

**JOINT COMMITTEE OF PUBLIC ACCOUNTS**

**ONE HUNDRED AND FORTY-THIRD  
REPORT**

**TREASURY MINUTES ON THE  
ONE HUNDRED AND TWENTY-FIRST,  
ONE HUNDRED AND TWENTY-SEVENTH AND  
ONE HUNDRED AND THIRTY-FOURTH REPORTS  
TOGETHER WITH A  
SUMMARY OF THOSE REPORTS**

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*Presented pursuant to Statute and  
ordered to be printed 24 May 1973*

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THE GOVERNMENT PRINTER OF AUSTRALIA  
CANBERRA: 1974

## JOINT COMMITTEE OF PUBLIC ACCOUNTS

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*The Senate appointed its members on 8 March 1973 and the House of Representatives appointed its members on 1 March 1973*

## 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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## CHAPTER 1. INTRODUCTION

In its Seventy-ninth Report dated 10 March 1966<sup>1</sup> the Committee set out in detail the basis of the Treasury Minute arrangements which have been made to ensure that appropriate action ensues from comments contained in our Reports.

As they now stand, the arrangements concerned are:

- (1) The Report of the Committee is tabled by the Chairman in the House of Representatives and by a Member of the Committee in the Senate. Motions are moved in both Houses of the Parliament that the report be printed as a Parliamentary Paper.
- (2) The Chairman of the Committee thereafter forwards a copy of the Report to the Department affected and to the Treasurer with a request that he give the Report his consideration and inform the Chairman of the action taken to deal with the Committee's comments.
- (3) The reply received, which is in the form of a Treasury Minute, is then examined by the Committee and, together with the conclusions of the Report to which it relates, is submitted as soon as possible to the Parliament as a Report.
- (4) When during its examination of a Treasury Minute the Committee finds that there are recommendations not fully dealt with or which are subject to a further Minute, it holds an exploratory discussion with officers of the Department of the Treasury prior to the submission of the Minute to the Parliament.
- (5) In reporting a Treasury Minute to the Parliament, the Committee does not usually make any comment on the Minute other than to note recommendations not fully dealt with or subject to a further Minute. In special cases where comment is thought to be necessary, however, the Committee makes it.
- (6) The Committee reviews a Treasury Minute, if necessary, when it again examines the department concerned.
- (7) The Department of the Treasury furnishes the Committee with a half-yearly report on outstanding Treasury Minutes, indicating the progress made in dealing with the Committee's comments.

<sup>1</sup>P.P. No. 275 of 1964-65-66

## CHAPTER 2. TREASURY MINUTE ON THE ONE HUNDRED AND TWENTY-FIRST REPORT RELATING TO THE DEPARTMENT OF SHIPPING AND TRANSPORT (NOW THE DEPARTMENT OF TRANSPORT)

*Committee's Conclusions*  
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(1 September 1970)

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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 the officers concerned.

389. The evidence tendered in Your Committee's inquiry shows that, while the Commonwealth has been concerned with marine, ship-building, rail and road transport for many years, it was not until 1951 that the Department of Shipping and Transport, charged with the administration of these functions, was created in its present name.

### *Transfer of Central Office to Canberra*

390. During the course of our inquiry in mid-1969, a major re-organisation took place in the central office of the Department located in Melbourne. The re-organisation resulted in the transfer of some senior officers to Canberra and involved a re-grouping of certain of the Department's main functions, strengthening of its top structure and the establishment of a policy group of fifty positions in Canberra. The transfer of the remainder of the Department's Central Office is not envisaged before 1973-74. Regarding the transfer of positions to Canberra in 1969-70, the admission was made in evidence that difficulties could arise in communication between the Canberra and Melbourne-based sections of the Branches of the administration concerned and that it is essential that the officers of both groups within each of the branches, work along lines desired by the appropriate Assistant Secretaries. On the basis of its experience, Your Committee acknowledges the difficulties that

The Department has stated that the division of its Central Office between Melbourne and Canberra has been largely confined to the Policy Divisions and enables the shorter term policy considerations and Parliamentary advisings to be handled expeditiously in Canberra. Longer term policy planning and continuous tasks continue to be dealt with in the Melbourne Office. In this area there has been no staffing duplication nor is any likely. A small administrative servicing group is also established in Canberra which to some extent duplicates at lower levels the Melbourne staffing but this group also services the Bureau of Transport Economics.

The Department has advised that some increase in executive travel and communications costs has occurred, but both types of cost are kept under close surveillance. The Department maintains that had the Policy Division been established in Melbourne, increases in travel and communication costs would have been equally inevitable. The Department considers that the gain in effective operation outweighs any cost increases.



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could arise in this area. Every effort must be made to ensure that the efficiency of the Department is not impaired due to the geographical division of the Central Office between Canberra and Melbourne. (Paras 66 to 74.)

391. Your Committee is concerned that such a physical division of central control could result in a series of duplications of positions at many levels, a heavy cost arising from necessary departmental executive travel and added expenses arising from the need for constant communication between the two sections of the Central Office, all of which potential costs and expenses could have been avoided had it been decided to transfer the Central Office to Canberra in a single move. (Paras 66 to 74)

392. In examining the legislation administered by the Department we found that penalties imposed under the Navigation Act, ranging from fines on seamen to those on ships putting to sea without certificates, and similar matters, have remained in the Act virtually unchanged for many years. In addition, the Act prescribes fines relating to matters which are no longer appropriate. We note that while the Department has been working in conjunction with the Parliamentary Counsel's staff for some time in an effort to bring the penalties under the Navigation Act into line with current needs, little progress has been made with this work. (Paras 8 to 15)

393. Arising from the manner in which some of the Regulations made under the Navigation Act have been framed and the way in which cases have been presented by the Department and the Deputy Crown Solicitor, the Courts have experienced difficulty in deciding some cases where prosecutions have been launched. (Paras 8 to 15)

394. While Your Committee notes that a system of priorities has been developed by the Department to revise these Regulations, we believe that the existing inadequacies in

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(5 April 1973)

The resumed programme for transfer of departmental Central Offices to Canberra authorises the Department of Shipping and Transport to transfer 135 positions from Melbourne to Canberra during 1973-74 and a further 200 positions during 1974-75, which will centralise most of the Department's Central Office establishment in Canberra.

*The Navigation Act*

The Department considers it important that penalties under the Act should be reviewed together to ensure that the existing relativity between them is retained and that injustices are not introduced into the legislation. Some penalties not dependent on relativity have been adjusted since the Committee's hearings. The Department has advised that it intends to revise all prescribed penalties to bring them into line with current needs after the revision of the Navigation Act, which is presently being carried out by a former First Assistant Secretary of the Department working as a special consultant, has been completed.

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the Act and the Regulations point strongly to an urgent need for revision of this legislation. It is also clear from the evidence that there is a need for Regulations made under the Navigation Act to be reviewed on a continuous basis. (Paras 8 to 15)

395. Organisation and methods review work within the Department was examined closely by Your Committee. The evidence shows that the Inspection Sub-section of the Establishments Section of the Department has maintained a far-reaching programme since its creation in 1965. (Paras 94 to 103)

396. However, such review work undertaken jointly by Officers of the Public Service Board and the Department prior to 1965 and the work undertaken by the Department's Inspection Sub-section during its first two years of operation reflect inadequacies in the Department's administration, some of which could well have existed for several years. (Paras 94 to 103)

397. We note that, in 1966, an investigation was undertaken to determine an alternative facility for the retention and referral of information contained on cards comprising the Central Register of Seamen employed in coastal shipping. Microfilm was adopted as a storage facility and a reader printer was acquired for referral purposes. We commend this action. However, the microfilm was, and evidently remains, stored in a small drawer in the Central Office of the Department. Your Committee expects the Department to take steps to ensure that storage arrangements for such microfilm are adequate to prevent its destruction by fire, particularly as the microfilm facility has since been extended for use in the storage of business papers, minutes of meetings and records of the Australian Transport Advisory Council and Associated Committees. (Para. 98)

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(5 April 1973)

*Organisation and Methods*

Organisation and Methods review work since 1965 has been directed to remedy weaknesses then apparent in the Department's administration. This is a continuing task. In 1971 the Public Service Board approved a re-organisation of the Department's Management Services Branch, including the establishment of a Methods sub-Section and an Organisation sub-Section. Since early 1972 the new positions have been staffed, enabling the Department to undertake more effective work programmes in these areas.

*Microfilm Storage*

The Department has explained that it has always been the practice to store the original of all microfilm records with the Commonwealth Archives Office from which copies can be obtained if necessary. One copy for departmental use is retained in a fire proof cabinet for daily reference.



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*One Hundred and Twenty-first Report*  
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*Internal Audit*

398. The evidence relating to Internal Audit in the Department shows that prior to 1966 this area of administration was unsatisfactory. Although some improvements were made in that year it was not until 1968, following a review by the Public Service Board into internal audit in all departments, that this function was placed on a satisfactory basis. (Paras 119 to 134)

The Department agrees that prior to 1966 the area of administration relating to internal audit was unsatisfactory. Following the general review of internal audit and the subsequent staffing of the new organisation approved for the Department, revised programmes were approved and are in the course of progressive implementation. Regular audits are programmed covering all establishments and regular reports are submitted to management. The effectiveness of internal audit is being kept under close scrutiny by top management.

399. We were pleased to note that, following his appointment in March 1969, the Inspector (Internal Audit) has engaged in the preparation of current audit procedures for the Central and Regional Offices of the Department, which procedures include detailed programmes covering revenue, expenditure, supply, personnel and related functions of the Department. They also provide for regular audits of depots, stations and sub-stores located away from the capital cities. (Paras 119 to 134)

400. Your Committee notes the claim made in evidence that, when fully staffed, the Internal Audit Section should achieve a significant improvement in standards and procedures and a high level of effectiveness in operation. We also note the Department's assurances that care will be taken to ensure that the effectiveness of internal audit is kept under close scrutiny and that top management is provided with an adequate and efficient internal reporting service. In view of the importance of internal audit to efficient administration Your Committee would expect the Department to ensure that these claims and assurances are realised and that prompt action is taken to ensure the full staffing of this important Section. (Paras 119 to 134)

*Supply Function*

401. From its examination of the Department's control of stores and assets Your Committee is disturbed by the unsatisfactory situation that has existed for many years. The system that had developed in the

The Department has advised that the process of developing and refining the supply functions and procedures is continuing and as a result a simplified but more effective method of stores accounting has been

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(5 April 1973)

Department was based on individual regional needs and significant differences had arisen between regions regarding the description of stores items. Difficulties in communication arose from confused descriptions. Unnecessary errors occurred in the results of stocktakes and in stores accounting. Stockholding became inefficient and considerable difficulty was experienced in establishing the value and extent of stores holdings. Under that system the Department held obsolete lighthouse stores purchased many years previously while its holdings of stores currently required were inadequate. Although as early as 1950 the Central Office had compiled and published a brief document relating to stores procedures for regional office use, Your Committee notes with concern that the document was not republished although some minor changes were made to the original document on several occasions. (Paras 135 to 168)

402. Another disturbing feature of the Department's early stores arrangement is that it was not until late in 1962 that the need for a revised supply system became apparent. A further three years elapsed during which the supply system was reviewed and redesigned. Even as recently as mid-1969 the Department was still engaged in implementing its new supply system. Your Committee believes that the state of affairs obtaining in the Department's stores arrangements in recent years should not have been permitted to arise but, having arisen, should have been detected and rectified promptly. (Paras 135 to 168)

403. Your Committee notes the claim made in evidence that from the view-point of higher management, the new stores arrangement, when fully operational, should provide:

- (1) control date which it has not had in the past,
- (2) improved staff efficiency resulting from uniformity of working procedures and practices,
- (3) more effective use of available funds, and
- (4) adequate safeguards against the misuse of stores.

approved and has been implemented in the Department's establishments in all States.

All storehouses have been upgraded by the provision of more adequate storage and handling facilities, which have assisted in supervision and control of stores. The number of items held in each store has been critically examined and reduced to a satisfactory level. Improvement in staff efficiency, more effective use of funds, together with more detailed supervision of stores transactions and usage are now evident.



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In view of the Department's history in this area of administration Your Committee trusts that these claims will be substantiated without delay. (Paras 135 to 168)

*Telephone Facilities*

404. Our examination of the Department's control of telephone facilities shows that the methods employed and problems experienced are consistent with those of the departments examined in connection with our One Hundred and Seventh Report relating to Subscriber Trunk Dialling Facilities (S.T.D.). Your Committee is concerned by the fact that witnesses representing the Department of Shipping and Transport were unable to discover any record of staff instructions relating to telephone usage having been issued by the Department prior to October 1965. Your Committee notes, however, that while the Department had issued a staff instruction in October of that year, relating to the control of telephone facilities in the context of subscriber trunk dialling, this instruction and subsequent instructions issued in connection with telephone usage made no reference to the unauthorised use of telephones for local calls or the improper use of telephones before or after office hours or during luncheon recesses. As the improper use of telephones can prove costly, Your Committee considers that the Department should issue an appropriate staff instruction covering the use of telephones for use in all circumstances. (Paras 169 to 184)

The Department has issued an appropriate staff instruction covering the use of telephone and Subscriber Trunk Dialling facilities which refers to unauthorised usage, and usage before or after office hours or during luncheon recesses. The matter will remain under close attention.

*Recruitment of Professional and Technical Staff*

405. The evidence shows that for some years the Department has experienced difficulty in the local recruitment of professional and technical staff for the Shipbuilding Division and the Lighthouse Services Section. While recruitment from overseas has assisted in the solution of these problems the Department has found it necessary to pay increasing attention to the provision of training facilities in Australia. For example, a position of trainee draftsman has existed in the Lighthouse Services Section of the Department since 1968 to ensure continuity of staffing. The occupant of the position is engaged in a Technical College course supplemented by

Approval was given by the Public Service Board in 1971 to the creation of additional positions in the Department's staff training establishment. These positions have been filled and a full examination of technical and other training requirements has commenced and other areas of development within the Department's organisation are being explored. A programme of training is already under way.

The question of the establishment of a Nautical Academy has been under consideration in the Department for some time.

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"on-the-job" training in the detailed design of marine aids. More recently a new position of Trainee Engineer and five positions of Trainee Draftsman were added to the establishment of the Shipbuilding Division. It is proposed that these trainee draftsmen should undertake with Commonwealth assistance, appropriate Degree, Diploma or Certificate courses, supplemented by "on-the-job" training. Your Committee commends the Department on its efforts in this regard. It trusts that the provision of these positions will contribute to the solution of recruitment problems in the areas concerned and that the Department will be able to develop these training schemes further at the earliest opportunity. (Paras 221 to 280)

406. The evidence indicates that the facilities available in Australia for formal training of nautical and marine engineering officers, particularly to the level of "Extra" qualifications are inadequate. Following representations made by the Company of Master Mariners and similar organisations, the Department has reviewed these facilities. It has also considered the question of whether a nautical academy should be established in Australia or alternatively whether greater opportunities for higher qualifications should be provided in Universities. Any delays in solving these questions can only aggravate existing difficulties. Your Committee believes, therefore, that these unresolved questions should be examined promptly by all of the parties concerned, including tertiary education institutions. (Paras 260 to 262)

407. During our examination of the Department's revenue we noted that wide variations had occurred between estimated and actual miscellaneous revenue in most years between 1960-61 and 1969-70 and in some years actual miscellaneous revenue received reached significant levels. It appears from the evidence that the Department adopts the principle of according a separate classification to recurring items of revenue whose level is such as to warrant separate identification. However, Your Committee found that there were items of revenue sufficiently significant to warrant separate

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A working paper on training for work at sea was circulated to shipowners, unions, educational establishments and other interested parties in August 1971 to provide a basis for discussion of the whole subject, including the concept of a nautical college. Complete restructuring of the present system was advocated and a national training establishment was suggested. A series of meetings was held in 1972 between officers of the Department and representatives of educational establishments, shipowners and unions. The Australian Commission on Advanced Education has also commissioned a related study by management consultants into the feasibility of establishing a marine technology facility in Australia. The consultant's report has now been received and is being studied.

*Heads of Revenue*

The principle generally followed is that a separate head of revenue is provided for items of sufficient size or importance to warrant separate identification. Although these items are mostly of a recurring nature the principle would extend to significant non-recurring items provided a department obtained Treasury approval for the creation of the item. The Treasury does not consider that separate heads of revenue were justified for the items listed in the Committee's Report.



classification in the years in which they occurred notwithstanding their non-recurrent nature. In these circumstances we feel that the Department should re-examine the principle adopted in the identification of these revenue items. (Paras 306 to 308)

408. From our examination of the Department's expenditure we note that Section 86 of the Commonwealth Railways Act provides that the Commonwealth Railways Commissioner shall be entitled to reimbursement by the Treasury of the value of any pass over the railway issued by the Minister and the value of any special services ordered in connection with the railways by the Parliament or by the Minister. In view of the specific requirements under the Act that these reimbursements should be made by the Treasury, Your Committee would question whether it is proper for provisions for them to be made in a vote under the control of the Department of Shipping and Transport. (Paras 334 and 335)

409. A further matter to which we would refer, arising from our examination of the Department's expenditure, relates to shortfalls that occurred in expenditure particularly in 1967-68 and 1968-69 under the Railway Standardisation (South Australia) Agreement and in 1968-69 under the Railway Agreement (Western Australia). We note the argument put forward by the Department that, under the terms of an agreement ratified by the Commonwealth and State Parliaments, the Commonwealth is obliged to provide funds requested by these States to carry out works proposed within the period. Therefore, any adjustment to the estimates proposed by the Department of Shipping and Transport must be agreed with the State authorities concerned. (Paras 361 to 368)

#### *Commonwealth Railways Act*

The Attorney-General's Department was asked to advise the interpretation which should be placed on the words "by the Treasury" in section 86 of the *Commonwealth Railways Act* 1917-1968 and whether in the light of that interpretation it would be proper for reimbursement of the concessions mentioned in the section to be made to the Commonwealth Railways Commissioner from an appropriation of the Department of Shipping and Transport.

The Attorney-General's Department has advised that "having regard to the context, the words 'by the Treasury' in section 86 must be given the same meaning as the words 'from the Treasury of the Commonwealth' in section 83 of the Constitution. In that section it does not mean 'from the Department of the Treasury': it means 'the Treasury' in the broader sense. Accordingly, section 86 is not inconsistent with the relevant appropriations being made in respect of the Department of Shipping and Transport."

#### *Payments to the States*

Each year during the discussions preceding the formulation of the original Estimates, State authorities are reminded of the Commonwealth's requirements and undertakings as detailed in the Treasury Minute on the Seventy-fifth Report, which is referred to in paragraph 411 of this Report.

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410. In this regard we would invite attention to our examination of the Department of Shipping and Transport in 1965, in connection with substantial shortfalls that occurred in expenditure in 1964-65 under these Agreements. In our Report on that inquiry<sup>1</sup> we expressed the view in connection with expenditure under the Railway Agreement (Western Australia) that, in future, the amount to be provided initially each year should be limited to a more realistic level and that, in the event of the State's expenditure reaching this estimated level, additional funds should be made available either in the Additional Estimates or from the Advance to the Treasurer if the need for extra funds is not demonstrated in time for their inclusion in the Additional Estimates. (Paras 361 to 368)

411. In the subsequent Treasury Minute on that Report<sup>2</sup> we were informed that under the Railway Standardization (South Australia) Agreement Act 1949 and the Railway Agreement (Western Australia) Act 1961 the prime responsibility for the preparation of estimates rests with the States. It was indicated, however, that the Department would continue to impress upon the State authorities the Commonwealth's desire that the amounts included in the Commonwealth's Budget Estimates should be a realistic assessment of the amount that will need to be paid to the States in accordance with the Agreements in the financial year. The Treasury Minute added that, under the agreement ratified by the Parliament the Commonwealth is obliged to provide funds required to carry out certain work. The States would be informed when each year's estimates are being discussed that, should the best possible estimate that can be made at the time of formulation of the Commonwealth Budget prove later in the financial year to be insufficient, the Commonwealth will be prepared to seek in the Additional Estimates further amounts for payment to the States. (Paras 361 to 368)

<sup>1</sup>P.P. No. 249 of 1964-65

<sup>2</sup>P.P. No. 139 of 1967

412. While Your Committee agrees with the Department of Shipping and Transport that any adjustment which it proposes to the estimates relating to these Agreements must be agreed with the State Authorities concerned, we believe that when the Original Estimates are under consideration each year, those authorities should continue to be reminded of the availability of Additional Estimates within the Commonwealth financial framework. (Paras 361 to 368)

413. During our inquiry we were informed of the recent moves from within Australia to enter into international shipping. As these developments involved both the Department of Shipping and Transport and the Department of Trade and Industry we were told of the close liaison that has existed for some time between these two departments. In these circumstances we sought specific evidence from the Department of Trade and Industry regarding the factors that gave rise to a shipping organisation within its structure. (Paras 372 to 388)

414. We have related that evidence to work undertaken in recent years by the Transport Development Section of the Department of Shipping and Transport and to the re-organisation that occurred in that Department during our inquiry in mid-1969 involving the creation of a Transport Policy Division comprising a Land Transport Branch, a Sea Transport Branch and a Special Projects and Research Branch. (Paras 372 to 388)

*Functional Responsibilities — Departments of Shipping and Transport and Trade and Industry*

The Department of Shipping and Transport noted the points made by the Committee relating to the functional responsibilities of the Department and the Department of Trade and Industry. However, as these matters are considered by the Department to be questions which fall within the area of Government policy, the Department offered no comment.

In relation to the reference to cost effectiveness of transport generally, the Department considers that since the presentation of the Committee's Report the establishment and progressive staffing of the Bureau of Transport Economics is providing the means by which considerably more attention is being paid to cost/benefit type transport studies.

As indicated in the Administrative Arrangements Order dated 20 December 1972, the functions which were the responsibility of the Exports Transportation Branch of the former Department of Trade and Industry have been transferred to the renamed Department of Transport.



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*One Hundred and Twenty-first Report*  
(1 September 1970)

*Treasury Minute*  
(5 April 1973)

415. It appears that the creation of the present Exports Transportation Branch within the Department of Trade and Industry was due partly to the introduction of container shipping and its direct inter-relation with land transport operations as well as the special problems that could arise for certain commodities in a changeover from conventional shipping to container operations. (Paras 372 to 388)

416. Your Committee believes that, in view of its new organisation which implies a strong policy connotation, the Department of Shipping and Transport should move to a greater extent into the field of co-ordination of transport and transport developments and should provide greater assistance in the development of policies to ensure maximum efficiency of transport at minimum cost. (Paras 372 to 388)

417. Your Committee also believes that as part of that development and to avoid possible duplication of professional and technical effort, the Department of Shipping and Transport could now assume direct responsibility for some functions which, in recent years, have been undertaken by the Exports Transportation Branch of the Department of Trade and Industry. At the same time Your Committee is mindful of the need for both of these departments and other departments concerned with aspects of transport and the promotion of exports to continue to work closely together in areas of mutual interest. Your Committee believes that if these objectives are realised a considerable saving could be achieved in the public interest. (Paras 372 to 388)

# CHAPTER 3. TREASURY MINUTE ON THE ONE HUNDRED AND TWENTY-SEVENTH REPORT RELATING TO THE AUDITOR-GENERAL'S REPORT 1969-70

*Committee's Conclusions*  
*One Hundred and Twenty-seventh Report*  
(7 April 1971)

*Treasury Minute*  
(10 April 1973)

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

## DEPARTMENT OF EDUCATION AND SCIENCE

### *Fire at Lyneham Primary School*

30. In considering the evidence tendered on this matter Your Committee is disturbed by the fact that neither the Department of the Interior nor the Department of Education and Science recognises an ownership responsibility on behalf of the Commonwealth for school buildings in the Australian Capital Territory.

31. It is clear from the remarks made by Observers that under Treasury Direction 32/53 the Property Branch of the Department of the Interior is required to maintain a register of all land acquired by the Commonwealth showing cost, title particulars and descriptions. Commonwealth owned buildings in the States used jointly by a number of Departments, and Commonwealth buildings in the A.C.T. except Government House, Parliament House and Buildings used exclusively for postal purposes are required to be recorded only by the Department of the Interior.

32. It appears that in 1969 the Department of the Treasury agreed that special purpose buildings other than those presently referred to in Treasury Direction 32/53 could be controlled by the Departments occupying them and that where the Departments concerned do not hold a satisfactory record, the Department of the Interior should negotiate a transfer of its records to them. At the time of our inquiry in October 1970 these negotiations between the Department of the Treasury and the Department of the Interior had not been concluded. Moreover,

The Department of the Interior agreed that there should be proper documentation associated with the transfer of keys for new school buildings to the Department of Education and Science.

Agreement has been reached between the Department of Education and Science, the Department of the Interior and the Treasury that all school buildings in the A.C.T. should be regarded as "special purpose buildings" and that responsibility for maintaining asset registers for those buildings should rest with the Department of Education and Science. The Department of Education has advised that it has now completed asset registers for all schools in the A.C.T.

Amendments to Treasury Direction 32/53 to give effect to the new arrangements have been drafted and will be issued as soon as the overall review of section 32 of the Treasury Directions concerning stores accounting procedures, which is now taking place, is completed.

Installation of thermal fire protection services in two existing A.C.T. primary schools has been completed and installation of similar systems in two others is programmed for completion during the 1972-73 financial year. A priority order for progressive installation in other existing schools is being arranged by the National Capital Development Commission through the Department of Works.

*Committee's Conclusions*  
*One Hundred and Twenty-seventh Report*  
(7 April 1971)

*Treasury Minute*  
(10 April 1973)

the evidence shows that, at that time, the assets register of the Department of Education and Science did not include land and buildings.

33. In these circumstances Your Committee believes that school buildings in the A.C.T. are presently the property responsibility of the Department of the Interior and not that of the Department of Education and Science. From this it follows that the schools concerned should be listed on the Assets Register of the Department of the Interior. It also follows that advice to the Commonwealth Fire Board regarding the value of damage to the Lynham Primary School building occasioned by the fire that occurred there in June 1969 is a matter for the Department of the Interior.

34. The evidence also shows that subsequent to the creation of the Department of Education and Science, the Education Branch of the Department of the Interior was transferred, together with its relevant files, to the new Department. Your Committee believes that, consistent with the intention of Treasury Direction 32/53, the Department of the Interior should have ensured that it retained details of the school buildings on its Assets Register when that transfer took place.

35. In relation to the foregoing matters Your Committee has considered also the processes involved in making new school buildings available to the Department of Education and Science subsequent to the assumption of the education function by that Department. In this process a handover certificate is supplied by the National Capital Development Commission to the Department of the Interior as the Commission's client on behalf of the Commonwealth. These certificates bear a notation that the keys of the building have been handed over to the Department of Education and Science but no documentation evidently accompanies the handing over of the keys to that Department. Your Committee considers that proper documentation should be associated with this transfer of keys. This should include an acknowledgment by the Department of Education and Science that the keys have

The National Capital Development Commission and the Department of Education are engaged on a feasibility study to determine the most efficient and economical burglar alarm system which could be built into existing educational buildings and introduced into the standards for future buildings.

The Department of Education and Science was one of the departments abolished on 19 December 1972 and matters referred to above are now being handled by the newly established Department of Education.



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been received. To this we would add that in our view the transference of keys between departments merely acknowledges a right of occupancy but does not necessarily convey the transfer of property responsibility. For this reason Your Committee believes that all schools in the A.C.T. that have been constructed subsequent to the transfer of the Education Branch of the Department of the Interior to the Department of Education and Science should presently be included on the Assets Register of the Department of the Interior. In this regard and also in connection with the earlier transfer of education functions to the Department of Education and Science Your Committee agrees with the views expressed by the Audit Observer, Mr Ragless, that the onus would be on the Department of the Interior to ensure that the Department of Education and Science had adequate asset records before it could shed its own responsibility under the Treasury Directions.

36. From the evidence tendered it is clear that the Department of the Interior is not at present justified in regarding schools in the A.C.T. as being special purpose buildings in terms of the Treasury Directions. Your Committee believes that if it is the wish of that Department to have those buildings so classified it should complete its present negotiations with the Department of the Treasury as soon as possible. When agreement has been reached between these two Departments, Your Committee would expect the Department of the Treasury to amend Treasury Direction 32/53 without delay so as to give effect to the new arrangements.

37. Arising from the evidence we also note that while thermal fire alarm systems have been installed in secondary schools in the A.C.T. they have not in the past been installed in primary schools. While possible reasons for this difference in policy were suggested by witnesses, no firm reason for this difference could be adduced. Your Committee believes that such systems should have been installed in primary schools erected in the past. We are reinforced in this view by the fact that current policy on this point provides for thermal fire

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alarm systems to be installed in existing primary schools and in such schools to be built in the future. On this point we would observe that the evidence shows that the installation of such systems in existing schools will prove to be much more costly than would have been the case had it occurred during the construction of the buildings.

38. Allied to the matter of thermal alarm systems Your Committee also notes that burglar alarm systems have not been installed in schools in the A.C.T. The evidence indicates that the Department of Education and Science has recently examined the possibilities of improving its existing methods of minimising vandalism. Your Committee is surprised to learn from the witness representing that Department that most of the methods that had been suggested in this connection would prove more costly than the cost of damage attributed to vandalism. In this regard we note that the fire that occurred at the Lyneham Primary School was apparently lit by a petty thief who had entered the building. Your Committee is strongly of the opinion that the Department of Education and Science should continue to regard the question of vandalism as a major issue and should pursue its investigations into burglar alarm systems for all Government owned schools in the A.C.T. as a matter of urgency.

DEPARTMENT OF SOCIAL SERVICES

*Fraudulent Issue and Negotiation of Cheques*

76. The evidence shows that the fraud perpetrated over the years 1962 to 1969 by the then Registrar at the Department's regional office at Lithgow was carefully conceived and skilfully operated.

77. It appears that a significant factor in the fraud was issued by the Registrar in 1962 of a local office instruction to the effect that cheques were to be placed on his desk by 1 p.m. daily to enable him to verify the number of cheques issued and enveloped. The Regional Office Inspector for New South Wales had

The Department of Social Services advised that the procedure which required one initial on ledger cards applied at all Regional Offices and was not introduced by the Registrar at Lithgow as suggested in Paragraph 79. This procedure required the entry of dates, rate and the assessed amount for payment on the card by an assessor and the check and initialling of the entry by the approving officer. The Registrar had made all of these entries himself in carrying out the fraud and this was one of the factors which aroused suspicion.



examined this instruction at the time of its issue and had considered it to be desirable on the grounds that it would prevent more than one cheque being sealed and posted in one envelope. At the same time it was evidently recognised that the issue of the instruction was not consistent with procedures operating in Regional Offices generally.

78. Your Committee believes that the unusual nature of the instruction issued by the Registrar might well have prompted the Regional Office Inspector to consider the reasons why the need for such an instruction should have become necessary suddenly at only one Regional Office. Had the Inspector considered the instruction in that manner he might well have reflected on its full implications and may have seen the danger inherent in the procedure involved or alternatively, he might well have arranged for the instruction to be issued to other Regional Offices under his control.

79. The evidence also shows that, apart from the issue of the instruction referred to, the Registrar interfered in the prescribed division of duties within the office, ostensibly to promote efficiency. Other weaknesses in the system included the fact that ledger card entries bore the initials only of the approving officer and prepared cheques were permitted to enter the control of an officer who had, in fact, approved payments. These weaknesses appear to have been introduced into the system by the Registrar and to have had the effect of neutralising precautionary measures.

80. It appears that, as is the case in all Regional Offices, regular administrative and internal audit inspections were carried out at Lithgow by officers from the Department's State Headquarters during the period from July 1962 to February 1969. Your Committee must express some surprise and concern that these inspections did not, evidently, result in the detection of any of the weaknesses in the system referred to in evidence.

The Department advised that from 1969 internal audit practice was strengthened by the use of statistically oriented sampling procedures for all Regional Office audits. In addition, the internal audit establishment was reorganised to provide for officers with greater training and qualifications to be engaged on this work.

The Department of Social Services was one of the departments abolished on 19 December 1972. Regional Offices of the former Department of Social Services are now under the control of the Department of Social Security.

81. We are also disturbed to learn that the programme of the Regional Office Inspector was not designed, at that time, to detect fraud. Your Committee believes that internal control systems are ineffective unless they protect the resources of the department concerned from waste, fraud and inefficiency; ensure accuracy and reliability in accounting and operating data; secure compliance with policy and evaluate the level of performance within the Department.

82. Finally we would refer to the circumstances in which the fraud was detected and reported. The evidence shows clearly that the fraud was detected by a comparatively junior officer, who, in association with his immediate superiors, reported their discovery direct to the State Headquarters of the Department. As this action involved the submission of a report on their senior officer, the Registrar, it obviously required considerable courage. Your Committee believes that the officers concerned are to be commended for the action that they took in the circumstances.

#### DEPARTMENT OF WORKS

##### *Towers and Ancillary Works — Port Wakefield, South Australia*

145. It appears to Your Committee from evidence tendered that the ammunition testing facility required by the Department of the Navy at Port Wakefield was an unusual structure requiring that metal above ground was to be kept to a minimum and, if possible, dispensed with altogether. This specific requirement had evidently been emphasised by the Department of the Navy from the outset.

In retrospect the Department of Works agrees that the building of similar structures overseas should have been investigated during the planning and design stages of the Australian facility.

146. It also appears that when, in 1964, the Department of Works was conducting its initial investigation into the facility required by the Department of the Navy, it discovered reference material relating to the building of a similar structure in the United States of America prior to 1963. Also, when the Department was engaged in the preparation of the design for the Australian project it was aware of another somewhat similar timber tower installation located in

Britain and constructed during World War II. The evidence indicates, however, that it was not until as late as 1970 that the Department of Works discovered that construction problems had been encountered during the building of the American structure. Your Committee believes that the Department of Works should have investigated fully these structures during the planning and design stages of the Australian facility. Such an investigation might well have obviated many of the problems that were later encountered.

147. Much of the evidence tendered, particularly in relation to timber and lamination problems and problems connected with the preservative treatment of the timber selected suggests that the Department of Works was ill equipped, at that time, to meet the problems that were encountered.

148. So far as administrative arrangements within the Department of Works is concerned we note that for several years the Department has been pursuing an active policy of becoming associated with client departments, particularly during the early stages of consideration and concept of works proposals. The Department also considers it appropriate to undertake with or for the client department any of the basic feasibility studies required to determine the practicability, cost, economies and time-table for the project or for a significant element of it and, in effect, to produce a reasonably detailed brief from the client department's statement of essential operating requirements.

149. We also note that it is now an established policy of the Department to ensure that projects are planned and time-tabled in a comprehensive and logical manner using the most modern planning techniques from concept to completion of construction and handover and to ensure that as far as practicable all problems of significance and the development and execution of the work are identified before they become critical. It appears also that within the past three years, formal work review arrangements, beyond those already existing at the Central Office of the Department, have been introduced into each of the Department's



Regional Offices. These procedures are aimed at avoiding serious error in the development or construction of the works undertaken by branch offices.

150. In view of the circumstances reflected by the Port Wakefield Project Your Committee would commend the Department of Works for the policies it is in the process of implementing. Some of these, however, are of comparatively recent origin and we believe might well have been introduced sooner.

## AUSTRALIAN WOOL BOARD

### *Fire at Botany Stores*

171. The evidence shows that almost all of the stores owned by the Wool Board, including those destroyed or damaged by the fire at Botany in September 1969, were constructed early in World War II to meet wartime wool storage needs. The stores had been built on the most convenient sites and with materials available at the time. Some of them were clad with masonite and others with fibro-cement sheeting. Some stores had concrete floors but most had timber floors. None of the stores were regarded as long-life buildings when they were constructed and it appears from the evidence that their design is not appropriate for their present purposes.

172. Initially the stores were the property of the Commonwealth but they were transferred to the control of the Wool Bureau in 1954 and to the control of the Australian Wool Board in 1962.

173. The evidence shows clearly that the wool stores, as constructed, represent a high fire risk and this fact was recognised by the Australian Wool Board following its creation in 1962. At that stage progressive steps were taken to make the Wool Board's staff aware of the dangers and the care necessary to support existing fire protection devices. However, for financial reasons it was not until 1969, that the Board was able to develop an adequate plan for the redevelopment of the stores, including the installation of

The Department of Primary Industry has consulted the Australian Wool Board in providing comments on the conclusions of the Committee.

The Department has advised that almost half of the 332 stores transferred to the Australian Wool Bureau in 1954 were located on leasehold land. In many cases the land was held on short-term leases, permissive occupancy or other unsatisfactory forms of tenure including leases which stipulated that all buildings must be removed by the lessee upon termination. As leases expired, in many instances renewal was not granted and there was a continual loss of storage through forced sale or demolition. The Department considers that under these circumstances it would have clearly been out of the question to have undertaken a costly redevelopment programme embracing all the stores.

The Wool Bureau made considerable efforts to secure better tenure of the leasehold land on which the stores were erected which resulted in the number of its stores on freehold land increasing from 177 in 1954 to 211 in 1963. This policy was continued by the Australian Wool Board when it assumed control of the stores in May 1963, with the result that now practically all of the Board's stores are on freehold land or on land held under long lease.

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sprinkler and thermal fire alarm systems. As almost all of the stores had been constructed about twenty years prior to the creation of the Australian Wool Board, Your Committee believes that appropriate action to provide adequate fire protection facilities and to redevelop the stores so as to minimise the risk of fire should have been taken by the responsible authorities as soon as it became apparent that the stores would be required to meet long term post-war needs. While we are sympathetic regarding the problems inherited by the Wool Board, we also believe that, from its early appreciation of the fire risks involved, the Board should have regarded the large-scale redevelopment of the stores as a matter of considerable urgency. As matters stand at present it appears that the plans developed by the Board as late as 1969 will not be implemented fully before 1975. Your Committee regards the Board's current redevelopment plan as a matter requiring the most urgent attention particularly in view of the high fire risk presented by the nature of the stores and the fact that only fourteen of the two hundred and sixty-nine stores are equipped with sprinkler systems. Only twenty-two of them have thermal fire alarm systems.

174. Your Committee notes that arising partly from the consequences of the fire at Botany in 1969 the Australian Wool Board revised its lease and tenancy agreements in 1970 to ensure that the lessees will be solely liable for any loss, liability, claim or legal proceedings arising from any event which may occur on the premises and which might make void any insurance policy effected by the Board. These leases had been reviewed by the Deputy Crown Solicitor some five years previously. As nine stores had been lost by fire prior to the fire at Botany and as the Wool Board has been well aware since 1962 of the fire risks involved with the stores, Your Committee believes that the lease and tenancy agreements should have been appropriately amended many years earlier.

175. Your Committee also notes that prior to 1966, third party insurance cover amounted to \$100,000. This was increased to \$500,000 in that year. It was further

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The Department has advised that, as a result of Government action, in June 1972 the Loan Council approved the borrowing of funds totalling \$6 million for the redevelopment of wool stores held by the Australian Wool Board. A commercial loan has since been negotiated for the required funds, most of which will be applied to installing sprinkler systems in existing stores. Work on the redevelopment programme is well advanced.

The Department has explained that for many years the Board's predecessors and the Board itself placed a good deal of reliance on a standard lease document signed by tenants in which they acknowledged that their goods were stored at their own risk in all respects. Following the fire at the Botany stores, legal opinions differed on the question whether the document absolved the Board from liability for damage to the goods stored, although the contrary view eventually prevailed.

The Department has stated that with frequent changes in store tenants and in the value of the goods stored, the appropriate amount of third party cover for the stores has always been difficult to determine. When the Board raised this cover fivefold to \$500,000 in 1966 as part of a general review of stores insurance, there was nothing in the experience of the Board or its predecessors to suggest that this amount might not be adequate for some time to come. It was also the amount recommended by the Board's insurance brokers.



increased to \$1 million in December 1969, \$1.5 million in January 1970 and \$5 million in September 1970. The last mentioned increase arose from the Board's experience of the fire at Botany in September 1969. In view of the Board's stated policy that it should take the maximum commercial advantage from its ownership of the stores, subject to the rights of the Crown, Your Committee believes that the third party insurance cover should have been examined and adjusted prior to 1966. It also appears from the substantial variations that have been made to that cover subsequent to that year that the extent of third party insurance cover should be kept under regular and frequent surveillance.

#### THE RESPONSIBILITIES OF THE AUDITOR-GENERAL

195. Your Committee notes the substantial growth that has occurred in the volume, variety and complexity of the Audit function over the past ten years and the continuing action taken by the Auditor-General in relation to organisation and staffing in an endeavour to meet these developments effectively. It appears that, due mainly to the introduction of refined auditing techniques together with the use by the Auditor-General of his discretionary authority to dispense with detailed audits under the provisions of the Audit Act, this growth pattern has been associated with an increase of only 58 positions on the staff establishment of the Auditor-General's office over the period.

196. While recording its appreciation of this achievement Your Committee also notes that, notwithstanding assistance provided by the Public Service Board and organisational changes made to the staff structure of the Auditor-General's Office, the past ten years have also been characterised by a significant loss of trained and experienced audit staff. This has resulted in difficulties in relation to the maintenance of auditing objectives and procedures and the effective prosecution of the audit programme.

Salaries of Permanent Heads of Departments of the Public Service and holders of certain offices or appointments were reviewed and the new salaries scheduled in the *Remuneration and Allowances Act 1973*. Under that Act the salary of a Permanent Head of a Department of the Public Service is \$29,250 a year and that of the Auditor-General for the Commonwealth is \$25,000.

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197. We believe that the importance of the Audit function in the interests of the Parliament, the administration of the Government and the effective operation of Your Committee under the Public Accounts Committee Act cannot be overemphasised. Having regard to the experiences of the Auditor-General over the past ten years and the fact that further expansion in the scope and complexity of the Audit function is evidently in prospect, Your Committee believes that the resources available to the Auditor-General must be maintained at a level and quality which will enable that function to be discharged adequately and confidently.

198. Your Committee has been disturbed for some time by the fact that the status of the Auditor-General is currently below that of a number of First Division Officers of the Commonwealth Public Service. Your Committee believes that, in view of the importance of the audit function and its continuing growth and complexity, this situation places the Auditor-General at an organisational disadvantage in the exercise of his onerous responsibilities. Accordingly, we believe that, as a matter of principle, the status of the Auditor-General should be reviewed.

## CHAPTER 4. TREASURY MINUTE ON THE ONE HUNDRED AND THIRTY-FOURTH REPORT RELATING TO EXPENDITURE FROM THE CONSOLIDATED REVENUE FUND (APPROPRIATION ACTS 1970-71)

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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 the officers concerned.

### DEPARTMENT OF CIVIL AVIATION

#### *Development of Civil Aviation — Air Services Subsidies*

15. It appears to the Committee that the under-expenditure of \$70,000 on this Item arose from the subsidy requirements for developmental air service operators. The under-expenditure was due mainly to difficulties associated with the accurate estimation of the subsidy requirements for T.A.A., Ansett Airlines and Ansett Flying Boat Services. In this regard the Committee notes that prior to the actual investigations of the financial results of the operator's services and the precise assessment of the subsidy needs, the Department relies largely on impressions gained during the previous year's subsidy investigations when preparing its forecasts for the current year.

16. While the Committee recognises the difficulties that have confronted the Department in estimating the subsidy requirements of the airline companies concerned, it believes that the Department could, with advantage, approach the Airlines for preliminary information to provide a firmer based guide to the likely level of subsidy than is provided by impressions gained from the results of a previous year.

The Department of Civil Aviation has advised that it does, in fact, ask the airlines to submit their estimates of subsidy requirements early each financial year, but they have been received too late for use in the Department's estimates. The departmental investigators have been instructed to discuss with the airline operators the question of earlier forecasts for subsidy requirements in future years.

#### *Capital Works and Services — Plant and Equipment — Navigational Aids, Communications, Power and Lighting Equipment*

24. The Committee accepts the Department's explanation.



DEPARTMENT OF EDUCATION AND SCIENCE

*National Service — Vocational Training — University Courses —*

*Similar Payments Where Service Voluntarily Extended*

29. In considering the evidence relating to this Item the Committee notes that the training scheme to which the Item relates is of a recent origin and the extent of the assistance required is difficult to estimate. For these reasons the Committee believes that the formulation of Estimates should be approached with caution.

The Department of Education and Science (see endnote) noted the conclusions of the Committee.

30. The Committee is also concerned to note that some expenditure on fees was evidently incorrectly recorded against Item 750.1, the corresponding scheme for students who have completed the normal period of two years national service.

31. The Committee is disturbed by the fact that the original submission tendered at the request of its Secretary contained no reference to the incorrect recording of expenditure against Item 750.1. This fact was, however, included in further copies of the same submission supplied to us following our decision to proceed to public inquiry on this Item. The Committee views in a serious light, changes made in this manner to the substance of submissions.

*Capital Works and Services — Buildings and Works, Independent Schools, Northern Territory —*  
*Assistance for Approved Capital Programmes*

37. The evidence shows that funds amounting to \$75,000 were included in the original Estimates for 1970-71 on the basis of information supplied to the Department by the Carpentaria College Authorities in October 1969. By early 1971 no progress had been made by the authorities in the construction work concerned but the Department had not been advised of this fact. Considerable uncertainties often confront institutions such as the Carpentaria College in implementing their development programmes. For this reason we believe that the Department of Education and Science should maintain close liaison with the authorities of such institutions

The Department advised that the Committee may be assured that the failure of the Carpentaria College to go ahead with its development programme did not affect the financial assistance given to other schools.

in circumstances where funds are committed for their assistance. In the present case it may well have been possible for the Department to provide urgently required assistance under this Item to other independent schools in the Northern Territory had it been aware earlier in the financial year that funds would not be required for the Carpentaria College project.

38. The Committee also notes that during a review of the estimate under this Item in December 1970 a clerical error occurred in transferring items relating to cash grants. Although this error was discovered subsequently, the evidence discloses that it had occurred due to an evident weakness in the Department's procedures. These procedures have now been altered to permit the forward programming of annual payments to be calculated by machine thus ensuring a complete record of all payments and related information for all schools. The Committee believes that appropriate procedures should have been established at an earlier stage.

#### DEPARTMENT OF EXTERNAL TERRITORIES

##### *Australian School of Pacific Administration — Salaries and Payments in the Nature of Salary — Salaries and Allowances*

49. The Committee accepts the explanations tendered by the Department in evidence except for the explanation relating to the number of positions included on the establishment of the Australian School of Pacific Administration. The evidence in this case shows that, due to an error that occurred, financial provision was made in the original Estimates for five positions instead of four on that establishment. It appears that insufficient care was taken by the officers responsible to note that the establishment had been reduced by one position. The Committee trusts that this error will not be repeated and that errors of a similar nature will be avoided in the future.

DEPARTMENT OF HEALTH

*Australian Capital Territory Health Services — Administrative Expenses — Office Services*

57. The Committee notes that while the Department's written submission attributed the shortfall in expenditure on this Item partly to the fact that accounts for electricity were not received, the oral evidence made it clear that the accounts concerned were in fact payable by the Department of Education and Science and provision had been made for them by the Department of Health in error. The Committee believes that this error should not have occurred and that the relevant facts should have been stated by the Department in its written submission.

58. The Committee accepts the remainder of the Department's explanations in relation to this Item. Arising from the evidence, however, it appears that the Department of the Interior could, with advantage, examine its billing arrangements connected with water rates in the Australian Capital Territory, particularly in relation to its new Municipal Accounting system. The evidence also suggests that the Department of Works should examine its billing arrangements for fuel oil with a view to the regular submission of accounts for payment.

The Department of Health has stated that provision for electricity charges at baby health centres located at schools was included in error because of the inexperience of the officers concerned with the preparation of estimates. Late in 1970-71 a separate Accounts Section was created in the A.C.T. Health Services Branch and estimates officers in that Branch are now more experienced, so errors of this type should not be made in future.

The Department has advised that the contents of the memorandum 66/385 of 16 October 1970 from the Secretary to the Treasury to all Permanent Heads, mentioned in paragraph 195 of the Report, have been brought to the attention of officers in the Department who are concerned with the preparation of material for presentation to the Committee.

The Department of the Interior has advised that all Government water meters are now read in November and it is expected that accounts covering water rates for the year up to the previous November will be issued during March each year.

The Department of Works has provided information relating to the accounts for fuel oil supplied to ambulance stations and the Institute of Anatomy during May and June 1971. This shows that the accounts were issued within three to nine working days from the date of delivery of the oil.

It has not been possible to establish the exact date the claims were received in the Department of Health because the Accounts Section of the A.C.T. Health Services Branch had not been complying with the provisions of Treasury Direction 18/7(a), which states that all claims shall have endorsed thereon the date and time of receipt by the Department. The evidence given by the Department of Health to the effect that the claims for fuel oil were received in July



was based upon the dates the accounts were registered, which would normally be on the day of receipt. However, the Department has stated that the Accounts Section of the A.C.T. Health Services Branch commenced operations on 1 May 1971 as a separate entity from the Central Office Accounts Section and some delays occurred in the payment of accounts in the first few months before the Section began to operate with full efficiency. The Department has advised that the new Section is now operating satisfactorily and no excessive delays are occurring in the payment of accounts. The provisions of Treasury Direction 18/7(a) are now being complied with.

*Northern Territory Health Services*  
*Administrative Expenses — Other General Stores*

72. On the basis of the evidence tendered the Committee accepts that the shortfall in expenditure on this Item was beyond the control of the Department.

73. The evidence relating to the circumstances of the contract let for the supply of special sandals, however, indicates that the Department of Supply failed to advise the manufacturer that the Department of Health intended the contract to operate on a period basis. This evident lack of communication probably contributed to the failure of the manufacturer to effect the supply of sandals during 1970-71. The Committee believes that care should be taken to prevent misunderstanding arising from contractual arrangements.

The Department of Supply has advised that the Department of Health did not at any stage ask for a period contract to be arranged for the supply of the sandals. The Department of Health has acknowledged that it did not make its requirements clear in this instance and action will be taken in future to ensure that the Department of Supply and the contractor are made aware of the situation when it is intended that period contracts be arranged.

*DEPARTMENT OF THE INTERIOR*  
*Rent — Department of Foreign Affairs*

81. The Committee accepts the Department's explanation.

*Electoral Branch — Administrative Expenses —*  
*Office Requisites and Equipment, Stationery and Printing*

88. The submission tendered by the Department in relation to this Item showed that \$1,449 of the shortfall in expenditure arose from the late delivery, installation and bringing into operation of card punch and verifying machines in Brisbane and Perth. While the oral evidence indicated that delays had occurred in delivery of this equipment, it also showed that delivery had occurred in Perth in February 1971 and part delivery had occurred in Brisbane in March 1971. On the evidence tendered, however, there is no reason for the Committee to reach the conclusion that payment for these equipments could not reasonably have been made before 30 June.

89. It appears that an account was expected early in June 1971 for rental and installation charges for card-punch equipment in Brisbane but the evidence shows that the witness was unable to indicate what action, if any, had been taken by the Department's office in Brisbane to remind the supplier that the account was outstanding. The Committee believes that the witness was inadequately briefed on this matter.

90. It also appears that financial provision was made for wharfage and related charges connected with lektrievers to be installed in the Department's South Australian and Western Australian offices. These provisions were evidently made as a result of previous installation experience in New South Wales and Victoria. There is no evidence to suggest however, that similar installation problems were expected in the South Australian and Western Australian installations and the Committee therefore believes that no justification existed for the provisions concerned to be made.

The Department of the Interior (*see end-note*) advised that the Brisbane Office of the Electoral Branch had tried on numerous occasions before the end of the financial year to obtain an account from the supplier but this was not submitted until the new financial year.

The Department agreed that having regard to the principles laid down in Treasury Direction 16/9 relating to the preparation of estimates, provision should not have been made for wharfage and related charges connected with the installation of lektrievers in its South Australian and Western Australian Offices.

*Electoral Branch — Administrative Expenses — Freight and Cartage*

100. The Committee accepts the Department's explanation.

*Australian Capital Territory Services — Salaries and Payments in the Nature of Salary —  
Salaries and Allowances*

110. It appears from the evidence that the shortfall in expenditure on this Item arose partly from a misunderstanding that occurred during the expenditure review connected with the Additional Estimates. As a result of this misunderstanding funds were sought in the Additional Estimates.

111. It also appears from the evidence that control measures introduced into the Establishments Branch during the financial year were deficient in procedures in certain respects. Also misunderstandings occurred and the officers responsible for the control of employment and expenditure levels were lacking in expertise.

112. While the evidence shows that discussions have now taken place between the Department of the Treasury and the Department of the Interior regarding the adequacy of commitment records held by the latter department, the Committee believes that the problems referred to in the evidence need not have arisen if a satisfactory form of control had been introduced initially and if adequate instruction in the new arrangements had been provided for the staff concerned at that time.

Following the Committee's Report, a review of the arrangements in force in the Department for the control of expenditure in salary votes and employment levels resulted in the introduction of new procedures. These procedures required a monthly detailed examination of expenditure and expenditure trends in salary votes in the first half of the financial year and a fortnightly examination in the second half. A continuous process of identification of unforeseen salary commitments was carried out and application made to the Treasury for acceptance of new liabilities as necessary. Instructions were issued to staff engaged in the salaries examination work and monthly reports submitted to top management staff showing current expenditure trends and known future commitments.

The Department's procedures for the preparation of draft salary estimates were also reviewed and comprehensive instructions issued for the guidance of staff engaged in the initial preparation of salary estimates.

*Australian Capital Territory Services —  
Other Services — Incidental and Other Expenditure*

117. The Committee notes with concern that \$3,730 of the total shortfall of \$8,474 in expenditure on this Item arose from errors that occurred in the charging of salaries and advertising costs. The Committee believes that the Department should take appropriate action to ensure that errors of this nature do not recur.

The Department advised that appropriate action was taken by the Branches concerned to ensure the correct classification of expenditure in future.

*Department of Supply — Rent*

125. The evidence relating to this Item indicates that funds were sought prematurely in respect of the Fishermen's Bend project and the Heffron Park project. In this regard

The Committee's conclusions on the Fisherman's Bend and Heffron Park projects were noted by the Department of the Interior.



the Committee would refer to Treasury Direction 16/9 which states, inter alia:

'Estimates shall not include amounts in respect of proposals which are so far from firm that it is not possible to form any real estimate of what payments, if any, will be made.'

In the case of the cleaning contract in South Australia the evidence suggests that some of the provisions of the contract may lack precision. If this is so, greater care should be exercised in the framing of contracts of this nature.

The Department of the Interior advised that it was a condition of the lease of the National Bank Building Adelaide that the Commonwealth accept the cleaning contractor nominated by the lessor but because construction on the building had not been completed when agreement for the lease was finalised, it was not possible at that stage for the lessor to negotiate a cleaning contract nor practicable to set a firm price for cleaning.

#### DEPARTMENT OF THE PRIME MINISTER AND CABINET

##### *High Commissioner's Office — United Kingdom — Administrative Expenses — Travelling and Subsistence*

133. The Committee accepts the Department's explanation.

##### *High Commissioner's Office — United Kingdom — Administrative Expenses, Office Requisites and Equipment, Stationery and Printing*

141. In general the Committee accepts the Department's explanation. At the same time the evidence relating to newspaper accounts indicates a need to ensure that where delays occur in the receipt of accounts which are normally received on a regular basis, the causes of delay are explored with the supplier of goods or services concerned.

The Department of the Prime Minister and Cabinet has commented that its regular review of expenditure against appropriation items provides an opportunity for delays by suppliers in submitting regular accounts to be brought to notice and investigated, where appropriate, in accordance with Treasury Circular 1971/10.

##### *Official Establishments — Administrative Expense — Incidental and Other Expenditure*

148. The Committee accepts the Department's explanation in relation to the evidence tendered on this item. Also, as in the case of Item 292.2.04 administered by the Department of Health and referred to in Chapter 5 of this Report, it appears that the Department of the Interior could with advantage, examine its billing arrangements connected with water rates in the Australian Capital Territory, particularly in relation to its new Municipal Accounting system.

The Department of the Interior has advised that all Government water meters are now read in November and it is expected that accounts covering water rates for the year up to the previous November will be issued during March each year.

DEPARTMENT OF SOCIAL SERVICES

*Payments to or for the States — States Grants (Home Care) Act —  
Grants Towards Costs of Senior Citizens' Centres'*

156. The evidence shows that the States Grants (Home Care) Act was promulgated in 1969 as a result of proposals made jointly by the States to the Commonwealth. However, when the Act was assented to on 14 June 1969 only one State, Queensland, had formally signified its participation in the arrangement. The remaining States, excluding Victoria which, when our inquiry occurred had not agreed to participate, formally signified their participation between October 1969 and October 1970.

157. The evidence also shows that the original Estimate of \$100,000 for 1969-70 was based on inquiries made direct to the Department of Social Services by Local Government Authorities, a method which, it was admitted, was not a very satisfactory basis for the estimation of financial requirements. The Department also experienced difficulty in formulating a realistic original Estimate for 1970-71 due to the fact that some States had not allocated funds for Senior Citizens' Centres in that year and delays had occurred in the planning and approval at the State level of some projects put forward by Local Government Authorities. Moreover, some States had elected not to claim reimbursement from the Commonwealth for projects under their administrative control until they had reached completion.

158. In all the circumstances the Committee believes that funds were sought in the original Estimates for this item without proper regard for Treasury Direction 161.9 which states, inter alia:

'Estimates shall not include amounts in respect of proposals which are so far from firm that it is not possible to form any real estimate of what payments, if any, will be made.'

The Department of Social Services (*see* endnote) stated that every endeavour would be made in future to ensure that the amount included in the original Estimates each year for this item was a realistic assessment of the amounts expected to be spent in that financial year.



159. The evidence indicates a need for the Department to exercise greater care in the formulation of Estimates for new arrangements of this nature, particularly where expenditure is affected by State participation. It would appear to the Committee that in these circumstances the Department should have regard to the availability of the Additional Estimates and the Advance to the Treasurer.

*Payments to or for the States — States Grants (Home Care) Act —*  
*Grants Towards Salaries of Welfare Officers*

164. The circumstances revealed in the evidence relating to this Item are similar to those found in relation to Item 901.01. The Committee believes that the conclusions drawn and observations made in connection with that Item apply equally to Item 901.02.

The Department of Social Services stated that every endeavour would be made in future to ensure that the amount included in the original Estimates each year for this item was a realistic assessment of the amounts expected to be spent in that financial year.

*Payments to or for the States — States Grants (Home Care) Act —*  
*Grants Towards Costs of Home Care Services*

170. While this item is related in nature to the preceding Items 901.01 and 901.02 the evidence shows that in this case funds were obtained in the Additional Estimates arising, evidently, from a misinterpretation by the Department of Social Services of the meaning of section 6 of the *States Grants (Home Care) Act 1969*. The change of view relating to the meaning of that section, which rendered unnecessary the provision of \$66,000 in the Additional Estimates, arose from a re-examination of the 'fine print' in the Act, subsequent to the closing of the Additional Estimates.

171. The Committee regards these circumstances as a remarkable state of affairs, particularly as the Department of Social Services would have participated in the formulation of drafting instructions for the guidance of Parliamentary Counsel when the legislation was being framed.

172. The Committee believes that departments engaged in the administration of legislation must maintain a thorough knowledge of the provisions of the legislation concerned.

DEPARTMENT OF THE NAVY

*Administrative Expenses and General Services —*

*Fuel, Light, Power, Water Supply, Sanitation and Payment in Lieu of Rates*

181. On the basis of the evidence the Committee appreciates the difficulties that arose for the newly-created Darwin office of the Department in relation to electricity accounts amounting to \$17,000. At the same time the evidence indicates the need for that Office to examine the circumstances of outstanding accounts with great care.

182. The evidence also shows that \$19,000 of the shortfall that occurred in expenditure arose from a failure to deduct credits arising from electricity accounts, when the original Estimate was formulated. As these credits are part of an established administrative arrangement within the Department, the Committee believes that the error reflects adversely on the administrative staff concerned. It also believes that appropriate action should be taken to ensure that errors of this nature do not recur.

Action has been taken within the Department of the Navy to ensure that all personnel associated with the preparation of estimates both in the Navy Office and the various administrative areas are fully conscious of the need to exercise the closest scrutiny over all commitments so that estimates are as accurate as possible.

*Administrative Expenses and General Services —*

*Incidental and Other Expenditure*

189. The evidence shows that the principal elements involved in the shortfall in expenditure under this item had been included in the original Estimates. It appears that delays occurred in settling the requirements for a display caravan and further delays on the project occurred due to a variation made to the contract after letting. These circumstances indicate that funds were sought prematurely for this project. Similarly, the evidence indicates that funds were sought prematurely in the original Estimates for the production of a historical book relating to the role of the Navy in the Viet-Nam War. In this case the Department apparently misjudged the amount of time that would be required for relevant information to be provided by the Department of the Army and the Department of Air.

The Department of the Navy agrees that in retrospect it would appear that funds were sought prematurely for the display caravan. However, at the time the estimates were formulated it was thought that allowing for normal tendering procedures and the requirement that the caravan was to be completed within ten weeks from the placement of the order with the successful tenderer payment would have been made within the financial year. In this context the Department of Supply has acknowledged that the preparation of a tender schedule took more time to complete than might reasonably have been expected due to staffing problems in its N.S.W. Office. The Department of Supply has also advised that the performance of the contractor was highly unsatisfactory and the contract was not completed until March 1972.

The Department of the Navy considers that the factors which caused the delay in the production of the historical book, including a requirement for a security clearance from the United States Navy and the hospitalisation of the officer who was to write the history, were unexpected and could not have been foreseen when provision was made in the Estimates.

#### GENERAL

190. In Chapter 1 the Committee stated that it had sought to ascertain whether or not the departments concerned in the Inquiry had maintained efficient administration in the expenditure of funds under the items selected for examination.

191. In considering this aspect of its Inquiry the Committee has recognised that on 2 February 1971 the Treasurer requested Ministers to review departmental estimates for 1970-71 as revised at the end of December 1970 with a view to achieving substantial reductions in expenditure which Cabinet had decided should be effected during the remainder of the financial year. In terms of this request, as agreed to by Ministers, the December 1970 estimates as varied, represented the upper limits of departmental expenditure for the remainder of the financial year. This change in policy reduced in many cases the amounts which departments might otherwise have spent in relation to the estimates. Many of the departmental explanations tendered during our Inquiry made reference to this mid-year change in financial policy with its necessary consequential effects on administrative practices and arrangements. In considering these explanations the Committee has sought to distinguish between the consequences arising from the change in financial policy and other circumstances which affected financial results and administrative performances.

192. In recent years the Committee has paid particular attention to the estimates and related expenditure of the departments. It has taken the view that as a poor standard of estimating has wide ramifications it has been not only excessive expenditure that has attracted attention but also the over provision of funds. The Committee has stated



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that such provisions are undesirable, misleading and perhaps unfair to other departments whose financial needs might not have been satisfied. At the same time, the Committee would emphasise that it does not regard the total expenditure of available funds under a particular appropriation Item as an objective to be sought in all circumstances. Indeed, such a criterion could give rise to unnecessary and uneconomic expenditure and the distortion of administrative practices. In this regard the Committee has been critical of departments that have accelerated payments in order to prevent an appropriation from lapsing. Two such cases were reported on in the 102nd and 113th Reports of the Committee.

193. As this and previous reports relating to expenditure from the Consolidated Revenue Fund show, there are explanations for expenditure variations from the estimates which arise from unforeseen circumstances or other factors and which are acceptable to the Committee. In this Report, however, as in similar reports of earlier years, the Committee has found it necessary to refer to cases of unsatisfactory estimating or inadequate administrative performances that have resulted in shortfalls in expenditure. Attention has been drawn to these inadequacies where they have arisen.

194. One feature of the evidence to which the Committee would draw particular attention however, relates to the need for departments that are engaged in the administration of legislation to maintain a thorough knowledge of the provisions of the legislation concerned.

195. A further matter to which the Committee would again invite specific attention relates to the quality of evidence tendered by departments. As indicated in our 133rd Report, considerable improvement has been achieved in this regard by most departments in recent years. However, inadequacies persist and we would again draw the attention of departments to Memorandum 66/385 of 16 October 1970 from the Secretary to the Treasury to all permanent heads. The substance of this memorandum has been set out in our 133rd Report.

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196. Allied to this matter the Committee would again draw attention to the fact that for many years its Secretary has issued Notes Relating to Evidence for the guidance of departments appearing before it. These notes, which should be examined carefully by departmental officers preparing submissions and the witnesses representing departments indicate that where an error or omission is discovered by a Department in a submission prior to a public Inquiry, the Department should rectify the matter by tendering an Additional Submission.

197. In recent years, to assist departments in the submission of evidence twelve copies only of submissions have been sought initially in connection with inquiries relating to expenditure from the Consolidated Revenue Fund. The remaining number of copies required are not sought until the Committee has completed its selection of items for inquiry. It should be noted carefully, however, that the copies of submissions tendered originally by departments are retained by Committee Members for the examination of witnesses during the public inquiry. Hence if the further copies tendered subsequently do not coincide in detail with the copies tendered initially the differences in detail will become apparent either during the public inquiry or during the preparation of the relevant report. This matter was referred to in our 133rd Report. We would again emphasize that the system that has been evolved is designed to assist departments as far as possible in the submission of evidence but it cannot provide for the amendment of evidence by a process of secret substitution, deletion or addition.

For and on behalf of the Committee,

J. A. AGNEW  
*Secretary*  
Joint Committee of Public Accounts.  
Parliament House,  
Canberra.

C. J. HURFORD  
*Chairman*

23 May 1973

## ENDNOTE

The Department of Education and Science, the Department of the Interior and the Department of Social Services were amongst those departments abolished in pursuance of section 64 of the Constitution of the Commonwealth of Australia on 19 December 1972.