1972

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

ONE HUNDRED AND FORTY-SECOND REPORT

TREASURY MINUTE ON THE ONE HUNDRED AND TWENTY-FOURTH REPORT

TOGETHER WITH A

SUMMARY OF THAT REPORT

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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	Sectional Committee B
B.W. Graham, Esquire, M.P. (Chairman)	C.J. Hurford Esquire, M.P. (Chairman)
F.W. Collard, Esquire, M.P. (Vice-Chairman)	A.W. Jarman, Esquire, M.P. (Vice-Chairman)
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Senator R.E. McAuliffe	J.F. Cope, Esquire, M.P.
L.H. Irwin, Esquire, C.B.E., 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-SECOND REPORT

CHAPTER 1 - INTRODUCTION

In its Seventy-ninth Report dated 10 March, 1966 the Committee set out in detail the basis of the Treasury Minute arrangements which have been made to ensure that appropriate action ensues from comments contained in our Reports. P.P. No.275 of 1964-65-66

As they now stand, the arrangements concerned are:-

(1) The Report of the Committee is tabled by the Chairman in the House of Representatives and by a Member of the Committee in the Senate. Motions are moved in both Houses of the Parliament that the Report be printed as a Parliamentary Paper.

(2) The Chairman of the Committee thereafter forwards a copy of the Report to the Departments affected and to the Treasurer with a request that he give the Report his consideration and inform the Chairman of the action taken to deal with the Committee's comments.

(3) The reply received, which is in the form of a Treasury Minute, is then examined by the Committee and, together with the conclusions of the Report to which it relates, is submitted as soon as possible to the Parliament as a Report.

(4) When during its examination of a Treasury Minute the Committee finds that there are recommendations not fully dealt with or which are subject to a further Minute, it holds an exploratory discussion with officers of the Department of the Treasury prior to the submission of the Minute to the Parliament.

(5) In reporting a Treasury Minute to the Parliament, the Committee does not usually make any comment on the Minute other than to note recommendations not fully dealt with or subject to a further Minute. In special cases where comment is thought to be necessary, however, the Committee makes it.

(6) The Committee reviews a Treasury Minute, if necessary, when it again examines the department concerned.

(7) The Department of the Treasury furnishes the Committee with a half-yearly report on outstanding Treasury Minutes, indicating the progress made in dealing with the Committee's comments.

CHAPTER 2 - TREASURY MINUTE ON THE ONE HUNDRED AND TWENTY-FOURTH REPORT RELATING TO EXPENDITURE FROM THE CONSOLIDATED REVENUE FUND. (APPROPRIATION ACTS 1969-70).

Committee's Conclusions One Hundred and Twenty-fourth Report (27 October 1970).	Treasury Minute (7 September 1972)
	The Treasury has examined the Report and has discussed with the departments and authorities concerned the observations and conclusions of the Committee which have, where necessary, been brought to the notice of the officers concerned.

DEPARTMENT OF EDUCATION AND SCIENCE

Administrative - Administrative Expenses - Publications.

9. Your Committee accepts the Department's explanation in relation to its request for further funds in the Additional Estimates.	
10. Your Committee is disturbed, however, to learn that the capacity of the Printing Office and the apparently inadequate priority given to the publications 'Education in Australia' and 'Postgraduate Study at Australian Universities' were such that, despite liaison maintained between the Department and the Government Printer, it was not possible for these publications to be completed and paid for within the financial year. In this regard Your Committee agrees with the witness that the Government Printer might have been assisted had he been informed of the Department's printing programme before	The Australian Government Publishing Service has advised that copy for the booklet "Education in Australia" reached the Government Printing Office during February 1970 and copy for "Post-Graduate Study in Australian Universities" in April 1970. Had arrangements been made for special priority to be given to the publications, delivery before the end of the financial year might have been possible.

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the order for these publications was placed.

Administrative - Other Services - Australian Council for Educational Research - Special Investigations into Tertiary Education Selections.

15. It appears to your Committee that $11,000 was sought prematurely in the Additional Estimates to cover the expected costs in 1969-70 of a single general scholastic ability test. In this regard Your Committee notes that work connected with the development of the test did not commence until subsequent to 12 March 1970.

The Department of Education and Science considers that the request for funds under Division 230/3/12 in the Additional Estimates was based on a reasonable expectation that work on the relative test would be completed and paid for within the financial year.

Educational Services - Australian Capital Territory - Independent Schools - Assistance.

24. Your Committee accepts the Department's explanation in relation to student allowances. On the evidence, it appears, however, that the Department sought $26,000 prematurely in relation to interest payments. The evidence tendered shows that the Marist Brothers School authorities did not submit required documentary evidence to the Department until as late as 19 May 1970. At that stage the Department discovered that the school authorities had planned beyond the level at which the Commonwealth had been prepared to provide assistance and, on the basis of the revised plans and consequent higher cost, had negotiated an increased loan from private lending authorities. Your

The Department has advised that to overcome the situation which developed in relation to the Marist Brothers' School, revised procedures have been approved by the Minister and distributed to independent school authorities.

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Committee is disturbed that these proposed changes were not known to the Department until May 1970. We believe that this situation displays a lack of proper liaison between the Department and the school authorities concerned.	

Australian Universities Commission - Administrative Expenses - Incidental and Other Expenditure.

31. Your Committee accepts the Department's explanation except for the element of printing which accounted for about 41 per cent of the shortfall in expenditure. 32. The evidence shows that the estimated cost of the Fourth Report of the Australian Universities Commission, to be completed in 1969-70, was based on a current estimate supplied by the Government Printer and derived from the format of the Third Report that had been printed in 1966. Your Committee believes that between 1966 and 1969 the Commission had ample opportunity to consider the format and content of its proposed Fourth Report and that this revision should have been completed in time for a realistic estimate to be prepared by the Government Printer for the Department's guidance.	The estimate of the cost of printing the Fourth Report of the Australian Universities Commission was made by the Commission and not the Government Printer (Question 105 of the evidence refers). The Commission has advised that the main factor that resulted in the cost falling below the estimate was the content of the Report, and that could not be determined until May 1969 when the Commission completed the formulation of its recommendations for the 1970-72 triennium.

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Capital Works and Services - Buildings and Works - The Australian National University - Permanent Buildings, Acquisition and Erection of Dwellings, Equipment and Works

51. Your Committee examined the Department on this Item in connection with its Inquiry into expenditure from the Consolidated Revenue Fund 1968-69. In its One Hundred and Eighteenth Report, which related to that Inquiry Your Committee noted the problems of site planning that had arisen on the Australian National University campus, particularly subsequent to the association in 1960 of the Canberra University College with the University and the consequent merging of sites. Arising from this problem a new site planner was appointed and took up duty in October 1968.

52. The evidence taken in our present Inquiry shows that the final revised site plan for the University had been expected to be available in May 1969 but had not, in fact, been received when our Inquiry took place in August 1970. There can be little doubt that this failure contributed substantially to the difficulties experienced by the University authorities in executing their capital works programme in 1969-70. Your Committee is of the opinion that every

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effort should be made to bring the revised site plan to completion with minimum delay and that until such a plan is available and has been adopted the Department of Education and Science should continue to adopt a cautious policy in bidding for funds for capital works on the campus.

53. It also appears from the evidence that the capital works programme of the University was impeded by unforeseen cost increases in the building industry during 1969-70 in the Australian Capital Territory that gave rise to the need for revision of the plans of several projects. In this regard we note that between June 1967 and May 1970 building labor costs increased by 21.5 per cent and material costs increased by 12.3 per cent. While such cost increases are clearly beyond the control of the University authorities their importance to the orderly execution of the University's building programme is such that they should be kept under close surveillance and appropriate action taken to review plans in the light of such changes.

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

58. Your Committee examined this Item in connection with expenditure from the Consolidated Revenue Fund for the financial year 1968-69. In its One Hundred and Eighteenth Report which related to that Inquiry the Committee referred to the circumstances surrounding the withdrawal of the Burgmann College project subsequent to the formulation of the Estimates for 1968-69. On the basis of the evidence submitted at that time Your Committee accepted the Department's explanation.

The Australian Universities Commission has advised that when the 1969-70 Estimates were prepared there was no reason to believe that Burgmann College would not complete its building project by the end of 1970.

59. The evidence tendered in the present Inquiry shows that the project was included in the 1970-72 triennium and $545,000 was provided in 1969-70 to enable the building to be completed prior to 30 June 1970. Your Committee is disturbed to learn, however, that, due to an apparent need to revise the plans for the College, construction did not commence until March 1970. As a consequence a shortfall of about $349,000 occurred on the project.

60. As in the case of Item 232.1.13, it appears to Your Committee that funds were sought prematurely for the Burgmann College project. We believe that the Department should have satisfied itself that the project was capable of completion during the

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financial year before seeking the full amount of $545,000 in the Original Estimates.

Capital Works and Services - Buildings and Works - Canberra College of Advanced Education - Site Works and Services.

73. As in the case of Item 825.1.01 it appears from the evidence that the capital works programme of the College was impeded by unforeseen cost increases that occurred during 1969-70. Your Committee's observations in this regard in connection with Item 825.1.01 apply also to this Item.

Capital Works and Services - Buildings and Works - Optical Telescope - Joint Construction with United Kingdom.

86. The evidence shows that approximately $273,000 of the shortfall in expenditure on this Item related to the production of a mirror blank for the proposed telescope.

87. It appears that a contract to produce the mirror blank was let in December 1969 to a manufacturer who was inadequately equipped to produce the blank and this fact caused a delay in its production. It also appears that the Department disregarded this delay when it let a contract in March 1969 to a company for the purpose of figuring the blank. In view of the circumstances Your Committee believes that the latter contract was let prematurely and that this should have been evident to the Department at the time.

The Department has pointed out that the responsibility for the letting of contracts relating to the Joint Anglo-Australian Telescope Project rested with the Joint Policy Committee, which was carrying out functions related to the telescope pending the formal establishment of the Anglo-Australian Telescope Board. The following comments have been provided by the Board.

The 150 inch diameter mirror blank was to be made by a completely new process and the advantages of the new product were deemed by the Joint Policy Committee to outweigh the fact that the manufacturer had not previously made a mirror blank of that size. The

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88. A further shortfall of $280,000 occurred in relation to the construction of the telescope mounting. Although some of the difficulties encountered with this work arose from the death of the Project Manager in September 1969 the evidence shows clearly that when tenders were invited for this work in August 1969, uncertainty existed in connection with certain design aspects. From this it appears that tenders were invited prematurely for this work.	Joint Policy Committee had satisfied itself that the manufacturer was competent to produce the larger blank. Even with the delay, the delivery time and price for this blank were considerably better than for blanks offered in alternative materials.
89. The remaining shortfall of about $515,000 related to construction of the dome and building for the telescope. In this area also, the evidence shows that work was delayed in part by design uncertainties. As late as October 1969 the Joint Policy Committee requested that further studies of the design of the building should be made and the Committee again reviewed the position in March 1970 when tenders became available.	The death of the Project Manager was the sole reason for the need to engage new consultants and to delay letting the contract for the construction of the telescope mounting until they were satisfied with the selected bearing design. There was no reason to believe that had the Project Manager remained alive, the project could not have proceeded on schedule, with the design of the declination bearings being finalised through consultation between the Project Office and the contractors, while other components of the mounting were being constructed.
90. On the evidence Your Committee can only regard the position in relation to each of the components of this project in 1969-70 as unsatisfactory.	The design review undertaken in October 1969, was made solely in view of the escalation in the cost estimates of the project.

Capital Works and Services - Plant and Equipment - Northern Territory Education Services.

96. The evidence submitted shows that the causes of the shortfall in expenditure in 1969-70 related mainly to material acquisition procedures under the	The Department has advised that since the enquiry it has commenced to acquire plant and equipment for Northern Territory Education Services

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control of the Northern Territory Administration. The evidence also suggests, however, that while difficulties associated with these procedures had been particularly pronounced in 1969-70 they had existed previously.

97. While action has now been taken to overcome the deficiencies in the system referred to, it appears to Your Committee that such action could well have been taken earlier. In this regard we note that in the previous year, 1968-69 a shortfall of $22,983 occurred on expenditure under the Item from an Appropriation of $75,000.

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direct instead of through the Northern Territory Administration.

DEPARTMENT OF THE INTERIOR.

Rent - Department of External Affairs.

105. It appears to Your Committee that an amount of $6,051 was sought in error when the Original Estimates were formulated for the Item and this error was overlooked by the Finance Branch of the Department when it sought a further $17,300 in the Additional Estimates. Your Committee believes that the original error should not have occurred and that it should have been taken into account when the Additional Estimates were formulated. The circumstances reflect a failure in effective communication between the Branches concerned in the Department and a need for greater care on the part

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of the Finance Branch in formulating its Estimates.

Rent - Department of Works.

118. Your Committee accepts the Department's explanation.

Australian War Memorial - Administrative Expenses - Travelling and Subsistence.

125. Your Committee notes from the evidence that a significant part of the shortfall in expenditure on this Item arose from the cancellation of travel arrangements made for members of the Board of Trustees of the Australian War Memorial for reasons beyond the control of the Australian War Memorial Administration.

126. The evidence reveals a weakness in that Administration, however, in that the Finance Branch of the Department of the Interior was not advised following the cancellation of travel arrangements. Your Committee trusts that appropriate action will be taken without delay to remedy the weakness disclosed.

The Department of the Interior has advised that action has been taken to ensure that cancelled arrangements are brought to attention in future.

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127. Your Committee also notes that due to a clerical error in costing that occurred in April 1970 within the Finance Branch of the Department, an amount of $146 was charged to Item 351.2.03. While the amount of this error is small, Your Committee is disturbed by the fact that it was not discovered in time for correction during the financial year. We trust that errors of this nature, which could relate to significant amounts, will be detected and rectified promptly in future.	
	Australian Capital Territory Services - General Services - Flats - Caretaking and Maintenance.
142. Your Committee accepts the Department's explanation with the exception of three matters. The evidence	

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shows that due to an error in identifying expenditure relating to lift maintenance at the Currong Flats an amount of $851 was charged to Item 362.4.03 instead of to Item 362.4.07. Also due to a misunderstanding that arose regarding the wages of a cleaner/driver an incorrect charge of $2,707 was made to Item 362.4.03 in respect of caretakers wages. Your Committee believes that greater care should be exercised within the Department to avoid errors and misunderstandings of the types described.

Acquisition of Sites and Buildings.

160. Your Committee accepts the Department's explanation.

Capital Works and Services - Acquisition of Sites and Buildings - Department of National Development.

176. On the basis of the evidence, it appears to Your Committee that funds were sought prematurely for each proposed acquisition included in the Programme under this Item. In the case of the Bellarine proposal Your Committee is also disturbed by the fact that the Department of National Development had evidently provided the Department of the Interior with incorrect information regarding the site to be investigated. Errors of this nature are time-wasting and also wasteful of the resources of the Department of the Interior.

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DEPARTMENT OF NATIONAL DEVELOPMENT.

Division of National Mapping - Salaries and Payments in the nature of Salary - Salaries and Allowances.

185. Your Committee accepts the Department's explanation. On the basis of the evidence, it believes that the Additional Estimate represented a realistic assessment of the amount required for the remainder of the financial year, having regard to the information available to the Department when the Additional Estimate was formulated.

POSTMASTER-GENERAL'S DEPARTMENT.

Broadcasting and Television Services - Technical and other Services - Sound Broadcasting and Television - Subsidy to Commercial Broadcasting Stations for Landline Services for News Relays.

189. Although the closing date for the Original Estimates for 1969-70 was 30 April 1969, Your Committee notes the remark made by the witness that a change that occurred in the basis of subsidy in May 1969 should have been taken into account when the Department settled its estimate with the Department of the Treasury in June 1969. Your Committee regards as unsatisfactory the fact that the implications inherent in that change were overlooked at that time.

The Postmaster-General's Department has taken action to ensure that any future changes in the basis of estimates are fully evaluated and brought to the notice of the officers responsible for the preparation of the Estimates.

190. In the present case Your Committee believes that the withdrawal of requests for relay facilities by about

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one-half of the commercial broadcasting stations in May 1969 should also have been taken into account when the Department settled its estimate with the Department of the Treasury in June 1969.	

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

Office of Aboriginal Affairs - Administrative Expenses - Publications.

201. In considering the circumstances relating to this Item Your Committee has taken into account the recent establishment of the Office of Aboriginal Affairs and the developmental problems that have arisen.

202. The evidence shows that the problems connected with publications work were recognised from the inception of the Office and were the major cause of the shortfall in expenditure that occurred in 1968-69. Your Committee believes that, in these circumstances the Office would have been well advised to frame its Original Estimate for 1969-70 on a more realistic basis and to have sought further funds, if necessary, in the Additional Estimates. We are disturbed by the fact that this course of action did not occur to the Director of the Office of Aboriginal Affairs.

203. Your Committee also believes that the Office should have taken action at an earlier stage in 1969-70 to secure the assistance of external organisations

The Department of the Environment, Aborigines and the Arts has drawn to the attention of the Office of Aboriginal Affairs the principles to be observed in the preparation of estimates as set out in Treasury Direction 16/9.

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in the preparation and publication of texts for its use. In this regard we note with concern that following the failure of the publications committee which was set up in 1968, the Council had evidently not accorded a high priority to publication matters. We think that this contributed significantly to the difficulties experienced in 1969-70.

COMMONWEALTH RAILWAYS.

Trans-Australian Railway - Stores and Materials.

217. It appears to Your Committee from the evidence that Commonwealth Railways sought funds prematurely in the Original Estimates to cover certain costs associated with the uniform gauge railway operations. It was primarily a failure on the part of the Commonwealth and State Railways concerned to reach and implement agreement in certain areas of combined operations that gave rise to the shortfall on the Item.

218. The evidence also indicates that, having regard to its known problems in the Commonwealth/State railway operations area, Commonwealth Railways was not justified in seeking a further amount of $156,000 in the Additional Estimates under this Item.

219. In each of the years 1967-68 to 1969-70 inclusive, further amounts have been sought by Commonwealth Railways in the Additional Estimates and in each of these years comparatively large

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shortfalls have occurred in expenditure. Your Committee believes that the consistency of this situation justifies the view that a greater degree of realism is required in the formulation of the Original and Additional Estimates under this Item.	
220. In regard to rolling stock we note that repairs to such equipment are made by the particular railways system on which the equipment is located when repairs are required. While appropriate billing for this work evidently exists between the railway authorities concerned, the evidence shows that no procedure has been evolved to enable the validity of the accounts submitted to be checked. Your Committee regards this situation as most unsatisfactory and believes that it should be rectified without delay.	Commonwealth Railways has advised that because of the number of locations at which maintenance and servicing of inter-system rolling stock are effected it is considered impracticable to perform a physical check of the labour and material contents of such claims. Commonwealth Railways has commented that a degree of trust is necessary between Systems. The procedure adopted for checking amounts charged is for technical officers to peruse the accounts to verify that the amount charged is reasonable for the work performed.
221. Finally we would observe that the submission tendered by Commonwealth Railways in respect of this Item was grossly inadequate in the degree of detail supplied. Your Committee has expressed its dis-satisfaction in this regard on many occasions and would invite specific attention to the Secretary to the Treasury's memorandum (66/385) of 16 October 1970 to all Permanent Heads wherein it was stated:	Commonwealth Railways acknowledges that insufficient details were tendered in its original submission and has taken steps to ensure that all relative information and details will be included in any future submissions.

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'In its 118th Report the Committee invited attention to cases where witnesses who appeared were inadequately briefed on matters of fact referred to in departmental submissions. When tabling that Report in Parliament the Chairman commented specifically on the problem and expressed the hope that Permanent Heads would again be circularised on the importance of thorough briefing and accuracy of departmental submissions by those officers in departments who are likely to be concerned with the preparation of material for the Committee or may be required to appear in person at future public hearings. Not only has the Committee the right to expect that witnesses appearing before it are properly briefed but it is in the interests of each department and the Service generally that evidence tendered to the Joint Committee of Public Accounts is of the highest quality. Written submissions and explanations should be carefully prepared and thoroughly checked for adequacy and accuracy of detail and absence of ambiguity; officers who are to appear before the Committee to give evidence should undertake sufficient research and preparation and should be thoroughly briefed to enable them to answer, with authority, any questions which may

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reasonably be expected on the subject matter of the inquiry.

It would be appreciated if this circular could be brought to the attention of all officers of your Department who become concerned with the preparation of written material for the Committee and all Commonwealth authorities whose affairs come under the administration of your Minister.'

Trans-Australian Railway - Administrative Expenses.

234. The evidence relating to this Item again reflects a need for greater care on the part of Commonwealth Railways in the formulation of its Estimates.

Commonwealth Railways confirms that steps have been taken to ensure that all relevant information and details will be included in future submissions.

235. We note the problems confronting Commonwealth Railways in the operation of an accrual costing system and the difficulties that arise in relating cash requirements and expenditure to accrual accounting. We also note, however, that Commonwealth Railways proposes to engage consultants in 1970-71 to redesign its accounting system. While Your Committee would commend Commonwealth Railways in this regard we believe that this action might well have been taken sooner with considerable advantage.

236. Your Committee would again comment adversely on the quality of the evidence tendered in the Commonwealth Railways written submission and would add that in the case of this Item

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witnesses appeared to be ill-prepared for examination. In this regard we would again refer to the Secretary to the Treasury's memorandum (66/385) of 16 October 1970.	

Central Australia Railway - Buildings, Works, Plant and Equipment.

251. Your Committee accepts Commonwealth Railways explanation except for the evidence relating to miscellaneous expenditure and its ability to view liabilities and enter into contracts.	
252. The written submission that was tendered explained that the shortfall on miscellaneous items of equipment arose mainly from modifications to rollingstock and other items completed or purchased at less than estimated cost. Further information supplied in response of questioning however, showed that most of the shortfall concerned had, in fact, arisen from such factors as incompleted contracts, contracts not arranged, delays in the receipts of final debits and a failure to undertake certain work. Your Committee is disturbed by this apparent disparity in fact and believes that it reflects adversely on the quality of the evidence tendered.	
253. It was claimed in evidence that while Commonwealth Railways is able to invite tenders in anticipation of Appropriations it does not let contracts	Commonwealth Railways has advised that the procedures covering the Capital Works Programme and the letting of contracts have been

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until the Appropriations have been made. This was claimed to result in delays in the placing of contracts. Information supplied at our request by the Department of the Treasury, however, shows that under existing procedures covering the capital works programme for Commonwealth Railways, the Railways may incur commitments against a specified portion of the estimated cost of new proposals pending the passing of the Appropriation Act. It is a matter for Commonwealth Railways to decide which of the new proposals included in the approved programme should be committed in advance of the passing of the legislation. On the basis of the Treasury advice Your Committee does not accept the necessity for Commonwealth Railways to withhold the letting of all contracts as a matter of necessary principle, with the concomitant delays that must arise from the late placing of orders. Your Committee would add that it is disturbed to find that the basis of the procedures referred to by the Department of the Treasury was evidently not clearly understood by the witnesses.	discussed with Treasury officers. It is now anticipated that difficulties experienced in the past will not recur.

North Australia Railway - Buildings, Works, Plant and Equipment.

269. Your Committee accepts Commonwealth Railways explanation except in relation to stormwater and related problems at Parap, port facilities at

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East Arm and the marshalling yards at Katherine.	
270. It appears from the evidence that considerable difficulties followed changes made by the Northern Territory Administration in stormwater drainage design in the Parap area. It would appear that inadequate liaison existed between Commonwealth Railways, the Department of Works and the Northern Territory Administration in regard to this matter. It is also likely that funds were sought prematurely for this work in 1969-70.	
271. In regard to the proposed port facilities at East Arm it is clear from the evidence that Commonwealth Railways will not be able to engage in effective planning until it has examined the reports of committees which are investigating the upgrading of existing port facilities and land use at Darwin. We also note with concern that although these reports were not available when our Inquiry took place late in August 1970, this project has been included in the Estimates for 1970-71.	Commonwealth Railways has pointed out that the evidence given by its officers in response to Question 667 has apparently been misunderstood as it was the Winnellie project that had been included in the Estimates for 1970-71 and not the East Arm project as stated in the Report. It was not until late August 1970 that the Government gave approval for the railway works associated with the East Arm project to proceed and $240,000 was provided in the Additional Estimates for 1970-71 for expenditure on those works.
272. It appears from the evidence that funds were provided in the Original Estimate for 1969-70 for work to be undertaken on marshalling and siding facilities at Katherine. However, at the time of our Inquiry, investigations were still proceeding on the possibility	

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of transferring the terminal from Larrimah to Katherine. We note with concern that in these circumstances, it has been necessary for the marshalling and siding facilities project to be deferred for inclusion in the 1970-71 programme for carry-forward into 1971-72. In Your Committee's view there can be no doubt, based on the evidence, that this project was included prematurely in the 1969-70 programme.	

Seat of Government Railway - Buildings, Works, Plant and Equipment.

276. On the basis of the evidence Your Committee accepts Commonwealth Railways explanation in respect of this item.

DEPARTMENT OF WORKS.

Capital Works and Services - Buildings and Works - Departmental - Commonwealth Taxation Office.

284. Your Committee accepts the Department's explanation.

Capital Works and Services - Buildings and Works - Broadcasting and Television Services - Sound Broadcasting Transmission.

300. Your Committee accepts the Department's explanation in respect of projects other than that relating to the Transmitter Hall at Shepparton.

301. In connection with the Shepparton project, it is clear from the admission of the witness that the condition of the ceiling of the building should have been inspected	The Department of Works has advised that the negotiations to obtain access to the Shepparton Transmitter Hall for the installation of thermal fire alarms were protracted

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thoroughly before the project relating to light fittings was embarked on. In connection with the proposed installation of thermal fire alarms at the same station, we note that several months elapsed before a satisfactory working arrangement could be made with the Postmaster-General's Department to enable the alarms to be installed while the transmitters were not broadcasting. These protracted negotiations delayed the project in going to tender. Your Committee does not accept, on the basis of the evidence, the necessity for protracted negotiations while a satisfactory working arrangement was reached. The problems inherent in work on broadcasting equipment during non-broadcasting hours are not new to the Department of Works or to the Postmaster-General's Department. Reference was made to these problems in Chapter 5 of Your Committee's One Hundred and Tenth Report which related to the Australian Broadcasting Commission.

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due to the rescheduling of Radio Australia broadcast transmission which tied in with the operations of the Booster Station at Darwin.

The Department is aware of the problems inherent in work on broadcasting and television equipment during non-broadcasting hours and of the views expressed by the Committee in its One Hundred and tenth Report. These are taken into account in assessing construction timetables and estimating costs, but in this case rescheduling of broadcasting transmissions by Radio Australia accentuated the difficulties.

Capital Works and Services - Buildings and Works - Broadcasting and Television Services - Sound Broadcasting Studios and other Purposes.

321. Your Committee accepts the Department's explanations relating to the proposed studio block at Forbes Street, Sydney and to minor works.

322. In the case of the Launceston Studio building, however, Your Committee believes that the Australian Broadcasting

The Australian Broadcasting Commission has advised that procedures have now been

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Commission should have taken greater care to ensure that its requirements for the project were conveyed adequately to the Department of Works.

323. On the basis of the evidence, Your Committee believes that appropriate action should have been taken to ensure that a hotmix plant was available at Broken Hill before including the requirement for hotmix surfacing of the car park in the specifications for the Broken Hill Studio building.

324. In the case of the proposed residence at Horsham the evidence shows that a misinterpretation by the Department of Works regarding the approved housing standards caused a delay in the letting of the relevant contract. Your Committee believes that this misinterpretation should not have occurred. It also believes that the Department of the Treasury should assess whether or not the existing instructions to departments require clarification.

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modified to ensure that nothing is submitted to the Department of Works for design action until the Manager of the relevant State Branch of the A.B.C. has indicated that the brief fully meets the Branch's requirements.

The Department of Works agrees that action should have been taken to ensure the availability of a hotmix plant at Broken Hill before preparation of the specifications for the car park at the Broken Hill Studio Building, and advises that it is the normal practice for such checks to be carried out.

Treasury consulted with the Department of Works regarding the basic scales of housing for civilian employees. The instructions were consolidated and reissued within the Department of Works in August 1970, special mention being made of the fact that the 150 sq.ft. of additional verandah space allowed for tropical and remote areas could be incorporated in the general area of the house.

Treasury is currently reviewing the question and aims to have a fresh comprehensive set of instructions on housing standards issued when the review is completed.

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334. It appears to Your Committee from the evidence that a number of problems, including rugged terrain and susceptibility to high rainfall, were recognised from the outset in connection with the Mount Bellenden Ker, Queensland, project. It was also proposed that tenders should not be invited until October 1969. In these circumstances, and having regard to the problems that arose subsequent to October in obtaining an acceptable tender, Your Committee believes that the request for funds for this project might well have been deferred for consideration in connection with the Additional Estimates.

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Capital Works and Services - Buildings and Works - Broadcasting and Television Services - Television Transmission

The Department advises that, while it was recognised that the Bellenden Ker project was a difficult one, it was considered reasonable that provision should be made for expenditure of $100,000 in 1969-70 based on tenders being invited in October 1969.

The Treasury considers that the approach suggested by the Committee would be contrary to the principle of estimating which has been endorsed by the Committee - that each individual estimate in the Budget Estimates should be a realistic assessment of the sum expected to be spent having regard to the information available to the Department at the time of preparation. In the case of the Mount Bellenden Ker project, it is felt that the Department of Works observed this principle by making as realistic an assessment as possible of the likely progress of the project during the year after taking into account the expected difficulties. Tenders were called as originally planned in October 1969 but as acknowledged by the Committee in paragraph 334, problems arose subsequently in obtaining an acceptable tender - problems which could not reasonably have been foreseen by the Department.

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DEPARTMENT OF DEFENCE.

Plant and Equipment

348. Your Committee accepts the Department's explanation except on two matters. It appears from the evidence that $2,400 was sought prematurely in the Estimates for the purchase of a calculator for use in scientific analysis work. In this regard it would seem that the delay in purchasing the calculator was due partly to the fact that the Management Services Branch of the Department had the proposed purchase under consideration for a period of not less than 6 months after the Joint Intelligence Bureau had recommended the acquisition of a specific machine. In view of the prior investigations carried out by the Joint Intelligence Bureau we consider, on the evidence, that the Management Services Branch might well have reached its findings more readily.

349. The other matter to which we would refer is the error that occurred in the Sub-Treasury in New York and which contributed $30,000 to the total shortfall in expenditure under this Item. Your Committee is particularly concerned that the error was not discovered until after the close of the financial year.

Until alerted by delivery of the communications equipment in Australia in July 1970, the Department was in no position to discuss the costing error as copies of the relative expenditure vouchers had been forwarded by the Sub-Treasury, New York to the Department of the Army and not the Department of Defence. Suitable action has been taken by the Treasury to obviate recurrence of this type of error in the Sub-Treasury.

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DEPARTMENT OF SUPPLY

Defence Research and Development Establishments - Administrative and Operational Expenses - Freight Cartage and Packing.

359. There are two features of the evidence on this Item to which Your Committee would invite particular attention. The first of these relates to the provision of $30,000 based on an assessment made by the Ministry of Technology in Britain. Your Committee believes that such assessments made by overseas governments require careful scrutiny before their inclusion in the Estimates and that close liaison should be maintained with the overseas governments concerned to ensure that accounts are received for payment during the year of appropriation.

360. The other matter relates to overprovisions made in the Estimate. So far as the overprovision of $1,600 is concerned it is clear that the Department failed to apply a basic principle of estimate formulation to which

The Department agrees with the Committee's conclusions and subsequent budgets have been prepared after careful estimation of the likely liability, using the assessment of the Ministry of Technology together with a careful examination of costs to be brought to account.

Liaison is maintained by the Department with the Ministry's agency in Australia to ensure that there is no abnormal delay in the submission of accounts for payment. Any action taken by the Department in this regard should not conflict with the provisions of Treasury Direction 18/7 A which provides:

> "Suppliers shall not be invited or requested to submit claims earlier than is customary and accounts shall not be prepared in the absence of a claim in order that payment may be made before an appropriation lapses or before the account would normally fall due for payment".

The Department has advised that procedures have been introduced which should enable estimates to be prepared on a more accurate basis.

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Your Committee has referred on several occasions. The particular principle is that all continuing expenditure must be examined closely in order to eliminate items that are no longer required. The other overprovision, which accounted for about 27 per cent of the total shortfall on the Item, apparently arose from changes that were made in accounting arrangements and which applied initially in 1968-69. Your Committee accepts the difficulties that would be experienced in 1968-69 and in the formulation of the Estimate for 1969-70 arising from these changes. We propose, however, to examine the financial results achieved under this Item in 1970-71.	

Reserve Stocks - Purchases - Stores and Materials.

373. In regard to the orders connected with tooling and gauges Your Committee believes, on the basis of the evidence, that the Department was not justified in assuming that drawings for this equipment were available to the supplier.	
374. Your Committee believes that the evidence relating to detonator bursters reflects a need for improved communication between the Department of Supply and the Department of Air in the placing of orders for equipment.	The Department notes the Committee's conclusion in regard to the order for detonator bursters but advises that this was an unusual occurrence. Authorisations for the Department of Air's order were obtained earlier than expected and it was no longer necessary to provide reserve stocks in anticipation of an order. Close liaison is maintained with Service Departments and will continue.

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375. It also appears to Your Committee, particularly from the evidence relating to aircraft materials, magnesium powder and dye and other requirements under procurement that, in the case of an Item of this nature, the Department would be well advised to take its past experience into account to assist it to achieve a greater degree of realism in the formulation of its Original Estimate. In reaching this view Your Committee is guided not only by the generality of the evidence tendered but also by the fact that in each of the three years 1967-68 to 1969-70 the Department sustained significant shortfalls in expenditure compared with its Estimates and in none of these years was use made of the Additional Estimates.

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The Department has advised that in the case of magnesium powder and dyes, purchases had not been made previously and in the absence of information on their availability it was necessary to make estimates of delivery based on judgement only. There was a reduced requirement for Atar engine spares due to a reduction in the number of engines to be serviced. The methods of estimating have now been revised to a more realistic basis.

376. The error of $168,000 that occurred in the formulation of the estimate for the "Reduction of Lead Time" project in 1969-70 is also a matter of concern to Your Committee. The evidence shows that basically the error arose in connection with staffing losses that occurred when the Department was transferred to Canberra in 1968 and the fact that the relevant replacement staff was inadequately trained. In this regard Your Committee stated in its One Hundred and Twenty-third Report that on several occasions in recent years it has encountered the problems, including staffing losses, confronting departments when transferring their Central Offices

The Department accepts the conclusions of the Committee and agrees that there were inadequacies in the control procedures relating to the "Reduction of Lead Time" Project. These controls have now been revised.

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to Canberra. In this regard it expressed the view that a clear responsibility rests on the Permanent Heads of such departments to recognise the problems that can arise and to ensure that they are minimised in the interests of efficient administration.

377. While Your Committees would commend the Department for the action taken subsequent to the discovery of the error, to improve its control procedures relating to the 'Reduction of Lead Time' project, the nature of the improvements made suggests strongly that the system operating when the error occurred, was seriously inadequate.

CHAPTER 3 - OBSERVATIONS OF THE COMMITTEE

Arising from the Treasury Minute the Committee desires to make Observations relating to three matters.

(i) COMMONWEALTH RAILWAYS

North Australia Railway - Buildings, Works, Plant and Equipment

Through the Treasury Minute Commonwealth Railways has stated that the evidence given by its officers in response to question 667 has apparently been misunderstood as it was the Winellie project that had been included in the Estimates for 1970-71 and not the East Arm project as stated in the Committee's Report.

The Committee has re-examined carefully the evidence concerned and has reached the conclusion that the inference it drew was reasonable on the basis of the evidence submitted. The particular material drawn from question 667 of the evidence is as follows:-

> "But if we go ahead now and spend this money on an installation at Winellie we might find out that it would be far better to extend our facilities at East Arm. At the moment we cannot move on that. We have included it in our estimates for the current year, but until we have the findings of the land use and port development studies we cannot proceed."

(ii) DEPARTMENT OF WORKS

Capital Works and Services - Buildings and Works - Broadcasting and Television Services - Television Transmission

In relation to this matter the Committee had expressed the opinion that the request for funds for the Bellenden Ker project might well have been deferred for consideration with the Additional Estimates. In this regard the Department of Works has advised that, while it was recognised that the project was a difficult one, it was considered reasonable that provision should have been made for expenditure of $100,000 in 1969-70 based on tenders being invited in October 1969. The Department of the Treasury has expressed the view that the approach suggested by the Committee would be contrary to the principle of estimating which has been endorsed by the Committee, i.e. that each individual estimate in the Budget Estimates should be a realistic assessment of the sum expected to be spent having regard to the information available to the Department at the time of preparation.

The Committee recognises that the formulation of Estimates is, in large part, a matter of judgment, in which opinions may vary. In the case of the Bellenden Ker project it was the opinion of the Department of Works, based on the information available to it at the time when it was necessary that a judgment should be made, that $100,000 should be provided in the Estimates for 1969-70.

In reaching its view that the request for funds for the project might well have been deferred for consideration with the Additional Estimates, the Committee had regard to the evidence tendered by the Department of Works and also the Report dated 7 November 1968 of the Parliamentary Standing Committee on Public Works and related evidence concerning the Bellenden Ker project. The evidence tendered by the Assistant Director-General (Roads and Aerodromes) of the Department of Works referred to the estimates of cost in the following terms:-

> "The cost figure of $1.1 million for the project is based on field surveys and investigation and because of the special nature of the access proposed and the difficult site conditions that will be encountered in the area, considerably more preliminary design and review of construction aspects than usual has been necessary in the course of preparing the estimate. Although it is difficult to estimate what allowances tenderers may make to cover lost time due to weather and to assess the competitiveness of the tender market, the cost figure is the best that can be produced at this stage and cannot be refined until the tender market for the work has been tested".

The evidence taken by the Public Accounts Committee shows that the Department did not intend to test the tender market until October 1969 or to have the benefit of that test, through the closing of tenders, until 30 December 1969.

The evidence taken by the Public Accounts Committee also shows that the negotiated tender price for the project involved an increase of $240,000 from the original estimate. The financing of the project involved contributions from the Department of Civil Aviation and a commercial broadcasting station which unavoidably delayed approvals to the increase. It is clear, however, from the Report of the Parliamentary Standing Committee on Public Works that the problems inherent in cost-sharing were known to the Department of Works when it prepared its estimate.

In view of the information evidently available to the Department of Works when it formulated its Estimates for 1969-70, the Committee felt, as a matter of opinion, that in this case the Department might well have deferred its request for funds for the Bellenden Ker project until it had had the benefit of testing the market through tenders. It does not appear to the Committee that the difference of view on this matter between the Department of Works and itself represents an approach by the Committee contrary to the principle of estimating that the Committee has adopted in the past.

(iii) DEPARTMENT OF SUPPLY

Defence Research and Development Establishments - Administrative and Operational Expenses - Freight Cartage and Packing

In paragraph 359 of its Report the Committee expressed the view that close liaison should be maintained with the overseas governments concerned to ensure that accounts are received for payment during the year of appropriation.

The Treasury Minute states that the Department of Supply maintains liaison with the British Ministry of Technology's agency in Australia to ensure that there is no abnormal delay in the submission of accounts for payment. The Minute points out that any action taken by the Department in this regard should not conflict with the provisions of Treasury Direction 18/7A which provides:-

"Suppliers shall not be invited or requested to submit claims earlier than is customary and accounts shall not be prepared in the absence of a claim in order that payment may be made before an appropriation lapses or before the account would normally fall due for payment".

The Committee agrees with this Treasury Direction, which came into operation in June 1971 - some eight months subsequent to the Committee's One Hundred and Twenty-fourth Report. When that Report was prepared in October 1970, however, the Committee was guided by the relevant Treasury Directions in operation at the time and by Treasury Circular 1967/G3 which included the following comment:-

"Departments should ... within the limits of sensible administration make every endeavour to achieve payment in the year in respect of the works, stores and services which were intended to be covered by the estimate".

For and on behalf of the Committee,

David Reid

DAVID N. REID
Secretary
Joint Committee of Public Accounts
Parliament House
Canberra A.C.T.
24 October 1972

C J Hurford

C.J. HURFORD
Acting Chairman