

1972

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

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

ONE HUNDRED AND
FORTY-FIRST REPORT

EXPENDITURE FROM THE
CONSOLIDATED REVENUE FUND
(APPROPRIATION ACTS 1971-72)

JOINT COMMITTEE OF PUBLIC ACCOUNTS

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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 FORTY-FIRST REPORT

EXPENDITURE FROM THE CONSOLIDATED REVENUE FUND

(Appropriation Acts 1971-72)

Chapter 1

Introduction

As in previous years the Department of the Treasury made available early in July the preliminary figures of expenditure from the Consolidated Revenue Fund for 1971-72. Each item appearing in the Estimates and Additional Estimates of Expenditure was examined and written explanations were obtained from departments. These explanations were examined and fourteen 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.

Department of the Environment, Aborigines and the Arts

Mr. R.N. Townsend - Deputy Secretary.

Department of Immigration

Mr. A.L.A. Barclay - Assistant Secretary, Management Services.
Mr. A.W. Burt - Finance Officer, Finance Section.
Mr. W.E. Law - Director, Migrant Accommodation.
Mr. T.F. McElroy - Director, Finance and General Services.
Mr. W.H. McMillan - Executive Officer, Overseas Unit.
Mr. G.C. Watson - First Assistant Secretary, Migrant Services.

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

Bureau of Agricultural Economics

Dr. S.F. Harris - Director.

Commonwealth Scientific and Industrial Research Organisation

Mr. J.G. Downes - Chief, Division of Textile Physics.
Mr. R.W. Viney, M.B.E. - Finance Manager.

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, Budgets and Costing.

Department of the Army

Mr. J.W. Nunn - First Assistant Secretary, Finance and Logistics.

Department of Primary Industry

Mr. C.M. Beer - Director, Finance and General Services.
Mr. E.S. Hoffman - First Assistant Secretary, Production.

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

Mr. D.W. Burdett)	- Auditor-General's Office.
Mr. S.A. Huntley)	
Mr. H.C. Paul)	
Mr. R.N. McLeod)	- Public Service Board.
Mr. M. Sexton)	
Mr. G.S. Davidson)	- Department of the Treasury.
Mr. J.I. Maunder)	

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

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

7. 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.

(1) Division 692/1/02 Civilian Personnel - Salaries and Payments
in the Nature of Salary - Overtime

<u>FUNDS AVAILABLE.</u>	<u>1969-70</u>	<u>1970-71</u>	<u>1971-72</u>
	\$	\$	\$
Appropriation Act No. 1	470,000	475,000	402,000
Appropriation Act No. 3	10,000	-	-
Appropriation Act No. 4	-	-	-
Advance to the Treasurer	-	-	-
Total Funds Available	480,000	475,000	402,000
Total Expenditure	468,113	369,570	286,567
Unexpended funds available	11,887	105,430	115,433

8. We were informed that expenditure on overtime during 1970-71 had been affected by restrictions imposed during the latter part of the year, arising from the Government's economic restraint policy. The estimate for 1971-72 reflected increased overtime rates and also allowed for some easing of the overtime restrictions imposed during the latter months of 1970-71.

Exhibit
141/ B7

9. It was stated that the restrictions on overtime were not immediately or completely relaxed, and as the year progressed it became evident that their continued imposition was not adversely affecting the completion of work targets to the extent that had been considered likely. It was stated that it would be difficult to assess whether this situation could be sustained in the long term particularly in situations where overtime tends to be sporadic in nature. The witness felt that some reductions in work load may have occurred, arising from the provision of better photo-copying facilities which has reduced work in the Department's typing pools.

Exhibit
141/ B7
and
Qs. B63
to B66

Conclusions.

10. The Committee accepts the Department's explanation.

(ii) Division 702 Aircraft and Associated Initial Equipment -
Purchase, Manufacture and Lease.

<u>FUNDS AVAILABLE</u>	<u>1969-70</u>	<u>1970-71</u>	<u>1971-72</u>
	\$	\$	\$
Appropriation Act No. 1	44,422,000	27,344,000	20,996,000
Appropriation Act No. 3	-	3,848,000	-
Appropriation Act No. 4	-	-	-
Advance to the Treasurer	-	-	-
TOTAL FUNDS AVAILABLE	44,422,000	31,192,000	20,996,000
TOTAL EXPENDITURE	44,080,574	30,521,965	19,587,547
UNEXPECTED FUNDS AVAILABLE	341,426	670,035	1,408,453

11. This item provides for the cost of aircraft and associated initial equipment, including lease costs, and for the cost of modifications to aircraft and airborne equipment. Expenditure brought to account under the item includes expenditure by Australian contractors in assembly and production operations as well as payments made to overseas contractors in respect of imported equipment.

Exhibit
141/B10

12. We were informed that the circumstances of the shortfall that occurred in expenditure on this item arose mainly in relation to six separate projects which are described below.

Exhibit
141/B10

• Mirage Project

13. It was stated that the 110 aircraft covered by this project had been in service for some years but that, in accordance with the conditions of the long-term funding arrangement under which the overseas element of the project was financed by the French Government, contractual payments extend to 1972-73 when it is expected that payment will be made in relation to the final ten aircraft which were ordered. When the 1971-72 Estimates were being prepared it was expected that final

Exhibit
141/B10
and Qs.
B77 and B79

payment would be made in respect of a batch of forty aircraft and, having regard to the extent of unexpended funds on the overseas indents and in the expectation that only a relatively small amount would be required beyond 1971-72, it appeared reasonable to the Department to set an estimate at \$9,562,000.

14. It transpired, however, that expenditure in 1971-72 amounted to only \$7,447,000, resulting in a shortfall of \$2,115,000 in expenditure. It was explained that because one of the French contractors failed prior to 30 June 1972 to produce proper documentation in substantiation of a claim, the Commonwealth's paying authority in London was unable to effect payment of \$315,000. As a result, payment against the batch of forty aircraft will not be made until the current financial year.

Exhibit
141/ B10
and
Q.B78

15. The Department acknowledged, however, that the funds requirement for the Mirage project was in fact over-estimated for 1971-72. In this regard it was explained that, in addition to certain set payments that must be made each year, adjustments are required in the final year of each phase, because the basis of the annual payments is an estimate related to the likely deliveries of spares which are made over a period of years. If the actual amounts that the Department should have paid in those years happen to be greater than the contractual payment made in those years, an adjustment is necessary. When the 1971-72 estimate was formulated, the value of the outstanding amounts led the Department to believe, erroneously, that the adjustment in payments should be approximately \$2,000,000. In fact, however, the Department had over-estimated the amount of the adjustment.

Exhibit
141/B10
and
Q.B79

. Phantom Project

16. We were informed that an amount of \$5,857,000 had been included in the Original Estimates to cover the lease costs of twenty-four Phantom aircraft, associated spare engines and aircraft ground equipment. Actual payments amounted to \$5,529,000 resulting in a shortfall of \$328,000. In explaining the shortfall in expenditure the Department stated that one of the aircraft provided under the leasing arrangement had crashed in June 1971. A provision of funds covering the twenty-four aircraft for a twelve months lease period had already been made in the 1971-72 Estimates, but it was subsequently established that lease charges were not payable in respect of the crashed aircraft. These circumstances accounted for \$170,000 of the shortfall in expenditure. A further \$224,000 of the shortfall arose from rate of exchange fluctuations during 1971-72 in respect of payments to the United States of America. These shortfalls were off-set by \$66,000 arising from the retrospective payment of certain hire charges and by miscellaneous adjustments.

Exhibit
141/B10
and
Qs. B80
to B83

. Medium Lift Helicopter Project

17. We were informed that when the Estimates for 1971-72 were prepared it had been anticipated, on the basis of a Letter of Offer, that an order for this aircraft would be placed in September 1971. A cash provision of \$74,000 was made for expenditure during 1971-72 on ancillary equipment from Australian sources. However, technical problems which arose from the introduction into the selected helicopter of an uprated engine could not be readily resolved by the manufacturer. It was explained that when the aircraft had flown about 220-230 hours some faults developed in the engine. This suggested that the material used was not adequate, and the engine stress meant that the helicopter did not perform as might have been expected. Furthermore, the engine did not meet the specifications that had been originally envisaged for it and, as a consequence, the

Exhibit
141/B10
and Qs.
B84 and B85

R.A.A.F. refused to place an order until such time as the faults had been eradicated. Following the resolution of the engine problems, an order for the aircraft was placed in March 1972. As a result of the delay, no orders for local procurement of ancillary equipment were placed in 1971-72 and the provision of \$74,000 was not required.

18. The under-expenditure of \$2,517,000 arising from the Mirage, Phantom and Medium Lift Helicopter projects were off-set, in part, by over-expenditure on the Macchi and Mirage Trainer projects and on non-project modifications that were made. These are referred to below.

Exhibit
141/B10

• Macchi Project

19. We were informed that expenditure on this project occurred in respect of local production. The original estimate of \$2,671,000 had been based on advice obtained from the Department of Supply. Actual expenditure in 1971-72 totalled \$3,129,000, the increase of \$458,000 having arisen from the working of man-hours additional to those originally estimated, and from increased man-hour rates.

Exhibit
141/B10
and Q. B86

• Mirage Trainer Project

20. It was stated that the expenditure provision in respect of this project had also been based on advice obtained from the Department of Supply. An amount of \$1,166,000 was provided but actual expenditure amounted to \$1,320,000. The additional over-expenditure of \$154,000 was caused by increased man-hour rates and improved lead-in shipments from the principal French supplier.

Exhibit
141/B10
and Q. B86

• Non-project Modifications

21. We were informed that an amount of \$1,185,000 was provided in the Budget to cover expenditure against post production modifications. Deliveries were effected at a faster rate than had

Exhibit
141/B10

been expected, and expenditure increased to \$1,417,000 , thereby giving rise to an excess expenditure of \$232,000.

22. The Department informed us that miscellaneous variations also occurred against several other projects which in total amounted to a net over-expenditure of \$265,000. Including this figure, the over-expenditure amounted in total to \$1,109,000 which, when off-set against the under-expenditures of \$2,517,000, resulted in a net shortfall in expenditure of \$1,408,000 on the item.

Exhibit
141/B10

Conclusions

23. The Committee accepts the Department's explanation except for one facet of the Mirage project. In relation to this project the evidence shows that when the estimate for 1971-72 was formulated, the value of outstanding amounts under the contract led the Department to believe, erroneously, that \$2,000,000 would be required to meet the final payment. This amount, however, was not required. The evidence suggests a need for greater care in assessing outstandings when phases of contracts of this type are nearing completion.

Chapter 3.

Department of the Army.

- (1) Division 666/05 Forces Overseas - For payment to A.N.Z.U.K.
Logistic Support Trust Account.

<u>Funds Available</u>	<u>1969-70</u>	<u>1970-71</u>	<u>1971-72</u>
	\$	\$	\$
Appropriation Act No. 1	-	-	5,363,000
TOTAL FUNDS AVAILABLE	-	-	5,363,000
TOTAL EXPENDITURE	-	-	3,263,000
UNEXPENDED FUNDS AVAILABLE	-	-	<u>2,100,000</u>

24. We were informed that, this is a new item created in 1971-72 to provide funds to meet Australia's contribution to the ANZUK Logistic Support Trust Account. It was explained that, following the decision of Britain to retain a presence in South East Asia in conjunction with the Australian/New Zealand force already in an advanced stage of development in Singapore, it was agreed between the three nations that the Australian Army would take over the role of principal agent for the provision of logistic support for the combined force. (For ease of reference the combined force is referred to as the ANZUK Force). In carrying out the role of logistics manager, it was necessary for the Australian Army to introduce special accounting and funding arrangements to cover expenditure on goods and services obtained on behalf of the three nations involved in the ANZUK organisation. To facilitate these arrangements, authority was obtained to set up the ANZUK Logistic Support Trust Account in the Department of the Army. The Trust Account receives monetary contributions paid in advance by each of the three participating nations on a periodic basis to cover expected financial outlay prior to reimbursement following the allocation of financial responsibility between the nations involved.

Exhibit
141/B3

25. The Trust Account, which meets expenditure incurred on behalf of the three nations, is a necessary facility to

Exhibit
141/B3

provide financial management for the tri-national force. The amount of \$5,363,000 included in item 666/03 was estimated to be required for the Australian contribution to the Trust Account. Transactions through the Trust Account are confined to expenditure that cannot be identified as a direct national responsibility, i.e. expenditure which is cost-shared on an agreed percentage basis because of the impracticability of determining precise national liabilities. Expenditure that can be isolated as a direct national responsibility is charged direct to the nation concerned without the Trust Account becoming involved.

26. It was stated that acceptance of the role of logistics manager for the ANZUK Force was an entirely new experience for the Australian Army. In the past, reliance had been placed upon either Britain or the United States of America for most day-to-day support for Australian forces operating with those nations in overseas locations. It was said that maintenance of the ANZUK Force has proved to be a complex task. The Force is composed of the three Services of the three participating nations operating in close collaboration with a fourth and fifth power necessarily involved in certain aspects. To these factors must be added the further complication that agreement between the three participating nations as to the basis of cost-sharing was only approaching finality at the time when our inquiry occurred in August 1972. It was stated that the complete absence of established principles and/or historical background records on which to base judgments in formulating estimates seriously inhibited any realistic attempt to forecast funds requirements.

Exhibit
141/B3

27. It was stated that the Original Estimates had been prepared in Singapore by the tri-Service, tri-national working parties involved in the detailed planning of the overall organisation. These were subsequently examined by a Finance

Exhibit
141/B3 and
Q. B15

Co-ordinating Committee, on which each of the three national partners was represented, that had been working in conjunction with the planners throughout the whole exercise. They had prepared their estimates of expenditure upon the best information available to them at that time. Australia's share of cost-shareable expenditure for 1971-72 was estimated at \$5,363,000, and in due course this amount was transferred from item 666/03 to the credit of the ANZUK Logistic Support Trust Account.

28. We were informed that in fact in some instances actual expenditure, under sub-dissection headings varied considerably from forecasted requirements. In addition, protracted negotiations between Britain and Singapore concerning the hire of accommodation and other facilities precluded expenditure on Government-owned married quarters and payments in lieu of property tax. It was explained that almost all of the facilities that the ANZUK Force occupied in Singapore had been built and were owned by the British Government. During the course of the negotiations between the British and Singapore authorities, it was not clear where Australia would be placed regarding payment for the use of the accommodation facilities because, by the terms of an arrangement between the British and Singapore Governments, the facilities would be vacated by the British and would become the property of the Singapore Government. It was not until August 1971 that the Australian authorities became fully aware of which barracks and buildings the various units of the Force were to occupy. While the Singapore Government did not propose to make a charge for the married quarters occupied by the British staff, they intended making a charge for the quarters occupied by Australians. When our inquiry occurred in August 1972, the question of the amount to be paid to the Singapore Government for the

Exhibit
141/B3
and Qs.
B16 to B19

occupation of married quarters had not been settled, due mainly to a question of valuation. The witness informed us that, while no payment had been made so far, retrospective payment would need to be made after the amount is determined.

29. We were also informed that, again because of delays in finalising cost-sharing arrangements, no financial adjustment had been possible in connection with nationally-provided stores and other items from Britain and Australia. Provision had therefore been made in the Estimates for 1972-73 to meet these and the other outstanding commitments. On the general question of the causes of delay in finalising cost-sharing arrangements, we were informed that policy for cost-sharing between the three nations rests with the Department of Defence and the Department of the Treasury, the former taking the primary role in the negotiations. In these arrangements, the Department of the Army participates in the role of an adviser.

Exhibit
141/B3
and Q.
B20

30. During the course of the inquiry the witness explained the principal difficulties regarding the resolution of the problems of cost-sharing. Firstly, the witness instanced the sharing of the initial equipment required to set up units which are not national units - i.e., units manned by personnel of the three nations. Secondly, he instanced the complication as to where the initial equipment should be located and as to which nation should supply it. The other principal area of cost-sharing relates to the daily maintenance costs associated with the integrated units - for example, where there is a headquarters building staffed by Navy, Army, Air Force, Australian, British and New Zealand personnel. In addition, there is the complex problem of ascertaining fair sharing of the facilities and of expenditure. When our inquiry occurred in August 1972, there had been some recent discussion at the administrative level between representatives of the three nations concerned, and it was expected that their recommendation would, in due course, be

Exhibit
141/B3
and
Q. B20

sent to the ministries in the three nations for acceptance, endorsement or the proposal of an alternative procedure. The witness felt that satisfactory progress was being made towards the development of the cost-sharing principles.

31. We were informed that in reviewing the transactions that occurred in 1971-72 it had been discovered also that a proportion of expenditure far greater than had been expected, could be identified in the first instance as a national liability. This expenditure was therefore not required to be processed through the Trust Account. The witness was unable to indicate precisely the amount involved because, due to the difficulties of obtaining and analysing the necessary papers from Singapore, the Department had been unable to dissect the relevant figures. It was said that when the accounts are paid in Singapore the Australian authorities rely on copies of the accounts being sent to Australia for analysis. The witness hoped that by the end of August 1972 his Department would be able to analyse expenditure to the end of June 1972. Under arrangements that had been made, it was hoped that future analyses could be made within one month.

Exhibit
141/B3
and Qs.
B21 to
B26

32. Notwithstanding these difficulties, it was estimated that about \$1,000,000 of the \$2,100,000 not required in 1971-72 was attributable to the greater proportion of expenditure identifiable as a national liability. It was decided that it was practicable and desirable to reduce Australia's equity in the ANZUK Logistic Support Trust Account by \$2,100,000, and that amount was credited to item 666/03. The evidence shows that, after making this transfer, the Trust Account retained a balance of \$983,000. Under-expenditure in 1971-72 therefore slightly exceeded \$3,000,000.

Exhibit
141/B3
and Qs.
B21 to
B26

Conclusions.

33. In accepting the Department's explanation, the Committee recognises the complex nature of the problems confronting the Department of the Army and the other Australian and overseas authorities concerned. The Committee trusts that the problems involved will be resolved satisfactorily as soon as possible.

(ii) Division 670/02 Arms, Armament and Equipment -
Transportation and Engineer Equipment.

<u>Funds Available</u>	<u>1969-70</u>	<u>1970-71</u>	<u>1971-72</u>
	\$	\$	\$
Appropriation Act No. 1	35,963,000	21,240,000	39,136,000
Appropriation Act No. 3	-	2,283,000	-
Appropriation Act No. 4	-	-	-
Advance to the Treasurer	-	-	-
TOTAL FUNDS AVAILABLE	35,963,000	23,523,000	39,136,000
TOTAL EXPENDITURE	31,522,189	23,497,431	34,240,731
UNEXPENDED FUNDS AVAILABLE	4,440,811	25,569	4,895,269

34. This item provides for the purchase of transportation and engineer equipment such as helicopters, various types of motor vehicles, amphibious vehicles and earthmoving equipment for the purposes of equipping new units, re-equipping existing units with new items, maintaining adequate reserve stocks, and replacing current consumption. Exhibit
141/B4

35. We were informed that the shortfall in expenditure on this major item occurred in four major areas, each of which is discussed below.

Light Observation Helicopters

36. The evidence shows that in its decision of 17 February 1971 Cabinet approved the purchase of seventy-five Light Observation Helicopters at a total project cost of \$37,010,000. An amount of \$7,731,000 was included in the Original Estimates for this project for 1971-72. Actual expenditure achieved was \$4,821,002, resulting in a shortfall in expenditure of \$2,909,998. Exhibit
141/B4

37. The total cost of \$37,010,000 for this project included a Commonwealth subsidy towards the production of the civil helicopters which would be included in the price to be paid for those to be purchased by the Department of the Army. The total cost also provided for other payments to be made by the Department of Supply in support of the project. It was stated that the Department of the Treasury decided that these subsidy elements would be clearly and openly shown in the financial accounts presented to the Parliament. Exhibit
141/B4

It was therefore decided that an appropriate item would be included in the Estimates of the Department of Supply to which would be charged the subsidy for production of the civil helicopters as well as other payments to be made by the Department of Supply in support of the project. The Department of Supply had been notified of this decision prior to the submission of the Original Estimates, and the subsidy elements were ultimately charged to Division 739 in the Department of Supply's Appropriation.

38. We were informed that the decision by the Department of the Treasury covering the funding of the subsidy elements was advised to the Department of the Army by means of information copies of correspondence between the Department of the Treasury and the Department of Supply. On this point the Treasury Observer, Mr Davidson, informed us that the advice setting out the principle was an advice from the Treasurer to the Minister for Supply and, he thought, a copy had been sent with a letter to the Minister for the Army. The subsequent advice giving greater detail of the arrangement was a copy of a teletype message from the Department of the Treasury to the Department of Supply. This copy had been forwarded to the Department of the Army and the Department of the Treasury had expected the Department of the Army to act upon it. The Department of the Army stated that, due to a failure on the part of its Canberra Office to fully appreciate the effect of the decision by the Department of the Treasury, the necessary information had not been passed to its Melbourne Office for use in the formulation of the estimate for this item. As a result of this error, an amount of \$814,000 to cover the subsidy element was included in the Department of the Army Estimates under Division 670/02 for the helicopter project, thus duplicating the provision made in the Estimates of the Department of Supply. The amount was therefore unspent by the Department of the Army. The Treasury Observer, Mr Davidson, agreed that there had been scope for the detection of this error by the Department of the Treasury during the settling of the Original Estimates for item 670/02. If his Department had asked the Department of the Army whether it had made the necessary adjustment the error would have been revealed.

Exhibit
141/B4
and Qs.
B31 to
B34

39. Another factor which affected the planned expenditure on the helicopter project was that the contractual agreement which was not signed until 27 August 1971 - i.e. subsequent to the formulation of the Original Estimates - resulted in variations to the percentage progress payments to be made to the contractor. Another result was a variation to anticipated delivery dates on spares items. The total shortfall arising from these causes was \$1,783,000. Also, subsequent to the formulation of the Original Estimates, it was found necessary to procure from the United States of America certain non-proprietary items. In accordance with funding procedures operative during 1971-72, items purchased from the United States sources were chargeable against the Australian/United States Loan Arrangement (credit) and not to the Appropriation. Consequently, expenditure amounting to \$465,734 was brought to account against United States Credits instead of the Appropriation. Apart from these factors, miscellaneous increases, the main element of which arose from the arrival of six aircraft engines earlier than expected, reduced the expenditure by \$152,736.

Exhibit
141/B4
and
Q. B35
and
B36

• Heavy Mat Set Landing

40. We were informed that a heavy aluminium mat set is a collection of planks designed to provide a rapid means of construction of a Medium Range Transport Airfield in a combat zone. Based on calculations carried out during 1971 the total liability, including maintenance and training requirements, was assessed at 4,561 mat sets, of which 2,133 were in the possession of the Army. The deficiency was to be offset by the quantity held by the RAAF and a further procurement of 1,530 by the Department of the Army. A procurement demand for 1,530 sets was approved on 1 March 1971 at a total cost of \$2,600,000. Expenditure of \$680,000 against this procurement demand was forecast, based on information then available and on the assumption that deliveries would be effected as estimated if a contract was awarded before January 1972.

Exhibit
141/B4
and
Qe.
B37 and
B38

41. On 4 February 1972 the requirement was re-assessed and a decision was made on 2 March to cancel the contract for the heavy mat sets landing. The procurement demand for \$2,600,000 was cancelled on 11 April 1972. It was stated that the decision not to proceed with

this procurement was based on a desire to re-assess the total number of mat sets to be purchased and to resolve the question of whether the 900 mat sets held by the RAAF would be transferred to the Department of the Army. The witness informed us that the RAAF had been consulted at an inter-departmental Committee by the Department of Defence. At that meeting it was said that the 900 sets would be provided to the Department of the Army towards meeting its requirement. On the other hand, at about the same time, the Department of the Army received a letter from the RAAF stating that it required the mats for other purposes. Subsequently, the matter was complicated further when the Department of the Army received a further memorandum from the Department of Air. This latter correspondence referred mainly to the membrane that is used in association with the sets. From this correspondence the Department of the Army inferred that the Department of Air and the RAAF required the mat sets for their own use. The Department of Army had subsequently written formally to the Department of Air, seeking confirmation. The matter had not been resolved when our inquiry occurred in August 1972.

Exhibit
141/B4,
Qs. B43
and B44
and
Committee
File 1972/2

• Petroleum Fabric Containers

42. These containers were described as a synthetic rubber-coated impregnated nylon fabric tank designed for use in the initial stages of an operation for quick deployment at the port of entry and at any other bulk handling area. The current sizes range from 125 gallon to 30,000 gallon capacity. We were informed that a capability for the production and overhaul of rubber containers was established by an Australian contractor who had tendered successfully for the great majority of containers required by the Department of the Army. In October 1971 the contractor, who was unable to develop a significant commercial workload, decided to discontinue production. Another tenderer was an Australian agent for a United States manufacturer. The sample of fabric used in the construction of the container, however, failed to pass tests. We were informed that the original estimate for these containers had been prepared on the basis that previous production had been successful, and at that stage there were no indications that difficulties would be encountered by suppliers.

Exhibit
141/B4

• Armoured Fighting Vehicles

43. We were informed that when the Original Estimates were prepared a squadron of tanks and a squadron of Armoured Personnel Carriers were in service in Vietnam, and a relatively high usage rate of components was occurring in these vehicles. As a result of the withdrawal by the end of 1971, of the bulk of the Australian Army Force serving in Vietnam, the activities in that theatre diminished. Consequently, the requirement for components during 1971-72 was much less than had been provided in the Original Estimate. It was explained that the decision by Cabinet to withdraw the Australian Army Force from Vietnam had been taken on 26 July 1971. At that stage, however, detailed plans for the withdrawal had not been formulated. Consequently, it was not possible to make an accurate forecast of the extent to which the requirement for components would be reduced. In fact, the saving resulting from the withdrawal from Vietnam proved to be greater than had been forecast when the Original Estimates were prepared, thus causing a shortfall in expenditure on this element of the item.

Exhibit
141/B4,
Q. B45
and
Committee
File
1972/2

• Conclusions.

44. There are two matters relating to this item on which the Committee desires to comment. In relation to the Light Observation Helicopters it appears that due to a failure on the part of the Central Office of the Department of the Army to interpret correctly advice which it had received concerning the arrangements for funding the subsidy for the helicopters, an amount of \$814,000 was included in error in the estimate for item 670/02. While this error should not have occurred, and while it is clear that the Department of the Treasury had reason to believe that appropriate action would have been taken on the matter by the Department of the Army, the relevant comment made by the Treasury Observer indicates that the error could have been discovered by the Department of the Treasury when it examined the draft Estimates of the Department of the Army. The Committee believes that the error should have been discovered during the process of settling the Estimates for the defence group of departments.

45. The other matter relates to the heavy mat sets landing. The evidence suggests that the Department of the Army has been placed in

an uncertain position regarding these sets arising mainly from ambivalent advice from the Department of Air and the RAAF regarding the availability of mats in its possession. Even as recently as August 1972, when our inquiry occurred, the matter had not been settled. The Committee trusts that this problem will be resolved and the Department of the Army furnished with firm advice with minimum delay.

Chapter 4

Attorney-General's Department

Division 141/2/10 Commonwealth Police Force - 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	22,100	25,400	55,700
Appropriation Act No. 3	6,300	8,500	-
Appropriation Act No. 4	-	-	-
Advance to the Treasurer	-	-	-
TOTAL FUNDS AVAILABLE	28,400	33,900	55,700
TOTAL EXPENDITURE	28,110	33,582	34,736
UNEXPENDED FUNDS AVAILABLE	290	318	20,964

46. This item bears the cost of advertising, local and overseas removal charges, freight, maintenance of equipment, maintenance of dogs, education expenses for children of members overseas, language tuition for members and their families overseas, interpreters' fees and other miscellaneous expenses. Exhibit 141/A1

47. We were informed that the estimate for each component within the item is formulated by the Administrative Officer and the Finance Officer of the Commonwealth Police Force, who seek information from the State Offices of the Force and make an assessment of the information so provided against expenditure of the previous year. Exhibit 141/A1 and Q.A3

48. The table below sets out in detail the various amounts provided for each element under the item and actual expenditure in each case:- Exhibit 141/A1

Sub-Item	Estimate	Expenditure	Variation	
	1971/72	1971/72	+	-
	\$	\$		
A. Advertising	4,000	2,501.12	-	1,499
B. Removals - local	4,400	3,570.43	-	830
C. Removals - overseas	16,125	6,605.25	-	9,520
D. Freight	5,660	4,213.57	-	1,446
F. Maintenance of Equipment	840	1,137.02	+	297
G. Other	11,140	5,908.92	-	5,231
H. Committees	100	60.00	-	40
J. Assistance with Study	70	220.50	+	150
V. Hire of Pistol Ranges	150	45.00	-	105
Language training	1,100	1,189.50	+	90
Education expenses	10,315	7,416.41	-	2,899
Dogs	1,800	1,815.37	+	15
Compensation	-	52.72	+	53
	55,700	34,735.87	-	20,964

It was stated that, consistent with Government policy to restrict departmental spending during 1971-72, efforts were made to reduce expenditure wherever possible, and these are reflected in the explanations of major variations between the total funds available and corresponding expenditure.

• Advertising

49. It was stated that normally departments may engage staff up to the level of the establishment approved by the Public Service Board. However, in view of the general economic situation, limits were imposed by the Public Service Board during 1970-71 on the numbers which could be employed, but no similar restriction was imposed on the Commonwealth Police Force until 21 July 1971, when the principles applied by the Public Service Board were adopted by the Attorney-General's Department, for application to the Police Force. Consequently, it had been necessary to curtail recruitment, a circumstance which resulted in only two major advertisements being arranged in lieu of the four planned originally. Accordingly, a shortfall of \$1,500 occurred in expenditure on this element.

Exhibit
141/A1
and Qs.
A4 and A7

• Removals

50. We were informed that the imposition of a staff ceiling also affected expenditure to the extent of \$830 on local removals. In relation to overseas removals, the tour of duty of two officers at Overseas Posts was extended for a further year, thus giving rise to a shortfall of \$3,200 in expenditure. In this regard it was explained that the Department of Supply meets the bulk of the cost in respect of officers proceeding overseas, the balance being met by the department concerned. The reverse situation applies for officers returning to Australia. Provision of about \$6,300 was made, however, by the Attorney-General's Department for costs which were correctly the responsibility of the Department of Supply and which were, in fact, met by that Department. It was explained that the Finance Officer of the Commonwealth Police Force had misunderstood the Department of Supply's circular and that there was, in fact, very little to guide him in the previous year's estimate. The witness provided the following quotation from the Department of Supply's circular:-

Exhibit
141/A1
and Qs.
A8 to
A10

"Supply arranges packing and removal to wharf and pays freight. These costs will be debited to the new vote. The officer's department arranges delivery overseas and pays all costs incurred overseas. Present accounting arrangements will continue unchanged."

51. In relation to this matter the Treasury ~~Observer~~, Mr Maunder, agreed that the Department of Supply's circular could have been better worded, but pointed out that Treasury Direction 23/17 states the position clearly, in the following terms:-

Qs. A24
to A27

"Costs involved in the removal of an officer's furniture and effects overseas, and for which the Commonwealth accepts liability, shall be borne as follows:-

Ex-Australia - The Department of Supply will pay all costs of packing, removal to wharf and freight. The officer's Department shall bear all costs incurred overseas including the cost of delivery from the overseas port of discharge."

• Freight

52. We were informed that expenditure on freight had amounted to \$3,249 in 1968-69, \$3,720 in 1969-70 and \$4,815 in 1970-71. On the basis of these figures, \$5,660 had been provided for 1971-72. In formulating the estimate regard had also been taken of the growth that had occurred in the Commonwealth Police Force during recent years. To assist in reducing expenditure in this area to a minimum, however, greater use had been made of bulk freight facilities wherever practicable and a shortfall of \$1,446 occurred in expenditure.

Exhibit
141/A1
and Qs.
A11 to
A13

• Education Expenses

53. It was stated that provision is made for reimbursement of education expenses incurred in respect of the children of officers on duty overseas. The estimate for 1971-72 was based on actual family compositions, where replacements had already been selected, and averaged in other cases. It subsequently transpired that officers who finally proceeded on postings overseas, had fewer children attending school, periods of attendance overall were less than originally estimated and, in a number of cases, kindergarten facilities were not utilised. This resulted in a shortfall of \$2,899 in relation to this element.

Exhibit
141/A1
and Qs.
A19 to
A23

• Other

54. Based on expenditure during 1970-71 and the continuing growth of Commonwealth Police business, an amount of \$1,175 was provided for interpreters' fees. It was explained, however, that the Department of Immigration had been able to provide greater assistance than in recent years, and this had resulted in expenditure on this element reaching only \$500. Also, as a consequence of the imposition of staff ceilings, and consequential reduction in recruitment, the expenditure on medical examinations of country recruits was \$1,501 less than had been provided in the estimate.

Exhibit
141/A1 and
Q.A14

55. We were informed that an amount of \$550 had been provided to cover the cost of influenza injections on the basis that approximately one half of the total strength of the Commonwealth Police Force would avail itself of this facility. However, only twenty officers actually received injections. This result was thought to be attributable to the Public Service Board's decision to discontinue immunisation of its staff in view of recommendations that had been made by the Department of Health and the National Health and Medical Research Council. On this point the Public Service Board Observer, Mr McLeod, confirmed that the Department of Health, in consultation with the Public Service Board, issued a circular to all departments on 23 March 1972, setting out the views of the National Health and Medical Research Council, which had indicated that the mass vaccination programmes against influenza appeared, in its view, to be of doubtful assistance. The question was left to each individual department to decide whether it wished to continue with the campaign.

Exhibit
141/A1 and
Qs. A16 and
A17

56. We were informed that Commonwealth assistance is available to 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. Based on previous experience, an amount of \$1,000 was provided for this purpose in 1971/72 but no expenditure was incurred. In addition, a shortfall of \$1,514 was effected on numerous small items such as bulk cash deliveries, dry cleaning of used uniforms for resale, fees for training courses, passports, and x-rays.

Exhibit
141/A1

Conclusions

57. The Committee accepts the Department's explanation except in relation to overseas removals where it appears that the Finance Officer relied on a Department of Supply circular rather than on the Treasury Directions for guidance regarding departmental responsibilities for the costs involved. As a result \$6,300 was included in error in the estimate for item 141/2/10. The Committee believes that this error should not have occurred.

58. On the basis of the remarks made by the Treasury Observer, however, the Committee also believes that the Department of Supply could, with advantage, examine critically the matters referred to in its circular of 17 February 1964 relating to the costs of furniture removals.

Chapter 5.

DEPARTMENT OF EDUCATION AND SCIENCE:

(i) Division 232/1/10 Education Services - Australian Capital Territory - School of Music.

<u>Funds Available</u>	<u>1969-70</u>	<u>1970-71</u>	<u>1971-72</u>
	\$	\$	\$
Appropriation Act No. 1	83,000	95,000	113,000
Appropriation Act No. 3	-	6,700	-
Appropriation Act No. 4	-	-	29,400
Advance to the Treasurer	-	-	-
TOTAL FUNDS AVAILABLE	83,000	101,700	142,400
TOTAL EXPENDITURE	<u>76,758</u>	<u>100,780</u>	<u>133,706</u>
UNEEXPENDED FUNDS AVAILABLE	<u>6,242</u>	<u>920</u>	<u>8,694</u>

59. This item provides for the salaries of staff, cost of scholarships, library purchases and general operational expenses of the Canberra School of Music.

Exhibit
14/ A5

60. In relation to the \$29,400 included in the Additional Estimates, we were informed that under a variation to the terms and conditions of the teachers at the School of Music, the Department is required to meet the full costs of salaries in 1972. Previously, teachers were paid a retainer and a guaranteed minimum income as well as direct receipts from teaching fees. The retainer of \$2,800 per annum was paid to them as the first part of their salary. The second element amounted to \$3,000 p.a. and was recoverable from their earnings through teaching music. This amount was paid to the credit of item 232/1/10, to off-set payments of salary.

Exhibit
14/ A5
and
Q. A61

61. We were informed that when the teachers' earnings had contributed to their guaranteed income the balance was held in trust by the Commonwealth and was paid to them usually at the end of the financial year as the final part of their income. This arrangement had been considered appropriate in the initial stages of providing

Q. A61

a small School of Music with the function of providing instruction in techniques. As the purpose of the School became more defined, however, it was considered appropriate that the teachers should be employed under the normal methods of employment. As a result of negotiations, the Public Service Board agreed to three grades of music teacher, who were required to serve as teachers in the Commonwealth Service exclusively, and be paid the appropriate income. The new arrangement came into operation at the commencement of the 1972 academic year.

62. We were informed that \$4,368 of the shortfall that occurred in expenditure arose from unexpected vacancies in teaching and clerical assistant positions. It was explained that when the revised salaries were negotiated one of the teachers, who under the previous arrangement was making substantial earnings privately, as well as within the Commonwealth Service, felt that his interests would be better suited if he did not continue under the revised arrangement, under which he would be expected to give his full time to the Commonwealth Service. He resigned about mid-April 1972. The other two were clerical assistant positions, one of which was vacant from 7 July 1971 to February 1972, and the other from July to November 1971.

Exhibit
141/A5 and
Q. A62

63. The remaining \$4,326 of the shortfall that occurred was said to have arisen from orders for library materials which were placed early in the financial year but which were not filled in time for payment to be made before 30 June 1972. Information obtained subsequently from the Department showed that there were forty-five orders involved of which thirty-five were placed before 31 December 1971 but ten, valued at more than \$1,700, were placed between January and June 1972. Further orders valued at \$1,305 which related to sheet music funded for immediate delivery on 20 May 1972 were not issued when it became apparent that Treasury Regulations had not been observed. The Department informed us that although the

Exhibit
141/A5,
Qs. A64
and A65
and
Committee
File
1972/2

consequential delay resulted in a shortfall in expenditure in 1971-72 it has proved possible to obtain the supplies of sheet music in 1972-73 at a lesser cost as a result of observing the requirements of Treasury Regulations.

Conclusions.

64. The Committee is disturbed by the evidence and other information relating to the shortfall of \$4,326. In relation to this amount the Department's submission stated:-

"An order for library materials was not filled in time for payment to be made before the end of the financial year".

In evidence the witness stated that, in fact, the order represented a large number of separate small accounts and that the orders for these were placed early in the financial year. A further submission on the matter, tendered at the request of the Committee, disclosed that a significant number of the orders were, in fact, placed at a comparatively late stage of the year and that some orders for which funds had been provided were not placed at all as there had been a breach of the Treasury Regulations.

65. In regard to this matter the Committee finds the original submission and oral evidence to be deficient in quality and would invite attention to Memorandum 66/385 of 16 October 1970 from the Secretary to the Treasury to all Permanent Heads. The Memorandum included the following statement:-

"Not only has the Committee the right to expect that witnesses appearing before it are properly briefed but it is in the interests of each department and the Service generally that evidence tendered to the Joint Committee of Public Accounts is of the highest quality. Written submissions and explanations should be carefully prepared and thoroughly checked for adequacy and accuracy of detail and absence of

ambiguity; officers who are to appear before the Committee to give evidence should undertake sufficient research and preparation and should be thoroughly briefed to enable them to answer, with authority, any questions which may reasonably be expected on the subject matter of the enquiry.

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

66. The Committee is also disturbed to note the delays that evidently occurred in the placing of orders and the fact that a breach of Treasury Regulations had occurred in relation to some orders. We believe that appropriate action should be taken to ensure that the requirements of Treasury Regulations are observed at all times.

(ii) Division 232/2/10 Educational Services - Northern Territory - Independent Schools - Assistance.

<u>Funds Available</u>	<u>1969-70</u>	<u>1970-71</u>	<u>1971-72</u>
	\$	\$	\$
Appropriation Act No. 1	91,500	191,000	224,700
Appropriation Act No. 3	-	-	-
Appropriation Act No. 4	-	-	95,000
Advance to the Treasurer	-	-	-
TOTAL FUNDS AVAILABLE	91,500	191,000	319,700
TOTAL EXPENDITURE	85,896	157,483	242,326
UNEXPENDED FUNDS AVAILABLE	5,604	33,517	77,374

67. This item provides for financial assistance towards the operating expenses of independent schools in the Northern Territory. Exhibit 141/A7

68. We were informed that the original estimate of \$224,700 had been reached by calculating the expected expenditure on student allowances and by calculating, in the light of the Department's knowledge of the schools that were likely to be opened in the non-Government sector, the extent to which library grants would be payable. The calculations also took into account an estimate on the basis of previous experience of library subsidies and an estimate of the interest that would be payable on the loans that the Commonwealth has guaranteed for capital projects for non-Government schools in the Northern Territory. This last factor was said to be the most significant element in the item. Q. A94

69. A further amount of \$95,000 was sought in the Additional Estimates to cover the estimated increase in per capita grants payable from the commencement of 1972. Exhibit 141/A7

70. It was stated that in calculating the additional amount required to meet the increases in per capita grants, an error was made which gave rise to a shortfall of \$56,824 in expenditure. The witness informed us that the Exhibit 141/A7 and Qs. A 95 to A 98

Department has no detailed record of the calculations which led to the error. The circumstances of the error, which was said to have been arithmetical, had not been detected.

71. We were informed that the remaining shortfall of \$20,550 arose as a result of delays in building projects at Our Lady of the Sacred Heart School and St. John's College, Darwin. As a consequence, payments of contributions towards interest charges associated with the projects were not required. In relation to the project at Our Lady of the Sacred Heart School, which accounted for \$14,175 of the shortfall of \$20,550, it was explained that the Minister had approved acceptance of the tender on 7 September 1970. In April 1971, the Department checked with the Bishop of Darwin regarding progress on the building and was informed on 28 April 1971 that the building was proceeding to schedule. On the basis of this advice the Department assumed that it would be required to make two six-monthly interest payments that would become due in 1971-72. However, the Bishop of Darwin did not conclude the arrangements for the approved loan against which the Commonwealth is required to pay its share of the interest. The loan guarantee was not concluded in fact until August 1971 and construction did not come under the approved loan until 30 September 1971. In these circumstances, only one six-monthly payment could be made in 1971-72.

Exhibit
141/A7 and
Qs. A99
and A100

Conclusions.

72. The Committee accepts the Department's explanation regarding the building delays that occurred in Darwin. Most of the shortfall on the item, however, arose from an arithmetical error that occurred when the Additional Estimates were being prepared, but which was not detected. The Committee is disturbed by the fact that an error of this kind should occur.

(iii) Division 825/1/06 Capital Works and Services - Buildings and Works - Independent Schools, Northern Territory - Assistance for approved capital programmes.

<u>Funds Available</u>	<u>1969-70</u>	<u>1970-71</u>	<u>1971-72</u>
	\$	\$	\$
Appropriation Act No. 1	32,000	220,000	172,500
Appropriation Act No. 3	-	-	-
Appropriation Act No. 4	-	-	-
TOTAL FUNDS AVAILABLE	32,000	220,000	172,500
TOTAL EXPENDITURE	31,584	144,804	101,082
UNEXPENDED FUNDS AVAILABLE	416	75,196	71,418

73. This item provides for financial assistance to independent schools in the form of repayment over twenty years of amounts borrowed for the construction or extension of schools and cash grants for science facilities and library buildings in secondary schools. Exhibit
141/A9

74. We were informed that the Minister approved the signing of the contract for Our Lady of the Sacred Heart School on 7 December 1970 and for St. John's College on 18 February 1971. It was therefore expected that during 1971-72 cash grants of \$29,140 would be made to Our Lady of the Sacred Heart School, Darwin, and \$11,500 to St. John's College, Darwin. Capital repayments in that year were expected to amount to \$20,250 for the former project and \$10,952 for the latter. Exhibit
141/A9

75. It was stated that the shortfall of \$71,842 that occurred on the item arose mainly from the inability on the part of both the school authorities and the Department to predict exactly when it would be appropriate to take up the particular loan that was guaranteed by the Commonwealth and to change from bridging finance. The amounts that are paid in the first year of a new project relating to a secondary school comprise two elements. The first is the repayment of one-twentieth of the loan and the second is the cash grant component for library and science facilities in secondary Exhibit
141/A9
and
Q. A109

schools. As such it is the equivalent of the Commonwealth's programme for non-Government schools throughout Australia. In these circumstances, if the timing of payments is miscalculated in the first year, the error includes not only the re-payment of the loan but also the cash grant component.

76. The Department informed us that by arrangement with the Department of the Treasury it will endeavour, in future, to reduce the possible error by not including in its Estimates any provision for a cash grant that is far from firm. When the cash requirement is firm, the necessary arrangements for the payment of the cash grant will be made with the Department of the Treasury. On this basis, the Department expressed the hope that the new arrangements will result in a reduction of the size of any discrepancy.

Q.A109

Conclusions:

77. The evidence shows that considerable uncertainty has surrounded the formulation of the estimate for cash grants payable under this item. The Committee concurs in the arrangements that have evidently been negotiated between the Department of Education and Science and the Department of the Treasury for the provision of funds for the cash grants to be withheld until construction work has commenced.

Chapter 6

Department of the Environment, Aborigines and the Arts

Division 249/2/02 Commonwealth Archives Office - Administrative Expenses -
Office requisites and equipment, stationery and printing.

<u>Funds Available</u>	<u>1969-70</u>	<u>1970-71</u>	<u>1971-72</u>
	\$	\$	\$
Appropriation Act No. 1	55,500	75,900	83,100
Appropriation Act No. 3	-	9,800	-
Advance to the Treasurer	-	-	-
Total Funds Available	55,500	85,700	83,100
Total Expenditure	<u>51,890</u>	<u>84,384</u>	<u>52,631</u>
Unexpended Funds Available	<u>3,610</u>	<u>1,316</u>	<u>30,469</u>

78. We were informed that provision had been made in the 1971-72 Estimates for the purchase of a helical scanner, tapes, replacement heads and replay equipment, at an estimated cost of \$30,000. It was proposed that this equipment would be used to record certain Australian Broadcasting Commission television programmes on video-tape for archival purposes.

Exhibit
141/A10
and
Q. A120

79. It was stated that advice on suitable equipment had been sought in 1967 and subsequently from the Engineering Division of the Australian Broadcasting Commission, as the Commission was intending to purchase similar equipment. The latest advice from the Commission had been tendered in May 1972 and had confirmed that for the purpose intended the type of equipment proposed was suitable. However, in the meantime, the proposed purchase had come under notice in the course of a review of possible areas of overlapping activity between the Commonwealth Archives Office and the National Library.

Exhibit
141/A10
and Qs.
A115 to
A123

80. The review had commenced early in 1971-72. The first area under consideration related to private archival material and the problems in this area had been resolved. A decision had been taken that private - as distinct from official - archival material would be deposited with the National Library, if the donor decides that he wishes to deposit the material with Commonwealth authorities. The second area of examination, which was proceeding when our inquiry occurred in August 1972, related

Q. A117

to the preservation of photographic materials. The third area of examination related to the preservation of film material and it was within this area that the proposed purchase of the helical scanner and associated equipment came under notice early in June 1972.

81. When our inquiry occurred, a decision whether to proceed with the helical scanner and associated equipment had not been reached and, we were informed, cannot be reached until the Department completes its examination of the National Library's holdings of A.B.C. material and examines further the preservation policies and wishes of the A.B.C. and the place for these in the archives system. The witness informed us that other reviews of a similar nature are currently proceeding.

Qs. A120
to A122

Conclusions

82. The Committee accepts the Department's explanation and notes with approval the administrative reviews that have been and are currently being conducted within the Department. The Committee expects to be informed, in due course, of the results of these surveys when they have been completed.

Chapter 7
Department of Immigration

- (1) Division 330/3/01 Administrative - Other Services - Commonwealth Hostels Limited - Advance of contribution towards cost of operating migrant hostels.

<u>Funds Available</u>	<u>1969-70</u>	<u>1970-71</u>	<u>1971-72</u>
	\$	\$	\$
Appropriation Act No. 1	4,566,000	4,824,000	4,488,000
Appropriation Act No. 3	57,000	400,000	-
Appropriation Act No. 4	-	-	150,000
Advance to the Treasurer	-	-	-
Total Funds Available	<u>4,623,000</u>	<u>5,224,000</u>	<u>4,638,000</u>
Total Expenditure	<u>4,623,000</u>	<u>4,924,896</u>	<u>4,298,000</u>
Unexpended Funds Available	<u>-</u>	<u>299,104</u>	<u>340,000</u>

83. This item provides for payment to Commonwealth Hostels Limited towards the cost of the operation of hostels, close to large industrial centres, provided for the accommodation of migrant workers and their families for specific periods or until they are able to secure private accommodation. Exhibit
141/A13

84. We were informed that the original estimate of \$4,488,000 had been based on an assisted passage programme of 100,000 migrants which was expected to produce an average daily occupancy of 13,000. As a result of a reduction, which began early in 1972, in the number of assisted passage migrants expected to arrive during the year, it became necessary to recalculate the average daily occupancy to a revised figure of 10,750. Exhibit
141/A13
and
Q.A161

85. While the reduced level of occupancy resulted in lower expenditure in some elements of cost such as food, wages and laundry, it was also expected to result in hostels operating less economically. In February 1972, Commonwealth Hostels Limited estimated that the reduction in cost would be exceeded by a loss of \$150,000 in revenue from tariffs. Exhibit
141/A13
and
Q.A162

86. We were informed that in February 1972 it had been decided not to attempt to recoup the inflow of migrants but, as far as possible and consistent with good programme management, to endeavour to maintain for the remainder of the year a rate consistent with a programme of 100,000 migrants per annum without recouping the lost movements. When the Additional Estimates were prepared, therefore, it was expected that limited restoration of the assisted migration programme during the remaining period of the financial year would result in a gradual recovery of population at the hostels.

Exhibit
141/A13
and
Q. A163

87. It was explained that concurrently with the decline in hostel population, Commonwealth Hostels Limited had been rationalising its operations to effect economies wherever possible. For example, parts of hostels were closed and adjacent hostels amalgamated under one management, the intention being that the process could be reversed as population levels in the hostels increased. However, because of a decline in the proportion of migrant arrivals seeking hostel accommodation - a trend which became evident in the final quarter of the financial year - population levels did not increase as expected, and rationalisation measures introduced by the Company continued for a longer period than had been expected. This resulted in a saving of \$255,000 in operating expenditure.

Exhibit
141/A13
and
Q. A163

88. It was stated that the closure of parts of hostels and the amalgamation of others resulted in greater than expected use of modern, higher-priced accommodation. This yielded \$54,000 in excess of estimated revenue. In addition, revenue to the Company from the Department of Immigration, in the form of tariffs for bread-winners awaiting initial employment and their families, was \$31,000 in excess of estimated receipts.

Exhibit
141/A13

89. In summary, the shortfall of \$340,000 by Commonwealth Hostels Limited comprised \$255,000 in savings as a result of operating economies; \$54,000 arising from the increased use of modern, higher-priced accommodation; and \$31,000 arising from increased revenue in respect of unemployed bread-winners and their families.

Exhibit
141/A13

Conclusions

90. The Committee accepts the Department's explanation.

(ii) Division 332/2/05 Overseas Service - Administrative Expenses -
Property maintenance and services.

<u>Funds Available</u>	<u>1969-70</u>	<u>1970-71</u>	<u>1971-72</u>
	\$	\$	\$
Appropriation Act No. 1	73,000	98,000	104,700
Appropriation Act No. 3	34,800	-	-
Appropriation Act No. 4	-	-	7,900
Advance to the Treasurer	-	-	-
	<hr/>	<hr/>	<hr/>
Total Funds Available	107,800	98,000	112,600
Total Expenditure	102,351	97,516	103,494
	<hr/>	<hr/>	<hr/>
Unexpended Funds Available	5,449	484	9,106

91. This item provides for repairs and maintenance, cleaning, electricity and fuel at Overseas Offices, and repairs and maintenance, utilities, advertising and payment of agents' fees for residences of Australia-based officers at Overseas Posts.

Exhibit
141/A14

92. We were informed that the original estimate for this item was prepared by the Overseas Posts and examined by the Central Office of the Department prior to its submission to the Department of the Treasury. It was stated that expenditure on the item amounted to \$52,465 as at 31 January 1972, which figure increased to \$60,482 by the end of February. The \$7,900 obtained in the Additional Estimates comprised \$1,500 for the Office in France, \$5,400 for the Office in Germany and \$1,000 for the Office in The Netherlands.

Exhibit
141/A14
and
Qs. A165
and A166

93. The additional allocation for France related to the payment of agent's fees for a residence for a new position of Journalist, higher agent's fees than originally provided for a further three residences, and service charges for the Chief Migration Officer's residence. It was explained that agents' fees had been increased from about 10 per cent to 12 per cent of annual rental.

Exhibit
141/A14
and
Qs. A166
and A167

94. The additional funds required in Germany related to a cash payment to the landlord following upon the closure of the Frankfurt Office on 30 November 1971, for renovations in accordance with the lease contract. It was explained that renovation provisions vary from landlord to landlord with the various accommodations that become available. In general, there is a fairly high requirement for renovation

Exhibit
141/A14
and
Qs. A168
and A169

expenditure in Germany, arising from a provision that usually prevails which states that at the termination of occupancy accommodation will be restored to its original condition. Also, following upon the closure of the Stuttgart and Munich Regional Offices as from 30 September 1971, it was necessary to pay agent's fees in connection with the leasing of two apartments to accommodate visiting selection teams. In addition, the cancellation of leases of residences at Frankfurt and Stuttgart following the closure of these Regional Offices, and at Cologne, resulted in additional expenditure on renovations in accordance with lease agreements. An increased expenditure was also required on utility costs for residences - on matters such as garbage clearances and heating - as a result of rising costs and greater than expected expenditure on minor repairs.

95. The additional funds required for The Netherlands related to minor repairs to a residence on renewal of the lease contract; provision for the hire of hand-towels for The Hague Office; agent's fees for a residence for a replacement Journalist whose transfer had not been envisaged when the Original Estimates were formulated; and higher agent's fees than had originally been provided for the leasing of two residences. Exhibit
141/A14,
Qs. A170
and A171
and
Committee
File 1972/2

96. In relation to the shortfall that occurred in expenditure, we were informed that the following Overseas Posts had under-spent their Estimates provisions by the amounts shown:- Exhibit
141/A14

Austria	\$1,696
Germany	\$3,416
Greece	\$ 868
Hong Kong	\$ 345
Italy	\$ 546
Spain	\$ 210
Sweden	\$ 236
Switzerland	\$ 299
Turkey	\$ 686
Yugoslavia	\$ 989
<u>Total</u>	<u>\$9,291</u>

This under-expenditure was partly off-set by a net over-expenditure resulting from minor variations amounting to \$185, at six other Posts. The main reasons for the shortfalls in expenditure are set out below.

• Austria

97. We were informed that the shortfall in expenditure at this Post was due partly to a reduced staff ceiling and departure of Australia-based staff sooner than estimated, and partly to reduced migration activity which resulted in lower than expected expenditure on gas and electricity.

Exhibit
141/A14

• Germany

98. It was stated that expenditure had been expected for renovations to two residences, the cost of which was payable by the Commonwealth under leases which were due to be terminated during 1971-72. However, this payment was not required in that year. One reason was that, the claims by the landlord of one residence being considered excessive, negotiations had not been completed by the end of the financial year. It was stated that three parties - the landlord, the Commonwealth Government as the lessee, and the occupant - are involved in these claims, and that difficulties often arise in apportioning claims between the three parties.

Exhibit
141/A14,
Q. A172
and
Committee
File 1972/2

99. A further factor contributing to the shortfall was that the payment to the landlord of the second residence could not be made until the contribution towards costs by the officer who had occupied the residence had been determined. It was explained that when an officer occupies a Commonwealth leased residence he signs an undertaking to protect the interests of the Commonwealth. The officer accepts responsibility to take care of the property but bears no responsibility for damage due to fair wear and tear. When an officer enters and vacates a property, it is examined by an administrative officer of the Post and, if possible, by the incoming and out-going tenants. If any question arises regarding damage other than fair wear and tear, or regarding whether the damage is in fact fair wear and tear, it must be resolved at the Post by the Head of Mission or his delegate. It is on the basis of that assessment that an officer is requested to contribute, or otherwise that the damage is accepted as fair wear and tear. In the case of the particular residence, an amount of \$900 was involved and, when our inquiry occurred in August 1972, the matter was still subject to negotiation with the officer. A further factor contributing to the shortfall in expenditure arose from the fact that utility costs for office premises were less than had been expected.

Exhibit
141/A14
and Qs.
A182 and
A183

• Greece

100. We were informed that provision had been made for extra cleaning and repairs which, in the past, had been necessary in the Salonika Office premises, due to the entry into the premises of the sea during inclement weather conditions. It was explained that the office premises, which have been leased to the Commonwealth since 1 February 1969, are located on the sea-board and are part of a building complex. It appeared that extremely bad weather had resulted in spray and sea-water encroaching across the road of the esplanade and causing minor damage to the properties along the sea-front. On the basis of the amount which was needed to effect the repairs resulting from this problem, a provision against future contingencies had been made. In the meantime, however, the local authorities had commenced work on further protective structures along the sea-front. These structures had not been tested by the elements at the time when the provision of funds was made.

Exhibit
141/A14,
Qs. A173
to 176
and Committee
File 1972/2

101. We were also informed that a level of expenditure occurred lower than had been expected in relation to utility costs for the Salonika Office. This resulted partly from the non-receipt in time for payment in 1971-72 of an account for charges for street cleaning and garbage collection. The account for the previous year had been paid in April 1971, and on this basis it was expected that the account for 1971-72 would be received and paid prior to June 1972. The account, which amounted to \$128, was in fact received and paid in July. The delay had arisen from the fact that during the year the Salonika City Council changed from a manual system of preparing and issuing accounts to a machine system. This resulted in a change of issue dates. No forewarning of this change in procedure had been received by the Department. Electricity costs at the Salonika Office were also lower than expected, due to the fact that air-conditioning equipment had been out of order. Savings in condominium charges also arose from the leases of houses, for which such charges are not applicable, instead of apartments for two officers.

Exhibit
141/A14,
Qs. A191
and A192
and
Committee
File
1972/2

• Hong Kong

102. It was stated that provision had been made in 1971-72 for the repainting of the Migration Officer's residence, on the assumption that the new appointee would occupy the same residence as his predecessor in office and that the lease agreement would be renewed. However, since the new appointee obtained other accommodation, which he occupied from 1 April 1972, the provision for painting was not required.

Exhibit
141/A14,
Q. A184 and
Committee
File 1972/2

• Italy

103. We were informed that provision had been made for office renovations to be carried out during 1971-72. It was said that as this work would necessitate temporary alternative accommodation for the occupants of the areas being renovated, it was proposed that the work should be undertaken when staff reductions that were expected to operate during the financial year would make the required additional space available. In the event, however, it did not prove possible to reduce staff as quickly as envisaged and it was necessary to defer the scheme of renovations until 1972-73.

Exhibit
141/A14

• Spain

104. Provision was made in the Original Estimates for fees for an agent to locate alternative residential accommodation for the Migration Officer at the Post. The existing lease was due to expire on 2 April 1972. However, as the residence was suitable for the Department's requirements, the officer continued to occupy it on a three months' renewal of tenancy basis. This decision was not reached until the date of expiry of the original lease.

Exhibit
141/A14,
Q. A185
and
Committee
File 1972/2

• Sweden

105. We were informed that a shortfall in expenditure resulted from the receipt of an account for cleaning of the Stockholm Office, too late for payment in 1971-72; a reduction in the cleaning cost for the Oslo Office, due to a change of contractors; and a shortfall on agent's fees for residential accommodation, due to a decision not to replace a Selection Officer. It was said that these shortfalls were partly offset by an increased requirement for advertising which arose from a lack of response to earlier advertisements for accommodation for a replacement Liaison Officer.

Exhibit
141/A14

• Switzerland.

106. We were informed that it had been proposed to re-cover chairs in the residence occupied by the Migration Officer in charge of the Post and to re-paint the residence in accordance with the terms of the lease. However, on reviewing the matter, it had been considered desirable to defer work until 1972-73 to enable the incoming replacement Migration Officer to select colours and material. The Officer in charge of the Post, who occupied the residence in question, had been informed on 8 March 1972 that he would be required to move from Switzerland.

Exhibit
141/A14,
Qs. A177,
A178 and
A188 and
Committee
File 1972/2

107. Turkey It was stated that the expenditure on repairs and maintenance and utilities such as electricity, water and heating for 10 residences leased for Australia-based officers was less than estimated, due to the fact that gas and electricity accounts were not received in time for payment before the close of the financial year. In addition, one officer moved to a new apartment which required no maintenance, and the cleaning of carpets in residences was deferred owing to the long winter. Cleaning took place in May and June 1972 but accounts were not received until after the close of the financial year.

Exhibit
141/A14,
Q. A189
and
Committee
File
1972/2

108. Yugoslavia We were informed that maintenance work on various residences had been completed in 1971-72, but that payments were not made as tradesmen failed to submit accounts, notwithstanding repeated requests that were made to them to do so. In addition, charges for electricity for each residence are made on a monthly estimate costing supplied by the enterprise concerned and, during the latter part of the financial year, meters were read and on the basis of charges per meter reading compared with payments made on earlier estimates, part re-imburement, which had not been expected, was received in June 1972. Further shortfalls connected with this Post resulted from fluctuating exchange rates.

Exhibit
141/A14

Conclusions.

109. The Committee accepts the Department's explanation.

(iii) Division 332/207 Overseas Service - Administrative Expenses - Furniture and fittings.

<u>Funds Available</u>	<u>1969-70</u>	<u>1970-71</u>	<u>1971-72</u>
Appropriation Act No. 1	56,200	57,000	70,600
Appropriation Act No. 3	77,400	48,000	-
Appropriation Act No. 4	-	-	13,000
Advance to the Treasurer	-	-	-
Total Funds Available	133,600	105,000	83,600
Total Expenditure	122,910	91,888	75,682
Unexpended Funds Available	10,690	13,112	7,918

110. This item provides for the purchase of necessary items of furniture and equipment for overseas offices and residences of Australia-based officers at Overseas Posts. Exhibit 141/A15

111. We were informed that the amount of \$70,600 included in the Original Estimates had provided for items of furniture and equipment where firm requirements had been known. Additional requirements which became firm for individual Posts during the financial year were:- Exhibit 141/A15

	\$
Arab Republic of Egypt	1,400
France	1,400
Germany	2,350
Sweden (also covers Norway and Finland)	660
Yugoslavia	<u>7,200</u>
	<u>\$13,010</u>

Details of these additional requirements are set out below.

• Arab Republic of Egypt

112. It was stated that the additional requirement was for the purchase of four air-conditioning units for the residence of the new Medical Officer, and for greater than expected expenditure on three washing machines and three deep-freeze units. This equipment was for the residences of two Migration Officers and the Medical Officer. Exhibit 141/A15

• France

113. We were informed that it was necessary to purchase items of furniture for a partly furnished residence leased for the new Medical Director and a bed-couch for another residence. Exhibit 141/A15

• Germany

114. It became necessary to partly furnish a residence for a Medical Officer following upon his transfer from Hamburg to Cologne. Exhibit 141/A15

• Sweden

115. It was said to be necessary to replace a lounge suite and minor items of furniture in the residence occupied by the Migration Officer at Helsinki, Finland. Exhibit 141/A15

• Yugoslavia

116. We were informed that it had been necessary to purchase fifteen deep-freeze units following a decision that such units may be provided for officers on long-term posting at Belgrade. It had also been necessary to fully furnish one residence leased in January 1972, to replace three oil-filled electrically-operated heaters in the Senior Migration Officer's residence and to purchase carpets, curtains and minor items of furniture for the Chief Migration Officer's residence. Exhibit 141/A15

117. It was stated that shortfalls occurred in expenditure relating to Overseas Posts as follows:- Exhibit 141/A15

	\$
Austria	894
France	1,361
Hong Kong	682
Lebanon	1,250
Spain	387
Sweden	265
Yugoslavia	3,182
Turkey	1,167
Other Posts	<u>928</u>
	10,116
Less Germany	<u>2,198</u>
<u>Total</u>	<u><u>7,918</u></u>

Details of the causes of the shortfalls are set out below.

• Austria

118. We were informed that, owing to staff reductions made possible by decreased migration activity, it was not necessary to purchase office equipment and household appliances. The staff reductions had been under consideration early in the financial year and had been effected progressively throughout the year. In addition, an amount of \$320 allocated for the purchase of an executive desk was not spent because the desk delivered failed to meet order specifications.

Exhibit
141/A15,
Qs. A194 and
A195 and
Committee
File 1972/2

• France

119. We were informed that the amount of \$1,200 included in the Additional Estimates for furniture for the residence of the Medical Director was not spent. Part of the reason was that the ordering of items totalling approximately \$700 was delayed pending investigation of the possibility that suitable items could be available from the furniture supplied by the landlord of the residence. This factor did not come under notice until the Post's firm request of 11 April 1972 to proceed with the purchase, was being examined. By the time this examination was completed, a copy of the lease agreement, executed by the Head of the Post, including an inventory of items included in the residence had been received from the Post. In the event, the items supplied by the landlord were found to be unsuitable and it was necessary to proceed with the entire purchase as planned originally. The remainder of approximately \$500 of the shortfall arose because the items, which were ordered from Denmark on 18 May 1972, were not delivered in time to effect payment, as delays had occurred in packing, insurance, customs clearance and transportation. The items in fact were not supplied until 29 July 1972. Under-expenditure also occurred due to fluctuations in currency exchange rates.

Exhibit
141/A15,
Qs. A196
and A197 and
Committee
File 1972/2

• Hong Kong

120. An amount of \$512 which had been provided for furniture and effects for the residence of a Migration Officer was not required as it proved possible to transfer various items of furniture such as a refrigerator, washing machine, electric floor fan and air conditioner from the stocks held by the Trade Commission in Hong Kong. Other items of furniture were owned personally by the Migration Officer. We were informed that when the Additional

Exhibit
141/A15,
Q. A199 and
Committee
File 1972/2

Estimates were prepared on 11 February, the Post intended to re-allocate the saving of \$512 under this item to purchase two air conditioners for another residence. However, through a subsequent re-arrangement of accommodation in Hong Kong, it became possible to meet the need for air conditioners by transferring two from the bedrooms of another flat, the lease of which was being terminated. In addition to the amount of \$512, an amount of \$170 was underspent from the Post's allocation for five residences.

• Lebanon

121. The shortfall in expenditure at this Post was attributed to variations in the currency exchange rate and to the fact that purchase prices proved to be less than had been estimated. Exhibit 141/A15

• Spain

122. We were informed that items of furniture totalling \$143 for the Madrid Office were not required following the move of the Office to the new Embassy in March 1972. In addition, minor amounts of the contingency provisions for officers' residences were not required. Exhibit 141/A15

• Sweden

123. We were informed that the shortfall in expenditure arose partly from accounts for furniture items for the Helsinki Office being received too late to enable payment to be made in 1971-72. One account had in fact been queried by the Sub-Treasury, Geneva, and the other account had not been received in Stockholm until 20 June 1972. A further factor contributing to the under-expenditure was that furniture was purchased at prices below the estimated amounts and discounts of up to ten per cent were allowed when the accounts for furniture were submitted, notwithstanding that the Department's officer had been informed when he negotiated the purchase that discounts were not allowable. Exhibit 141/A15, Qs. A200 to A202 and Committee File 1972/2

• Yugoslavia

124. We were informed that due to trading conditions in this country, it is difficult to forecast accurately when it will be possible to bring purchases to finality. Problems arise owing to lack of stocks by suppliers and fluctuating prices due to currency variations. Local traders have adopted the practice of discontinuing sales when anticipating prices increases. Apart from these general considerations, several specific factors contributed to the shortfall. For example, discount savings were obtained from bulk orders received Exhibit 141/A15 and Q. A204

from Denmark and some items for residences occupied by the Chief Migration Officer and the Clerk/Translator were still outstanding at the end of the financial year. In addition, approved items for the residences of the Deputy Chief Migration Officer and Liaison Officer did not become available during the year at approved prices. Exchange rate fluctuations also contributed to the shortfall in expenditure.

• Turkey

125. It was stated that a provision of \$800 required for the purchase of clothes driers for officers' residences in Turkey was not spent because investigations as to the most suitable units took longer than expected. It was explained that the provision for clothes driers had been based on the cost of items of this nature purchased for staff of the Department of Foreign Affairs. However, the Immigration Office in Turkey made representations to the Department's Central Office to the effect that these machines were unsuitable as they lacked sufficient capacity to handle the requirements of a family. On 13 September 1971 the Central Office informed the Post that larger washers could be ordered for married officers with children at the Post, and the smaller type ordered for single officers and married officers without children at the Post. This approval was given with the indication that the Post should attempt to provide funds by re-allocation of amounts already made available for furniture and fittings for 1971-72. Procurement action was delayed by the Overseas Office, pending the determination of economies which might produce the funds necessary for the purchase of the driers and pending a clearer indication of whether officers due to return to Australia in 1971-72 would be replaced by officers with families or by unaccompanied personnel.

Exhibit
141/A15
Qs. A205
and A206
and
Committee
File
1972/2

126. It was stated that detailed information concerning driers was requested from Australia House, London on 3 March 1972. The inquiry was received in London on 9 March, and on 21 March Australia House invited tenders, returnable on 18 April. Prices and specifications were received in Turkey on 20 April, and on 28 April the Purchasing Officer at Australia House was informed that a selection had been

Committee
File
1972/2

made. At the same time, the necessary request for procurement of supplies was sent to the Sub-Treasury at Geneva for the certificate as to availability of funds and transmission to London. A memorandum was received in Australia House on 5 May and the request for procurement was received from Geneva on 22 May. The order was duly placed in London on 8 June on the basis of delivery by 30 June. Despite progress action taken with the contractor, the driers were not ready for packing until 26 July. However, the supplier's annual close-down period commenced on that date and Australia House was not informed until 16 August that the goods were packed and ready for shipment. It was stated that the labour strike in the British docks delayed shipment until 19 September, when the consignment left Britain by ship, due to arrive in Istanbul on 5 October 1972.

127. Apart from the problem relating to clothes driers, \$367 was not required from an amount of \$500 that had been provided to cover minor recurring expenditure for five residences. Exhibit 141/A15 and Qs. A207 and A208

• Germany

128. We were informed that the shortfall in expenditure on other Posts was offset partly by the need to purchase furniture for a new residence which was leased from 15 May 1972 for the Migration Officer in Hamburg. Exhibit 141/A15

Conclusions

129. While the Committee accepts the Department's explanation relating to this item it desires to invite attention to the circumstances relating to the acquisition of clothes driers for use in officers' residences at the Overseas Post in Turkey. From the evidence available it would appear that a delay of about three weeks occurred while the necessary certificate as to the availability of funds was obtained from the Sub-Treasury in Geneva. It also appears that a further delay of some three weeks occurred before Australia House placed the necessary order on the supplier. It is not improbable that these delays contributed to the failure of the Overseas Post in Turkey to take delivery of the driers prior to 30 June 1972.

Chapter 8

Department of Primary Industry

(i) Division 410/3/07 Administrative - Other Services - Payments to State authorities in connection with War Service Land Settlement.

<u>Funds Available</u>	<u>1969-70</u>	<u>1970-71</u>	<u>1971-72</u>
	\$	\$	\$
Appropriation Act No. 1	760,000	700,000	730,000
Appropriation Act No. 3	-	-	-
Appropriation Act No. 4	-	-	-
Advance to the Treasurer	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL FUNDS AVAILABLE	760,000	700,000	730,000
TOTAL EXPENDITURE	<u>577,576</u>	<u>536,957</u>	<u>536,110</u>
UNEXPENDED FUNDS AVAILABLE	<u>182,424</u>	<u>163,043</u>	<u>193,890</u>

130. This item provides for all expenditure on the War Service Land Settlement Scheme except the provision of capital funds for the acquisition and development of land and the making of advances to settlers in South Australia, Western Australia and Tasmania. The War Service Land Settlement Scheme was inaugurated under the War Service Land Settlement Agreements Act 1945 and later carried on by the States Grants (War Service Land Settlement) Act 1952. The latter legislation provides for the payments of grants to the States in such amounts and subject to such conditions as the Minister determines. Expenditure under Division 410/3 arises from the Commonwealth's financial responsibilities as set out in the conditions determined by the Minister under the 1952 Act. The expenditure commitments relate to living allowances to settlers; the Commonwealth contribution to writing off excess costs of acquisition and development; the Commonwealth contribution to writing off losses on advances to settlers; administration costs of the provision of credit facilities; the operation and maintenance of irrigation and other projects; and King Island (Tasmania) concessions and assessment rebates.

Exhibit
141/B14

• Living allowance to settlers.

131. This allowance is payable to settlers during the twelve months immediately following the allotment of holdings to them. In practice, the time of allotment is the date a holding is valued, as then it is established as having reached the standard of productivity required. We were informed that in Tasmania agreement on the standard of productivity of eight farms on King Island could not be reached and, consequently, valuations could not be brought to finality. When the State and Commonwealth officers jointly examined the farms in 1969, the conservative estimates of carrying capacity that were made indicated that seven of the farms were below the standard which had been set in Tasmania. The question then arose of finding a suitable basis for valuation or, alternatively, of finding additional land to build up the properties.

Exhibit
141/B14
and Qs.
B126 and
B127

132. It was stated that efforts were made to find additional land by ascertaining whether one or more of the eight land-holders would be prepared to vacate his holding in return for compensation, thereby making land available for the remainder of the settlers in the area. One land-holder indicated a willingness to leave the area, but his request for compensation was said to be untenably high. The witness informed us that the situation had resolved itself recently when the land-holder concerned had indicated that he was prepared to accept a valuation of his holding. This has meant that the Department now has no basis for finding additional land, and therefore the Commonwealth has indicated to the State its willingness to modify the rentals in regard to the eight properties, basing them on the conservative productivity estimates made several years ago. The witness stated that the remaining aspects are matters for the State authorities concerned. As a result of the problem experienced in Tasmania, expenditure amounted to only \$3,657. Since the component estimate had been \$11,000, there was a shortfall of \$7,343.

Exhibit
141/B14
and Qs.
B126 and
B127

• Commonwealth contribution to writing off excess costs of acquisition and development of farms above the valuation placed on them.

133. In New South Wales the Commonwealth has a liability to meet 50 per cent of these costs incurred, the State having itself provided the necessary capital funds for the scheme. We were informed

Exhibit
141/B14
and
Q. B128

that in 1971-72, on the advice of the New South Wales Department of Lands, \$75,000 was provided to meet amounts that that Department would be claiming in respect of three estates. However, the Department of Lands did not lodge the predicted claims. When expenditure reviews showed a likelihood of under-expenditure, the Department of Primary Industry enquired of the State Department as to problems it was experiencing in lodging claims with the Commonwealth. It was informed that the Department of Lands had experienced staffing problems arising from changes in personnel, and as a consequence work by the State had fallen behind schedule and claims on the Commonwealth could not be expected before 1972-73.

134. In elaborating on this matter, the witness informed us that the Department of Lands had experienced continuing staffing problems occasioned by the retirement of the officer-in-charge of war service land settlement; a change in the organisational arrangement as a result of the provision by the Commonwealth of rural reconstruction funds; and the retirement of the Department's Chief Accountant. Recent advice obtained from the Department of Lands, however, had indicated that the claims concerned are being examined so that they may be submitted to the New South Wales Auditor-General's Office for a certificate, which is an essential requirement before the Commonwealth can meet claims. As a consequence of the problem experienced, a shortfall of \$75,000 occurred in expenditure in 1971-72.

Exhibit
141/B14
and
Q. B128

• Commonwealth contribution to writing off losses on advances to settlers.

135. We were informed that the States of New South Wales, Victoria and Queensland provided the funds for making advances to settlers who were allotted holdings under the War Service Land Settlement Scheme from their own resources. The Commonwealth has a liability to pay to these States 50 per cent of any losses which occur. When the Estimates for 1971-72 were being prepared, the New South Wales Department of Lands advised the Department of Primary Industry of losses estimated at about \$49,000 relating to the final assessment of the forfeiture of four leases.

Exhibit
141/B14
and
Qs. B129
and B130

Provision for this amount was made in the estimate. However, the State did not reach a position during the year where it was necessary to call on the Commonwealth to meet part or all of its commitments. We were informed that the New South Wales Department is currently endeavouring to bring the claims to a situation where it can place them before the Commonwealth for payment. As a consequence of the problems experienced, a shortfall of \$49,000 occurred in expenditure in connection with this element.

136. The witness informed us that in the course of recent exchanges with the New South Wales Department of Lands regarding their claim of \$49,000, it eventuated that the New South Wales Department had twice submitted to the Commonwealth, at different times, claims which in both cases were unsupported by the necessary certificate from the Auditor-General of New South Wales. Some details of these claims were queried with the New South Wales Department and in each case the essential requirement of a certificate from the Auditor-General was brought to the attention of the officers concerned. More recently, it has become apparent that the officers in the New South Wales Department have been under the impression that the claims, having been lodged, were active with the Commonwealth Department. A misunderstanding had therefore occurred in relation to the matter. The witness stated that the misunderstanding has now been resolved.

Exhibit
141/B14
and
Q. B130

- Administration costs of South Australia, Western Australia and Tasmania in connection with the provision of credit facilities to settlers.

137. Expenditure reached \$250,637 against the estimate of \$250,000.

Exhibit
141/B14

- Operation and maintenance.

138. Expenditure under this heading refers mainly to the operation and maintenance of the headworks supplying irrigation water to about 250 settlers at Loxton, South Australia and to the caretaking and maintenance of surrendered holdings pending their disposal. In the latter case, proceeds from the disposal of production are credited to the cost of operation and maintenance. We were informed that during 1971-72 a number of surrendered irrigated holdings at Loxton, South Australia were being farmed by the Department of Lands pending disposal. Receipts

Exhibit
141/B14

from the sale of fruit reached \$96,000 compared with an estimate of \$57,000. It was explained that the estimate from sales of fruit production, made when the Estimates of expenditure were prepared, is subject to significant variations attributable to yield and market influences. In 1971-72 the market realisations achieved were much better than had been expected, to the extent of \$39,000. This meant that expenditure of that amount would not be required. Insofar as the operation and maintenance of the Loxton headworks is concerned, it was stated that the costs involved are directly attributable to the quantity of water supplied, which varies with seasonal conditions. The provision made in the estimate was based partly on experience. In 1972-72, however, costs were \$11,195 below the estimate.

139. We were informed that when the 1971-72 Estimates were being prepared the Closer Settlement Board in Tasmania advised that claims to be submitted on the Commonwealth in respect of the costs of maintaining surrendered holdings were estimated at \$2,000. The Department of Primary Industry was satisfied that this amount represented the minimum level for which provision should be made. However, the value of the claims that the Closer Settlement Board in Tasmania found it could make was \$411, thereby contributing to a shortfall of \$1,589 in expenditure.

Exhibit
141/B14

• King Island (Tasmania) concessions.

140. Under the War Service Land Settlement Scheme, each settler on King Island is granted a rebate of \$1,600 in part recognition of higher than normal depreciation of assets, attributable to Island conditions. A rebate is granted immediately after each holding is valued. For the same reasons that have been set out in relation to living allowances to settlers, expenditure fell short of the estimate of \$13,000 by \$11,000.

Exhibit
141/B14

• Commonwealth-State financial arrangements.

141. In response to questioning, the witness informed us that the State departments with which the Department of Primary Industry is working in association, have been made aware of the availability of provision from the Additional Estimates in the Commonwealth sphere. It was indicated that when the officers of the War Service Land Settlement Branch were required to prepare Additional Estimates they requested the

State departments in New South Wales and Tasmania to re-examine critically their expenditure positions. This action had been taken in 1970-71 as well as 1971-72. In each case the Department of Primary Industry had received information, in writing, from the State authority to the effect that it expected to be able to lodge its claim before 30 June in the year concerned. The Department of Primary Industry therefore had no option but to allow the figure which it had sought in the Original Estimates to stand when the Additional Estimates were prepared.

Conclusions

142. The causes of the shortfalls that occurred in expenditure under this item were beyond the control of the Department of Primary Industry, and the Committee therefore accepts the Department's explanation. The Committee notes with satisfaction the action taken by the Department to obtain realistic assessments from the State authorities concerned in connection with the Additional Estimates reviews.

(ii) Division 470/3/11 Administrative - Other Services - Wool research - objective measurement.

<u>Funds Available</u>	<u>1969-70</u>	<u>1970-71</u>	<u>1971-72</u>
	\$	\$	\$
Appropriation Act No. 1	-	650,000	850,000
Appropriation Act No. 3	-	-	-
Appropriation Act No. 4	-	-	-
Advance to the Treasurer	-	-	-
TOTAL FUNDS AVAILABLE	-	650,000	850,000
TOTAL EXPENDITURE	-	<u>445,872</u>	<u>697,922</u>
UNEEXPENDED FUNDS AVAILABLE	-	<u>204,128</u>	<u>192,078</u>

143. In the marketing of wool, the full-scale introduction of the objective measurement of wool's commercial characteristics offers the opportunity to achieve major savings in transportation and handling costs in the processing of wool and a significant reduction in the risks associated with wool buying. However, it has been regarded as an essential prerequisite to the introduction of objective measurement into commercial practice to undertake substantial research and development work before the techniques can be applied extensively to wool marketing. This item provides funds to finance a research programme relating to the introduction of objective measurement into the marketing of the Australian wool clip. Exhibit 141/B15

144. The research programme relating to the introduction of objective measurement into the marketing of wool commenced during the financial year 1970-71 following a decision by the Government to provide \$1,489,000 over a period of about two years to finance the project. The research is being undertaken jointly by the Commonwealth Scientific and Industrial Research Organization, the Australian Wool Board and the Bureau of Agricultural Economics, within a programme planned and supervised by two committees comprising representatives of the three participating organizations, the University of New South Wales and wool buyers and brokers. The two committees are the Technical Committee on Objective Measurement and the Policy Committee on Objective Measurement. Exhibit 141/B15

145. Allocations of the total funds of \$1,489,000 committed by the Government to the project were recommended by the Committees to the Minister for Primary Industry, and approval was given. The allocations were to CSIRO, the Bureau of Agricultural Economics and the Australian Wool Board in the following amounts :-

Exhibit
141/B15

	\$
CSIRO	899,800
Australian Wool Board	543,700
Bureau of Agricultural Economics	<u>45,500</u>
	<u>1,489,000</u>

Total expenditure to 30 June 1972 from the appropriations for the years 1970-71 and 1971-72 against each of the allocations was:-

	\$
CSIRO	648,700
Australian Wool Board	414,064
Bureau of Agricultural Economics	<u>41,030</u>
	<u>1,103,794</u>

Expenditure in 1971-72 was -

	\$
CSIRO	280,000
Australian Wool Board	340,364
Bureau of Agricultural Economics	<u>37,558</u>
	<u>657,922</u>

146. CSIRO and the Australian Wool Board account to the Department of Primary Industry for the receipt and usage of funds by furnishing financial statements regularly to the Department. Expenditure by the Bureau of Agricultural Economics is brought to account within the Department of Primary Industry as the expenditure is incurred.

Exhibit
141/B15

147. In explaining the provision of \$850,000 included in the Original Estimates for 1971-72, the Department stated that when that estimate was prepared it was felt that, although the project commenced later than was expected in 1970, it would gather sufficient momentum in 1971-72 to bring about an expenditure level in that year significantly greater than expenditure achieved in 1970-71 and reasonably close to the total funds available for the project.

Exhibit
141/B15
and
Q. B133

148. The shortfall that occurred in expenditure was said to be attributable to a later acceptance of a contract for specialised equipment essential to the research programme; a longer period of delivery than had been expected initially; and an unexpectedly slow turnaround of testing services under contracts for the services. These matters are within the area of operations undertaken by CSIRO.

Exhibit
141/B15

• Capital Equipment.

149. We were informed that, during the months that followed the commencement of the project, improvements occurred in the facilities which formed part of the research programme. In the area of testing wool there were significant developments in wool/vegetable matter separation equipment, which it was planned should be utilised in the project's operations. In the first year of the project, experimental prototype equipment was under development but it was not until the end of September 1971 that acceptable drawings and specifications were able to be completed. Advertisements for tenders for the equipment were invited, with a closing date of 29 November 1971. Shortly before that date, McPhersons Ltd., one of the potential suppliers of the equipment, requested an additional three weeks in which to submit a tender. This Company claimed that because of the complex and advanced technical nature of the wool base/vegetable matter separator equipment, insufficient time had been allowed for a complete examination of the detailed design

Exhibit
141/B15,
Qs. B134
and B135
and
Committee
File
1972/2

requirements. Earlier in the year, McPhersons Ltd., the Company concerned, had submitted the successful tender for wool coring machines for the project.

150. Following discussions regarding some aspects of the design of the coring machines, the Policy Committee on Objective Measurement had been impressed with the technical competence and efficiency of McPhersons Ltd. In these circumstances, the Policy Committee was anxious that McPhersons Ltd. be given the opportunity to tender.

Committee
File 1972/2

151. Other tenderers were advised that the closing date for the supply of the machines was being extended to 22 December 1971 and they were invited to revise their quotations, if they desired to do so. When the tenders were examined, it was found that the prices quoted were in excess of the estimated cost. As a consequence, a further study was conducted into the proposed usage of the machines, tenderers' works were inspected as to their capacity to undertake the work and the planned purchase of four machines was reduced to three. Amended tenders were sought from each of the tenderers. On 9 March 1972, the contract was awarded to a South Australian company, which had submitted a price of \$199,482, with delivery of the first machine twenty-six weeks from the date of order and subsequent deliveries four to six weeks later. Expenditure to 30 June 1972 on this project amounted to \$19,000.

Exhibit
141/B15,
Q. B135 and
Committee
File 1972/2

. Testing Services

152. We were informed that the availability of testing services is a vital part of the objective measurement project. A pre-requisite to testing bales of wool is the agreement of an owner to use his wool for the purpose of objective

Exhibit
141/B15
and
Q. B137

measurement. After the selection of sample clips had been made, and after the agreement of the owner and co-operation of the relevant wool broker were obtained, testing services were procured under contracts or orders, with wool testing houses. However, delays were experienced in the fulfilment of contracts and orders, attributable partly to the numbers of growers' clips to be subjected to objective measurement in each auction sale and partly to the rate of output achieved by a testing house itself.

153. In elaborating on this aspect the witness informed us that the plan of testing which was envisaged for the wool season which commenced about August/September 1971, required sampling of a very large number of growers' clips to determine the amount of sampling which would be necessary if large-scale pre-sale testing was to be adopted as a marketing procedure. Another objective was to obtain a clear assessment of the type of technical differences which exist between different lines of a grower's clip. However, in the wool season beginning in late 1971, very many of the clips which had been ear-marked for testing as they came into the store failed to arrive at the expected time. This problem arose during a period of falling wool prices, and many growers appeared to be either holding their clips or disposing of them in other ways. Arrangements were therefore made and permission was sought from growers to sample other equivalent clips. In 1972, wool prices began to improve and a considerable amount of wool started to flow in during the latter part of the season. The test houses tended to become heavily overloaded and, at the same time, the Australian Wool Commission began to make very large deliveries from its stock-piles, all of which were subject to tests. Expenditure against contracts/orders at 30 June 1972 amounted to \$96,500.

Exhibit
141/B15
and
Q. B137

154. The Department stated that funds to finance the area of work being undertaken by CSIRO are provided from time to time, in amounts sufficient to meet the estimated accounts

Exhibit
141/B15

coming forward for payment in the immediate future. In view of the rate of expenditure on capital equipment and testing services, CSIRO did not request funds beyond its foreseeable immediate needs during the course of the year, nor did there seem to the Department of Primary Industry to be any useful purpose in placing funds with CSIRO ahead of its spending requirements.

155. We were informed that several interim reports have been prepared on the project. The final report, which is intended to be a comprehensive document, had reached an advanced stage when our inquiry occurred in August 1972.

Exhibit
141/B15
and
Q. B138

Conclusions

156. The Committee accepts the Department's explanation.

CHAPTER 9

General Conclusions

157. In Chapter 1 the Committee stated that in examining expenditure from the Consolidated Revenue Fund it has sought to ascertain whether or not the general principles relating to the formulation of estimates have been adopted by the departments under examination. It has also sought to ascertain whether or not these departments have maintained efficient administration in the expenditure of funds under the items selected for public inquiry.

158. In recent years the Committee has paid particular attention to the estimates and related expenditure of departments. As a poor standard of estimating has wide ramifications, it has not only been excess expenditure that has attracted attention, but also the over-provision of funds. In previous Reports the Committee has made it clear that such over-provisions are undesirable, misleading and perhaps unfair to other departments whose financial needs might not have been satisfied. At the same time, the Committee has emphasised that it does not regard the total expenditure of available funds under a particular Appropriation item as an objective to be sought without regard to other important considerations. Indeed, undue emphasis on the need to match expenditure and available funds can give rise to unnecessary and uneconomic expenditure and can result in the distortion of administrative practices. In this regard, the Committee has, on previous occasions, criticised departments that have accelerated payments in order to prevent an Appropriation from lapsing.

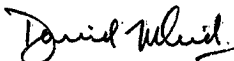
P.P. No.219
of 1968 and
P.P. No.161
of 1969.

159. As this and previous Reports relating to expenditure from the Consolidated Revenue Fund show, there are explanations for expenditure variations from the estimates which are acceptable to the Committee. These variations usually arise from unforeseeable circumstances and certain other factors which are beyond the control of the Department concerned. In this Report, however, the Committee has also found evidence of the need for greater care in the formulation of estimates. In addition, misunderstandings between departments, errors arising from the

misinterpretation of information, clerical errors and administrative delays in the placing of orders have contributed to reduced levels of efficiency in administration. In addition, the evidence shows cases where failures have occurred in the observance of Treasury Regulations and Directions. Attention has been drawn to all of these inadequacies where they have arisen.

160. As indicated in the One Hundred and Fortieth Report relating to expenditure from the Advance to the Treasurer for 1971-72, the Committee has had cause in recent years to comment adversely on the quality of written submissions and oral evidence tendered by departments. In this regard we are pleased to report that there has been a considerable general improvement in the quality of evidence tendered during the present inquiry. At the same time, however, because some documentary and oral evidence revealed inaccuracies, we would again remind departments of Memorandum 66/385 of 16 October 1970 from the Secretary to the Treasury to all Permanent Heads. The substance of this Memorandum is set out in Chapter 5 of this Report.

For and on behalf of the Committee,



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

24 October 1972



C.J. HURFORD
Acting Chairman

