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THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

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

JOINT COMMITTEE OF PUBLIC ACCOUNTS

ONE HUNDRED AND FORTY-FIFTH REPORT

TREASURY MINUTES ON THE ONE HUNDRED AND TWENTY-THIRD AND ONE HUNDRED AND THIRTY- THIRD REPORTS

TOGETHER WITH A

SUMMARY OF THOSE REPORTS

JOINT COMMITTEE OF PUBLIC ACCOUNTS

NINTH COMMITTEE

C.J. HURFORD, Esquire, M.P. (Chairman) (1)
SENATOR R.E. McAULIFFE (Chairman) (2)
A.W. JARMAN, Esquire, M.P. (Vice-Chairman)

Senator J.F. FITZGERALD F.W. COLLARD, Esquire, M.P.
Senator M.G.C. GUILFOYLE M.J. MacKELLAR, Esquire, M.P.
V.J. MARTIN, Esquire, M.P.
L.J. REYNOLDS, Esquire, M.P.
I.L. ROBINSON, The Hon., M.P. (3)
A.E. ADERMANN, Esquire, M.P. (4)
P.F. MORRIS, Esquire, M.P. (5)

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

SECTIONAL COMMITTEES

(Appointed on 31 July 1973, pursuant to
section 9 of the Public Accounts Committee
Act 1951-1966)

Sectional Committee A

C.J. Hurford, Esquire, M.P.
(Chairman)
Senator R.E. McAuliffe
(Chairman)
M.J. MacKellar, Esquire, M.P.
(Vice-Chairman) (7)
A.E. Adermann, Esquire, M.P.
V.J. Martin, Esquire, M.P.
P.F. Morris, Esquire, M.P.

Sectional Committee B

A.W. Jarman, Esquire, M.P.
(Chairman)
L.J. Reynolds, Esquire, M.P.
(Vice-Chairman) (6)
F.J. Collard, Esquire, M.P.
Senator J.F. Fitzgerald
Senator M.G.C. Guilfoyle

- (1) Discharged 29.8.1973
- (2) Elected 30.8.1973
- (3) Discharged 31.5.1973
- (4) Appointed 31.5.1973
- (5) Appointed 29.8.1973
- (6) Elected 1.8.1973
- (7) Elected 1.8.1973

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.

ONE HUNDRED AND FORTY-FIFTH REPORT

CONTENTS

Chapter		Page
1	Introduction	5
2	Treasury Minute on the One Hundred and Twenty Third Report relating to Expenditure from the Advance to the Treasurer 1969-70	7
3	Treasury Minute on the One Hundred and Thirty Third Report relating to Expenditure from the Advance to the Treasurer (Appropriation Acts 1970-71)	31
4	Observations of the Committee	56
	Footnote (a)	59

JOINT COMMITTEE OF PUBLIC ACCOUNTS

ONE HUNDRED AND FORTY-FIFTH REPORT

CHAPTER 1 - INTRODUCTION

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

P.P. No.275
of 1964-65-66

As they now stand, the arrangements concerned are:-

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

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

CHAPTER 2 - TREASURY MINUTE ON THE ONE HUNDRED
AND TWENTY THIRD REPORT RELATING TO
EXPENDITURE FROM THE ADVANCE TO
THE TREASURER 1969-70.

Committee's Conclusions
One Hundred and Twenty Third
Report
(22 October 1970)

Treasury Minute
(8 March 1973)

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

Capital Works and Services - Plant and Equipment -
Navigational Aids, Communication, Power and Lighting Equipment

14. It appears to Your Committee that the need for additional funds from the Advance to the Treasurer under this Item arose from deliveries of equipments in France and Australia that could not have been reasonably foreseen by the Department when it formulated its request for extra funds in the Additional Estimates. It is clear that had the letter of credit in France been renewed prior to its expiry date on 30 May 1970, additional funds would have been required from the Advance to meet unexpected local deliveries.

Since 1963, international banking practice in relation to documentary letters of credit (and which is subscribed to by the Australian trading banks), has followed a uniform code known as "Uniform Customs and Practice for Documentary Credits". Under this banking practice the validity of a letter of credit normally would be extended

Committee's Conclusions
One Hundred and Twenty Third
Report
(22 October 1970)

Treasury Minute
(8 March 1973)

15. At the same time Your Committee notes that the irrevocable letter of credit lodged in France was renewed subsequent to its date of expiry on 30 May 1970 rather than a new letter of credit being established by the parties concerned. Your Committee also notes with concern that on other occasions the renewal of letters of credit has occurred without prior notice, subsequent to the expiry date of a letter. We believe that the basis of these practices should be examined critically by the Department of the Treasury and other departments and authorities concerned.

where the services for the payment of which the letter of credit was raised have not been performed by the stipulated expiry date. Extension would only be arranged by the bank on the same terms and conditions on the authority of the buyer and usually would be at the request of the seller. Extension can be arranged either before or after the expiry date.

As already advised to the Committee by the Department of Civil Aviation subsequent to the preparation of this Report, the letter of credit was not extended but was allowed to lapse on 30 May 1970, although extension of the expiry date of the letter of credit had been requested by the contractor. Payments for outstanding deliveries under the contract were made through bank transfers.

DEPARTMENT OF EDUCATION AND SCIENCE

Educational Services - Australian Capital
Territory - Pre-School Education & Training

20. On the basis of the evidence Your Committee accepts that the Department was justified in seeking funds from the Advance to the Treasurer to cover variations in pre-school teacher salaries.

DEPARTMENT OF INTERIOR

Administrative - Administrative Expenses -
Postage, Telegrams and Telephone Services

30. The evidence shows a major cause of the need for the Department to obtain funds from the Advance to the Treasurer arose from a lack of adequate communication between the Property and Finance branches of the Department. While it appears that appropriate steps have now been taken to obviate a recurrence of that problem Your Committee believes that the problem should not have been permitted to arise.

31. A further cause of the need for funds from the Advance to the Treasurer arose from a change in billing procedures introduced by the Department of the Interior and the Postmaster-General's Department in accordance with Your Committee's observations relative to Item 355.2.03 in its One Hundred and Fifteenth Report. Your Committee notes with satisfaction the prompt introduction of this new arrangement which, it was claimed in evidence, will greatly assist the Department of the Interior in assessing changes that occur in expenditure trends under Item 350.2.03.

Real Estate Management - Salaries and
Payments in the Nature of Salary - Salaries and Allowances

39. It appears to Your Committee that, in the past, the Department's records which have formed the basis of estimating for this Item have been inadequate. While this inadequacy should not have been permitted to arise, Your Committee trusts that, through the use of its computer, the Department of the Treasury will be able to assist the Department of the Interior to establish better based records for future use in this important area of financial administration.

The Department of the Interior (see footnote (a)) commenced using the existing additional facilities in the Treasury A.D.P. Salaries system in July 1971 and program amendments were effected by the Treasury in September 1971 to provide an additional report for departmental use.

Detailed planning is now under way to provide an A.D.P. Salaries system which will considerably enhance the scope and depth of information available to departments for salaries estimating tasks, and will enable departments to introduce their own clerical commitment controls if they so desire.

Rent - Department of External Territories

45. Your Committee accepts the Department's explanation.

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

53. As in the case of Item 352.1.01, it appears to Your Committee that, in the past the Department's records which have formed the basis of estimating for this Item have been inadequate. Your Committee's remarks relating to that Item apply also to Item 355.1.01.

The Department of the Interior (see footnote (a)) commenced using the existing additional facilities in the Treasury A.D.P. Salaries system in July 1971 and program amendments were effected by the Treasury in September 1971 to provide an additional report for departmental use.

Detailed planning is now under way

Committee's Conclusions
One Hundred and Twenty Third
Report
(22 October 1970)

Treasury Minute
(8 March 1973)

to provide an A.D.P. Salaries system which will considerably enhance the scope and depth of information available to departments for salaries estimating tasks, and will enable departments to introduce their own clerical commitment controls if they so desire.

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

59. As in the case of Item 352.1.01, it appears to Your Committee that, in the past, the Department's records which have formed the basis of estimating for this Item have been inadequate. Your Committee's remarks relating to that Item apply also to Item 362.1.01.

The Department of the Interior (see footnote (a)) commenced using the existing additional facilities in the Treasury A.D.P. Salaries system in July 1971 and program amendments were effected by the Treasury in September 1971 to provide an additional report for departmental use.

Detailed planning is now under way to provide an A.D.P. Salaries system which will considerably enhance the scope and depth of information available to departments for salaries estimating tasks, and will enable departments to introduce their own clerical commitment controls if they so desire.

Australian Capital Territory Police - Salaries
and Payments in the Nature of Salary - Salaries and
Allowances

65. As in the case of Item 352.1.01, it appears to Your Committee that, in the past, the Department's records which have formed the basis of estimating for this Item have been inadequate. Your Committee's remarks relating to that Item apply also to Item 363.1.01.

The Department of the Interior (see footnote (a)) commenced using the existing additional facilities in the Treasury A.D.P. Salaries system in July 1971 and program amendments were effected by the Treasury in September 1971 to provide an additional report for departmental use.

Detailed planning is now under way

Committee's Conclusions
One Hundred and Twenty Third
Report
(22 October 1970)

Treasury Minute
(8 March 1973)

to provide an A.D.P. Salaries system which will considerably enhance the scope and depth of information available to departments for salaries estimating tasks, and will enable departments to introduce their own clerical commitment controls if they so desire.

AUSTRALIAN BROADCASTING CONTROL BOARD

Broadcasting and Television Services -
Australian Broadcasting Control Board - For Expenditure
Under the Broadcasting and Television Act

72. In relation to this Item your Committee is disturbed by the additional expenditure charged to the Advance to the Treasurer concerning Research and Advisory Committees. Although in this instance the amount concerned is only \$3,000 the evidence revealed that in the past, the Board's Budget officer has not maintained a complete and proper record of funds movements and commitments. As a consequence the prior approval of additional research projects was overlooked, in the absence of that officer on leave, when the Additional Estimates review was undertaken. Your Committee believes that these circumstances reflect adversely on the administration of the Board.

73. At the same time we note that a commitments register has been introduced recently by the Board and that a new position

The Australian Broadcasting Control Board has explained that the lack of a complete and proper record of funds movements and commitments was the result of serious staff shortages in the Management Services area. The Public Service Board has approved the creation of additional positions in that area and action is being taken to fill the positions as expeditiously as possible.

The Australian Broadcasting Control Board has pointed out that there was no delay in seeking the position of Assistant Secretary. When the Public Service Board reorganised the Administrative area in 1968, the then existing position of Assistant Secretary was abolished. Further representations to the Public Service Board to have the position retained were unsuccessful but a fresh approach in March 1970 for the creation of a position of Assistant Secretary was successful and was approved on 14 May 1970.

Committee's Conclusions
One Hundred and Twenty Third
Report
(22 October 1970)

Treasury Minute
(8 March 1973)

of Assistant Secretary has been created to improve the Board's administrative processes and provide more adequate control. While Your Committee commends the Board for this action the evidence shows that it could well have been taken sooner.

REPATRIATION DEPARTMENT
Administrative - Salaries and Payment in the
Nature of Salary - Salaries and Allowances

87. The evidence shows that an over-expenditure of \$119,394 occurred on this item in 1969-70. Your Committee views in a most serious light, over-expenditures from any cause as is evidenced by its remarks in its Eighty-second and Ninety-third Reports which related to expenditure from the Advance to the Treasurer in 1965-66 and 1966-67 respectively. In view of the recurrence of this problem in the present case we would again invite attention to Treasury Regulation 90 (1) which states:

'An Authorizing Officer shall not authorize expenditure from Revenue or Loan Appropriation until a Warrant Authority for Expenditure in accordance with Form 30 authorizing expenditure accordingly has been obtained from the Secretary, Department of the Treasury.'

The conclusion that adequate training evidently was not provided by the Treasury in connection with the interpretation of output data from Treasury computer systems has been investigated and is one with which Treasury cannot agree.

The training given by Treasury officers to officers of the Repatriation Department at the time salaries processing was transferred to the Sub-Treasury Melbourne included initial discussions attended by officers of the Staff and Accounts Sections at which the system was outlined generally and the input and output explained. A complete explanation of all output from the system was also given to Personnel Section staff at the last of four sessions devoted to training. Senior officers of the Accounts Section attended the latter part of this final session. The output from the Appropriation Revenue Ledger System was also discussed with the Authorizing Officer

P.P. No.352
of 1964-65-
66 and P.P.
No.128 of
1967

Committee's Conclusions
One Hundred and Twenty Third
Report
(22 October 1970)

Treasury Minute
(8 March 1973)

88. The evidence also shows that the over-expenditure on the Item arose mainly from misunderstandings that occurred in the Central and Regional Offices of the Department. These, in turn, were influenced partly by the transfer of the Central Office to Canberra early in 1970 and partly by basic misunderstandings regarding the interpretation of output data from the Treasury computer system.

89. On several occasions in recent years Your Committee has encountered the problems, including staff losses, confronting departments when transferring their Central Offices to Canberra. However, we believe that a clear responsibility rests on the Permanent Heads of such departments to recognise the problems that can arise and to ensure that they are minimised in the interests of efficient administration.

90. Your Committee regards as entirely unsatisfactory the fact that adequate training was evidently not provided by the

of the Victorian Branch of the Department and it was explained to him that the salaries expenditure for the first pay of the year, which had been authorized by him, would remain in his ledger and not be transferred to the Authorizing Officer at the Sub-Treasury.

The Treasury considers that bearing in mind the elementary and self-explanatory nature of the ledger print out, the training sessions and discussions held with departmental officers should have led to an adequate appreciation by the Victorian branch of the Department of the information available to it for funds control purposes. The decision by the Victorian branch to relieve its Accounts Section of responsibility for funds review for salaries and the failure throughout the financial year to make any reference to the ledger print outs furnished by the Sub-Treasury were abnormal factors outside the reasonable expectations of the Treasury which led to the breakdown in funds control. No other user of the Treasury computer systems has reported similar difficulty in interpreting output data.

P.P. Nos.
53 and 214
of 1968 and
P.P. No. 155
of 1970

Committee's Conclusions
One Hundred and Twenty Third
Report
(22 October 1970)

Treasury Minute
(8 March 1973)

Department of the Treasury in connection with the interpretation of output data from the Treasury computers. We believe that urgent action is required to overcome this deficiency should it exist in relation to other users of that equipment.

91. On the basis of the evidence Your Committee agrees with the witness that the errors that occurred should not have arisen, but, having arisen, should have been detected and rectified promptly. We also agree with the view expressed by the departmental committee of inquiry that the importance of financial controls should be impressed on all branches of the Department and that the committee's recommendations should be referred to the attention of all Deputy Commissioners.

DEPARTMENT OF THE TREASURY :
COMMONWEALTH TAXATION OFFICE

Commonwealth Taxation Office - Other
Services - Taxes and Fines - Remission under Special
Circumstances

100. It appears to Your Committee that the shortfall of \$112,176 that occurred on this item following the use of the Advance to the Treasurer arose from a misunderstanding on the part of the Estimates Officer

The Commonwealth Taxation Office has advised that the estimates officer is now fully aware of the need to take into account reimbursements of remissions of tax and a close watch of the expenditure and funds position is being maintained at senior levels.

Committee's Conclusions
One Hundred and Twenty Third
Report
(22 October 1970)

Treasury Minute
(8 March 1973)

of the Taxation Office concerning reimbursements made by Government authorities and credited, until very recently, to the Treasury Appropriation ledger.

The Commonwealth Taxation Office has also advised that the new procedures are operating satisfactorily.

101. It also appears that proposals were developed within the Taxation Office during 1969-70 for the accounting arrangements relating to these reimbursements to be altered and for the reimbursements to be entered direct into the Taxation Office accounting system. It was also proposed that the reimbursements were to be taken into account in the formulation of estimates for this Item. Your Committee believes that, in these circumstances, the fact that the reimbursements were to be considered in the framing of estimates, evidently prior to the proposed changes to the accounting system, should have been made quite clear to the officer responsible for the preparation of the estimates and the expenditure and funds position on the Item during 1969-70 should have been carefully oversighted at senior levels within the Taxation Office.

Committee's Conclusions
One Hundred and Twenty Third
Report
(22 October 1970)

Treasury Minute
(8 March 1973)

102. While Your Committee would commend both the Taxation Office and the Department of the Treasury on the action taken to develop, approve and implement the new accounting procedures, we note that following discussions between both parties, proposals were formally submitted by the Taxation Office as late as 20 August 1970 and approved by the Department of the Treasury on the same day. When our Inquiry occurred five days later, the new system was in the process of implementation and instructions had been issued to ensure that reimbursements will be taken into account in the formulation of future estimates for the Item.

DEPARTMENT OF WORKS
Furniture and Fittings - Departmental -
Department of Education and Science

109. The evidence shows that the Department was justified in seeking \$8,200 from the Advance to the Treasurer.

110. It appears to Your Committee, however, that the New South Wales office of the Department failed to take appropriate action to place an order for furniture that had

Committee's Conclusions
One Hundred and Twenty Third
Report

(22 October 1970)

Treasury Minute
(8 March 1973)

been approved on 3 April 1970, thus involving a shortfall in expenditure on the Item as at 30 June 1970. It also appears that this failure arose from inexperience of officers in both the Central and New South Wales Regional offices of the Department. While Your Committee notes that the Department has taken steps to ensure that errors of this nature will not be repeated, we believe that the error should not have arisen.

Furniture and Fittings - Departmental -
Department of Works

117. Your Committee accepts the Department's explanation.

Repairs and Maintenance - Departmental -
Department of Health

127. In considering the evidence tendered Your Committee notes that provision was made in the Original Estimates for a contract for repairs to the manproof boundary fencing to the North Head Quarantine Station. The contract was due for completion on 24 June 1970.

128. Evidence submitted by the Department of Works indicates that the contract was varied on 29 May 1970 to provide for the widening of gates, provision of

The Department of Works considers that there was no conflict between the evidence given to the Committee by its officers and by witnesses from the Department of Health with regard to the

Committee's Conclusions
One Hundred and Twenty Third
Report
(22 October 1970)

Treasury Minute
(8 March 1973)

extra gates, manproofing under the fence and the strengthening of a signboard. On the other hand, evidence submitted by the Department of Health indicates that the need for these variations was noted after the contractor commenced work on 24 March 1970 and an appropriate order was issued to the contractor on 20 April 1970. The differences inherent in this evidence indicate the need for closer collaboration between the Department of Works and its client department in documentation of the facts relating to projects and in tendering evidence before Your Committee.

129. Apart from these considerations it is also evident that during the inspection of the area prior to the drawing of specifications verbal requests were made by the Department of Health officer in relation to gates and these requests, which were evidently not subsequently documented, were either overlooked or misunderstood by the Department of Works. Your Committee regards this as a most unsatisfactory state of affairs.

130. On the basis of the evidence, Your Committee believes, however, that the Department was

contract for repairs to the manproof fencing. The variation order issued to the contractor on 20 April 1970 was for pricing only. At that stage the contractor was not authorised to proceed with the work. The actual variation of the contract was effected on 29 May 1970 as indicated by departmental witnesses at Question 777.

The Department has taken action to ensure that verbal requests for changed requirements are properly documented and that follow-up action is taken to obtain written confirmation from an authorised officer of the sponsoring department.

Committee's Conclusions
One Hundred and Twenty Third
Report
(22 October 1970)

Treasury Minute
(8 March 1973)

justified in seeking additional funds from the Advance to the Treasurer.

Repairs and Maintenance - Departmental -
Repatriation Department

136. Your Committee accepts the Department's explanation relating to the need for recourse to the Advance to the Treasurer. At the same time Your Committee notes the admission of the witness that \$3,093 of the amount sought arose from overestimating on the part of the Department of Works. We consider that extra care should be taken by the Department in formulating its requirements from the Advance.

Capital Works and Services - Buildings and
Works - Departmental - Department of Health

158. On the basis of the evidence Your Committee accepts the Department's explanation relating to its request for funds from the Advance to the Treasurer.

159. Your Committee, however, is disturbed by certain aspects of the evidence that relate to the shortfall of \$10,072 in expenditure that occurred on the item as at 30 June 1970.

160. In the case of the Adelaide Quarantine Station project the cost of a sewer pump and water The Department of Works has explained that in the case of the Adelaide Quarantine Station project the delay in

Committee's Conclusions
One Hundred and Twenty Third
Report
(22 October 1970)

Treasury Minute
(8 March 1973)

pump was inadvertently not charged to the project until after 30 June arising from a delay that occurred in clearing expenditure from a Trust Account. We believe that this delay should not have occurred and that appropriate action should be taken to prevent its repetition.

clearing the expenditure for the sewer pump and water pump from the trust account was an isolated instance which occurred due to an oversight. Action has been taken by the Department to avoid a recurrence.

161. In the case of the alterations and additions to the Health Laboratory at Port Pirie it appears that the shortfall of \$1,600 in expenditure arose from slow progress made by the contractor. As in Item 584.1.09. however, the evidence also reflects a need for greater collaboration between the Department of Works and the Department of Health.

162. So far as the laboratory at Tamworth is concerned it appears that considerable difficulty was experienced in obtaining advice of variation prices from the contractor, despite regular verbal and written requests made by the Department's Works supervisor. We note, however, that while the required information was submitted by the contractor on 29 June 1970 a further letter requesting the

In respect of the laboratory at Tamworth the Department has advised that in addition to the variations mentioned by the departmental witness at Question 816 there were other variations which had been referred to the contractor for pricing during 1969-70 and earlier and which were not returned by the contractor until August 1970. The follow-up action taken on 9 July 1970 related to those variations.

Committee's Conclusions
One Hundred and Twenty Third
Report
(22 October 1970)

Treasury Minute
(8 March 1973)

information was issued by the Department on 9 July. Your Committee believes that this action could only have arisen from a failure of communication that should not have occurred, within the Department but, having arisen, reflects adversely and publicly on the Department.

163. The circumstances relating to the Camperdown project are of particular concern to Your Committee. On the basis of evidence it is clear that the Department's submission is misleading in that it referred to a claim having been lodged too late in June to enable checking and processing prior to the closing of accounts. The witness, however, made it clear that no such claim had, in fact, been received and that, in its absence, the Department, contrary to its normal practice, initiated payment early in July. Had the payment been made in the circumstances described, prior to the closing of accounts in 1969-70, then the reason for the payment would have been understandable even if unacceptable. The motives involved in making such a payment early in July, however, are incomprehensible. Your Committee

The Department has advised that the Camperdown project claim referred to in its submission was the account for payment prepared within the Department as provided for in departmental procedures to meet the circumstances where claims have not been received from contractors and amounts have become properly due and payable. Although the account was introduced into the system for payment in 1969-70 the sheer volume of transactions prevented payment before 30 June 1970 and automatically the account, together with many others, was carried over for payment early in July.

Subsequent to the presentation of the Report to the Parliament the Treasury was asked by the Committee for advice regarding the basis for and propriety of this payment. The Committee was informed, inter alia, that having regard to the inherent controls and checks operating within the Department of Works in relation to payments under contracts, the Treasury considered that there was no impropriety in the payment of the amount in question.

Committee's Conclusions
One Hundred and Twenty Third
Report
(22 October 1970)

Treasury Minute
(8 March 1973)

is disturbed by the conflicting nature of the evidence tendered and regards the action taken by the Department as unsatisfactory.

On the general question of seeking claims, a new Treasury Direction (18/7A) was issued in June 1971. This Direction states "Suppliers shall not be invited or requested to submit claims earlier than is customary and accounts shall not be prepared in the absence of a claim in order that payment may be made before an appropriation lapses or before the account would normally fall due for payment."

Capital Works and Services - Buildings and
Works - Departmental - Department of Immigration

171. While it is clear from the evidence that the Department was justified in seeking extra funds from the Advance to the Treasurer, \$40,600 of the amount sought related to the Randwick project. In respect of this project, however, only \$17,280 was required for expenditure in 1969-70. While payment of that amount was made on 5 June 1970, the amount of \$40,600 was sought on 30 May. Your Committee believes that the Department should have sought the extra funds from the Advance to the Treasurer subsequent to making the payment in respect of the Randwick Project.

The Department has pointed out, and the Treasury agrees, that until the extra funds had been provided from the Advance to the Treasurer there was no Warrant Authority to cover the additional payment to the contractor for the Randwick project.

Capital Works - Services - Buildings and
Works - Departmental - Repatriation Department

180. Your Committee accepts the Department's explanation.

Committee's Conclusions
One Hundred and Twenty Third
Report
(22 October 1970)

Treasury Minute
(8 March 1973)

GENERAL

P.P. No.
214 of
1968

181. In its One Hundredeth Report Your Committee referred to the development of a pro-forma for the guidance of Departments in tendering evidence connected with our inquiries into Expenditure from the Advance to the Treasurer.

182. Arising from discussions between officers of the Department of the Treasury and Your Committee's staff late in 1964, a pro-forma was developed and used initially in connection with our Inquiry in 1965. While the use of the pro-forma by Departments resulted in a substantial improvement in the quality of the submissions tendered, experience gained in its use showed a need for further refinement. Further discussions were held in May 1966 when it was agreed that Your Committee should design a pro-forma to meet its specific needs. The new pro-forma, which was used for the first time in connection with our Inquiry in 1966 was based on an analysis of funds available to departments under each Item and a comparison of the total funds available with actual expenditure in each case.

Committee's Conclusions
One Hundred and Twenty Third
Report
(22 October 1970)

Treasury Minute
(8 March 1973)

183. The continued use of the pro-forma, designed on that basis, in each year since 1966 has highlighted cases where departments have sought and obtained funds from the Advance to the Treasurer late in the financial year but have not, for various reasons, finally required the amounts so obtained. In some instances this situation has reflected the absence of a realistic approach in the assessment of financial needs late in the financial year. In other instances the pro-forma has revealed amounts charged to the Advance to the Treasurer without Warrant Authority. Cases of this nature would not have been disclosed to Your Committee but for the fact that the pro-forma provided for an analysis of funds available.

184. A further matter to which Your Committee would invite attention relates to the general quality of documentary and oral evidence tendered during Public Inquiries. This matter has been mentioned in several of our Reports in recent years relating to expenditure from the Advance to the Treasurer and from the Consolidated Revenue Fund and reference has been made in this context to a circular issued by the Public Service Board

Committee's Conclusions
One Hundred and Twenty Third

Report
(22 October 1970)

Treasury Minute
(8 March 1973)

to all Departments. When tabling Your Committee's One Hundred and Eighteenth Report in the Parliament on 11 June 1970 the Chairman commented specifically on the problem and expressed the hope that Permanent Heads would again be circularised on the matter.

185. Your Committee notes with satisfaction that on 16 October 1970 the Secretary to the Treasury issued a Memorandum (66/585) to all Permanent Heads. This Memorandum, which related to the preparation of material and briefing of witnesses for our inquiries included the following statement:

'Not only has the Committee the right to expect that witnesses appearing before it are properly briefed but it is in the interests of each department and the Service generally that evidence tendered to the Joint Committee of Public Accounts is of the highest quality. Written submissions and explanations should be carefully prepared and thoroughly checked for adequacy and accuracy of detail and absence of ambiguity; officers who are to appear before the Committee to give evidence should undertake sufficient research and preparation and should be thoroughly briefed to enable them to answer, with authority, any questions which may reasonably be expected on the subject matter of the inquiry.

Committee's Conclusions
One Hundred and Twenty Third
Report
(22 October 1970)

Treasury Minute
(8 March 1973)

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

Your Committee would draw attention to the fact that while the need for a memorandum of this nature has arisen from time to time particularly in connection with our inquiries into Expenditure from the Advance to the Treasurer and the Consolidated Revenue Fund, it should not be construed as limited to that area but has an equal application in all areas where Your Committee obtains submissions and conducts Inquiries on behalf of the Parliament.

186. The evidence taken in this Inquiry shows cases where clerical errors, lack of adequate communication between Central and Regional Offices of Departments and between Branches of Central Offices of the same Department and misunderstandings between some Departments and their clients have resulted either in poor standards of estimating or inadequate administrative performances that have affected expenditure adversely. The evidence also

Committee's Conclusions
One Hundred and Twenty Third
Report
(22 October 1970)

Treasury Minute
(8 March 1973)

reflects situations where requests were made prematurely for funds from the Advance to the Treasurer and significant proportions of the funds sought were not used. Your Committee believes that Departments should examine their administrative arrangements to ensure that inadequacies of those types are kept to a minimum.

187. There are, however, certain specific matters to which Your Committee believes that particular attention should be directed.

188. Arising from the evidence it is clear that letters of credit associated with overseas purchases have been renewed without prior notice subsequent to their date of expiry. Your Committee believes that the basis of practices connected with letters of credit should be examined critically by the Department of the Treasury and by other Departments and authorities concerned.

189. Other evidence tendered related to a significant over-expenditure that occurred and which was not detected in time for correction prior to the closing of accounts in 1969-70. While misunderstandings that occurred within the Department's administration appear to have been a prime cause of the error, Your Committee is disturbed

Committee's Conclusions
One Hundred and Twenty Third
Report
(22 October 1970)

Treasury Minute
(8 March 1973)

by the fact that the circumstances of the error were complicated by the transfer of the Central Office of the Department to Canberra. On several occasions in recent years Your Committee has encountered the problems, including staffing losses, that confront Departments in making such transfers. However, we believe that a clear responsibility rests on the Permanent Heads of such Departments to recognise the problems that can arise and to ensure that they are minimised in the interests of efficient administration.

190. A further disturbing feature of the same case relates to the need for Departments that make computer services available to other Departments and to Statutory Authorities to ensure that adequate training is provided for the staffs of such Departments and Authorities in the interpretation of output data from the computers. We also believe that this problem could, with advantage, be examined by the A.D.P. Development Branch of the Public Service Board and by the client Departments and Authorities concerned.

The Public Service Board has advised that past experience arising from its relatively close association with departments regarding the development and implementation of A.D.P. systems and enquiries made as a result of the Committee's comment in this Report concerning the provision of training in the interpretation of computer output data, have not indicated any general deficiency in the related training provided by departments, including that undertaken when computer services are made available by one department to other departments and authorities.

Committee's Conclusions
One Hundred and Twenty Third
Report
(22 October 1970)

Treasury Minute
(8 March 1973)

191. Other evidence tendered in this Inquiry revealed a case where, over a considerable period of time, a Department had sought information from a contractor. Finally the contractor supplied the information but, almost a fortnight later the Department again requested the information. Your Committee believes that incidents of this nature reflect adversely on the administration of the Department and, perhaps of equal importance, can also adversely affect the public image of the Department and the Public Service.

192. Finally, Your Committee would refer to a case where factually conflicting evidence was tendered by a Department in its submission and by its witness in evidence. In this regard reference has been made earlier in this chapter to the need for quality in evidence to Your Committee and to the Secretary to the Treasury's Memorandum (66/385) of 16 October 1970 to all Permanent Heads. The circumstances of the present case, however, are such that Your Committee has taken up with the Department concerned the nature of the factual differences referred to and has sought an explanation of the circumstances involved.

CHAPTER 3 - TREASURY MINUTE ON THE ONE HUNDRED AND THIRTY THIRD
REPORT RELATING TO EXPENDITURE FROM THE ADVANCE TO
THE TREASURER (APPROPRIATION ACTS 1970-71)

Committee's Conclusions
One Hundred and Thirty
Third Report (10 November
1971)

Treasury Minute
(8 March 1973)

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 THE PARLIAMENTARY LIBRARY

Library - Salaries and Allowances -
Parliamentary Librarian Salary

16. It appears to the Committee that the over-expenditure that occurred on this Item arose from a serious inadequacy in the administration of the Parliamentary Library. As a consequence of this inadequacy an amount of \$656 was charged to the Advance to the Treasurer without Warrant Authority in contravention of Treasury Regulation 90 (1). That Regulation states:

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

The Parliamentary Librarian considers that the lapses which led to the over-expenditure did not warrant the criticism that it arose from a "serious inadequacy" in his administration. What occurred was that a clerical error was made when the existence of the Allocation Advice sent to London was over-looked and there was a lapse in efficiency in dealing with the monthly extracts from the Central Ledger of the Sub-Treasury, Canberra.

The Parliamentary Librarian is satisfied from an examination of the texts of the original and altered submissions that no attempt was made to mislead the Committee and that the minor amendments made arose from a desire to improve the original submission.

The Parliamentary Librarian has taken action which he hopes will ensure that lapses such as those to which the Committee has drawn attention do not recur.

Committee's Conclusions
One Hundred and Thirty
Third Report (10 November
1971)

Treasury Minute
(8 March 1973)

17. The Committee also notes with satisfaction however, that, as a direct consequence of its inquiry, action has already been taken to remedy the inadequacy concerned.

18. In connection with this Item the Committee would also invite 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 indicate that where an error is discovered by a department in its submission prior to the public inquiry, it should tender an Additional Submission rectifying the error.

19. In more recent years, to assist departments in the submission of evidence, twelve (12) copies only of submissions have been sought initially in connection with inquiries relating to Expenditure from the Advance to the Treasurer. The remaining copies required are not sought until the Committee has completed its selection of items for public inquiry.

Committee's Conclusions
One Hundred and Thirty
Third Report (10 November
1971)

Treasury Minute
(8 March 1973)

20. It should be noted however, that the copies of submissions tendered originally by departments are retained by Committee members and form the basis of examination during the public inquiry. Hence if the further copies of submissions are not identical with the original copies tendered, the differences in detail will become apparent during the public inquiry to the manifest embarrassment of the witnesses.

21. In the case of the submission made by the Parliamentary Library on this item the Committee's examination disclosed that the text of the submission has been changed without prior consultation with or advice to our Secretariat. Indeed the change was not admitted by the witness until it was disclosed through oral examination. The Committee views in a most serious light the substitution of submissions in the manner described.

JOINT HOUSE DEPARTMENT

Joint House Department - Administrative Expenses -
Travelling and Subsistence

25. The Committee accepts the Department's explanation.

Committee's Conclusions
One Hundred and Thirty
Third Report (10 November
1971)

Treasury Minute
(8 March 1973)

DEPARTMENT OF CIVIL AVIATION

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

33. On the basis of the evidence it appears to the Committee that the Department was justified in seeking funds from the Advance to the Treasurer in respect of Arbitrator's Determinations Nos. 16, 61 and 73 of 1971 and for the payment of unforeseen furlough, retirement and recreation leave entitlements. It also appears, however, that the Department was not justified in seeking such funds in respect of Determination No.1 of 1971 and in respect of the retrospective education allowance payable to staff in the Territory of Papua and New Guinea. The evidence shows that advice of these commitments was conveyed to the Department in time for their inclusion in the Additional Estimates.

34. In these circumstances the Committee is concerned by the fact that the submission tendered by the Department stated that all of the Arbitrator's Determinations referred to were issued in April and therefore occurred subsequent to the closing date for the Additional Estimates. In addition the submission failed to make clear the fact that the Public Service Board circular approving a

The Department of Civil Aviation considers that the few days available between receipt of the relative Public Service Board instructions and the closing date for Additional Estimates were not sufficient for the calculation of the amount required under Determination No. 1.

The Department has explained that no amount was included in Additional Estimates for educational allowances payable to staff in Papua New Guinea because of uncertainties about the cost of adjusted educational allowances and the possibility that some offsetting underexpenditure might occur elsewhere under this item to meet part of the cost of the educational allowances.

The Department has taken action to ensure that as far as possible mis-statements of fact do not occur in future submissions to the Committee.

Committee's Conclusions
One Hundred and Thirty
Third Report (10 November
1971)

Treasury Minute
(8 March 1973)

retrospective education allowance
for staff in the Territory of Papua
and New Guinea had been issued prior
to the closing date for the Addition-
al Estimates.

DEPARTMENT OF EDUCATION AND SCIENCE

Metric Conversion Board - Salaries and Payments in the nature of
Salary - Salaries and Allowances

39. It appears to the Committee
that the Department was justified in
charging \$3,300 to the Advance to the
Treasurer to cover the salary costs
of three positions that were filled
subsequent to the Additional Estimates.

40. It also appears, however, that
the arrangements relating to the payment
of officers loaned by the Department of
the Treasury to the Metric Conversion
Board in July 1970 were not soundly
established in that they emanated from
a discussion between officers of the
Departments concerned but were evidently
not confirmed by an exchange of Memo-
randa. It would appear that but for
this administrative weakness the circum-
stances that gave rise to the need for
\$10,092 to be charged to the Advance to
the Treasurer should not have arisen.

Action has been taken
within the Treasury to ensure that
oral arrangements made with officers
of other departments on all admin-
istrative matters are confirmed in
writing in future.

Committee's Conclusions
One Hundred and Thirty
Third Report (10 November
1971)

Treasury Minute
(8 March 1973)

DEPARTMENT OF EXTERNAL TERRITORIES
Cocos (Keeling) Islands - Administrative Expenses -
Incidental and Other Expenditure

51. The Committee's main point of concern with this Item is that an amount of \$129 was charged to the Advance to the Treasurer in contravention of Treasury Regulation 90 (1). The details of this Regulation have been set out previously in this Report in connection with Item 104.1.03 which relates to the Department of the Parliamentary Library.

52. The evidence shows that the overcharge under Item 276.2.05 arose primarily from a clerical error that occurred in the Department of the Treasury during the process of Additional Estimates compilation and from a failure on the part of the Department of External Territories, as the Department administering the Item, to detect the error either from the details contained in Appropriation Bill No. 3 or, in the preparation of material relating to the examination of the Additional Estimates by the Senate Estimates Committees or from the Warrant Authorities issued by the Department of the Treasury subsequent to the passage of Appropriation Act No. 3 or in the final review of expenditure against the Estimates in connection with requirements from the Advance to the Treasurer.

There were two separate and distinct errors made in relation to Division 276.2.05. The first was the clerical error made in the Treasury when preparing Appropriation Bill (No. 3). This error was detected by the Department of External Territories who drew the Treasury's attention to it by memorandum dated 5 April 1971, which was before consideration of the Bill by the House of Representatives and the Estimates Committees of the Senate.

The second error, which was directly responsible for expenditure exceeding the appropriation, occurred when the Department received the Warrant Authority issued by the Treasury on 10 May 1971 and, in recording it in its Master Appropriation Ledger, inserted the amounts

Committee's Conclusions
One Hundred and Thirty
Third Report (10 November
1971)

Treasury Minute
(8 March 1973)

53. The Committee believes that the clerical error made by the Department of the Treasury should not have occurred and that appropriate action should be taken by that Department to guard against a repetition of errors of this kind in the important area of estimates compilation. At the same time the Committee believes that the failure on the part of the Department of External Territories to detect the error is the more serious, having regard to the opportunities available for its discovery. Indeed these opportunities are now greater than ever before following the establishment of the Estimates Committees in the Senate. In all the circumstances the Committee believes that the failure of the Department to detect this error reflects adversely on the quality of its financial administration.

requested for inclusion in Additional Estimates instead of the amounts actually included in the Appropriation Act.

The Department has advised that the attention of the Authorising Officer has been directed to the need to ensure that entries in the Appropriation Ledger of Warrant Authority available are made directly from details contained in the Appropriation Acts.

The system for rechecking Appropriation Bills is sound but the unusual timetable imposed on the Treasury for the year in question was such as to not permit the system to be followed in complete detail.

DEPARTMENT OF HEALTH

Northern Territory Health Services - Salaries and Payments in the
Nature of Salary - Salaries and Allowances

71. An amount of \$48,000 was obtained from the Advance to the Treasurer for new positions created in August, September, October and December 1970; for the reclassification of salaries for technical

Committee's Conclusions
One Hundred and Thirty
Third Report (10 November
1971)

Treasury Minute
(8 March 1973)

and paramedical staff in October and November 1970 and to meet the cost of a 5 per cent pay variation operative from January 1971 for females. The evidence shows that appropriate provision should have been made for these items in the Additional Estimates and that they should not have been charged to the Advance to the Treasurer.

72. The evidence also shows that an amount of \$22,000 had been incorrectly charged against the Miscellaneous salaries component of the National Welfare Fund. While it was claimed that this error arose from unfamiliarity on the part of officers concerned with the coding system, the Committee has difficulty in accepting this explanation, particularly in view of the nature and extent of training in ADP procedures that has evidently been provided by the Department of the Treasury for the officers concerned.

73. It also appears from the evidence that a further amount of \$89,000 was charged to the Advance to the Treasurer instead of being included in the Additional Estimates due to oversights that occurred at that time in relation to salary requirements.

Committee's Conclusions
One Hundred and Thirty
Third Report (10 November
1971)

74. While the Committee believes that these errors and oversights should not have occurred, we note that a joint Department of Health/Public Service Board review of the Northern Territory Medical Services was commenced in April 1971. We also note that on 21 June 1971 approval was given to the establishment of an Estimating and Costing Section in the Darwin Divisional Office. The evidence suggests that these developments could, with advantage, have occurred sooner. The Committee expects to be advised in due course of the benefits obtained from these developments.

Treasury Minute
(8 March 1973)

The Department of Health has stated that the basic cause of the errors and oversights was the lack of suitable staff in the Darwin Office to cope with the increasing work load in the finance area.

The Department has advised that the four additional positions in the Estimating and Costing Section are now filled on a permanent basis and an examination of the costing requirements for departmental establishments in the Territory is now being undertaken. As this work progresses it is expected that a need for additional staff to implement the costing systems developed will become apparent and the adequacy of the present approved establishment will again be reviewed.

DEPARTMENT OF THE INTERIOR

Electoral Branch - Salaries and Payments in the Nature of Salary -
Salaries and Allowances

81. The Committee accepts the Department's explanation.

Committee's Conclusions
One Hundred and Thirty
Third Report (10 November
1971)

Treasury Minute
(8 March 1973)

Australian Capital Territory Services-
Other Services - Children's Shelter - Maintenance

91. The evidence submitted to the Committee on this Item discloses inadequate communication between the Branches of the Department; failure to include known amounts in the Additional Estimates; failure to carry out the usual analysis of expenditure during a period of machine conversion; the omission of essential records from dockets resulting in the incorrect classification of expenditure and a failure to make financial provision in the Additional Estimates for recreation relief that occurred between January and March 1971. While the Committee recognises that some of these defects have been rectified, we believe that their occurrence reflects adversely on the Department's financial administration. The Committee also notes that the circumstances relating to the incorrect classification of expenditure arising from the omission of essential records from dockets was not discovered by the Department until we sought an explanation from it in relation to the expenditure that had occurred from the Advance to the Treasurer.

Following the Committee's Report the Department of the Interior (see footnote (a)) has advised that a system was introduced in the Establishments Branch which would adequately cover the Branch's responsibility for salary estimates and which would ensure that the failure to make provision for pay increases and relief for officers on leave would not recur. Appropriate action was also taken in the Welfare and Finance and Supply Branches to ensure that expenditure was correctly classified and that further delays did not occur in the regular analyses of expenditure trends.

Committee's Conclusions
One Hundred and Thirty
Third Report (10 November
1971)

Treasury Minute
(8 March 1973)

DEPARTMENT OF PRIMARY INDUSTRY

Administration of the Commerce (Trade Descriptions) Act -
Administrative Expenses - Travelling and Subsistence

102. The Committee accepts the
Department's explanation.

Bureau of Agricultural Economics - Salaries & Payments
In the Nature of Salary - Salaries and Allowances

110. The Committee accepts the
Department's explanation relating to
Determinations No. 115 and 116 of
1971 which granted salary increases
amounting to \$1,400 in 1970-71 for
typists and other 'keyboard' desig-
nations of staff.

111. The evidence shows however,
that an amount of \$7,300 was charged
to the Advance to the Treasurer as
a result of an administrative over-
sight that occurred in relation to
salaries for Agricultural Economics
Cadets when the Additional Estimates
were formulated. While this over-
sight should not have occurred, the
evidence also shows that action has
been taken within the Department to
obviate a similar occurrence.

Committee's Conclusions
One Hundred and Thirty
Third Report (10 November
1971)

Treasury Minute
(8 March 1973)

DEPARTMENT OF THE NAVY

Administrative Expenses and General Services - Payment
under the Commonwealth Employees Compensation Act

118. The evidence shows that the amount of \$4,600 was charged to the Advance to the Treasurer as a result of an error that occurred in charging a claim for personal injury to this Item. The Committee believes that this error should not have occurred.

119. A further matter to which the Committee would invite attention relates to the factual quality of the evidence tendered. In this regard we note that in its written submission the Department stated that the payment concerned had been made on 23 June 1971 whereas the witness informed us that payment had been made on 25 June 1971. Moreover, the Departmental submission stated that the error had been discovered subsequent to 30 June 1971. The witness, however, informed us that the error had been discovered in connection with the Department's request for funds from the Advance to the Treasurer. In this regard the Committee would draw attention to Treasury Memorandum (66/385) of 16 October 1970 to all Permanent Heads. This Memorandum which related to the preparation of material and the briefing

The Department of the Navy regrets that the witness incorrectly referred to 25 June 1971 when, as correctly advised in the written submission, payment was made on 23 June 1971.

Committee's Conclusions
One Hundred and Thirty
Third Report (10 November
1971)

Treasury Minute
(8 March 1973)

of witnesses for our inquiries
included the following statement:

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

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

Committee's Conclusions
One Hundred and Thirty
Third Report (10 November
1971)

Treasury Minute
(8 March 1973)

DEPARTMENT OF AIR
Administrative Expenses and General Services -
Hire of Equipment

128. From the evidence tendered it appears to the Committee that, arising mainly from a change in accounting arrangements concerning the joint British-Australian Weapons Research Establishment a misunderstanding occurred within the Department, as a result of which \$35,000 was charged in error to Item 694.09 instead of to Item 694.01. While it is fortunate that this error was discovered in August 1970 in time for its correction during the financial year, it appears to your Committee that this error should not have occurred.

129. It also appears from the evidence that an amount of \$24,185 was charged to the Advance to the Treasurer as a result of the discovery of the fact that the costs of certain equipment had been charged in error to Item 694.02 instead of to Item 694.09. The correction of this error subsequent to the Additional Estimates gave rise to the need for funds from the Advance to the Treasurer.

130. The nature of the errors that occurred in this Item indicate a need for review of the procedures that

The Department of Air has pointed out that there was no incorrect charging of expenditure connected with the hire of vehicles at R.A.A.F. Base Edinburgh. Provision had been made for this expenditure in the original Estimates under Item 694.01 but, in August 1970, before any expenditure had been incurred for the 1970-71 hire, it was discovered that only \$35,000 of the total estimated expenditure related to the hire of passenger vehicles and was properly chargeable to 694.01. The balance of \$137,000 was in respect of specialist vehicles and was properly chargeable to 694.09. Because funds for this expenditure had not been provided in the original Estimates under Item 694.09 it was necessary to seek the funds in Additional Estimates.

Committee's Conclusions
One Hundred and Thirty
Third Report (10 November
1971)

Treasury Minute
(8 March 1973)

permitted the errors to arise
and a further need for adequate training to be provided for junior service and civilian officers who are engaged, at unit level, in arranging for the charging of expenditure to items.

Administrative Expenses and General Services -
Incidental and Other Expenditure

138. In general, the Committee accepts the Department's explanation in relation to this item. It notes, however, that it was not until May 1971 that the Department of Foreign Affairs rendered an account on the Department of Air for RAAF aircraft landings that had occurred some twenty months earlier at the Bali International Airport. Had this account been submitted even as late as February 1971 it might well have influenced the Department of Air to seek funds in the Additional Estimates and thereby minimise the demand on the Advance to the Treasurer.

139. The Committee believes that the Department of Foreign Affairs should explore, as a matter of urgency, the necessary ways and means of ensuring that accounts payable by other departments are rendered promptly after the provision of services.

The Department of Foreign Affairs wrote to the Department of Air on 28 October 1970 seeking the necessary authority to pay the Bali International Airport Authority the aircraft landing fees and parking charges. There was a delay within the Department of Air in obtaining the required certification of the charges and the authority was given on 3 March 1971. Payment was made by the Australian Embassy Djakarta on 17 March 1971 and reimbursement sought by the Head Office of the Department of Foreign Affairs in May 1971.

Committee's Conclusions
One Hundred and Thirty
Third Report (10 November
1971)

Treasury Minute
(8 March 1973)

DEPARTMENT OF SUPPLY

Working Capital Advances - For Payment to the Supply
Storage and Transport Trust Account

167. It appears from the evidence that the Department of Supply took action in December 1970 to seek an increase of \$1,420,000 in the Working Capital Advance of the Stores and Transport Trust Account. It also appears that, in response to that request, the Department of the Treasury took appropriate action to question the validity of calculations that had been made in connection with the operations of the Weapons Research Establishment's Woomera Transport fleet which was to be financed from the Trust Account as from January 1971.

168. The subsequent discussions and correspondence between the two departments disclosed that the liquidity problem of the Trust Account was occasioned by the slow payment of claims by departments and that a substantial amount was owed to the Trust Account by branches of the Department of Supply itself.

169. The Committee believes that the Department of Supply should not have permitted this state of affairs to arise and, as expressed in several of its previous reports, the Committee believes that the debtor

The Department of Supply has pointed out that slow payment by debtors was not the only cause of the liquidity problem in the Trust Account - rising costs and increased business were also major contributing factors.

The Department has taken action to amend its procedures to emphasise to its own departmental establishments and offices the importance of paying Stores and Transport Branch claims as promptly as possible.

The Department has stated that although it has very little control over the payment of accounts by other departments it has always endeavoured to have claims paid promptly by taking appropriate debtor follow-up action including the issue of statements of account and making written and telephonic requests to debtors for payment.

During October 1971 the Treasury conducted a survey of the payment performance by debtor departments in relation to claims issued by the Victorian Branch of the Stores

Committee's Conclusions
One Hundred and Thirty
Third Report (10 November
1971)

Treasury Minute
(8 March 1973)

departments concerned should have ensured that accounts rendered on them were paid promptly. The Committee will expect to be advised in due course of the results of the remedial action that was in hand when its inquiry occurred.

170. The evidence also shows that when financial assistance was provided by the Department of the Treasury for the Department of Supply late in June 1971, \$14,000 of the amount provided remained unspent as a result of an error that occurred in the Tasmanian Regional Office of the Department of Supply. This error appears to have arisen from a failure on the part of the officer concerned to act as directed in relation to the accounting procedure required in the processing of the particular transaction. The Committee expects that appropriate action will be taken to ensure that errors of this nature do not recur.

and Transport Branch over a specified period. Explanations obtained from departments with poor paying performances were analysed and departments were then advised of common factors which seemed to be contributing to the delays together with some suggestions to improve procedures. The Department of Supply conducted a similar survey in Victoria during July 1972, the result showing that 70 per cent of transport claims by value were paid within twenty-one days from date of despatch compared with 61 per cent in the Treasury survey. Additionally, the Department has advised that while it regards the special remedial action as still in progress, improvement is already evident as the value of all unpaid accounts at the end of the previous six financial years has varied from 18.5 per cent to 19.2 per cent of annual turnover while the figure at 30 June 1972 was 15.4 per cent.

Action has been taken by the Department to ensure that the type of error which occurred in the Tasmanian Regional Office in June 1971 will not recur. The action taken includes changing the procedures from 1 July 1972 so that Stores and Transport Branches will

Committee's Conclusions
One Hundred and Thirty
Third Report (10 November
1971)

Treasury Minute
(8 March 1973)

be issued with Trust Fund credits. This change in procedure places the responsibility for additions and repayments of working capital on the Central Office Authorising Officer.

Furniture Removals and Storage

184. The Committee accepts the Department's explanation in relation to the need to obtain funds from the Advance to the Treasurer.

185. The Committee's main concern with this Item however, is that an amount of \$3,713 was charged to the Advance to the Treasurer without Warrant Authority in contravention of Treasury Regulation 90(1). The details of this Regulation have been set out previously in this Report in connection with Item 104.1.05 which relates to the Department of the Parliamentary Library.

186. The evidence shows that the over-charge under Item 735 arose when the Department of the Treasury issued a Warrant Authority for \$4,000 less than the total level of expenditure approved late in June 1971 under the Item. While this error should not have occurred, the

The Department has made arrangements for Warrant Authorities from the Advance to the Treasurer to be collected from the Treasury when time is an important factor and for entries in the Registers to be made from the Warrant Authority itself.

The normal procedure followed by the Treasury after the total expenditure for the financial year is known is to send a memorandum to each department early in July listing details of expenditure in excess of each particular appropriation. Where a department has not sought Warrant Authority from the Advance to the Treasurer to cover this excess expenditure, a subsequent memorandum is sent asking for an explanation of the statutory breaches from the officer

Committee's Conclusions
One Hundred and Thirty
Third Report (10 November
1971)

Treasury Minute
(8 March 1973)

evidence also shows that, based on verbal advice from the Department of the Treasury to the effect that Warrant Authority had been issued, the Department of Supply recorded the full amount of \$74,000 in its Warrant Register and then issued Warrant Advice to its Authorising Officers. However, when the Warrant Authority was received by the Department of Supply, the amount shown on the Authority was not checked against the amount that had been entered in the Register. Had this simple precaution been taken at that time, the error in the figures would have been detected and the overcharge could have been avoided. The Committee believes that greater care should have been exercised by both of the Departments involved in this matter.

187. The Committee is also disturbed to find that the error evidently remained undiscovered until it was detected late in July 1971 by the Auditor-General's Office during its normal review of recorded expenditure against Appropriations. The Committee believes that errors of this nature could be detected by the Department of the Treasury early in July each year from information on expenditure results obtained from that Department's computer.

responsible. The memoranda to the Department of Supply in respect of expenditure for 1970-71 were sent on 8 July and 25 August 1971. The length of time which elapses between the despatch of the first and the second memoranda each year depends on administrative priorities and is not an indication that expenditure in excess of Warrant Authority has remained undiscovered.

Committee's Conclusions
One Hundred and Thirty
Third Report (10 November
1971)

Treasury Minute
(8 March 1973)

GENERAL CONCLUSIONS

188. In Chapter 1 of this Report the Committee stated that it had sought to ascertain, during its Inquiry, whether or not the departments that had recourse to the Advance to the Treasurer had maintained efficient administration in the expenditure of funds under the items selected for Public Inquiry.

189. 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 affected, in many cases, the amounts which departments might otherwise have sought in the Additional Estimates.

Committee's Conclusions
One Hundred and Thirty
Third Report (10 November
1971)

Treasury Minute
(8 March 1973)

Cases also occurred where, for inescapable reasons, expenditure under particular items could not be contained at the levels set in February 1971 and, as a consequence, departments had recourse to Expenditure from the Advance to the Treasurer in circumstances where they might not otherwise have done so.

190. 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.

191. The evidence taken during this Inquiry has shown that in some cases expenditure from the Advance to the Treasurer was confined to urgent and unforeseeable requirements for which provision could not have been made elsewhere in the Appropriation legislation. In other cases, however, there was evidence of clerical errors; administrative

Committee's Conclusions
One Hundred and Thirty
Third Report (10 November
1971)

Treasury Minute
(8 March 1973)

oversights; failure to establish soundly based administrative arrangements between departments and procedural weaknesses within departments. There was also some evidence of a failure on the part of one department to render accounts for payment promptly on another Department and a failure of Departments to pay accounts promptly. Attention has been drawn to these inadequacies where they have arisen.

192. One disturbing feature to which the Committee would invite specific attention relates to the fact that in several cases amounts were charged to the Advance to the Treasurer without Warrant Authority in contravention of Treasury Regulation 90 (1.) and that some of these overcharges were not detected until some time after the close of the financial year. In these circumstances we would again remind departments of the requirements of Treasury Regulation 90 (1.) which is expressed in the following terms:

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

Committee's Conclusions
One Hundred and Thirty
Third Report (10 November
1971)

Treasury Minute
(8 March 1973)

193. A further matter to which the Committee would invite specific attention relates to the quality of evidence tendered by departments. While considerable improvement has been achieved in this regard by most departments in recent years, inadequacies persist. In this regard 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. This Memorandum, which related to the preparation of material and briefing of witnesses for our inquiries included the following statement:

'Not only has the Committee the right to expect that witnesses appearing before it are properly briefed but it is in the interests of each department and the Service generally that evidence tendered to the Joint Committee of Public Accounts is of the highest quality. Written submissions and explanations should be carefully prepared and thoroughly checked for adequacy and accuracy of detail and absence of ambiguity; officers who are to appear before the Committee to give evidence should undertake sufficient research and preparation and should be thoroughly briefed to enable them to answer, with authority, any questions which may reasonably be expected on the subject matter of the inquiry.

It would be appreciated if this circular could be brought to the attention of all officers of your Department who become

Committee's Conclusions
One Hundred and Thirty
Third Report (10 November
1971)

Treasury Minute
(8 March 1973)

concerned with the preparation of written material for the Committee or are required to attend in person at future hearings of the Committee and all Commonwealth authorities whose affairs come under the administration of your Minister.'

194. Allied to this matter the Committee would 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 departments and the witnesses representing them, indicate that where an error is discovered by a department in a submission prior to a Public Inquiry, the Department should tender an Additional Submission rectifying the error.

195. In more recent years, to further 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 Advance to the Treasurer. The remaining number of copies required are not sought until the Committee has completed its selection of items for Inquiry.

196. It should be noted carefully, however, that the copies of submissions tendered originally by departments are retained by Committee members for examination of witnesses during the

Committee's Conclusions
One Hundred and Thirty
Third Report (10 November
1971)

Treasury Minute
(8 March 1973)

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 during the Public Inquiry to the manifest embarrassment of the witnesses concerned. The Committee would emphasise that the system it has evolved is designed to assist departments as far as possible in the submission of evidence. The system cannot, however, provide for the amendment of evidence by a process of secret substitution.

Chapter 4

OBSERVATIONS OF THE COMMITTEE

In relation to the Treasury Minute on the 123rd Report, the Committee wishes to make observations on two matters:

(i) Repatriation Department

Administrative - Salaries and payment in the Nature
of Salaries - Salaries and Allowances

In its Treasury Minute of 8 March 1973, the Treasury disagreed with the Committee's conclusion that adequate training was evidently not provided by the Treasury in connection with the interpretation of output data from the Treasury computer systems. The Committee sought amplification of this statement from the Department of the Treasury. The Committee carefully examined the Treasury's reply and concluded that, in its view, the fact that breakdown occurred in funds control after staff had been instructed is sufficient justification in maintaining its reservations about the adequacy of training. The Committee also believes that it would be unwise in all the circumstances for the Treasury to assume an adequate understanding of output data simply because no other user has reported similar difficulty in interpretation.

(ii) Department of Works

Capital Works and Services - Building and Works
- Departmental - Department of Health.

In its Treasury Minute of 8 March 1973, the Department of the Treasury informed the Committee that, in respect of the laboratory at Tamworth, the Department of Works had advised that in addition to the variations mentioned by the departmental witness, there were other variations which had been referred to the contractor. The Committee sought details of the apparent new evidence introduced by the Department in the Treasury Minute. Evidence tendered to the Committee at the inquiry made no reference to any pricing variations being withheld by the contractor beyond 29 June 1970. In the circumstances, there was

no alternative but to infer that follow-up action taken on 9 July 1970 was caused by a break-down in communication. The Committee notes with regret that evidence submitted to it on this item was incomplete.

In relation to the Treasury Minute on the 133rd Report, the Committee wishes to make observations on two matters:

(i) Department of Air

Administrative Expenses and General Services -
Incidental and other expenditure

Based on the original evidence the Committee accepted that the Department of Air had acted reasonably in seeking funds from the Treasurer's Advance to meet outstanding Airport charges. Additional evidence supplied in the Treasury Minute indicates that the Department of Air was in a position to anticipate the amount due to the Bali Airport Authority in its additional estimates for 1970/71.

In subsequent advice to the Committee by both the Department of Air and the Department of the Treasury it was discovered that at the time of the inquiry the witness and his advisers were not aware that the account had been in the Department of Air for some time under difficulty in the certification process. It was also revealed that the Bali Airport Authority had written on several occasions requesting payment of the outstanding fees.

The Committee recognises that the Department of Air regrets the unfortunate developments in this matter and it accepts the Department's assurance that every possible attempt is made to present full and correct evidence. The Committee is nevertheless disturbed to note that the witness and advisers were unaware of an account causing some difficulty within their Department and that it should be necessary for foreign creditors to request payment of overdue accounts. The Committee believes that this adversely reflects upon the administration of the Department concerned.

(ii) Department of Supply
Working Capital Advances - For payment to the Supply
Storage and Transport Trust Account

Your Committee suspends judgment on the statement by the Department of Supply that it has very little control over payment of accounts by client departments. This matter is the subject of a detailed investigation by the Committee into delays in the payment of accounts within the Public Service.

For and on behalf of the Committee,



M.J. Talberg,
Acting Secretary,
Joint Committee of Public Accounts,
Parliament House,
Canberra A.C.T.
13 September, 1973



R.E. McAuliffe
Chairman

FOOTNOTE

- (a) The Department of the Interior was one of the departments abolished in pursuance of section 64 of the Constitution of the Commonwealth of Australia on 19 December 1972.