

DEPARTMENT OF THE SENATE
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J.R. Odgers
Clerk of the Senate

1972

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

ONE HUNDRED AND
THIRTY-FIFTH REPORT

TREASURY MINUTES ON THE
NINETY-THIRD AND
NINETY-SIXTH REPORTS

TOGETHER WITH A

SUMMARY OF THOSE REPORTS

JOINT COMMITTEE OF PUBLIC ACCOUNTS

EIGHTH COMMITTEE

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

- (1) Term of service as a Senator expired on 1 July, 1971
- (2) Discharged 19 August, 1971
- (3) Appointed 19 August, 1971
- (4) Elected 24 August, 1971
- (5) Discharged 8 September, 1971
- (6) Appointed 8 September, 1971

DUTIES OF THE COMMITTEE

Section 8 of the Public Accounts Committee Act 1951-1966 reads as follows :-

8. The duties of the Committee are -
- (a) to examine the accounts of the receipts and expenditure of the Commonwealth and each statement and report transmitted to the Houses of Parliament by the Auditor-General in pursuance of sub-section (1.) of section fifty-three of the Audit Act 1901-1950;
 - (b) to report to both Houses of the Parliament, with such comment as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Parliament should be directed;
 - (c) to report to both Houses of the Parliament any alteration which the Committee thinks desirable in the form of the public accounts or in the method of keeping them, or in the mode of receipt, control, issue or payment of public moneys; and
 - (d) to inquire into any question in connexion with the public accounts which is referred to it by either House of the Parliament, and to report to that House upon that question,

and include such other duties as are assigned to the Committee by Joint Standing Orders approved by both Houses of the Parliament.

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JOINT COMMITTEE OF PUBLIC ACCOUNTSONE HUNDRED AND THIRTY-FIFTH REPORTTREASURY MINUTES ON THE NINETY-THIRD
AND NINETY-SIXTH REPORTS RELATING TO
EXPENDITURE FROM THE ADVANCE TO THE
TREASURER AND THE CONSOLIDATED REVENUE
FUND (APPROPRIATION ACTS 1966-67)CHAPTER 1 -- INTRODUCTION

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

As they now stand, the arrangements concerned are:-

- (1) The Report of Your Committee is tabled by the Chairman in the House of Representatives and by a Member of the Committee in the Senate. Motions are moved in both Houses of the Parliament that the Report be printed as a Parliamentary Paper.
- (2) The Chairman of Your Committee thereafter forwards a copy of the Report to the Departments affected and to the Treasurer with a request that he give the Report his consideration and inform the Chairman of the action taken to deal with Your Committee's comments.
- (3) The reply received, which is in the form of a Treasury Minute, is then examined by Your Committee and, together with the conclusions of the Report to which it relates, is submitted as soon as possible to the Parliament as a Report.
- (4) Where during its examination of a Treasury Minute Your Committee finds that there are recommendations not fully dealt with or which are subject to a further Minute, it holds an exploratory discussion with officers of the Department of the Treasury prior to the submission of the Minute to the Parliament.

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

CHAPTER 2 - TREASURY MINUTE ON THE NINETY-THIRD REPORT
RELATING TO EXPENDITURE FROM THE ADVANCE
TO THE TREASURER (APPROPRIATION ACTS 1966-67)

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

DEPARTMENT OF AIR

Administrative Expenses and General Services-
Travelling and Subsistence

19. In its examination of this Item, Your Committee noted that although the Department had recourse to the Additional Estimates in each of the years 1964-65 to 1966-67 inclusive, funds totalling \$160,000 in 1964-65, \$461,000 in 1965-66 and \$100,000 in 1966-67 were sought from the Advance to the Treasurer. Of these amounts \$13,890 in 1964-65, \$9,410 in 1965-66 and \$13,006 in 1966-67 were not required. In view of this history and the evidence received in this Inquiry, Your Committee believes that there is scope for improvement in the basis of estimating and financial control under this Item. In the latter regard, Your Committee recognises the difficulties inherent in a system where finance officers are located in geographically wide-spread areas but we believe that this calls for the closest possible liaison between these officers and their Central

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Office if claims received are to be paid before the close of the financial year. We also believe that a responsibility devolves upon departments to pursue their creditors to ensure that payment is effected, whenever possible, in the financial year to which the service provided relates. In this regard we would draw attention to paragraph 113 of our Eighty-fourth Report in which we stated:

Where Departments find that accounts for payment are not being rendered promptly by their creditors, and as a result, funds provided to meet such expenses are likely to remain unspent, Your Committee believes that those Departments have a direct responsibility to ensure that they take positive action in order that such accounts are obtained for settlement. Allied to this, Your Committee would emphasise the need for Departments to maintain their liabilities registers in an efficient manner for, without the protection of this device, the financial position of Departments becomes obscured to the detriment of sound financial management.

We would also draw attention in this context to Treasury Direction 31(3), which states:

A register shall be kept, under the direction of the Authorising Officer, to record by item all liabilities incurred, other than salaries. The register shall be designed to show at any time whether or not funds are available (Direction 31/4) for the purposes of regulation 47. It will be recommenced at the beginning of each financial year, the amount of outstanding liabilities at 30 June being carried forward to the new year.

The Treasury's views on the policy to be followed in relation to seeking out creditors were contained in the Treasury Minute on the Eighty-fourth Report, which was presented as the One hundred and thirtieth Report of the Committee. In that Report the Committee expressed agreement with the Treasury views.

As other departments may be experiencing difficulties of administrative effort similar to those of the Department of Air in maintaining a register of liabilities for certain types of expenditure, the Treasury is at present reviewing the requirements of Treasury Direction 31/3.

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DEPARTMENT OF THE ARMY

Australian Military Forces - Pay and Allowances
in the Nature of Pay - Australian Regular Army

26. In the case of this Item, Your Committee believes that the Department was led into difficulties by too great a reliance on a comparison between actual and pro rata expenditure, a comparison which must prove treacherous in an Item of this type unless it is evaluated with great care. Although the Department would almost certainly have had some prior knowledge of the likely number of dischargees returning from Vietnam, the financial consequences of this fact do not seem to have been related to the Department's financial needs at the time when the Additional Estimates review was undertaken. On the matter of unexpended funds at the close of the financial year, we believe that the Department should reasonably have expected the Departments of Supply, National Development, Defence, Treasury and External Affairs to make reimbursements to it very late in the financial year in the process of clearing their own votes prior to 30 June.

DEPARTMENT OF CIVIL AVIATION

Capital Works and Services - Cocos Islands Working
Advance (for payment to Commonwealth Hostels Ltd.)

30. Your Committee accepts the explanation tendered by the Department.

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DEPARTMENT OF EXTERNAL AFFAIRS
(now the Department of Foreign Affairs)

Administration - Salaries and Payments in the Nature of
Salary - Salaries and Allowances (Permanent - Australia)

34. Although the extent to which the Department drew on the Advance to the Treasurer represented only one week's payroll, Your Committee believes that sufficient uncertainty existed as to the number of positions that would be filled by permanent and temporary officers for the Department to have waited until a later stage in the financial year before deciding whether or not to apply for funds from the Advance.

Administrative - Salaries and Payments in the
Nature of Salary - Temporary and Casual Employees

38. Your Committee accepts the Department's explanation.

Administrative - International Organisations -
Contributions - General Agreement on Tariffs
and Trade

41. Your Committee considers that the Department should have exercised greater care in the preparation of its Additional Estimate for this Item.

Brazil - Salary and Payments in the
Nature of Salary - Salaries and Allowances

46. Your Committee is of the opinion that the circumstances disclosed in evidence under this Item point to a serious inadequacy in the financial administration of the Department.

France - Salaries and Payments in the Nature
of Salary - Temporary and Casual Employees

50. Your Committee believes that the circumstances revealed reflect

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adversely not only on the accounting standard at the post in Paris but on the quality of examination accorded by the Department in Canberra to estimates prepared at the post concerned.

Greece - Salary and Payments in the
Nature of Salary - Salaries and Allowances

54. Your Committee is unable to accept the Department's explanation. It is clear that greater care should have been exercised in the formulation of Additional Estimates under this Item.

Mexico - Administrative Expenses -
Office Requisites and Equipment

58. Although the degree of error in this instance is insubstantial, Your Committee takes a serious view of errors of this nature, particularly as accounting standards at the overseas posts are certain to be influenced by the standards achieved at the Central Office of the Department.

Pakistan - Administrative Expenses -
Rent and Maintenance of Other Buildings

62. Your Committee accepts the Department's explanation.

San Francisco - Salaries and Payments in the
Nature of Salary - Temporary and Casual Employees

66. As in the case of similar previous Items, Your Committee considers that the state of affairs indicated by the evidence on this Item reflects adversely on the financial administration of the Department both in Australia and overseas.

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Noumea - Salaries and Payments in the
Nature of Salary - Salaries and Allowances

70. Your Committee accepts the Department's explanation.

Other Representations Abroad - Salaries and Payments
in the Nature of Salary - Salary and Allowances

74. Your Committee is of the opinion that reasonable care was not exercised in regard to the reimbursement of the Imprest Account at Dili particularly as the problems which would be encountered in the repatriation of funds from that account were known to the Department at the time when the error occurred.

Capital Works and Services - Buildings, Works, Plant
and Equipment - Other Overseas Establishments

84. In the case of this Item it is clear to your Committee that clerical errors have contributed to an unsatisfactory estimating and expenditure performance. In addition it is clear that some proposals for which funds were provided in the original Appropriation, notably work at the offices in Capetown and Pretoria, were so far from certain that the Department did not know what expenditure, if any, would be required. In the case of the purchase of a residence for the Ambassador in Vienna it is clear that had architectural advice been obtained at an early stage a more satisfactory result may have been achieved. In the case of work in Tokyo, the evidence suggests that the Department should have explored more fully its approach to the project before seeking funds

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in the original Appropriation. The failure by the Department to make payment for motor vehicles delivered, in one case in March 1967, reflects adversely upon the administration of the Department.

General

85. We were informed that the Secretary of the Department of External Affairs has become very concerned at the frequent appearances of the Department before this Committee. The Department has circularised to all of its overseas Posts relevant extracts from Your Committee's Reports and has invited their attention to the lessons to be drawn from them. In approximately March 1967, the Secretary of the Department wrote to the Head of every Mission and outlined the problems of under and over-expenditure and indicated the steps which he considered might be taken to reduce the ambit of the problems. Consequent upon clerical shortcomings which have been experienced between the Department in Canberra and its overseas Posts, the Department has instituted, from the commencement of the financial year 1967-68, a monthly financial report from each Post on which they are required to match their firm commitments and actual expenditure against their pro rata expenditure, and to report monthly on their funds. The Department in Canberra is conducting a similar

The Department has advised that a circular was issued in December 1967 which directed the attention of all officers in Canberra and overseas to the comments of the Committee. The circular also pointed out that considerably greater attention will need to be given in the future to the preparation of annual estimates and in making Additional Estimates are based. Overseas posts were also requested to notify the Department immediately if actual changes or trends are detected which could affect the accuracy of the Additional Estimates.

The Department has also advised that revised departmental accounting instructions have been issued to all overseas posts and that the Organisation and Methods review of the Finance Section has been completed and recommendations implemented.

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process and relating its examination of the results to the information furnished by the Posts in an endeavour to eliminate the late arrival of omissions which have occurred in previous years. In conjunction with that measure, the Department has assigned two additional officers to supervise the control of the votes. It has also consulted the Public Service Board which has indicated its willingness to conduct an Organisation and Methods review of the Department's finance section. This review is expected to commence in about November 1967. The Department has also reviewed its financial instructions and we were informed that it expects some modifications to be made to the Treasury (Overseas Accounts) Directions. Such changes are expected by the Department to be of considerable assistance to it in its endeavour to secure a better control of expenditure.

86. In view of the evidence received from the Department in respect of the financial year 1966-67 and previous years, Your Committee would commend the Department for undertaking what appears to be a positive and far-reaching attack on basic problems in the field of financial administration which have clearly operated to the sustained embarrassment of the Department. The effectiveness of those measures will be reflected in closer accuracy in estimating and expenditure performances in the years ahead.

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DEPARTMENT OF HOUSING

Administrative - Salaries and Payments in the
Nature of Salary - Temporary and Casual Employees

92. Your Committee notes that when the Additional Estimates were prepared in the Sydney Branch Office, the Accountant of that Office was absent on sick leave. Nevertheless, we believe that proper care should have been exercised by the officer relieving the Accountant and staff subject to his supervision. Your Committee is unable to accept that the Central Office of the Department is in any way relieved of responsibility in regard to the detection of the omission that occurred. We believe that a direct responsibility devolves upon Central Office Organisations to satisfy themselves completely in regard to estimates formulated by their regional offices and that the estimates submitted by such offices should be supported by appropriate material to enable Central Offices to perform their review function at a high standard.

Special attention was given by the Department to the more important aspects of the preparation of salary estimates in the instructions issued to Branch Offices in respect of the 1967-68 draft estimates. The Department has given an assurance that it will continue to stress on Branches the need to exercise the utmost care in the preparation and revision of estimates.

The Department has advised that an Organisation and Methods review has been made of the finance areas in its Central and State Regional Offices which resulted in the strengthening of the establishment of the Accounts Section in New South Wales and Victoria by the creation of a position in each State at Class 6 level whose main duties are to project and interpret trends in receipts and expenditure and to prepare and review estimates. In other States action was taken to re-arrange the functions of existing positions to allow for a proper check of the preparation of estimates of receipts and expenditure and for subsequent reviews.

While no additional position has been provided in Central Office, action has been taken to transfer certain functions relating to the operation of the War Service Homes Insurance Scheme and reverted properties from the

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Finance Branch to enable the existing staff of that Branch to carry out detailed reviews and checks of all estimates submitted by the State offices.

93. In regard to the matter of deduction lines which had an effect on this Item in 1966-67, Your Committee proposes to hold a discussion with officers of the Department of the Treasury at a suitable time.

DEPARTMENT OF THE INTERIOR

Australian Capital Territory Services -
Administrative Expenses - Travelling and Subsistence

99. Your Committee is concerned that a clerical error should have occurred early in the financial year and that its correction should have been mishandled in the manner disclosed in evidence. The circumstances reflect a lack of adequate supervision in regard to follow-up action on the correction that had been made in the Canberra office of the Department.

Monthly advices of expenditure are now being received by the Department from the Sub-Treasury, New York irrespective of whether or not there has been expenditure in that particular month and this, together with reconciliations effected between the Treasury ledger and the master appropriation ledger of the Department, should preclude the possibility of a repetition of this type of occurrence. In addition, the appropriate officers in the Department have been instructed in the correct procedures for varying expenditure recorded at an Overseas Office.

Australian Capital Territory Services - General Services - City
Omnibus Service - Loss on Operations (for payment to the credit of
the Australian Capital Territory Transport Trust Account)

108. Your Committee believes that the basis of estimating applied to this Item has been deficient and that this had been a major cause in the funds sought under this Item being under-stated. But for this, the

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funds sought by the Department from the Advance to the Treasurer might well have been less than the amount of \$26,000 obtained. We would commend the Department, however, for the action it has taken to conduct an Organisation and Methods investigation into its transport costing section and, in conjunction with the National Capital Development Commission, to engage a consultant to advise it on the bus service. Your Committee trusts that these reviews will yield beneficial results.

DEPARTMENT OF NATIONAL DEVELOPMENT

Bureau of Mineral Resources - Administration - Administrative Expenses - Postage, Telegrams and Telephone Services

116. Your Committee finds that the evidence on this Item displays a laxity in estimating and a serious lack of proper liaison between the Accounts Section of the Department which is responsible for effecting payments and the Finance Section which is responsible for the formulation of Estimates. It is clear that until those two Sections effect a proper working arrangement, the Estimates will continue to be based in part on impressions of what may or may not have occurred in the Finance Section. Your Committee desires that, in any future inquiry of this nature involving the Department, the Accounts Section, in addition to the Finance Section, should be represented by a responsible officer.

The comments of the Committee have been noted by the Department. The Department considers, nevertheless, that the standard of estimating revealed on the few items which warranted the attention of the Committee does not necessarily indicate a general laxity in estimating. The Department states that, in fact, very careful consideration is given to the estimate for each item and a close liaison is maintained between the Accounts and Finance Sections to ensure that the best possible estimate is presented. The Department has noted also the Committee's desire that the Accounts Section should be represented at future enquiries of this nature.

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Bureau of Mineral Resources - Field Operations - Salaries and
Payments in the Nature of Salary - Temporary and Casual Employees

126. Your Committee accepts the Department's explanation but will examine the financial results achieved under this Division in future years when the effects of the re-combination of administrative and field operations of the Bureau have had an opportunity to be reflected.

Forestry and Timber Bureau - Administration
Expenses - Travelling and Subsistence

126. It appears to Your Committee that insufficient care was taken in checking the contents of the cablegram despatched to Geneva and that this circumstance gave rise to the payment of funds without Warrant Authority. Your Committee trusts that proper care will be exercised in like cases in the future.

Forestry and Timber Bureau - Administrative
Expenses - Postage, Telegrams and Telephone Services

133. Your Committee finds the circumstances revealed in connection with this Item to be unsatisfactory. As in the case of Item 345/2/03, there is a clear need for closer liaison between the Accounts and Finance Sections if estimating performances are to be improved. The failure of the Finance Section to make proper provision in the Additional Estimates of an amount which it knew should have been included is to be deplored. Your Committee disagrees with the proposition suggested by the witness that, on the basis that overcharges would

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be refunded by the Postmaster-General's Department, accounts rendered by that Department should be paid without necessary query in order to effect prompt payment. We believe that such a process would be contrary to the basic principles of proper financial control and, indeed, the evidence submitted by the Department in respect of Item 345/2/03 which was considered earlier in this chapter, reveals that this point is well understood by its Accounts Section.

134. In regard to the failure to pay the eleven telephone accounts received in the second half of 1965-66, no comment was submitted to suggest that any of these accounts had been the subject of query with the Postmaster-General's Department. As ten of these had been received in Canberra in February 1966, it seems clear that action should have been taken to effect an early recovery from the Australian National University in order to clear these accounts prior to 30 June 1966. In the case of the account for \$350 which was received in Melbourne early in June 1966, it is clear that had this account been paid promptly the Item would not have been underspent to the extent of \$440 at 30 June 1966.

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DEPARTMENT OF THE NAVY

Australian Naval Forces - Pay and Allowances in
the Nature of Pay - Royal Australian Naval Reserve

140. It appears to Your Committee that, when the Additional Estimates review was conducted in February 1967, the Department had no reason, on the basis of information available, to assume that additional funds would be required under this Item but that changes that occurred subsequent to that time gave rise to an unexpected demand for funds. This demand was assessed by the various Reserve Training Establishments which apparently did not make a proper allowance, based on experience, of the number of reservists who would not collect their entitlements at the final paymaster for the year. Coupled with this, the establishments also over-estimated their financial requirements for the final month of the year. In these circumstances, we consider that the basis adopted by the Reserve Training Establishments in formulating their estimates could, with advantage, be examined by the Department of Navy and that, in any case, a clear responsibility devolves upon the Central Office of that Department to satisfy itself that requests made by these establishments for funds at any stage of a financial year are soundly based and supported in sufficient detail to enable this conclusion to be drawn firmly.

The Department has advised that each Reserve Training Establishment is now required to report the number of hours drilled to the Navy Office each quarter, to provide by 31 December each year an assessment of the number expected to qualify for efficiency payments by the end of the year.

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141. A further feature of the evidence to which Your Committee feels that attention might well be directed, not only by the Department of the Navy but by other Departments which provide training for reservists and other part-time training, is the method of payment employed. It is clear from the evidence that an absentee from a paymuster fails to receive his pay until he attends a subsequent muster and that by deliberately failing to attend such musters a trainee can, if he so desires, accumulate undrawn pay as a form of saving. Not only do circumstances of this kind render it unduly difficult for the Department concerned to formulate accurate estimates but, in practice, they create a situation not dissimilar, in effect, from that in which a Department fails to pursue claims for settlement and for which funds have been provided in the financial year concerned. Your Committee believes that consideration should be given to the method at present adopted in effecting payment to reservists and other part-time trainees with a view to minimising these problems.

The Department has also advised that all drill pays are now paid quarterly, in August, November, February and May and personnel failing to attend these pay musters are paid by cheque.

Other Administration - Recoverable Expenditure -
Expenditure - Other Countries

146. Your Committee accepts the Department's explanation. In view of the obvious difficulties involved in the formulation of estimates for this Item, it is clear that in this case a greater use could be made of the

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Advance to the Treasurer. In this regard we would invite attention to Treasury Circular BA65/2193 of 18 March 1966 in which that Department stated that Estimates should not include amounts for proposals which are so far from firm that it is not possible to know what payments, if any, will be made.

PRIME MINISTER'S DEPARTMENT
(now the Department of the Prime Minister and Cabinet)

High Commissioner's Office, United Kingdom -
Administrative Expenses - Furniture and Fittings

149. Your Committee finds the circumstances revealed in evidence in connection with this Item to be most unsatisfactory. Cablegram advices despatched by the Department on 7 and 11 April 1967 were inadequate in that they failed to inform the Official Secretary of the complete state of affairs relative to the amount of \$6,500. The evidence also reveals a need for the Department, which is responsible for this Item, to arrange to keep itself fully informed on the state of the ledger held in London and in this regard we would draw attention to the action taken recently by the Department of External Affairs in relation to the finances of its overseas posts and which are set out in Chapter 5(xiii) of this Report.

The Department acknowledges the inadequacy of the cablegram advices to London. It considers, however, that the over-expenditure could not have occurred had the provisions of the Treasury (Overseas Accounts) Directions referring to funds availability, been complied with in the Official Secretary's Office in London. As a result of this occurrence an Office Instruction was issued in Australia House on 14 July 1967, which emphasised that payments of public moneys should not be made unless sufficient funds are available and proper formal authority held to cover the expenditure.

Official Establishments - Administrative
Expenses - Repairs and Maintenance

153. Elsewhere in this Report Your Committee has commented on clerical errors of the type revealed in evidence taken under this Item. It would emphasise again the need for care in

A system of checking credits to revenue and expenditure has been instituted by the Department and is now operating within the Accounts Sub-Section.

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clerical work and the equal need for adequate supervision in respect of the work undertaken.

GENERAL

154. This chapter relates to certain comments of a general nature which Your Committee desires to make in connection with the evidence taken during its Inquiry and relating to expenditure from the Advance to the Treasurer.

155. In earlier Reports reference was made to the development of pro-forma statements for the guidance of departments in relation to the type and form of information required by Your Committee for this type of Inquiry. Apart from very minor modifications which might be required, the pro-forma used in respect of the present Inquiry has proved adequate for Your Committee's needs.

156. During our Inquiry into the Advance to the Treasurer (Appropriation Act 1965-66), we found that in a number of cases amounts had been charged to the Advance without Warrant Authority. In some of these cases the failure to obtain that Authority had resulted from the unforeseen, but urgent, need for expenditure by the Department concerned and in other cases departments had obtained Treasury approval to incur liability but had subsequently neglected to acquire Warrant Authority from the Department of the Treasury. The

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present Inquiry revealed further instances where amounts had been charged to the Advance without Warrant Authority and in addition to the causes mentioned, we detected a number of cases where this failure had arisen from clerical errors which had not been detected in time for their correction prior to the end of the financial year. In these circumstances, Your Committee would emphasise the need for Treasury Regulation 90(1) to be observed by departments. This Regulation, which was set out in our Eighty-second Report, is as follows:

90(1) An Authorising Officer shall not authorise expenditure from Revenue or Loan Appropriation until a Warrant Authority for Expenditure in accordance with Form 30 authorising expenditure accordingly has been obtained from the Secretary, Department of the Treasury.

157. Our Inquiry this year, and our preceding examination of departmental submissions revealed a considerable number of instances where unsatisfactory results achieved under particular Items arose primarily from clerical errors, many of which occurred in the early stages of the financial year but which were not detected before the close of the financial year or later. Reference has been made to these in connection with failures to obtain Warrant Authority. However, errors of this nature and the failure to detect them reflect adversely on the administrative controls exercised in the

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Departments concerned and are deplored by Your Committee. These circumstances indicate a pressing need for improved supervision of clerical work in the finance areas of several departments.

158. A further feature to which Your Committee would invite attention is the evidence of inadequate liaison between the Central, Regional and Overseas Offices of some departments, a circumstance which has given rise to undetected errors and misunderstandings as to expenditures which have occurred and funds which are available. In this regard, Your Committee notes with satisfaction the action which has been taken by the Department of External Affairs and which is referred to in Chapter V(xiii) of this Report. Associated with this matter is the clear need for the Central Offices of departments to obtain from their Regional and Overseas Offices adequate supporting detail as a basis for them to form reliable judgments regarding expenditure levels in those offices and the validity of draft estimates which they have prepared for inclusion in the original and Additional Estimates.

159. The evidence taken in this Inquiry also points to a need for close liaison between Accounts and Finance organisations in Departments where these functions operate independently. Your Committee believes that unless a close relationship exists

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and adequate and prompt communication is maintained between such organisations, the estimates prepared by the departments concerned must contain large areas of uncertainty.

160. A further unsatisfactory area revealed in evidence was that in which estimating officers failed, through oversight, to include known requirements in either the original or Additional Estimates. This state of affairs is thoroughly unsatisfactory and highlights a serious degree of laxity in administration.

161. In conclusion, Your Committee believes that it should again enunciate for the guidance of departments the following principles relating to Estimating which were set out in our Seventy-fourth Report:

- (a) Each particular estimate should comprise a realistic assessment of the amount expected to be required, based on the information available to the Department when the estimates are being formulated.
- (b) Estimates should not make provision for proposals that are of such an uncertain nature that the department is unable to determine what payments, if any, will be made.
- (c) Experience, wisely evaluated, should be used as the basis for formulating estimates relating to recurring expenses.
- (d) The use of the Advance to the Treasurer should be confined to those items of expenditure which could not have been foreseen in time for their inclusion in the original or Additional Estimates.

CHAPTER 3 - TREASURY MINUTE ON THE NINETY-SIXTH REPORT
RELATING TO EXPENDITURE FROM THE CONSOLIDATED
REVENUE FUND (APPROPRIATION ACTS 1966-67)

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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 officers concerned.

The Committee in this Report has, in respect of a number of items, suggested to departments that they should prepare the original Estimates on a more conservative basis and make greater use of Additional Estimates to obtain more accurate results. The Treasury believes that the Additional Estimates must always be regarded as supplementary to, and not a substitute for, sound original Estimates. It is considered essential for good budgeting that, having full regard to the above principle, the best possible estimate of the year's total expenditure be provided initially, taking account of all relevant information at the time, so that the means for financing the expenditure can be assured, and in order that all expenditure proposals can be properly considered in the context of the Government's overall financial and economic policy. These principles were set out in the Treasury Minute on the Seventy-fifth Report which was presented in the Ninety-first Report of the Committee.

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After the Ninety-sixth Report was presented by the Committee, departments were reminded of the principles to be followed in preparing the Budget Estimates by circulating an extract from the Treasury Minute on the Seventy-fifth Report, which included the three principles of estimating endorsed by the Committee in previous Reports and set down again in subparagraphs (a), (b) and (c) of paragraph 704 of the Committee's Ninety-sixth Report.

DEPARTMENT OF AIR

Royal Australian Air Force - Pay and Allowances
in the Nature of Pay - Permanent Air Force

12. On its examination of the matters for which this item provides, Your Committee accepts that accurate estimating would be difficult to achieve. For this reason Your Committee believes that in such circumstances the Department would obtain more accurate results if it were to set its original Estimate for this Item at a more conservative level and to make greater use, where necessary, of the Additional Estimates.

Administrative Expenses and General Services -
Fuel, Light, Power, Water Supply and Sanitation

18. As in the case of Item 732/1/01 Your Committee notes the wide range of matters provided for by this item and would emphasise the need for estimates relative to the several components involved to be prepared with proper care. Your Committee also notes, with some concern that, through an oversight,

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an amount of \$57,400 was retained incorrectly in the original Estimates and that this fact was not discovered by the Department of Air until two days before we inquired into this matter.

Administrative Expenses and General Services - Training of Personnel at other than R.A.A.F. Establishments

23. Your Committee considers that the Department should have exercised more care in the formulating of its original Estimate for this item having regard to the fact that, at that time, there was uncertainty as to the types of trainees for whom basic flying instruction was to be provided by the British Ministry of Defence (Air). Your Committee is also of the opinion that earlier action should have been taken to encourage the Australian universities and technical colleges to tender claims for payment on a uniform basis.

Forces Overseas - Buildings and Works
(including Repairs and Maintenance)

27. Your Committee is satisfied that the Department of Air took adequate action to obtain a claim for payment from the British Ministry of Public Works and Buildings. However, in reviewing the estimating and expenditure performance on this item for the years 1964-65 to 1966-67 it is clear that the Department would have achieved a more realistic result on this item if it had adopted a more cautious approach in the formulation of its original Estimates and made greater use, if need be, of the Additional Estimates.

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Equipment and Stores - Airframe,
Aeroengine and Aircraft Ancillary Equipment

36. Whilst Your Committee is sympathetic to the problems confronting the Department under this item, the evidence shows clearly that considerable uncertainties existed when the original Estimates were formulated, as to the amount which the Department could reasonably expect to spend under the item during the financial year. In these circumstances Your Committee is of the opinion that the Department would have been wise to have sought a lesser amount for this item in the original Estimates and to have had recourse to additional funds late in the financial year should such a course have proved necessary. In this Your Committee is re-inforced by the estimating and expenditure experience under the item in the previous financial year 1965-66. In that year an original Appropriation of \$14,818,000 was supplemented by \$960,000 in the Additional Estimates later in the year but of this latter amount \$949,421 remained unexpended at 30 June 1966. We believe in particular that, when formulating its estimate, the Department should have been fully alert to the implication of the credit arrangements agreed to between the Governments of Australia and the United States of America, the details of which were announced publicly in the Senate some thirteen months prior to the date on which the original Estimates for 1966-67 closed.

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Equipment and Stores - Transport, Fire
Fighting, Handling and Construction Equipment

42. On the basis of the evidence Your Committee is of the opinion that the Department should have formulated a more conservative estimate of this item and, if necessary, should have availed itself of the Additional Estimates later in the financial year had the circumstances warranted. In this regard we believe that the Department could well have been guided by its experience in the two previous financial years. In 1964-65, for example, an amount of \$3,048,000 was obtained in the Appropriation Act (No. 1) for this item of which \$898,706 remained unspent at 30 June 1965. In the following year, 1965-66, an amount of \$2,782,000 was obtained in the Appropriation Act (No. 1) and a further \$36,000 was obtained in the Appropriation Act (No. 3). At 30 June 1966, however, an amount of \$347,921 remained unexpended.

Aircraft and Associated Initial
Equipment - Purchase and Manufacture

58. As in the case of Item 742/01, Your Committee recognises the problems confronting the Department in the administration of this item but it believes, on the basis of the evidence received, that, mindful of these problems, the Department would be wise to approach the formulation of its original Estimates for this item with a sound degree of conservatism and to avail itself of additional funds later in the financial year

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should such a course prove necessary. We consider that the estimating and expenditure pattern for this item over the past three years lends weight to this view. In 1964-65, \$40,354,000 was obtained in the Original Appropriation; \$7,060,000 in the Additional Estimates and \$720,000 from the Advance to the Treasurer. In that year the whole of the funds made available, with the exception of \$44,174 were expended. By comparison, \$65,140,000 was obtained for the item in the original Appropriation in 1965-66 and of this amount, \$2,787,266 remained unexpended as at 30 June 1966.

59. Your Committee notes that in regard to orders placed for Mirage aircraft provisional payment of interest has been made subject to retrospective adjustment when invoices against past deliveries are received. In view of the delays arising in the submission of invoices by the manufacturing company we would commend the Department for its action in suspending the provisional payments of interest until invoices have been received.

Other Administrations - Recoverable
Expenditure - Expenditure - Other Countries

62. Your Committee regards in a serious light the inclusion of amounts in the Estimates for proposals which are so far from firm that it is not possible to know what payments, if any, will be made.

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DEPARTMENT OF CIVIL AVIATION

Civil Aviation Facilities - Maintenance
and Operation - Aerodromes

73. Your Committee is satisfied that the assessment made by the Department of Works and accepted by the Department of Civil Aviation relative to proof rolling at the Sydney (Kingsford-Smith) Airport was reasonable and that the problems experienced in Queensland were beyond the control of the Departments concerned. In the case of the shortfall of \$238,000 which occurred in respect of works north of Geraldton in Western Australia, however, it is clear that when the Department formulated its estimate for 1966-67 it had been aware that an excess of work was offering to contractors in the area. In these circumstances Your Committee is of the opinion that, in respect of these proposed works, the Department should have withheld its request for funds until a later stage in the financial year.

The Department has pointed out that the shortfall of \$238,000 in expenditure for works in Western Australia was in respect of works programmed throughout Western Australia and not only for works to be carried out north of Geraldton (see paragraph 70 of the Report).

Development of Civil Aviation - North Atlantic
Air Navigation Facilities - Contribution

81. Your Committee accepts that the Department is unable to obtain from I.C.A.O. a firm figure relative to the Australian Contribution under this Item for inclusion in the original Estimates. This being the case, Your Committee believes, on the basis of the evidence tendered and the estimating and expenditure experience on this Item in 1965-66 and 1966-67, that the Department would be well advised

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to set its original Estimate on a somewhat more conservative basis and if necessary to make a greater use of the Additional Estimates at a later stage of the financial year when it has received from I.C.A.O. advice of any adjustments that may need to be made to the Australian contribution.

DEPARTMENT OF CUSTOMS AND EXCISE

Administrative - Administrative Expenses - Office Services

93. Your Committee finds that in some respects the circumstances of the shortfall under this item were beyond the control of the Department. In other respects, however, it appears that an insufficiently vigorous effort may have been made to obtain accounts for payment during the closing months of the financial year. This circumstance occurred in the Queensland, Western Australian and Tasmanian branches of the Department and appears to have occurred also in the Department's office in Tokyo.

Capital Works and Services - Purchase of Launches

102. Your Committee notes with some concern that while an amount of \$73,000 was sought for inclusion in the Budget for the acquisition of these launches, the report by the Navy on similar launches was not received until 17 June 1966, some two months subsequent to the closing date for the Estimates, and the Department did not commence its preliminary discussions with the Australian Shipbuilding Board in relation to this project until 1 July 1966. In

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these circumstances it seems clear that at the time when the amount of \$73,000 was sought the Department could not have reasonably known how much, if any, of these funds would be expended during 1966-67. Whilst Your Committee accepts that caution and careful research were absolutely vital, particularly as new and unfamiliar materials were involved, the circumstances point clearly to the need for the Department to exercise equal caution in the acquisition of funds.

DEPARTMENT OF DEFENCE

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

114. Your Committee recognises that the rate of supply of cataloguing data from overseas sources is beyond the control of the Department. At the same time the evidence indicates that the uncertainty surrounding the supply of that data was such that the Department was not justified in seeking \$202,000 for this purpose in the original Estimates. In the case of the magnetic tape, it appears to Your Committee that the circumstances of delivery were beyond the control of the Department.

Administrative Expenses - Hire and
Maintenance of Plant and Equipment

119. In the case of the Defence Cataloguing Authority, Your Committee has expressed its views in relation to Item 640/2/02. The circumstances in relation to the supply of

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cataloguing data were such that the Department was not justified in seeking \$82,474 in that connection in the original Estimates under Item 640/2/05.

120. Your Committee believes that the inclusion of \$10,000 in the original Estimates to provide for the payment of Customs Duty on imported A.D.P. spares should not have occurred and that in the initial discussion between the Department of Defence and the Department of Customs and Excise it should have been recognised that Honeywell Pty Ltd could obtain exemption from customs duty in the circumstances.

121. The evidence relating to the transfer of the H800 computer from the Defence to the Navy building requires particular comment. It appears, on the evidence that when the estimate was formulated for 1966-67 it was expected that this transfer would occur in August 1966. Accordingly, a provision of \$8,000 was made to cover maintenance of the unit by the Department of Defence for that part of the year in which it was expected that the Defence Building would house the computer, i.e. from 1 July to about 31 August 1966. Your Committee understands the delay in transferring the unit from the Defence to the Navy building consequent upon a delay in the completion of the Navy building but it finds this delay to be irrelevant to the administrative decision that was taken in October

The Department of the Navy advises that it had made provision for maintenance of the H800 computer for the full financial year and not ten months as the Committee had assumed. Treasury would not question the administrative decision taken in October 1966 to transfer the maintenance liability for the H800 computer from the Department of Defence to the Department of the Navy. However, it is concerned to find that both departments provided in their estimates for maintenance for the months of July and August 1966.

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1966 whereby the Department of the Navy assumed liability for maintenance of the computer with effect from 1 July 1966, i.e. for a period of approximately two months prior to the date on which it had earlier been expected that the unit would be physically transferred. In Your Committee's view the Department of the Navy should have assumed this liability with effect from a date late in August as planned when the estimate was formulated. In this Your Committee assumes that the estimates of the Department of the Navy were formulated on the assumption that it would assume the maintenance liability at that time and we would point out that a retrospective adjustment of this type could adversely disturb the Estimates of that Department as well as the Estimates of the Department of Defence.

Recruiting Campaign - Administrative
Expenses - Medical Fees

128. Your Committee notes from the evidence that in several areas relating to this Item difficulty was claimed in regard to the formulation of accurate estimates. We accept this claim for an item of this type and would emphasise that such difficulties should lead the departments concerned to formulate their estimates on a basis of sensible conservatism in the knowledge that, should it prove necessary towards the end of the financial year they can have recourse to the Advance to the Treasurer.

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129. Your Committee also notes with some concern that for reasons evidently unconvincing to the Department of Defence, the Department of the Army had persisted for many years with a system of medical examination for recruits involving two medical practitioners instead of one as has been practised by the Navy and the Air Force. We would commend the Department of Defence for its action in bringing Army recruitment medical practices to a common basis with those operated by the Navy and the Air Force.

Other Administrations - Recoverable Expenditure -
Expenditure - United States of America

134. Your Committee accepts the explanation tendered by the Department. In this case the estimate concerned was provided by the United States authorities and related to expenditure on a pre-payment basis on their behalf.

DEPARTMENT OF EDUCATION AND SCIENCE

Maintenance and other Allowances, Tuition
Fees and Examination Costs under the
Commonwealth Technical Scholarships Scheme

140. Your Committee recognises that as the Scheme to which this item relates was not introduced until 1965, the Department will not yet have acquired sufficient statistical information on which to formulate its estimates with firm confidence. In these circumstances and on the basis of the Department's estimating and expenditure experience in 1965-66 and 1966-67, we would commend it for its more conservative approach in developing its

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original Estimate on this item for 1967-68 on the basis that should the need arise it can seek further funds in the Additional Estimates later in the financial year.

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

144. Your Committee recognises that under the arrangement made in 1964 whereby Commonwealth support to the extent of \$2,600,000 should be given to the colleges concerned, they are under no compulsion to proceed with any plans that they may have submitted to the Department. However, Your Committee believes that in seeking funds either in the Original or Additional Estimates for such work, the Department administering the item has a clear responsibility to satisfy itself, as far as possible, that the work for which the funds are to be sought will in fact proceed and that it has a further responsibility to keep fully informed as to developments that may be taking place in relation to the projects. It is clear that in cases of this kind the Department would be wise to exercise considerable caution in regard to the amounts sought in the original Estimates.

Other Services - Colleges of Advanced Education - Research and Investigations

146. Your Committee is of the opinion that funds should not have been sought for this item in the original Estimates for 1966-67. Neither of the projects concerned

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were expected to commence before 1 January 1967 and in the case of one of them, its commencement depended on the recruitment and appointment of an officer, a matter which invariably is time consuming.

DEPARTMENT OF EXTERNAL AFFAIRS
(now the Department of Foreign Affairs)

Administrative Division - Administrative Expenses -
Publications - Printing and Distribution

153. While Your Committee appreciates the matter of the staffing problems that evidently arose in respect of this item we agree with the witness that the relevant circumstances were not taken into proper account when the Estimate was formulated.

Administrative Division - Administrative
Expenses - Communications Equipment -
Purchase, Installation and Maintenance

162. Your Committee accepts the Department's explanation.

Administrative Division - International Organisations -
Contribution - International Atomic Energy Agency

165. Your Committee is disturbed by the circumstances disclosed in evidence relating to this item. Simple clerical errors can involve considerable amounts of money and are of a serious nature. The failure to detect the error until after the close of the financial year is equally disturbing.

Administrative Division - International Organisations -
Contribution - Eastern Regional Organisation of
Public Administration

167. It is clear that when the provision of \$1,100 was made in the original Estimates the Department

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expected to receive an account in its Manila office from E.R.O.P.A. The circumstances stated in evidence reflect adversely on the Department's financial control arrangements in that it evidently failed to recognise that the amount concerned related to a current liability requiring discharge during the financial year and its equal failure to pursue the account when for some reason, E.R.O.P.A. failed to submit it in the course of its normal operations.

Administrative Division-International Organisations-
Contribution-Organisation for Economic Co-operation
and Development Assistance Committee

172. It appears to your Committee that when the second request for funds was received from Paris in March 1967, the Finance Branch of the Department and the Department of the Treasury were aware that payment had been made to the Committee concerned during the previous November in respect of the calendar year 1965. As a request for funds for the Committee for that year had been made in October 1966, it is surprising that neither Department queried the payment of two calendar year contributions during the course of a single financial year. If, however, the Political Section of the Department of External Affairs sought and obtained funds direct from the Department of the Treasury in response to the request made from Paris in March 1967, the circumstances of the case appear to be even more remarkable.

The Treasury circularised Permanent Heads in February 1969 requesting that all funds applications be processed through a single central point in each department, preferably the Finance Branch of that department.

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We would expect any request made to the Department of the Treasury for funds to emanate from the Finance Branch of the Department and we would also expect the Department of the Treasury to raise queries if other branches of sections made unilateral requests for funds at any time in a financial year.

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Administrative Division-International
Development and Relief-Cost of Transporting
to Vietnam private donations of relief aid

176. Your Committee is disturbed by the fact that the Department's submission and the initial evidence tendered by the witness on this item indicated that the amount of \$5,000 was included in the estimates as a provision to meet a possible eventuality and that this evidence was not in accordance with the facts. Had the facts been as indicated by the departmental submission, we would have criticised the Department for making a provision in the Estimates for an amount which was so far from being firm that it was not possible to know what payments, if any, would be made. As the facts stand, however, we find it difficult to accept that a department would have funds in an item under its administrative control without also having a clear appreciation of the reason for the provision having been made.

The importance of thorough briefing of departmental witnesses and the necessity for accuracy in departmental submissions have been brought to the notice of departments by the Public Service Board and the Treasury. The most recent reference was a Treasury memorandum to all Permanent Heads on 16 October, 1970.

Administrative Division-International
Development and Relief- Flood Relief - Indonesia

180. As in the case of Item 165/6/17, your Committee is disturbed to find that the evidence tendered initially by the witness was misleading. Your Committee also

The importance of thorough briefing of departmental witnesses and the necessity for accuracy in departmental submissions have been brought to the notice of departments by the Public Service Board

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finds it difficult to accept that an error of judgment as to the proper vote to which an amount should be charged should have remained undetected until too late for its correction to be achieved in the financial year concerned.

and the Treasury. The most recent reference was a Treasury memorandum to all Permanent Heads on 16 October 1970.

Antarctic Division-Salaries and Payments in the Nature of Salary-Temporary and Casual Employees

189. In its examination of this item, your Committee has noted that in each of the three years 1964-65 to 1966-67 funds have been sought in both the original and Additional Estimates and in these years a shortfall, substantially greater than the amounts provided in the Additional Estimates, has occurred. In 1966-67 in particular the Department obtained \$4,200 in the Additional Estimates and then had recourse to the Advance to the Treasurer to the extent of \$3,500 in the final stages of the year. In that year, and notwithstanding the Department's assessment of its financial needs when it sought funds from the Advance to the Treasurer, the shortfall on the item amounted to \$15,657. These results lead us to disagree with the witness who suggested that as the shortfall amounted to less than two weeks salaries and wages payments, the result should be regarded as satisfactory. The financial history on the item is indicative of the need for great care to be exercised in the formulation of Original Estimates and in the review of the finances of the item when Additional Estimates are under consideration.

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France - Administrative Expenses -
Rent and Maintenance of Other Buildings

193. Your Committee is disturbed by the nature of the errors disclosed in evidence in relation to this item and trusts that it will not have cause to examine the Department in future years in connection with errors of this kind.

Germany - Salaries and Allowances
Salaries and Allowances

197. Your Committee is concerned by the fact that while an error was made in the original Estimates for this item, it was not discovered during the review of the item prior to the Additional Estimates. However, as the error was discovered shortly after additional funds had been sought for inclusion in Additional Estimates for this item we believe that the Department should have advised the Department of the Treasury of the circumstances with a view to withdrawing the request for additional funds.

Germany - Salaries and Payments in the Nature
of Salary - Temporary and Casual Employees

202. Your Committee finds that \$5,793 of the shortfall in expenditure under this item arose from staffing difficulties at the Post concerned due to circumstances beyond the control of the Department. In the case of the remaining shortfall of \$3,600, however, it is clear that the Posts located in Germany should have advised the Department when the Additional Estimates review was undertaken, that

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the amount, which had been sought at an earlier stage in the financial year, was no longer required. At the same time, however, we believe that having sought the admission of liability from the Department of the Treasury, the Department should have examined expenditure trends on the item with some care and should have sought specific confirmation from the Posts concerned that the amount was, in fact required, before allowing it to be included in the Additional Estimates.

Germany - Salaries and Allowances - Extra Duty Pay

205. Your Committee finds that insufficient care was taken by the Department in verifying the \$5,200 sought by the Post concerned for inclusion in the Original Estimates.

South Africa - Administrative Expenses, Rent and Maintenance of Head of Mission's Residence

206. Your Committee believes that the circumstances relating to accommodation in Capetown, and which have been known to the Department for at least three successive years, are such that, rather than seeking funds in the original Estimates for this item the Department would have been wise to restrict its request for funds at that time and to make greater use of the Additional Estimates, if necessary, at a later stage in the financial year. This is particularly so as the failure to acquire accommodation in Capetown at any price, involves the obtaining of accommodation elsewhere and results in the costs concerned being charged to a different item of expenditure.

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Sweden - Salaries and Allowances

211. Your Committee trusts that appropriate action will be taken by the Department to ensure that clerical errors of this type are eliminated.

Vietnam - Administrative Expenses, Postage, Telegrams and Telephones and Cables

214. Your Committee is disturbed by the nature of the error that occurred in this item and the fact that it was not discovered until the end of the financial year.

New Delhi - Administrative Expenses - Office Requisites and Equipment

219. On the basis of the evidence Your Committee doubts whether the Department was justified in seeking funds in the Additional Estimates to cover all the purchases concerned even though the commitments were undertaken prior to the closing date for the Additional Estimates. To justify the request for funds at that time, the Department would have needed to be reasonably certain that it could obtain delivery of the goods in question and also obtain and process the claims relating to them prior to the close of the financial year.

New Delhi - Administrative Expenses - Furniture and Fittings

227. Your Committee has noted the history of estimating and expenditure on this item for the three years 1964-65 to 1966-67. In regard to the latter year we agree with the witness that a careful evaluation of the situation on the item in March 1967 may have resulted in a call being made on the Advance to the Treasurer,

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if and when funds were required rather than funds being sought in the Additional Estimates.

Malaysia - Administrative Expenses -
Office Requisites and Equipment

231. Your Committee is concerned that an error of the type revealed in evidence should have occurred and we trust that appropriate action will be taken to guard against its recurrence. In this case, the error resulted in a shortfall of expenditure and also the Overseas Post concerned could have been deprived of necessary office requisites which it required to discharge its functions adequately.

Geneva - Administrative Expenses -
Rent and Maintenance of Other Buildings

236. Your Committee notes with some concern not only the nature of the errors which occurred but also the fact that these errors were not discovered until a considerable time after the close of the financial year in which they occurred. The process of locating such errors is costly in terms of administrative effort.

Capital Works - Buildings, Works,
Plant and Equipment - Ireland

239. Your Committee trusts that appropriate action will be taken by the Department to minimise errors of the type disclosed under this item and to ensure that where such errors occur they are detected promptly.

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Capital Works - Building, Works,
Plant and Equipment - Laos

244. In the case of the tennis court fencing, Your Committee finds that funds were sought prematurely by the Department, particularly as it was recognised that unstable prices in Vientiane made it difficult to formulate reliable estimates. We also believe that, based on its intimate knowledge of local conditions, the office at Laos should have recognised the nature of the difficulties that could arise in regard to the generators which, in any case were not due for delivery under the terms of the contract until February 1967. Accordingly we believe that the financial provision for this equipment should not have been included in the original Estimates.

General

245. We were informed that the Secretary of the Department of External Affairs has become very concerned at the frequent appearances of officers of the Department before this Committee. The Department has circularised to all of its overseas Posts relevant extracts from Your Committee's Reports and has invited their attention to the lessons to be drawn from them. In March 1967, the Secretary of the Department wrote to the Head of every Mission and outlined the problems of shortfalls in expenditure and in overexpenditure and indicated the steps which he considered might be taken to reduce the ambit of the problems.

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246. We were informed that a particular problem arises from the interchange of officers in the Department between the diplomatic and finance areas. The amount of training such officers receive varies considerably and ranges from considerable practical experience in the Finance Branch over many years to short-term concentrated briefing prior to posting overseas. An inherent problem faced by the Department is that by the nature of its work the Central Office in Canberra does not provide detailed experience in the financial activity that is, in fact, carried out at a Post, e.g. purchasing procedures, preparation of salaries and the activities involved in the certifying of accounts. These situations must be reconstructed for trainees on the basis of papers that come forward from the Posts. A further problem is that the number of officers of the Central Staff who can be made available for training is limited and not all of these officers, who are competent in their respective fields of activity, are equally competent to teach. It was stated that much attention had been given to this problem and a proposal had been made to the Public Service Board that there should be created a pool of training positions into which the Department would recruit officers for the purpose of training them in financial, property, personnel, consular and records procedures and in work

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involved in the affairs of distressed Australians overseas. The Department proposed to provide this training prior to posting officers abroad. We were informed that the Public Service Board has received this proposal favourably and is exploring such questions as the number of officers involved and whether they should be recruited at different levels or only at the lower levels of the service.

247. Consequent upon clerical shortcomings which have been experienced between the Department in Canberra and its overseas Posts, the Department has instituted, from the commencement of the financial year, 1967-68, a system whereby a monthly financial report is provided by each Post in which firm commitments and actual expenditure are shown against pro rata expenditure, together with a monthly report on funds. The Department in Canberra has also instituted a similar procedure whereby an examination of the results is being related to the information furnished by the Posts in an endeavour to eliminate the late arrival of advices of omissions which have occurred in previous years. In conjunction with that measure, the Department has assigned two additional officers to supervise the control of the votes. It has also consulted the Public Service Board which has indicated its willingness to conduct an Organisation and Methods review of the Department's Finance Section. On 1 April 1968,

The Department advises that the Organisation and Methods review of the Finance Section has been completed and recommendations implemented. Also,

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we were advised that this review had progressed to the stage where the necessary facts had been established and a draft report is to be prepared as a basis for discussion with departmental officers and for any necessary further action. We were also informed that revised departmental overseas instructions had been issued in December 1967, and that the Department of the Treasury had issued amendments to the Treasury (Overseas Accounts) Directions operative from 1 February 1968. A set of the departmental instructions and a copy of the Treasury amendments were submitted for our examination. The Department of External Affairs expects that these changes will be of considerable assistance to it in its endeavour to secure a better control of expenditure.

248. In view of the evidence received from the Department in respect of the financial year, 1966-67, and previous years, Your Committee would commend the Department for undertaking what appears a positive and far reaching attack on basic problems in the field of financial administration which have clearly operated to the sustained embarrassment of the Department. The effectiveness of these measures should be reflected in closer accuracy in estimating and expenditure in the years ahead.

a pool of eleven training positions was established early in 1970 and training has commenced.

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DEPARTMENT OF HEALTH
Payments to or for the States - Tuberculosis Act-
Reimbursement of Capital Expenditure by State Governments

257. Your Committee believes that while the expenditure results on this item have been unsatisfactory in relation to the corresponding estimates over a period of several years, the prime cause of difficulty stems from problems arising within the administrations of the several States. Your Committee is satisfied that the Department has made strenuous and persistent efforts to obtain from the States a more realistic assessment of their financial needs in regard to this item and we would suggest that, this course having evidently failed, it might not be inappropriate for the difficulties concerned to be the subject of discussions at the Ministerial level. Your Committee is aware of the reluctance on the part of at least some of the States to adopt the use of Additional Estimates within their own budgetary structures and on this we would not feel it appropriate to comment. However, we note that it is normal practice for the States to submit a single figure of their estimated financial requirements to the Department of Health for inclusion in the Commonwealth Budget each year. In this

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regard we believe that a useful purpose might be served if the State Authorities concerned were to be informed of the availability of the Additional Estimates device within the Commonwealth financial structure and were requested to formulate their initial requests for funds each year in the knowledge that the Department of Health has access to this facility.

The Department has adopted a new procedure for preparing estimates under which the States will be given the opportunity to review in May the estimates submitted in February and to revise these again in the following January/February.

Payments to or for the States-Incinerators and Associated Works in Relation to Disposal of Overseas Ships'Garbage

266. In Your Committee's view the evidence shows that the Department was not justified in making provision in the Original Estimates of \$100,000 on the basis of reactions by the States concerned to the initial offer made in 1965. Indeed the evidence shows clearly that the second offer, which only some of the States accepted, was not made to the States until 30 May, about one month after the closing date for the original Estimates for that year. In the circumstances we are disturbed to note that the initial estimate provided by the Department for the item in April 1966 was even higher than the figure of \$100,000 which was finally included in the Appropriation Bill.

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DEPARTMENT OF HOUSING

Administrative - Salaries and Payments in the
Nature of Salary - Salaries and Allowances

275. Your Committee accepts the Department's explanation. It trusts that an early satisfactory solution will be found to the problems of the relationship between the permanent and temporary staff items which are now under consideration by the Department of the Treasury in connection with its examination of the salary schedule.

Results of the examination by the Treasury of the Salaries Schedule and of the relationship between the permanent and temporary staff items of the salaries votes, were reported to the Committee in the Treasury Minute on the Committee's Fifty-fifth Report and submitted to the Parliament in the Committee's Ninety-ninth Report.

The new form of appropriation was introduced in the Appropriation Bill (No. 1) 1968-69.

DEPARTMENT OF THE INTERIOR

Meteorological Services - Proportion of Administrative
Expenses Provided under Department of the Interior

285. Your Committee notes that under the present arrangements which for many years have involved the recovery by the Bureau of Meteorology of 28 per cent of its administrative expenses from the Department of Civil Aviation, the recovery item 147/02 has been overprovided with funds in at least three successive years 1964-65 to 1966-67 inclusive. In each of these years, funds have been provided for the item in both the original and Additional Estimates and in two years, 1965-66 and 1966-67, the item has had funds unexpended to an extent greater than these additional provisions. Notwithstanding the care taken by the Bureau of Meteorology in the formulation and revision of estimates under Division 319/2, it is

The form of appropriation for meteorological services provided by the Bureau of Meteorology was changed to eliminate deduction lines, with effect from 1 July 1968. Amounts recovered from departments for the cost of meteorological services are now paid to Revenue.

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clear to Your Committee that the method of allocating additional funds to Division 147/02 from the Additional Estimates requires review. On the basis of the evidence taken, we would not query the proposition that an amount equal to 28 per cent of the original Appropriation for the former Division, which includes appropriations for each of its eleven items, should be included in the latter Division. We do not agree, however, that an amount equal to 28 per cent of the Additional Estimates sought for some of the eleven items in the former Division should be provided for the latter. The application of this formula does not allow for the obvious fact that some items in Division 319/2 may experience shortfalls in expenditure and if such shortfalls occur they will result in underexpenditure in Division 147/02. In these circumstances the application of a formula is a poor substitute for administrative judgment. Although Your Committee agrees that funds available under one item should not be transferable to another item without due Parliamentary process, we believe that a sensible assessment should be made of expected expenditure under the whole of the former Division in determining what amount, if any, should be provided for the latter in the Additional Estimates.

286. In regard to the under-expenditure of \$3,461 which occurred

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in North America, Your Committee believes that in entering into its arrangements with the Sub-Treasury, New York, the Bureau of Meteorology had a clear responsibility to ensure that adequate instructions were given to the Sub-Treasury prior to the implementation of the arrangements. The Bureau should also have ensured that it obtained a proper understanding of the vouchers and records that came forward from the Sub-Treasury. Failure to achieve proper communication which gives rise to misunderstandings of this type can have serious consequences and can prove embarrassing to the departments concerned.

Commonwealth Bureau of Meteorology -
Administrative Expenses - Instruments and Apparatus

294. Whilst Your Committee recognises that the non-availability of progressive monthly figures from the Sub-Treasury, London, would have contributed to the problems of reconciliation within the Bureau, it is clear, on the admission of the witness, that the error of \$17,823 in posting in London should have been detected by the Bureau during the course of the financial year. The failure to detect errors which could be of considerable magnitude, and in particular the failure to detect them until after the close of the relevant financial year when their correction is no longer possible, is a matter of concern to Your Committee.

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295. In regard to the delay that occurred in the delivery of items which are obtained from both local and overseas sources and which are required to be manufactured to specifications, Your Committee is of the opinion that a sensible degree of caution should be exercised regarding the amount to be sought in the original Estimates.

The Department considers that the shortfall in expenditure of \$8,685 in an appropriation of \$700,000 for a wide range of consumable items purchased both locally and overseas confirms that a sensible degree of caution was exercised in regard to the amount sought in the original Estimates.

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

311. Your Committee notes that in this case the draft acquisition programme is prepared by the Department of the Treasury in consultation with the Department of the Interior and the sponsoring or client departments, in this case the Department of Civil Aviation. However, it is the Department of the Interior which is responsible for determining the cash requirement for the purposes of the Estimates for each acquisition proposal. In the present case it appears to Your Committee, from the evidence tendered, that the projects relating to the purchase of residences at Cairns and Coolangatta, the extensions to the airport at Coolangatta and the acquisition of additional land at Eagle Farm were so far from settled in their detail when the original Estimates were formulated that financial provision for them could well have been carried forward for reconsideration in connection with the Additional Estimates. Whilst this appears to be equally true of the

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proposed acquisition of a residence at Bundaberg, this acquisition reflects also a failure on the part of the client department to keep the Department of the Interior informed of its needs and changes in these needs arising from altered circumstances. Your Committee cannot emphasize too strongly the unsatisfactory nature of such a state of affairs.

312. We would also draw attention to the evident need for departments preparing submissions for this Committee to consult with their client departments in the preparation of such submissions and to ensure that these documents are, in any case, based on all of the relevant information in the possession of the Departments concerned.

The Department has affirmed that it is normal practice to consult client departments before preparing submissions for the Committee.

Acquisition of Sites and Buildings - Department of Health

319. Your Committee has strong doubts as to whether the Department was justified in seeking \$12,000 in the original Estimates for this item on the basis of a general understanding with the appropriate Western Australian authorities that land for the project would be made available. Port Hedland is located in the North-West of the State, i.e. in the area north of Geraldton which, for some time, has experienced pressure on its building resources due to development in the area. Mention was made earlier of this problem in connection with Item 140/1/01 administered by the Department

Approximately 22 houses, the majority of them in remote localities, were being built by the Commission for Commonwealth Departments in Western Australia during 1966-67 and many of these houses, including the one in question, were substantially completed by the end of the financial year. The Department contends, therefore, that it was justified in seeking provision in the original Estimates for the acquisition of the residence at Port Hedland.

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of Civil Aviation. It also appears from the evidence that whilst the Department of Health was requested on 20 January 1967 to obtain a further \$2,700 for the project, action was not taken by that Department until 15 March 1967, a delay approximating two months.

320. Your Committee also notes with some concern that in spite of formal liaison arrangements between the State Housing Commission and the Department of the Interior in respect of projects being undertaken for that Department, claims were evidently available in the Commission's office but were not transmitted to the Department even although requests were made to the Commission that any such claims should be brought forward for payment before the close of the financial year. Whilst the reasons for this delay were not available in evidence, we believe that the Department of the Interior should advise the Housing Commission and indeed other organisations and authorities which undertake work on its behalf that it has a clear responsibility to obtain claims for payment in the financial year for which funds have been provided and it should seek the earnest co-operation of such organisations and authorities to enable this to be achieved.

Every effort has been made, with considerable success, for the State Housing Commission to submit claims for progress payments on a monthly basis.

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DEPARTMENT OF LABOUR AND NATIONAL SERVICE

Administration of the National Service Act Administrative
Expenses - Office Requisites, Printing, Stationery and Equipment

329. In the case of this item Your Committee is disturbed to find that provision was made in the original Estimates to meet the purchase of Automatic Data Processing equipment before a decision had been taken as to whether the equipment concerned would be purchased or hired. Your Committee is also concerned to find that while provision was made for the purchase of magnetic and paper tapes for use in association with floxiwriters in conjunction with the proposed computer, the floxiwriters were not purchased and in any case the proposed system did not come into operation until later in the financial year than had been expected and even then it involved the registrations in two States. As a result, an overestimate of \$6,300 occurred in respect of magnetic and paper tapes. In regard to the acquisition of vocational test material the evidence indicates that funds had been sought in the original Estimates before the contract rates for the supply of the material had been settled. In each of these cases it is clear that funds were sought prematurely.

330. The circumstances relating to the revision made to the procedures for testing National Service Registrants requires special mention.

When the original Estimates were being prepared the Department was firmly committed to handling the National Service records on a computer system and it was necessary to have card and tape punching machines available during the financial year. On the information available at the time, purchase of the equipment was considered to be more than likely and provision was made accordingly. The Treasury agrees with this approach.

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In this case the evidence indicates that the revision was made prior to the closing date for the original Estimates for 1966-67 and should have been taken into account when those Estimates were framed.

DEPARTMENT OF NATIONAL DEVELOPMENT

Capital Works and Services -For Expenditure
under the River Murray Waters Act

339. In its Twenty-fifth Report it was noted by Your Committee that the present position, in which expenditure appears to be outside Commonwealth control cannot improve if the existing arrangements remain unchanged and also that representations should be made by the Commonwealth member of the River Murray Commission, to his colleagues on the Commission with a view to seeking a satisfactory arrangement regarding use of the Additional Estimates. In that Report Your Committee drew attention to the fact that the River Murray Water Agreement does not specify that the funds provided by the Commonwealth must appear in the first appropriation Act and that a revision of the estimating procedures is required if continued over-estimating is to be avoided.

340. Your Committee examined this item during its Inquiry into the Consolidated Revenue Fund results for 1964-65. In our Report at that time we expressed the view that representations should be made by the Commonwealth

The Department has informed the Deputy Commonwealth Commissioner of the principles of estimating as laid down by Treasury and agreed by the Committee and suggested that he should draw the attention of his fellow commissioners to the observations of the Committee.

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member of the River Murray Commission, to his colleagues on the Commission, with a view to seeking a satisfactory arrangement regarding the use of the Additional Estimates at the Commonwealth level.

341. Your Committee notes that while use was not made of the Additional Estimates in 1965-66, the results achieved in that year represented a considerable improvement compared with the result achieved in 1964-65. In 1966-67, however, and notwithstanding that the original Estimates put forward by the Commission were formed prior to their inclusion in the Estimates, the amount of \$950,000 provided as the Commonwealth's share was underspent to the extent of \$305,000. The principal cause of this shortfall emanated from delays in the consideration of tenders relating to the Chowilla Dam project. In those circumstances and having regard to the history of expenditure on this item we consider that the Department should continue to act with caution in seeking funds on behalf of the Commission for inclusion in the original Estimates. We are disturbed to find that the witness was unable to provide firm information as to the causes of delay in the acceptance of the contract concerned.

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DEPARTMENT OF THE NAVY

Administrative Expenses and General Services -
Travelling and Subsistence

354. Your Committee examined the Department of the Navy in respect of this item in connection with Expenditure from the Advance to the Treasurer for 1964-65. In that year \$2,400,000 had been provided for the item in the Budget, a further amount of \$150,000 had been obtained in the Additional Estimates and \$252,000 had been made available from the Advance to the Treasurer. In view of the evidence then tendered, which indicated the difficulty of accurately foreseeing expenditure under this item, Your Committee accepted the Department's explanation. The evidence tendered in the present Inquiry serves to highlight once more the difficulties confronting the Department in foreseeing the probable course of expenditure under this item and points to the need for provision made in the original Estimates to be framed accordingly.

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General Stores-H.M.A. Ships, Fleet Auxiliaries
and Naval Establishments-Electronic, Electrical,
Engineering and Miscellaneous Stores.

377. Your Committee finds that in certain respects the circumstances of uncertainty under this item are not dissimilar from those found in relation to the previous Item 668/01. In 1964-65 when the Department experienced an unexpected acceleration of delivery of naval stores, funds were obtained in the Original and Additional Estimates and also from the Advance to the Treasurer. In 1965-66 when the amount sought in the Budget amounted to \$20,114,000 compared with a corresponding figure of \$10,058,000 in 1964-65, but no further amount was sought in the Additional Estimates, a shortfall of \$5,716,417 occurred in the item. In 1966-67 there was a shortfall of \$1,588,446 from an original Appropriation of \$19,239,000. Although this result constitutes a considerable improvement compared with the result achieved in 1965-66, the evidence submitted shows that much of the equipment purchased under the item is of a sophisticated nature and is subject to change arising from technical developments. Those changes give rise in some cases to specification revisions which result in delays in the acquisition of and payment for the equipment.

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378. In the case of the Darwin naval radio station it appears that advice was not obtained from the Department of Works as to the condition of the building prior to the inclusion in the Estimates of an amount required to meet the cost of transmitting equipment and the rearrangement of the Darwin naval radio station. The discovery that the building was inadequate resulted in the deferment of the order for the equipment concerned. We consider that the Department of the Navy should have obtained competent advice on the condition of the building before including in its estimate a provision for that equipment.

379. The evidence submitted in relation to delays that had occurred in deliveries and payments indicates that while many of those delays are occasioned by overseas suppliers and, in this regard, are beyond the control of the Department, the problems associated with procurement from overseas sources are well known to the Department. For example, an assurance was given by an overseas supplier that the delivery position in respect of modifications to Gazelle engines and spares which had lagged seriously in 1965-66 would improve in 1966-67.

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There was no appreciable improvement however, and as a consequence a shortfall of \$296,000 occurred in that year.

380. In the circumstances reflected by the evidence Your Committee believes that original Estimates for this item should be framed very cautiously and greater use made, if necessary, of Additional Estimates at a later stage in the financial year.

The Department has advised that a system of project co-ordination is proving effective in ensuring that all related aspects of a project are considered before original Estimates are prepared.

General Stores -- H.M.A. Ships, Fleet
Auxiliaries and Naval Establishments

396. Your Committee accepts the Department's explanation in relation to delayed deliveries and trusts that problems arising from inexperienced staff in the Armament Supply Branch and consequent delays in the placing of orders have been overcome. Your Committee hopes that there is an increased awareness within the Department of the need for staff training.

The Department is constantly aware of the need for programmes of staff training and implementation of on-the-job training in the Armament Supply Branch is proceeding to the fullest extent possible. Action is now taken with large orders placed with the Department of Supply to ensure that estimates of the spread of expenditure are furnished by that Department.

397. Your Committee is concerned regarding an overestimate of claims which the Department of the Navy expected to receive from the Department of Supply. It appears that the Department of the Navy formulated its estimate of \$200,000 for work by the

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Department of Supply prior to receiving a figure from that Department relative to the value of the work that it would expect to be able to carry out in 1966-67. During that year the Department of Supply furnished the Department of the Navy with an estimate of \$100,000 to cover tooling costs, but during the year it experienced difficulties with its development programme and the proposed tooling work was unable to proceed. Your Committee finds that the provision of \$200,000 by the Department of the Navy for this work was unjustified.

398. Your Committee has conducted a specific Inquiry into delayed Billings in New York in connection with its examination of the Report of the Auditor-General for the financial year 1966-67 and accordingly will report to the Parliament in due course in this context on that aspect of the present evidence.

399. In the case of this item, funds were obtained only in the original Appropriation in each of the three years 1964-65 to 1966-67 and in each of those years the item sustained shortfalls in expenditure. The expenditure experience on this item

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and the evidence tendered both point to the need for caution in the formulation of Original Estimates and the use of Additional Estimates later in the financial year should such a course be required.

General Stores-H.M.A. Ships,Fleet Auxiliaries
and Naval Establishments - Oil Fuel

407. Your Committee accepts the Department's explanation.

Ships,Aircraft,Machinery and Plant Repair
and other charges

425. In the case of this item Your Committee is satisfied that some of the factors causing a shortfall in expenditure were evidently beyond the control of the Department. These would include such matters as changes made in operational requirements which necessitated a rearrangement of the refitting programme; delays in claim documentation while cost investigations were undertaken on behalf of the Department by the Department of Supply and delays in shipping profits occasioned by industrial delays in the dockyards concerned. In other cases, however, it appears that financial provision was made for work to be undertaken, when it should have been reasonably apparent that the completion of and

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payment for the work during the financial year concerned was doubtful. An example of this situation is the conversion of Wessex aircraft and Gazelle engines in Australia which was hampered by the lack of modification kits, leaflets, drawings and instructions which were to have been supplied by the manufacturer. The availability of this material should have been soundly assessed when the relevant estimate was being framed. Other examples of a similar nature include protracted delays in the formulation of an agreement between the Navy and Bristol Siddley Engines Ltd before work could commence on aircraft repairs in overseas countries for which funds were provided in the Original Estimates. Provision was also made of \$1,000 in the Budget for the supply of Wessex Flight Control System drawings but these drawings were not completed during the year and the amount concerned remained unexpended.

The agreement between the Department and Bristol Siddley Engines Ltd. is for the supply of technical services. The under-expenditure was associated with the services to be supplied by the contractor; it was not due to the non-commencement of aircraft repairs. The delays in finalising the agreement could not have been foreseen when the original Estimates were being prepared.

426. In a third category are the re-negotiations in 1966-67 of the technical services agreement between the Navy and Rolls Royce Ltd and the feasibility study associated with the Wessex MK 51B helicopter conversion. In the former case the Department assumed that due to cost and price

The technical services fee and the cost of the feasibility study were two known commitments for which provision had to be made in the Original Estimates. The estimate of \$8,000 for the feasibility study was based on an assessment by Westlands Helicopters Limited U.K. who were undertaking the study and the

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movements in Britain, Rolls Royce Ltd would increase its service fee from \$20,000 to \$25,000 per annum and accordingly provision was made at this higher level in the original Estimates and prior to the re-negotiation of the contract. In the latter case \$8,000 was provided in the original Estimates as a top figure which in the opinion of the Department would not be exceeded. In the event, however, the cost of the feasibility study amounted to only \$4,000. In these cases, in particular, Your Committee sees the unjustified inclusion in the original Estimates of provisions that are no more than conjecture.

Department had little alternative but to accept this estimate.

427. In making the foregoing remarks Your Committee is not unmindful of the difficulties confronting the Department in the formulation of realistic estimates for an item of this type. However, even in 1964-65 when the Department had recourse to the Additional Estimates a shortfall of \$183,064 occurred at the end of the financial year. In the two subsequent years, 1965-66 and 1966-67, when funds were not sought in the Additional Estimates, the shortfalls recorded on the item amounted to \$299,981 and \$719,283 respectively. Those circumstances, and much of the evidence taken during our Inquiry emphasise again the need for caution

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in framing the original Estimates and point to the desirability of making greater use of the Additional Estimates if changed circumstances warrant such a course later in the financial year.

Naval Construction

457. Your Committee finds that in some areas where shortfalls occurred in expenditure, the circumstances were beyond the control of the Department. This, for example, appears to be the case in regard to the Oberon submarines where the Department was dependent upon estimates supplied to it by the British Ministry of Defence (Navy); delays in the local production of patrol boats due to production difficulties in the shipbuilding yards and delays associated with the supply of Ikara fleet fittings from Britain and the United States of America.

458. Your Committee believes, however, that three matters require specific comment. The evidence showed that funds had been provided in the original Estimates for three items which, due to the availability of credit purchase facilities, were transferred in March and April to

Although it was known in March 1965 that the logistic credit arrangements would become operative in 1966-67, there were initial difficulties in deciding which proposed purchases should be included.

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the United States-Australia logistic credit arrangement. This resulted in a shortfall of \$844,000 in the item. We have already commented on these credit arrangements in connection with Item 742/01 administered by the Department of Air. We believe that as it was known in March 1965 that these arrangements would be operative in 1966-67, the Department was not justified in making provision in the original Estimates in respect of the three items which were transferred to those arrangements.

459. The second matter requiring specific comment relates to delays that occurred in connection with two small harbour tugs and which involved a shortfall of \$110,000 in progress payments under the item. The estimates for this work were framed on the basis that the order would be placed in September 1966 for completion about October 1967. However, the tenders for this work were delayed and, in fact, had not been completed at the time of our Inquiry. In those circumstances it is clear that the funds provision for this project should have been withheld pending the Additional Estimates.

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460. Thirdly, delays in finalising technical information were responsible for a shortfall of \$290,000 comprising \$140,000 in respect of an aircraft water lighter, \$120,000 related to the Charles F. Adams class destroyer and \$30,000 related to other projects. It is clear to Your Committee that in regard to the water lighter and the work associated with the destroyers financial provision was made prematurely.

461. Your Committee notes that this item experienced shortfalls of \$4,002,634 in 1964-65, \$9,174,396 in 1965-66 and \$8,498,726 in 1966-67 and in none of these years were further funds sought in the Additional Estimates. We would commend to the Department a more realistic approach to the acquisition of funds in the original Appropriation measures.

Other Administrations Recoverable Expenditure
- Expenditure - United Kingdom

468. Your Committee notes that this item relates to recoverable expenditure from the United Kingdom and, as such, is cancelled out in the overall Budget to the extent that recoveries are made in the same financial year. Not all recoveries

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can be achieved in the year of expenditure, however, and therefore in any given year, recoverable expenditure can have a definite budgetary effect and the manner in which estimates are formulated for such items is therefore of consequence to Your Committee.

469. In the present case, the Department is dependent when framing its estimates, on advice that it has received from the British Ministry of Defence (Navy). However, in the present case, the Department sought a further amount of \$313,000 in the Additional Estimates because visits by Royal Naval Ships occurred which had not been provided for in the original Estimate. In fact a shortfall of \$324,593 occurred on this item. As shortfalls had occurred on the item in 1964-65 and 1965-66 Your Committee believes that the Department should have sought an overall revised estimate of requirements from the British Ministry of Defence (Navy) in relation to this item when proposing to seek further funds in the Additional Estimates.

The Department states that it is doubtful whether an accurate overall revised estimate could have been furnished by the British Ministry of Defence (Navy). However, it considers that closer oversight could have brought to notice earlier that under-expenditure would occur on purchases of provisions which would offset increases in other categories of Ministry of Defence (Navy) expenditure.

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Other Administrations-Recoverable Expenditure
Receipts - Other Countries

437. In its inquiry into Expenditure from the Advance to the Treasurer, 1966-67, Your Committee examined the Department of the Navy in respect of Iton 687/1/03 which is the expenditure counterpart Iton of this Iton which relates to receipts for recoverable expenditure. Your Committee accepted the Department's explanation in respect of Iton 687/1/03 and it accepts the explanation relating to Iton 687/2/03. However, there are two observations connected with these itons that we wish to make. In connection with Iton 687/1/01 which we discussed earlier in this Report we indicated that not all recoveries can be achieved in the year of expenditure and therefore in any given year, recoverable expenditure can have a budgetary effect. The circumstances of Itons 687/1/03 and 687/2/03 are a case in point. In 1966-67, expenditure amounted to \$122,495 on the former iton but an amount of only ~~\$66,426~~ was recovered under the latter iton. Allied to this we would mention that the shortfall experienced under Iton 687/2/03 arose from the non-payment of claims rendered by the Department

The method of submitting claims for recoverable expenditure to other Governments and Administrations has been altered to facilitate follow-up action and the earlier settlement of claims.

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on overseas Governments. Because of the potential budgetary effect of the two items referred to, we believe that Departments should pursue claims relating to recoverable expenditure with the same force that they apply to the pursuit of claims for expenditure under other items where a failure to obtain claims for payment and process them can result in a shortfall of expenditure at the end of the financial year.

POSTMASTER-GENERAL'S DEPARTMENT

Administrative Stores and Material
Office Requisites and Equipment, Stationery and Printing

480. Your Committee would commend the Department on its cautious attitude in relation to the acquisition of Automatic Data Processing equipment referred to in evidence in relation to this item. In this regard we note that a payment of \$50,000 was withheld as part of the equipment supplied proved unsatisfactory and payment of a further \$192,000 was deferred as the contractor was unable to demonstrate the computer's ability to perform specified tasks. At the same time it is clear that when the original Estimates were formulated for this item it was implicitly assumed that these problems would not arise and consequently, funds were provided to enable the payments to be made. As events turned out, however, it is clear that the Department should have recognised that a real doubt existed as to whether those payments would be made during the financial year concerned.

At the time of preparation of the original and Additional Estimates the Department had no reason to doubt that the A.D.P. equipment (which was at that time installed in its A.D.P. centre, Sydney) would pass acceptance tests in sufficient time to permit payment prior to the end of the financial year.

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Capital Works and Services-Other Plant and Equipment

489. Your Committee accepts the Department's explanation. At the same time we note from the observations made in relation to the definition of capital equipment that the Treasury Directions are not precise on the question of whether or not computers are defined as office equipment. We believe that, having regard to the increasing significance of computers in departmental operations, the Department of the Treasury should examine the Directions concerned with a view to removing any ambiguity that may be found to exist.

Treasury Direction 18/23 has been amended to make it clear that expenditure incurred in respect of specified computer services should be charged to sub-division 2, "Administrative Expenses" and a special item for computer services was included in the Appropriation Act (No.1), for the financial year 1971-72

DEPARTMENT OF PRIMARY INDUSTRY

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

495. Your Committee notes the circumstances under which the Department sought to obtain literature from overseas sources for its Veterinary Division. We believe that, in the absence of the departmental librarian, the assistance of other librarians might have been sought, particularly on the question of availability of the material required, before funds for these purchases were sought in the Additional Estimates. We accept, however, that reasonable action was taken by the

A Library Policy Committee has been formed within the Department which will assist materially in library management.

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Department to obtain outstanding accounts for payment and we accept the explanation tendered in relation to publications on behalf of the Australian Agricultural Council.

Administration of the Commerce (Trade Descriptions) Act - Salaries and Payments in the Nature of Salary-Salaries and Allowances

505. It appears that the overestimate in expenditure on this item arose when a provision was made by the State Offices for inclusion in the Additional Estimates and, arising from a misunderstanding in the Central Office of the Department, the same provision was included a second time by that office. Your Committee had occasion to examine a somewhat similar set of circumstances in connection with Item 260/1/02 administered by the Department of Housing in our Inquiry into Expenditure from the Advance to the Treasurer, 1966-67. In that Report we expressed the view that a direct responsibility devolves upon Central Office Organisations to satisfy themselves completely in regard to estimates formulated by their regional offices and that the estimates submitted to such offices should be supported by appropriate material to enable Central Offices to perform their review function at a high standard.

The Department has taken steps to ensure that a full examination is made of salary and other estimates of expenditure submitted by its regional offices.

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Other Administrations-Recoverable Expenditure-
Expenditure- United Kingdom

509. Your Committee notes that when the estimate for 1966-67 was being formulated inquiries were made of the British War Office liaison officer in Melbourne as to the likely requirements of fruit by the War Office in that year. However, when this officer was unable to supply the information required no endeavour was made to pursue the matter further by seeking information from the War Office in London. We believe that further information should have been sought from the War Office, London in an effort to formulate a realistic estimate, notwithstanding the fact that expenditure under the Item is of a recoverable nature.

510. Your Committee referred earlier in this Report to the matter of recoverable expenditure in connection with Items 687/1/01 and 687/2/03 administered by the Department of the Navy. In the case of these items we mentioned that recoverable expenditure is cancelled out in the overall Budget to the extent that recoveries are made in the same financial year. Not all recoveries can be achieved in the year of expenditure, however, and

The Department had advised that the British Army Liaison Office in Melbourne, through which all transactions involving recoverable expenditure were arranged, has terminated its purchasing activities. The Department has been notified that the responsibility for procurement of foodstuffs for all three services has been passed to the Royal Navy.

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therefore, in any given year, recoverable expenditure can have a budgetary effect. Hence, the manner in which estimates are formulated for such items is a matter of some consequence. In the case of the present item, \$70,000 was set aside for recoverable expenditure but the amount of expenditure that actually occurred was \$41,449.

Payments to or for the States-Minor Research
and other Services

516. Your Committee accepts the Department's explanation.

REPATRIATION DEPARTMENT

Other Repatriation Benefits -Telephone Rental
Concessions to Pensioners

524. Your Committee recognises that, as the concessions to which this item relates did not come into operation until 1964-65, the Departments concerned in the formulation of the estimates must, at this stage, experience considerable uncertainty as to the likely levels of expenditure that will occur. In circumstances of this type we would suggest, that it would have been a more prudent course to frame the original Estimate on a more conservative basis and to have had recourse to the Additional Estimates at a later stage in the financial year had such a course proved necessary.

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DEPARTMENT OF SHIPPING AND TRANSPORT
Australian Shipbuilding Board-Ship Construction-
Purchase of Ships, Material and Equipment

535. In its examination of this item, Your Committee has noted that in 1964-65, \$17,700,000 was obtained in the Appropriation Act (No.1) and \$1,650,000 from the Advance to the Treasurer. In that year, total expenditure under the item reached a level only \$2,354 below the funds available. In the following year 1965-66 an amount of \$21,000,000 was obtained in the Appropriation Act (No.1), \$8,000,000 was obtained in the Appropriation Act (No.3) and \$1,389 was obtained from the Advance to the Treasurer. In that year expenditure equalled the total funds available. In 1966-67, however, \$42,800,000 was obtained in the Appropriation Act (No.1) and of this amount, \$5,952,163 remained unexpended at 30 June 1967. On the basis of these estimating and expenditure results and having regard to the evidence tendered, we would agree with the witness that the estimation of expenditure is extremely difficult in the area of shipbuilding. This being so, we consider that the Department should adhere firmly to the following principles of estimating which were set out in our Seventy-fourth Report.

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'Each particular estimate should comprise a realistic assessment of the amount expected to be required, based on information available to the Department when the Estimates are being formulated. Estimates should not make provision for proposals that are of such an uncertain nature that the Department is unable to determine what payments, if any, will be made.'

536. In terms of those principles it appears to Your Committee that the Department was not justified in seeking provision in its Original Estimates for 1966-67 for projected vessels - i.e. vessels the construction of which was considered likely and in respect of which the requirements of clients had been discussed but design parameters had not been finalised.

DEPARTMENT OF TERRITORIES
(Now the DEPARTMENT OF EXTERNAL TERRITORIES)

General Services-Christmas Island-Salaries
and Payments in the Nature of Salary-Salaries and Allowances

544. On the basis of the evidence Your Committee finds that insufficient care was taken in the formulation of the Estimate for this item. In particular it is clear that the provision of \$22,800 in the Original Estimates to cover the contribution to the Christmas Island Provident Fund was not justified and the relationship between the proposed

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Ordinance relating to that fund and the proposed Christmas Island Public Service Ordinance should have been appreciated fully by the Department.

545. Your Committee deploras the circumstances in which the Department failed, for a period of two years, to effect payment of the salary of the Police Superintendent to the Attorney-General's Department. We also believe that the Attorney-General's Department should have rendered claims for this salary on the Department of Territories.

The salary of the Superintendent of Police at Christmas Island is now paid to him by the Department of External Territories.

We further consider that the two Departments concerned and the Department of the Treasury should examine the basis of this inter-departmental payment.

546. In the case of the \$2,234 included in the original Estimate in respect of the Official Representative at Christmas Island, Your Committee believes that the Department should have advised the Department of the Treasury that a shortfall in expenditure was expected to occur as soon as this fact became known. Your Committee also considers that the Department should have adjusted its estimate for salaries for the radio station as soon as it became apparent that a delay in the installation

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of facilities would result in a delay
in the operation of that Station.

547. Finally, Your Committee believes that the circumstances of this item where advances are received from the Christmas Island Phosphate Commission during the year with a financial set-off at the close of the year are such that the Department is not justified in failing to test as thoroughly as it otherwise would, proposals for inclusion in the expenditure estimates for Christmas Island.

The Department has confirmed that a closer scrutiny is now given to the expenditure estimates for Christmas Island.

Papua and New Guinea-Miscellaneous Services-
Machine Conversion and Adjustment

564. From the evidence submitted it is clear to Your Committee that, when the estimate for the item was formulated in January 1966, the Decinal Currency Board did not have available to it for its guidance firm conversion cost data for Australia or a complete knowledge of the conversion problems in the Territory. In fact it was not until May 1966 that officers of the Board visited the Territory to survey the position there and it was at this stage that the question arose as to whether the Administration might provide workshop facilities and

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equipment for use by the machine companies. In these circumstances Your Committee finds that the original Estimate for this item was poorly based and the amount of \$376,000 was sought prematurely. In this regard we recognise that while the Department of Territories was entitled to have some regard for the financial assessment made by the Decimal Currency Board as to the costs of conversion in the Territory, the Department must accept responsibility for the amount sought for inclusion in the original Estimates. This being so we believe that the Department was unwise to accept at face value the estimate put forward by the Board. An examination of that figure might well have suggested to the Department that a part only of the Board's estimate should be included in the original Estimates and that the remainder should be withheld pending the Additional Estimates.

565. Your Committee also believes that the Department of the Treasury should have been advised in July 1966 when the Territory Administration agreed to make available facilities and equipment required in the conversion programme, so that the amount included in the original Estimates but not at that stage submitted for the consideration of the Parliament, could have been reduced.

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

572. Whilst Your Committee is not unsympathetic to the problems confronting the British Phosphate Commission and the Department in this case, we note that shortfalls in expenditure under this item amounted to some 37 per cent of the original Appropriation in 1964-65, 51 per cent in 1965-66 and 38 per cent in 1966-67. In none of these years were funds sought in the Additional Estimates or from the Advance to the Treasurer.

573. We note that in regard to equipment for the new Broadcasting Station, the order was placed with the Postmaster-General's Department in September 1965 on the basis of delivery in about March 1966. We believe that the Department of Territories should have inquired regarding the delivery position on this equipment prior to framing its estimate in April 1966 for inclusion in the Budget.

574. It appears that an amount of \$15,500 was included prematurely in the Budget for the ~~construction and equipping~~ of a workshop for the Asian Secondary School, particularly as the problems confronting the Commission at Christmas

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Island in relation to its own works programmes were well known to the Department and as it was also known that an investigation at the Island was necessary prior to construction work being commenced.

575. Your Committee trusts that in future the Department will apply the same degree of scrutiny to estimates put forward for inclusion under this item in the Budget as it would apply to other items under its direct administrative control and that, where reasonable uncertainty exists as to the expenditure which might occur, will make greater use of the Additional Estimates and, if necessary, the Advance to the Treasurer.

Capital Works and Services-Loans to
Householders for Sewerage Connections

581. On the basis of the evidence submitted under this item, it is clear that in three successive years, provisions totalling \$24,700 over the period have been included in the Budget for the provision of loans in circumstances which were of such an uncertain nature that the Department was unable to determine what payments, if any, would be made. Your Committee finds this state of affairs to be wholly at variance with the principles

The Department of the Interior assumed responsibility for Northern Territory administration matters on 28 February 1968. The attention of the Department has been directed to the Committee's comments and to the principles of estimating as set out in the Treasury Minute on the Seventy-fifth Report, which was presented in the Ninety-first Report of the Committee.

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of estimating laid down by the Department of the Treasury and endorsed by Your Committee in its Reports in recent years.

DEPARTMENT OF WORKS

Furniture and Fittings-Department of Civil Aviation

600. Your Committee notes that on 28 February 1967, additional requirements in New South Wales, Victoria, Tasmania and Western Australia totalling \$128,000 were added to the approved programme and that accordingly \$70,000 was included in Appropriation Act (No. 3) to cover the estimated cost of these items. Of the shortfall of \$99,282 under this item, \$60,000 related to a failure to provide requirements mainly floor coverings, in new accommodation at Waverton, Sydney. The evidence shows, however, that when the Additional Estimates were being settled in March, the plans for two of the buildings concerned were still under consideration by the Public Service Inspector, Sydney, and that, in fact, his approval of the plans was not obtained until 16 May 1967. In addition, the Department of Civil Aviation notified the Department of Works in March of further changes in its requirements. In the circumstances as they were known, it is clear to Your Committee that the Department of

The Department of Works is aware of the need to ensure that its requests for amounts in Additional Estimates have a firm basis. The Department has advised that at the time estimated expenditure was being reviewed to determine requirements under Additional Estimates it was thought that the majority of the items making up the \$128,000 addition to the approved programme would be delivered and paid for in 1966-67; the subsequent delays in settling plans for two of the buildings could not have been foreseen when this review took place.

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Works was not justified in assuming that the necessary building work would be completed in time to allow the floor coverings and related requirements to be purchased and paid for in 1966-67.

601. In the case of requisitions received for 30 sets of household furniture for residences occupied by the Department of Civil Aviation personnel in remote localities in Western Australia, it appears that a change in requirements by that Department as to the delivery point for the furniture and a misunderstanding that arose between that Department and the Department of Works resulted in a shortfall of \$15,000 in expenditure.

602. Your Committee believes that the circumstances involved with the Onkleigh building, the non-delivery of furniture in Perth from Adelaide and delays that occurred in furniture deliveries in the Northern Territory were beyond the control of the Department.

603. In the case of the water coolers required at Madang, it appears that the order for new coolers might have been cancelled prematurely thereby giving rise to an unnecessary shortfall in expenditure.

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Furniture and Fittings-Department of Immigration

611. It appears to Your Committee that the Department was not justified in seeking further funds in the Additional Estimates for this item on the basis of new additions to the approved programme without also examining carefully the expenditure that had occurred under the item and prospective expenditure in regard to projects for which funds had been provided in the Original Estimates. In the case of the bulk requisition for \$2,000 Your Committee is concerned by the fact that it was not discovered until after the close of the financial year 1966-67 that two requisitions lodged in the final days of the financial year 1965-66 had been carried forward into 1966-67, and authorised against the bulk provision. Circumstances of this nature reflect a need for improved financial control.

Repairs and Maintenance-Department of Territories

617. While your Committee appreciates the circumstances surrounding the partitioning work at Aviation House, Melbourne, we believe that, based on its experience of the problems of processing claims the Department was not justified in seeking a further \$500 in the Additional Estimates.

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Buildings, Works, Fittings and Furniture - Department of Air
Victoria

628. In regard to the provision of sleeping quarters at R.A.A.F. Tottenham, it appears to Your Committee that funds were sought for inclusion in the original Estimates based on a departmental assessment of likely cost and prior to the closing of tenders for the project. In view of the **problems and delays** that **occurred following the closing of tenders** it appears clear that funds for this project were sought prematurely.

It is normal practice for the Department of Works to make provision in the Original Estimates for estimated expenditure on both works in progress at the commencement of the financial year and on works to be commenced in the financial year based on tenders being called on the nominated target date. The Department of Works considers that this practice is in accordance with the accepted principles of estimating and is the only practicable way of making a realistic assessment of the sum expected to be spent in the financial year. The Treasury concurs.

Queensland

652. It appears to Your Committee that the shortfalls that occurred in expenditure in respect of electrical reticulation; run-up revetments; the F-111 workshop; the air crew simulator building; the central battery station; facilities for the 144 mobile control and reporting unit, and the provision of engineering services, were beyond the control of the Departments concerned. The evidence shows, however, that although the relocation of temporary premises, the extensions to the emergency powerhouse, and the electroplating shop were duly included

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in the Works Programme financial provision for those projects was made prematurely in the original Estimates for 1966-67.

653. In respect of the electronic systems workshops it appears that a delay in the invitation of tenders was due to the lack of adequate guidance supplied to the Department of Works by the Department of Air in respect of design requirements. Your Committee appreciates the nature of the problems associated with rapid technical change which confronts the Department of Air in this area and of its work and the need to include the workshops in the Works Programme to accommodate the phasing in of aircraft. At the same time, however, we would emphasise the need for caution in seeking funds for inclusion in the Original Estimates for projects which are known from experience to be subject to technical changes of the type that occurred. We believe that these remarks apply similarly to the case of the F-111 maintenance hangar.

Western Australia

668 Your Committee finds that the shortfall in expenditure at Cocos Island was beyond the control of the Department. However, part

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of the shortfall arose from the inability of the Department of Civil Aviation to determine final cost for a component of the project, due to the conversion of its costing system to automatic processing. We believe that departments engaged in conversions of this nature should ensure, wherever possible, that the rendition of accounts is not delayed during the process.

669. In regard to the provision of facilities at R.A.A.F. Pearce, the evidence shows that the shortfall in expenditure relative to jet trainers was beyond the control of the Department. In the case of sleeping quarters and cadets' accommodation it appears that errors and omissions made by a private consulting firm in the documentation of these projects caused a delay in the commencement of the work concerned and a consequent shortfall in expenditure. On the admission of the witness, however, it is clear that these errors and omissions should have been detected by the department of Works during its check of the documentation. The evidence also shows that the basic planning of the administrative and training facilities at Pearce was inadequate and that consequently funds were sought prematurely for this project in the original Appropriation.

The Department of Works does not make a 100 per cent check of consultants' documents. Consultants are paid full fees in accordance with the fee scale of the Institute concerned and the Department insists that they accept full responsibility for ensuring that their documents are accurate and correct. When additional cost to the Commonwealth occurs due to errors in consultants' work and this can be proved, action is taken to recover costs from the consultant.

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670. Your Committee notes that the concrete hardstands and refuelling facilities at R.A.A.F. Pearce was included in the Works Programme for 1966-67 before details of the work required were submitted to the Department of Works and that a failure by the Department of Air to determine a new policy on fuel storage requirements resulted in this project being carried forward in its entirety into the 1967-68 Works Programme. In the circumstances the provision of funds for this work in 1966-67 was premature.

671. In the case of the satellite airfield project at Gin Gin it appears that tenders were invited in October 1966 for Stage 1 but some five months later, in March 1967, the Department of Works suggested a more appropriate standard of Kangaroo-proof boundary fencing. This delayed Stage 1 of the project and caused a shortfall in expenditure. The circumstances of this case reflect a clear need for changes of this nature to be resolved prior to the invitation of tenders. Not only do changes of this nature delay the completion of the work and give rise to the likelihood that the funds provided will not be required in the financial year concerned, but they can also prove expensive and time-consuming to tenderers. In the case

New Works programming procedures introduced on 11 October 1968, ensure that items are not admitted to an approved works programme until the Department of Works can certify that it has sufficient information to proceed with design and has prepared a preliminary estimate.

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of Stage 2 of the project which related to the runway itself, the evidence shows that a delay occurred when the Department of the Interior was unable to complete a survey in the area until December 1966 which it had been expected would be completed in the previous July. The resulting shortfall in expenditure on the project amounted to \$60,000. In the circumstances Your Committee finds a need for closer liaison between the Departments concerned.

Northern Territory

692. Your Committee finds that the delay associated with lighting and starting power outlets on the project relating to materials for work at R.A.A.F. Darwin was occasioned by a change made in its requirements by the Department of Air. The possible need for this change had been under consideration for some time prior to 1966-67 and we consider that the Department of Works should have been advised of the uncertainty that existed when the original Estimates for 1966-67 were under consideration. In the case of the Base Operations Building at Darwin it appears that a change in requirements of the Department of Air was notified to the Department of Works after tenders

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had closed. On the basis of the evidence it also appears that the Department of Air did not examine adequately the implications in this change and as a result a complete re-designing of air-conditioning equipment and electrical services was required, thus delaying the project and giving rise to a shortfall of £80,000 in expenditure.

693. In regard to materials for works and camp development at Tindal it appears to Your Committee that the Department of Works had over-estimated the requirements of materials. Your Committee believes that if such estimates cannot be made realistically, the Department should recognise this fact and approach its request for funds cautiously.

694. In the cases of the supply of transportable houses and the provision of bare strip facilities at Tindal, the evidence shows that funds should not have been sought in the original Estimates as it was not clear, at that time, as to what payments, if any, would be required in 1966-67. In regard to airfield lighting at Tindal, the evidence shows that the project was programmed on the basis that the Department of Civil Aviation would formulate the

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design and prepare the estimate in time for tenders to be invited in November 1966. In fact, however, the design and estimate were not submitted to the Department of Works until May 1967. In cases of this type Your Committee believes that the Department of Works should exercise considerable caution in seeking funds, particularly in the original Estimates, but also in the Additional Estimates.

Capital Works and Services—Buildings and Works
Department of Territories

700. Your Committee accepts the Department's explanation.

GENERAL

701. In recent years Your Committee has paid particular attention to the Estimates and related expenditure of the various departments. As a poor standard of estimating has wide ramifications, it has been not only excess spending which has attracted our criticism but also the over-provision of funds. Such over-provisions have been highlighted as undesirable, misleading and, perhaps, unfair to other Departments whose financial needs might not have been met fully.

702. In its Sixty-fourth Report, Your Committee expressed the view that this type of investigation may,

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in future, produce even more positive results if a smaller representative sample of unsatisfactory estimating is selected for investigation purposes and that, perhaps a more concentrated inquiry would achieve the results which successive Committee's have sought - thus establishing in fact remedial action over a much larger area of the total estimates than that subjected to oral examination. In respect of that year Your Committee selected twenty items for further examination compared with sixty-four items selected in respect of the previous financial year. In regard to the financial year 1966-67, however, Your Committee saw a need to widen the coverage of departments, some of which might otherwise not be examined orally for several years, and to ensure also that it examined a range of items and matters adequate to its purpose.

703. As this Report shows, there are explanations for expenditure variations from the estimates which, due to unforeseen circumstances or other factors, are acceptable. In this Report, however, we have found it necessary in many cases, to comment on examples of unsatisfactory estimating or unsatisfactory administrative performances by departments which

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have resulted in shortfalls in
expenditure.

704. The evidence taken in this Inquiry shows cases where departments have sought funds prematurely in the original Appropriations, either because they have disregarded their own experience in the areas of activity where expenditure is to occur or because they have applied for funds without a reasonably clear appreciation of the expenditure which might be involved. In other cases, departments have accepted at face value estimates supplied to them by other departments and authorities. In regard to this category Your Committee would emphasise that only in the most estimating circumstances would it be prepared to accept that a department seeking funds for a vote under its administrative control should be absolved of all responsibility in regard to the amount sought. The evidence also shows instances where funds have been requested as a provision to meet a possible eventuality which has not materialised. In these circumstances Your Committee would again set down for the guidance of departments the following principles relating to estimating which have been formulated by the Department of the Treasury, and endorsed by Your Committee in its Reports:

- (a) Each individual estimate is to 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.
- (b) Estimates should not include amounts for proposals which are so far from firm that it is not possible to know what payments, if any, will be made.
- (c) Where an item is for a type of recurring expense (e.g. office services, travelling expenses) it is appropriate to budget on the basis of experience; wisely evaluated.
- (d) Estimates for supplies and services are to be based on current costs—in no circumstances is any provision or margin to be included for possible rises in costs; and
- (e) All continuing expenditure in particular shall be closely examined in order to eliminate items which are no longer required.

705. A further matter to which Your Committee would draw attention is the incidence of clerical errors revealed in evidence, and the fact that in many cases they have not been detected until after the close of the financial year. We would emphasise that while clerical errors can be made easily, their consequences can be serious. Accordingly, we believe that departments must ensure that clerical errors

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are kept to a minimum and that when they occur they are detected quickly and corrected.

706. As in the case of our Inquiry into the Consolidated Revenue Fund for the financial year 1965-66 we would again draw particular attention to the failure of some departments to pursue claims for settlement vigorously. We would reiterate that where departments find that accounts for payment are not being rendered promptly by their creditors, they have a direct responsibility to ensure that they take positive action in order that such accounts are obtained for settlement within the financial year concerned.

707. Your Committee would also draw particular attention to the need for the Central Offices of departments to satisfy themselves completely in regard to estimates formulated by their regional offices and overseas posts and to obtain from those offices and posts, appropriate material in support of such estimates to enable the Central Offices to perform their review functions at a high standard.

708. Finally, Your Committee would refer to the matter of recoverable

The Committee has made several references in this Report to insufficient effort by departments to obtain claims for payment in the financial year for which funds have been provided. Similar references were made by the Committee in its Eighty-fourth Report and Treasury's views on the policy to be followed in relation to seeking out creditors were contained in the Treasury Minute on that Report, which was presented as the One Hundred and thirtieth Report of the Committee. In that Report the Committee expressed agreement with the Treasury views on this matter.

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expenditure. By its nature expenditure of this type is cancelled out in the overall Budget to the extent that recoveries are made in the financial year in which expenditure occurs. Not all recoveries, however, can be achieved in the year of expenditure and therefore, in any given year, recoverable expenditure can affect the budget. Your Committee believes that departments have a responsibility to formulate estimates for such items with the same degree of care and to pursue claims relative to such items with the same degree of force that they are required to apply to other items under their administrative control.

For and on behalf of the Committee,

David Reid

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

9 March, 1972

B.W. Graham

B.W. GRAHAM,
Chairman

B.W. Graham