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1972

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

ONE HUNDRED AND
FORTIETH REPORT

EXPENDITURE FROM ADVANCE
TO THE TREASURER
(APPROPRIATION ACTS 1971-72)

JOINT COMMITTEE OF PUBLIC ACCOUNTS

ONE HUNDRED AND FORTIETH REPORT

As Honourable Senators will know, the Committee has, for many years, conducted combined inquiries relating to expenditure from the Advance to the Treasurer and expenditure from the Consolidated Revenue Fund, but has tabled separate reports on both aspects of these inquiries. The One Hundred and Fortieth Report relates specifically to evidence taken by the Committee in connection with expenditure from the Advance to the Treasurer, in 1971-72.

The One Hundred and Fortieth Report differs from all previous reports tabled by the Public Accounts Committee, inasmuch as the Public Inquiry from which it arose, was conducted for the first time by two Sectional Committees, rather than by the Committee itself. In this regard I should mention that, early this year, the Committee took a series of important, related initiatives connected with its future development and designed to improve its effectiveness. To facilitate the operation of an improved programme, the Committee decided that it would operate in two Standing Sectional or Sub-Committees of five members each, for the purpose of taking evidence. As Honourable Senators will be aware, provision is contained in Section 9 of the Public Accounts Committee Act for the appointment of Sectional Committees to inquire into and report to the Committee on matters with which it is concerned. This new arrangement, which has proved to be very successful from the Committee's view-point, came into operation as planned, on 15 August 1972, when the Committee commenced its annual examination of expenditure from the Advance to the Treasurer and the Consolidated Revenue Fund, for the financial year 1971-72.

As part of this new administrative arrangement, page 2 of the Report shows the date of appointment and membership of the two Sectional Committees and the marginal notes in each Chapter show which of the Sectional Committees took evidence on the matter concerned.

In Chapter 1 of the Report, the Committee has stated that, in examining expenditure from the Advance to the Treasurer, it has sought to ascertain whether or not expenditure from the Advance has been confined to urgent and unforeseeable requirements for which provision could not have been made in the Original and Additional Estimates. The Committee has also sought to ascertain whether or not the departments concerned in the Inquiry have maintained efficient administration in the expenditure of funds under the items selected for Public Inquiry.

As the report shows, there were cases where expenditure from the Advance to the Treasurer was confined to urgent and unforeseeable requirements for which provision could not have been made in the Appropriation Legislation. In other cases, however, there is evidence of clerical errors, failure to establish adequately based administrative arrangements, and lack of adequate communication between central and regional offices of departments and between branches of the central office of the same department. These defects result in either poor standards of estimating or inadequate expenditure performances. Attention has been drawn to these inadequacies where they have been discovered.

As in several previous inquiries relating to expenditure from the Advance to the Treasurer, the Committee has found further evidence of charges having been made to the Advance without Warrant Authority, in contravention of sub-Regulation 1 of Treasury Regulation 90. These charges usually arise from clerical or administrative errors.

In recent years, the Committee has had cause to comment adversely on the quality of written submissions and oral evidence tendered by departments. In this regard, the Committee is pleased to note a considerable general improvement in the quality of evidence tendered during the present inquiry. At the same time, however, some evidence tendered by a department was factually imprecise and, but for a correction subsequently tendered by an Observer, could have misled the Committee into unjustified criticism of the Department. Imprecisions of the nature to which I have referred, highlight the need for departments to exercise great care in the presentation of documentary and oral evidence.

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.

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JOINT COMMITTEE OF PUBLIC ACCOUNTS

ONE HUNDRED AND FORTIETH REPORT

EXPENDITURE FROM THE ADVANCE TO THE TREASURER

(Appropriation Acts 1971-72)

Chapter 1

Introduction

In July 1972 the Committee obtained departmental explanations relating to expenditure from the Advance to the Treasurer during 1971-72. These explanations were examined and sixteen items were selected and referred to the Sectional Committees for further examination.

2. The items selected were made the subject of a public inquiry by the Sectional Committees at Parliament House, Canberra on:-

Tuesday 15 August, 1972.

Tuesday 22 August, 1972.

3. The following witnesses were sworn and examined by Sectional Committee A during the public inquiry:

Attorney-General's Department

Mr. A. J. Bourne	-Administrative Officer, Commonwealth Police Force.
Mr. J. M. Davis	-Commissioner, Commonwealth Police Force.
Mr. R. A. Jenkins	-Director, Management Services.

Department of Education and Science

Mr. H. K. Coughlan	-Senior Assistant Secretary, Education Facilities and Territorial Education.
Mr. C. A. Webster	-Director, Establishments and Finance.

External Territories

Mr. N. W. H. Hunt	-Officer-in-Charge, Finance and Works Programming.
Mr. G. E. Mannall	-Officer-in-Charge, Manpower and Training Schemes.
Mr. L. W. Temby	-Assistant Secretary, Finance.

4. The following witnesses were sworn and examined by Sectional Committee B during the public inquiry:

Department of Air

Mr.P.Kallio -Senior Executive Officer,Activity Programming.
Mr.I.D.McLeod -Director of Budget (B).
Mr.H.Pearlman -Chief Executive Officer,Budget and Costing.

Department of Trade and Industry

Mr.E.J.Lewin -Director of Finance,Management Services Branch.
Mr.F.D.Quinane -Assistant Secretary,Trade Commissioner Branch.
Mr.I.J.Swan -Director,Trade Commissioner Services Section.

Department of Supply

Mr.J.L.Eades -Assistant Secretary,Personnel and Establishments,
Mr.K.McKknown -Assistant Secretary,Finance,
Mr.K.A.Prendergast -Assistant Secretary,Stores and Transport,
Mr.A.Sharpe -Controller,Research and Development,

5. During the public inquiry the Sectional Committees were assisted by the following Observers:

Mr.D.W.Burdett)
Mr.S.A.Huntley) -Auditor-General's Office
Mr.H.C.Paul)
Mr.R.N.McLeod)
Mr.M.Sexton) -Public Service Board
Mr.G.S.Davidson)
Mr.J.T.Maunder) -Department of the Treasury

6. For the Financial Year 1971-72 an amount of \$25,000,000 was provided under Division 560 -Advance to the Treasurer-in Appropriation Act (No.1) to enable the Treasurer:

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

A further amount of \$25,000,000 was provided under Division 920 - Advance to the Treasurer- in Appropriation Act (No.2) to enable the Treasurer:

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

7. In examining expenditure from the Advance to the Treasurer, the Committee has sought to ascertain whether or not expenditure from the Advance has been confined to urgent and unforeseeable requirements for which provision could not have been made in the Original and Additional Estimates. 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 Air

(i) Division 690/1/02 Royal Australian Air Force - Pay and Allowances
in the nature of Pay - Citizen Air Force.

<u>Funds Available</u>	<u>1969-70</u>	<u>1970-71</u>	<u>1971-72</u>
	\$	\$	\$
Appropriation Act No. 1	480,000	480,000	520,000
Appropriation Act No. 3	-	45,000	-
Appropriation Act No. 4	-	-	74,000
Advance to the Treasurer	-	-	-
TOTAL FUNDS AVAILABLE	<u>480,000</u>	<u>525,000</u>	<u>594,000</u>
TOTAL EXPENDITURE	<u>432,534</u>	<u>486,650</u>	<u>599,546</u>
UNEXPENDED FUNDS AVAILABLE	<u>47,466</u>	<u>38,350</u>	-
			5,546

8. This item provides for pay and allowances payable to members of the Citizen Air Force, which comprises the Auxiliary Squadrons; the University Squadrons; instructors for the Air Training Corps and part-time chaplains and members of the Air Force Reserve called up for full-time service for periods of less than six months.

Exhibit
140/B 5

9. We were informed that the amount of \$74,000 provided in Appropriation Act No. 4 was required to cover increases in pay approved between the beginning of the financial year and the additional estimates review. The amount comprised \$59,000 for honoraria for A.F.C. instructors; \$9,000 for pay for chaplains and \$6,000 for pay for officers arising from the Kerr Committee Report.

Exhibit
140/B 5

10. In relation to the overexpenditure of \$5,546, the Department informed us that when the amount of Warrant Authority issued by the Department of the Treasury under Appropriation Act No. 1 was entered in its Warrant Authority Register, an amount of \$526,000 was entered rather than \$520,000. This was said to have arisen from a transcription error. The individual entries were totalled on an adding-listing machine to check the accuracy in posting. The mistake, however, was not discovered, presumably because of a compensating error. In elaborating on this matter, the witness informed us that for each of the items listed the Department has

an entry at the top of the Register because each amount must be allocated to its paying office. The officer in charge had a strip total on which he would have added the total of all items which he had entered in his Register. Although the items on the strip total had been ticked off to verify the machine addition, there was a simple case of transposition in which \$526,000 and the \$74,000 obtained in the Additional Estimates balanced out with \$600,000 elsewhere in the figures. The witness was unable to offer any further explanation as to the cause of the error.

Exhibit
140/B5
and
Q. B49

11. The amount of additional Warrant Authority obtained for this item in Appropriation Act No. 4 was added to the previous entry of \$526,000 and it appeared, incorrectly, that Warrant Authority was available for the amount of \$600,000. Warrant Advices totalling this amount were issued to paying offices. It was stated that the extent of expenditure under this item is governed, in the main, by the number of days training and service completed in the period by C.A.F. members, the number of which is variable. Towards the end of June 1972, claims were raised in this connection which, when added to previous expenditure, exceeded the appropriation by \$5,546. These claims were paid in the mistaken belief that funds were available.

Exhibit
140/B5

12. The Department informed us that, in future, a second officer will be required to check all entries in the Warrant Authority Register, and a special control page will be introduced to ensure that clerical errors in the maintenance of the Register do not recur. The special control page was described as virtually a replica of information included in the Appropriation Act. In this regard the Treasury Observer, Mr Davidson, indicated that in his view the control account proposed by the Department of Air would not really make very much difference to the situation as it would not seem to control entries in any way. He suggested that the error had possibly arisen from an "0" being badly recorded and later mistaken for a "6". The witness informed us, however, that, in fact, the entry had been made in very neat handwriting.

Exhibit
140/B5 and
Qs. B53
and 59.

Conclusions

13. It appears to the Committee that the overexpenditure that occurred on this item arose from a clerical error when the amount of Warrant Authority issued by the Department of the Treasury under

Appropriation Act No. 1 was entered in the Department's Warrant Authority Register. As a consequence of this error, an amount of \$5,546 was charged to the Advance to the Treasurer without Warrant Authority in contravention of Treasury Regulation 90 (1). That Regulation states:

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

While the Committee notes that it has not been possible for the Department to establish the cause of the error that occurred, we note that, in the past, it has evidently not been the Department's practice to require a second officer to check all entries in the Warrant Authority Register. Although the Department now proposes to take such action, the Committee believes that this precaution should have been taken previously. The Committee thinks, however, that this action, together with the Department's proposed control page, will obviate a recurrence of this type of error.

(ii) Division 692/1/01 Civil Personnel - Salaries and Payments
in the nature of Salary - Salaries and allowances.

<u>Funds Available</u>	<u>1969-70</u>	<u>1970-71</u>	<u>1971-72</u>
	\$	\$	\$
Appropriation Act No. 1	13,083,000	15,285,000	18,152,700
Appropriation Act No. 3	500,000	315,500	-
Appropriation Act No. 4	-	-	600,000
Advance to the Treasurer	<u>225,000</u>	<u>-</u>	<u>355,300</u>
TOTAL FUNDS AVAILABLE	13,808,000	15,800,500	19,108,000
TOTAL EXPENDITURE	<u>13,777,349</u>	<u>15,689,080</u>	<u>19,050,188</u>
UNEXPENDED FUNDS AVAILABLE	<u>30,651</u>	<u>111,420</u>	<u>57,812</u>

14. This item provides for expenditure on salaries and payments in the nature of salary, excluding overtime, in respect of all civilian employees of the Department of Air with the exception of the Secretary.

Exhibit
140/B6

15. In connection with the amount of \$600,000 obtained under Appropriation Act No. 4 we were informed that, during the course of the financial year, various salary and wage determinations were effected which gave rise to an additional requirement of \$520,000. The increases were \$15,000 for Second Division officers; \$80,000 for technical officers; \$350,000 for exempt employees and \$75,000 for penalty rates for shift workers. It was stated that the average annual per capita rate used as a basis for the Original Estimate was \$3,849. Because of normal incremental advancements, payments of higher duties allowances and other less significant salary and wage determinations, this rate, excluding the increase referred to above, had risen to an estimated \$3,877 per annum by the time the additional estimates review was conducted. This increase in the average rate of pay resulted in the requirement of an additional \$128,000. It was also stated that the Original Estimate was based on an average strength of 4,520 personnel. When the additional estimates review was made, however, it was estimated that the average strength for the financial year would be 4,496, thereby resulting in reduced expenditure of an estimated \$92,000. In connection with a provision for payments in lieu of furlough, an analysis undertaken during the additional estimates review resulted in the seeking of an additional \$44,000. This amount, together with the \$520,000 and \$128,000 less the reduction of \$92,000 already referred to, comprised the total requirement of \$600,000 obtained under Appropriation Act No. 4.

Exhibit
140/B6

16. We were informed that the main reasons for the further provision of funds from the Advance to the Treasurer were pay increases for physical grades approved on 4 May 1972, and the National Wage increases approved on 5 May 1972. The estimated amounts involved were \$122,000 and \$35,000 respectively. In addition, an increase of 5 personnel occurred in the average annual strength figure used when the additional estimates review was made, resulting in an additional requirement of \$19,300. The need for an additional \$179,000 was forecast to cover further increases in the average per capita rate resulting from miscellaneous minor pay increases, incremental advances and higher duties allowance, thus bringing the total required to \$355,300.

Exhibit
140/B 6
and Q. B60

17. In relation to the shortfall of \$57,812 that occurred on the item we were informed that \$52,000 of the unexpended funds had arisen from the fact that two pay offices had been unable to effect complete payment of the physical grades increases on the pay day of 29 June, 1972, the day on which payment had been expected. The witness explained that although the physical grades were payable from 4 May, the actual advice to the paying offices that they were permitted to make payment was not effected until 29 May. At that stage, the paying offices were involved in adjustments connected with the National Wage case. The details of the National Wage increase were printed out on the computer because that increase affected all staff in the Department, and it was hoped that the physical grades would have been paid for the final pay day on 29 June. This was found to be a difficult physical task because there were several designations involving many hundreds of people. It was necessary for each adjustment to be calculated manually because they could not be calculated on the computer. Payment of the physical grades was in fact made on the first pay day in July, 1972. The remainder of the shortfall arose from a further change that occurred in the average annual per capita rate.

Exhibit
140/B 6 and
Q. B61

Conclusions

18. The Committee accepts the Department's explanation relating to the need for additional funds from the Advance to the Treasurer. In relation to the final shortfall of \$57,812 on the item, however, we note that \$52,000 arose from a failure to effect salary adjustments for physical grades prior to 30 June 1972. While we recognise the problem that confronted the Department in receiving advice of two pay increases on two successive days, we also note that a period of

twenty-five days elapsed before advice of the pay increase for the physical grades was forwarded to the appropriate paying offices. It appears that this delay in advice contributed to the failure of two paying offices to effect complete payment of the physical grades increases prior to 30 June 1972. Apart from the administrative undesirability of delays of this nature, the Committee is also concerned by the fact that in this particular case the delay could have operated to the financial detriment of the payees involved.

(iii) Division 694/02 Administrative Expenses and General Services -
Office requisites and equipment, stationery,
printing and text books.

<u>Funds Available</u>	<u>1969-70</u>	<u>1970-71</u>	<u>1971-72</u>
	\$	\$	\$
Appropriation Act No. 1	1,865,000	1,886,000	2,068,000
Appropriation Act No. 3	-	-	-
Appropriation Act No. 4	-	-	-
Advance to the Treasurer	-	-	370,000
TOTAL FUNDS AVAILABLE	1,865,000	1,886,000	2,438,000
TOTAL EXPENDITURE	<u>1,830,785</u>	<u>1,870,342</u>	<u>2,437,476</u>
UNEXPENDED FUNDS AVAILABLE	<u>34,215</u>	<u>15,651</u>	<u>524</u>

19. This item provides for the purchase of office machines and requisites, printing, bulk paper, stationery, maps, text books and publications for use by the RAAF and the Department of Air. In years previous to 1971-72 this item included provision for office requisites and stationery unique to Electronic Data Processing. So that a direct comparison can be made of the appropriations and expenditure for the last three years, provisions and expenditure relating to EDP office requisites and stationery have been excluded from the amounts shown above for 1969-70 and 1970-71.

Exhibit
140/B8

20. We were informed that Agreements made in 1961 with the principal French contractors relating to the purchase of Mirage aircraft and ancillary equipment provided for contractors to supply initial requirements of technical data in the form of publications. Payment for these publications was included in the annual payments made under the funding arrangements that had been agreed with the principal contractors and these annual payments were debited to Division 702 - Aircraft and Associated Initial Equipment - Purchase, Manufacture and Lease. Final payments to the principal contractors for these initial publications occurred at various times in recent years and payments for publications and amendments supplied subsequently have been charged to Division 694/02. Since 1967-68 the following amounts have been spent on publications and amendments procured in Europe and so chargeable:-

Exhibit
140/B8

	\$
1967-68	26,850
1968-69	31,401
1969-70	151,816
1970-71	130,152
1971-72	385,168

21. It was stated that the provision for 1971-72 for these payments was set at \$140,000, representing a figure comparable with the expenditure achieved in 1970-71. In January and February 1972, however, the French firms supplying the publications, including revisions, rendered outstanding claims for publications supplied in 1970, together with claims for more recent supplies. It was said that, unfortunately, the Department is unable to estimate accurately what amounts it will be required to meet or the time scales in which the contractors will lodge claims. It was due mainly to the French firms being dilatory in rendering claims during 1970-71 that the expenditure for 1971-72 exceeded the provision by \$245,168.

Exhibit
140/B8
and Qs.
B67 and
69.

22. We were also informed that each year a finance authority is raised to cover requirements of technical publications to be supplied in the United States of America. The United States services are not always current in claiming for publications supplied and in 1971-72, as in the case of the French publications, substantial arrears of claiming occurred. In particular, a payment of \$64,330 was made to the United States Navy in February 1972, relating to publications supplied over periods dating back to 1966. The witness stated that the Department found the United States Navy to be particularly unsatisfactory in relation to deferred claims. In total, \$102,903 was spent on United States publications in 1971-72, compared with a Budget provision of \$50,000, resulting in an overexpenditure of \$52,903. By comparison, total expenditure on this component in 1970-71 had been \$40,649.

Exhibit
140/B8
and Q.B71

23. In February 1972, orders were placed covering the provision by a panel of contractors of codification services, consisting of the preparation of item identification details, required by the Defence Cataloguing Authority, Department of Defence. Previously, this codification work had been carried out within the three services, but the volume of work was such that the assistance of outside contractors was required. Although this need became apparent between

the preparation of the Original Estimates and the Additional Estimates, no provision was made in the latter because of the possibility that the increased expenditure involved, the extent of which was itself uncertain at the time, may have been offset by underexpenditure in other areas of the item. This did not occur, and it became necessary for expenditure of \$48,886 in this connection to be funded from the Advance to the Treasurer. Other variations resulted in a net increase of \$22,519, thus bringing total expenditure from the Advance to the Treasurer to \$369,476.

Conclusions

24. The evidence shows that unexpected claims exceeding \$369,000, for which provision had apparently not been made in the Original Estimates, were received from suppliers in France and the United States of America during January and February 1972. While the Committee is sympathetic to the nature of the problem confronting the Department regarding these claims, it appears that consideration might well have been given, in this case, to seeking funds in the Additional Estimates to cover the claims involved.

(iv) Division 694/04 Administrative Expenses and General Services -
Fuel, light, power, water supply and sanitation.

<u>Funds Available</u>	<u>1969-70</u>	<u>1970-71</u>	<u>1971-72</u>
	\$	\$	\$
Appropriation Act No. 1	3,100,000	3,460,000	3,490,000
Appropriation Act No. 3	400,000	-	-
Appropriation Act No. 4	-	-	110,000
Advance to the Treasurer	-	-	100,000
TOTAL FUNDS AVAILABLE	3,500,000	3,460,000	3,700,000
TOTAL EXPENDITURE	3,359,930	3,355,952	3,699,133
UNEXPENDED FUNDS AVAILABLE	140,070	104,048	867

25. This item provides for domestic fuel, electricity, general rates, sanitation and drainage charges, cleaning, security services, repairs to State Housing Commission dwellings of damage not accepted as fair wear and tear, grass cutting, pest control and cash delivery services at RAAF and departmental establishments.

Exhibit
140/B9

26. It was stated that when the Original Estimates are formulated for this item, the Department is guided by the previous year's expenditure, the impact of any increases that are apparent at the time of the Additional Estimates and any large movement of personnel that might affect the financial requirement.

Q. B74

27. We were informed that the application for funds in the Additional Estimates had been made in the light of actual expenditure to 31 January, 1972, and in the knowledge that there had been some increases during the financial year in the rate of charges for electricity and water. It was also known that increases in municipal rates had resulted from the upward revaluation of assessed annual values for rating purposes at some locations. Actual expenditure to 31 January 1972 was \$2,283,230 and it was calculated that if this rate of expenditure were to be maintained for the remainder of the financial year, total expenditure would reach \$3,974,000. It was therefore decided to seek an additional \$110,000 in the Additional Estimates to provide a revised total allocation of \$3,600,000, and to seek further funds later in the year from the Advance to the Treasurer, should this course of action become necessary.

Exhibit
140/B9

28. It was stated that although expenditure during the latter months of the financial year was at a lower rate than during the seven months ended 31 January 1972, the total appropriation of \$3,600,000 had been expended by 15 June 1972 and it was necessary to seek a further \$100,000 from the Advance to the Treasurer.

Exhibit
140/B9
and
Qs. B75
and 76.

Conclusions

29. The Committee accepts the Department's explanation.

Advance to the Treasurer, we were informed that a decision was made by the Government on 20 April 1972 to replace the contingent returning to Australia in May of that year. At that stage the Advance to the Treasurer was the only source from which funds could be obtained for salaries and allowances, fares, uniforms and incidentals for the new contingent. The Department's estimate for the Cyprus contingent had been based on the understanding that salaries and other expenses incurred in Cyprus up to 31 March would be reimbursed to the United Nations Organisation in New York by 30 June, while salaries and other expenses incurred beyond 31 March would be reimbursed in the following financial year. This policy was said to have been determined in 1964 by the Australian Mission to the United Nations Organisation in New York.

Exhibit
140/A2

33. The shortfall of \$8,098 that occurred in expenditure was said to have arisen largely from the fact that the Australian Mission to the United Nations Organisation in New York did not receive salary claims from Cyprus for the month of March, 1972. Salary payments for the pay days 9 and 23 March, 1972 amounted to \$5,170. The evidence showed that efforts were made to obtain the claims for salaries from the United Nations Secretariat to facilitate payment prior to 30 June 1972. In commenting on this matter, the Treasury Observer, Mr. Maunder, explained that the invoices are transmitted from the United Nations Secretariat to the Australian Mission at the United Nations Organisation and are then forwarded to the Sub-Treasury, New York, for payment. The United Nations Mission is apparently unable to induce the United Nations Secretariat to issue invoices promptly and the particular invoice in question was not, in fact, issued until 13 July. It was received by the Sub-Treasury and paid on 25 July.

Exhibit
140/A2
and
Q. A31

34. The Department informed us that the remaining shortfall of \$2,928 in expenditure occurred in relation to the fares sub-item when only 18 members of the replacement contingent left Australia in May 1972, whereas a provision had been made for 20 members. This reduced number was said to have arisen from the withdrawal of the Queensland Police Force from the scheme and the inability of the Commonwealth or the other States to make up the shortage. It was explained that the Department had circularised the States in regard to the raising of a relief contingent about 3 months prior to the departure date for the contingent. Negotiations took place with the

Exhibit
140/A2 and
Q A32

Queensland authorities at that time and it was believed that they would participate. However, early in 1971, Queensland announced its decision not to assist further and, on 25 May 1971, the Attorney-General requested the Queensland authorities to reconsider their decision. On 27 August 1971 the Queensland authorities confirmed their refusal to participate.

35. Apart from the factor referred to above, the estimate of expenditure for concessional leave fares had made provision for 33 fares from Nicosia to Rome and return to Nicosia, whereas only 25 fares were paid to 29 February 1972. It was said that a contributing factor to this situation was that half of the Australian contingent was replaced in November 1971, whereas in previous financial years the whole of the Australian contingent had been replaced during May and June. This resulted in some members not availing themselves of leave fares until they had accumulated substantial leave credits. It was stated that the change in the basis of replacement for the Australian contingent had arisen from the assessment that the replacement of 40 men concurrently each year would have resulted in a wholly inexperienced force being located on the Island at the one time. It had been considered preferable to rotate the group in half lots each six months so that at any one time the Australian contingent would have 20 experienced men available there to train the incoming contingent.

Exhibit
140/A2
and
Q. A35

Conclusions

36. The Committee accepts the Department's explanation.

~ Chapter 4

Department of Education and Science

(i) Division 232/1/04 Educational Services - Australian Capital Territory-School janitor services.

<u>Funds Available</u>	<u>1969-70</u>	<u>1970-71</u>	<u>1971-72</u>
	\$	\$	\$
Appropriation Act No.1	123,000	150,000	207,000
Appropriation Act No.3	11,000	4,000	-
Appropriation Act No.4	-	-	-
Advance to the Treasurer	-	7,300	14,635
TOTAL FUNDS AVAILABLE	134,000	161,300	221,635
TOTAL EXPENDITURE	133,918	161,080	221,622
UNEXPENDED FUNDS AVAILABLE	82	220	13

37. In connection with expenditure from the Advance to the Treasurer we were informed that during the additional estimates review, provision had not been made for wage increases awarded under Determination No.441 of 13 December 1971, with retrospective effect to 17 June 1971. The cost of this increase in 1971-72 amounted to \$9,550. In elaborating on this matter, the witness indicated that due to the complexity of the arrangements between the relevant sections of the Department, an omission had occurred and there had been a lack of communication. To improve the situation the Department approached the Public Service Board to double the size of the finance section of the Department. The positions concerned were agreed to by the Public Service Board in June 1972, approved by the Executive Council on 3 August and advertised as vacant on the same day. As a consequence the Department now has two additional officers at the Class 6 (Third Division) level, who are required to pursue in greater detail the many elements involved in the Department's estimates in order to obviate a recurrence of this type of omission and lack of communication.

Exhibit
140/A3
and Q. A41

38. The Department also informed us that \$5,085 of the amount required from the Advance to the Treasurer had arisen from an increased demand of about 60 per cent by private organisations for the hire of school buildings. Although the increase in demand began to emerge in February 1972, it did not become significant until

March and April of that year. The increase in demand on the part of the community to use school buildings outside school hours was said to be encouraged by the Department. The organisations concerned are charged a hiring fee which is paid to revenue and this provides some compensation for the increased overtime charges. In elaborating on the use of school buildings by private organisations, the Department stated that the overwhelming majority of activities which are encouraged by making school premises available are useful activities from the viewpoint of community development. Consequently, whilst the full costs of the janitors are not being met, the Department has borne in mind that there is a considerable investment in Commonwealth buildings in the A.C.T. and in the Northern Territory. To the extent that good use is made of these buildings beyond normal school hours, it is adding to the use of a Commonwealth asset.

Exhibit
140/A 3
and
Qs. A43,
45, 46
and
51 to 59

Conclusions

39. The Committee accepts the Department's explanation relating to \$5,085 charged to the Advance to the Treasurer. The evidence shows, however, that the remaining amount of \$9,550 charged to the Advance should have been included in the Additional Estimates.

40. The Committee is disturbed by the fact that this error arose from the complexity of arrangements between the sections of the Department and a lack of appropriate communication between them. The Committee also notes that action has been taken by the Department by way of increased staffing in its finance section, to improve the situation. The Committee trusts that this action will result in an improved administrative performance in connection with the formulation and review of Estimates.

(ii) Division 232/1/09 Educational Services-Australian Capital Territory -Pre-school education and training.

<u>Funds Available</u>	<u>1969-70</u>	<u>1970-71</u>	<u>1971-72</u>
	\$	\$	\$
Appropriation Act No.1	310,000	380,000	462,500
Appropriation Act No.3	1,800	46,000	-
Appropriation Act No.4	-	-	59,500
Advance to the Treasurer	<u>17,200</u>	<u>-</u>	<u>3,185</u>
TOTAL FUNDS AVAILABLE	<u>329,000</u>	<u>426,000</u>	<u>525,185</u>
TOTAL EXPENDITURE	<u>326,139</u>	<u>423,719</u>	<u>525,135</u>
UNEEXPENDED FUNDS AVAILABLE	<u>2,861</u>	<u>2,281</u>	<u>50</u>

41. This item provides for the costs, including salaries of permanent and casual staff, for the operation of pre-school centres in the Canberra and Jervis Bay areas.

Exhibit
140/A 4

42. We were informed that of the amount of \$59,500 obtained in the Additional Estimates, \$26,500 related to the cost of salary adjustments for teachers regraded from pre-school teacher to teacher Grade 1 as from 11 October 1971. A further \$8,000 related to the provision of personnel to staff the second unit at the Higgins pre-school which, due to enrolment pressure, had been opened earlier than expected. The remaining \$25,000 sought in the Additional Estimates related to a greater need than had been estimated initially for the employment of casual teachers and assistants to staff pre-schools during the absence of full time staff on sick leave, and other leave such as, for example, to enable pre-school officers to attend to urgent private business. Provision is made in the Public Service Act for such special leave.

Exhibit
140/A 4
and
Q. A47

43. Of the \$3,185 obtained from the Advance to the Treasurer, \$1,024 related to additional costs that arose from the National Wage Case and the remaining \$2,161 was required to complete the final pay for the year. In regard to this latter point, we were informed that there is a significant turn-over of staff in the pre-school area and that the Department endeavours to recruit full time staff as quickly as possible. Having regard to the records available and the limitations of staff, the Department was unable to obtain more precise information

Exhibit
140/A 4
and
Q. A49

when it compiled its Original and Additional Estimates. The witness also thought it possible that teachers who were appointed later in the year may have been appointed at salaries above the base range for teachers and this may have contributed to the slight additional amount required over the estimate. It also appears that during 1971-72 the position regarding the supply of teachers, including pre-school teachers, was better than it had been in previous years. This meant that the Department experienced less difficulty than previously in maintaining its establishments at full staffing level.

Conclusions

44. The Committee accepts the Department's explanation relating to \$1,024 charged to the Advance to the Treasurer.

45. In connection with the remaining amount of \$2,161 charged to the Advance it appears that an inadequacy in records and limitations of staff contributed to a lack of precision in the formulation of the Original and Additional Estimates under the item. From the evidence taken in relation to item 232/1/04, however, it appears that action has now been taken by the Department to improve its performance in the finance area.

(iii) Division 232/2/04 Educational Services - Northern Territory -
Cleaning of schools.

<u>Funds Available</u>	<u>1969-70</u>	<u>1970-71</u>	<u>1971-72</u>
	\$	\$	\$
Appropriation Act No. 1	154,000	190,000	228,000
Appropriation Act No. 3	3,000	3,000	-
Appropriation Act No. 4	-	-	-
Advance to the Treasurer	-	-	70,800
TOTAL FUNDS AVAILABLE	<u>157,000</u>	<u>193,000</u>	<u>298,800</u>
TOTAL EXPENDITURE	<u>156,667</u>	<u>192,935</u>	<u>292,575</u>
UNEXPENDED FUNDS AVAILABLE	<u>333</u>	<u>65</u>	<u>6,225</u>

46. This item provides for the payment of contract cleaners in the Northern Territory community schools, wages of gardeners employed in rural schools and wages of staff cleaners in schools not covered by contract.

Exhibit
140/A6

47. We were informed that due to staff changes and to a breakdown in communication that occurred within the Department, the finance section was unaware that new contracts had been let for Nhulunby and Alice Springs schools before the Additional Estimates were approved. It was stated that in September 1970, as soon as the Department knew that the Commonwealth was required to accept responsibility for the Northern Territory schools, it had sought 13 additional positions within its areas of administrative control. There had been a serious shortage of staff, however, in the Darwin branch of the Department since the Commonwealth had taken up full responsibility at the beginning of 1971. Several factors were said to be involved in the difficulties that were experienced. These included the fact that the Director of Northern Territory Community Schools in 1971, who was an officer seconded to the Department from the South Australian Education Department, was promoted as Deputy Director-General of Education in South Australia at the end of that year. His replacement, who had also been seconded from the South Australian Education Department, did not reach the Northern Territory until late in January 1972. The consequences of this change were made more serious by the fact that the senior administrative position in the Darwin Office of the Department was not filled from early 1971 until late April 1972.

Exhibit
140/A6
and
Q. A66

The administrative positions that had been agreed to by the Public Service Inspector in Darwin at the end of December 1970 had not been filled before the general Commonwealth-wide staff restrictions were imposed, and in the event it was possible to fill only two of those positions by 30 June 1972. The Department commenced a full organisation and methods review of the situation in its Darwin Office late in 1971 and as a consequence has requested the Public Service Board to provide 21 new positions.

48. We were informed that \$45,000 of the amount required from the Advance to the Treasurer had arisen from the fact that the Nhulunbuy contract exceeded the estimate by that amount. When the estimate for the contract was prepared, the Department was not aware of the substantially higher pricing and cost structure operating at Nhulunbuy. Its original estimate for this contract had been based on its experience in other parts of the Northern Territory and it was the first contract of its type let in relation to Nhulunbuy. In fact, only one tender was received for the contract which was let by the Northern Territory Administration Tender Board, with the concurrence of the Department's Darwin Office but without reference to the Central Office of the Department.

Exhibit
140/A6
and
Qs. 67,
74 to 81,
89 and 90.

49. Further factors contributing to the requirements from the Advance to the Treasurer included the fact that the Alice Springs contract exceeded previous contracts by \$4,100 and the total of all other Northern Territory contracts exceeded the value of 1971 contracts by \$17,900. These excesses were said to have been caused by a pattern of increasing prices in the Northern Territory.

Exhibit
140/A6

50. The Department stated that action had been taken to avoid a future break in administrative procedures such as occurred in the cases of Nhulunbuy and Alice Springs. The most important of these actions is that since 22 April 1972 the Department has had a senior administrative officer on duty in its Darwin Office. Also, the attention of the officers in both the Northern Territory and the Central Office of the Department has been drawn to the nature of the error that occurred. It was also stated that when the tenders were invited for the contracts they were invited by the Northern Territory Administration Stores Section on an agency basis. At

Exhibit
140/A6
and
Q.A69

the end of 1971, however, a Tender Board was established in the Northern Territory by the Minister for Education and Science and it is now directly responsible for its own tendering procedures.

51. The remaining \$3,800 sought from the Advance to the Treasurer arose from unforeseen student accommodation problems that were caused by an unexpected population influx to Alice Springs. As a consequence, it was necessary to occupy the new Alice Springs High School ahead of schedule and to make provision for an additional two months' cleaning services. Exhibit
140/A6
and
Q. A70

52. In relation to the shortfall of \$6,225 that occurred on the item, the witness informed us that towards the close of the financial year it had been necessary to make an assessment of the number of accounts that were being received in the Darwin Office. The best estimate that could be made was that \$70,800 would be required from the Advance to the Treasurer. In fact, however, one account was not received and the Department was therefore unable to have its examination completed in order to pay the whole amount. Q. A71

Conclusions

53. The evidence shows that most of the problems confronting the Department under this item were incidental to the assumption of responsibility by the Commonwealth for schools in the Northern Territory, and to attendant administrative staffing difficulties, mainly in the Department's Darwin Office. The Committee notes that action has been taken by the Department to overcome the problems involved.

54. While a full consideration of the Nhulumbuy cleaning contract does not come within the ambit of the present inquiry, the Committee is, nevertheless, concerned by the seemingly excessive cost incurred in that case. For these reasons the Committee proposes to obtain from the Department of Education and Science a submission relating to all of the circumstances of that contract.

(iv) Division 232/2/11 Educational Services-Northern Territory - Commonwealth Teachers - Salaries, allowances and removal expenses.

<u>Funds Available</u>	<u>1969-70</u>	<u>1970-71</u>	<u>1971-72</u>
	\$	\$	\$
Appropriation Act No.1	-	-	730,000
Appropriation Act No.3	-	200,000	-
Appropriation Act No.4	-	-	25,000
Advance to the Treasurer	-	-	13,500
TOTAL FUNDS AVAILABLE	-	200,000	768,500
TOTAL EXPENDITURE	-	149,750	768,083
UNEXPENDED FUNDS AVAILABLE	-	50,250	417

55. In explaining the amount of \$25,000 included in the Additional Estimates the Department informed us that the original Appropriation of \$730,000 had been estimated on the basis that in respect of Northern Territory primary and secondary community schools the Commonwealth would be required to provide 70 teachers in the first half of 1971-72 and 170 teachers in the second half of the financial year. In this regard it had been agreed between the Commonwealth and South Australian Departments that to make the transition as simple as possible, the Commonwealth would determine the number of teachers it needed to recruit to meet, as far as possible, the teacher shortfall which would arise from expansion of numbers and from South Australian withdrawals from the Northern Territory, arising from transfers, promotions and like factors. When the Original Estimates were prepared the number of Commonwealth positions required represented South Australia's best estimate of the number of its teachers which would be likely to transfer from the Northern Territory to South Australian schools at the end of that school year. However, the South Australian authority discovered in November 1971 that it was promoting an unexpectedly large number of Northern Territory teachers into positions in South Australian schools. Following a review of the staffing position it was agreed that from the commencement of the 1972 school year the Commonwealth would make available a total of 200 teachers. The original appropriation of \$730,000 had included an amount of \$681,000 to meet salary costs arising from the decision that the Commonwealth provision of teachers should be set at 170 in

Exhibit
140/A8
and
Q.101

the 1972 school year. It was estimated that an additional amount of \$25,000 would be required to meet the additional commitment.

56. In explaining the requirement of \$13,500 from the Advance to the Treasurer, the Department informed us that provision is made under this item for the cost of conveyance of teachers from the point of recruitment to the place of appointment in the Northern Territory. In the first year of operation of the scheme, the Department recruited a relatively higher number of married women than occurred in the next financial year, 1971-72. The recruitment cost for married women in terms of placement, travel and related factors was much less than for other teachers. Another factor which added considerably to the Department's costs in 1971-72 was the sudden rain which occurred in the south of the Territory. A high proportion of teachers posted to the Northern Territory prefer to take their motor vehicles with them. This requires transport to be arranged by train from Port Augusta to Alice Springs and for the teachers to drive for the remainder of the distance. Late in January 1972 heavy rains disrupted the rail service for a period of about 11 days and it became necessary to make other arrangements for the teachers to reach their schools. A third problem related to the non-availability of accommodation for married and single people in Katherine. This led the Department to transfer a number of single teachers, mainly from Alice Springs, to Katherine, and for the whole of the first term the Department was required to meet their accommodation costs in a motel.

Exhibit
140/A8
and
Qs.A102
to 106

Conclusions

57. The Committee accepts the Department's explanation.

Chapter 5
Department of External Territories

(i) Division 266/03 Papua New Guinea - Miscellaneous Services-
Allowances and other benefits for overseas
officers of the Papua New Guinea Public Service

<u>Funds Available</u>	<u>1969-70</u>	<u>1970-71</u>	<u>1971-72</u>
	\$	\$	\$
Appropriation Act No.1	-	29,250,000	36,000,000
Appropriation Act No.3	-	2,250,000	-
Appropriation Act No.4	-	-	1,300,000
Advance to the Treasurer	-	-	1,000,000
TOTAL FUNDS AVAILABLE	-	31,500,000	38,300,000
TOTAL EXPENDITURE	-	31,497,194	38,293,908
UNEXPENDED FUNDS AVAILABLE	-	2,806	6,092

58. This item provides for the payment by the Commonwealth of the cost of allowances and other benefits for overseas officers of the Papua New Guinea Public Service in accordance with arrangements announced in July 1970 whereby the Commonwealth Government accepted responsibility for meeting the extra costs above the salary scales of local officers incurred by the Papua New Guinea Public Service in employing overseas officers.

Exhibit
140/A 11

59. We were informed that the provision of \$1,300,000 in the Additional Estimates had related to \$1,263,000 for salary adjustments and \$427,000 for other adjustments, less an amount of \$390,000 relating to a reduction in the number of officers expected to be recruited during the year and other minor variations. Of the amount required for salaries, \$865,000 related to increases in salary rates flowing from the application of Commonwealth Arbitration Determinations made since the Original Estimates for 1971-72 were prepared and \$398,000 related to reclassification and establishment decisions made by the Papua New Guinea Public Service Board since 1 July 1971.

Exhibit
140/A 11
and Q8.
128, 129
and 131

60. The other adjustments, amounting to \$427,000, included \$122,000 relating to a decision of the Public Service Conciliation and Arbitration Tribunal of Papua New Guinea on 17 December 1971, increasing secondary education allowances from \$480 to \$675 per annum for fee-paying

schools and from \$290 to \$405 per annum for non-fee-paying schools, effective from the commencement of the 1972 school year. A further \$244,000 related to increased rates of pension payable under the Superannuation (Papua New Guinea) Ordinance in line with increases granted under the Commonwealth Superannuation Act from 1 October 1971. The remaining \$61,000 related to an increase of 85 in the number of contract officers who were expected to draw benefits under the provisions of the Retirement Benefits (Contract Officers) Ordinance.

Exhibit
140/A 11,
Q.A130 and
Committee
File 1972/2

61. It was stated that the provision of \$1,000,000 from the Advance to the Treasurer was required to meet the following expenditure -

	\$	
a) salary payments in excess of those provided for in the revised estimates prepared in February 1972	708,000	
b) payment of return fares of officers and their wives and families who travelled overseas (including Australia) on leave	298,000	
c) less sundry minor adjustments	<u>6,000</u>	
	<u>\$1,000,000</u>	

Exhibit
140/A 11

62. In connection with the \$708,000 sought for salary payments, \$406,000 related to Arbitration and other determinations made prior to 28 February 1972, but not included in the Additional Estimates. In relation to this element we were informed that the formulation of the estimate is an area of shared responsibility between the Papua New Guinea Administration and the Department of External Territories. Each department of the Administration prepares its own estimates. While these are reviewed by the Papua New Guinea Treasury, the Department of External Territories also takes part in the review. A further \$266,000 was also required to meet further increases for salary rates payable subsequent to 28 February 1972 and the remaining \$36,000 was required to meet other miscalculations of the revised estimate prepared earlier. In regard to the latter point the witness was unable to identify the areas where the miscalculations had occurred.

Exhibit
140/A 11
and
Q.A133
and 137

63. It was explained that although approval had been given as at 28 February 1972 to include \$1,263,000 for salary variations in the Additional Estimates, it was estimated that, due to the expenditure position as at the end of January, an additional \$857,000 only would be required and this was the amount actually

included. It was explained that 1971-72 was only the second year in which these costs had been met by the Commonwealth. Some difficulty had therefore been experienced in obtaining accurate estimates due to the unusual pattern of salary expenditure in Papua New Guinea departments. It was stated that although the existing basic procedures in Papua New Guinea for preparing salaries estimates are very similar to the procedures followed by Commonwealth departments, there are unusual difficulties in Papua New Guinea which are accentuated by the absence on leave of experienced staff for extended periods at some stages of the year.

Exhibit
140/A 11

64. It was stated that the Papua New Guinea Treasury made a major review of the estimate as at 31 December 1971. This was received by the Department of External Territories in Canberra on 15 February 1972. At that stage of the financial year the expenditure position is always unstable. Large payments of salaries in advance are made to officers proceeding on leave during November and December for periods up to February or later. It was said that while this problem is foreseeable, it is difficult to assess the magnitude of its effect. Average salary payments per fortnight reimbursed to the Administration during the seven months ended 31 January varied as follows:

Exhibit
140/A 11
and
Q.A134

July - October	\$1,210,500
November- December	\$1,451,600
January	\$ 987,600

65. We were informed that, similarly, leave fares paid to December 1971 amounted to only \$351,000, whereas at 28 February 1972 payments totalled \$1,039,000. These payments were expected to decline in the later months of the financial year because of fewer officers proceeding on leave. It did not become evident until May that the revised estimate was likely to be exceeded when expenditure as at 30 April 1972 totalled \$1,926,000. The Papua New Guinea Treasury explained to the Department of External Territories that the number of officers entitled to leave fares exceeded the estimates provided by departments and, in addition, increases in air fares by about 6% per cent from August 1971 required the provision of additional funds. This accounted for approximately \$170,000 of the additional \$298,000 but, as in the case of salaries, provision was not made in the Additional Estimates

Exhibit
140/A 11

because of the mid-year expenditure position on the item.

66. The Department of External Territories informed us that it proposes to give further consideration, in conjunction with the Papua New Guinea Treasury, to the procedures necessary for preparing accurate estimates of expenditure. It was explained that, in the first instance, the Department will endeavour to take a more active role in the review of expenditure than it has taken in the past. These reviews occur in January, March and May each year. When our inquiry occurred, the Department had not reached a decision as to the amount of detail that it must examine in order to provide the best based estimates.

Exhibit
140/A 11
and Q.
A135.

Conclusions

67. The evidence taken in relation to this item shows that about \$612,000 of the \$1,000,000 obtained from the Advance to the Treasurer should have been included in the Additional Estimates. The \$612,000 comprised \$406,000 which related to salary payments under Arbitration and other determinations made prior to 28 February 1972, but not included in the Additional Estimates; \$170,000 which related to increases in leave fares; and \$36,000 arising from miscalculations that occurred when the revised estimates review was made. The under-estimation of both the \$406,000 and the \$170,000 appears to have arisen mainly from inexperience within the Papua New Guinea Administration and the Department of External Territories regarding the inferences to be drawn from expenditure trends on the item. In this regard we note that 1971-72 was only the second year in which the payment of the cost of allowances and other benefits for overseas officers of the Papua New Guinea Service was met by the Commonwealth.

68. The Committee notes that the Department of External Territories proposes to give further consideration, in conjunction with the Papua New Guinea Treasury, to the procedures necessary for preparing accurate estimates of expenditure. While we commend the Department in this regard we believe that more detailed consideration could have been given to this matter at the outset of the arrangement. We expect to be advised, in due course, of the proposed changes in estimating procedures.

(ii) Division 266/07 Papua New Guinea -Miscellaneous Services-
Practical training in Australia for Papuans
and New Guineans.

<u>Funds Available</u>	<u>1969-70</u>	<u>1970-71</u>	<u>1971-72</u>
	\$	\$	\$
Appropriation Act No.1	-	-	225,000
Appropriation Act No.2	-	148,000	-
Appropriation Act No.4	-	-	-
Advance to the Treasurer	-	-	15,000
TOTAL FUNDS AVAILABLE	-	148,000	240,000
TOTAL EXPENDITURE	-	78,379	238,227
UNEXPENDED FUNDS AVAILABLE	-	69,621	1,773

69. In explaining the purpose of this item the Department informed us that a scheme for the practical training in Australia of Papua New Guineans had been announced by the Government in March 1970. The main objective of the scheme is to provide Papua New Guineans with a range of training and experience in actual on-the-job situations which will enable them to upgrade the level of their skills and to advance more rapidly to positions of greater complexity and responsibility. Training in Australia under the scheme is given only in the fields where it is not available in Papua New Guinea or could be better provided in Australia. Trainees range from persons at the skilled trade and technician levels, to those occupying professional and senior administrative positions. Provision is made for the fares, living costs and other expenses of the trainees whilst in Australia. Each trainee is entitled to payment at the Colombo Plan award rates.

Exhibit
140/A 12

70. We were informed that the Original Estimate for this item had been based on the placement of 124 new trainees in 1971-72 and the completion of training for 39 trainees who were already in Australia on 1 July 1971. Expenditure as at 31 December 1971 was \$78,800. This did not indicate that additional funds would be required in 1971-72 to meet the placement of the 124 trainees for which provision had been made, even although increases of 6½ per cent had occurred in air fares in August 1971, and living allowances had been increased by \$135 per annum as from 25 November 1971. These increases were expected to absorb approximately \$10,500 of the Appropriation.

Exhibit
140/A 12 and
Qs. A138 and
139

71. It was stated that by mid-February 1972 it was known that expenditure to 31 January had reached \$94,900, and commitments for 119 new trainees had almost exhausted the funds available. An application was made to the Department of the Treasury on 3 March 1972 for further funds to be included in the Additional Estimates so that the Practical Training Scheme would be seen to be a continuing operation. This application had not been decided when the Additional Estimates closed on 10 March 1972, but the Department of the Treasury advised that, on certain conditions, funds would be made available, if not by way of the Additional Estimates, then from the Advance to the Treasurer. In elaborating on this, the witness informed us that because of the late date of the application the Department of the Treasury had not been able to consider it fully and was not prepared to make a decision by the date on which it was necessary for the amounts to be included in the Additional Estimates. This related primarily to reductions that were to be made elsewhere in the estimates.

Exhibit
140/A 12 and
Qs. A141
and 142

72. In relation to the conditions on which the Department of the Treasury was prepared to make further funds available, the Treasury Observer, Mr. Maunder, informed us that the increases that had been sought related to external aid. His Department required that they be offset by savings under other external aid items so that the total amount approved for external aid in 1971-72 would not be exceeded.

Qs. 143
to A145

73. The Department informed us that a further increase of \$180 per annum occurred in living allowance for the students as from 31 March 1972. On 17 April the Department of the Treasury agreed to provide \$15,000 from the Advance to the Treasurer on the understanding that equivalent savings would be made on other appropriations. The witness explained that a saving of \$5,000 was achieved on item 266/06, relating to the Overseas Service Bureau, and that a further saving of \$10,000 was made on item 268/1/01 relating to salaries for the Australian School of Pacific Administration. It was explained that there had been a change in the role of that school. While at that stage there were plans to employ lecturers, the appointments had not been made and it

Exhibit
140/A 12
and Qs.
A146 to
153

could be foreseen that the appropriation would not be expended fully. The savings achieved had not caused a termination of students' studies but had resulted in a deferment of the commencement of studies by some students. The savings achieved on item 266/06 arose from the fact that during the course of the year the Overseas Service Bureau recruited a number of volunteers to the Australian Volunteers Abroad scheme to go to Papua New Guinea. It transpired that the Bureau did not obtain the full number of volunteers that had been expected and therefore the expenditure under the item was less than had originally been anticipated.

Conclusions.

74. The evidence shows that by mid-February 1972 it had become apparent to the Department that additional funds would be required under this item but the request for these funds was not made until 31 March. It seems likely that if the matter had been explored with the Department of the Treasury at an earlier stage the question of alternative savings under other external aid items could possibly have been settled in time for the extra funds for item 266/07 to be included in the Additional Estimates.

75. The Committee proposes to discuss with officers of the Department of the Treasury the requirement relating to the provision of savings under some items as a pre-requisite to further financial allocations for other items.

Chapter 6
Department of Supply

(1) Division 720/2/03 Administrative - Administrative Expenses -
Postage, telegrams and telephone services.

<u>FUNDS AVAILABLE</u>	<u>1969-70</u>	<u>1970-71</u>	<u>1971-72</u>
	\$	\$	\$
Appropriation Act No. 1	736,000	670,000	710,000
Appropriation Act No. 3	-	-	-
Appropriation Act No. 4	-	-	22,000
Advance to the Treasurer	-	-	30,000
TOTAL FUNDS AVAILABLE	736,000	670,000	762,000
TOTAL EXPENDITURE	676,301	591,473	761,163
UNEXPENDED FUNDS AVAILABLE	59,699	78,527	837

76. This item provides for expenditure on postage, telegrams, phonograms, telephone and teleprinter services incurred by the Central and Regional Offices.

Exhibit
140/B 11

77. In connection with Appropriation Act No. 4, it was explained that an assessment made by each of the user Offices indicated that an additional \$22,000 would be required to provide for increases in telephone rentals, telephone calls and postage charges effective from 1 October 1971. The details of this amount on a user Office basis were as follows:-

Exhibit
140/B 11
and
Q. B89

	\$
Central Office	1,800
New South Wales	-
Victoria	10,000
Queensland	1,000
South Australia	8,350
Western Australia	830
Tasmania	440
Sub-Total	22,420
Less Overseas Posts	420
<u>Total</u>	<u>\$22,000</u>

78. It was stated that subsequent to the Additional Estimates and upon receipt of accounts in the latter half of the year it became apparent that the Central Office had under-estimated its requirements, and it became necessary to seek further funds from the Advance to the Treasurer to pay the accounts on hand. In elaborating on this the witness informed us that the Central Office required a further \$40,631 comprising \$39,796 for metered calls and \$7,053 for telephone rental, less \$6,218 on other items such as postage and teleprinters. The \$40,631, however, was offset by shortfalls of \$8,593 in South Australia, \$2,875 among the other States and \$2,500 at the Department's Overseas Posts. The witness indicated that the estimate for 1971-72 had been based on past experience and extended to produce estimated figures for that year. He did not think that the Department's calculations had been performed as well as they might have been.

Exhibit
140/B 11
and
Qs. 96
and 99

79. The amount obtained in the Additional Estimates for the South Australian Regional Office amounted to \$8,350, compared with a shortfall of \$8,593 at the close of the year. In this regard the witness explained that when the Budget estimates were prepared for 1970-71 the South Australian Regional Office was located in the Da Costa building in Adelaide where all telephone facilities were provided by the Department of the Interior. During that year the Regional Office moved to the National Bank building. The Office had not had a great deal of experience in estimating for telephone services and found itself confronted with estimating difficulties.

Qs. B89,
96 and
100.

Conclusions

80. The evidence in this case suggests that the difficulties experienced by the Department and the need for additional funds from the Advance to the Treasurer arose primarily from inadequacies in estimating performances.

81. In the case of the Department's Regional Office in South Australia, the shortfall that occurred in expenditure under this item exceeded the amount obtained in the Additional Estimates. While we recognise that the Regional Office concerned lacked previous experience

in the formulation of estimates for telephone services, we believe that this fact should have been recognised by the Central Office and special care taken to examine critically the estimates tendered by the Regional Office. In this regard the Committee has stated on previous occasions that a direct responsibility devolves upon Central Offices to satisfy themselves completely in regard to estimates formulated by their Regional Offices. The estimates submitted by such Offices should be supported by appropriate material to enable the Central Offices to perform their review function at a high standard.

P.P. No. 31
of 1968.

(ii) Division 729/1/01 Defence Research and Development Establishments
 - Salaries and Payments in the nature of S. lary-
 Salaries and allowances.

<u>Funds Available</u>	<u>1969-70</u>	<u>1970-71</u>	<u>1971-72</u>
Appropriation Act No.1	24,027,000	27,340,000	30,770,000
Appropriation Act No.3	562,000	337,000	-
Appropriation Act No.4	-	-	734,000
Advance to the Treasurer	-	68,000	136,000
TOTAL FUNDS AVAILABLE	24,589,000	27,745,000	31,640,000
TOTAL EXPENDITURE	24,470,218	27,742,872	31,578,010
UNEKPEDED FUNDS AVAILABLE	118,782	2,128	61,990

82. This item provides for the payment of salaries, wages, higher duty pay, holiday pay and retirement leave of officers and employees of the Defence Research and Development Establishments. Recoveries by way of charges, including overheads, for work done for other departments and authorities and tasks performed for Industry, are passed to Consolidated Revenue.

Exhibit
140/B 12

83. We were informed that the additional provision made in Appropriation Act No.4 was required for the following commitments which arose between 1 June and 17 December 1971:-

<u>Awards</u>	<u>₹</u>
Equal pay for female cleaners	24,000
Second Division Officers	42,000
Safety Officers	1,000
Librarians	2,000
Library Officers	6,000
Metallurgists	2,000
Technical Officers	420,000
S.P.R.S. Determination	2,000
Medical Officers	5,000
Trainee Instructors	13,000
Physical Grades	54,000
Machine Operators	4,000
Cafeteria Employees	38,000
Nursing Sisters	3,000
Total	616,000

Exhibit
140/B 12
and
Q. B107

84. Other variations contributing to the \$734,000 were \$18,000 for Apprentices (shorter terms); \$57,000 for unanticipated furloughs; \$55,000 for staff variations; and a reduction of \$12,000 representing a number of miscellaneous adjustments to the Budget Estimates. It was explained that the vote provides for four main laboratories - the Weapons Research Establishment in South Australia, which includes Woomera; the Defence Standards Laboratories; the Aeronautical Research Laboratories; and the Central Studies Establishment in Canberra. The variation of \$12,000 in fact comprised forecasted under-expenditure of \$28,000 by the Weapons Research Establishment, an additional requirement of \$4,000 by the Aeronautical Research Laboratories and an additional requirement of \$12,000 by the Defence Standards Laboratories.

Exhibit
140/B12
and
Q.B109

85. In connection with the further funds obtained from the Advance to the Treasurer we were informed that, subsequent to the Additional Estimates, two awards were handed down which increased the salaries requirement for the year to an amount exceeding the Appropriation. These awards, together with other factors, caused an increase in financial requirements of \$361,990. Details of these increases are shown below:

Exhibit
140/B12

<u>Awards</u>	\$	\$
Metal Trades	240,000	
National Wage Case	<u>47,000</u>	287,000
Pay in lieu of furlough		21,000
Increments and higher duties allowances		12,000
Requirement for salaries of Trainees		
Technical Officers		12,460
Provision for New York salaries		17,530
Underestimate at Appropriation Act No. 4		<u>12,000</u>
		<u>\$361,990</u>

86. At the same time there was also a reduced requirement of \$226,000, thereby resulting in a net increase of approximately \$136,000. Of the total decrease, \$206,000 arose from a reduction in average staff from the 5,975 forecast when the Additional Estimates were formulated to the actual average staff of 5,937 for 1971-72.

A further \$9,000 of the decrease related to reduced allowances payable to officers overseas. It was said that \$10,000 had been provided in the estimates for these allowances for officers at the engineering wing of the Weapons Research Establishment travelling overseas on short term or on permanent postings. However, a lesser number of officers proceeded overseas than had been planned and only \$1,000 of the \$10,000 provided was needed. A further \$6,000 of the decreased requirement related to payments to vacation students being less than anticipated and the remaining \$5,000, which had been provided for Second Division officers, was not required.

Exhibit
140/B 12
and Qs.
B110 and
111.

87. The shortfall of \$61,990 that occurred on the item related to six elements. An overestimate of \$9,000 had been made for furlough which it had been expected would be paid prior to 30 June 1972. This amount had been requested from the Advance to the Treasurer by the Defence Standards Laboratories which had anticipated that a furlough payment would be required. In fact the payment was not required until 4 July. \$15,000 of the shortfall related to an over-provision of \$9,000 for salaries for the Defence Standards Laboratories and \$6,000 for the Aeronautical Research Laboratories. In seeking the additional \$9,000 the Defence Standards Laboratories had over-estimated the requirements of its State branches. The additional \$6,000 sought by the Aeronautical Research Laboratories related primarily to a re-organisation at the Laboratories. The witness informed us that on 22 May the Public Service Board formally approved a reorganisation, and an additional \$20,000 had been provided in the Additional Estimates to cover this provision. The Treasury Observer, Mr Davidson, however, subsequently informed us that the Public Service Board had approved the reorganisation on 10 February. The formal approval of the Governor-General in Council for the reorganisation was given on 22 May. The evidence shows that the Laboratories had not foreseen that some of the personnel involved were ineligible during 1971-72 to move into the reclassified positions until an assessment of their scientific capabilities had been made. Also, the reclassification of experimental officers' positions was deferred. Negotiations continued with the Public Service Board on this matter on 29 June 1972.

Exhibit
140/B 12
and
Qs. B116
and
Committee
File 1972/2

88. We were informed that an unexpected recovery of salaries for training technical officers had accounted for \$12,460 of the shortfall on the item. It was explained that 26 trainee technical officers who are on the organisation of the Central Office are attached to the Regional Office in Victoria for training purposes, where they are located at the Aeronautical Research Laboratories. The Laboratories pay them and then recover the amount from the Regional Office, Victoria. Normally there is a lag in the claiming process. There are about three pay periods in the process and provision is made for a lag in recovery. However, in the event, the Regional Office, Victoria, paid the Aeronautical Research Laboratories the total claim that it had made for the year. The \$12,460 represented the amount for trainee technical officers for the four pay days to 28 June. The repayment was received on that day.

Exhibit
140/B 12
Q. B117

89. The Department informed us that provision of salaries for its New York Office had included an error of \$17,530. It was explained that provision for the salary of an officer located in the United States of America had been made correctly by the Aeronautical Research Laboratories but, at the Central Office of the Research and Development Division, provision was again made for this salary as that Office was unaware that it had been provided by the Aeronautical Research Laboratories. The witness informed us that it is quite clear that the provision for this salary was the responsibility of the Aeronautical Research Laboratories and it was through over-zealousness during the review process at Central Office that the double insertion occurred. The remaining \$2,000 of the shortfall related to an overestimate of requirements for increments and higher duties allowances.

Exhibit
140/B 12
and
Q. B118

Conclusions

90. The Committee's main concern with this item relates to some of the circumstances surrounding the shortfall of \$61,990 that occurred.

91. The evidence shows that funds were provided in the Additional Estimates to cover the costs of a proposed reorganisation in the Aeronautical Research Laboratories. The Laboratories, however, had not foreseen that some personnel involved were ineligible,

during 1971-72, to move into the reclassified positions until an assessment of their scientific capabilities had been made. On the basis of the evidence, the Committee regards this as a serious administrative oversight. It also appears that the reclassification of experimental officers' positions was deferred and negotiations in this regard were not resumed with the Public Service Board until 29 June 1972. In connection with this matter generally, the Committee has also noted the action taken by the Department of the Treasury to correct an imprecision in the evidence tendered by the witness. But for this correction, the evidence would have shown that funds were sought in the Additional Estimates in anticipation of Public Service Board approval to the reorganisation.

92. The second matter to which the Committee would invite attention relates to the payment of trainee technical officers who are attached to the Department's Regional Office in Victoria and located at the Aeronautical Research Laboratories. The evidence shows that there is normally a time-lag in the recovery process for the salaries of the trainees. However, in June 1972 the Regional Office overcame the "normal" time-lag and on 28 June made payment to the Aeronautical Research Laboratories for four pay days. The Committee believes that the Department should examine the circumstances of this sudden improvement in performance and should also examine carefully the circumstances of any future time-lag that arises in these recoveries.

93. The third matter relates to a double provision for the salary of an officer located in the United States of America. The evidence shows that provision for the salary had been made correctly by the Aeronautical Research Laboratories but, at the Central Office of the Research and Development Division, provision was again made for the salary as that Office was unaware that provision had already been made for it. It appears that this error could only have arisen from a misunderstanding as to the relative responsibilities of the Aeronautical Research Laboratories and the Research and Development Division at the Department's Central Office, in relation to the provision of salaries.

94. In the circumstances referred to above the Committee would repeat an observation that it made in its Forty-first Report to the effect that while consistently sound estimating is often the sign of a well organised and efficient department, the converse is frequently true.

(iii) Division 735 Furniture Removals and Storage.

<u>Funds Available</u>	<u>1969-70</u>	<u>1970-71</u>	<u>1971-72</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Appropriation Act No. 1	4,322,000	4,988,000	5,831,000
Appropriation Act No. 3	339,000	576,000	-
Appropriation Act No. 4	-	-	868,000
Advance to the Treasurer	<u>361,000</u>	<u>270,000</u>	<u>216,000</u>
TOTAL FUNDS AVAILABLE	5,022,000	5,834,000	6,915,000
TOTAL EXPENDITURE	<u>5,013,407</u>	<u>5,837,713</u>	<u>6,914,206</u>
UNEXPENDED FUNDS AVAILABLE	8,593		794
		<u>3,713</u>	

95 This item provides for the cost of removal and storage of furniture and effects of public servants and Service personnel-excluding Postmaster-General's Department, Commonwealth Railways, establishments which operate under Trust Accounts, and statutory commissions and instrumentalities for which the Department of Supply provides the removal service on a recoverable basis. Services are provided by the Department of Supply on demand, and the Original Estimate is based on the forecasts provided by client departments.

Exhibit
140/B 13

96. We were informed that the amount of \$868,000 obtained in the Additional Estimates comprised \$832,000 for furniture removals, storage, loss and damage costs and \$36,000 for stores and transport administration costs. In connection with the furniture removals and related costs it was stated that, based on expenditure to 29 February 1972 and allowing for normal seasonal fluctuations in the level of business activities, it had been estimated that an additional \$832,000 was required. Historically this item increases both in volume of removals and cost per removal each year. As all removals during the first half of 1971-72 were carried out on the open tender system, the cost increases due to volume variations and due also to removal cost variations were very difficult to ascertain.

Exhibit
140/B 13
and
Q. B119

97. In elaborating on this matter the witness informed us that it is unusual for the Department to operate an open tender system for interstate removals, and that period contracts for this purpose had been in existence from 1967 until 31 July 1971. The rates of the contracts were established as a result of departmental costs investigations and were agreed to by the removalists who had formed a panel to which

work is allocated on a shared basis. Towards the end of July 1971 the Department considered that, while a period contract for the work was desirable, it should test the market by open tender for interstate work. In this approach the Department had hoped for sufficient competition within the industry to arrive at lower costs through other firms desiring to obtain an increased share of the available work. When tenders were received, however, they were 40 to 75 per cent higher than the then current contract, a circumstance which would have resulted in additional expenditure of about \$1,500,000. The Department therefore rejected the tenders and, throughout the period that negotiations were proceeding, each job was catered for by tender as it came up for execution.

Exhibit
140/B13
and
Q. B119

98. A further period contract No. 2256 was negotiated and commenced operation on 7 December 1971. This contract provided for a 4.9 per cent price escalation over the rates applicable during 1970-71. The witness added that there had been a similarity between the quotes offered by the tenderers, and the contracts branch of the Department referred the matter to the Attorney-General's Department. The evidence shows that a further complication arose when the new period contract was varied with effect from 1 February 1972, to allow a further price increase of approximately 2½ per cent arising from the National Wage case.

Exhibit
140/B13
Q. B119
and 120
and
Committee
File
1972/2

99. The additional \$36,000 relating to stores and transport administration costs included \$23,500 which arose from increases in wage costs resulting from Determination No. 343 of 1971 which came into operation on 22 September of that year. \$4,500 related to an increase in costs of salaries paid to clerical staff as a result of Determination Nos. 208 and 209, effective from 17 June 1971; and \$5,000 related to a requirement for additional pre-funding of the Supply Storage and Transport Trust Account to cover increases in wages, salaries, materials and services. The final \$3,000 of the increase arose from an underestimate that had occurred in the cost of materials and services when the Original Estimate was formulated.

Exhibit
140/B13
and
Q. B122

100. In connection with the funds obtained from the Advance to the Treasurer, \$200,500 related to furniture removals, storage, loss and damage costs. It was explained that following the Additional Estimates it became apparent from expenditure trends and removal orders received that insufficient funds had been sought in the Additional Estimates. In elaborating on this the witness informed us that the vote is rather difficult to estimate because the Department is required to meet the demands of client departments. Although there is a reasonably steady rate of expenditure each month, expenditure tends to be abnormally high during the January/February period each year when removals are greater during the school vacation period. In January 1972, expenditure amounted to \$430,000 but increased in February to \$823,000 and in March to \$788,000. For reasons which the Department had not been able to isolate, expenditure in May amounted to \$709,000.

Exhibit
140/B13
and
Q.B123

101. The remaining \$15,500 obtained from the Advance to the Treasurer related to stores and transport administration costs. It was explained that on 4 May 1972 the Deputy Arbitrator handed down Determinations granting a flow on of the Metal Trades Award to foremen and wages employees paid under Division 735. These increases were retrospective to 10 February 1972.

Exhibit
140/B 13

Conclusions

102. In general the Committee accepts the Department's explanation. We note, however, the claim made in evidence that difficulties are experienced in formulating estimates for this item as the Department of Supply is required to meet demands placed on it by client departments. Because of these difficulties the Committee believes that the Department should, for its future guidance, make every endeavour to isolate the causes of unexpected variations that occur in expenditure trends under the item.

103. The Committee would commend the Department on its action taken in July 1971 to test the market relating to interstate removals. We also note that the Department referred to the Attorney-General's Department the details of period contract No. 2256 arising from a similarity of quotes offered by tenderers. We would also commend the Department in this regard.

Chapter 7

Department of Trade and Industry

(i) Division 530/1/01 Trade Commissioner Service - Salaries and Payments in the nature of Salary - Salaries and allowances.

<u>Funds Available</u>	<u>1969-70</u>	<u>1970-71</u>	<u>1971-72</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Appropriation Act No. 1	3,550,000	4,048,000	4,812,200
Appropriation Act No. 3	340,000	412,500	-
Appropriation Act No. 4	-	-	264,900
Advance to the Treasurer	-	-	91,601
TOTAL FUNDS AVAILABLE	<u>3,890,000</u>	<u>4,460,500</u>	<u>5,168,701</u>
TOTAL EXPENDITURE	<u>3,850,257</u>	<u>4,387,970</u>	<u>5,143,071</u>
UNEXPENDED FUNDS AVAILABLE	<u>39,743</u>	<u>72,530</u>	<u>25,630</u>

104. This item provides for salaries and allowances for Australia based and locally engaged staff at overseas posts and in Australia.

Exhibit
140/B 1

105. In relation to the amount of \$264,900 sought in the Additional Estimates, we were informed that \$331,607 had been required to meet the cost of variations to salaries and allowances arising from approvals given by the Public Service Board subsequent to the preparation of the Original Estimates. This included \$37,295 for 11 new positions that had been created, \$39,820 for the reclassification of 127 existing positions and \$254,492 relating to variations to conditions of service. This requirement, however, was reduced by \$66,707 of which \$16,207 related to an estimated surplus provision resulting from shortfalls in recruitment and \$50,500 related to variations to allowances that were payable.

Exhibit
140/B 1

106. In connection with the amount of \$91,601 obtained from the Advance to the Treasurer, we were informed that \$4,965 related to the provision of a position of Marketing Officer at The Hague, a Steno-Clerk position at Brussels and a Clerk-Typist position at Mexico City. The classification of these 3 positions had been subject to negotiation with the Public Service Board and approvals were given on 29 March, 13 April and 27 April 1972.

Exhibit
140/B 1
and Q.B 3

107. \$36,887 of the amount required from the Advance to the Treasurer related to the reclassification of salaries of seventy-one local staff positions in Indonesia, Italy, Japan, Malta, New Zealand, North America, Singapore, Sweden, Yugoslavia and the pool staff in Australia. The salary reclassifications resulted from cost of living increases following movements in salaries for Government and other groups in those countries which are used as markets for assessing local staff salaries. Such increases occur frequently throughout the world and, to maintain good employer/employee relationships, action is taken by the Public Service Board to pass these increases on to locally engaged employees as soon as it becomes aware of any movements in salaries in a particular country, including locally engaged staff employed under the Trade Commissioner Act. Public Service Board agreement was received subsequent to the Additional Estimates for the countries concerned and Ministerial or Executive Council approvals were obtained on 30 March and 13 April 1972.

Exhibit
140/B1 and
Q.B5 and
Committee
File
1971/2

108. \$40,627 of the amount obtained from the Advance to the Treasurer related to variations to conditions of service in twenty overseas countries. It was explained that the Public Service Board maintains a continuous programme of inspections at overseas posts and, when necessary, approves changes in conditions of service. A further \$6,972 was required to meet the costs of appointment of three new Assistant Trade Commissioners. It was explained that as the formalities associated with these appointments must be completed before the appointments can be made, and, as it is not always clear when the appointees will be released for duty by their private employers, it was not possible to include this amount in the Additional Estimates due to the uncertainties associated with the appointments. The appointments were actually approved by the Executive Council on 17 January 1972, but the date of effect was the date on which the officers took up duty. In the cases concerned two officers commenced duty on 6 March and the third on 15 May 1972.

Exhibit
140/b1
and Q.B8

109. A further \$2,150 sought from the Advance to the Treasurer related to increases in salaries arising from the 1972 National Wage decision. It was explained that the flow-on of this decision to Trade Commissioners is not automatic but must first be agreed to by the Minister and approved by the Governor-General in Council. This approval was given on 15 June 1972.

Exhibit
140/B1

110. The Department informed us that the final shortfall of \$25,630 on the item was spread over a number of posts and had been caused by such matters as fluctuations in currency values, turnover in staff with resulting difficulties in filling vacancies and recruitment of staff at lower salaries.

Exhibit
140/B 1

Conclusions

111. The Committee accepts the Department's explanation.

(ii) Division 530/2/09 Trade Commissioner Service-Administrative Expenses-Incidental and other expenditure.

<u>Funds Available</u>	<u>1969-70</u>	<u>1970-71</u>	<u>1971-72</u>
	\$	\$	\$
Appropriation Act No.1	110,000	230,000	306,500
Appropriation Act No.3	54,000	30,000	-
Appropriation Act No.4	-	-	40,000
Advance to the Treasurer	-	-	<u>2,081</u>
TOTAL FUNDS AVAILABLE	<u>164,000</u>	<u>260,000</u>	<u>348,581</u>
TOTAL EXPENDITURE	<u>157,880</u>	<u>239,324</u>	<u>348,477</u>
UNEXPENDED FUNDS AVAILABLE	<u>6,120</u>	<u>20,676</u>	<u>104</u>

112. This item provides for costs of language training, excess education costs for children, excess medical costs, Australia Day functions, freight and clearing charges, office machine maintenance, Trade Correspondents, lump sum pension payments, employer contributions to local pension schemes and miscellaneous expenditure.

Exhibit
140/B 2

113. In relation to the amount obtained under Appropriation Act No.4 we were informed that \$80,235 had been required to meet costs which were not known or for which approval had not been given when the Original Estimate was formulated. This amount comprised \$700 associated with the official opening of the Australian Trade Commission in Toronto in November 1971. It was explained that it is normal practice to hold an Australia Day Function in a city where Australia is represented, and the approval of the Public Service Board was obtained in November 1971 for such a function. \$27,773 arose from the fact that, at various posts around the world, the Commonwealth contributes to local pension schemes in relation to its locally engaged staff. We were informed that the pension benefits for local staff employed overseas are payable under one of three schemes. First, there is a lump sum retirement gratuity scheme of approximately 2 to 3 weeks' pay per year of service. This type of payment is made where no suitable national pension scheme exists within the country concerned. No contribution is made to this scheme by the employee. The Commonwealth contribution is made when the employee retires, either on reaching normal retiring age or because of invalidity. The second scheme applies in countries where a suitable national pension scheme exists in respect of which the Commonwealth has enrolled its local staff employees

Exhibit
140/B 2
and
Q.59

as members, either because it is compulsory under the local laws to do so or because it is in the interests of local employer/employee relations, or because the Department needs to enter into such a scheme in order to attract and retain staff. It was stated that the contributions to this scheme are generally made by the officer and the Government and are based on a percentage of salary received by the employee. As a consequence, the Commonwealth's contribution increases as the salary or the staff establishment increases. The third scheme applies to employees in the United States of America and Canada. In these two countries the Government has established a pension scheme based on the schemes applicable to local public servants in those countries. The contributions are made on a percentage of salary basis and the benefit is calculated in the same way as would be the case for an employee of the United States or Canadian Governments. We were informed that increased costs for existing schemes and the payment of pensions to employees who had resigned or retired occurred subsequent to the Original Estimate.

114. We were informed that following a re-programming of Trade Commissioner postings in December 1971 freight and clearance costs associated with transfers of Trade Commissioners to and from overseas posts increased significantly. These transfers had not been approved when the Original Estimate was formulated and therefore a further amount of \$46,000 was required for inclusion in the Additional Estimates. The remaining \$5,762 related to miscellaneous costs associated with excess medical expenses, excess education costs and like matters for which approvals had not been given when the Original Estimate was formulated.

Exhibit
140/B2

115. When the additional estimates review was made it was expected that estimated surplus funds of \$40,235 would be available on the item, thereby reducing the amount required in the Additional Estimates from \$80,235 for new commitments to \$40,000. The amount of \$40,235 represented numerous variations spread over 50 posts.

Exhibit
140/B 2 and
Q.B.10
and
Committee
File
1971/2.

116. In connection with the funds obtained from the Advance to the Treasurer we were informed that the Public Service Board has determined under section 8B of the Public Service Act 1922-1972 that the Commonwealth will assist officers on long-term posting who incur excess medical expenses as a result of the relatively high charges for medical

services in some overseas countries. Identical provisions have been approved for Trade Commissioners employed under the Trade Commissioners Act 1933-1936. These advances require the approval of the Department of the Treasury and approvals were obtained in all cases. The advances are normally acquitted when the person concerned receives his Hospital Benefits refund. An officer normally only seeks an advance when costs are known to be high and he is unable to meet them immediately from his own resources. Three such advances totalling \$2,081 were required to assist officers with medical and hospitalisation expenses. One of these cases occurred in May and the two others in June 1972.

Exhibit
140/B 2

Conclusions

117. The Committee accepts the Department's explanation.

CHAPTER 8

GENERAL CONCLUSIONS

118. In Chapter 1 of this Report the Committee stated that in examining expenditure from the Advance to the Treasurer, it has sought to ascertain whether or not expenditure from the Advance has been confined to urgent and unforeseeable requirements for which provision could not have been made in the Original and Additional Estimates. 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.

119. This inquiry has shown that in some cases expenditure from the Advance to the Treasurer was confined to urgent and unforeseeable requirements for which provision could not have been made in the Appropriation Legislation. In other cases, however, there was evidence of clerical errors; failure to establish adequately-based administrative arrangements and lack of adequate communication between Central and Regional Offices of departments and between branches of the Central Office of the same department. These defects result in either poor standards of estimating or inadequate expenditure performances. Attention has been drawn to these inadequacies where they have been discovered.

120. Arising from the evidence taken in this inquiry, the Committee would again refer to the matter of charges made to the Advance to the Treasurer without Warrant Authority. These charges, arise mainly from clerical or administrative errors. The Committee would again remind departments of the requirements of Treasury Regulation 90(1) which is expressed in the following terms:

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

121. In recent years the Committee has had cause, in its Reports relating to Expenditure from the Advance to the Treasurer, to comment adversely on the quality of written submissions and oral evidence tendered by departments. In this regard, we are pleased to note a considerable general improvement in the quality of evidence tendered during the present inquiry. At the same time, some evidence tendered by one Department was factually imprecise and, but for information subsequently tendered by an Observer, could have misled the Committee into unjustified criticism of the Department. This particular case highlights the need for departments to exercise great care in the presentation of documentary and oral evidence.

For and on behalf of the Committee,



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

21 September 1972



B.W. GRAHAM
Chairman

