

JOINT COMMITTEE OF PUBLIC ACCOUNTS

TENTH COMMITTEE

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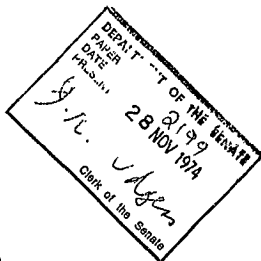
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The members from both the House of Representatives and the Senate were appointed on 16 July 1974.



DUTIES OF THE COMMITTEE

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

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

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

ONE HUNDRED AND FORTY-NINTH REPORT

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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 Senate and by a Member of the Committee in the House of Representatives. 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 THIRTY-SEVENTH REPORT RELATING  
TO THE AUDITOR-GENERAL'S REPORT  
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 THE ARMY  
(now Department of Defence (Army Office))  
Loss by Fire - Workshop Building

38. The Committee's inquiry into this matter is the third such inquiry it has made since 1967-68 into major fire disasters involving temporary buildings. The first of these inquiries arose from the Report of the Auditor-General, 1967-68 and related to the fire that occurred at H.M.A.S. Albatross, Nowra on 25 December 1967. In that case valuable imported equipment for use in training of Tracker aircraft crews had been sited beside a wooden and fibro constructed building which was used as a maintenance workshop. In that case the estimated cost to the Commonwealth was about \$1,600,000 for the replacement of a computer trailer, while the replacement of the temporary building with a suitable permanent building was assessed at about \$70,000.

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39. The second inquiry referred to arose from the Report of the Auditor-General, 1969-70, and related to the fire that occurred in the Botany compound of the Australian Wool Board on 30 September 1969. In this case, nine buildings were destroyed and others damaged at an estimated loss of \$553,854. The evidence taken in that inquiry showed that almost all of the buildings owned by the Australian Wool Board at that time, including those destroyed in the fire at Botany, were constructed early in World War II to meet wartime needs. Some of the stores were clad with masonite and others with fibro-cement sheeting and most had timber floors. Sprinkler systems had been installed in only 14 of the 269 stores owned by the Board.

40. The evidence taken in the present inquiry indicates that the fire which occurred at Puckapunyal on 16 December 1970 was probably occasioned by an electrical malfunction. The building concerned, which was in use as a workshop had been built during World War II at Bandiana and comprised essentially steel framework and galvanised iron cladding. The building was not fitted with any type of automatic fire alarm system or automatic sprinkler system. The estimated value of damage was \$355,180.

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41. The evidence indicates that Army Routine Order 91/69, which was in operation at the time of the fire, prescribed that unless special circumstances exist, automatic detection-extinguishing systems are not to be installed in buildings of a temporary nature. However, when the fire occurred a high quantity of spare parts was, in fact, housed in the store. As a result of the fire, stores to the value of \$272,780 were destroyed. The Committee believes that when a decision was made to use this building as a workshop it should have been recognised that this would involve also the housing of associated stores and that these could, periodically, reach a level of substantial value. We consider that this should have justified the inclusion of the building in the classification of "special circumstance" in accordance with Army Routine Order 91/69 and that accordingly, automatic detection-extinguishing systems should have been installed in the building.

42. The Committee also notes from the evidence that Army Routine Order 91/69 stated that the fixed fire protection facilities to be installed were to be decided after consultation with the Commonwealth Department of Works. The evidence indicates however, that doubts must be entertained as to

Army Routine Order 91/69 was replaced by Military Board Instruction 4-9 of 15 June 1971, i.e. six months after the fire at Puckapunyal. The Instruction is basically a revision of Army Routine Order 91/69, but it is more specific in defining the circumstances in which automatic detection extinguishing systems may be installed in buildings of a temporary nature. To qualify, such buildings must be, for example, "occupied barrack blocks constructed of readily combustible material with limited means of escape, hospitals, and buildings housing high cost stores and equipment".

The Department of the Army advised that the workshops at Puckapunyal would not have met the special circumstances referred to in Military Board Instruction 4-9 as a building housing high cost stores and equipment because the value of the stores concerned would normally have been very much lower than was the case when the fire occurred.



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whether the Department of Works had been consulted regarding the fire protection facilities to be provided for the particular building in question. The Committee believes that the Department of Works should have been consulted on this matter and does not accept as an alternative to consultation on fire protection the fact advanced in evidence, that a detachment of that Department is based at Puckapunyal for the purpose of carrying out maintenance and other responsibilities. Nor does the Committee necessarily accept as an alternative to consultation with the Department of Works the fact that in a unit such as that responsible for the workshops, qualified engineers form part of the officer strength and therefore there is available some capacity to make assessments of the kind required for fire protection.

43. In view of the fires that occurred at Nowra and Botany and to which we have referred earlier and the circumstances disclosed by our present inquiry, the Committee believes that a survey should be made of all temporary war-time and like buildings currently owned by the Commonwealth so that further consideration can be given to the matter of their replacement by permanent structures. The Committee believes that this is of particular importance having regard to the fact that,

On 21 June 1972 the Department of Works issued a circular memorandum to all Permanent Heads drawing attention to the Committee's observations and recommendation that a survey should be made of all temporary wartime and like buildings currently owned by the Commonwealth so that further consideration could be given to their replacement by permanent structures. The memorandum also pointed out that the Department will, on request, arrange

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in accordance with Treasury Directions, the Commonwealth acts as its own insurer, to the greatest extent possible, for all property under its control.

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a fire protection survey for any building which has not been covered in its usual fire protection surveys.

The Department stated in the circular that it had considered the Committee's recommendation in the light of what is done in cyclical inspections of buildings for the preparation of maintenance programmes and inspections of the adequacy and effectiveness of fire protection facilities. The circular also stated that:

"Most Departments would be aware of which temporary or wartime buildings do not satisfactorily provide suitable accommodation, and for that reason need to be replaced by modern buildings, or the activities shifted to another building.

The cyclical maintenance inspections of buildings carried out by works sometimes lead to recommendations to the owning Departments that certain buildings are no longer economical to maintain and should be replaced.

Works carried out, on a cyclical basis, surveys of the adequacy and effectiveness of fire protection of premises. These surveys include consideration of any basic deficiencies in the fire safety of the structure, as well as the adequacy of the detection and extinguishing equipment, and in some cases recommendations are made to the owning Department that buildings should be replaced.

Thus, Departments already have a considerable body of information as to which "temporary wartime and the like" buildings should be replaced.

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However, Department of Works will on request, arrange a fire protection survey for any building which has not been covered in its usual fire protection surveys. Requests should be from your regional offices to the Director of Works."

Following the issue of this circular the Department of the Army forwarded a schedule of temporary wartime and similar buildings to the Department of works, seeking advice of those which had been inspected together with any recommendations made to improve fire protection. The Department of works supplied the information requested by the Department and has undertaken to carry out fire protection surveys of buildings on the Schedule which have not been inspected in recent years and will provide reports to the respective Army Commands progressively as surveys are completed.

Purchase of Prime Movers and Semi-trailers

81. Arising from its examination of the evidence the Committee agrees with the findings of the Department of the Army arising from the operation of the contract in question. It is clear that the contract should not have been let for both prototype and production units and, in the first instance, should have been limited to prototype

The Department of the Army has pointed out that the guidelines designed to overcome the particular procurement deficiencies were a formalising of what had previously been the general practice in selecting and acquiring developmental items of commercial origin. The fact that insufficient time was allowed in the contract for the purchase of prime

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vehicles only. Secondly, a specific test programme should have been prepared prior to the delivery of prototype items and the timing and general progress of such tests should have been managed carefully and reported on at specific intervals. Thirdly, where alternative versions of particular equipments were available, more thorough investigations should have been made into the merits and demerits of the specific alternatives available before decisions were made that were not based on direct experience of the operation of the equipment.

82. While the Committee appreciates that appropriate guidelines designed to overcome these deficiencies have now been developed by the Department of the Army we must express surprise and concern that such guidelines were not developed at an earlier stage, having regard to the nature and extent of the procurement programmes conducted by the Department.

83. In view of the importance of the principles enunciated by the Department of the Army and set out in paragraph 79 of this Report, the Committee believes that these principles should be examined carefully by other departments engaged in procurement activities in relation to their current acquisition arrangements.

movers to carry out testing and inspection of the prototypes, does not negate the fact that it was clearly the intention of the Department, in the first instance, to carry out and complete the testing prior to production and delivery. The extent of testing in particular cases depends on a number of factors, which are considered afresh on each occasion. One of the major factors is the level of confidence in the equipment, based on previous developmental and usage history. In this case the prime mover was in widespread commercial usage and the trailer was fundamentally unchanged from its commercial form. The trials proposed were planned with this in mind.

The Department of Supply has commented that for those contracts which require the submission of a prototype, the Department would be looking for the ordering department to provide, with the procurement demand, a detailed test programme for the prototype units.

In regard to the separation of prototype and production contracts the Department of Supply has issued instructions that future tenders (and contracts) for supply of equipment involving development and subsequent production will include a clause providing for the work to be undertaken in two distinct phases:

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- (a) design and development including production of the prototype; and
- (b) manufacture, supply and delivery of production quantities.

Authority to proceed with production would be withheld until the testing and evaluation of the prototype had been satisfactorily completed.

Treasury agrees with the direction issued by the Department of Supply which permits the one contract to be negotiated but clearly separates the developmental and production elements; the Department of the Army guidelines as set out in the Report could be interpreted as requiring two separate contracts and that may not always be in the best interests of the Government.

DEPARTMENT OF FOREIGN AFFAIRS

124. The Department of External Affairs (now the Department of Foreign Affairs) appeared before this Committee frequently for many years prior to 1967. During our inquiry relating to Expenditure from the Advance to the Treasurer and the Consolidated Revenue Fund for 1966-67,

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however, the evidence showed that the Department was taking positive action to solve its problems. We commended the Department for the action it had actually taken at that stage.

125. While we recognise that in recent years the Department has experienced a rapid expansion of commitments in relation to its resources and has implemented a number of initiatives for administrative improvement, we are nevertheless disappointed to find that it has not yet made a more effective impact on the administrative problems confronting it. The evidence shows that major problems still exist in the areas of staff recruitment, training, the inspection of overseas posts, internal audit work in relation to such posts and the re-issue of departmental Overseas Accounting Instructions. The evidence also indicates weaknesses in the system of arranging overseas postings of staff. Doubts must also be entertained as to whether, in some cases, Heads of Missions overseas are able to supervise effectively the administration of their posts, having regard to the range of their responsibilities.

126. In relation to a reorganisation of the Department that was announced in

The Department of Foreign Affairs has commented that in paragraph 102 of his report for the next succeeding year, i.e. the year ended 30 June 1972, the Auditor-General made observations on the matters which were the substance of the Committee's Report. The Auditor-General's observations included the following:

"With regard to training in finance and accounting the Department continued its one-week courses and it has advised that during 1971-72 approximately 60 officers received this training.

Further Audit examinations of the accounts and records of the Department's posts in North America and the accounts for reimbursement of the imprest accounts of those posts have shown that there has been an improvement in the general standard of the accounting. The Department has taken positive action to solve its problems in the area of personnel entitlements of locally engaged staff."

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1970 and in relation to staff availability generally the evidence suggests that the Department has been materially hampered in reaching its objectives as a consequence of changes that occurred in Government Policy early in 1971. While this may well be the case, the facts as they appear to the Committee indicate that the problems confronting the Department predate that change in policy by many years.

127. During the course of our inquiry we sought specific evidence relating to the nature of the Internal Audit Section of the Department and the work it has performed. In this regard we were disturbed by the evidence relating to the use of official vehicles at overseas posts as revealed by a survey conducted by that Section. In relation to this matter we note in particular that, in the past, the Department has taken the view that it is impossible to devise instructions relating to motor vehicles for use at the posts. As a consequence of the Internal Audit Survey, however, such instructions have now been prepared. In view of the evidence tendered the Committee proposes to associate the Department's submission on Internal

The Department has expressed agreement with the observations made by the Auditor-General and has stated that it has no additional comments to add.

It is noted that accounting at overseas posts did not call for critical comment in the Report of the Auditor-General for 1972-73.

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Audit with submissions which it has obtained from other departments in connection with its general inquiry into Internal Audit.

128. The Committee is also disturbed by the attitude exhibited in evidence in relation to overpayments and underpayments discovered at one of the overseas posts. It appears that the net difference between the overpayments and underpayments amounted to \$190. This was described in evidence as a "fairly marginal" figure. The Committee does not accept this as a valid approach to the matter of errors.

129. The evidence also shows that for some time negotiations have been in progress between the Department of Foreign Affairs and the Department of the Treasury to assist the former Department to solve its problems in those overseas posts whose accounts are processed by the Sub-Treasuries. The Committee believes that the action taken recently by the Department of the Treasury in amending Treasury Direction 34/78 will provide some assistance to the Department of Foreign Affairs. At the same time we agree with the views expressed by the



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Treasury Observer, Mr Davidson, that the real problems in this area have arisen within the overseas posts. It is clear that these problems must be resolved by the Department of Foreign Affairs itself.

130. In view of the nature of the evidence submitted in this case the Committee proposes to maintain a close surveillance on the progress made by the Department towards the solution of its problems.

DEPARTMENT OF THE INTERIOR (now abolished)

Northern Territory Services - Expenditure

164. In its examination of this matter the Committee has directed its inquiry to the administrative effectiveness of the relevant areas of financial administration at the Alice Springs District Office rather than to the details of the methods adopted in the defalcations concerned.

165. The evidence shows that comprehensive instructions concerning the engagement and payment of wages staff

The Department of the Northern Territory, which was created on 19 December 1972 to assume responsibility

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are contained in the Northern Territory Administration's Manual of Administrative Instructions. The evidence also shows that the defalcations arose from the fact that these instructions were not observed. In particular, the officer preparing the pay sheets should not have been allowed to act as Paying Officer; witnessing officers did not witness all payments; pay teams did not always remain together; pay was not left in a locked container, especially during the lunch break and when disbursements were not being made; witnessing officers did not mark off the entries when pays were handed over to payees and paying teams failed to check the envelopes left over against unticked entries. The evidence also shows that temporary shortages of staff and inexperience on the part of the administrative officer-in-charge of the general operations of the District Office at Alice Springs contributed to this laxity in administrative operations.

166. Although the Manual of Administrative Instructions was issued in 1961, the evidence indicates that the need to make amendments to the Manual had arisen as recently as August 1970, particularly in relation to pay matters. Also, it appears that there is an ambiguity of meaning between Sections 2/H and 9/H of the Manual and this contributed materially to the defalcations that occurred.

for administration of the Northern Territory, has advised that when the defalcations were discovered positive action was immediately taken to ensure compliance with the procedures set down in the Manual of Administrative Instructions.

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167. The Committee is disturbed to find that the internal audit arrangements suffered from deficiencies. The auditors were required to use an indistinct copy of the pay sheets to carry out test checks against basic time records and personal history cards. Secondly, the audit procedure broadly required that the auditor carry out checks to ascertain whether Section 9/H of the Manual of Administrative Instructions was being observed. While the Manual authorises the Branch Industrial Officer to issue Notices of Engagement it makes no reference to the need for approval of engagement by a competent authority. We agree with the Department that an audit procedure which only ensures that a Notice of Engagement has been issued but does not prescribe the need to check the approval to the engagement, is deficient. Thirdly, it appears that the requirement for the auditor to attend a complete pay parade is not set out clearly in the Section of the Manual dealing with Industrial Wages but is covered in another section dealing with the audit of pay.

168. In the circumstances outlined above it appears to the Committee that there is a strong need for the Manual of Administrative Instructions to be examined critically and defects rectified.

The Department has stated that the Internal Audit Programme items are now supported by more detailed procedure statements. The amended statement covering the internal audit of the industrial time-keeping and wages procedure now clearly requires that the auditor shall use original records for checking purposes and provides for attendance throughout the whole pay operation from the negotiation of the pay cheque to the final acquittance of the pay sheet. It is not always practicable to examine the whole of the pay operation at remote centres with infrequent transport facilities but in those cases a full inspection is made on a rotational basis. Specific reports are required following all such inspections.

The Department has advised that following the review of practices and procedures relating to the employment of industrial staff conducted in the latter part of 1971, amendments to the

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procedures were introduced by circular on 28 June 1972 and incorporated in the Manual on 2 August 1972. Included in the amendments was a redrafted Section 9H which provides for the engagement of industrial staff to be subject to the written approval of the officer authorised to approve such engagements (The Inspector/Recruitment, Establishments Section, Darwin). This ensures establishment control in Darwin and provides the necessary authority for the Industrial Officer, Darwin or District Officer, Alice Springs, as appropriate, to issue a "Notice of Engagement", which now has provision for the signature of a checking officer.

169. The Committee was also disturbed to learn that one of the reasons for the breakdown in procedures remaining undetected for a lengthy period of time relates to the fact that the District Officer at Alice Springs has external duties which keep him absent from the District Office frequently and for lengthy periods and that as a consequence he is unable to exercise detailed supervision. This situation, compounded by the problems of recruiting and holding trained staff in the lower classified positions in the Territory can only lead to a poor quality of administration.

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170. Allied to this matter it is also disturbing to note from the evidence of the inquiry that was made into the defalcations that no action is normally taken to ensure that administrative manuals are understood by those involved in their use. The Committee believes that this and other forms of staff training are of very great importance in any area of administration. Indeed, the need for adequate staff training would appear to be increased in circumstances where the quality of the staff available is less than would be desired. We trust that, notwithstanding the problems associated with staffing at the Alice Springs District Office, appropriate action will be taken to improve the overall level of staff training at that office

171. Finally, we note with satisfaction that appropriate action has been taken to guard against a recurrence of the defalcations. The Committee trusts that the action taken will be successful and that it will not have occasion to inquire into a similar matter in the future.

Appropriate action was taken to ensure that all persons associated with paying duties are fully aware of their duties and responsibilities and, in fact, paying teams in major centres are required to furnish detailed reports on each periodic paying operation including certification by the paying and witnessing officers that they understand the duties and responsibilities attached to the paying procedures; officers in charge at remote centres are required to furnish a "certificate of check". Training, mainly of an on-the-job nature, is constant and instructions regarding the training of advance holders, paying, witnessing and escort officers have been made to supervisory staff in an amended Section 7F of the Manual which was issued in February 1973.

The Manual of Administrative Instructions is presently undergoing a further and complete review in the light of current needs and because of departmental restructuring. Specific attention is being given to internal control procedures relating to the handling of public moneys.

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POSTMASTER-GENERAL'S DEPARTMENT

189. The evidence shows that since 1960, when Section 126(a) was added to the Broadcasting and Television Act there has not been an effective system of verification of Commonwealth Revenue arising from the licensing of broadcast and television receivers let out on hire. The Committee agrees with the views expressed by the Audit Observer, Mr Lawrence, that, in such circumstances, Commonwealth Revenue from that source cannot be regarded as adequately protected.

190. The Committee is disturbed to find that, although the Auditor-General raised the matter with the Department as early as 1963, this unsatisfactory state of affairs operated until as recently as 1968 before the Postmaster-General's Department sought advice from the Parliamentary Counsel with a view to resolving the problem. The Committee believes that this problem should have been foreseen when the relevant amendment was made to the Broadcasting and Television Act in 1960 and that, in any case, appropriate action on the matter should not have been deferred until 1968.

The Postmaster-General's Department has advised that considerable effort was made to resolve the problem following receipt of a query from the Chief Auditor, Victoria in August 1963 regarding the absence of check of hirers' records. Extensive enquiries in all States showed that generally firms were co-operating with the Department and that there was little evidence that hirers were wilfully evading the payment of fees. Nevertheless, early in 1964 a special position was established in N.S.W., with duties which included doing survey work on hirers and following up the submission of returns. The Chief Auditor made further

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191. While it is clear from the evidence that the Office of the Parliamentary Counsel and the Department are moving towards a solution of the problem, it is disturbing to note that, evidently for staffing reasons, delays have occurred in relation to this matter within the Office of the Parliamentary Counsel. Prior to the creation of that Office, the Committee took evidence on the staffing problem confronting the Parliamentary Draftsman when it inquired into Financial Regulations concerning the Departments of the Navy, Army and Air. It appears from our present inquiry that the creation of the Office of Parliamentary Counsel has not so far solved the staffing problems in the legislative drafting area.

192. In view of the importance that the Committee attaches to the adequate protection of Commonwealth Revenue we trust that an early effective solution will be found to the problem confronting the Postmaster-General's Department in relation to broadcasting and television hirers' licences and in this regard we will continue to examine with interest the relevant paragraphs of future reports of the Auditor-General.

representations in July 1964 regarding the effectiveness of the special position in N.S.W. and he was advised in December 1964 that a similar position was being provided in Victoria.

In May 1965 the Chief Auditor suggested that test checks be made of records of selected hirers and that legal advice be obtained as to the powers of the Department to inspect records. However, because the Attorney-General questioned the legality of the sections of the Broadcasting and Television Act dealing with hirers' licences and because of the need to obtain specific powers under the Act to inspect records, it was concluded that it would not be in the best interests of the Department to pursue the matter at that stage. The Chief Auditor was advised of the decision in August 1965.

During the second half of 1966 and in early 1967 consideration was given to the abolition of hirers' licences but, having regard to all the circumstances, a decision was made not to repeal the relevant section of the Act. Efforts were then directed to tightening the administrative arrangements for the collection of licence fees from hirers

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and this led finally to the approach to the Attorney-General in 1968 for consideration of amendments to the Act or Regulations to enable the Department to inspect the records of hiring firms.

Regulations under the Broadcasting and Television Act 1942-1972 were amended by Statutory Rule 1972 No. 162. The amendment, which took effect from 1 January 1973, requires hirers to maintain records in a prescribed form of all sets they have for hire and the periods for which each is on hire. These records must be available for inspection on demand by Departmental officers.

DEPARTMENT OF SUPPLY (now abolished)

204. The evidence relating to this matter confirms the views expressed by the Auditor-General that only a small proportion of waste paper arising from Automatic Data Processing has been sold and there has been a lack of uniformity in the treatment of such sales. Indeed, the evidence shows that in one case, waste paper in general was being disposed of at a cost of \$1 per bale to the Commonwealth.



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205. The Committee would commend the Auditor-General on his initiative in conducting a review into this matter in 1970.

206. The evidence suggests that waste paper arising from Automatic Data Processing operations is only a small proportion of the total waste paper arising for disposal and some departments have not made a practice of segregating such material from other waste paper. It appears, however, that such waste is able to command comparatively attractive prices and we therefore believe that consideration should be given in appropriate cases to its segregation for disposal purposes.

207. When our inquiry occurred in February 1972 action arising from the Auditor-General's survey and subsequent developments had been initiated by the Department of the Treasury to bring the disposal of all waste paper under effective administrative control. We would commend the Department for this action and will expect to be informed, in due course, of the outcome.

The Department of Supply has ascertained that where sale is possible the return from A.D.P. waste, other than computer cards, would be the same as for mixed waste. It would therefore be uneconomic to separate A.D.P. waste, other than computer cards, from normal office waste.

On this basis the Department of Supply has arranged contracts in all States except Tasmania, for the purchase of all types of waste paper and computer cards from departments in the metropolitan area. In Tasmania the Department of Supply considers that there would not be a ready market for disposal of waste due to the small quantity available. The current position in the A.C.T. is that, following unsuccessful attempts to find a market, all waste paper is disposed of at a cost to the Commonwealth.

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DEPARTMENT OF WORKS (now abolished)

Recoverable Administrative Charges

224. It appears from the evidence that the practice of the Department of Works in charging clients for its services existed as early as 1923, although the origin of the 6 percent administrative oncost that is presently charged, is obscure.

225. It also appears that during 1970 the Department of the Treasury raised with the Department of Works the need to review the general rate of 6 percent with a view to determining a reasonable and realistic fee.

226. The evidence shows that while some progress has been made in this matter the determination of a revised fee is presently complicated particularly by a reorganisation of methods that is in train within the Department of Works. It is clear that if the Department's new project management concept proves successful and is implemented fully by the Department, its operation will affect materially the level of administrative oncost that would be reasonable and realistic both from the viewpoint of the Department and the clients concerned.

In planning its enquiry into the Auditor-General's Report 1971-72, the Committee obtained from the Treasury a statement dated 13 September 1972 on the results of discussions between the Treasury and the Department of Works on recoverable administrative charges. As detailed in that statement, the then current oncost rates were to be adjusted on the following basis:

- (a) AS a general rule, client departments, authorities, organisations, etc., will henceforth be charged at the private consultant rate appropriate to the type of service rendered to the client

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227. When our inquiry occurred in February 1972 discussions on this and related matters had been held between the Department of the Treasury and the Department of Works and these discussions were expected to continue. The Committee desires to be informed, in due course, of the results of these discussions.

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by the Department. The present policy will continue of not raising oncost charges against Commonwealth departments and authorities, except those of a business or trading nature or not fully financed by Parliamentary appropriations.

- (b) It will be for the Department of Works to determine the specific oncost rate to be charged on each project. However, the Treasury sees no objection to the Department negotiating periodically a standard rate with a major client such as the Australian Post Office. Indeed, consistent with this approach, Treasury has agreed with the Department of Works that, having regard to the volume and continuity of work involved, a basic private consultant rate of 8 per cent would be appropriate, for the time being, for work undertaken for the Australian Post Office. In addition to normal periodic review, this rate would be reviewed, as would other rates as appropriate, in the light of the reorganisation of methods and the implementation of the new project management concept by the Department of Works, as noted in the Joint Committee's One hundred and thirty-seventh Report.

Subsequent to that statement the date of effect of the new rate of 8% for work undertaken for the Australian Post Office has been amended to 1 November 1972, but the increased charge has not been accepted

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by the Post Office. Submissions by the Departments concerned have been made to the Committee in connection with its enquiry into the Report of the Auditor-General for 1972-73.

Construction of Incinerator

253. While the circumstances of this case are most unfortunate the evidence indicates that many of the causes of difficulty that were experienced were beyond the control of the Department of Works and its client, the Department of Civil Aviation.

254. Although there was evidently some initial uncertainty about the selection of the site for the incinerator, a site was chosen firstly after consultation with the New South Wales State Planning Authority. The need to change this site, which involved some re-design of the incinerator, arose from a request made by the State Planning Authority following representations initiated by the Botany Council. The cost of this relocation amounted to \$33,418. Secondly, the Sydney Metropolitan Water, Sewerage and Drainage Board was unable to supply water for the incinerator complex when

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it was requested to do so. This involved the need to install bores, pumps and reticulation at a cost of \$13,841. Thirdly, although practices overseas were examined, the Department of Works was unable to discover operations of the same nature and scale or devices appropriate to the Australian situation. In these circumstances it is clear that the Department was unable to obtain the benefit of satisfactory overseas experience for its guidance during the design stage of the project.

255. Nevertheless there are certain features of the evidence to which attention should be invited. We were informed that the average moisture content of the mixed garbage from the airport had been estimated initially to be 30 per cent, based on a judgment reached over a considerable period of time. However, when the initial capacity tests were run it was discovered that the garbage had an estimated moisture content of 70 per cent. Although in this regard it was argued that garbage of the type concerned is unpredictable as to content and dependent upon circumstances beyond the control of the airport authorities, it was admitted that past experience in dealing with garbage was insufficient prior to the writing of the brief for the incinerator. On the basis of this admission the Committee believes that a more thorough analysis of the garbage should have

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been made before the incinerator designs were developed. The cost of conversion required to overcome the problems associated with this matter amounted to \$41,629.

256. The Committee notes from the Report of the Auditor-General that the Department of Civil Aviation has gained knowledge from this particular project which will be and already has been of assistance in the construction of similar-type installations. The evidence shows that an incinerator has been constructed successfully at the Tullamarine Airport in Melbourne and a similar facility is proposed for the Perth airport.

Precautions Against Fire Damage in Computer Installations

268. As in the case of waste paper arising from Automatic Data Processing operations and referred to in Chapter 6 of this Report, the Committee would commend the Auditor-General on his initiative in conducting a review during 1969 of fire protection measures in Commonwealth computer installations.

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269. In view of the expensive nature of Automatic Data Processing installations, their substantial growth in recent years and the fact that, to the greatest extent possible the Commonwealth acts as its own insurer for all property under its control, the Committee is disturbed by the weaknesses revealed by the Auditor-General's review. It appears that at least one instance had been discovered in each of the mainland States where either the promulgation of written instructions as to the methods of using firefighting equipment in and around Automatic Data Processing installations was unsatisfactory or the standing arrangements for the protection of master magnetic tapes and similar records required early, positive action. The Committee regards deficiencies of this nature in administrative arrangements in a serious light.

270. When our inquiry occurred in February 1972 action was in hand in the Department of the Treasury, the Department of Works and the Commonwealth Fire Board with a view to rectifying the weaknesses disclosed by the Auditor-General's review. The Committee expects that those concerned will act promptly to bring this matter to a satisfactory conclusion.

Circular No. 59 titled "Fire Protection of Electronic Computer Installations" was issued by the Commonwealth Fire Board in August 1972. The guidelines to Department of Works staff on the planning, design and construction of accommodation for computer installations has been sent as a preliminary issue to a number of departments for their

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

88. As indicated in Chapter 1 this is the first general report made by the Committee on the subject of internal audit although various facets of the matter had been the subject of specific inquiries conducted in recent years.

89. Internal auditing is now widely recognised as an important, independent, post-operative appraisal function performed within a department as a service to management. It covers the revenue, expenditure, stores, personnel and related operations of a department and also any financial, accounting and supply activities arising from the particular functions of a department. The importance of the relationship between the internal audit function and the functions of the Auditor-General was made clear by the Auditor-General in his Report for 1969-70 when he stated that the extent to which statutory discretion is exercised by his Office to dispense with all or any part of a



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detailed audit is influenced in each case by the effectiveness of the system of internal control, of which internal audit is an integral part.

PUBLIC SERVICE BOARD

90. Information supplied to the Committee in this inquiry shows that in 1966 a joint Public Service Board - departmental committee was established to review the functions and duties of Third Division positions in the Commonwealth Public Service engaged in internal audit work in departments. Arising from the work of that committee, the Board in mid-1968 announced the introduction of a new Internal Audit structure for the Commonwealth Public Service. In introducing the new structure, the Board defined, for departmental guidance, the role of internal audit, and indicated that the placement of internal audit within departmental organisation frameworks, and the degree of management acceptance and support accorded the function, are significant factors in determining the range and effectiveness of the service which management obtains.

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91. In connection with staffing, the Board informed us that the expansion of the number of positions, and the higher salary classifications in the internal audit field which resulted from the general review and from subsequent adjustments to internal audit establishments, created a heavy demand for suitable personnel to fill these positions. However, by December 1970 the staff/establishment ratio in the internal audit organisations had reached 88 per cent and the Board felt that, generally, the incidence of vacancies was not sufficiently large to cause concern. The Board also felt that shortages of internal audit staff, where they existed, constituted principally local problems which could, subject to 'restraint' policies, be overcome by departmental management.

The Public Service Board has advised that analyses of the staff/establishment ratios for internal audit positions for December 1971, June 1972 and December 1972 show that there has been a slight improvement in the overall staffing of internal audit positions in departments since December 1970. The Board has indicated that it will continue to exercise surveillance of the staffing position in internal audit areas.

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SUPERANNUATION FUND

92. The evidence taken in this inquiry into the Superannuation Board - which included also evidence relating to the Defence Forces Retirement Benefits Board - shows that a position of Internal Auditor was first created in 1965 to service the needs of the new integrated organisation that had been created in 1963. A further internal audit position was created in 1967. It appears from the evidence, however, that between 1967 and 1971 difficulty was experienced in keeping the senior of these positions filled permanently.

93. The evidence shows that the activities of the joint Internal Audit Section for the Superannuation and Defence Forces Retirement Benefits Boards, as envisaged, were to be covered by an internal audit manual subdivided into parts relating to the Superannuation Fund, the Defence Forces Retirement Benefits Fund and the administrative expenditure of both Funds combined. The evidence also shows that in recent years there has been a considerable growth in the number of contributors to and pensioners of both Funds. These developments have given

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rise to a considerable increase in work volume. As a consequence of this, together with staff movements, the organisation has not had available to it among its senior staff the capacity to examine the internal controls and procedures in operation from the viewpoint of an internal control and internal audit. The Committee regards this as a most unsatisfactory situation.

94. As a corollary to the developments that have occurred in recent years, the preparation of the annual accounts has become a more complex operation. The evidence shows that the introduction of computers has given rise to the need to change the data introduced into the accounts, and this has required critical appraisal. When our inquiry occurred in April 1971 the stage had been reached when the office could no longer support its annual accounts without prior internal audit. In this regard the Committee finds disturbing the observation made by the Audit Observer, Mr Scott, to the effect that each year the Auditor-General's Office has found errors or mistakes in the annual financial statements of the Boards requiring that they be returned for correction.

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95. While the evidence shows that some progress had been made towards the establishment of internal audit programmes, only five of some twenty-four such programmes had been developed by April 1971. The full development of these programmes is clearly a pre-requisite for the presentation by the Superannuation Board of statements in an acceptable form for Audit examination. In this regard the Committee notes with concern the remarks made by the Auditor-General in paragraph 25 of his Report for 1971-72 that, late in August 1971, Audit had found it necessary to return the amended financial statements for 1968-69 to the Superannuation Board, as errors had been discovered in several areas of the Reserve Units of Pension Account, indicating that a complete re-examination of the subsidiary records was necessary. The Auditor-General further indicated that the adjusted financial statements of the Superannuation Fund for 1968-69 were not expected to be available for submission to Audit until late in August 1972.

96. The Committee believes that the foregoing circumstances reflect an urgent need for improvement in the quality of internal audit within the

The Superannuation Board has advised that the financial statements of the Superannuation Fund for 1968-69 were certified by the Auditor-General on 18 October 1972 and that the statements for 1969-70 have since been certified. The statements for 1970-71 were forwarded to the Auditor-General's office on 7 November 1973. Work is proceeding on the statements for the following years and it is expected that the statements for 1971-72 will be available for audit next month and those for 1972-73 by the end of January 1974.

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Superannuation/Defence Forces Retirement Benefits Boards organisation. In making this observation, however, the Committee also notes from the evidence that a proposal developed by the organisation in November 1967 to improve its internal audit arrangements had been set aside in view of the survey being conducted at that time by the Public Service Board into internal audit following the establishment of the joint Public Service Board-departmental committee in 1966.

97. The Committee notes with satisfaction the action taken recently by the Department of the Treasury to centralise its internal audit activities and, within this arrangement, to allocate internal audit teams to the Superannuation and Defence Forces Retirement Benefits Boards. The most recent information available shows that all of the major management services areas of the Superannuation/Defence Forces Retirement Benefits Boards organisation have been reviewed by the Internal Audit Section, and that further reviews are planned on a cyclical basis. The Committee also notes with satisfaction that certain problems which, in the past, have impeded the effective internal audit of the accounts and financial statements of the Boards

The Treasury believes that the quality of internal audit within the Office of the Superannuation and Defence Forces Retirement Benefits Boards has been improved by the programme of internal audit appraisal now introduced. It is hoped that an initial review of all items of the programme except those requiring specialised ADP knowledge, for which additional staff is being sought, will be completed by the end of 1973.

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have been resolved and, as a result the internal audit programme will now be implemented fully. In view of the importance of these financial statements the Committee trusts that the full internal audit programme will be implemented without delay.

POSTMASTER-GENERAL'S DEPARTMENT

98. In connection with the Postmaster-General's Department the Committee inquired into internal audit in 1964-65 and reported on the matter in its Seventieth Report. In the subsequent Treasury Minute we were informed that, during the period covered by the Auditor-General's observation, approximately two-thirds of the internal audit programme was being executed, that no critical audits, such as cash checks, were being omitted and that the reduction that had occurred in audits related to frequency only.

99. The evidence taken in the present inquiry shows that, until October 1970, all of the actions taken by the Department in connection with internal audit related to measures intended primarily to find the resources to undertake more adequate checks of transactions within the ambit of the then

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existing internal audit programme as revised in regard to frequencies, and to undertake appraisals of procedures for the adequacy of accounting and security-type controls.

100. It appears that a pre-requisite for the raising of standards of internal audit to include appraisal of other controls and review of policy, procedures and practices, is the preparation of a new internal audit manual, incorporating modern auditing techniques, to replace the manual prepared in 1960. The evidence shows that the Department attempted in 1969 to commence the development of such a manual. However, between August of that year and April 1971 the Department was engaged in protracted negotiations with the Public Service Board regarding the salary classification levels for temporary positions to enable this work to be carried out. The Committee recognises the importance of the Board's role in relation to staffing matters and has examined carefully the observations made by the Board's Observer, Mr Vanthoff, on the particular matter in question. However, it appears that effective progress in the development of the new manual was impeded until the temporary staffing problem had been resolved.

The Postmaster-General's Department has advised that satisfactory progress is being made in the production of the Internal Audit Manual and, as stated in the Report of the Auditor-General for 1972-73, it has progressed to the stage where it can be phased into operation.

The Department has explained that the aim has been to concentrate on the production of Audit Guides covering particular functions, or groups of functions, tracing the principal features of the function, its nature, authority and objectives and suggesting methods to be adopted in conducting the audit.

Steady progress has been made and the Department expects that all Guides will be completed within two years.



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101. The evidence shows that in May 1971 the Department issued to its State administrations a detailed charter setting out the style of audit, mode of reporting, lines of responsibility, rules of access to data and related matters, as the basis for the future development of its internal audit function. The Report of the Auditor-General for 1971-72 shows that, pending the full development of that function as envisaged by the charter, the Department, as an interim measure, is conducting its existing internal audit programme with some modifications consistent with the intentions stated in the charter.

102. The Committee notes with satisfaction that recent Audit reviews have shown that the modified programme was generally current as at 30 June 1972 and that steady progress is being made in the preparation of the manual and associated documentation. The Committee trusts that this task will, as envisaged in the Report of the Auditor-General for 1971-72, be substantially completed within the next two years.

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DEPARTMENT OF SUPPLY

(now abolished)

103. The evidence shows that in 1962 the Department of Supply established what is believed to be the first internal audit organisation, based on modern concepts, to be introduced by a Commonwealth department. At that stage, the Department experienced no difficulty in recruiting suitable staff for internal audit work. However, after the Public Service Board developed its policies in 1968 regarding the principles of internal auditing and related matters, most departments required additional staff and higher classifications to bring their organisations into line with the standards of the Public Service Board. This created a further demand for suitable officers and, as a consequence, the Department of Supply lost experienced staff.

104. The evidence shows that although the Department obtained a new staff organisation for internal audit following the recommendations of the interdepartmental review committee, difficulties were experienced in filling the new positions. These staffing problems appear to underlie the difficulties experienced by the Department in overtaking arrears of internal audit work in its Regional Offices and in the development of plans for costing audits and other matters.

The Department of Supply has advised that difficulties are still being encountered in filling vacancies in the internal audit organisation, particularly in the Victoria/Tasmania Region. In an attempt to obtain officers of a higher standard the Department submitted an organisational proposal relating to the Region to the Public Service Board. This proposal was not accepted by the Board which

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105. The Reports of the Auditor-General for 1970-71 and 1971-72 indicate that in each of those years the Department of Supply has submitted staffing proposals to the Public Service Board with a view to strengthening its internal audit establishment. Although the proposals submitted in 1970-71 had evidently been approved, arrears of internal audit programmes were still in evidence in four States and the Australian Capital Territory as at 30 June 1972. While the Committee regards the persistence of these arrears as a serious matter, it appears that the causes of the arrears are generally beyond the control of the Department.

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offered an alternative organisational structure providing for the same number of positions but with lower classifications for the two senior positions. The Department has accepted the Board's offer but proposes to initiate a further proposal to upgrade the level of the internal audit function in the Region later in the year for the Board's consideration.

With the creation and filling of a Central Office Class 8 position of Inspector (Commercial Accounting), located in Melbourne, audits of the costing activities and A.D.P. applications at several establishments are being conducted with the objective of producing satisfactory audit plans for these operations and to train field audit staff so that they can perform future investigations.

The upgrading of one position of Internal Auditor Grade 1 (Class 4) to Internal Auditor Grade 2 (Class 5) in the N.S.W./Queensland Region assisted in the filling of the position. However, the first appointee was promoted out of the internal audit area before he was able to contribute materially to overtaking

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arrears in the internal audit programme. The subsequent appointee will require further training and experience before becoming fully effective as a Class 5 field auditor.

The Department has explained that a decision to abandon "partial" audits in favour of fewer but more effective "full" audits has been a contributing factor in the number of audit programmes in arrears.

106. The Committee notes that to assist the Department in solving its problem of a general shortage of qualified accounting officers, the Department in May 1970 appointed a panel of senior officers to conduct surveys and to identify departmental requirements for officers qualified in financial administration and accounting. The panel is also required to establish plans for the development of staff to meet the needs of the Department. While the Committee would commend the Department for its initiative in establishing this panel, we feel that this action might have been taken at an earlier stage when the staffing problems connected with internal audit began to emerge.

The Department has advised that the Panel of senior officers was not established specifically to assist internal audit staffing. The prime reason for setting up the Panel was an awareness that in the future Departmental efficiency could be impaired by a lack of senior financial administrators and experienced senior professional accountants to handle commercial business type activities. Prior to the establishment of the Panel, senior departmental officers were alive to staffing problems in the finance and accounting area and acted to overcome these problems in much the same way that the Panel does now.

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GENERAL

107. During the course of this inquiry the Committee has noted a strong awareness on the part of departmental management regarding the importance of the role of internal audit and the endeavours that have been made to bring their internal audit arrangements into full operational efficiency, notwithstanding persistent staffing difficulties. It is pleasing to note from the Report of the Auditor-General for 1971-72 that improvement occurred in some departments during that year. At the same time, however, the Committee is disturbed to note in the Auditor-General's Report that some instances had been revealed where internal audit was in arrears, due partly to the employment of internal audit staff on other duties. In this connection we would point out that on previous occasions the Committee has expressed concern at the practice in departments of using officers from the internal audit section on other duties. While we appreciate that this action is sometimes unavoidable and has often provided an opportunity for the officers concerned to widen their experience or to act in higher positions, there are, nevertheless, grave implications if the work of the internal audit section suffers as a consequence. Frequently, the result is to leave the internal audit section under-manned and the internal audit programme unfulfilled.

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108. In all the circumstances of the evidence and other information examined in this inquiry and the most recent observations made by the Auditor-General, the Committee proposes to maintain a close surveillance on the adequacy of internal audit within departmental administrations and to conduct further inquiries into this matter as the need arises.

CHAPTER 4 - TREASURY MINUTE ON THE ONE HUNDRED AND FORTIETH REPORT RELATING TO THE EXPENDITURE FROM THE ADVANCE TO THE TREASURER (APPROPRIATION ACTS 1971-72)

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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 AIR  
(now Department of Defence (Air Office))

Royal Australian Air Force - Pay and Allowances  
in the nature of Pay - Citizen Air Force

13. It appears to the Committee that the overexpenditure that occurred on this item arose from a clerical error when the amount of Warrant Authority issued by the Department of the Treasury under Appropriation Act No. 1 was entered in the Department's Warrant Authority Register. As a consequence of this error, an amount of \$5,546 was charged to the Advance to the Treasurer without Warrant Authority in contravention of Treasury Regulation 90(1). That Regulation states:

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"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."

While the Committee notes that it has not been possible for the Department to establish the cause of the error that occurred, we note that, in the past, it has evidently not been the Department's practice to require a second officer to check all entries in the Warrant Authority Register. Although the Department now proposes to take such action, the Committee believes that this precaution should have been taken previously. The Committee thinks, however, that this action, together with the Department's proposed control page, will obviate a recurrence of this type of error.

Civil Personnel - Salaries and Payments in the  
nature of Salary - Salaries and allowances

18. The Committee accepts the Department's explanation relating to the need for additional funds from the Advance to the Treasurer. In relation to the final shortfall of \$57,812 on the item, however, we note that \$52,000 arose from a failure to effect salary adjustments for physical



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grades prior to 30 June 1972. While we recognise the problem that confronted the Department in receiving advice of two pay increases on two successive days, we also note that a period of twenty-five days elapsed before advice of the pay increases for the physical grades was forwarded to the appropriate paying offices. It appears that this delay in advice contributed to the failure of two paying offices to effect complete payment of the physical grades increases prior to 30 June 1972. Apart from the administrative undesirability of delays of this nature, the Committee is also concerned by the fact that in this particular case the delay could have operated to the financial detriment of the payees involved.

Administrative Expenses and General Services -  
Office requisites and equipment, stationery,  
printing and text books

24. The evidence shows that unexpected claims exceeding \$369,000, for which provision had apparently not been made in the Original Estimates, were received from suppliers in France and the United States of America during January and February 1972.

At Additional Estimates time the Department of Air considered that the rate of expenditure in the latter months of the 1971-72 financial year would decrease. In view of this expectation the Department decided not to apply for a provision in Additional

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While the Committee is sympathetic to the nature of the problem confronting the Department regarding these claims, it appears that consideration might well have been given, in this case, to seeking funds in the Additional Estimates to cover the claims involved.

Estimates, but to seek funds from Treasurer's Advance if necessary. Although subsequent events proved that the correct action would have been to obtain further funds by way of Additional Estimates, the Department considers that the decision not to do so was a reasonable one at the time it was taken.

Administrative Expenses and General Services -  
Fuel, light, power, water supply and sanitation

29. The Committee accepts the Department's explanation.

ATTORNEY-GENERAL'S DEPARTMENT

Commonwealth Police Force - United Nations Peacekeeping  
Force in Cyprus - Australian Police Unit

36. The Committee accepts the Department's explanation.

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DEPARTMENT OF EDUCATION AND SCIENCE  
(now the Department of Education)

Educational Services - Australian Capital Territory -  
School Janitor services

39. The Committee accepts the Department's explanation relating to \$5,085 charged to the Advance to the Treasurer. The evidence shows, however, that the remaining amount of \$9,550 charged to the Advance should have been included in the Additional Estimates.

40 The Committee is disturbed by the fact that this error arose from the complexity of arrangements between the sections of the Department and a lack of appropriate communication between them. The Committee also notes that action has been taken by the Department by way of increased staffing in its finance section, to improve the situation. The Committee trusts that this action will result in an improved administrative performance in connection with the formulation and review of Estimates.

Of the two additional positions created in the Finance area on 3 August 1972, one was filled permanently in October 1972 and provisional promotion to the other was made also in October 1972.

Educational Services - Australian Capital Territory -  
Pre-school Education and Training

44. The Committee accepts the Department's explanation relating to \$1,024 charged to the Advance to the Treasurer.

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45. In connection with the remaining amount of \$2,161 charged to the Advance it appears that an inadequacy in records and limitations of staff contributed to a lack of precision in the formulation of the Original and Additional Estimates under the item. From the evidence taken in relation to item 232/1/04, however, it appears that action has now been taken by the Department to improve its performance in the finance area.

Educational Services - Northern Territory -  
Cleaning of Schools

53. The evidence shows that most of the problems confronting the Department under this item were incidental to the assumption of responsibility by the Commonwealth for schools in the Northern Territory, and to attendant administrative staffing difficulties, mainly in the Department's Darwin Office. The Committee notes that action has been taken by the Department to overcome the problems involved.

54. While a full consideration of the Nhulunby cleaning contract does not come within the ambit of the present inquiry, the Committee is, nevertheless, concerned by the seemingly excessive cost incurred.

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in that case. For these reasons the Committee proposes to obtain from the Department of Education and Science a submission relating to all of the circumstances of that contract.

Education Services - Northern Territory -  
Commonwealth Teachers - Salaries, allowances  
and removal expenses

57. The Committee accepts the Department's explanation.

DEPARTMENT OF EXTERNAL TERRITORIES  
(now abolished)

Papua New Guinea - Miscellaneous Services -  
Allowances and other benefits for overseas  
officers of the Papua New Guinea Public Service

67. The evidence taken in relation to this item shows that about \$612,000 of the \$1,000,000 obtained from the Advance to the Treasurer should have been included in the Additional Estimates. The \$612,000 comprised \$406,000 which related to salary payments under Arbitration and other determinations made prior to 28 February 1972, but not included in the Additional Estimates; \$170,000 which related to increases in leave fares; and \$36,000 arising from miscalculations that occurred when the revised estimates review was made. The

The Department of External Territories advised that since the Committee made its Report the Papua New Guinea (Staffing Assistance) Act has been passed and the Australian Government has accepted full and direct responsibility for the cost and payment of the remuneration of the Australian Staffing Assistance Group (ASAG), constituted under that Act. The Group comprises approximately 5000 overseas permanent and contract officers made available for service with the Papua New Guinea Government. Since the abolition of the Department on 1 December 1973, the administration

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under-estimation of both the \$406,000 and the \$170,000, appears to have arisen mainly from inexperience within the Papua New Guinea Administration and the Department of External Territories regarding the inferences to be drawn from expenditure trends on the item. In this regard we note that 1971-72 was only the second year in which the payment of the cost allowances and other benefits for overseas officers of the Papua New Guinea Service was met by the Commonwealth.

68. The Committee notes that the Department of External Territories proposes to give further consideration, in conjunction with the Papua New Guinea Treasury, to the procedures necessary for preparing accurate estimates of expenditure. While we commend the Department in this regard we believe that more detailed consideration could have been given to this matter at the outset of the arrangement. We expect to be advised, in due course, of the proposed changes in estimating procedures.

of ASAG is allocated to the Office of the Australian Development Assistance Agency.

Since July, 1973, payments of salaries and allowances to overseas officers have been progressively transferred from Papua New Guinea to what is now the Agency's Brisbane Office, where an additional 41 positions have been provided to handle the personnel records of ASAG members and to control the payroll input data. This staff will be supplemented by 4 positions in Port Moresby for the purpose of liaison with the Papua New Guinea authorities in relation to the terms and conditions of ASAG members.

In future, estimates of salaries and allowances will be based on the standard personnel records maintained in the Agency's Brisbane Office, on advice from the Papua New Guinea Government of expected terminations and on projected recruitments to replace terminated staff or for additional positions. The financial year 1973-74 will be a period of transition and some difficulties in obtaining the data required are expected, but it is considered that when the conversion is completed more effective control of the estimates for payments to ASAG staff will be achieved.

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Papua New Guinea - Miscellaneous Services -  
Practical training in Australia for Papuans  
and New Guineans

74. The evidence shows that by mid-February 1972 it had become apparent to the Department that additional funds would be required under this item but the request for these funds was not made until 31 March. It seems likely that if the matter had been explored with the Department of the Treasury at an earlier stage the question of alternative savings under other external aid items could possibly have been settled in time for the extra funds for item 266/07 to be included in the Additional Estimates.

75. The Committee proposes to discuss with officers of the Department of the Treasury the requirement relating to the provision of savings under some items as a pre-requisite to further financial allocations for other items.

DEPARTMENT OF SUPPLY (now abolished)

Administrative Expenses - Postage, telegrams and  
telephone services

80. The evidence in this case suggests that the difficulties experienced by

The Department of Supply has advised that at the time of

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the Department and the need for additional funds from the Advance to the Treasurer arose primarily from inadequacies in estimating performances.

81. In the case of the Department's Regional Office in South Australia, the shortfall that occurred in expenditure under this item exceeded the amount obtained in the Additional Estimates. While we recognise that the Regional Office concerned lacked previous experience in the formulation of estimates for telephone services, we believe that this fact should have been recognised by the Central Office and special care taken to examine critically the estimates tendered by the Regional Office. In this regard the Committee has stated on previous occasions that a direct responsibility devolves upon Central Offices to satisfy themselves completely in regard to estimates formulated by their Regional Offices. The estimates submitted by such Offices should be supported by appropriate material to enable the Central Offices to perform their review function at a high standard.

Additional Estimates the revision was based on expenditure for the first half of the year which indicated that additional funds would not be required for telephone services. However, a detailed analysis of the accounts received would have revealed that the expenditure in the first half of the year was not true pro-rata and that the increased charges effective from 1 October 1971 had not been adequately provided for.

Procedures have now been implemented in the Office Services Section of the Department of Supply Central Office which will enable ready analysis of accounts received for telephone services and greatly facilitate the preparation of the original estimates and any revisions throughout the year.



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Defence Research and Development Establishments -  
Salaries and Payments in the nature of salary -  
Salaries and allowances

90. The Committee's main concern with this item relates to some of the circumstances surrounding the shortfall of \$61,990 that occurred.

91. The evidence shows that funds were provided in the Additional Estimates to cover the costs of a proposed reorganisation in the Aeronautical Research Laboratories. The Laboratories, however, had not foreseen that some personnel involved were ineligible, during 1971-72, to move into the reclassified positions until an assessment of their scientific capabilities had been made. On the basis of the evidence, the Committee regards this as a serious administrative oversight. It also appears that the reclassification of experimental officers' positions was deferred and negotiations in this regard were not resumed with the Public Service Board until 29 June 1972. In connection with this matter generally, the Committee has also noted the action taken by the Department of the Treasury to correct an imprecision in the evidence tendered by the witness. But for this correction, the evidence would have shown

The Department has advised that the reorganisation of the aeronautical Research Laboratories was on a large scale and the special requirements for filling Research Scientist positions made the situation more complex than usual.

Salary appropriations of departments in the defence group differ from civil appropriations in that those of the defence group include a provision for proposed new staff and reclassifications. This distinction is made in Treasury Direction 16/12(a)(iv). In view of this, any suggestion that funds were sought by the Department of Supply in anticipation of Public Service Board approval to the reorganisation would have no significance.

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that funds were sought in the Additional Estimates in anticipation of Public Service Board approval to the reorganisation.

92. The second matter to which the Committee would invite attention relates to the payment of trainee technical officers who are attached to the Department's Regional Office in Victoria and located at the Aeronautical Research Laboratories. The evidence shows that there is normally a time-lag in the recovery process for the salaries of the trainees. However, in June 1972 the Regional Office overcame the "normal" time-lag and on 28 June made payment to the Aeronautical Research Laboratories for four pay days. The Committee believes that the Department should examine the circumstances of this sudden improvement in performance and should also examine carefully the circumstances of any future time-lag that arises in these recoveries.

93. The third matter relates to a double provision for the salary of an officer located in the United States of America. The evidence

Investigation by the Department of Supply has shown that the Victorian Regional Office overcame the usual time lag of one month in the recovery process for the salaries of trainees as a result of a special effort to clear its available funds before 30 June. During the current financial year the Department has been implementing the procedure of providing Warrant Advice from Division 735 (formerly 720) to its establishments and laboratories thereby enabling salaries of trainee technical officers to be charged direct to its Administrative Salaries vote.

The Department has investigated the cause of the double provision for salary of the officer overseas and has concluded that it was a

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shows that provision for the salary had been made correctly by the Aeronautical Research Laboratories but, at the Central Office of the Research and Development Division, provision was again made for the salary as that Office was unaware that provision had already been made for it. It appears that this error could only have arisen from a misunderstanding as to the relative responsibilities of the Aeronautical Research Laboratories and the Research and Development Division at the Department's Central Office in relation to the provision of salaries.

human error of misunderstanding and that no new procedure could be devised which would completely obviate the chance of human errors occurring, particularly at times of pressure.

94. In the circumstances referred to above the Committee would repeat an observation that it made in its Forty-first Report to the effect that while consistently sound estimating is often the sign of a well organised and efficient department, the converse is frequently true.

Furniture Removals and Storage

102. In general the Committee accepts the Department's explanation. We note, however, the claim made in evidence that difficulties are

Investigations have isolated the causes of unexpected variations in the expenditure trends in the Furniture Removals vote. The

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experienced in formulating estimates for this item as the Department of Supply is required to meet demands placed on it by client departments. Because of these difficulties the Committee believes that the Department should, for its future guidance, make every endeavour to isolate the causes of unexpected variations that occur in expenditure trends under the item.

Department is now satisfied that it collects adequate data to identify the variations due to volume and that its records of commitments, claims on hand and payments made, enable it to readily detect any variation in the flow of payments.

103. The Committee would commend the Department on its action taken in July 1971 to test the market relating to interstate removals. We also note that the Department referred to the Attorney-General's Department the details of period Contract No. 2256 arising from a similarity of quotes offered by tenderers. We would also commend the Department in this regard.

DEPARTMENT OF TRADE AND INDUSTRY (now abolished)

Trade Commissioner Service - Salaries and Payments  
in the nature of Salary - Salaries and allowances.

111. The Committee accepts the Department's explanation.

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Trade Commissioner Service - Administrative  
Expenses - Incidental and other expenditure

117. The Committee accepts the Department's explanation.

GENERAL CONCLUSIONS

118. In Chapter 1 of this Report the Committee stated that in examining expenditure from the Advance to the Treasurer, it has sought to ascertain whether or not expenditure from the Advance has been confined to urgent and unforeseeable requirements for which provision could not have been made in the Original and Additional Estimates. The Committee has also sought to ascertain whether or not the departments concerned have maintained efficient administration in the expenditure of funds under the items selected for public inquiry.

119. 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 in the Appropriation Legislation. In other cases, however,

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there was evidence of clerical errors; failure to establish adequately-based administrative arrangements and lack of adequate communication between Central and Regional Offices of departments and between branches of the Central Office of the same department. These defects result in either poor standards of estimating or inadequate expenditure performances. Attention has been drawn to these inadequacies where they have been discovered.

120. Arising from the evidence taken in this inquiry, the Committee would again refer to the matter of charges made to the Advance to the Treasurer without Warrant Authority. These charges, arise mainly from clerical or administrative errors. The Committee would again remind departments of the requirements of Treasury Regulation 90(1) which is expressed in the following terms:

"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".

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121. In recent years the Committee has had cause, in its Reports relating to Expenditure from the Advance to the Treasurer, to comment adversely on the quality of written submissions and oral evidence tendered by departments. In this regard, we are pleased to note a considerable general improvement in the quality of evidence tendered during the present inquiry. At the same time, some evidence tendered by one Department was factually imprecise and, but for information subsequently tendered by an Observer, could have misled the Committee into unjustified criticism of the Department. This particular case highlights the need for departments to exercise great care in the presentation of documentary and oral evidence.

CHAPTER 5 - TREASURY MINUTE ON THE ONE HUNDRED  
AND FORTY-FIRST REPORT RELATING TO  
THE EXPENDITURE FROM THE CONSOLIDATED  
REVENUE FUND (APPROPRIATION ACTS 1971-72)

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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 AIR  
(now Department of Defence (Air Office))

Civilian Personnel - Salaries and Payments  
in the Nature of Salary - Overtime

10. The Committee accepts the Department's explanation.

Aircraft and Associated Initial Equipment -  
Purchase, Manufacture and Lease

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



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DEPARTMENT OF THE ARMY  
(now Department of Defence (Army Office))

Forces Overseas - For payment to A.N.Z.U.K.  
Logistic Support Trust Account

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

The Department of Defence (Army Office) advises that the evaluation of Australia's initial contribution of stores and equipment towards the setting up of the ANZUK Force has been completed and amounts to \$7,374,841. Agreement has now been reached on most matters relating to maintenance cost sharing between ANZUK partners and every endeavour is being made to resolve the remaining items during 1973-74.

The Department is now re-assembling cost data effective from 1 January 1972, to enable the submission of financial statements to the United Kingdom and New Zealand.

Arms, Armament and Equipment -  
Transportation and Engineer Equipment

44. There are two matters relating to this item on which the Committee desires to comment. In relation to the Light Observation Helicopters it appears that due to a failure on the part of the Central Office of the Department of the Army to interpret correctly advice which it had received concerning the arrangements for funding the subsidy for the helicopters, an amount of \$814,000 was included in

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error in the estimate for item 670/02. While this error should not have occurred, and while it is clear that the Department of the Treasury had reason to believe that appropriate action would have been taken on the matter by the Department of the Army, the relevant comment made by the Treasury Observer indicates that the error could have been discovered by the Department of the Treasury when it examined the draft Estimates of the Department of the Army. The Committee believes that the error should have been discovered during the process of settling the Estimates within the Defence group of departments.

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

The Department of the Army advised that subsequent to the Committee's inquiry, the Department of Air wrote to the Department of the Army pointing out that at a meeting of the Force Structure Committee of the Department of Defence (FSC) held in November 1970, it was decided that 900 mat sets procured by the R.A.A.F. could be considered as contributing towards the Army holding of the equipment and that the Departments of the Army and Air should consult on the storage of the matting. Because the R.A.A.F. must have access to matting from time to time for training

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purposes and to meet short term works requirements in times of low threat, the Department of Air did not favour the physical transfer of the equipment to the Army.

Both Departments have agreed that the present arrangement be not disturbed unless a re-assessment of the equipment requirements of the Defence Forces becomes necessary.

ATTORNEY-GENERAL'S DEPARTMENT

Commonwealth Police Force - Administrative Expenses - Incidental and other expenditure

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

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

The Department of Supply advises that the Circular Memorandum of 17 February 1964 has been re-issued in a revised form and, in view of the comments of the Committee, the relevant paragraph quoted in the Report has been re-worded as follows:

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"Ex Australia

Department of Supply arranges and pays all costs of packing, removal to wharf and costs of shipping freight to the overseas port of discharge.

The Officer's Department shall arrange delivery from the overseas port of discharge and shall bear all costs incurred overseas".

Treasury Direction 23/17 h s also been revised, to provide for removals by air as well as by sea.

DEPARTMENT OF EDUCATION AND SCIENCE  
(now DEPARTMENT OF EDUCATION)

Education Services - Australian Capital Territory - School of Music

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

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

In evidence the witness stated that, in fact, the order represented a large number of separate small accounts and that the orders for these were placed early in the financial year. A further submission on the matter, tendered at the request of the Committee, disclosed that a significant number of the orders were, in fact, placed at a comparatively

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late stage of the year and that some orders for which funds had been provided were not placed at all as there had been a breach of the Treasury Regulations.

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

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

It would be appreciated if this

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

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

Educational Services - Northern Territory -  
Independent Schools - Assistance

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

Capital Works and Services - Buildings  
and Works - Independent Schools, Northern  
Territory - Assistance for approved capital  
programmes

77. The evidence shows that considerable uncertainty has surrounded the formulation of the estimate for cash grants payable

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under this item. The Committee concurs in the arrangements that have evidently been negotiated between the Department of Education and Science and the Department of the Treasury for the provision of funds for the cash grants to be withheld until construction work has commenced.

The Department of Education has noted the Committee's conclusions on the above matters.

DEPARTMENT OF THE ENVIRONMENT, ABORIGINES AND THE ARTS  
(now abolished)

Commonwealth Archives Office - Administrative Expenses - Office requisites and equipment, stationery and printing

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

The Department of the Special Minister of State, which assumed control of the Commonwealth Archives Office on 19 December 1972, advises that the surveys mentioned have been completed and that full agreement has been reached with the Australian Broadcasting Commission, which has indicated quite strongly that it wishes its archival material to be transferred to the custody of the Archives Office.

The Minister has agreed that the preservation of selected audio visual material is an appropriate function of the Archives Office and has approved the provision of an amount of \$55,000 in the 1973/74 estimates for the purchase of a helical scanner and ancillary equipment.

DEPARTMENT OF IMMIGRATION  
(now abolished)

Administrative - Other Services - Commonwealth  
Hostels Limited - Advance of contribution  
towards cost of operating migrant hostels

90. The Committee accepts the Department's explanation.

Overseas Service - Administrative Expenses -  
Property maintenance and services

109. The Committee accepts the Department's explanation.

Overseas Service - Administrative Expenses -  
Furniture and fittings

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

The Request for Procurement of Supplies (Form O.A.1) was received at the Sub-Treasury in Geneva in the second mail on 10 May 1972 and, after processing of the necessary certificate as to the availability of funds, was despatched to Australia House, London on 17 May 1972. Taking into account a public holiday in Geneva on 11 May 1972, four working days were involved in the processing. In the Treasury view this is a reasonable time for processing a funds certificate.



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DEPARTMENT OF PRIMARY INDUSTRY  
(Low Department of Agriculture)

Administrative - Other Services - Payments  
to State authorities in connection with  
War Service Land Settlement

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

Administrative - Other Services - Wool  
research - objective measurement

156. The Committee accepts the Department's explanation.

General Conclusions

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

Committee's Conclusions  
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(24 October 1972)

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(14 February 1974)

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

159. As this and previous Reports relating to expenditure from the Consolidated Revenue Fund show, there are explanations for expenditure variations from the estimates which are acceptable to the Committee. These variations usually arise from unforeseeable circumstances and certain other factors which are beyond the control of the Department

concerned. In this Report, however, the Committee has also found evidence of the need for greater care in the formulation of estimates. In addition, misunderstandings between departments, errors arising from the misinterpretation of information, clerical errors and administrative delays in the placing of orders have contributed to reduced levels of efficiency in administration. In addition, the evidence shows cases where failures have occurred in the observance of Treasury Regulations and Directions. Attention has been drawn to all of these inadequacies where they have arisen.

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

Chapter 6

OBSERVATIONS OF THE COMMITTEE

In relation to the Treasury Minute on the 140th Report (see Chapter 4), the Committee wishes to make the following observation with respect to the cleaning contract for the Nhulunbuy Area School:

In paragraph 54 of the One Hundred and Fortieth Report the Committee stated that it proposed to obtain from the then Department of Education and Science a submission relating to all the circumstances of the contract for the cleaning of the Nhulunbuy Area School.

A statement was obtained from the Department of Education and the Committee subsequently decided to ask the Treasury to undertake a detailed investigation of the Nhulunbuy School Cleaning Contract.

A detailed statement from the Treasury was presented to the Committee on 30 July 1973. Included in the statement was information to the effect that the amount paid to the contractor for cleaning the Nhulunbuy Area School for the 1972 school year was \$98,962.11, while a contract was let for cleaning the school for the 1973 school year for a fixed price of \$25,496.25.

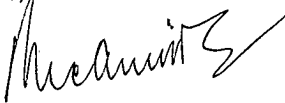
The conclusion of the Treasury statement read as follows:

"The Committee asked for Treasury comment with particular reference to the propriety of the procurement procedures and subsequent action. We have commented on what in hindsight can be said to be serious lapses of judgment which have cost the Commonwealth a relatively substantial amount of money, but we have not found any evidence of impropriety or improper conduct which would justify action against any of the officers concerned."

For and on behalf of the Committee,



T. Devine,  
Secretary,  
Joint Committee of Public Account,  
Parliament House,  
CANBERRA, A.C.T.  
September 1974



R.E. McAuliffe  
Chairman

1974

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THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

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JOINT COMMITTEE OF PUBLIC ACCOUNTS

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ONE HUNDRED AND  
FIFTIETH REPORT

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THE REPORT OF THE  
AUDITOR-GENERAL—  
FINANCIAL YEAR 1972-73