

1972

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

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

ONE HUNDRED AND THIRTY-FOURTH
REPORT

EXPENDITURE FROM THE
CONSOLIDATED REVENUE FUND
(APPROPRIATION ACTS 1970-71)

JOINT COMMITTEE OF PUBLIC ACCOUNTS

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The Senate and the House of Representatives appointed their Members on 25/11/1969.

- (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.

Contents

<u>Chapter</u>		<u>Page</u>
1	Introduction	5
2	Department of Civil Aviation	8
3	Department of Education and Science	16
4	Department of External Territories	21
5	Department of Health	26
6	Department of the Interior	33
7	Department of the Prime Minister and Cabinet	50
8	Department of Social Services	59
9	Department of the Navy	68
10	Conclusions	75

Joint Committee of Public Accounts
One Hundred and Thirty-fourth Report
Expenditure from the Consolidated Revenue Fund
(Appropriation Acts 1970-71)

Chapter 1
Introduction

As in previous years the Department of the Treasury made available early in July 1971 the preliminary figures of expenditure from the Consolidated Revenue Fund for 1970-71. Each Item appearing in the Estimates and Additional Estimates of Expenditure was examined and written explanations were obtained from departments. From these the Committee selected twenty-one items which appeared to require 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 by the Committee:

Department of Civil Aviation

Mr.R.A.Bickley	- Director (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.H.E.Hughes	- Assistant Secretary, Student Assistance Branch
Mr.R.F.Ward	- Director, General Educational Facilities Branch
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.Teaby - Assistant Secretary(Finance)

Department of Foreign Affairs

- Mr.I.G.Bowden - Assistant Secretary,Personnel Branch

Department of Health

- Mr. H.C.Harrison - Assistant Director,Finance and Supply Branch,Darwin
Mr. R.G.Walton - Director (Finance)
Mr. H.West - 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. H.W.Frankcom - Chief Property Officer for the A.C.T.
Mr. L.L. Gillespie - Assistant Secretary(Finance and Supply)
Mr. D.M. Lalor - Director(Expenditure and Costing)
Mr.C.J.Rowe - Executive Officer, Electoral Branch'
Mr.R.M.Smeaton - Inspector (Personnel)'

Department of Primary Industry

- Mr.J.G.Rainbow - Assistant Secretary,Management Services Branch

Department of the Prime Minister and Cabinet

- Mr.P.H.Bailey - Acting Deputy Secretary
Mr.J.G.Hinton - Acting Director,Establishments and Finance Branch

Department of Social Services

- Mr.C.Calvert - Director(Finance)
Mr.F.T.Hill - First Assistant Director-General(Welfare Services)
Mr.J.A.Lucas - Director(Aged Persons Homes)

Department of the Navy

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

Department of Supply

- Mr. G.R.Meridith - Director of Buildings and Property,Melbourne

Department of Works

- Mr.C.T.Beles - Principal Architect, Canberra
Mr.E.B.Tate - 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.Ragless }

Mr. G.N.Vanthoff Public Service Board

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

5. In examining expenditure from the Consolidated Revenue Fund, the Committee has sought to ascertain whether or not the following general principles set out in Treasury Direction 16/9 have been adopted by departments in the formulation of estimates:

- (a) Estimates for all items of expenditure shall represent a realistic assessment of the sum that is expected to be spent having regard to the information available to the department at the time of preparation. Estimates for supplies and services shall be based upon current or known costs and in no circumstances shall any provision be made for possible rises in costs. Where an item is for a type of recurring expense, e.g., office services or travelling and subsistence, it is appropriate to budget on the basis of experience.
- (b) Estimates shall not include amounts in respect of proposals which are so far from firm that it is not possible to form any real estimate of what payments, if any, will be made.

6. The 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 Civil Aviation

(i) Division 172/0/05 Development of Civil Aviation-Air Services Subsidies

<u>Funds Available</u>	<u>1968-69</u>	<u>1969-70</u>	<u>1970-71</u>
	\$	\$	\$
Appropriation Act No.1	1,900,000	1,800,000	1,750,000
Appropriation Act No.3	-	-	320,000
Advance to the Treasurer	-	-	-
Total Funds Available	1,900,000	1,800,000	2,070,000
Total Expenditure	<u>1,780,153</u>	<u>1,800,000</u>	<u>2,000,000</u>
Unexpended Funds Available	<u>119,847</u>	<u>Nil</u>	<u>70,000</u>

7. This item provides for the payment of subsidies to the Exhibit 134/1
airline operators of developmental and essential rural air **services**.
Developmental air services are those serving isolated communities
which rely upon them as their sole form of regular transport.
Essential rural air services provide necessary services to less
remote rural centres where air transport provides substantial savings
in travelling time compared with other means of transport. The
payments are made in accordance with established Government policy.

8. Prior to the actual investigations of the financial results Exhibit
of the operators' services and the precise assessment of the subsidy 134/1 and
needs, the Department relies largely on impressions gained during the Q.84
previous years subsidy investigations when preparing its estimates
for the current year.

9. A review of subsidy requirements made in mid-February Exhibit
1971 indicated that an additional \$370,000 was needed to meet the 134/1
requirements of the operators of "developmental" air services. Actual and Q.64
subsidy payments are determined after a thorough analysis of the
operating results of **these services**. The analysis is carried out by
officers of the Department of Civil Aviation who, each year, investigate

the listed companies in respect of the efficiency of their services and determine whether or not the payments made are in accordance with generally recognised procedures.

10. We were informed that following the government's direction to the Department to reduce expenditure by \$2 million, an arbitrary reduction of \$50,000 was made in "essential rural" subsidies. This reduced the Additional Estimate to \$320,000. Exhibit 134/1. Qs.65 to 77

11. Of the total amount of \$2,070,000 available in 1970/71 an amount of \$1,870,000 was allocated to developmental services and \$200,000 to essential rural services. The latter amount was fully spent. The assessed subsidy requirements of the various services qualifying for subsidy exceeded the limit of funds available and the payments therefore represented proportionate entitlements of the total sum paid. Exhibit 134/1

12. The under-expenditure of \$70,000 occurred in the subsidy requirement for developmental air service operators. Table No.1 shows the estimated requirement for each operator of these services when the Additional Estimates were prepared in February, 1971, and the actual subsidy paid. Exhibit 134/1

Table No.1
Department of Civil Aviation
Estimated Subsidy for Developmental Air Services
in February 1971 and Actual Subsidy paid.

Airline Operator	Estimated Requirement	Amount Paid	Variation
	\$	\$	\$
Connair Pty.Ltd. (Central Australian Services)	836,000	838,620	+ 2,620
Trans-Australian Airlines (Channel and Gulf Country routes)	420,000	403,645	- 16,355
Ansett Airlines of Australia (King and Flinders Islands services and Cairns-Normanton route)	150,000	119,100	- 30,900
MacRobertson Miller Airlines Ltd. (Kimberley Stations)	94,000	94,000	-
Ansett Flying Boat Services (Sydney-Lord Howe Island)	150,000	120,195	- 29,805
Commuter Services in Western Australia	78,300	78,300	-
Bush Pilots Airways Ltd. (Northorn Queensland Services)	117,700	123,650	+ 5,950
Brain and Brown Airfreighters (Carriage of carcass meat from King Island to Melbourne)	24,000	22,490	- 1,510
	\$1,870,000	\$1,800,000	-\$70,000

Source: Department of Civil Aviation

13. Of the airline operators listed in Table No.1, only the payments to MacRobertson Miller Airlines Ltd(Kimberley Stations) and Commuter Services in Western Australia had been finally assessed and approved by the Minister before the estimated requirement was included in the **Additional Estimates.**

Exhibit
134/1

The shortfall in expenditure was due mainly to difficulties involved in accurately estimating the subsidy requirements for T.A.A., Ansett Airlines and Ansett Flying Boat Services. In elaborating on those difficulties it was explained that after the basic assessment had been made, more information was obtained by investigating officers which in some instances suggested that the Estimates were not as accurate as the Department required. In the case of Connair Pty.Ltd. actual expenditure of \$638,620 was higher than an earlier estimate of about \$500,000. The effect of award payments to air pilots, retrospective to 1969-70 but paid in 1970/71, as well as a general rise in costs contributed to the level of the payment to Connair Pty.Ltd.

Exhibit
134/1 and
Q.83

14. Dates relevant to the investigations and subsidy assessments in 1970/71 for T.A.A., Ansett Airlines and Ansett Flying Boat Services were as follows:

Exhibit
134/1

	<u>Investigation Completed</u>	<u>Assessment Completed</u>	<u>Approved by Minister</u>
T.A.A.	23 April, 1971	14 May, 1971	2 June, 1971
Ansett Airlines	23 March, 1971	23 April, 1971	30 April, 1971
Ansett Flying Boat Services	26 March, 1971	8 April, 1971	20 April, 1971

The subsidy assessments were not completed until after the Additional Estimates were finalised. The reduced requirement for these three airline operators, totalling \$77,060, was offset by minor variations in the estimated requirements of other operators to result in a net shortfall in expenditure of \$70,000.

CONCLUSIONS

15. It appears to the Committee that the under-expenditure of \$70,000 on this item arose from the subsidy requirements for developmental air service operators. The under-expenditure was due mainly to difficulties associated with the accurate estimation of the subsidy requirements for T.A.A., Ansett Airlines and Ansett Flying

Boat Services. In this regard the Committee notes that prior to the actual investigations of the financial results of the operator's services and the precise assessment of the subsidy needs, the Department relies largely on impressions gained during the previous year's subsidy investigations when preparing its forecasts for the current year.

16. While the Committee recognizes the difficulties that have confronted the Department in estimating the subsidy requirements of the Airline companies concerned, it believes that the Department could, with advantage, approach the Airlines for preliminary information to provide a firmer based guide to the likely level of subsidy than is provided by impressions gained from the results of a previous year.

(ii) 810/1/01 Capital Works and Services-Plant and Equipment-
 Navigational Aids, Communications, power and lighting equipment

<u>Funds Available</u>	<u>1968-69</u>	<u>1969-70</u>	<u>1970-71</u>
	\$	\$	\$
Appropriation Act No.2	5,100,000	3,900,000	8,800,000
Appropriation Act No.4	-	950,000	350,000
Advance to the Treasurer	-	<u>300,000</u>	-
Total Funds Available	5,100,000	5,150,000	9,150,000
Total Expenditure	<u>5,097,934</u>	<u>5,149,928</u>	<u>8,998,118</u>
Unexpended Funds Available	<u>2,066</u>	<u>72</u>	<u>151,882</u>

17. This Item covers the provision and installation of radio communication and navigation equipment, airport lighting and other airway facilities required for the safe and efficient navigation and control of air traffic.

18. The original Estimate of \$8,800,000 did not provide for all possible payments for programmed purchases of radio communication and navigational aid equipment because, when that Estimate was formulated the suppliers who would be awarded the various contracts had not been selected and, therefore the financial arrangements that would be negotiated were not known. When tenders had been received and terms negotiated, some major items of equipment to be purchased on extended delivery periods required 25 per cent to 30 per cent deposit payments with the placement of the orders. It was said that it is not unusual for deposit payments to be made against orders for this type of equipment and that \$200,000 was required for this purpose from the Additional Estimates. A further amount of \$60,000 was required for the purchase of transmitting equipment to replace equipment destroyed by fire in July 1970 at Cocos Island. Exhibit
134/2 and
Q.87

19. The original Estimate for this Item was reduced by \$350,000 in respect of anticipated delivery dates of other equipment, in accordance with the request made by the government in February 1971, to reduce expenditure. A subsequent examination of the trend in deliveries of a wide range of this equipment indicated that Exhibit
134/2 and
Qs.88 to 96

contractors would more nearly meet contracted delivery dates than was anticipated when the original Estimate was prepared. This, together with some increases in costs of equipment, required the provision of a further \$90,000 making a total of \$350,000 to be sought from the Additional Estimates.

20. Prior to the submission of the Additional Estimates requirement in March, 1971, the Department of Civil Aviation was required to reduce its total proposed expenditure by \$2 million below the figure advised to the Department of the Treasury in January, 1971. Revised expenditures for the various civil aviation appropriations were advised to the Department of the Treasury in February, 1971. Following the action taken to reduce total expenditure, the Minister for Civil Aviation advised the Treasurer, and the Department of Civil Aviation advised the Department of the Treasury, that it had not been possible to revise accurately the budget for all items under the administrative control of the former Department in such a way that it would be certain that the revised figures would not need adjustment.

Exhibit
134/2

21. At that time, an additional \$350,000 cash for this Item appeared to represent a reasonably certain requirement to meet the then existing contractual obligations. The review undertaken prior to the Additional Estimates submission confirmed this requirement, which had arisen largely from contract negotiations which had already taken place. There was no alternative then available, nor one with reasonable certainty in prospect, to reduce the proposed additional appropriation. It was claimed that action had been initiated however, to achieve all possible savings, because it was known that requirements for additional cash would most likely arise for other items which it had not been possible to include in the Additional Estimates.

Exhibit
134/2

22. During April and May 1971, however, the Department did not take its usual follow-up action with suppliers to ensure punctual deliveries of equipment and slowed down the placement of orders for smaller items on short term delivery and installation projects. As a consequence, the Department was able, first to forecast,

Exhibit
134/2 and
Qs. 97 to 101

and then to predict with reasonable certainty, savings in the Appropriation for this item as well as the postponement of deliveries and payments. Orders valued at \$300,000 for which provision had been made under this Item were cancelled and were not reprogrammed for 1971-72.

23. Also during April and May 1971, the need for additional funds for other items had been confirmed, and action was taken, with the concurrence of the Department of the Treasury, to "freeze" the appropriation for Item 810/1/01 at \$9 million representing a reduction of \$150,000 below the level of funds then available.

Exhibit
134/2

CONCLUSIONS

24. The Committee accepts the Department's explanation.

Chapter 3
Department of Education and Science

- (i) Division 750/2 National Service-Vocational Training-University Courses-Similar payments where service voluntarily extended.

<u>Funds Available</u>	<u>1968-69</u>	<u>1969-70</u>	<u>1970-71</u>
	\$	\$	\$
Appropriation Act No. 1	-	-	6,000
Appropriation Act No.3	-	10,000	13,000
Advance to the Treasurer	-	-	-
Total Funds Available	-	10,000	19,000
Total Expenditure	-	5,850	14,178
Unexpended Funds Available	-	4,150	4,822

25. This Item provides for university training of national servicemen with extended service.

26. The original Estimate of \$6,000 was based on payments expected to be made in the second half of the 1970 academic year. It was intended that further funds would be sought in the Additional Estimates should further students qualify for assistance. The scheme, which is not limited as far as the number of scholarships is concerned, is of recent origin and it was said that the number of scholarships granted is not known until after requests for them have been received. An amount of \$13,000 was sought in the Additional Estimates in February 1971 when it appeared likely that fifteen students would receive assistance during the year. Approval for this amount was received in March 1971.

Exhibit
134/3 and
Q.112

27. The total estimate of \$19,000 was based on the assumption that fifteen students would be in training in 1971. This figure was derived from the number of approved applications for assistance and from the known number of students eligible to receive a further year of benefits. In the January-June period students in training under this scheme may receive assistance of the order of \$1,400 if in full-time studies and \$300 for part-time studies.

Exhibit
134/3

28. However, only thirteen students accepted awards. The reasons for the remaining two students not accepting scholarships were tendered subsequent to our inquiry. In addition, at the time of our inquiry, fees accounts for three students, usually paid in the first part of the academic year, had not been submitted to the Department. A further shortfall in expenditure occurred in respect of two of the minor allowances, those for textbooks, and equipment and fares which did not reach the level provided for in the estimates. Some expenditure on fees was incorrectly recorded against item 750/1, the corresponding scheme for students who have completed the normal period of two years national service.

Exhibit
134/3 and
Qs. 113 to
118

CONCLUSIONS

29. In considering the evidence relating to this Item the Committee notes that the training scheme to which the Item relates is of recent origin and the extent of the assistance required is difficult to estimate. For these reasons the Committee believes that the formulation of Estimates should be approached with caution.

30. The Committee is also concerned to note that some expenditure on fees was evidently incorrectly recorded against Item 750/1, the corresponding scheme for students who have completed the normal period of two years national service.

31. The Committee is disturbed by the fact that the original submission tendered at the request of its Secretary contained no reference to the incorrect recording of expenditure against Item 750/1. This fact was, however, included in further copies of the same submission supplied to us following our decision to proceed to public inquiry on this Item. The Committee views in a serious light, changes made in this manner to the substance of submissions.

(ii) Division 825/1/06

Capital Works and Services-Buildings and Works
Independent Schools, Northern Territory-Assistance
for approved capital programmes.

<u>Funds Available</u>	<u>1968-69</u>	<u>1969-70</u>	<u>1970-71</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Appropriation Act No.2	-	32,000	220,000
Appropriation Act No.3	-	-	-
Advance to the Treasurer	-	-	-
Total Funds Available	-	32,000	220,000
Total Expenditure	-	31,584	144,804
Unexpended Funds Available	-	416	75,196

32. This Item provides for financial assistance to independent schools, in the form of repayment over 20 years, of amounts borrowed for the construction or extension of schools, and cash grants for science facilities and library buildings in secondary schools in the Northern Territory.

Exhibit
134/4

33. The original Estimate of \$220,000 included provision for a grant of about \$75,000 to Carpentaria College. This amount was included on the basis of information obtained from the College authorities in October 1969 to the effect that some classrooms and a science laboratory were required for use by the beginning of 1971. Ministerial approval was obtained in March 1970. Because of the urgency of the request from the Board of the College for approval to proceed with the proposal as quickly as possible, it had been expected that planning would proceed. In the event, however, no progress had been made by early 1971 and the College Board had not advised the Department of Education and Science accordingly.

Exhibit
134/4A and
Q.146

34. The lack of progress on the project was noted during the review undertaken at the request of the Treasurer, that departmental estimates for 1970-71 be examined with a view to achieving substantial reductions in expenditure. Following advice from the College Board that it would not insist on the commencement of the projected requirements during 1970-71 the Department of Education and Science advised the Department of the Treasury of the likely shortfall in expenditure on the Item.

Exhibit
134/4A

35. In December 1970 the original Estimate was revised to \$121,000. However, due to a clerical error that occurred in transferring items relating to cash grants, an amount of \$24,000 was omitted. The revised estimate should have been \$145,000. The error was not discovered until the Additional Estimates review was conducted, when a further critical examination was being made.

Exhibit
134/4 and
Qs.119 to 132

36. In order to prevent a recurrence of similar errors, procedures within the Department have been altered to permit the forward programming of annual payments to be calculated by machine. This has resulted in a complete record being maintained of all payments for all schools and the times when capital, interest and other payments and direct cash grants are due.

Qs.133 and 134

CONCLUSIONS

37. The evidence shows that funds amounting to \$75,000 were included in the original Estimates for 1970-71 on the basis of information supplied to the Department by the Carpentaria College Authorities in October 1969. By early 1971 no progress had been made by the authorities in the construction work concerned but the Department had not been advised of this fact. Considerable uncertainties often confront institutions such as the Carpentaria College in implementing their development programmes. For this reason we believe that the Department of Education and Science should maintain close liaison with the authorities of such institutions in circumstances where funds are committed for their assistance. In the present case it may well have been possible for the Department to provide urgently required assistance under this Item to other independent schools in the Northern Territory had it been aware earlier in the financial year that funds would not be required for the Carpentaria College project.

38. The Committee also notes that during a review of the estimate under this Item in December 1970 a clerical error occurred in transferring items relating to cash grants. Although this error was discovered subsequently, the evidence discloses that it had

occurred due to an evident weakness in the Department's procedures. These procedures have now been altered to permit the forward programming of annual payments to be calculated by machine thus ensuring a complete record of all payments and related information for all schools. The Committee believes that appropriate procedures should have been established at an earlier stage.

Chapter 4
Department of External Territories

Division 282.1.01 Australian School of Pacific Administration-
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	226,000	248,500	275,300
Appropriation Act No.3	--	9,000	34,000
Treasurer's Advance	<u>-</u>	<u>-</u>	<u>-</u>
Total Funds Available	226,600	257,500	309,300
Total Expenditure	<u>226,275</u>	<u>250,549</u>	<u>281,252</u>
Unexpended Funds	<u>325</u>	<u>6,951</u>	<u>28,048</u>

39. This Item provides for the salaries and allowances of staff and lecturers seconded to the Australian School of Pacific Administration.

40. Estimates in respect of funds required for the New South Wales Department of Education are formulated on the basis of the Principal of the School of Pacific Administration and the Principal of the Balmain Teachers College reaching agreement at the beginning of each year on the number of academic staff required at the school for the following year. The New South Wales Department of Education is then requested to provide an estimate of the amount required for salaries. This estimate is provided in the form of a schedule listing the names of the occupants of positions and their salaries. It was said that the Department of External Territories is not in a position to make an accurate check of the estimated requirement for the payment of the salaries concerned. Q.313

41. The amount of \$34,000 appropriated in the Additional Estimates included \$17,000 for salary increases granted to seconded officers and salary increases granted to Commonwealth Public servants. In this regard it was stated that in September 1970 salary increases of 14 percent were granted to lecturers seconded from the New South Wales Department of Education.

Exhibit
134/5

The estimated requirement for this increase and for the 6 percent National Wage increase amounted to \$17,000. The remainder of the appropriation included \$9,750 in respect of salary increases of 20 percent granted in September, 1970, retrospective to January 1970 and involving nine Commonwealth Public Service members of the academic staff; an amount of \$1,650 required to provide for salary increases of 9.5 percent granted in December 1970 to clerical/administrative staff by Commonwealth Public Service Arbitrator Determination 355 of 1970; and a further \$5,600 required to provide for the salary increase of 6 percent granted in the National Wage Case in January 1971 to all staff.

42. Difficulties were experienced in arriving at an amount for the Additional Estimates because recorded expenditure related solely to the Commonwealth Public Service component of the staff. **As an account had not been received from the New South Wales Education Department there was no expenditure figure available in respect of that Department which could have been used as a reliable guide.**

Q.319

43. The shortfall in expenditure of \$28,048 included \$6,000 in respect of the position of Senior Lecturer, Government; \$12,723 in respect of staff seconded from the New South Wales Department of Education and \$3,000 in respect of the position of Senior Lecturer in Education.

Exhibit
134/5

44. In explaining the shortfall, the Department stated that provision had been made in the original Estimates for payment to the occupant of the position of Senior Lecturer in Government. In 1969-70 this position was occupied temporarily by an officer of the Papua/New Guinea Administration and his salary had been payable by the Administration. For some time previously the occupant of the position had been unable to work because of an accident which he had incurred while on duty. He was considered to be fit for work in Australia but not in the Territory of Papua/New Guinea. Pending a decision regarding his retirement from the Papua/New Guinea Public Service he had been allocated for duty

Exhibit
134/5,
Qs. 305 to 307
and Committee
File 1971/4

at the Australian School of Pacific Administration. The Department was uncertain as to how long this arrangement would continue. When the draft estimates were prepared in April 1970 it was expected that the position would be filled at the commencement of the new financial year. In elaborating on this matter the Department informed us that it had been expected for some years that the case would be finalised. The decision was deferred, however, until a legal case was completed towards the end of 1970-71. In the event, the temporary arrangements continued for the full year although when the revised estimates were prepared in February, an adjustment of \$3,000 was made to the Estimate to take account of the period during which the position had not been filled. The claim against the Papua/New Guinea Administration was settled by a decision given on 15 July 1971 by the Administrator.

45. Provision had also been made in the original Estimates for a payment of \$122,000 to the New South Wales Department of Education for academic staff seconded to the school. In February 1971 the Staff Section of the New South Wales Department of Education advised that a claim totalling \$139,000 could be expected for the year. When the claim was received it was for an amount of \$126,277. It was stated that the difference between these figures arose from the fact that one position of lecturer had not been filled for about six months and an error had occurred in the accounts. Accounts from the New South Wales Education Department are received for the periods July to December and January to June each year. The July to December account is used as a means of checking the original Estimate. On this occasion, however, because of circumstances within the Salaries Section of the New South Wales Education Department the account was not forwarded to the Department of External Territories. The account was subsequently received on 26 June 1971. Because of this delay an error in the revised estimate was not detected until on or about 27 July, 1971.

46. The Department of Education later indicated that the adjustment of this claim by \$4,000 would be required to meet a payment for a position of lecturer for which a charge

Exhibit
134/5, Q.309
and Committee
File 1971/4

Exhibit
134/5 and
Qs.310 and
313

had been made for a half year only instead of for a full year. Two other positions were not filled for a full year. The estimate was therefore overstated by an amount of \$7,000.

47. Provision of \$8,284 had been made in the original Estimates in April 1970 for a full year's salary for the position of Senior Lecturer in Education. In July 1970 the position became vacant and was advertised in the Commonwealth Gazette. No applicant was considered to be suitable and the position was readvertised in October in the press and in the Commonwealth Gazette. A selection was made in February 1971 but due to delays in obtaining approval of the selection and release of the appointee from the New South Wales Department of Education, the position was not occupied until 14 May 1971. When the revised estimates were prepared in February, an adjustment of \$4,544 was made to reduce the estimate to \$3,740 but expenditure during the year against the original provision of \$8,284 amounted to only \$740.

Exhibit
134/5
Qs. 315 and 316

48. A shortfall of \$5,400 also occurred due to provision having been made incorrectly in the original Estimates for five positions on the academic staff when four positions only were provided on the approved establishment. This error occurred because, previously the establishment had provided for five lecturers. The establishment records, however, were not revised accordingly. This error was not discovered when the estimates were submitted to the Head Office of the Department of External Territories in Canberra. Other minor variations in expenditure amounted to a net shortfall of \$925.

Exhibit
134/5 Qs.
320 and 321

CONCLUSIONS

49. The Committee accepts the explanations tendered by the Department in evidence except for the explanation relating to the number of positions included on the establishment of the Australian School of Pacific Administration. The evidence in this case shows that, due to an error that occurred, financial provision was made in the original Estimates for five positions instead of four on that establishment. It appears that insufficient care was taken

by the officers responsible to note that the establishment had been reduced by one position. The Committee trusts that this error will not be repeated and that errors of a similar nature will be avoided in the future.

Chapter 5
Department of Health

- (a) Division 292/2/04 Australian Capital Territory Health Services-
Administrative Expenses-Office Services.

<u>Funds Available</u>	<u>1968-69</u>	<u>1969-70</u>	<u>1970-71</u>
	\$	\$	\$
Appropriation Act No.1	18,000	13,000	16,000
Appropriation Act No.3	15,000	3,000	2,000
Advance to the Treasurer	--	--	--
Total Funds Available	33,000	15,000	18,000
Total Expenditure	<u>32,943</u>	<u>14,114</u>	<u>15,430</u>
Unexpended Funds Available	<u>57</u>	<u>1,886</u>	<u>2,570</u>

50. This Item provides for expenditure on fuel, light and power, etc. in premises occupied by Australian Capital Territory Health Services personnel. It also covers expenditure on minor new works, repairs and maintenance up to \$100 in respect of these premises.

51. The original Estimate for this Item in 1970-71 was based on anticipated charges for the Institute of Anatomy, baby health centres and ambulance stations included in Australian Capital Territory Health Services. Gs. 175,179 and 180

52. The Additional Estimate of \$2,000 was required to provide for minor new works. Exhibit 134/6

53. We were informed in the Department's written submission that the shortfall in expenditure was attributable mainly to the fact that accounts for electricity, fuel oil, and water were not received prior to the close of the financial year. Details of estimated and actual expenditure on the Item in 1970-71 are shown in Table No.2. Exhibit 134/6

Table No. 2
Department of Health
Division 292/2/04: Estimated and Actual Expenditure
(1970-71)

Item	Expenditure	
	Estimated \$	Actual \$
Electricity charges	9,300	8,260
Fuel Oil	2,700	1,920
Water charges	500	70
Minor new works	5,500	5,180
Total	18,000	15,430

Exhibit
134/6

Source: Department of Health

54. Electricity charges in respect of baby health centres located in single occupant buildings are the responsibility of the Department of Health. In the case of those located in school buildings the Department of Education and Science is responsible for service charges. An amount of \$600 was provided in the original Estimates to meet electricity charges in respect of six baby health centres opened during 1969-70. As the centres were located in school buildings for which the Department of Education and Science is responsible, the Department of Health was not required to meet these charges. In respect of this shortfall it was stated that the mistake made in the formulation of the original Estimates were discovered in late March or early April during a review of expenditure, after the revised estimates had been prepared.

Qs.175 to194
and 214

55. The shortfall in expenditure on charges for fuel oil and water was due to accounts not being received in time for payment prior to June 30. Accounts in respect of fuel oil are received from the Department of Works at irregular intervals. Accounts for \$636 in respect of deliveries made in the months of May and June 1971 were not received until July of that year.

Exhibit
134/6 and
Qs.181 to
210

56. Accounts for water charges were not received from the Department of the Interior for 1970-71 before the close of that financial year because of a change that occurred in government accounting procedures. From an amount of \$500 provided for this purpose, \$430 was not required before the close of the financial year. Q.201

CONCLUSIONS

57. The Committee notes that while the Department's written submission attributed the shortfall in expenditure on this Item partly to the fact that accounts for electricity were not received, the oral evidence made it clear that the accounts concerned were in fact payable by the Department of Education and Science and provision had been made for them by the Department of Health in error. The Committee believes that this error should not have occurred and that the relevant facts should have been stated by the Department in its written submission.

58. The Committee accepts the remainder of the Department's explanation in relation to this Item. Arising from the evidence, however, it appears that the Department of the Interior could, with advantage, examine its billing arrangements connected with water rates in the Australian Capital Territory, particularly in relation to its new Municipal Accounting system. The evidence also suggests that the Department of Works should examine its billing arrangements for fuel oil with a view to the regular submission of accounts for payment.

(ii) Division 294/2/08

Northern Territory Health Services -
Administrative Expenses-Other General Stores

<u>Funds Available</u>	<u>1968-69</u>	<u>1969-70</u>	<u>1970-71</u>
Appropriation Act No.1	141,000	166,000	202,000
Appropriation Act No.3	-	6,000	20,500
Advance to the Treasurer	-	-	-
Total Funds Available	141,000	172,000	222,500
Total Expenditure	138,225	171,999	194,881
Unexpended Funds Available	2,775	1	27,619

59. This item relates to the provision of stores and supplies (other than foodstuffs, drugs and medical supplies) necessary for the operation of the Northern Territory Medical Service. Items included are linen, bedding, clothing, cleaning requisities, small tools, other hardware, footwear for patients, etc.

60. The original Estimate for this item in 1970-71 was formulated from a list of requirements based on the needs of the hospitals concerned. The list was compared with the previous year's expenditure and an adjustment was made to provide for a new establishment at Gove. Q.261

61. The Additional Estimates requirement of \$20,500 comprised \$15,000 for cleaning materials and \$5,500 for footwear required by patients suffering from Hansen's disease (Leprosy). Exhibit 134/7

62. In relation to the additional \$15,000 required for freight on cleaning material it was explained that wholesale organisations had withdrawn from the Darwin area thus removing the scope for local purchasing. Currently the Department is required to make its purchases in Southern States on an F.O.R. basis. Subsequent to the formulation of the original Estimates for 1970-71, freight costs on liquids increased considerably and in some cases exceeded the costs of the liquids themselves. Exhibit 134/7 and Qs. 265 to 274

63. In connection with the additional \$5,500 required for footwear for patients suffering from Hansen's disease we were informed that prior to 1969 the Department of Health had a contractual arrangement for the supply of sandals but the goods

supplied were not satisfactory and many rejections occurred. In 1969 the Department of Health requested the Department of Supply to arrange a tender for the supply of sandals. After some difficulties a contract for 860 pairs of sandals was let in October 1970. At that stage the Department of Health issued an appropriate requisition for \$2,000 worth of sandals representing the upper limit of its delegation to purchase. This figure, however, related to only 181 pairs of sandals.

Exhibit
134/7 and
Qs.284 to
286,290 and
293

64. On 1 December 1970 the Department of Health received advice that, based on the production of 181 pairs of sandals the manufacturer was no longer interested in the contract as such a throughput would not justify the related tooling costs. In elaborating on this matter the witness indicated that the Department of Health had intended that a period contract should be placed for 860 pairs of sandals which it would order as required. This fact, however, had not been conveyed by the Department of Supply to the contractor. In view of the position taken by the supplier, the Department of Health approved an order on 14 December 1970 for the balance of two years' requirement of sandals valued at \$5,500 for delivery in 1970-71.

Q.284 to 286.

65. The shortfall of \$43,750 in expenditure under this item in 1970-71 comprised \$10,500 in respect of the footwear contract, \$29,450 for the purchase of stores for the Gove Hospital, and \$3,800 in respect of crockery supplies for the Darwin hospital. These amounts were offset by \$16,131 expenditure in respect of increased freight rates, for which \$15,000 had been obtained in the Additional Estimates.

Exhibit
134/7

66. With regard to the shortfall of \$10,500 in expenditure on footwear, we were informed that the contractor had failed to supply an order for delivery in May/June 1971 due to difficulties encountered in tooling up and in obtaining foam rubber for the manufacture of the inner sole of the footwear. The Department of Supply advised the Department of Health that on 14 July 1971 the

Exhibit
134/7 and
Qs.287 to 289

manufacturer had promised to supply forty pairs of sandals within two weeks and subsequently, fifty pairs each week. When our Inquiry occurred on 19 August 1971, however, delivery had not been made.

67. The shortfall of \$29,450 relating to the Gove Hospital arose from the deferment of purchase of stores for the Hospital subsequent to a delay that occurred in the completion of store facilities at the hospital site. It was explained that there has been a history of delays in the delivery of buildings to Gove. The Department of Health was advised on 3 January 1969 that a hangar would be available on 28 February 1970; a ten bed hospital, the first stage of a larger hospital, would be available on 4 July 1970, and the bulk store on 3 July 1971. On 3 October 1969 the Department of Health was advised that the hangar would not be ready until 24 August 1970, the ten bed hospital until 5 October, 1970 and the bulk store until 4 October, 1971. When this advice was received it was realised that the store would not be available when required and it was decided to use the hangar for storage purposes. On 8 December, 1970 the Department was further advised that the hangar would not be available until 1 February 1971 and the first stage of the hospital until 30 June 1971. Exhibit 134/7 and Q.296

68. When this latest advice was received the Department of Health had commenced site investigations, undertaken because of its concern arising from the advice of deferment that it had already received. On 5 March 1971 the Department was further advised that the construction of the hangar would be completed on 25 March 1971. However, other works required completion including the sealing of the floor against oil penetration, fitting of locking devices to the hangar doors and installation of the power supply. Occupancy of the building could not be permitted until some time had elapsed after the sealing of the floor. The hangar finally became available to the Department of Health in July 1971. It was expected that the hospital would be available in mid-September and that the first stage of the building would be ready for use on 18 October 1971. Q.296

69. It was explained that the delays involved in the building were attributable mainly to the Company engaged in mining the deposits at the township of Nhulunbuy. While health services are carried out through normal public works procedures, the building contract is being arranged by the company in conjunction with other buildings in the town. Because of changes made by the company in priorities given to different buildings there have been substantial variations in their estimated completion dates. The witness said that at the relevant times during 1970/71, including the preparation of the original Estimates, it was believed that there would be a hangar available in 1970/71 in which material could be stored for the commissioning of the hospital.

Q. 296, 297
and 302

70. Reductions in crockery orders to the value of \$3,800 for the Darwin Hospital were made in accordance with the government request of February 1971 for economy. This saving was achieved by the adoption of a less critical attitude to discoloured crockery than would normally have been the case.

Exhibit
134/7 Qs.
298 and 299

71. The shortfall in expenditure on the Item was offset by an extra \$16,131 required for freight charges. Expenditure on this element was more than double the estimate. While the increase was due substantially to an increase in rates, there was also an increased volume of freight, particularly in relation to medical kits. The Department of Health is responsible for the payment of freight on medical stores to remote localities of the Northern Territory, including welfare and Mission hospitals and medical kit holders throughout the Territory.

Exhibit
134/7
and
Qs 265
to 267

CONCLUSIONS

72. On the basis of the evidence tendered the Committee accepts that the shortfall in expenditure on this Item was beyond the control of the Department.

73. The evidence relating to the circumstances of the contract let for the supply of special sandals, however, indicate that the Department of Supply failed to advise the manufacturer that the Department of Health intended to contract to operate on a period basis. This evident lack of communication probably contributed to the failure of the manufacturer to effect the supply of sandals during 1970-71. The Committee believes that care should be taken to prevent misunderstandings arising from contractual arrangements.

Chapter 6
Department of the Interior

(1) Division 354/07 Rent-Department of Foreign Affairs.

<u>Funds Available</u>	<u>1968-69</u>	<u>1969-70</u>	<u>1970-71</u>
	\$	\$	\$
Appropriation Act No.1	14,500	66,200	175,300
Appropriation Act No.3	37,600	17,300	-
Advance to the Treasurer	<u>30</u>	<u>-</u>	<u>-</u>
Total Funds Available	52,130	83,500	175,300
Total Expenditure	<u>52,048</u>	<u>76,842</u>	<u>77,175</u>
Unexpended Funds Available	<u>82</u>	<u>6,658</u>	<u>98,125</u>

74. This Item provides for rental of accommodation for the Department of Foreign Affairs.

75. The shortfall in expenditure against this Item arose mainly from a change in the proposed occupancy of NRMA House, Canberra. In this regard it was explained that on 24 November 1969 the then Secretary of the Department of External Affairs informed the Secretary of the Department of the Interior that he did not desire his Department to move into NRMA House and would prefer it to extend its accommodation in the Administrative Building. This course of action, which would have involved the transfer of the Management Services Branch of the Department to NRMA House, had been considered as a possible solution to the Department's accommodation problem. In reply, the Secretary of the Department of the Interior indicated that until a Cabinet decision had been made regarding a new building for the Department of Trade and Industry, space for that Department must be reserved in the Administrative Building and until such a decision had been taken it was not possible for the Department of External Affairs to expand its accommodation within the Administrative Building. He suggested that the move into NRMA House should be regarded as an interim arrangement until such time as the administration of the Department of External Affairs could be consolidated in the Administrative Building. At that time it was hoped that this result would be achieved in mid 1972. On that basis the offer of accommodation, involving approximately 24,416 square feet of space

Exhibit
134/8
Qs. 334 and
335

at NRMA House was accepted by the Department of External Affairs in December, 1969.

76. The lease was negotiated for a term of three years from a date to be determined, with an option of renewal for a further term of two years and thereafter monthly. Rental for the initial term was to be \$106,622 per annum plus cleaning charges. Provision of \$95,900 in the original Estimates included \$90,518 for rental from 1 September 1970 and \$5,382 for cleaning from approximately 1 October, 1970.

Exhibit
134/8

77. On 10 August, 1970 the Department of External Affairs requested that consideration be given to finding another Commonwealth tenant for NRMA House so that it might continue to be accommodated in the Administrative Building rather than to be partly located elsewhere. In its request to the Department of the Interior the Department of External Affairs referred to the Government decision of January 1970 which, when approval was given to a new office building for the Trade Group of Departments, endorsed a longer term proposal for the Department of External Affairs to be the sole occupant of the Administrative Building. It was indicated that, while the Department of External Affairs was concerned about aspects of security, the main objections to moving into NRMA House related more to the location of the Department in separated premises.

Exhibit
134/8 Qs.
332 and 333

78. With regard to the security problem it was said that early in 1970 a review was commenced by the Department of External Affairs of its organisation. The review developed very rapidly in May 1970 and in the middle of June an outline of a proposal for the reorganisation of the Department was submitted to the Public Service Board. The proposal included provision for the expansion of the Management Services Branch into a Division of four branches, one of which was contemplated as an Information Branch. It was proposed that this Branch would include a Post Liaison and Guidance Unit, which would be dealing continually with highly

Q.335

classified documents.

79. Following subsequent discussions and correspondence between the Department of the Interior and the Department of Primary Industry, the latter department agreed, on 3 September, 1970 to accept occupancy of the NRMA House accommodation which would enable an equivalent area to be released in the Administrative Building for the Department of Foreign Affairs. As a result of this change in tenancy arrangements, no expenditure was incurred against the provision of \$95,900 made under Division 354/07 for the lease in NRMA House for the Department of Foreign Affairs. However, expenditure of \$90,518 was incurred against Division 354/15 in respect of the lease for the Department of Primary Industry.

Exhibit
134/8

80. In addition to the shortfall in expenditure in respect of NRMA House, a further shortfall of \$5,680 occurred in respect of the leasing of accommodation at 568 St. Kilda Road, Melbourne which was transferred to the Department of Supply (Antarctic Division) with effect from 1 October, 1970. The total shortfall of \$101,580 was offset by \$857 in respect of seven amounts related to a new lease, renewal of lease and legal costs. A further offsetting amount of \$2,643 occurred in respect of a lease renewed for an indefinite period from 1 July 1970 and including a rental increase from \$3,263 to \$3,426 per annum. Provision of \$783 was made for this lease in 1970-71.

Exhibit
134/8

CONCLUSIONS

81. The Committee accepts the Department's explanation.

- (ii) Division 357/2/02 Electoral Branch-Administrative Expenses - Office requisites and equipment, stationery and printing.

<u>Funds Available</u>	<u>1968-69</u>	<u>1969-70</u>	<u>1970-71</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Appropriation Act No.1	20,000	33,000	67,000
Appropriation Act No.3	-	100	3,100
Advance to the Treasurer	<u>-</u>	<u>-</u>	<u>-</u>
Total Funds Available	20,000	33,100	70,100
Total Expenditure	<u>19,312</u>	<u>32,865</u>	<u>66,812</u>
Unexpended Funds Available	<u>688</u>	<u>235</u>	<u>3,288</u>

82. This item provides for office requisites and equipment, stationery and printing for the Electoral Branch.

83. The \$3,100 sought in the additional estimates related to a new commitment of \$4,100 for the installation and hire of card punch and verifying machines at Brisbane and Perth and a commitment of \$190 for the supply of an office safe for the Electoral Division of Farrer in New South Wales. This gross amount of \$4,290 was offset by a reduced cash requirement of \$1,190 due to a delay in the projected supply date for the installation and hire of card punch and verifying machines at Brisbane and Perth.

Exhibit
134/9

84. The shortfall of \$3,288 in expenditure arose from four significant items, the first of which related to the late delivery, installation and bringing into operation of card punch and verifying machines in Brisbane and Perth. The evidence shows that while delivery had been expected in September 1970 for this equipment, delivery of part only of the requirement was made in Brisbane on 26 March 1971 and delivery of the whole requirement was made in Perth on 25 February 1971. The shortfall attributed to these late deliveries amounted to \$1,449.

Exhibit
134/9
Qs.365 and
366

85. A further shortfall of \$379 arose from failure to receive accounts in 1970/71 for the supply of Public Service Board Regulations to the Central Office of the Department and for rental

Exhibit
134/9 and
Qs.362 to 364

and installation charges up to 30 May 1971 for a card punch machine in Brisbane. The account for this machine was expected to arrive early in June 1971. However, due to difficulties experienced with the machines in Brisbane, a question arose as to the correct charge and payment for them. The witness was unable to indicate what action, if any, had been taken to remind the supplier that the account for this equipment was outstanding.

86. \$560 of the shortfall related to the supply and installation of lektriers, described as motorised filing units, in South Australia and Western Australia which did not result in additional charges such as wharfage and insurance for which provision had been made on the basis of similar charges incurred in previous installations in New South Wales and Victoria. In the case of the latter installations, storage had been required while suitable arrangements were made to instal the machines in the buildings concerned.

Exhibit
134/9 and
Gs.367 to 370

87. Following the decision in February 1971 to reduce Government spending, deferments of purchases were affected in relation to the supply of guillotines; duplicating machines; typewriters; stationery and stores. These deferments resulted in a shortfall of \$900 on the Item.

Exhibit
134/9 and
Gs.371 and
372

CONCLUSIONS

88. The submission tendered by the Department in relation to this Item showed that \$1,449 of the shortfall in expenditure arose from the late delivery, installation and bringing into operation of punch-card and verifying machines in Brisbane and Perth. While the oral evidence indicated that delays had occurred in delivery of this equipment, it also showed that delivery had occurred in Perth in February 1971 and part delivery had occurred in Brisbane in March 1971. On the evidence tendered, however, there is no reason for the Committee to reach the conclusion that payment for these equipments could not reasonably have been made before 30 June.

89. It appears that an account was expected early in June 1971 for rental and installation charges for card-punch equipment in Brisbane but the evidence shows that the witness was unable to indicate

what action, if any, had been taken by the Department's office in Brisbane to remind the supplier that the account was outstanding. The Committee believes that the witness was inadequately briefed on this matter.

90. It also appears that financial provision was made for wharfage and related charges connected with lektriovers to be installed in the Department's South Australian and West Australian offices. These provisions were evidently made as a result of previous installation experience in New South Wales and Victoria. There is no evidence to suggest however, that similar installation problems were expected in the South Australian and Western Australian installations and the Committee therefore believes that no justification existed for the provisions concerned to be made.

(iii) Division 357/2/07

Electoral Branch-Administrative Expenses-
Freight and Cartage

<u>Funds Available.</u>	<u>1968-69</u>	<u>1969-70</u>	<u>1970-71</u>
Appropriation Act No.1	5,000	6,000	6,500
Appropriation Act No.3	3,600	500	200
Advance to the Treasurer	-	-	-
Total Funds Available	8,600	6,500	6,700
Total Expenditure	8,352	6,373	5,801
Unexpended Funds Available	248	127	899

91. During the period 1 July 1970 to 5 March, 1971 additional commitments involving \$11,750 were approved for this Item. These included \$11,500 for the projected transfer of the Commonwealth Electoral Office for New South Wales from the Commonwealth Centre to leased accommodation in Goulburn Street, Sydney to allow for the reallocation of accommodation in the Commonwealth Centre. An amount of \$250 was included to meet costs incurred in the relocation of the offices of the Commonwealth Electoral Officer for Western Australia and the Divisional Returning Officer, Perth. Exhibit
134/10

92. The actual cost of relocating the office of the Electoral Officer for Western Australia and the Divisional Returning Officer for Perth was \$50 less than the estimate. The amount sought in the Additional Estimates was reduced by a further \$11,500 because the projected transfer in 1970-71 of the Commonwealth Electoral Office for New South Wales did not take place. An amount of \$200 was therefore sought in the Additional Estimates. Exhibit
134/10

93. The Commonwealth Electoral Office for New South Wales is located in the Commonwealth Centre, Chifley Square, Sydney. Because accommodation was required for other departments it was decided to relocate the Electoral Office in Sydney. It was understood by the Electoral Branch that the move would possibly take place before the end of the financial year 1970-71. However, this did not eventuate and provision Q.381

was made for it during 1971-72.

94. The shortfall in expenditure related to the supply of voting screens and ballot boxes and also to the decision of February 1971 to reduce government spending. Expenditure on stationery and forms was deferred with a consequent reduction in distribution costs. Exhibit
134/10

95. During 1968-69 an order was placed, at the request of the Department of Works, to arrange for the supply of ballot boxes. Due to contractual problems supply of the boxes was not completed during 1970-71. In addition, because of the late delivery of the boxes, in July 1971, and of voting screens, transport requirements to divisional offices during 1970-71 were less than the estimate. Exhibit
134/10 and
Qs. 383 to 387
and 394

96. With regard to the delay in delivery of the ballot boxes we were informed that in response to a requisition forwarded to the Department of Works on 18 December 1969, tenders were invited on 13 February 1970 with the closing date set for 12 March 1970. A very favourable tender was received from the eventual contractor who offered alternative prices of \$19,201 and \$17,861. The remaining eight tenderers offered prices ranging from \$29,408 to \$74,274. Checks were made to ascertain whether the alternatives were acceptable and technical advice indicated that either would produce a satisfactory ballot-box. The tenderer advised that design changes would not involve the Commonwealth in any cost for alterations to tooling or dies to be supplied by the Commonwealth. In May 1970 however, the tenderer advised that he would be unable to meet the required delivery date and the Chief Electoral Officer indicated to him that delivery of 75 per cent of the boxes by mid October 1970 would be satisfactory. Orders for 2,365 large and 385 small steel ballot-boxes were placed with the contractor on 30 June 1970 with delivery of 75 per cent of the total requirement to be made by 13 October 1970 and the balance to be delivered by 15 November 1970. Exhibit
134/10 Q.394
and Committee
File 1971/4

97. On 26 August 1970 the Department of Works was informed by the Contractor that production had been partially commenced and that

full scale production would commence within a few days. Further enquiries made on 25 September 1970 by the Department of Works indicated that the boxes would not be available on 13 October 1970 but would be delivered by the end of that month. Prior to this, the company had requested permission to depart from the specified design. **Sample boxes were forwarded to the Chief Electoral Officer who expressed dissatisfaction with the product and in particular requested that the seams be made waterproof. The number of boxes required for the Senate elections was supplied and delivery of the remaining boxes was completed on 2 July 1971.**

Exhibit
134/10
Q.394 and
Committee File
1971/4

98. The manufacturer claimed that the boxes proved to be more difficult to produce than had been expected and the production rate lower than had been expected. Changes in design were also claimed by the manufacturer to have caused delays in delivery. A request to the contractor to carry out additional work to seal the bottom and side seams of the boxes to make them waterproof added to the delay in production. The contractor's galvanising sub-contractor failed to produce work of an acceptable standard and a new sub-contractor was obtained at short notice. This also contributed to the delay in production and delivery.

Exhibit
134/10
Q.394 and
Committee
File 1971/4

99. The Department of Works confirmed the difficulties encountered by the contractor who had closed the sheet-metal section of his plant while retaining a minimum staff to complete the ballot-boxes contract. It was claimed by the Department of the Interior that while the period of delay appears to have been excessive, it was unavoidable in that all reasonable efforts were made to arrange the supply of the boxes within the time required.

CONCLUSIONS

100. The Committee accepts the Department's explanation.

(iv) Division 362/1/01 Australian Capital Territory 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	2,710,000	3,669,000	4,850,000
Appropriation Act No. 3	210,000	96,000	20,600
Advance to the Treasurer	-	30,000	-
Total Funds Available	2,920,000	3,795,000	4,870,600
Total Expenditure	2,896,815	3,783,614	4,786,226
Unexpended Funds Available	23,185	11,386	84,374

101. This item provides for the salaries of the First Assistant Secretary, A.C.T. Lands Division and the First Assistant Secretary, A.C.T. Services Division and the salaries and allowances of officers of the Finance and Supply, Facilities, Housing, Projects and Legislation, Establishments, Agriculture, Parks and Gardens, Land Administration, Building and Urban Affairs Branches of the Department.

102. Additional commitments approved between 1 July 1970 and 5 March 1971 amounted to \$299,064 for the creation of seventy-three new positions and the reclassification of twenty six existing positions; \$154,300 for salary increases following the 1970 National Wage case decision; \$121,700 for salary increases following the Public Service Arbitrator's Determination No. 355 of 1970; \$4,300 for salary increases following the Public Service Arbitrator's Determination No. 376 of 1970; and \$3,765 for salary increases following the Public Service Arbitrator's Determination No. 292 of 1970.

Exhibit
134/11

103. During the course of the year quarterly journal entries were made to the credit of this Item in respect of expenditure incurred on certain salary commitments which were a charge to the A.C.T. Suspense Trust Account. The suspense account covers the operations of a number of activities such as stores operations and the salaries of those officers involved are taken into account in assessing charges to the various branches for stores operations.

Exhibit
134/11
and
Qs. 396
to 401

104. Because of a misunderstanding that occurred during the review of expenditure in connection with the Additional Estimates, allowance was not made for expenditure which was to be credited to the Item from the Trust Account. This had the effect of indicating that, on a pro-rata basis, expenditure to 30 June 1971 would exceed the appropriation and accordingly an additional amount of \$20,600 was sought in the Additional Estimates. Exhibit 134/11 and Q.398
105. It was stated that due to the staff ceilings placed on departments during the latter part of 1970/71, the effective control of expenditure in salary votes and employment levels within staff ceilings, became the responsibility of the Establishments Branch of the Department to a greater extent than had previously been the case. Q.398
106. In the middle of the financial year the Establishments Branch of the Department was required to introduce control measures in order to advise the Finance Branch of salary needs. Because this was a new responsibility for the Establishments Branch, the procedures were deficient in certain respects. Also, misunderstandings occurred and a lack of expertise was experienced on the part of the officers responsible for the control of expenditure and employment levels. Q.398
107. A review undertaken by the Establishments Branch for the purpose of the May revision of the Estimate, and based on expenditure to 30 April, disclosed that the assessment made for the Additional Estimates had been overstated. Exhibit 134/11 Qs.405 and 406
108. During 1970/71 discussions were held between officers of the Department of the Treasury and the Department of the Interior regarding the adequacy of commitment records held by the latter Department. When our inquiry occurred in September 1971 a position had been reached in the matter where a more satisfactory form of control was being maintained which, it was said, should allow for much greater accuracy in the formulation of salary estimates. Q.401 to 404

109. The journal entries processed during 1970/71 totalled \$97,296 but the amount of the overprovision was partly offset by an unforeseen payment in lieu of furlough of \$14,202 to an officer on retirement.

Exhibit
154/11

CONCLUSIONS

110. It appears from the evidence that the shortfall in expenditure on this Item arose partly from a misunderstanding that occurred during the expenditure review connected with the Additional Estimates. As a result of this misunderstanding funds were sought in the Additional Estimates.

111. It also appears from the evidence that control measures introduced into the Establishments Branch during the financial year were deficient in procedures in certain respects. Also misunderstandings occurred and the officers responsible for the control of employment and expenditure levels were lacking in expertise.

112. While the evidence shows that discussions have now taken place between the Department of the Treasury and the Department of the Interior regarding the adequacy of commitment records held by the latter department, the Committee believes that the problems referred to in the evidence need not have arisen if a satisfactory form of control had been introduced initially and if adequate instruction in the new arrangements had been provided for the staff concerned at that time.

(v) Division 362/3/25 Australian Capital Territory Services-Other 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	64,000	50,000	63,000
Appropriation Act No.3	32,400	51,000	8,500
Advance to the Treasurer	<u>5,868</u>	<u>-</u>	<u>-</u>
Total Funds Available	102,268	101,000	71,500
Total Expenditure	<u>101,487</u>	<u>96,645</u>	<u>63,026</u>
Unexpended Funds Available	<u>781</u>	<u>4,355</u>	<u>8,474</u>

113. This Item provides for miscellaneous expenses which are not chargeable to other items in this sub-division. These included the removal of trees, cutting grass and cleaning of vacated rental dwellings; staging of art exhibitions; operation of a forensic medicine centre; consultants fees; damages and legal fees; herd recording, etc.

114. Between 1 July 1970 and 5 March 1971 commitments approved under this Item amounted to \$5,061 for the payment of damages and costs awarded against the Commonwealth in a court action and \$4,480 representing the estimated cost of administering the new retail fruit and vegetable market pending the establishment of an independent Trust. The latter amount included \$2,400 for the Manager's salary and \$500 for advertising. It was considered that a saving of \$1,000 could be made from this Item in response to the Government's decision in February 1971 to reduce Commonwealth expenditure. An amount of \$8,500 was therefore sought in the Additional Estimates.

Exhibit
134/12

115. Errors were responsible for \$3,730 of the shortfall on this Item. Expenditure of \$2,273 in respect of the salary of the manager of the Fruit and Vegetable Market was incorrectly charged to the salaries vote and expenditure of \$1,457 on advertising was incorrectly charged to the advertising vote, division 362/2/06.

Exhibit
134/12 and
Q.430

116. The remainder of the shortfall in expenditure related to the expenditure restrictions of February 1971 and to variations on the estimate for miscellaneous elements of expenditure provided for by the item.

Exhibit
134/12

CONCLUSIONS

117. The Committee notes with concern that \$3,730 of the total shortfall of \$8,474 in expenditure on this item arose from errors that occurred in the charging of salaries and advertising costs. The Committee believes that the Department should take appropriate action to ensure that errors of this nature do not recur.

(vi) Division 746

Department of Supply - Rent

<u>Funds Available</u>	<u>1968-69</u> \$	<u>1969-70</u> \$	<u>1970-71</u> \$
Appropriation Act No. 1	380,000	455,500	674,000
Appropriation Act No. 3	105,000	116,500	6,000
Advance to the Treasurer	—	—	—
Total Funds Available	485,000	572,000	680,000
Total Expenditure	474,706	569,385	663,661
Unexpended Funds Available	10,294	2,615	16,339

118. This Item provides for rental of accommodation for the Department of Supply.

119. Details of additional commitments approved between 1 July 1970 and 5 March 1971 and amounting to \$75,736, related to \$14,288 for Sydney, \$29,801 for Melbourne; \$9,970 for Adelaide and 21,677 for the Australian Capital Territory. This total amount was reduced by \$69,736 in respect of a project at Hoffron Park, New South Wales for which funds had been sought in the original Estimates. As a result \$6,000 only was sought in the Additional Estimates.

Exhibit
134/13

120. The shortfall of \$16,339 in expenditure included 36,500 which had been provided in the Additional Estimates for the lease of land from 1 March 1971 at Fishermen's Bend for use by the Aeronautical Research Laboratories. The lease did not commence in 1970-71 however, due to a delay that occurred in obtaining portion of the land required from the Lower Yarra Crossing Authority. It was explained that it was not until 7 July 1971 that the Victorian Department of Crown Lands and Survey indicated that it was ready to proceed to obtain a certified plan to release the land to the Commonwealth.

Exhibit
134/13 and
Q.436

121. A further amount of \$3,500 had been provided in the Additional Estimates to allow for cleaning office space occupied by the Department of Supply in the National Bank Building, Adelaide.

The Chief Property Officer for South Australia, however, was unable to reach agreement with the lessor on its claim for cleaning. An account tendered by the lessor in April 1971 was queried by the Chief Property Officer in relation both to price and the areas to be cleaned. Correspondence ensued between the parties and agreement was not reached before 30 June 1971.

Exhibit
134/13 and
Q.433
434

122. A further shortfall of \$5,259 occurred in expenditure as a result of a reduction in rental due to the completion of the first stage of restoration of land vacated at Heffron Park, New South Wales.

Exhibit
134/13

123. The original Estimate of \$180,000 for this project had been prepared on the basis that 13 large store buildings would be removed; and reinforced concrete floor slabs and road slabs would be broken up and removed. The project also included the regrading, regrassing and filling of the areas previously covered by slabs. In order to effect savings with the Department of the Interior it was decided that rather than regrass the areas, certain works involving \$109,000 should be omitted from the contract documents thus leaving work to the value of approximately \$71,000 to be executed.

Exhibit
134/13 and
Q.437

124. The Department had experienced difficulty in assessing an appropriate figure for inclusion in the estimates because most of the contractors had available to them various ways of disposing of the demolished materials involved. Eventually a contract valued at \$54,000 was let. This involved a requirement by the Randwick Council that the two buildings that had been occupied by the Army as inflammable stores should be retained by the Council. This reduced the contract price to about \$52,000. The eventual final cost of the project was \$55,358. The removal of stage 1 of the buildings which had been occupied by the Department of Immigration and the Department of Supply and two buildings occupied by the Department of the Army, had been completed when our inquiry occurred on 7 September 1971 and the land had been returned to the control of the Government of New South Wales. That Government accepted the land without grassing and without certain filling that had been provided for in the estimates. It was claimed that when the original Estimates were formulated the Department of the Interior did not know what the requirements of the State Government would be in connection with the restoration of original ground levels.

Exhibit
134/13 and
Q.437

CONCLUSIONS

125. The evidence relating to this Item indicates that funds were sought prematurely in respect of the Fishermen's Bend project and the Heffron Park project. In this regard the Committee would refer to Treasury Direction 16/9 which states, *inter alia*:-

"Estimates shall not include amounts in respect of proposals which are so far from firm that it is not possible to form any real estimate of what payments, if any, will be made".

In the case of the cleaning contract in South Australia the evidence suggests that some of the provisions of the contract may lack precision. If this is so, greater care should be exercised in the framing of contracts of this nature.

Chapter 7

Department of the Prime Minister and Cabinet

- (1) Division 436/2/01 - High Commissioner's Office - United Kingdom-
Administrative Expenses - Travelling and Subsistence.

<u>Funds Available</u>	<u>1968-69</u>	<u>1969-70</u>	<u>1970-71</u>	
	\$	\$	\$	Exhibit
Appropriation Act No.1	45,300	94,600	138,300	134/16
Appropriation Act No.3	28,600	7,200	2,400	
Advance to the Treasurer	<u>6,600</u>	<u>-</u>	<u>-</u>	
Total Funds Available	80,500	101,800	140,700	
Total Expenditure	<u>80,376</u>	<u>101,662</u>	<u>127,596</u>	
Unexpended Available Funds	<u>124</u>	<u>138</u>	<u>13,104</u>	

126. This item provides for travelling allowance, meal allowance, and rail and air fares for the High Commissioner, two Deputy High Commissioners, five officers transferred from Australia, and all staff employed under the High Commissioner Act. From 1 July 1970, the item included expenditure for the Trade Publicity Branch previously charged to the Department of Trade and Industry Appropriations. Exhibit
134/14

127. When the Department conducted its review of expenditure in connection with the Additional Estimates for 1970-71 it assessed its gross requirement under this item at \$14,205. This amount comprised \$6,000 for two Trade Publicity Marketing Officers to visit Australia during 1970-71; \$4,505 for the travel of the Official Secretary and his wife to London following his appointment in August 1970; \$1,500 to increase the meal allowance provision because of increased expenditure trends and the transfer of the trade publicity personnel to this vote, and \$2,200 resulting from an increase in air and rail fares during the year. Exhibit
134/14

128. In connection with the \$6,000 required for the two Trade Publicity Marketing Officers to visit Australia, the evidence shows that previously expenditure for this purpose had been met from the votes of the Department of Trade and Industry. Consequently no provision was made under Division 436 in the 1970-71 Estimates for the Department of the Prime Minister and Cabinet. Exhibit
134/14 and
Gs.467 and
468

The evidence also shows that air fares in Britain increased by 5 percent on 1 November 1970 and a further 5 percent on 1 April 1971. Rail fares increased by 12½ percent on 6 September 1970 and a further 15 percent on 1 April, 1971. This required the original provision of \$10,700 to be increased by \$2,200 to \$12,900 .

129. The gross requirement of \$14,205 was offset by a reduction of \$11,805 in proposed expenditure, comprising 8,600 arising from the use of locally recruited staff in the provinces as an alternative to transferring Australian girls from London for use in trade publicity and \$3,205 from postponing a visit to Australia by an officer until the following financial year. As a consequence only \$2,400 was sought in the Additional Estimates.

Exhibit
134/14

130. Subsequent to the preparation of the Additional Estimates the Department found that further reduction in expenditure consistent with the Treasurer's direction in February 1971 to limit expenditure, could be achieved by the extension of the recently introduced policy of engaging local staff for two of the largest promotions - The Royal Ulster Show and the Apple and Pear Merchandising Campaign. This extension resulted in a reduction of \$2,558 in expenditure.

Exhibit
134/14 and
Q.470

131. A further reduction of \$2,968 in expenditure resulted from a decline in travel by other London-based staff. It was claimed that some difficulty is experienced in estimating this type of expenditure because of uncertainties that exist in regard to conferences and engagements which the staff based in London will be required to meet. It was stated that controls had been tightened and that considerable reductions have been achieved in air travel. We were also informed that basically the London staff provides services for the British Isles. However, because some senior officials of the Department of Immigration and the Department of Trade and Industry are based in London and are not paralleled in some European countries, some travel to the European Continent is necessary.

Exhibit
134/14
Qs.470 to 473

132. A further reduction of \$3,074 in expenditure arose from a decline in promotion activity for foodstuffs following negotiations connected with the United Kingdom/European Economic Community. The remaining reduction of \$4,504 in expenditure resulted from the non-payment of meal allowances which resulted from a substantial reduction in the overtime worked by the Migration Branch. This arose mainly from the United Kingdom postal strike. Applications and enquiries for assisted passages declined by approximately 50 percent and the number of migrants leaving Britain in 1970-71 was some 3,000 less than the expected figure.

Exhibit
134/14
Q.470

CONCLUSIONS

133. The Committee accepts the Department's explanation.

(11) Division 436/2/02 - High Commissioner's Office - United Kingdom-
Administrative Expenses, Office requisites
and equipment, stationery and printing.

<u>Funds Available</u>	<u>1968-69</u>	<u>1969-70</u>	<u>1970-71</u>	
	\$	\$	\$	
Appropriation Act No.1	113,100	130,700	135,500	
Appropriation Act No.3	10,300	5,000	5,200	Exhibit 134/16
Advance to the Treasurer	<u>—</u>	<u>—</u>	<u>—</u>	
Total Funds Available	123,400	135,700	140,700	
Total Expenditure	<u>116,313</u>	<u>135,696</u>	<u>137,230</u>	
Unexpended Available Funds	<u>7,087</u>	<u>4</u>	<u>3,470</u>	

134. The purpose of this item is to meet expenses of office requisites and equipment, stationery and printing for the High Commissioner's Office in Britain.

135. When the Additional Estimates were prepared, the High Commissioner's Office in London envisaged that, based on expenditure to that time, a further \$9,200, additional to \$43,000 provided in the original Estimates, would be required for supplies to the Central Copying Service. Also \$265 was required for the purchase of a calculating machine for the sub-Treasury. This purchase was not provided for in the original Estimates. At the same time it was foreshadowed that this additional expenditure of \$9,465 could be partially offset by savings of \$3,265 on bulk stationery and \$1,000 resulting from the abolition of stamp duty on cheques. This left a net requirement of \$5,200 which was sought in the Additional Estimates.

Exhibit
134/15
Qs. 476 &
494

136. The appropriation for this vote covers expenditure under a total of 19 categories. As a result, expenditure under individual sub-items frequently varies from the original allocation as demonstrated below in relation to 1970-71.

Exhibit 134/15
Committee
File 1971/4
and Q.474

Table No. 3
Item 436/2/02: High Commissioner's Office, London-
Office Requisites, Equipment, Stationery and Printing
1970-71

Sub-Item	Estimate	Expenditure	Variation
	\$	\$	\$
Bulk Stationery	54,155	60,181	+ 6,026
Supplies for Central Copying Service	52,200	46,254	- 5,946
Typewriters	4,950	1,513	- 3,437
Newspapers	4,020	2,992	- 1,028
Stamp Duty on Cheques etc.	1,600	1,671	+ 71
Publications	4,190	4,078	- 112
Miscellaneous Equipment	540	783	+ 243
Dictation Machines	5,360	5,691	+ 331
N.C.R. 500 Computer System	650	645	- 5
Kodak Recordak Camera	2,900	3,199	+ 299
Mailing Machine	1,400	1,397	- 3
Envelope Packing Machine	6,130	6,394	+ 264
Addressall Machine	960	967	+ 7
Franking Machine	590	580	- 10
Kardex Equipment	300	125	- 175
Salter Platform Scales	190	179	- 11
Elite Index Card Holder	150	197	+ 47
Calculating Machine	265	265	NIL
Facit 1207 Addlister	150	150	NIL
Total	\$A140,700	\$A137, 261	-3A3,439

Qs. 474, 475
and
Committee
File
1971/4

Source: Department of the Prime Minister and Cabinet

137. After the Additional Estimates requirement had been determined it was realized that the anticipated reductions in expenditure on bulk stationery would not be achieved. These reductions included an expected refund of \$2,323 of purchase tax from the British Government which was not received before the end of the financial year.

Exhibit
134/15
and Q.476

138. The High Commissioner's Office found that the limitations that it had placed on the consumption of stationery proved to be over optimistic and additional expenditure of \$6,026 was required. Also an attempt to delay the delivery of supplies in order to achieve reductions in expenditure was not successful. To avoid over-spending the item as a whole, counter-balancing reductions totalling \$5,946 were made in expenditure on supplies for the Central Copying Service. In relation to these reductions the High Commissioner's Office was evidently able to keep its supplies below the level that had been anticipated originally. The witness suggested that this had been achieved partly because the office may have ordered more than it required and partly because it was aware of the need to keep expenditure over the total vote within the amount appropriated in the light of the Treasurer's direction to departments for economies.

Exhibit
134/15
Committee
File 1971/4
Qs.476 and
478

139. In relation to the shortfall of \$3,473 on typewriters the evidence showed that the original Estimate covered the purchase of seventy two typewriters in two separate groups, twenty two machines to be purchased early in the financial year at a cost of \$1,513 and another fifty machines to be purchased in April 1971 at a cost of \$3,437. Because of the economy measure introduced by the Government, the purchase of the second group of typewriters was deferred until early in 1970-71.

Exhibit
134/15 and
Qs.479 to 486
and Committee
File 1971/4

140. The shortfall in expenditure on newspapers resulted from the non-receipt of an account for \$380 and an account for \$648, received in April 1971 but which was under investigation and not paid at the end of the financial year. It was explained that Australia House obtains its newspapers on an annual contract basis.

Exhibit
134/15 and
Q.477
Committee
File 1971/4

Apparently a transfer made without notice of the delivery arrangements for newspapers by one company to another led to a dispute concerning the latter account. It was stated that no follow-up action on the former account had been taken to ensure that payment would be made before the close of the financial year because the supplier had rendered accounts for other newspapers. The Department had assumed that the supplier was experiencing some problems with that particular account.

CONCLUSIONS

141. In general the Committee accepts the Department's explanation. At the same time the evidence relating to newspaper accounts indicates a need to ensure that where delays occur in the receipt of accounts which are normally received on a regular basis, the causes of delay are explored with the supplier of goods or services concerned.

(iii) Division 440/2/09 - Official Establishments - Administrative
Expense- Incidental and other expenditure.

<u>Funds Available</u>	<u>1968-69</u>	<u>1969-70</u>	<u>1970-71</u>	
	\$	\$	\$	
Appropriation Act No.1	14,000	9,000	7,500	Exhibit 134/6
Appropriation Act No.3	--	--	1,900	
Advance to the Treasurer	--	--	--	
Total Funds Available	14,000	9,000	9,400	
Total Expenditure	<u>8,016</u>	<u>6,665</u>	<u>7,863</u>	
Unexpended Available Funds	<u>5,984</u>	<u>2,335</u>	<u>1,537</u>	

142. The purpose of this item is to meet water and sanitation charges, advertising and other incidental expenses for Government House, Admiralty House, the Prime Minister's Lodge and Kirribilli House. Exhibit
134/16

143. The \$1,900 sought in the Additional Estimates comprised an amount of \$1,700 to cover increased payments relating to a workers' compensation case and an amount of \$200 for the cost of unforeseen advertising for staff at the Prime Minister's Lodge. Exhibit
134/6

144. When the Additional Estimates were prepared, costs amounting to \$1,300 had already been incurred on a workers' compensation case involving an ex-employee at Kirribilli House for which only \$500 had been provided in the original Estimates. The increase was required for unforeseen major surgery carried out on the ex-employee. The expenditure for compensation for the full year was estimated at that time to be \$2,000. Exhibit
134/16

145. The cost of about \$200 for unforeseen advertising for staff at the Prime Minister's Lodge related to the need to replace staff who had resigned. Exhibit
134/16
and Q.508 to
513

146. The shortfall in expenditure amounted to \$1,537 of which \$1,000 related to water rates at Government House, Yarralumla. In this regard it was explained that the Department of the Interior

failed to render an account for water rates for 1969-70 during the financial year 1970-71. When the Department of the Prime Minister and Cabinet made verbal inquiries of the Department of the Interior it was informed that it could expect to receive the account. The witness added that the Department of the Interior is installing a new municipal account system which could possibly alter the dates for the cycling of accounts.

Exhibit
134/16 and
Qs.497 to
501,505 and
506

147. The remaining shortfall of \$537 comprised \$400 for the cost of meeting compensation claims for the ex-employee at Kirribilli House and \$137 resulting from reduced expenditure on uniforms, cleaning materials and incidentals.

Exhibit
134/16

CONCLUSIONS

148. The Committee accepts the Department's explanation in relation to the evidence tendered on this item. Also, as in the case of Item 292/2/04 administered by the Department of Health and referred to in Chapter 5 of this Report, it appears that the Department of the Interior could with advantage, examine its billing arrangements connected with water rates in the Australian Capital Territory, particularly in relation to its new Municipal Accounting system.

Chapter 8

Department of Social Services

- (a) Division 901/01 Payments to or for the States-States Grants (Home Care) Act-Grants towards costs of Senior Citizens Centres.

<u>Funds Available</u>	<u>1968-69</u>	<u>1969-70</u>	<u>1970-71</u>
	\$	\$	\$
Appropriation Act No.2	-	100,000	200,000
Appropriation Act No.4	-	-	-
Advance to the Treasurer	-	-	-
Total Funds Available	-	100,000	200,000
Total Expenditure	-	16,000	84,137
Unexpended Funds Available	-	-	115,863

149. This item provides for financial assistance to participating States, in the form of a \$1 for \$1 subsidy, in respect of State or Local Government expenditure towards the development or extension of approved Senior Citizens' Centres up to a maximum of one third of the approved capital cost. Exhibit 134 / 7

150. The States Grants (Home Care) Act resulted from proposals that were made jointly by the States to the Commonwealth. Consequently the Department expected that the States would accept readily the assistance provided for them under the Legislation. The Act requires that, in order to participate in those benefits, a State must formally advise the Commonwealth of its intention to enter into the scheme. The Act was assented to on 14 June 1969 and the States agreed unilaterally to participate. Queensland signified its intention to participate and entered the scheme before the Legislation was passed. South Australia became a participant on 17 October 1969 and Western Australia on 10 November, 1969. Now South Wales indicated an acceptance in principle subject to the clarification of certain aspects and a request for certain assurances. After these points were clarified confirmation of participation was given by that State on 12 May 1970. Tasmania agreed in principle on 6 November 1969 subject also to some clarifications and assurances and confirmed its participation on 16 October 1970. When our Exhibit 134 / 17 Qs.517 and 518

enquiry occurred in September 1971 Victoria had not agreed to participate in the arrangement but the witness was unaware of the reasons underlying this decision.

151. Even after furnishing the Commonwealth with notice of their intention to participate, most of the States took some time to make the necessary detailed administrative arrangements and some of them did not allocate any funds for Senior Citizens' Centres in 1970-71. Additional delays also occurred in the planning and obtaining of approval for projects. Further delays also occurred before construction reached the point where progress payments became due. As a further complication, some States have elected not to claim reimbursement from the Commonwealth until their projects reach completion. In these circumstances the Department experienced difficulty in arriving at an accurate estimate prior to the commencement of 1970-71 of the expenditure that the States could be expected to require from the Commonwealth during the forthcoming financial year.

Exhibit
134/17

152. In regard to the funds provided in 1969-70, the evidence shows that when the legislation was announced and introduced into the Parliament the Department received enquiries in relation to the assistance directly from a number of local Government Authorities. Some Authorities indicated that they had reached an advanced stage of preparing plans for a number of Senior Citizens Centres. While the Department recognised that delays would occur, it was not aware at that stage that all States would not immediately agree to participate in the scheme. Although the witness admitted that enquiries made by local Government Authorities were not a very satisfactory basis for the formulation of the 1969-70 estimate, the Department used this information as a basis for the Estimate in the expectation that, even if these projects did not reach fruition during the first year, the amount of expenditure on them would not be great. In the circumstances the Department arrived at an Estimate of \$100,000 for 1969-70. Subsequent experience showed, however, that in the grants made, the average Commonwealth contribution has been in the vicinity of \$14,000 to \$15,000 per project. The \$100,000 provided, therefore represented only a total of about seven or eight Senior Citizens Centres.

Exhibit
134/17
and Q.521

153. During 1969-70, twelve grants involving \$100,000 were approved. Of this amount, however, the Department spent only \$16,000 thus leaving a liability of \$84,000 to be carried forward to 1970-71. On the basis of that amount plus additional projects and some allowance for further projects and expenditure on them to be brought to account, the Department estimated a requirement of \$200,000 for 1970-71.

Exhibit
134 / 17
and Q.521

154. As at 30 June 1971 Commonwealth grants totalling \$368,981 had been approved but progress payments totalling only \$84,137 had been claimed by the States. It was stated that as the rate of progress of the scheme is largely a matter for the States, expenditure can only occur at a rate consistent with the States' ability and willingness to expend funds. In this regard discussions were held by officers of the Department of Social Services with State officers in relation to their participation in the scheme and it became apparent that the rate of progress and indeed the amount of reimbursement claimed were likely to vary from State to State due partly to the fact that some States appeared to be making more progress than others in this field.

Exhibit
134 / 17
and Q.523

155. The Witness informed us that, in view of the economic climate, the States who are participants in the scheme have not been pressed in any way to hasten their claims for payment. At the same time the Department has made administrative arrangements that are convenient to each State for claim reimbursements. Some States are now rendering quarterly claims for reimbursements and others are rendering half-yearly claims. The Department has also received some claims on an ad-hoc basis relating to particular projects that have been approved.

Exhibit
64 / 17
and Q.524

CONCLUSIONS

156. The evidence shows that the States Grants (Home Care) Act was promulgated in 1969 as a result of proposals made jointly by the States to the Commonwealth. However, when the Act was assented to on 14 June 1969 only one State, Queensland, had formally signified its participation in the arrangement. The remaining States, excluding

Victoria which, when our inquiry occurred had not agreed to participate, formally signified their participation between October 1969 and October 1970.

157. The evidence also shows that the original Estimate of \$100,000 for 1969-70 was based on inquiries made direct to the Department of Social Services by Local Government Authorities, a method which, it was admitted, was not a very satisfactory basis for the estimation of financial requirements. The Department also experienced difficulty in formulating a realistic original Estimate for 1970-71 due to the fact that some States had not allocated funds for Senior Citizens' Centres in that year and delays had occurred in the planning and approval at the State level of some projects put forward by Local Government Authorities. Moreover, some States had elected not to claim reimbursement from the Commonwealth for projects under their administrative control until they had reached completion.

158. In all the circumstances the Committee believes that funds were sought in the original Estimates for this item without proper regard for Treasury Direction 16/9 which states, inter alia:-

"Estimates shall not include amounts in respect of proposals which are so far from firm that it is not possible to form any real estimate of what payments, if any, will be made."

159. The evidence indicates a need for the Department to exercise greater care in the formulation of Estimates for new arrangements of this nature, particularly where expenditure is affected by State participation. It would appear to the Committee that in those circumstances the Department should have regard to the availability of the Additional Estimates and the Advance to the Treasurer.

(ii) Division 901/02 Payments to or for the States--States Grants(Home Care)
Act-Grants towards salaries of Welfare Officers.

<u>Funds Available</u>	<u>1968-69</u>	<u>1969-70</u>	<u>1970-71</u>
	\$	\$	\$
Appropriation Act No.2	-	150,000	75,000
Appropriation Act No.4	-	-	-
Advance to the Treasurer	-	-	-
Total Funds Available	-	150,000	75,000
Total Expenditure	-	437	2,650
Unexpended Funds Available	-	149,563	72,350

160. This item provides for financial assistance to participating States for the payment of half the salary of Welfare Officers employed by or in connection with Senior Citizens' Centres. The provisions of this Expenditure Item differ from those of Item 901/01 in that, under this Item, the States are not required to make contributions from their own funds towards the salary of Welfare Officers.

Exhibit
134/18
and Q.534

161. When the States Grants(Home Care)Act received assent on 14 June 1969 no estimates of costs were available from the States and the 1969-70 estimates for this Item were therefore based on an arbitrary assessment of the number of Welfare Officers for whom subsidy might be claimed during the year by the 750 Senior Citizens' Clubs throughout Australia.

Exhibit
134/18

162. The 1969-70 estimate of \$150,000 was reduced to \$75,000 for 1970-71 on the basis of estimates then available from the States, together with the known fact of Victoria's continued non-participation in the scheme. Many of the applications anticipated by the States for 1970-71 did not materialize. In particular in New South Wales thirty three of the forty three written enquiries received by the State Government from local governing bodies were found by the State Government to be intelligible. Of the remaining ten, none had reached the stage of submission for Commonwealth approval by 30 June 1971. Furthermore,

Exhibit
134/18
and Q.534

in the other States it has been found that even after approval has been given for salaries payable in respect of newly created positions to be subsidised, delays have occurred in appointing suitably qualified occupants. This was said to account for the fact that in respect of nine positions approved, the Commonwealth has only been called upon to make payments totalling \$3,087.

163. When the 1970-71 estimates were formulated the Department of Social Services considered it reasonable to assume that the State governments, local governing bodies and community welfare organisations would take advantage of the Commonwealth Government's offer of assistance more quickly than has, in fact, occurred. As the proposal for the Legislation emanated from the States themselves the Department thought it reasonable to assume that the States would be ready participants in the scheme. Also at that time the Department had no reason to believe that Victoria would not enter the scheme. In view of the then economic climate, no attempt was made to accelerate the rate of development of the scheme or to seek more expeditious presentation of claims for reimbursement of salaries paid.

Exhibit
134/18 and
Q.535

CONCLUSIONS

164. The circumstances revealed in the evidence relating to this Item are similar to those found in relation to Item 901/01. The Committee believes that the conclusions drawn and observations made in connection with that Item apply equally to Item 901/02.

(iii) Division 901/03 Payments to or for the States-States Grants
(Home Care) Act-Grants towards costs of
home care services.

<u>Funds Available</u>	<u>1968-69</u>	<u>1969-70</u>	<u>1970-71</u>
	\$	\$	\$
Appropriation Act No.2	-	-	-
Appropriation Act No.4	-	-	66,000
Advance to the Treasurer	-	-	-
Total Funds Available	-	-	66,000
Total Expenditure	-	-	-
Unexpended Funds Available	-	-	66,000

165. This Item provides for payments to be made in connection with Home Care Service Schemes approved under the States Grants (Home Care) Act 1969 to the extent that the sums payable to the States exceed the amounts specially appropriated by section 6 of that Act. Exhibit
134/9

166. Under the provisions of Part II, section 6 of the States Grants (Home Care) Act 1969, funds for payments to participating States in respect of expenditure on approved Home Care Service Schemes are provided by special appropriation to a limited extent and may be supplemented by annual appropriation. Exhibit
134/9

167. Having regard to the information available to the Department of Social Services when the original Estimates for 1970-71 were formulated, a special appropriation of \$180,000 was included in the Estimates for that year and no annual appropriation was sought. By January 1971, however, some expenditure had been recorded for States Grants Home Care Services and at that stage the States appeared to be able to provide a fairly reliable guide as to their likely expenditure during 1970-71. On the basis of this information the Department reached the conclusion that an expansion of approved Home Services would result in payments to the States in 1970-71 of \$322,000 including \$238,300 to New South Wales and \$80,137 to Queensland. In the expectation that payments to a State Exhibit
134/9
and Q.540

In excess of the amount specified against its name in section 6 of the Act would require appropriation by an Act other than the States Grants(Home Care) Act 1969, an amount of \$66,000 was included in the Additional Estimates under item 901/03. Payments to New South Wales in 1970-71 were then expected to amount to \$181,000 from the special appropriation and \$57,300 from item 901/03. The corresponding figures for Queensland were \$72,000 and \$3,137 respectively.

168. The provisions of the States Grants(Home Care)Act 1969 were re-examined at the request of the Director-General subsequent to the Additional Estimates for 1970-71. This re-examination led to the conclusion that special appropriation would lapse only when and to the extent that a State's Claims, in respect of a year to which Part II of the Act applies, total less than the amount specified against the name of the State in section 6(2.) of the Act. It was also concluded that annual appropriation need be sought only when expenditure by a State for or in connection with approved Home Care Services in a financial year exceeds twice the amount specified against the name of that State in section 6(2.) of the Act. We were informed that, in effect the change of view in relation to this provision of the legislation arose from a re-examination of the "fine print" of the Act.

Exhibit 134/19
and Qs. 541-
542

169. In May 1971 the Department of Social Services informed the Department of the Treasury of its change of view. The latter Department indicated that any additional payments beyond the amounts stipulated in section 6 of the Act to be made in 1970-71 in respect of expenditure in that year by a State would be a charge to the funds available under Appropriation Act No.4, 1970-71. In the event, however, no such additional payments were made. When our inquiry occurred no State had claimed an amount in excess of the special appropriation in section 6 of the Act in respect of expenditure in any financial year. Actual expenditure on grants to the States in 1970-71 was as follows:-

Exhibit
134 / 19

<u>State</u>	<u>Year of State Expenditure</u>	<u>Amount of Grant</u> \$	<u>Total Paid 1970-71</u> \$	
N.S.W.	1969-70	103,300	234,100	Exhibit 134/19
	1970-71	<u>130,800</u>		
Qld	1969-70	16,071	80,202	
	1970-71	<u>64,131</u>		
W.A.	1970-71	<u>3,500</u>	<u>3,500</u>	
			317,802	

This expenditure reached a level within \$5,000 of the \$22,000 expected to be spent in 1970-71, but was made wholly from the special appropriation in accordance with the ruling given by the Department of the Treasury in May 1971. In those circumstances the funds provided under item 901/03 were entirely unused.

CONCLUSIONS.

170. While this item is related in nature to the preceding items 901/01 and 901/02 the evidence shows in this case that funds were obtained in the Additional Estimates arising, evidently, from a misinterpretation by the Department of Social Services of the meaning of section 6 of the States Grants (Hono Caro) Act 1969. The change of view relating to the meaning of that section, which rendered unnecessary the provision of \$66,000 in the Additional Estimates, arose from a re-examination of the "fine print" in the Act, subsequent to the closing of the Additional Estimates.

171. The Committee regards these circumstances as a remarkable state of affairs, particularly as the Department of Social Services would have participated in the formulation of drafting instructions for the guidance of Parliamentary Counsel when the legislation was being framed.

172. The Committee believes that departments engaged in the administration of legislation must maintain a thorough knowledge of the provisions of the legislation concerned.

Chapter 9
Department of the Navy

(i) Division 634/05

Administrative Expenses and General Services--
Fuel, Light, Power, Water Supply, Sanitation and
Payment in lieu of Rates.

<u>Funds Available</u>	<u>1968-69</u>	<u>1969-70</u>	<u>1970-71</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Appropriation Act No.1	1,570,000	1,993,000	2,300,000
Appropriation Act No.3	144,000	217,000	100,000
Advance to the Treasurer	-	11,000	-
Total Funds Available	1,714,000	2,221,000	2,400,000
Total Expenditure	<u>1,711,772</u>	<u>2,220,321</u>	<u>2,322,123</u>
Unexpended Funds Available	<u>2,228</u>	<u>679</u>	<u>77,877</u>

173. This item provides for fuel, light, power, water supply, sanitation, payments in lieu of rates and extormination of vermin at H.M.A. establishments and dockyards. Exhibit 134 / 20

174. The Original Estimate of \$2,300,000 for 1970-71 was based on actual expenditure of \$2,220,321 in 1969-70 with an additional \$80,000 to allow for the affect of an increase of 540 in the civilian staff during 1970-71 and an associated overall increase in activities. Exhibit 134 / 20 and Qs. 555 and 556

175. When expenditure under the Item was reviewed as at 28 February 1971 in connection with the Additional Estimates, the amount spent under the Item had reached \$1,441,000. This figure was less than pro-rata expenditure but experience had shown that for this Item a higher than proportionate amount is usually spent in the latter part of the year. It was explained that this arises from the manner in which billings are received by the Department. Those involve a number of States and many electricity authorities which do not present their accounts on the same dates. For 1969-70 approximately 60 percent of the year's total expenditure occurred in the final four months of the year. Applying this same Exhibit 134/20 and Q.558

percentage to the expenditure recorded at 28 February 1971 the revised estimate of total expenditure for the year amounted to \$2,306,000 compared with the original Estimate of \$2,300,000.

176. In addition, five further commitments had been entered into on the Item. The first of these related to an increase in electricity charges in the Sydney area as from 24 November, 1970. This requirement amounted to \$39,000. The second concerned the introduction by the Local Government Authority in the Sydney area of a new charging system whereby, in addition to meeting excess water charges for 1969-70, it was also necessary to meet corresponding charges for 1970-71 on a monthly basis. This commitment was assessed at \$36,000. There was an under-estimate of \$6,000 for fuel requirements in the Sydney area. This was associated with a conversion from coke to gas at the R.A.N. torpedo establishments at Neutral Bay, New South Wales. So far as expenditure was concerned this resulted in additional fuel requirements although, overall, the project was regarded as economic due to savings on maintenance, labour and related costs. An underestimate of \$11,000 also occurred at the Recruit Training Centre in Western Australia. A series of new buildings had been established in the Recruit Training Centre at Northam, W.A. and the Department had not had the advantage, when formulating the original Estimates, of knowing the fuel costs for these buildings. The buildings were occupied on various dates throughout the year. A further underestimate of \$8,000 had occurred in relation to water usage in the Sydney area.

Exhibit
134/20 and
Q.547

177. The gross shortfall of \$85,000 that occurred on the Item related to three matters, one of which concerned the non-receipt of two claims amounting to \$17,000 for electricity in the Darwin area. These claims were received on 6 July 1971. It was explained that in the previous year the electricity accounts concerned had been received in June. Action was taken by the clerical staff in the local office in Darwin to approach the electricity authority to ascertain whether the account for 1970-71 was outstanding. They were advised, however, that all accounts

had been issued. It was claimed, in fact, that there had been some confusion on this matter because the meter had been read on 22 June 1971 and this caused the electricity authority to consider that the accounts had been rendered. This explanation was accepted by the relatively new Darwin office of the Department without pursuing the matter perhaps as adequately as it might otherwise have done.

Exhibit
134/20
and Q.548

178. \$19,000 of the gross shortfall related to an underestimate of receipts for the supply of electricity from personnel occupying Navy residences and which are credited to this item. It was explained that in the various Navy establishments there are associated residences which have the normal services including electricity and water provided for them. In most cases they are metered separately but in other cases there are specific arrangements prescribed as to the method of charging which is to be adopted. When the accounts are paid by the Department the money coming forward from the tenants of the houses for the electricity bills involved is credited to item 634/5. This action is taken at the Central Office of the Department when formulating the Estimate. In 1970-71 the credit was not taken into account due to an oversight on the part of the officer calculating the estimate at that time.

Exhibit
134/20 and
Qs.549 to 553

179. An overestimate of \$49,000 also occurred in the requirement for electricity. Contributing factors to this overestimate were the introduction of economy measures in establishments and dockyards as from February 1971 and a reduction in overtime with a consequent reduction in the demand for power and light.

Exhibit
134/20
and Q.550

180. The gross shortfall in expenditure was reduced by \$7,000 to \$78,000 arising from an underestimate of \$3,000 in the

requirements for water and sanitation and \$9,000 in payments in lieu of rates. These in turn were partly offset by a shortfall of \$5,000 in requirements for the extermination of vermin.

Exhibit
134/ 20

CONCLUSIONS

181. On the basis of the evidence the Committee appreciates the difficulties that arose for the newly-created Darwin office of the Department in relation to electricity accounts amounting to \$17,000. At the same time the evidence indicates the need for that Office to examine the circumstances of outstanding accounts with great care.

182. The evidence also shows that \$19,000 of the shortfall that occurred in expenditure arose from a failure to deduct credits arising from electricity accounts, when the original Estimate was formulated. As these credits are part of an established administrative arrangement within the Department, the Committee believes that the error reflects adversely on the administrative staff concerned. It also believes that appropriate action should be taken to ensure that errors of this nature do not recur.

(ii) Division 634.15 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	446,000	442,600	569,000
Appropriation Act No.3	-	77,700	51,000
Advances to the Treasurer	-	-	-
Total Funds Available	446,000	520,300	620,000
Total Expenditure	405,283	498,277	583,219
Unexpended Funds Available	40,717	22,023	36,781

183. The purpose of this item is to provide for Public Relations, repairs to office equipment, advertising of civil vacancies, naval displays, Navy League Cadets and other incidental expenditure.

184. For the purpose of estimate formulation the Item Q.580 is divided between ten navy Central Office directorates, each of which has a direct responsibility for particular elements. The financial requirements of each directorate are compiled by the Director of Financial Programming into a single statement of requirements which is considered by a Financial Programming Committee within the Central Office.

185. When expenditure was reviewed on 28 February 1971 in connection with the Additional Estimates, \$368,000 had been spent under the item. At the same stage in 1969-70, 45 percent of the total expenditure for the year had occurred under the item. On this basis it was expected that total expenditure would reach \$570,000 by 30 June 1971. In addition, however, it was estimated that \$25,000 would be required for payment to consultants for investigations and reports on the organization and management of the Williamstown Naval Dockyard. A further \$40,000 was required to meet increased expenditure on advertising of vacancies for civilian staff arising from difficulties that were being experienced in the recruitment of professional, sub-professional and technical personnel and from

Exhibit
134 / 21

a high labour turnover in naval dockyards. On the other hand, it was expected that a reduction of \$14,000 would occur under the item in the requirement for naval displays, due partly to a reduction in the estimated costs of display models.

186. \$21,000 of the total shortfall on the item related to a delay in the finalization of the requirements for a display caravan with a consequent delay in the placement of the order through the Department of Supply. It was proposed that the caravan shall be provided by a contract placed with an external manufacturer and would then be fitted out by the Garden Island Dockyard. Several factors contributed to this delay following the issue of the procurement demand in October 1970. Tenders were received on 18 March 1971 and delivery was expected to occur ten weeks after the tender had been accepted. Due to a variation made in the contract, however, the unit had not been delivered by the close of the financial year. We were informed when our inquiry occurred on 28 September 1971 that delivery was expected to take place late in October.

Exhibit 134/21
and Qs. 569
and 575

187. \$12,000 of the shortfall in expenditure related to delays that occurred in research and the writing of historical material for a book relating to navy activities in Vietnam. These caused a further delay in publication. It was explained that the Department intends to produce the book because about 5,000 naval personnel have served in Vietnam and are interested in obtaining a permanent record of the Navy's activities in the area. While the book is not an official history of the Vietnam conflict, it is based on official records and to that extent will provide a reliable account of the events that occurred. It was further explained that the production of the book relies to some extent on information being obtained from the Department of the Army and the Department of Air but it had not been expected that this information would have taken as much time as was, in fact, required for its development. In an endeavour to overcome to some extent the delay that was occurring in the actual research and writing of the book, an attempt was made to bring forward the

Exhibit
134 / 21
and Q.570

action for its publication by consulting with the Australian Government Publishing Service on the format, type, general layout, and related matters on which the Publishing Service is competent to provide advice. As a consequence of the negotiations it was decided not to proceed with these matters until the text had been settled.

188. The remaining \$4,000 of the shortfall in expenditure related to the unsatisfactory colour printing at the proof stage of public relations material. This caused a delay in delivery with consequent non-payment prior to 30 June 1971. It was explained that the material concerned is utilized for dissemination to bring the activities of the Royal Australian Navy before the public. About 70,000 copies of the publication were printed but were returned on two occasions to the printer because the colour which had been used in them was not regarded as satisfactory. While delivery had been scheduled for 1 February 1971 they were not delivered until 5 July of that year.

Exhibit
134/21
and Q.571

CONCLUSIONS

189. The evidence shows that the principle elements involved in the shortfall in expenditure under this item had been included in the original Estimates. It appears that delays occurred in settling the requirements for a display caravan and further delays on the project occurred due to a variation made to the contract after letting. Those circumstances indicate that funds were sought prematurely for this project. Similarly, the evidence indicates that funds were sought prematurely in the original Estimates for the production of a historical book relating to the role of the Navy in the Vietnam war. In this case the Department apparently misjudged the amount of time that would be required for relevant information to be provided by the Department of the Army and the Department of Air.

CONCLUSIONS

190. In Chapter 1 the Committee stated that it had sought to ascertain whether or not the departments concerned in the Inquiry had maintained efficient administration in the expenditure of funds under the items selected for examination.

191. 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 reduced in many cases the amounts which departments might otherwise have spent in relation to the estimates. Many of the departmental explanations tendered during our Inquiry made reference to this mid-year change in financial policy with its necessary consequential affects 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.

192. In recent years the Committee has paid particular attention to the estimates and related expenditure of the departments. It has taken the view that as a poor standard of estimating has wide ramifications it has been not only excessive expenditure that has attracted attention but also the over provision of funds. The Committee has stated that such provisions are undesirable, misleading and perhaps unfair to other departments whose financial needs might not have been satisfied. At the same time, the Committee would emphasise that it does not regard the total expenditure of available funds under a particular appropriation Item as an objective to be sought in all circumstances. Indeed, such a criterion could give

rise to unnecessary and uneconomic expenditure and the distortion of administrative practices. In this regard the Committee has been critical of departments that have accelerated payments in order to prevent an appropriation from lapsing. Two such cases were reported on in the 102nd and 113th Reports of the Committee.

193. As this and previous reports relating to expenditure from the Consolidated Revenue Fund show, there are explanations for expenditure variations from the estimates which arise from unforeseen circumstances or other factors and which are acceptable to the Committee. In this Report, however, as in similar reports of earlier years, the Committee has found it necessary to refer to cases of unsatisfactory estimating or inadequate administrative performances that have resulted in shortfalls in expenditure. Attention has been drawn to these inadequacies where they have arisen.

194. One feature of the evidence to which the Committee would draw particular attention however, relates to the need for departments that are engaged in the administration of legislation to maintain a thorough knowledge of the provisions of the legislation concerned.

195. A further matter to which the Committee would again invite specific attention relates to the quality of evidence tendered by departments. As indicated in our 133rd Report, considerable improvement has been achieved in this regard by most departments in recent years. However, inadequacies persist and 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. The substance of this memorandum has been set out in our 133rd Report.

196. Allied to this matter the Committee would again 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 departmental officers preparing submissions and the witnesses representing departments indicate that where an error or omission is discovered by a Department in a submission prior to a public Inquiry, the Department should rectify the matter by tendering an Additional Submission.

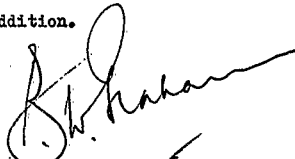
197. In recent years, to assist departments in the submission of evidence twelve copies only of submissions have been sought initially in connection with inquiries relating to expenditure from the Consolidated Revenue Fund. The remaining number of copies required are not sought until the Committee has completed its selection of items for inquiry. It should be noted carefully, however, that the copies of submissions tendered originally by departments are retained by Committee Members for the 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 either during the public inquiry or during the preparation of the relevant report. This matter was referred to in our 133rd Report. We would again emphasize that the system that has been evolved is designed to assist departments as far as possible in the submission of evidence but it cannot provide for the amendment of evidence by a process of secret substitution, deletion or addition.

For and on behalf of the Committee,



David N. Reid
Secretary,
Joint Committee of Public Accounts,
Parliament House,
Canberra.

8 December 1971



B.W. Graham
Chairman.