-	361,000	270,000	
Total Funds Available	4,300,000	5,022,000	5,834,000	
Total Expenditure	4,296,985	5,013,407	5,837,713	
Unexpended Funds Available	3,015	8,593	3,713	Overspent

171. This Item provides for the costs of removal and storage of furniture and effects of Public Servants and Service Personnel, excluding the Postmaster-General's Department, Commonwealth Railways, establishments which operate under Trust Accounts and Statutory Commissions and Instrumentalities. The Department of Supply provides the removal service, on a recoverable basis, for other Departments and Authorities at their request. Exhibit 133/15 and Q.665

172. The Estimates for the Item are based on trends and patterns in past expenditure and information provided by client departments. The only form of control of expenditure is the monthly examination and assessment of funds requirements. Exhibit 133/15 and Q665

173. During December 1970 and January 1971 it became apparent that funds provided against this Item were insufficient. An amount of \$767,000 was therefore sought in the Additional Estimates to provide \$533,000 for an increase in the volume of removals, storage and the rate of charges and \$229,000 for the estimated cost of salary and wage award increases granted since the Original Estimates review. This included \$24,000 to provide for the 6 percent National Wage adjustment and \$14,000 for Third Division clerical wage increases. Exhibit 133/15 and Q.679

174. Following the submission of the Additional Estimates it became apparent from expenditure incurred in March, April and May, that the funds provided would be inadequate and \$274,000 was sought from the Advance to the Treasurer. Exhibit 133/15

175. It was explained that at the end of April expenditure had reached \$4,766,000 and it was estimated that an additional \$100,000 would be required for May and June. This amount was needed to provide for increased charges applied by furniture removal contractors. These removals are arranged by Individual contract. There are no set rates for intrastate removals, each removal being undertaken on a competitive tender basis. The increased payments did not commence on a specific date but, as price increases were being experienced in the removal industry they were built into tenders submitted. Exhibit 133/15 Qs. 665 666 and 668 to 670 and 678 to 679
176. An amount of \$90,000 was required from the Advance to the Treasurer to provide for increased retrospective payments resulting from amendment No. 23 issued on 15 March 1971, to period contract 8981 for Interstate Removals. The amendment provided for a 2.02 per cent increase from 1 January to 1 July 1970; a 4.22 per cent increase from 1 July 1970 to 1 January 1971; and a 10.77 per cent increase from 1 January 1971 to 1 July 1971. Exhibit 133/15
177. An amount of \$84,000 was also required from the Advance to the Treasurer to provide for a further increase in the number of removals, of storage charges and also in the size of individual removals. Exhibit 133/15
178. On 21 May 1971 the Department of Supply submitted an application to the Department of Defence and the Department of the Treasury for approval to increase the expenditure limit under this Item from \$5,564,000 to \$5,768,000 - an increase of \$204,000. This revised limit of expenditure was approved by the Department of Defence on the 31 May 1971 and by the Department of the Treasury on 4 June 1971. Exhibit 133/15
179. On 10 June 1971 an application was forwarded to the Department of the Treasury requesting Warrant Authority from the Advance to the Treasurer for Item 735 for an amount of \$200,000, being \$4,000 below the existing expenditure limit. Warrant Authority No. 825 was issued on 16 June 1971 for this amount. Exhibit 133/15
180. Following the receipt of these additional funds it became apparent that they were insufficient to cover all expenditure during Exhibit 133/5 and Q. 671

1970/71 and on 21 June 1971 applications were made to the Department of Defence and the Department of the Treasury for approval to increase the expenditure limit from \$5,768,000 to \$5,838,000 - an increase of \$70,000. Concurrently an application was made for Warrant Authority from the Advocate to the Treasurer for an amount of \$74,000 which would have increased the Warrant to the limit of expenditure, i.e. \$5,838,000. On 22 June 1971 the Department of Defence approved the increase in the limit to \$5,838,000. On 28 June 1971 verbal advice was received by the Department of Supply Authorising Officer from an officer of the Department of the Treasury, to the effect that Warrant Authority No. 936 had been issued covering the additional requirements. As far as could be recollected no specific amount was mentioned. On receipt of this information an amount of \$74,000 was recorded in the Department's Warrant Register and Warrant Advice totalling \$74,000 was issued to relevant Departmental Authorising Officers. Warrant Authority No. 936 was received on 29 June 1971 and was not checked against the amount recorded in the Warrant Register. As a result of information received from the Auditor-General's Office on 26 July 1971 it was discovered that Warrant Authority No. 936 had been issued for an amount of \$70,000 instead of \$74,000 as recorded in the Department's Warrant Register.

181. We were informed by the Audit Observer, Mr. Parker, that subsequent to the closing of the accounts of the Treasurer for 1970-71 when, the customary audit review of aggregate expenditures recorded under each Division of Appropriation was carried out and a comparison was made with Warrant Authority issued by the Department of the Treasury it was found that aggregate expenditure exceeded the total available Warrant Authority. Q.677

182. The Treasury Observer, Mr. Davidson stated that the request for an increase in the limits of expenditure and the warrant for \$74,000 had unfortunately not been associated with the papers which showed that there had been a \$4,000 limit in respect of which a warrant had not been issued. Had this been done a warrant for \$74,000 would probably have been issued. Q.675

183. In elaborating on the error the witness stated that although there was no excuse for failure to check the amount of the warrant against the amount of \$74,000 entered in the register, the Q.672
to
674

authorising officer had good reason to assume that the \$4,000 was included because he had received advice that the increased limits of expenditure had been approved. The witness said that an unfortunate sequence of events had resulted in the over-expenditure. Failure to check the warrant was the reason for the failure to detect the error prior to 26 July 1971.

CONCLUSIONS

184. The Committee accepts the Department's explanation in relation to the need to obtain funds from the Advance to the Treasurer.

185. The Committee's main concern with this Item however, is that an amount of \$3,713 was charged to the Advance to the Treasurer without Warrant Authority in contravention of Treasury Regulation 90(1.). The details of this Regulation have been set out previously in this Report in connection with Item 104/1/05 which relates to the Department of the Parliamentary Library.

186. The evidence shows that the overcharge under Item 735 arose when the Department of the Treasury issued a Warrant Authority for \$4,000 less than the total level of expenditure approved late in June 1971 under the Item. While this error should not have occurred, the evidence also shows that, based on verbal advice from the Department of the Treasury to the effect that Warrant Authority had been issued, the Department of Supply recorded the full amount of \$74,000 in its Warrant Register and then issued Warrant Advice to its Authorising Officers. However, when the Warrant Authority was received by the Department of Supply, the amount shown on the Authority was not checked against the amount that had been entered in the Register. Had this simple precaution been taken at that time, the error in the figures would have been detected and the overcharge could have been avoided. The Committee believes that greater care should have been exercised by both of the Departments involved in this matter.

187. The Committee is also disturbed to find that the error evidently remained undiscovered until it was detected late in July 1971 by the Auditor-General's Office during its normal review of recorded expenditure against Appropriations. The Committee believes

that errors of this nature could be detected by the Department of the Treasury early in July each year from information on expenditure results obtained from that Department's computer.

Chapter 13
General Conclusions

188. In Chapter 1 of this Report the Committee stated that it had sought to ascertain, during its Inquiry, whether or not the departments that had recourse to the Advance to the Treasurer had maintained efficient administration in the expenditure of funds under the items selected for Public Inquiry.

189. In considering this aspect of its Inquiry the Committee has recognised that on 2 February 1971 the Treasurer requested Ministers to review departmental estimates for 1970-71, as revised at the end of December 1970, with a view to achieving substantial reductions in expenditure which Cabinet had decided should be effected during the remainder of the financial year. In terms of this request, as agreed to by Ministers, the December 1970 estimates, as varied, represented the upper limits of departmental expenditure for the remainder of the financial year. This change in policy affected, in many cases, the amounts which departments might otherwise have sought in the Additional Estimates. Cases also occurred where, for inescapable reasons, expenditure under particular items could not be contained at the levels set in February 1971 and, as a consequence, departments had recourse to Expenditure from the Advance to the Treasurer in circumstances where they might not otherwise have done so.

190. Many of the departmental explanations tendered during our inquiry made reference to this mid-year change in financial policy, with its necessary, consequential effects on administrative practices and arrangements. In considering these explanations the Committee has sought to distinguish between the consequences arising from the change in financial policy and other circumstances which affected financial results and administrative performances.

191. The evidence taken during this Inquiry has shown that in some cases expenditure from the Advance to the Treasurer was confined to urgent and unforeseeable requirements for which provision could not have been made elsewhere in the Appropriation legislation. In other cases, however, there was evidence of clerical errors; administrative oversights; failure to establish soundly based administrative arrangements between departments and procedural weaknesses within departments. There was also some evidence of a failure on the part of one department to render accounts for payment promptly on another

Department and a failure of Departments to pay accounts promptly. Attention has been drawn to these inadequacies where they have arisen.

192. One disturbing feature to which the Committee would invite specific attention relates to the fact that in several cases amounts were charged to the Advance to the Treasurer without Warrant Authority in contravention of Treasury Regulation 90(1.) and that some of these overcharges were not detected until some time after the close of the financial year. In these circumstances we would again remind departments of the requirements of Treasury Regulation 90(1.) which is expressed in the following terms:-

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

193. A further matter to which the Committee would invite specific attention relates to the quality of evidence tendered by departments. While considerable improvement has been achieved in this regard by most departments in recent years, inadequacies persist. In this regard we would again draw the attention of departments to Memorandum 66/385 of 16 October 1970 from the Secretary to the Treasury to all Permanent Heads. This Memorandum, which related to the preparation of material and briefing of witnesses for our inquiries included the following statement:-

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

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

194. Allied to this matter the Committee would draw attention to the fact that for many years its Secretary has issued Notes Relating to Evidence for the guidance of departments appearing before it. These notes, which should be examined carefully by departments and the witnesses representing them, indicate that where an error is discovered by a department in a submission prior to a Public Inquiry, the Department, should tender an Additional Submission rectifying the error.

195. In more recent years, to further assist departments in the submission of evidence twelve copies only of submissions have been sought initially in connection with inquiries relating to Expenditure from the Advance to the Treasurer. The remaining number of copies required are not sought until the Committee has completed its selection of items for Inquiry.

196. It should be noted carefully, however, that the copies of submissions tendered originally by departments are retained by Committee members for examination of witnesses during the Public Inquiry. Hence if the further copies tendered subsequently, do not coincide in detail with the copies tendered initially, the differences in detail will become apparent during the Public Inquiry to the manifest embarrassment of the witnesses concerned. The Committee would emphasise that the system it has evolved is designed to assist departments as far as possible in the submission of evidence. The system cannot, however, provide for the amendment of evidence by a process of secret substitution.

For and on behalf of the Committee,



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



B.W. GRAHAM
Chairman

10 November, 1971