

1972.

DEPARTMENT OF THE SENATE
PAPER NO. 4424
DATE 21 SEP 1972
PRESENTED
<i>J.R. Odgers</i>
• Clerk of the Senate

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

ONE HUNDRED AND THIRTY-
EIGHTH REPORT

TREASURY MINUTES ON THE
ONE HUNDRED AND FOURTH AND
ONE HUNDRED AND EIGHTEENTH
REPORTS

TOGETHER WITH A

SUMMARY OF THOSE REPORTS

JOINT COMMITTEE OF PUBLIC ACCOUNTS

EIGHTH COMMITTEE

J.D.M. DOBIE, Esquire, M.P. (Chairman) (5)

B.W. GRAHAM, Esquire, M.P. (Chairman) (4)

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

Senator J.F. FITZGERALD	(7)	F.W. COLLARD, Esquire, M.P.
Senator M.G.C. GUILFOYLE	(3)	J.F. COPE, Esquire, M.P.
Senator A.G.E. LAWRIE	(3)	L.H. IRWIN, Esquire, C.B.E., M.P. (6)
Senator J.J. WEBSTER	(2)	A.W. JARMAN, Esquire, M.P.
Senator Dame Ivy WEDGWOOD	(1)	J.A. PETTITT, Esquire, M.P. (6)
Senator R.E. McAULIFFE	(8)	I.L. ROBINSON, Esquire, M.P. (5)

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

SECTIONAL COMMITTEES

(Appointed on 2 August, 1972, pursuant to Section 9
of the Public Accounts Committee Act 1951-1966)

Sectional Committee A

B.W. Graham, Esquire, M.P. (Chairman)
F.W. Collard, Esquire, M.P. (Vice-Chairman)
Senator A.G.E. Lawrie
Senator R.E. McAuliffe
L.H. Irwin, Esquire, C.B.E., M.P.

Sectional Committee B

C.J. Hurford Esquire, M.P. (Chairman)
A.W. Jarman, Esquire, M.P. (Vice-Chairman)
Senator M.G.C. Guilfoyle
J.F. Cope, Esquire, M.P.
J.A. Pettitt, Esquire, M.P.

- (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
- (7) Discharged 16 May, 1972
- (8) Appointed 17 May, 1972

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 the 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	Treasury Minute on the One Hundred and Fourth Report relating to the Commonwealth Serum Laboratories Commission	7
3	Treasury Minute on the One Hundred and Eighteenth Report relating to expenditure from the Consolidated Revenue Fund(Appropriation Acts 1968-69)	19

JOINT COMMITTEE OF PUBLIC ACCOUNTS
ONE HUNDRED AND THIRTY-EIGHTH REPORT

TREASURY MINUTES ON THE ONE HUNDRED AND
FOURTH REPORT RELATING TO THE COMMONWEALTH
SERUM LABORATORIES COMMISSION AND THE ONE
HUNDRED AND EIGHTEENTH REPORT RELATING TO
EXPENDITURE FROM THE CONSOLIDATED REVENUE
FUND (APPROPRIATION ACTS 1968-69)

Chapter 1 -Introduction

In its Seventy-ninth Report dated 10 March 1966,
Your Committee set out in detail the basis of the Treasury
Minute arrangements which have been made to ensure that
appropriate action ensues from comments contained in our
Reports.

P.F.No.275
of 1964-65-66

As they now stand, the arrangements concerned are:-

- (1) The Report of Your Committee is tabled by the Chairman in the House of Representatives and by a Member of the Committee in the Senate. Motions are moved in both Houses of the Parliament that the Report be printed as a Parliamentary Paper.
- (2) The Chairman of Your Committee thereafter forwards a copy of the Report to the departments affected and to the Treasurer with a request that he give the Report his consideration and inform the Chairman of the action taken to deal with Your Committee's comments.
- (3) The reply received, which is in the form of a Treasury Minute, is then examined by Your Committee and, together with the conclusions of the Report to which it relates, is submitted as soon as possible to the Parliament as a Report.

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

CHAPTER 2 - TREASURY MINUTE ON THE ONE HUNDRED AND FOURTH REPORT RELATING TO THE COMMONWEALTH SERUM LABORATORIES COMMISSION.

Committee's Conclusions
One Hundred and Fourth Report
(27 February 1969)

Treasury Minute
(21 June 1972)

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

Decentralisation of Production Facilities

230. Your Committee notes that since their establishment, the Commonwealth Serum Laboratories themselves have been located on one site at Parkville in Victoria. Your Committee further notes the view expressed by the Director of the Laboratories that there is no intention to resume any further land in Royal Park, Parkville. While the progressive development of that site over the intervening years would undoubtedly have yielded substantial economies compared with the development of laboratories on a geographically dispersed basis, your Committee believes that the stage may now have been reached where, for strategic reasons, consideration should be given to a greater decentralisation of development of production facilities for vital sera.

The Department of Health has advised that when the Woodend farm was purchased in 1959 the defence aspect was considered, the siting of the farm having relevance to dispersal of vital sera manufacturing facilities. This aspect was also taken into consideration when the decision was made to relocate the Commission's activities in the Broadmeadows area, additional activities being transferred to the Woodend farm.

It has been estimated that, assuming a suitable site can be selected and provided with necessary services, the cost of duplication of the Serum Fractionation Plant would be in excess of \$2 million. In addition, decentralisation would have an important influence on the Commission's operations and would involve reconsideration of the financial arrangements under which the Commission now operates. The question of the desirability of decentralization of production facilities for vital sera is receiving further consideration.

Committee's Conclusions
One Hundred and Fourth Report
(27 February 1969)

Treasury Minute
(21 June 1970)

Meetings of the Commission

231. So far as the constitution of the Commission is concerned, our attention was attracted to section 16 (2.) of the Commonwealth Serum Laboratories Act, which provides that the Chairman of the Commission shall not permit a period exceeding five weeks to elapse between meetings of the Commission. While undoubtedly the purpose of this provision is to ensure that regular meetings are held, we were informed that circumstances have arisen whereby a meeting of the Commission has been convened merely to comply with this provision in the Act. In order to obviate the need for meetings convened only for that purpose, your Committee believes that in the interests of flexibility in the convening of Commission meetings the Department of Health should confer with the Commission to assess whether an amendment to section 16 (2.) of the Act is desirable.

The view of the Department and the Commission is that regular meetings of the Commission should be held. However, they recognise that there are ambiguities in the present provisions of section 16 of the Commonwealth Serum Laboratories Act 1961-1970 and it is envisaged that minor amendments to the section to overcome these will be proposed at an appropriate opportunity.

Delegations

232. In regard to section 17 of the Act, which confers the power of delegation on the Commission, the evidence showed that the delegations in existence at the time of our hearing in May 1967, and which had been formulated in 1961, were somewhat obsolete due to staff, organisational and other changes that had occurred. In February 1968 we were informed that progress

The Commission has issued amended delegations to executives of the Laboratories in accordance with the provisions of section 17 of the Act.

Committee's Conclusions
One Hundred and Fourth Report
(27 February 1969)

Treasury Minute
(21 June 1972)

had been made in the development of a more flexible scheme of delegations, although this had not been committed to written form at that stage. Your Committee believes that, in the interests of efficient administration, the Commission should complete the re-development of its scheme of delegations in written form at the earliest opportunity.

Reasonable Return on Capital

233. During our inquiry we examined specifically the requirements laid down in section 21 of the Commonwealth Serum Laboratories Act that the Commission shall, in relation to biological products prescribed in section 19 (a) of the Act, pursue a policy directed towards securing revenue from the sale of those products sufficient to meet all of its expenditure in connection with those products that is properly chargeable to revenue, and to permit the payment to the Commonwealth of a reasonable return on the capital of the Commission.

234. We were disturbed to find that representatives of the Department of Health, which had framed the legislation, were unable to define the meaning of a reasonable return on funds.

The question of determining what is a "reasonable return" on the capital of the Commission employed on commercial activities is influenced by a number of factors. Firstly, the prices for the commercial products are determined by the Minister. Secondly, the Commission may produce and sell only biological products, some of which cannot be profitable because of the extremely limited demand for them e.g. the various antivenenes. The overall profitability of the commercial activities is therefore influenced by the "product-mix" of the activities carried out under section 19 (a) of the Act.

A third factor is the way in which other activities undertaken in accordance with Ministerial determinations under section 19(b) of the Act are financed. Because of the present provisions of section 38, expenditure under section 19(b) determinations becomes

Committee's Conclusions
One Hundred and Fourth Report
(27 February 1969)

235. Beyond suggesting that, on a commercial basis, the long term bond rate would represent a reasonable gross return on capital for the Commission, the Treasury Observer felt that the definition of a reasonable return on funds would depend on the situation of the particular statutory authority concerned in relation to its competitors and on other circumstances that have a bearing on its ability to make a profit. In any case, it appears from the evidence that it would be necessary for the capital employed by the Commission to be dissected so as to isolate the capital employed in commercial activities in order to determine a reasonable return on such capital. Your Committee believes that the Department of Health and the Department of the Treasury should seek to clarify for the guidance of the Serum Laboratories Commission the meaning of the expression 'reasonable return on capital'.

Treasury Minute
(21 June 1972)

a first charge against profits arising from section 19 (a) activities. Hence, the amount available for a return on capital employed in commercial production will be lower than it otherwise would be.

In these circumstances, it is difficult to determine what would be a "reasonable" return on capital which the Commission would be expected to achieve from its commercial activities. As a first step, the Commission has examined the feasibility of dissecting its capital employed between strictly commercial (i.e., potentially profitable) activities and those associated with its public health obligations. The Department of Health and the Commission have now reached the conclusion that there are very real difficulties in determining satisfactory bases of apportionment and that decisions on these matters would be so arbitrary as to render the final dissection virtually meaningless.

The broad issue of the Commission's obligation to pay to the Commonwealth a return on capital employed in profitable commercial activities may be influenced by the outcome of a review, referred to below, currently being undertaken in the Treasury of certain financial aspects of statutory authorities. In association with this review, the Treasury intends to examine with the Commission and the Department of Health the nature of the difficulties preventing an apportionment of capital that would be acceptable to all concerned.

Committee's Conclusions
One Hundred and Fourth Report
(27 February 1969)

Treasury Minute
(21 June 1972)

Sections 19, 21 and 22 of the Commonwealth
Serum Laboratories Act

236. Your Committee has also given careful consideration to the relationships that exist between sections 19, 21 and 22 of the Commonwealth Serum Laboratories Act. In regard to these sections the Chairman of the Commission drew attention to the fact that section 19 confines, restricts and limits the activities of the Laboratories in such a way that the Commission does not have the flexibility of operation and the opportunity to diversify that are available to private enterprise. Section 22 places an obligation on the Minister to determine the price of all products supplied directly to a government or to a person on behalf of a government after conferring with the Commission. Section 21 directs the Commission to follow a policy which, among other things, will produce a reasonable return on capital employed. The Chairman claimed that a conflict exists between these sections in that limitations are placed on the sale of biological products in which a considerable area of the Commission's sales is affected, directly and indirectly, by prices beyond the actual control of the Commission. For this reason the Commission claims to be gravely handicapped when it seeks to carry out the duty imposed on it of also working towards a profit.

The Commission has restated its view that sections 19 and 22 of the Act inhibit the activities of the Laboratories in such a way that the Commission is handicapped when it seeks to carry out the duty imposed on it under section 21 of the Act of also working towards a profit. In addition, section 19 (a) limits the Laboratories to activities based upon biological products. That is a very real restriction as biologicals are diminishing in relative importance and becoming progressively more expensive to manufacture and sell.

The Department of Health and the Treasury however consider that an Act must be read as a whole, and an interpretation cannot be placed on one particular section without having regard to other sections of the Act. A comparison of section 21 (which requires the Commission to aim for a reasonable return) and paragraph (b) of section 19 (under which the Commission can be required by Ministerial Determination to conduct uneconomic services), does not reveal any conflict. The requirement to aim for a reasonable return is expressed in section 21 to apply only in relation to those products prescribed under paragraph (a) of section 19, which the Commission produces on a commercial basis.

Committee's Conclusions
One Hundred and Fourth Report
(27 February 1969)

Treasury Minute
(21 June 1972)

Your Committee notes the view expressed by the Chairman of the Commission that this dilemma will remain until it is made clear that the Commission is to be regarded either primarily as a part of the public health service of the community with a section devoted to commercial activities, or is primarily a commercial activity with limited government responsibility.

237. So far as the accounts of the Laboratories are concerned, the evidence shows that it was not until 1949 that a system of double entry commercial accounting was introduced. From that point onwards improvements were made in the Laboratories' accounting techniques and by the time the Commission was established in 1961 some fifty-five cost departments or centres were maintained, enabling accurate costing to be undertaken for laboratory products and services.

238. It appears that since the establishment of the Commission, accounting records in accordance with accepted commercial principles and practices have been introduced. In the specific area of costing, the Commission's approach has been based on a departmentalised cost centre principle, the individual cost centres embracing production costs, services to production and overheads. Costs are accumulated on a direct cost

There is, prima facie, some scope for arguing that a conflict exists between the section 21 requirement that the Commission make a reasonable return and section 22 which provides for the Minister, rather than the Commission, to determine the charges for commercial products. But, even here, it can be argued that there is no conflict because any determination of the size of a reasonable return would have to recognise that the Commission is not allowed to set its own prices.

The Treasury has commenced a review of policy in relation to the financial arrangements applicable to concessional or non-profitable services provided for reasons of Government policy by statutory authorities generally. This review will examine the position of the Commonwealth Serum Laboratories Commission as well as other statutory authorities.

In regard to the new standard costing procedure referred to in paragraph 238 of the Committee's Report, the Commission introduced a new system of cost control designed to give a greater degree of management efficiency by cost responsibility from 1 July 1969.

Committee's Conclusions
One Hundred and Fourth Report
(27 February 1969)

Treasury Minute
(21 June 1972)

basis, where practical, to each of these cost centres. However, within each cost centre both public health and commercial products are produced side by side. We note that the Commission has reached the conclusion that it must introduce a system that will enable it to divide the Laboratories not only into more controllable cost centres, but which will enable a greater degree of management efficiency by cost responsibility to be achieved. While the Commission had completed a new standard costing procedure layout by November 1967 and had made progress with its implementation, it appears that the completion of this work was subsequently impeded by a staffing difficulty.

239. During our inquiry we examined the revenue accounts and balance sheets of the Laboratories, as published by the Auditor-General, for the five years prior to the establishment of the Commission, and we also examined the revenue accounts and balance sheets furnished each year by the Commission in its annual reports. However, both the Department of Health and the Commission have taken the view that they should not publish more information in relation to the trading activities of the Laboratories, particularly on the commercial side, than would be published by members of the pharmaceutical industry. While we accept

Committee's Conclusions
One Hundred and Fourth Report
(27 February 1969)

Treasury Minute
(21 June 1972)

this view, we nevertheless found it necessary to obtain from the Department and the Commission, confidential copies of revenue accounts and balance sheets adequate in form and detail to enable a full financial analysis to be made. The analysis indicated the employment of skilled management techniques and that public funds were being employed in a satisfactory manner. Indeed, the statements of the source and disposition of funds, statements of asset disposals, consolidated movements in working capital and the Commission's chart of accounts indicated that a precise and detailed historical accounting record had been maintained. They also indicated that the Commission's procedures, while capable of further refinement, compare favourably with accounting techniques employed by commercial enterprise.

240. In view of the opinion expressed by the Chairman of the Commission that a conflict exists between sections 19, 21 and 22 of the Commonwealth Serum Laboratories Act and the claim that the introduction of more refined accounting techniques will not achieve their full purpose until the costs of non-profit making research-type activities have been isolated in the Commission's accounts, Your Committee believes that a useful purpose would be served if the Government were to review the relationship between sections 19, 21

Committee's Conclusions
One Hundred and Fourth Report
(27 February 1969)

Treasury Minute
(21 June 1972)

and 22 of the Act. We also believe that the Commission would be assisted greatly in its future activities if the relationship between it and the Department of Health were to be altered in such a way that the Department would become a client of the Commission in respect of all section 19 (b) production and research activities. We would envisage, under such a relationship, that the Department would seek funds under its own votes to meet the costs of those activities. Apart from the fact that the level of expenditure involved would be clearly identifiable to the Parliament each year, we also believe that the Commission would be able, more readily, to meet the requirements of section 21 of the Act which, inter alia, requires the payment of a reasonable return on the capital of the Commission to be made to the Commonwealth.

Statutory Authority Legislation

241. Following its far reaching inquiry into the Australian Aluminium Production Commission in 1954-55, Your Committee made recommendations not only relating to the conduct of the Commission's affairs but relating also to statutory authority legislation generally. The latter recommendations related to the need to achieve uniformity as between statutory authorities, particularly in regard to such matters as the audit of their accounts; the question of responsibility

The Commission, in practice, always advises the Minister of borrowing proposals under section 34 of the Commonwealth Serum Laboratories Act prior to seeking the Treasurer's consent to the borrowing arrangements. However, it is proposed to seek amendments to section 34 of the Act, to provide for Ministerial approval to be obtained prior to reference to the Treasurer.

The need for uniformity of approach in the constituting legislation of the various

Committee's Conclusions
One Hundred and Fourth Report
 (27 February 1969)

for the form of accounts of statutory corporations and Government trading undertakings and the need to clarify the position with regard to pecuniary interest of members of statutory corporations. The subsequent Treasury Minute relating to these Reports showed that the need to achieve sensible uniformity between statutory corporations had been recognised and appropriate action taken. Nevertheless, it appears to Your Committee from the evidence tendered in this inquiry that further scope exists for the refinement of statutory authority legislation in the area of Government trading undertakings. The evidence shows that there is no requirement under section 34 of the Commonwealth Serum Laboratories Act that the Minister must consent to borrowing by the Commission. No limit is placed on the amount that may be borrowed and no reference is made as to the rate of interest at which borrowings may be made. In the case of the Australian National Airlines Commission and the Australian Coastal Shipping Commission, however, limits have been set as to the amounts that may be borrowed and the Minister must approve of the borrowings. In the case of the Australian Coastal Shipping Commission the legislation makes reference to a rate of interest on borrowings. In these circumstances, Your Committee considers that all statutory authority legislation

Treasury Minute
 (21 June 1972)

statutory authorities operating business undertakings in relation to some matters is recognised. As a particular Act comes up for amendment for one reason or another, the opportunity is taken in the Treasury, wherever possible, to examine its financial provisions to determine whether amendments are desirable to correct deficiencies revealed by experience or to bring them into line with similar provisions in the most recent legislation of comparable authorities. General studies are also undertaken with a view to determining the most appropriate approach on the various aspects of the financial relationships between the Government and its statutory authorities, as expressed in their constituting legislation. For example, following consultations with the First Parliamentary Counsel and the Auditor-General, consistency has been achieved in recently agreed provisions relating to the keeping of accounts and audit requirements, and it is proposed that these be incorporated in new or amending legislation as opportunity permits.

The Committee's comments on the borrowing powers of various statutory authorities operating business undertakings have been noted. A more or less standard borrowing provision has been drawn up, and this will be considered for incorporation in the Acts constituting the various authorities with borrowing powers as and when their Acts come up for amendment.

Committee's Conclusions
One Hundred and Fourth Report
(27 February 1969)

Treasury Minute
(21 June 1972)

governing trading enterprises should be examined critically with a view to achieving uniformity of arrangements as between the enterprises concerned wherever practicable.

Annual Reports

242. During our Inquiry, we examined carefully the question of the adequacy of the Commission's annual reports in the context of their value as information documents for members of the Parliament. In general, we accept the Commission's viewpoint that the form and content of its annual reports is a matter requiring careful judgment as it is engaged in the marketing of a range of products in competition with other suppliers to the Australian market. Subject to this general qualification, however, we believe that the Commission should, wherever possible, provide in its reports as much information as possible regarding its activities for the benefit of the Parliament and the public. We would emphasise the importance of this matter as we found that, while the annual reports of the Commission had provided figures of total staffing until 1963-64, no reference to staff numbers employed had been made in the reports for the two subsequent years. As the witnesses representing the Commission were unable to suggest reasons why these omissions had occurred, Your Committee believes that there is scope within the Commission for the exercise of greater care to

The observations of the Committee in connection with the adequacy of the contents of the Commission's Annual Report have been noted by the Commission. The Commission's Report for 1966-67, issued shortly after the Committee's first public hearing in May, 1967 and the Minister raising the question of the adequacy of the Reports with the Commission, included reference to the staff numbers employed and a number of other matters relevant to the Committee's comments.

Committee's Conclusions
One Hundred and Fourth Report
(27 February 1969)

Treasury Minute
(21 June 1972)

ensure that material is not inadvertently withheld from reports. Your Committee notes with satisfaction that, prior to the conclusion of our public hearing, the Minister had raised with the Commission the question of the adequacy of its reports.

CHAPTER 3 - TREASURY MINUTE ON THE ONE HUNDRED
AND EIGHTEENTH REPORT RELATING TO
EXPENDITURE FROM THE CONSOLIDATED
REVENUE FUND,
(APPROPRIATION ACTS 1968-69)

Committee's Conclusions
One Hundred and Eighteenth Report
(5 June, 1970)

Treasury Minute
(7 August, 1972)

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

DEPARTMENT OF AIR
Administrative Expenses and General Services - Research and Development

13. Your Committee believes that the Department should have examined with greater care, the basis of the estimates prepared by the Aeronautical Research Laboratories for inclusion in the Appropriation. Estimates should not include amounts for proposals which are so far from firm that it is not possible to know what payments, if any, will be made.

Equipment and Stores - Transport, Firefighting, Handling and Construction Equipment

26. It appears to Your Committee that shortfalls that occurred in expenditure on dump trucks and fire trucks arose primarily from an industrial dispute that occurred in the United State of America and were beyond the control of the Department. In the case of Air Corps and Passenger Handling Aids, however, it appears that some delays that occurred in production and in the placement of orders arose from the need to await the completion of drawing by the Contractor. Your

Committee's Conclusions
One Hundred and Eighteenth Report
(5 June, 1970)

Treasury Minute
(7 August, 1972)

Committee believes that in these cases, funds were sought prematurely in the Original Estimates. Regarding maintenance items your committee notes with concern the admission made by the Department that the estimate was set at too high a level.

Equipment Stores - Communications, Electronic and General Electrical Equipment

36. It appears to your committee that the shortfalls that occurred in expenditure on control and reporting units, generating sets ordered prior to 1 July 1968, additional computer equipment and automatic telegraphy equipment were beyond the control of the Department.

37. In the case of generating sets to be ordered in 1968-69, however, it appears that the placing of the orders was dependent upon the development of a proper prototype. The prototype did not meet the specified requirements. In the circumstances your committee believes that funds were sought prematurely in the Original Estimates for this project.

Equipment and Stores - Maintenance and Servicing Equipment and Materials

50. Your committee accepts the Department's explanation in relation to airfield matting. Regarding the acquisition of air transportable

The Department of Air has stated that in respect of the proposed purchase of the air transportable hangars it followed the principle of estimating set

Committee's Conclusions
One Hundred and Eighteenth Report
(5 June, 1970)

Treasury Minute
(7 August, 1972)

hangars, however, it is clear that the Department should have entered into a firm commitment with a manufacturer for the supply of this equipment before seeking funds to cover the purchase.

51. In relation to other items of capital equipment Your Committee notes with concern that delays occurred in the Department of Air in issuing technical specifications for air transportable cabins and that the Department was also responsible for the non-delivery of camouflage netting. Moreover it is clear that the Support Command caused delays in evaluating four driver-operated sweepers.

52. So far as maintenance expenditure under this Item is concerned, Your Committee notes that with the recent development of computer programmes the Department is now able to determine the usage of these items and to make a more realistic assessment of its requirements.

Aircraft and Associated Initial Equipment - Purchase and Manufacture

72. Your Committee accepts the Department's explanations with the exception of the following three

down by the Treasury for the guidance of departments that each individual estimate should represent a realistic assessment of the amount that is expected to be spent during the financial year having regard to the information available to the department when the estimate is formulated. Treasury would not have expected the department to enter into a firm commitment with a manufacturer before seeking funds in the Estimates.

The Department has advised that provision for the purchase of the Command Liaison Aircraft was included in the

Committee's Conclusions
One Hundred and Eighteenth Report
(5 June, 1970)

matters. It appears that, due to an oversight, the approval of the Department of Defence was not obtained to the purchase of three Command Liaison aircraft. Secondly we note that part of the cause of the shortfall in expenditure on VIP aircraft arose from the fact that the estimate had been set at too high a level. Finally, it appears that due partly to incorrect chargings at overseas offices in May and June 1969 an amount of \$36,000 was charged to Item 702 instead of to Item 700. The incorrect chargings were not detected until after 30 June 1969. Your Committee regards each of these matters as unsatisfactory.

DEPARTMENT OF EDUCATION AND SCIENCE

Capital Works and Services - Buildings and Works -
The Australian National University

82. The evidence shows that the principal shortfalls in expenditure occurred in relation to works in progress and new works connected with the Australian Universities Commission Programme at the Australian National University. We note that in 1967 the University decided to review its site plan and advertised for a new site planner. The new appointee did not take up duty, however, until October 1968. In these circumstances

Treasury Minute
(7 August, 1972)

Department's estimates at the request of the Department of Defence. After further analysis of the requirement, however, the Department of Defence decided not to proceed with the proposal.

Improvements have been made in the procedures for costing and posting of transactions in the Sub-Treasuries at London and New York which should further reduce the possibility of similar errors occurring.

The Department of Education and Science maintains that the estimates prepared in relation to the capital works of the Australian National University for 1968-69 were determined on a reasonable basis. The decision taken by the University which affected expenditure was not in evidence at the time the estimates were being prepared.

Committee's Conclusions
One Hundred and Eighteenth Report
(5 June, 1970)

Treasury Minute
(7 August, 1972)

Your Committee believes that the Department of Education and Science should have approached with considerable caution the formulation of the Estimate for this Item for 1968-69.

83. Your Committee is also disturbed by the fact that the witness was unable to supply detailed evidence in relation to several matters referred to in the Department's written submission. In this regard we would again draw attention to memorandum 66.411 of 18 January 1966, circulated by the Secretary, Public Service Board to all Permanent Heads. In that memorandum it was stated:

The Treasury issued a circular memorandum to all Permanent Heads on 16 October 1970 stressing the importance of thorough briefing of departmental witnesses and the necessity for accuracy in departmental submissions.

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

Committee's Conclusions
One Hundred and Eighteenth Report
(5 June, 1970)

Treasury Minute
(7 August, 1972)

Capital Works and Services - Buildings and Works -
Contributions to Affiliated Residential Colleges at
the Australian National University

88. On the basis of the evidence tendered in this case, Your Committee accepts the Department's explanation.

Capital Works and Services - Plant and Equipment -
Australian Capital Territory Education Services

91. Your Committee believes that the Department sought funds for the language laboratory prematurely. When those funds were sought basic questions such as the location of the laboratory had not been settled and it was not until the final month of the financial year that contracts for this work were actually let.

Other Services - Curriculum Development

96. Your Committee accepts the Department's explanation concerning the shortfall in expenditure arising from the Junior Secondary Science Project. Your Committee is somewhat concerned, however, by the fact that funds were evidently sought under this Item for the development of curriculum projects in other fields, in anticipation of the creation of the Branch required to carry out that work. We believe that funds for this purpose could well have been sought, if need be, later in the financial year.

Committee's Conclusions
One Hundred and Eighteenth Report
(5 June, 1970)

Treasury Minute
(7 August, 1972)

DEPARTMENT OF EXTERNAL AFFAIRS
(Now the Department of Foreign Affairs)
Overseas Service - Administrative Expenses -
Furniture & Fittings

109. Your Committee accepts the Department's explanation in relation to the shortfall in expenditure.

110. Your Committee is disturbed, however, by the fact that provision for furnishings was included initially in the Capital Works Item 830/1/06 contrary to principles recommended by the Committee appointed by Government Senators on the Appropriation Bills (1964). In this regard Your Committee would observe that the substance of the recommendations embodied in that Report was accepted by the Government and made public in the Parliament in May 1965 in the Second Reading Speech relating to the Supply Bill (No. 1) for 1965-66. The Report itself was tabled in the Parliament in 1967. In these circumstances Your Committee believes that the principles involved should have been known to the Department of External Affairs when it formulated its estimates for 1968-69.

Capital Works and Services - Buildings, Works,
Plant and Equipment - Germany.

123. It appears to Your Committee that funds should not have been provided for the development of the site at 30 Luisenstrasse until the Department had received a report from

Committee's Conclusions
One Hundred and Eighteenth Report
(5 June, 1970)

Treasury Minute
(7 August, 1972)

a Department of Works Architect. Had that report been favourable, the amount required could have been provided from the Advance to the Treasurer, pending Additional Estimates.

124. It also appears in relation to the purchase of motor vehicles, that an amount of \$2,500 was obtained for the replacement of a vehicle before a thorough examination had been made of the transport requirements of the chancery.

Overseas posts are now required to furnish a more detailed statement when seeking additional or replacement vehicles. The information supplied permits a better analysis of vehicle usage to be made at the time estimates are being prepared and a better judgment of the type of vehicle most suitable for the work proposed for each unit in the transport pool.

Capital Works & Services - Buildings, Works, Plant and Equipment - Pakistan.

132. Your Committee accepts the Department's explanation.

DEPARTMENT OF HOUSING

Administrative-Administrative Expenses-Migrant Transitory Accommodation-Furniture and Fittings

139. The circumstances relating to the shortfall that occurred under this Item are related closely to those that occurred under Item 845,2,01 which follows.

140. Your Committee notes that 1968-69 was the first full year of operation of the scheme to provide transitory flats for migrants. In these circumstances we believe that the Department would have been well advised to formulate its Original Estimate with greater

Committee's Conclusions
One Hundred and Eighteenth Report
(5 June, 1970)

Treasury Minute
(7 August, 1972)

caution and to have obtained further funds, if required, from the Additional Estimates.

Capital Works and Services-Buildings and Works -
Migrant Transitory Accommodation-Construction of Flats

174. As in the case of Item 310.2.07 Your Committee notes that 1968-69 was the first full year of operation of the scheme to provide transitory flats for migrants.

175. A major part of the shortfall in expenditure under this Item arose from the fact that, early in 1968-69, reasonably priced flats became available for purchase in Sydney and Melbourne. Although earlier market surveys had not indicated that suitable properties would be available for purchase, Your Committee believes that the Department should have formulated its Estimate for 1968-69 with considerable caution when it found, in April 1968, that it was able to acquire a newly-constructed block of twelve two-bedroomed flats at Eastlakes, Sydney, from a private developer. There can be no doubt that this purchase was concluded prior to the formulation of the Estimate for 1968-69. In this regard we were informed that experience gained in furnishing the Eastlakes project had been a factor in the formulating of the Estimate for Item 310.2.07 for that year.

Committee's Conclusion
One Hundred and Eighteenth Report
(5 June, 1970)

176. Your Committee also notes that in formulating its Estimate for 1968-69 the Department consulted the State Housing authorities in mid-1968 for their assessment of the progress that could be achieved with the provision of flats in 1968-69. While the evidence shows that in some cases delays that occurred were beyond the control of the Department of Housing and the State Housing authorities, it has been Your Committee's experience over many years, that estimates supplied by State instrumentalities that do not have access to Additional Estimates through State budgetary arrangements, tend to be framed on an optimistic basis. In this regard we would refer particularly to our Fifty-first, Seventy-fifth, Ninety-sixth and One Hundredth Reports. We therefore believe that the Department of Housing should formulate its Original Estimates each year on a conservative basis and seek further funds, if required, in the Additional Estimates later in the financial year.

177. In the case of the programme in Western Australia Your Committee notes that the Beaconsfield project was delayed, partly by the fact that the capacity of the State Housing

Treasury Minute
(7 August, 1972)

The Department of Housing states that the estimates provided by the States are based on a professional assessment of what is physically capable of achievement on particular construction projects during the year after allowing for the various factors which may affect construction progress or likely expenditure. Nevertheless, the Department has, since the issue of the Committee's report, closely examined these estimates in order to ensure that they are a realistic assessment of the amount that will be required during the financial year.

The Department has adopted the Committee's recommendation regarding the possible use by State Housing Authorities of private architects to overcome delays in the Commonwealth's construction programme caused by a State Authority's own commitments.

Committee's Conclusions
One Hundred and Eighteenth Report
(5 June, 1970)

Treasury Minute
(7 August, 1972)

Commission to undertake work on behalf of the Commonwealth had been limited by its own heavy design and construction programme. We believe that the Department of Housing should suggest to the State Housing authorities that they might consider the use of private agents to obviate such delays in implementing the Commonwealth programme.

DEPARTMENT OF THE INTERIOR

News and Information Bureau - Administrative Expenses -
Office Requisites and Equipment, Stationery and Printing

185. Your Committee notes with concern the circumstances relating to the shortfall that occurred in expenditure in New York. The evidence tendered in this case shows clearly that misunderstandings occurred between the News and Information Bureau and the Sub-Treasury and the office of the Consulate-General in New York. Your Committee also notes the admission of the Department's witness that from the financial returns that he received from the New York Office he should have realised that the charges were not being brought to account correctly. This is particularly disturbing as the officer concerned was aware, earlier in the financial year, of the problem that had arisen but had overlooked it later in the year.

The Department of the Interior has noted the Committee's observations and has taken appropriate action to avoid any recurrence.

Committee's Conclusions
One Hundred and Eighteenth Report
(5 June, 1970)

Treasury Minute
(7 August, 1972)

reasons to explain the shortfall that occurred in expenditure under this Item in the Australian Capital Territory.

News & Information Bureau - Administrative Expenses - Postage, Telegrams and Telephone Services.

193. Your Committee accepts the Department's explanation.

Australian Capital Territory Services - General Services - Social, Cultural and Community Services.

206. Your Committee appreciates that considerable uncertainties invariably surround projects put forward by voluntary organisations. On the basis of the evidence tendered, including the liaison maintained by the Department with the organisations concerned during the year, Your Committee accepts the Department's explanation.

Australian Capital Territory Police - Administrative Expenses - Travelling and Subsistence

214. Your Committee accepts the Department's explanation.

Northern Territory Services - Welfare of Aborigines - Educational Services

223. Regarding the operating costs at Kormilda College Your Committee notes that an additional \$9,000 was provided in the Additional Estimates to cover supplementary rations such as fresh food issues. While we acknowledge that 1968-69 was the first full year of operation of the College

Committee's Conclusions
One Hundred and Eighteenth Report
(5 June, 1970)

Treasury Minute
(7 August, 1972)

we believe that provision for these rations should not have been overlooked in the formulation of the Original Estimate. Your Committee accepts the Department's explanation, however, in relation to the circumstances that gave rise to a shortfall in expenditure.

Northern Territory Services - Welfare of Aborigines -
Materials for Minor Works, Repairs and Maintenance
of Buildings on Settlements

230. Your Committee notes that the Original Estimate for this Item was set at \$80,000 for 1968-69 compared with actual expenditure of \$55,503 in 1966-67 and \$53,229 in 1967-68. The Estimate for 1968-69 was framed on the basis of a draft works programme that was not finally approved, in fact, until December 1968. We believe that as staffing difficulties had begun to emerge in 1967-68 within the Works and Services Section of the Welfare Branch, which is responsible for preparing and implementing the works programme, the Department should not have sought a comparatively substantial increase in the Original Estimate for this Item.

The Department of the Interior has noted the Committee's observations and has taken appropriate action to avoid any recurrence.

Department of the Army - Acquisition of Sites and Buildings

245. Your Committee accepts the Department's explanation. In the case of the proposed acquisition at Georgetown, Tasmania, however, Your Committee notes with concern that in determining whether the land would

The Department of Works has advised that the Georgetown site was finally declared unsuitable on the advice of the Local Council. The Department considers that although no suitable person from the Council was available for discussion on the day of the inspection,

Committee's Conclusions
One Hundred and Eighteenth Report
(5 June, 1970)

Treasury Minute
(7 August, 1972)

be suitable for the Department of the Army, the Department of Works had evidently made only a perfunctory examination of the site. A closer examination of the site, however, showed it to be unsuitable. Your Committee regards this state of affairs as unsatisfactory.

246. Your Committee also regards as unsatisfactory the fact that an uncertainty evidently existed as to the ownership of land required in connection with the project at Buckland, Tasmania.

immediate follow-up action should have been taken to obtain the Council's views on the suitability of the site. Appropriate steps have been taken within the Department of Works to ensure that officers making inspections of this nature observe the procedures including discussion of the proposal with local authorities.

Capital Works and Services - Acquisition of Sites and Buildings - Department of Civil Aviation - Northern Territory

251. Your Committee notes with concern that while the acquisition of land at Alice Springs commenced in 1967 and the Lessee's solicitor sought compensation in March 1968, it was not until May 1969 that the necessary documents for Executive Council ratification were signed. Your Committee is greatly disturbed by the fact that subsequently, legal difficulties arose concerning the wording of 'public purpose' in the documents and this involved further delays before the documents could be re-submitted to the Minister for signature. We regard these circumstances as unsatisfactory.

Committee's Conclusions
One Hundred and Eighteenth Report
(5 June, 1970)

Treasury Minute
(7 August, 1972)

Capital Works and Services - Acquisition of Sites
and Buildings - Department of the Interior - Northern
Territory Services.

259. Regarding the compulsory acquisition of a site for the Australian Atomic Energy Commission the evidence shows that when the Original Estimate was formulated, the Bill of Costs relating to the DTAL 327 acquisition was subject to appeal. Your Committee believes that, in the circumstances, the Department should not have provided for the full amount of that Bill in the Original Estimates.

260. It also appears to Your Committee that, having regard to the difficult circumstances connected with the acquisition of land at Noonamah, the Department would have been well advised to defer its request for funds for this project until a later stage.

DEPARTMENT OF THE NAVY

Administrative Expenses and General Services - Minor
Building Maintenance and Works

265. Your Committee believes that the Department did not exercise proper care in the formulation of the Estimate for this item. The evidence shows that as early as 1966-67 the Department was aware of the proposal to establish a Department of Works cell at HMAS Leeuwin.

Committee's Conclusions
One Hundred and Eighteenth Report
(5 June, 1970)

Treasury Minute
(7 August, 1972)

Evidently the Department of the Navy failed to maintain proper liaison with the Department of Works in connection with the development of this project.

Aircraft Purchase

277. In general Your Committee accepts the Department's explanation. We are concerned, however, by the statement that administrative delays retarded the placement of orders for Jindivik targets until March 1969. We believe that every effort should be made to avoid delays of this nature.

Defence Research and Development

291. In general the evidence shows that funds were sought prematurely for this Item in 1968-69.

292. Regarding oceanographic research equipment Your Committee is disturbed by the delays that evidently occurred between February and June 1969 before Ministerial approval was sought for this project.

293. Your Committee also notes that funds were provided, largely as a contingency element, for new scientific projects that might have been required for the Department of Supply. Your Committee does not accept that contingency provisions of this nature should be included in Original Estimates.

The Department of the Navy agrees that provision in the Estimates for 1968-69 for the expenditure on oceanographic research was an error of judgment.

The Department agrees that in the absence of a specifically defined requirement from the Department of Supply provision for new scientific projects should not have been made in the Estimates.

Committee's Conclusions
One Hundred and Eighteenth Report
(5 June, 1970)

Treasury Minute
(7 August, 1972)

294. Your Committee is also disturbed by the inclusion in the Estimate of \$142,000 for expenditure on a number of research and experimental tasks allied with naval construction. It is clear that the Department was unable to assess the likely costs involved or to predict the range of expenditure likely to be involved.

295. We note the assurance given by the witness that measures will be taken within the Department to ensure the achievement of planned projects in 1968-69.

POSTMASTER-GENERAL'S DEPARTMENT

Broadcasting and Television Services - Technical and Other Service - Other Administrative Costs Applicable to Broadcasting and Television Services.

302. Your Committee accepts the Department's explanation in relation to the shortfall that occurred in expenditure.

303. Your Committee notes that the Item covers a wide range of cost factors that cannot be isolated and allocated to particular activities. In these circumstances we accept that the Item has caused a good deal of concern to the Postmaster-General's Department. We trust that exploratory discussions that were in progress between that Department and the Department of the Treasury when our

The discussions between the Postmaster-General's Department and the Department of the Treasury concluded with a satisfactory solution to the problem of cost allocation and the elimination of shortfalls in expenditure. A firm fixed fee basis for distribution of items such as general administration, buildings administration and furlough has been determined. The basis for distribution will be subject to review at the close of

Committee's Conclusions
One Hundred and Eighteenth Report
(5 June, 1970)

Treasury Minute
(7 August, 1972)

Public Inquiry occurred have been each year and, where necessary, amendments completed and a satisfactory solution made to the basis of cost allocation for found to the problem of cost allocation. the following year.

Capital Works and Services - Broadcasting and Television
Services - Engineering Equipment and Services - Sound
Broadcasting.

327. Your Committee notes that in the provisioning of radio, television and broadcasting projects the Postmaster-General's Department is, in fact, implementing the programme of the Australian Broadcasting Control Board. It is the Board, not the Department that seeks to time-table and schedule most of the approval action required for the programme.

328. In these circumstances Your Committee is disturbed to learn that in recent years the Department has evidently formulated its work programme for this Item in anticipation of Government approval to the establishment of certain facilities. We also note that, commencing in 1969-70 the Department has adopted the practice of not including in its Original Estimate any item for which firm approval has not been given at the commencement of the year, or for which contracts cannot be placed within a reasonable time or for which contracts are not already in existence. We believe the Department should have pursued this course earlier.

Committee's Conclusions
One Hundred and Eighteenth Report
(5 June, 1970)

Treasury Minute
(7 August, 1972)

329. Your Committee also notes with concern that the forward program-
ming that operated until about 1967
had evidently not been maintained in
subsequent years. We endorse the
action taken by the Department of
the Treasury in arranging a meeting
with the representatives of the
Postmaster-General's Department
and the Australian Broadcasting
Control Board to develop a two or
three year forward programme. We
agree that such a programme should
ensure a more even spread of
expenditure and a more realistic
appraisal of financial requirements.

Broadcasting and Television Services, Capital Works and
Services - Engineering Equipment and Services - Television

343. Your Committee notes that
this Item operates in a manner sim-
ilar to that of the previous Item
872.1.01. Accordingly our con-
clusions relating to that Item apply
also to Item 872.1.02.

344. In the case of this Item,
however, Your Committee would invite
attention to the evidence submitted
in connection with the Nhll and
Geraldton projects. We are disturbed
by the fact that the Department had
taken the company concerned into its
confidence by disclosing the pattern
of technical development that would
occur in television. We believe

The Department has advised that it is
careful to ensure that all possible manufacturers
of material for the Department share equally
information regarding proposed purchases and that
in the case in point details of likely uses of
this type of equipment were supplied to all
three of the only known Australian suppliers.

In the rapidly developing communicat-
ions industry, which supplies a significant amount
of equipment to the Post Office, it is not un-

Committee's Conclusions
One Hundred and Eighteenth Report
(5 June, 1970)

that no company which tenders for contracts should enjoy an advantage over its competitors arising from confidences of this nature.

345. Your Committee also notes that, late in 1969, the whole question of purchasing, tendering and contract procedure in the Department was under discussion with the Auditor-General's Office. A steering Committee had also been established to examine all aspects of contracting with particular reference to the legal conditions and the enforceability of contracts. We shall be interested to learn in due course of the results of this review.

PRIME MINISTER'S DEPARTMENT
(Now the Department of the Prime Minister and Cabinet and the Department of the Environment, Aborigines and the Arts).

Administrative - Assistance to the Arts - Music -
Assistance to Australian Composers.

355. Your Committee examined the Prime Minister's Department in respect of this Item in its inquiry into Expenditure from the Consolidated Revenue Fund for 1967-68. At that stage the Commonwealth scheme for assistance to Australian composers was in its first full year of operation. In its Report your Committee concluded that the amount of \$10,000 provided in 1966-67 had been sought prematurely but it accepted the

Treasury Minute
(7 August, 1972)

common for manufacturers to seek advice and guidance from the Department on expected technological developments in its requirements.

Discussions between the Department and the Auditor-General's Office on purchasing, tendering and contract procedures in the Department have now been concluded. The steering committee established to examine the principles of contract procedures and practices is approaching finality in its study and will make its recommendations to Post Office management in due course.

The Department of the Environment, Aborigines and the Arts has advised that estimates are now prepared in accordance with the general principles of estimating set down by the Treasury for the guidance of departments.

Committee's Conclusions
One Hundred and Eighteenth Report
(5 June, 1970)

Treasury Minute
(7 August, 1972)

Department's explanation concerning the shortfall of \$6,005 that occurred in expenditure in 1967-68. During that inquiry Your Committee noted that \$20,000 had been provided in the Estimates for the Item for 1968-69. Of that amount \$10,000 had been sought for the costs of surveys commenced in 1967-68 and the remaining \$10,000 had been provided in accordance with the original directions of Cabinet.

356. On the evidence submitted in the present Inquiry Your Committee recognises the difficulties inherent in the nature of the work contemplated under this Item and for this reason believes that the Department would be well advised to frame its Original Estimates somewhat conservatively until such time as greater experience has been obtained in the work involved.

357. A particular facet of the evidence to which we feel attention should be drawn, relates to the appointment of an Editor in connection with Music Survey No. 1 which had been commenced and provided for in 1967-68 but not completed in that year. Your Committee believes that before making that appointment, the Advisory Board should have satisfied itself that the Editor would be available in Australia to carry out his work. His absence overseas on sabbatical leave delayed the editing of the text of the catalogue, bibliography

Committee's Conclusions
One Hundred and Eighteenth Report
(5 June, 1970)

Treasury Minute
(7 August, 1972)

and discography and the history material. His absence also impeded the solving of problems associated with the final layout of the publications and these delays evidently resulted in further delays in printing the work concerned. Your Committee regards this aspect of the matter as unsatisfactory.

High Commissioner's Office - United Kingdom - Administrative Expenses - Rent and Maintenance, Australia House and Canberra House.

374. In connection with the additional programme of \$83,000 provided in the Additional Estimates Your Committee notes with concern that the nature of the problems that gave rise to a shortfall of \$28,678 were not known to the Prime Minister's Department in Canberra until it made inquiries concerning the shortfall in expenditure under this Item. Your Committee believes that while expenditure under this Item is administered in London, the Department in Canberra has a responsibility to ensure that it is kept properly and regularly informed of changes that occur and affect expenditure levels. Without such information the Department is unable to apply objective judgments to estimates formulated overseas and to other administrative problems that might arise.

The Department of the Prime Minister and Cabinet has instituted a system of financial reporting from the High Commissioner's Office, London which has resulted in improved control of Australia House expenditure. A monthly computer report is received from London showing under each appropriation, expenditure to date, commitments and the balance of funds available, and this is accompanied by a statement commenting on significant items. In addition, progress reports on building and maintenance work being carried out in Australia House and Canberra House are sent to the Department.

Committee's Conclusions
One Hundred and Eighteenth Report
(5 June, 1970)

Treasury Minute
(7 August, 1972)

375. Your Committee also notes with concern that while the preparation of preliminary drawings and specifications associated with the reconstruction and modernisation of toilets at Australia House was commenced by the Buildings and Office Services Branch in June 1968, it was not until May 1969 that it became apparent that the Branch could not complete its work in this area. Moreover, while \$21,300 was provided in the Original Estimates for building supplies and materials for the Buildings Branch, orders were not placed until the latter part of the financial year. It was not until May 1969 that the Branch discovered that the allocation for building supplies and materials would be underspent.

376. In these circumstances we regard as fully justified the review that has been initiated into the Buildings and Office Services Branch to ensure that in future, adequate steps are taken to let contracts at an early date for the work programmed for the financial year. We trust that the review will result in a substantial improvement in the work of the Branch.

Committee's Conclusions
One Hundred and Eighteenth Report
(5 June, 1970)

Treasury Minute
(7 August, 1972)

Commonwealth Archives Office - Salaries and Payments
in the nature of Salary - Salaries and Allowances.

382. Your Committee accepts the Department's explanation in relation to the staffing problems that contributed to the shortfall of \$15,672 in expenditure.

383. However, Your Committee notes that, due to a clerical oversight \$4,675 was sought unnecessarily in the Additional Estimates. We note the action taken in this case and trust that errors of this type will not be repeated.

DEPARTMENT OF SUPPLY

Administrative - Administrative Expenses - Office
Requisites and Equipment, Stationery and Printing.

391. On the basis of the evidence it appears to Your Committee that funds were sought prematurely in the Original Estimates for computer stationery. Regarding that stationery and certain other items it also appears that a duplication of funds occurred following the transfer of parts of the Department's administration to Canberra. While Your Committee is sympathetic regarding the problems that can arise when such transfers take place, we believe that the department^s involved should ensure that errors and misunderstandings of this nature are avoided.

The Department of Supply has commented that provision of funds for computer stationery is now made by only one section in the Department and under a special cost code which isolates it from general stationery requirements. The responsibility for preparation of estimates for office requisites has been re-allocated and duplication of estimates for particular items should not recur.

Committee's Conclusions
One Hundred and Eighteenth Report
(5 June, 1970)

Treasury Minute
(7 August, 1972)

Administration - Administrative Expenses - Incidental
and Other Expenditure

405. Regarding photographic requirements the evidence shows that provision was made in the Estimates by the Department of Supply, in ignorance of services available to it, free of charge, from the News and Information Bureau in Canberra. Your Committee is disturbed by this situation. It notes with approval, however, the assurance given by the Treasury Observer, Mr Maunder, that departments would be circularised to remind them of the service available from the News and Information Bureau.

A circular was recently issued by the News and Information Bureau informing all departments of the availability of the free photographic service provided by the Bureau.

406. Your Committee believes that funds were sought prematurely in the Original Estimates for updating the film 'Production for Defence'. It appears that funds for this purpose should have been sought at a later stage following completion of the preliminary work connected with the project.

The Department has adopted a policy that provision of funds for films will be made only in those cases where a firm commitment exists at the time the estimates are prepared.

407. Similarly, the evidence shows that considerable uncertainties exist as to the technical data packages that will be required in any year by the armed service departments. In these circumstances we believe that the Department of Supply should formulate its Original Estimates for this requirement on a conservative basis and obtain further funds later in the financial year should the need arise.

The Department has advised that the provisions made for technical data packages are the net result of applying a discounting factor to an estimate of probable service requirements for the ensuing year. In 1968-69 several of the packages were supplied free and this influenced the final expenditure.

Committee's Conclusions
One Hundred and Eighteenth Report
(5 June, 1970)

Treasury Minute
(7 August, 1972)

Government Factories - Maintenance of Production
Capacity - Reserve Capacity Maintenance.

417. The evidence shows that while the ammunition factory at Footscray formulated its budget for 1968-69 on the basis of a production workload of 1,601,000 hours, actual production reached 1,710,000 hours due to the receipt of unexpected orders. In this regard Your Committee notes the claim made by the Department that it is unable to forecast the orders it will receive, notwithstanding that it maintains a constant liaison with the armed service departments. Your Committee believes that the armed service departments should provide the Department of Supply with the best possible forecast of orders as a basis for the formulation of estimates and that all parties concerned should ensure that highly efficient liaison is maintained regarding this matter.

418. Your Committee notes with concern that while a policy relating to the re-estimation of job costs was enunciated some years ago it has evidently not been followed in 1968-69 and it was not until substantial profits were made at the Footscray ammunition factory in that year that the policy was revived.

The Department is maintaining close liaison with the Service Departments and planning lists are being received. The Department has pointed out that although Factory Managers can make the best estimate possible from orders in hand and expected, unforeseen customer demand can affect factory workloads.

In cases where excessive profits have been made on particular orders the policy of re-estimating job costs so as to reduce the price to the customer is now being followed. The application of this policy is being monitored by the Department's Central Office.

Committee's Conclusions
One Hundred and Eighteenth Report
(5 June, 1970)

419. While the evidence shows that, in recent years major reviews have been conducted of the method involved in the charges to be made to this Item Your Committee notes with approval that the Department of the Treasury proposes to conduct a further review in collaboration with the Department of Supply.

Central Transport Authority - Vehicles and Equipment

431. It appears to Your Committee that most of the shortfall that occurred in expenditure on this Item was beyond the control of the Department. In the case of the refrigerated semi-trailer, however, the evidence suggests that funds had been sought prematurely in the Original Estimates.

432. As in the case of Item 825.1.01 administered by the Department of Education and Science, Your Committee was disturbed by the inability of the witness to supply detailed evidence in relation to several matters referred to in the Department's submission relating to this Item. We would again draw attention to memorandum 66/411 of 18 January 1966 circulated by the Secretary, Public Service Board to all Permanent Heads. In that memorandum it was stated:

Treasury Minute
(7 August, 1972)

The review being conducted by the Treasury in collaboration with other Departments into methods of charging reserve capacity costs is still progressing.

The Department considers that it was not unreasonable to provide funds in the original Estimates for the refrigerated semi-trailer as it was part of a large programme which, at the time of preparation of the estimates, the Department confidently expected would be completed and the money expended within the financial year.

Circular Memorandum 66/411 of 18 January 1966 has again been promulgated within the Department. In addition, where technical questions are likely to arise arrangements will be made for an officer with the appropriate knowledge to appear as a witness before the Committee.

Committee's Conclusions
One Hundred and Eighteenth Report
 (5 June, 1970)

Treasury Minute
 (7 August, 1972)

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

Machinery and Plant

442. Regarding replacement equipment, the submission tendered by the Department stated that further defence consideration for the replacement of tool making and metrology equipment had delayed the placement of orders. When the witness was examined on this matter, however, it became apparent that the cause of the delay originated within the Department of Supply. There are two remarks in relation to this matter which Your Committee desires to make. First, the question of whether or not Defence Department approval was required for the acquisition of the relevant equipment should have been settled by the Department of Supply at an early stage. Secondly, the reference to this matter in the Department's submission is inadequate in that it failed to disclose the reasons for the delay and could, in itself, have led

The Department has advised that the proposal to purchase the toolmaking and metrology equipment was referred to the Department of Defence immediately the Minister for Supply's approval was given on 26 April 1968. In providing for expenditure for 1968-69 the Department of Supply underestimated the lead time required by the Department of Defence to clear the project, approval being given on 1 November 1968. Orders were placed subsequent to this date but were too late to obtain delivery within the financial year.

The Department agrees that its submission should have provided more detail on this particular subject and assures the Committee that it was not intended to be misleading. The Department will ensure that

Committee's Conclusions
One Hundred and Eighteenth Report
(5 June, 1970)

Treasury Minute
(7 August, 1972)

to the conclusion that the cause of the delay originated in the Department of Defence. In these circumstances Your Committee would again draw attention to memorandum 66/411 of 18 January 1966, circulated by the Public Service Board. This circular was referred to in some detail in connection with the previous Item.

adequate detail is provided in future.

443. Your Committee would also invite attention to the evidence submitted in respect of new authorisations. While the witness admitted that a failure had occurred in the Department the cause of this failure had not been discovered.

In addition to the disruption in the Department with the transfer to Canberra of the Munitions Supply Division and the Aircraft, Guided Weapons and Electronics Supply Division, authorisations in the first half of 1968-69 were less than planned because of tardiness in seeking approvals of competent authority, delay in completion of a building in which plant and machinery valued at \$800,000 was to be installed and a severe shortage of design staff at the Explosives Factory Maribyrnong.

DEPARTMENT OF WORKS

Capital Works and Services - Buildings and Works
Departmental - Department of Immigration

450. Regarding the project at Springvale in Victoria, Your Committee notes with concern that while tenders closed in September 1968, a period of three months elapsed before the contract was let. Your Committee recognises that due care must be taken by the Department in its investigation of tenderers and the basis on which their tenders have been submitted. Nevertheless we believe that inordinate delays must have occurred in this case, particularly as the planned programme for

The Department of Works has commented that the total period between the receipt of tenders and the letting of a contract was ten weeks for the Springvale project and that the matter could have been expedited if special measures had been taken. Steps have been taken within the Department to streamline the consideration of tenders.

Committee's Conclusions
One Hundred and Eighteenth Report
(5 June, 1970)

Treasury Minute
(7 August, 1972)

the project provided for a period of only one month for the examination of tenders. Your Committee is unable to accept that the location of the contractor in Sydney, which involved the making of interstate inquiries, should have caused a substantial delay in the letting of the contract.

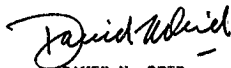
Capital Works and Services - Buildings and Works
Departmental - Department of the Interior

458. Your Committee accepts the Department's explanation.

Capital Works and Services - Buildings and Works
Departmental - Department of Works

463. Your Committee accepts the Department's explanation.

For and on behalf of the Committee,



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

12 September, 1972



B.W. GRAHAM,
Chairman.

