

1975

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

ONE HUNDRED AND
FIFTY-FOURTH REPORT

EXPENDITURE FROM THE
CONSOLIDATED REVENUE FUND
(APPROPRIATION ACTS 1973-74)

DEPARTMENT OF THE SENATE
PAPER No. 2005
DATE
PRESENTED 4 JUN 1975
<i>J.R. Odgen</i>
Clerk of the Senate

JOINT COMMITTEE OF PUBLIC ACCOUNTS

TENTH COMMITTEE

SENATOR R.E. McAULIFFE (Chairman)
B.W. GRAHAM, Esquire, M.P. (Vice-Chairman)

- | | |
|--------------------------|------------------------------|
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| Senator M.G.C. GUILFOYLE | D.M. CONNOLLY, Esquire, M.P. |
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| | V.J. MARTIN, Esquire, M.P. |
| | P.F. MORRIS, Esquire, M.P. |
| | L.J. REYNOLDS, Esquire, M.P. |

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-EIGHTH REPORT
EXPENDITURE FROM THE CONSOLIDATED REVENUE FUND
(APPROPRIATION ACTS 1973-74)

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CHAPTER 1

INTRODUCTION

As in previous years the Department of the Treasury made available to the Committee, early in July, the preliminary figures of expenditure from the Consolidated Revenue Fund for 1973-74. Each item appearing in the Original and Additional Estimates of Expenditure was examined, and explanations in respect of a selection of items were obtained from departments and examined. Explanations in respect of 19 of these items were referred to the Sectional Committees for further examination.

2. The items selected were made the subject of a public inquiry by the Sectional Committees at Parliament House, Canberra, on:

Tuesday, 24 September 1974

Tuesday, 1 October 1974

Friday, 4 October 1974

Tuesday, 15 October 1974

Tuesday, 22 October 1974

3. The following witnesses were sworn and examined by Sectional Committee A during the public inquiry:

Attorney-General's Department

Mr A.B. French	-	Director, Finance
Mr L.G. Glare	-	Assistant Secretary, Operations Branch
Mr W.J. McLaren	-	Commissioner, Northern Territory Police
Mr M.L. Sandery	-	Executive Officer, Northern Territory Police

Department of Housing and Construction

Mr A.M. Green	-	Acting Associate Director, Project Division No. 1, Northern Territory
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Department of Labor and Immigration

Mr N.J. Clifford - Acting Assistant Secretary,
Employment Operations Branch

Department of the Media

Mr F.D. Atkinson - Government Printer
Mr N.M. Boyle - Assistant Controller,
Information Division
Mr T.W. Coppin - Director, Management Services,
Supply and Projects Branch

Department of the Northern Territory

Mr N. Lynagh - Assistant Secretary, Management,
Legislation and Planning Division

Department of Overseas Trade

Mr H.R. Hegarty - Director, Finance and Services

Department of the Prime Minister & Cabinet

Mr D.T. Charles - Assistant Secretary,
Tariff Policy Branch
Mr J.G. Hinton - Assistant Secretary,
Services Branch

Department of Tourism and Recreation

Mr L.F. Bott - Secretary
Mr G.R. Dempster - Assistant Secretary, Sports
Development and Fitness Branch
Mr N.N. Ellis - First Assistant Secretary,
Recreation Division
Mr I. Frenchman - Director, Community Recreation Branch
Mr E.J. Reeve - Director, Operations Branch
Mr R.J. Rowe - Inspector, Administration Section
Mr L.G. Stroud - Assistant Secretary, Tourism,
Projects and Operations Branch

Department of the Treasury

Mr P.J. Lanigan - Second Commissioner of Taxation,
Australian Taxation Office

4. The following witnesses were sworn, or made an affirmation,
and were examined by Sectional Committee B during the public inquiry:

Commonwealth Railways

Mr V.H. Dyason - Comptroller
Mr B.M. Hogan - Assistant Secretary
Mr F.W. Reynolds - Acting Superintending Engineer,
Special Works

Department of Defence

Mr B.H. Crook - Assistant Secretary, E.D.P.,
Technical Support, Defence Central
Mr I.D. McLeod - Chief Executive Officer,
Budget and Costing (Air Office)
Mr M.J. Madden - First Assistant Secretary,
Finance and Logistics (Air Office)
Mr M.N. Woolley - Acting First Assistant Secretary,
Program Management, Defence Central

Department of Education

Mr R.A. Fokkett - First Assistant Secretary,
Territorial and Facilities Division
Mr J.B. Machin - Assistant Secretary, Pre-School and
Child Care Branch

Department of Health

Mr V.F. Davey - Deputy Director (Technical)
Commonwealth Serum Laboratories
Commission
Mr P.R. Griffin - Director (Finance)

Mr L.W. Lane	-	Assistant Director-General (Establishments and Finance)
Dr N.J. McCarthy	-	Director, Commonwealth Serum Laboratories Commission
Mr P.V. Sullivan	-	Secretary and Deputy Director (Commercial) Commonwealth Serum Laboratories Commission

Department of Minerals and Energy

Mr N.G. Chamberlain	-	Assistant Director, Geophysical Branch, Bureau of Mineral Resources
Mr L.R. Riches	-	Finance Officer, Management Services Branch
Mr R.H.J. Thompson	-	Assistant Secretary, Management Services Branch
Mr K.R. Vale	-	Assistant Director, Operations Branch, Bureau of Mineral Resources

Department of Transport

Mr K.M. Creighton	-	Chief Contracts Officer, Air Transport Group
Mr G.R. Woodward	-	Assistant Secretary, Finance, Air Transport Group

Department of Urban and Regional Development

Mr W.P. Butler	-	First Assistant Secretary
Mr V.J. Kane	-	Assistant Secretary, National Estate Branch

5. During the public inquiry the Sectional Committees were assisted by the following Observers:

Mr D.W. Burdett	-	Auditor-General's Office
Mr S.A. Huntley	-	Auditor-General's Office
Mr M.P. Mangin	-	Auditor-General's Office
Mr S.J. Rauchle	-	Auditor-General's Office

Mr K.S. Faul	-	Public Service Board
Mr D.G. Wheen	-	Public Service Board
Mr G.S. Davidson	-	Department of the Treasury
Mr A.M. Finch	-	Department of the Treasury
Mr R.A. Kelly	-	Department of the Treasury

6. The last date for acceptance of the Original Estimates, for Appropriation Acts (No. 1) and (No. 2), was 30 April 1973. The last date for acceptance of the Additional Estimates, for Appropriation Act (No. 3), was 22 February 1974 and for Appropriation Acts (No. 4) and (No. 5), was 27 February 1974.

7. In its examination of expenditure from the Consolidated Revenue Fund, the Committee sought to ascertain whether or not the following general principles set out in Treasury Direction 16/9 have been adopted by departments in the formulation of estimates:

- (a) Estimates for all items of expenditure shall represent a realistic assessment of the sum that is expected to be spent having regard to the information available to the department at the time of preparation. Estimates for supplies and services shall be based upon current or known costs and in no circumstances shall any provision be made for possible rises in costs. Where an item is for a type of recurring expense, e.g. office services or travelling and subsistence, it is appropriate to budget on the basis of experience.
- (b) Estimates shall not include amounts in respect of proposals which are so far from firm that it is not possible to form any real estimate of what payments, if any, will be made.

The Committee also sought to ascertain whether or not the departments concerned have maintained efficient administration in the expenditure of funds under the items selected for examination at the public inquiry.

CHAPTER 2

ATTORNEY-GENERAL'S DEPARTMENT

- (i) Division 145/2/04: Northern Territory Police Force -
Administrative Expenses - Property
Maintenance and Services

<u>Funds Available</u>	<u>1971-72</u>	<u>1972-73</u>	<u>1973-74</u>
	\$	\$	\$
Appropriation Act No. 1	-	-	207,400
Appropriation Act No. 3	-	11,000	-
Appropriation Act No. 4	-	-	-
Appropriation Act No. 5	-	-	-
Advance to the Treasurer	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL FUNDS AVAILABLE	-	11,000	207,400
TOTAL EXPENDITURE	<hr/>	<u>10,991</u>	<u>126,174</u>
UNEXPENDED FUNDS AVAILABLE	-	9	81,226

8. This item provides for the maintenance of Police Stations, residences and barracks, electricity, sewerage, garbage and water charges, repairs to equipment and purchase of domestic furniture.

Exhibit
154/A2

9. The Committee was informed that control of the Northern Territory Police Force was transferred from the Department of the Northern Territory to the Attorney-General's Department by the Administrative Arrangements Order of 19 December 1972. Prior to the transfer, expenditure incurred on the Police Force was incorporated in appropriations controlled by the Department of the Northern Territory and only one area of expenditure, police general day to day running

Exhibit
154/A2 and
Q. A419

expenses, was under the control of the Police Force.

10. The witness explained that prior to preparation of the original estimates discussions were held with the Northern Territory Administration's Supply and Finance Sections. The estimate of \$207,400 was ultimately based on a combination of previous experience, and anticipated needs and, in the case of radio maintenance, on estimates supplied by the Department of Civil Aviation (now the Department of Transport).

Qs. A419
and A420

11. In relation to the shortfall in expenditure (\$81,226), the Committee was advised that it occurred in the following areas:

Exhibit
154/A2

	\$
Stores and equipment	22,349
Radio and maintenance	22,347
Cleaning	4,750
Electricity	8,130
Domestic Furniture	17,400
Miscellaneous	6,250
	<u>81,226</u>

. Stores and Equipment

12. The Committee learnt that the underexpenditure of \$22,349 was caused by numerous outstanding orders or orders delivered but unpaid at the end of the financial year. The largest of these items related to Certified Test Kits (\$9,760), Breathalyser Kits (\$3,675) and stock items from the Department of the Northern Territory for the period ended 31 May 1974 (\$2,991).

Exhibit
154/A2

13. The witness explained that the Certified Test Kits and the Breathalyser Kits were both required as a result of

Q. A422

legislation introducing breathalyser tests in the Northern Territory. We were told that the legislation was passed by the Legislative Council on 20 May and gazetted in the Northern Territory Gazette on 23 May. The Department was not able to place orders for the equipment until shortly before these dates as it was necessary for the type of equipment to be specified in the legislation.

14. The Committee was informed that when orders for the Certified Test Kits were placed on 29 April, delivery was expected on 16 May, however, at the time of the inquiry, delivery was not expected until November because they were coming from overseas and their acid content precluded them from being carried by aircraft. The Breathalyser Kits were ordered on 7 May and delivered on 24 June but no accounts were available to enable the Department to pay for the items at that time.

Exhibit
154/A2 and
Q. A425

15. In relation to the \$2991 for orders of stock items from the Department of the Northern Territory for the month of May, the Departmental submission stated that although the orders were satisfied, funds had not been received in time to allow payment.

Exhibit
154/A2 and
Q. A447

16. We were informed that requests for stock items are made on forms supplied by the Department of the Northern Territory and the only records of commitment within the Attorney-General's Department were the debit notes received from the Department of the Northern Territory. The witness indicated that the staffing situation prevented the Department maintaining a record of requisitions as they were made.

Qs. A449
and A450

17. When the accounts for item 145/2/04 were sent to the Sub-Treasury in Darwin for payment they were included on the same Treasury claim form as some accounts also for payment to the Department of the Northern Territory, in respect of item 145/2/02. Because of the inadequate record of commitment

Qs. A451,
A452 and
A454

maintained within the Attorney-General's Department, it was discovered that Warrant Authority for item 145/2/02 would be exceeded so all claims on that form, including those for item 145/2/04, were delayed pending receipt of additional funds from Canberra.

18. The Treasury Observer (Mr Davidson) explained that the cheque was made out and was held by the Sub-Treasury on the understanding that funds would be forthcoming. When funds did not come through, the cheque was repaid so that the vote would not be overspent. Q. A453

19. The departmental witness stated that items would be processed individually in future to avoid recurrence of a similar situation. Q. A455

20. In commenting on the general causes of the delays in obtaining supplies of stores and equipment, the witness stated that dependence on the Department of the Northern Territory for the purchase of minor items, arrangement of contracts and any subsequent follow-up of orders contributed to the delays. In addition, staffing within the Attorney-General's Department was inadequate to allow sufficient follow-up action to be taken with the Department of the Northern Territory. The witness explained that increased staffing in the finance and stores areas had been approved in July 1974 and the situation had improved. Qs. A423, A426, A428 and A444

. Radio Maintenance

21. The Committee was told that the Department of Civil Aviation was previously responsible for radio maintenance and that it was on the basis of estimates provided by that Department that \$29,500 was included in the Original Estimates. Subsequent to the preparation of the Original Estimates and after protracted negotiations between the Exhibit 154/A2 and Q. A457

Northern Territory Police Force and the Department of the Northern Territory, responsibility for radio maintenance was transferred to the Department of the Northern Territory early in 1974.

22. It was explained that responsibility for radio maintenance was transferred to the Department of the Northern Territory because the Department of Civil Aviation had found it increasingly difficult to give satisfactory maintenance. It was also stated in the Departmental submission that the Department of the Northern Territory was unable to advise the Police Force of the costs of maintenance until 10 April 1974. At that stage they were told that there would be no charge for labour and component parts and that the Police Force would only be responsible for providing new and replacement equipment and travel costs resulting in savings of \$22,347 within the appropriation.

Exhibit
154/A2 and
Q. A459

• Cleaning

23. The Committee was informed that \$4,750 was provided for the cleaning of police barracks at Katherine, Tennant Creek and Alice Springs, as it was expected that such costs would not be borne by the Department of the Northern Territory. However, the Department of the Northern Territory continued to accept responsibility in 1973-74. We were informed that the Attorney-General's Department would be responsible for cleaning from 1 July 1974. The witness explained that the Attorney-General's department was not informed of the position until after the Original Estimates had been prepared.

Exhibit
154/A2
and Q. A

• Electricity

24. We were told that \$6,000 was provided for electricity for a proposed emergency police station at Jabiru and \$5000 was provided for electricity expected to be used in the extensions to the Katherine Police Station and barracks. The proposal for the emergency police station at Jabiru did not proceed and the Police Station and barracks at Katherine were not occupied until November 1973 resulting in an underexpenditure of \$8,130.

Exhibit
154/A2 and
Qs. A421
and A466

25. The departmental witness stated that he was not aware of the reasons why the Police Station at Jabiru was not built although the departmental submission stated that it did not proceed pending finalisation of the policy as regards mining in the Northern Territory. In regard to the delay in completion of the barracks and station at Katherine the witness was of the opinion that weather conditions contributed to the delay although he could not provide any definite evidence of this.

Exhibit
154/A2 and
Qs. A421,
A467, A468
and A475

• Domestic Furniture

26. The Committee learnt that an amount of \$17,400 was included in the Original Estimates for furniture for houses provided at outback police stations. The witness explained that provision for this amount had been made following discussions with the Supply Section of the Department of the Northern Territory. However, the Northern Territory Police Force was subsequently advised that no recovery action would be taken. We were also told that the Department of the Northern Territory would continue to bear these costs in 1974-75.

Exhibit
154/A2, and
Qs. A476
to A479

• Miscellaneous

27. The Committee was advised that \$6,150 was provided for temporary accommodation for single Police Members in Alice Springs as it was expected that the existing barracks would be demolished in December 1973 to make way for a new Court House. This amount was not spent as demolition of the barracks had been delayed.

Exhibit
154/A2

28. In amplification of the reasons for the delay, the departmental witness explained that an old cell block of some historical significance was also located on the Courthouse site and that the Northern Territory Branch of the National Trust objected to its demolition. The witness stated that the interdepartmental committee on historic buildings had recommended demolition and rebuilding of the cell block. This recommendation had been referred to the Interim Advisory Committee on the National Estate. The Committee was told that a Cabinet decision would be sought regarding the building immediately the Interim Advisory Committee's recommendation was known.

Qs. A482,
A486 and
A487

Conclusions

29. From the evidence presented to the Committee it would appear that the underexpenditure on this item was largely the result of factors beyond the Department's control. However, the Committee is disturbed by the circumstances surrounding the

failure to pay an account for \$2,991 in respect of stock items from the Department of the Northern Territory for the month of May. The Committee believes that the Department should have maintained an adequate record of commitments and in the absence of such a record should have avoided including accounts for two separate items on the same claim form. The Committee notes that the Department intends to process accounts for different items separately in future.

30. A further matter of concern to the Committee was the inability of the witness to provide an adequate explanation for underexpenditure of \$8,130 on electricity. We would invite attention to Memorandum 66/385 of 16 October 1970 from the Secretary to the Treasury to all Permanent Heads which relates to the preparation of material and the briefing of witnesses. The memorandum includes the following:

"Officers who are to appear before the Committee to give evidence should undertake sufficient research and preparation and should be thoroughly briefed to enable them to answer, with authority, any questions which may reasonably be expected on the subject matter of the inquiry."

31. In view of the number of instances where, subsequent to the preparation of the Original Estimates, the Attorney-General's Department was advised by the Department of the Northern Territory that it would be responsible or only partly responsible for expenditure in relation to certain items, the Committee believes that full consultation should take place between the two Departments to ensure an adequate basis for the preparation of estimates in the future.

- (ii) Division 145/2/06: Northern Territory Police Force -
Administrative Expenses -
Clothing and Equipment

<u>Funds Available</u>	<u>1971-72</u>	<u>1972-73</u>	<u>1973-74</u>
	\$	\$	\$
Appropriation Act No. 1	-	-	102,000
Appropriation Act No. 3	-	22,000	-
Appropriation Act No. 4	-	-	-
Appropriation Act No. 5	-	-	-
Advance to the Treasurer	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL FUNDS AVAILABLE	-	22,000	102,000
TOTAL EXPENDITURE	-	21,971	68,953
	<hr/>	<hr/>	<hr/>
UNEXPENDED FUNDS AVAILABLE	-	29	33,047
	<hr/>	<hr/>	<hr/>

32. This item provides for the purchase of uniforms, protective clothing, firearms, and other equipment. Exhibit 154/A3

33. The Committee was informed that the underexpenditure on this item occurred in the following categories: Exhibit 154/A3

	\$
Uniforms	18,282
Police equipment	15,296

However, it was not explained to the Committee why the total of this underexpenditure exceeded the unexpended funds available by \$531.

• Uniforms
34. In explanation of the \$18,282 underexpenditure on uniforms, the departmental submission stated that \$8,610 was underspent as a result of undelivered uniforms and \$9,672 underexpenditure resulted from an oversight. Exhibit 154/A3

35. In relation to the undelivered uniforms, the Committee was told that tenders for winter uniforms closed on 2 July 1973 but as no tenders were received the Department of the Northern Territory directed, on 15 August 1973, that negotiations be entered into with the firm which had held the previous contract for the supply of winter uniforms. The witness stated that the firm made an offer on 13 September which assumed the Department of the Northern Territory Supply Section would supply the necessary material. As material could not be supplied, a price which would include the cost of material was sought by the Department of the Northern Territory on 11 October. Follow-up action was taken by that Department on 23 November and 2 January 1974 and on 24 January the firm submitted a price which included material.

Exhibit
154/A3
and Qs.
A488, A491
and A492

36. We were informed that the Tender Board of the Department of the Northern Territory accepted the offer on 31 January and that the order for the supply of 70 uniforms at the rate of 9 to 10 per week, was raised on 12 February. On questioning, the witness agreed that the departmental submission was incorrect where it stated that the offer was accepted on 12 February; the actual order for the uniforms was posted to the firm on that day.

Exhibit
154/A3 and
Qs. A492,
A493, A496
and A497

37. The witness explained that when no uniforms had been delivered by 15 April 1974, follow-up action was commenced. Advice received from the contractor on 17 May led the witness to believe that difficulties in manufacture were responsible for the delay. We were informed that only 16 uniforms had been delivered by the end of the financial year but that a further 45 sets had been received by the time of the inquiry.

Exhibit
154/A3
and Qs.
A498 and
A499

38. The Committee was advised that a claim for \$9,672 which had been forwarded to the Sub-Treasury for payment on 21 June 1974 remained unpaid at 30 June 1974 due to an oversight. The witness explained that the claim from the Department of the Northern Territory was for miscellaneous uniforms, including

Exhibit
154/A3
and Qs.
A502 to
A504 and
Committee
File 1974/1

overcoats, supplied by the Supply Section of that Department. The Attorney-General's Department received the claim on 21 June and forwarded it to the Sub-Treasury Darwin for payment on the same day. The claim was subsequently returned to the department for payment in 1974-75.

39. The Treasury Observer (Mr Davidson) explained that the Sub-Treasury aimed for a 24 hour turnaround in their payment of claims. In this case the claim had been registered in the Sub-Treasury on 21 June but had apparently become attached by a paper clip to another claim. It was not discovered until 28 June when it was too late for the payment to be made in the 1973-74 financial year.

Qs. A511
to A513

40. The Committee was advised of underexpenditure of \$15,296 on Police equipment which occurred as a result of orders failing to arrive or accounts being received too late for payment to be made. The following table briefly summarizes the areas of underexpenditure on Police equipment:

Exhibit
154/A3

Equipment	Value	Specifications forwarded to Dept. of Northern Territory	Date Order Raised	Date of expected delivery at time of order	Date of actual delivery
	\$				
Amphometer	429	24.9.73	3.12.73	21.1.74	Early May
Revolvers	6,653	5.10.73	13.2.74	11.6.74	Early July
Omark Rifles	900	5.11.73 14.12.73 (amended)	4.3.74	5.4.74	29.5.74
Telescopic Night Sight	2,900	5.11.73	5.3.74	6.6.74	-
Mamiya Camera	850	20.2.74	24.5.74	25.6.74	-
Microscope Attachments	704	24.9.73	24.5.74	27.8.74	-
Redfield Telescopic Sights	1,143	5.11.73 11.2.74 (amended)	12.6.74	28.10.74	-
Handcuffs	1,717	Sept. '73	-	-	-

41. The Committee was informed that, although the Northern Territory Police Force had a financial delegation to arrange purchase orders, until the approval of their new establishment they had insufficient staff to carry out the purchasing role. All contracts were arranged through the Department of the Northern Territory Supply Section which called tenders and forwarded them to the Police Force for examination and recommendation. The Department of the Northern Territory then let the contract after consideration of Police Force recommendations. On receipt of a copy of the contract acceptance advice, the Police Force raised a request by way of a requisition form on the Department of the Northern Territory for the supply of the item concerned. The witness stated that the Police Force had followed up orders as much as their staffing situation permitted.

Qs. A444,
A516, A517
and A529

. Amphometer

42. The witness stated that he was unable to give any reason for the delay from 24 September when specifications were lodged with the Department of the Northern Territory until the order was raised on 3 December 1973. The witness also explained that the amphometer was delivered in early May 1974 but the account did not arrive until 26 June. Attempts made to obtain the account before this time were unsuccessful.

Exhibit
154/A3 and
Q. A522

. Revolvers

43. We were told that the Police Force order was for 40 4-inch barrel Smith and Wesson Specials and 35 2½-inch barrel revolvers specially treated against rust for wear by the CIB under their shirts. The special process explained the apparent high cost of the revolvers. The witness informed us that 40 revolvers had arrived in the first week of July 1974 and the balance were to be forwarded direct to Darwin from overseas. No firm date for their arrival was known.

Qs. A528
and A539
to A541

• Omark Rifles

44. The Police Force requirement for twelve Omark rifles arose out of the need for special high quality rifles which became evident at the time of a hijacking incident in Alice Springs some years ago. We were informed that the specifications forwarded to the Department of the Northern Territory had been amended on 14 December 1973. We were also informed that although the rifles were received on 29 May 1974 and a telex message requesting the account sent on 4 June, no account had been received in time for payment in the 1973-74 financial year.

Exhibit
154/A3 and
Q6. A533
A537

• Masiya Camera

45. The departmental submission explained that originally the department had prepared specifications for a Graflex camera and forwarded these to the Department of the Northern Territory on 24 September 1973. It was subsequently discovered that repair service and spare parts for the Graflex camera were unsatisfactory. New specifications were provided on 20 February 1974.

Exhibit
154/A3

• Microscope Attachments

46. The department informed the Committee that only one tender for this item had been received and as it did not meet the specifications, several weeks negotiations were necessary before an order was placed.

Exhibit
154/A3

• Redfield Telescopic Sights

47. Delays in respect of this item were attributed to amended specifications being forwarded on 11 February 1974 and problems regarding suitable fittings for mounting the sights on special rifles.

Exhibit
154/A3

• Telescopic Night Sights and Handcuffs

48. We were informed that the telescopic night sights had not been delivered before the end of the financial year. Two orders for handcuffs had been raised but only part of one order had been received.

Exhibit
154/A3

• Conclusions

49. The Committee accepts the Department's explanation in relation to underexpenditure of \$18,282 in respect of uniforms. While the evidence indicates that the Department was not responsible for the oversight in relation to the claim for \$9,672 for uniforms, the Committee is surprised that the oversight was not detected for seven days.

50. In relation to the \$15,296 underexpenditure on police equipment, the Committee feels that if the Department is to continue to arrange purchase orders through the Department of the Northern Territory regular liaison between the two Departments should occur in order to reduce delays between the forwarding of specifications and the raising of orders.

51. The Committee would also draw the Department's attention to errors of fact and omission in its original submission. While the difference of \$531 between underexpenditure and the unexpended funds available may be due to the difference between original estimates and actual expenditure or contract prices, the Committee believes that this should be stated in the submission. The Department's attention is again drawn to Treasury Memorandum 66/385 of 1970 which includes the following:

• "Written submissions and explanations should be carefully prepared and thoroughly checked for adequacy and accuracy of detail and absence of ambiguity."

(iii) Division 810/2/04: Capital Works and Services -
Plant and Equipment - Northern
Territory Police Force

<u>Funds Available</u>	<u>1971-72</u>	<u>1972-73</u>	<u>1973-74</u>
	\$	\$	\$
Appropriation Act No. 2	-	-	96,300
Appropriation Act No. 3	-	-	-
Appropriation Act No. 4	-	39,000	-
Appropriation Act No. 5	-	-	-
Advance to the Treasurer	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL FUNDS AVAILABLE	-	39,000	96,300
TOTAL EXPENDITURE	-	5,601	39,139
	<hr/>	<hr/>	<hr/>
UNEXPENDED FUNDS AVAILABLE	-	33,399	57,161

52. This item provides for the purchase of plant and major equipment including radio communication equipment. The witness explained that requirements were sought from police stations some twelve to fifteen months prior to preparation of estimates. These requirements were then examined, a program prepared and subsequently forwarded to the Central Office of the Department in Canberra for approval or amendment.

Exhibit
154/A4 and
Q. A542

53. The Committee was informed that underexpenditure of \$57,161 on this item comprised \$8,932 savings resulting from variations to the original program and \$46,265 not spent as a result of orders placed but undelivered prior to 30 June 1974. The balance of the underexpenditure (\$1,964) was due to variations between original estimates and actual expenditure or contract prices.

Exhibit
154/A4

• Variations to Original Program

54. The Committee was informed that a saving of \$3,000 was effected when V.H.F. equipment for Alice Springs was sufficiently improved by an overhaul to obviate the need to install the extra equipment provided for in the Original Estimates. The witness stated that the inadequacy of the radio equipment in Alice Springs had been highlighted by a hijacking incident and that the sum of \$3,000 for additional and replacement equipment had been included in the Original Estimates on the recommendation of the Department of Civil Aviation. Subsequently the Postmaster-General's District Radio Inspector from Darwin had suggested the overhaul which resulted in improvements to the system.

Exhibit
154/A4
and Q. A546

55. We were told that \$2,000 allowed for Modification Kits for V.H.F. Mobile Transceivers for the Police Communication Centre in Darwin was not required. The witness explained that although the tender documents for the communication centre had not included this particular modification, the successful tenderer had a knowledge of the Police Force requirements and so put the modification in his tender.

Exhibit
154/A4 and
Q. A548

56. We also learned that \$3,532 was saved on outboard motors for the Police launch following special modifications which made the motors more suitable for use in tropical waters and increased the life of the motors. The effect of this increased life meant that only two motors at a cost of \$2,468 were required during 1973-74, instead of the four motors allowed for in the Original Estimates. The witness stated that as new motors were purchased the modifications would be carried out.

Exhibit
154/A4;
Qb. A549,
A550 and
A554

• Orders placed but delivery not effected

57. The departmental submission informed the Committee of the following orders which had been placed but which had not been received at 30 June 1974:

Exhibit
154/A4

<u>Equipment</u>	<u>Value</u> \$	<u>Order</u> <u>placed</u>	<u>Delivery</u> <u>expected</u> <u>at time</u> <u>of order</u>	<u>Latest Advice</u>
H.F. Single Side Band base and Mobile Transceivers	14,789	8.1.74	2.4.74	Equipment to the value of \$14,375 received 9/7/74
Telescopic Masts	1,734	24.4.74	7.6.74	Received 11/7/74
VHF Portable Transceivers	18,852	15.3.74	26.4.74	Equipment to the value of \$6,992 delivered 1/7/74 and \$6,208 on 15/7/74
Breathalysers	3,880	15.5.74	14.8.74	No change
Portable Gener- ator	4,542	5.3.74	30.8.74	"
Outboard Motors	2,468	10.4.74	24.5.74	August/September

58. The Committee was told that specifications for equipment required under this item were mainly sent to the Department of the Northern Territory in September 1973 but most orders were not raised until 1974. The witness was unable to explain why orders were not forwarded to the Department of the Northern Territory until September.

Q. 4555

Conclusions

59. The Committee accepts the Department's explanation of the underexpenditure on this item. However, our comments in relation to items 145/2/04 and 145/2/06 above regarding the need for full and regular consultation with the Department of the Northern Territory would apply equally to this item. In addition the Committee's comments concerning the briefing of witnesses in item 145/2/04 would also apply.

CHAPTER 3

COMMONWEALTH RAILWAYS

Division: 960/2/03: Capital Works and Service - North Australia Railway

Funds Available	<u>1971-72</u>	<u>1972-73</u>	<u>1973-74</u>
	\$	\$	\$
Appropriation Act No. 2	2,535,000	2,968,000	2,292,000
Appropriation Act No. 5	-	-	-
Advance to the Treasurer	-	-	-
TOTAL FUNDS AVAILABLE	<u>2,535,000</u>	<u>2,968,000</u>	<u>2,292,000</u>
TOTAL EXPENDITURE	<u>2,256,806</u>	<u>1,995,227</u>	<u>1,150,991</u>
UNEXPENDED FUNDS AVAILABLE	<u>278,194</u>	<u>972,773</u>	<u>1,141,009</u>

60. This Item provides for the anticipated cost of capital equipment required for the efficient operation of the North Australia Railway. Exhibit 154/B5

61. The Committee was informed that when the original estimate of \$2,292,000 for the 1973-74 financial year was prepared, consideration was given to the experience of the previous year, and the knowledge that not all contracts would be completed. Q. B143

62. In regard to the shortfall of \$972,773 of expenditure in 1972-73, the Committee was told that the 1972-73 wet season was one of the wettest on record and the North Australia Railway was almost continuously out of commission from December until well into April due to flooding. It was explained to the Committee that normally the greater part of the expenditure on capital works is incurred during this period. In addition the possibility of a closure of the major customer of the railway, the Francis Creek Iron Ore Mining Corporation, adversely affected the expenditure on some of the projects relating to general improvement, as distinct from specific works in the Darwin area. Q. B142

63. The shortfall in expenditure against this Item in the financial year 1973-74 arose again partly from severe and prolonged flooding experienced on the Central Australia Railway which disrupted traffic between 11 January 1974 and 1 April 1974, the flooding of the road link between Alice Springs and Larrimah and, to a lesser degree on the North Australia Railway. In addition, for the remainder of the year the railway could only be used at very low speeds and Commonwealth Railways had to concentrate its freight effort in supplying foodstuffs to the Northern Territory. As a result of the disrupted traffic a shortage of construction materials occurred and delays took place in the completion of contracts. It was explained to the Committee that virtually all of the construction materials and in many cases employees of contractors are transported by rail from southern states to the Northern Territory.

Exhibit
154/B5 and
Qs. B144,
B146 and
B277

64. The Committee was informed that due to the inability to move staff, plant and materials to sites, underexpenditure amounting to \$136,000 occurred in the following projects:-

Exhibit
154/B5 and
Qs. B158,
B159 and
B162

		<u>\$</u>
Larrimah:	Custody Shed	12,500
Larrimah:	New Goods Shed	99,500
Katherine:	Custody Shed	14,500
Katherine:	New Commercial Building	9,500

65. In the Original Estimates \$330,000 had been provided for expenditure on the establishment of a railway goods depot and marshalling yard at Kmuckey's Lagoon. However, due to reluctance to sell by one of the owners Commonwealth Railways were unable to finalise acquisition of the remaining agricultural lease, and this in turn delayed commencement of construction, consequently a shortfall in expenditure of \$85,000 occurred. The witness representing Commonwealth Railways informed the Committee that at the time the Original Estimates were prepared

Exhibit
154/B5 and
Qs. B168,
B177 and
B178

there was no indication that there would be acquisition difficulties and that they would not be able to proceed as planned.

66. The delay in acquisition of the lease also prevented the construction of runways and subsequent erection and commissioning of a gantry crane and construction of a carbarn. Consequently a further shortfall in expenditure was incurred amounting to \$48,500 and \$10,000 respectively. Exhibit
154/B5

67. A further shortfall in expenditure of \$63,500 arose from the failure of a contractor to supply ballast at Tindal. The Committee was informed that the contractor encountered financial difficulties and a Receiver had been appointed. The Committee was told at the time of the inquiry that the contract had been completed. However, during the 1973-74 financial year only 42,975 cubic yards of a 62,500 cubic yard contract were supplied causing the underexpenditure. Exhibit
154/B5 and
Qs. B179 and
B180

68. The Commonwealth Railways stated in its submission that because of the uncertainty regarding the future transport of iron ore from Francis Creek to Darwin the following projects were either abandoned or deferred, resulting in underexpenditure amounting to \$293,500:- Exhibit
154/B5 .

		\$
Darwin:	5 residences	100,000
Parap Workshops:	Stage 3 trackwork	38,500
Adelaide River:	5 residences	125,000
Burrundie:	Provision of a goods siding	10,000
Southport:	Provision of a crossing loop	20,000

69. The witness told the Committee that the Francis Creek Iron Ore Mining Company's difficulties had been well known to Commonwealth Railways for 2½ years. It was pointed out to the Committee that the iron ore traffic was very important to Commonwealth Railways as it represented 80 per cent of the revenue of the North Australia. Qs. B181,
B182 and
B186

Railway and the objective had been to continue carrying the ore from Francis Creek to Darwin if possible. However, towards the end of the 1973-74 financial year, it became obvious that the Company would no longer be able to pay an economic freight rate and the company went into voluntary liquidation on 11 July 1974.

70. In the Original Estimates provision was made for the upgrading of two overhead travelling cranes to 20-25 tons capacity for subsequent transfer to Darwin and Katherine. The Committee was informed that due to financial and managerial difficulties of the contractor, a shortage of specialised materials and adverse weather conditions, the upgrading and installation programs were delayed. As a result a shortfall in expenditure of \$29,500 arose against this Item. Commonwealth Railways told the Committee that the contractor who is carrying out the upgrading program originally manufactured and supplied these cranes.

Exhibit
154/B5 and
Qs. B196
and B198

71. Provision of \$134,000 was made in the Original Estimates for works in connection with trackwork, hardstanding and drainage to serve the overhead crane in the Darwin Station Yard. However, because of a decision to locate the transfer facilities on a near-by site that permitted certain economies to be effected, including the utilisation of second hand rails for the trackwork that serves the crane, a savings of \$33,000 in expenditure on this item was possible.

Exhibit
154/B5 and
Qs. B203
and B204

72. A shortfall of \$13,000 occurred due to extremely slow progress by the contractor engaged on construction of the Institute Building at Darwin. Commonwealth Railways stated in its submission that when it became evident that the contractor would be behind schedule, a penalty of \$1,400 for late completion was imposed.

Exhibit
154/B5 and
Q. B206

73. Underexpenditure of \$9,250 was incurred on provision of an amenities building and car park at Darwin. The Committee was informed that the contractor for the car park advised Commonwealth

Exhibit
154/B5 and
Qs. B208
and B211

Railways on 25 February, 1974 that he wished to withdraw from the contract and was going into liquidation. As the work was partly in progress it was difficult to arrange alternative completion of the project. Eventually the Department of Housing and Construction indicated that it was prepared to complete the car park which is expected to be completed in the 1974-75 financial year.

74. In the Original Estimates provision of \$26,000 was made for the procuring and erection of a security and boundary fence in the Darwin Station Yard. However, due to a shortage of fencing material the completion of the contract was delayed and under-expenditure amounting to \$8,000 occurred. The Committee was informed that the fence has since been completed.

Exhibit
154/B5 and
Qs. B216,
B220 and
B221

75. Commonwealth Railways in its submission stated that:

Exhibit
154/B5

"The contractor for construction of an amenities building, lunch room and office at Darwin, advised that the abnormally heavy and consistent rain had made the placing of external concrete to footpaths impractical; precluded any works to sewer drains, and, in addition, had disrupted material supplies in excess of four (4) months. (January 1974-April 1974) In the circumstances, it was agreed to extend completion date of the contract resulting in underexpenditure of \$20,500."

76. In response to questions the Committee was told that the total contract price for the amenities building, lunch room and office was \$69,000 and that the completion date of the contract was 7 December 1973. The Committee was informed at the public inquiry that the contract was virtually completed and awaiting connection to the electricity supply.

Qs. B223,
B226, B227
and B230

77. The Commonwealth Railways informed the Committee a shortfall of \$178,500 arose from a temporary shortage of design staff, both in Melbourne and Port Augusta, and the concentration of available staff on works of higher priority delayed preparation of contract documents and commencement of work on a number of North Australia Railway projects.

Exhibit
154/B5 and
Qs. B247 and
B248

The Committee was told that when the Original Estimates were prepared, Commonwealth Railways were confident that they would be able to obtain the required level of design performance in order to call for tenders in time. This did not eventuate and underexpenditure was incurred on the following projects:

		\$
Darwin:	Combined goods shed/station building	50,000
Darwin:	Bitumen sealing and ornamentation in vicinity of singlemen's quarters	25,000
Darwin:	Bitumen seal Way and Works Yard	20,000
Darwin:	Covered storage Way and Works Yard	4,000
Parap Workshops:	Landscaping, planting of trees and shrubs	9,500
Katherine:	Trackwork, hardstanding and drainage to serve overhead crane	60,000
Katherine:	Combined dead-end and roof covered side loading ramp	10,000

78. The witness stated that Commonwealth Railways had for some considerable time had difficulties in recruiting professional staff and that the output of new staff recruited was generally below existing staff. Qs. B236 and B237

79. A further shortfall of \$20,000 occurred in respect of the construction of two mobile camp units. A contract for the units was let on 8 April 1974, with completion date of 17 June 1974. Due to unanticipated difficulties experienced by the contractor in obtaining suitable building materials the completion date was extended to 31 July 1974. Exhibit 154/B5 and Qs. B254 and B255

80. The Committee was told that \$25,000 was provided in the Original Estimates for expenditure on additions and improvements to North Australia Railway residences. The witness explained that it was difficult to assess actual requirements and costs on this item because of the age of the residences, the type of construction material used and the terrain and the requirements were overestimated by \$16,500. Exhibit 154/B5 and Qs. B261, B263 and B265

81. Commonwealth Railways informed the Committee that in the Original Estimates provision was made for the purchase of a plate rolling machine at an estimated cost of \$25,000. Tenders closed on 18 September 1973 and the lowest tender conforming to the specifications was for an amount of \$38,868, with delivery quoted at 10 months. The Commonwealth Railways on 26 February 1974 decided not to purchase the machine as it was too expensive. Consequently, a shortfall of \$25,000 occurred.

Exhibit
154/B5
Qs. B266
and B267
and
Committee
File 1974/1

82. The Committee was informed that advance payments for capital works completed on Commonwealth Railways behalf by the Department of Housing and Construction, Darwin exceeded the final costs, resulting in a refund of \$58,250 to Commonwealth Railways. The witness for Commonwealth Railways explained that advance payments to other Government Departments are generally based on an estimate of the full cost which is made by the Department carrying out the work.

Exhibit
154/B5
Qs. B269 and
B271 and
Committee
File 1974/1

83. The remaining shortfall in expenditure amounting to \$93,009 was due to minor delays caused to contractors by late material deliveries; completion of various work below the estimated costs and a shortage of departmental skilled labour. Details of some of the projects involved and approximate under-expenditure, are outlined hereunder:

Exhibit
154/B5

		\$
Darwin:	Custody Shed	5,000
Darwin:	Toilet facilities	2,750
Darwin:	Improvements to drainage in Bennet Street area of station yard (Department of Northern Territory accepted all debits)	15,000
Darwin:	Electric power requirements Way and Works Yard	4,000
Darwin:	Fencing Geranium Street	3,000
Darwin:	Flashing lights Goods Shed, Geranium Street and Civil Airport crossings	1,000
Darwin:	Provision of cleaning and washdown apron	1,000
Parap Workshops:	Stage 2 roadways and hard-standing	2,150

Katherine:	Installation of lighting to facilitate stock loading operations	3,400
Katherine:	Sewerage scheme	5,000
Katherine:	2-No. trolley sheds	2,050
Katherine:	Quantity of goods transfer equipment	1,150
Katherine:	Fencing Section 463	3,000
Larrimah:	Trackwork, drainage and hardstanding	3,800
Larrimah:	Yard lighting	5,500
N.A.R.:	Connect gangs quarters with telephones and bells	1,000
Adelaide River:	Provision of loading ramp	4,700
	Provision of small goods sheds at Batchelor, Grove Hill, Fountain Head, Maranboy, Adelaide River and Burrundie	6,850
	5-No. DC to DC converters for brakevans	1,450
	1-No. rail-road Mini Moke section car	2,550
	1-No. tape perforating machine	1,000
	1-No. cropping, shearing and punching machine	1,000
	1-No. battery charger for breakdown consist	1,200
	1-No. brakevans	7,850
	12-No. 20-ft. dry goods containers	1,000
	40-No. ride control bogies	1,200
	20-No. 18-ft. lightweight 2-car containers	1,100
	Wheel flange lubrication equipment for 'NT' locomotives	1,950

84. During the course of the inquiry, Commonwealth Railways informed the Committee that turnover of staff adversely effected them at every level. The witness said that generally professional people prefer to live in cities where tertiary institutions are available for their children. They had difficulties in recruiting and retaining professional staff. In some areas the turnover of staff can be as high as 300 per cent per annum, with a staff of 1,000 people.

Q. B258

Conclusions

85. It appears to the Committee that the shortfall in expenditure on this Item was caused mainly by failures in deliveries and other factors which could not reasonably have been foreseen when the Original Estimates were being prepared and which the Committee believes were generally beyond the control of Commonwealth Railways.

86. However, with regard to the shortage of design staff, the Committee is not satisfied that Commonwealth Railways gave sufficient consideration to the difficulties likely to be met in recruiting the required number and quality of design staff when formulating its Original Estimates.

CHAPTER 4

DEPARTMENT OF DEFENCE

- (i) Division 620/2/06: Administrative - Administrative Expenses -
Computer Services

<u>Funds Available</u>	<u>1971-72</u>	<u>1972-73</u>	<u>1973-74</u>
	\$	\$	\$
Appropriation Act No. 1	<u>642,600</u>	<u>736,400</u>	<u>829,800</u>
TOTAL FUNDS AVAILABLE	642,600	736,400	829,800
TOTAL EXPENDITURE	<u>636,152</u>	<u>668,011</u>	<u>626,166</u>
UNEXPENDED FUNDS AVAILABLE	<u>6,448</u>	<u>68,389</u>	<u>203,634</u>

87. This item provides for expenditure on hire of computer and associated equipment, their repair and maintenance and consumable stores used in their operation. Exhibit 154/B2

88. The Committee was informed that the shortfall in expenditure in the financial year 1972-73 was due mainly to delays in deliveries of equipment and consumable supplies, and failure to use bureau services to the extent expected, a failure to mount training courses requiring the attendance of consultants and credits due under major contracts as a result of currency variations. Q. B23

89. The shortfall of \$203,634 in expenditure in 1973-74 arose from eight significant items, the first of which is related partly to re-negotiation of a computer maintenance contract on a more favourable basis and currency revaluations resulting in a total shortfall of \$104,000. The Committee Exhibit 154/B2 and Q. B24 and Committee File 1974/1

was informed that approximately 40 per cent of equipment prices on Defence orders are subject to currency variations. In this particular instance savings due to currency variations were approximately \$21,600 or 20.8 per cent of the shortfall.

90. In the Original Estimates for 1973-74 \$34,400 was provided for the supply of four different types of disk packs of which \$2000 was for the purchase of mini-computer packs. The evidence shows that as a result of the take-over of the original tender by another firm, mini computer disk packs were purchased at a lower unit cost than originally anticipated. Also, the new disk drives are supplied with a mini-computer disk pack as part of the purchase price. Consequently only four additional packs were required at a total cost of \$480 and under-expenditure of \$520 occurred.

Exhibit
154/B2 and
Q. B27

91. The balance of the \$34,400 (\$32,400) was provided in order to obtain the other three types of disk packs considered necessary to service a planned move from magnetic disk systems on the computers. The Department informed us that serious staff shortages and the imposition of a staff ceiling inhibited this development and consequently only an order for \$4,000 was placed late in the year for disk packs. This order was, however, lost in the post and the packs were not delivered until July 1974 resulting in underexpenditure of \$32,400.

Exhibit
154/B2

92. In elaborating on the staffing shortage, the witness said that as part of overall plans to reduce the level of staff, staff ceilings were imposed in many areas of the Department, including the E.D.P. area. Although the reduction had been talked about, at the time of the preparation of estimates the actual reductions had not been known and consequently were not taken into account. The staff ceilings were decided upon immediately prior to the Budget, but in insufficient time for adjustments to be made to the estimates.

Q5. B31 to
B34 and
Committee
File 1974/1

With regard to the loss of the order for disk packs, the Committee was told that the order was placed on 20 March 1974. When deliveries were not made a few weeks later, the supplier denied having received the order. Consequently, a new order was raised and the goods were delivered on 3 July 1974.

93. The Committee was informed that provision had been made in the Original Estimates for payment of \$20,000 to commercial service bureaux in connection with some development work which was to be undertaken by the Department as part of the preparation for the installation of new equipment in 1975. However, as a result of the shortage of staff caused by the imposition of staff ceilings, the Department was unable to prepare the work for input to the bureaux and could not use the services of commercial service bureaux to the extent that had been anticipated, consequently a shortfall of \$18,000 resulted.

Exhibit
154/B2 and
Q. B35

94. A provision of \$17,000 was also included in the Original Estimates to purchase a computer forms printer and special stationery for the printer. We were informed that a proposal for the use of equipment which was required to produce high quality duplicate copies from computer print-out originated in the Department's E.D.P. Division in 1971. After investigation the Department submitted the proposal to the Australian Government Publishing Service and to the former Commonwealth Stores Supply and Tender Board in September 1972. The latter referred the matter to the Public Service Board for further investigation. After protracted negotiations with the Public Service Board and the Government Printer lasting until April 1974, the Department found that that particular machine or similar machines were no longer available and a shortfall in expenditure of \$17,000 occurred.

Exhibit
154/B2 and
Q. B36 and
B37

95. Under the Treasury Directions a different procedure is required for initiating the purchase of printing equipment and office machines. In the case of printing equipment copies of

Treasury
Directions
31/46 and
31/53, and
Q. B42

requests to purchase are referred, in the first instance, to the Australian Government Publishing Service for examination and copies of requests to purchase office machines are forwarded to the Public Service Board. The Observer from the Public Service Board (Mr K. Faul) informed us that apparently part of the reason for the long delay was a question of whether the equipment concerned was a printing machine or an office machine. Mr Faul further informed us that the Public Service Board is now considering the possibility of establishing guidelines which would help departments and speed up the process.

96. A shortfall of \$15,000 also occurred due to provision having been made in the Original Estimates for the salaries of two Government Printer Operators to work in the Department's reproduction area. We were informed that the expenditure was instead charged to Division 620/1/01 the Department's appropriation for salaries, resulting in a shortfall of \$15,000 in item 620/2/06.

Exhibit
154/B2 and
Q. B38

97. The Department in its submission stated that because of inter-departmental investigations which attempted to assess the effect of integration, a planned program for the introduction of enhanced punching capabilities was delayed, deferring the finalisation of the order of twelve card punches. When the order was finally placed, the contractor, because of the adverse effects on freight caused by the world-wide oil shortage, was able to deliver only 7 out of the 12 card punches before the end of the financial year. Consequently, a shortfall of \$6,094 occurred.

Exhibit
154/B2 and
Qs. B39 to
B42

98. The Committee was informed that an order was placed in September 1973, with the Department of Manufacturing Industry for the purchase of continuous computer stationery. In the event, the contract was not let until January 1974, with a delivery date of May 1974. Due to the world-wide paper shortage this delivery date was not met, resulting in a shortfall of \$5,200.

Exhibit
154/B2

99. The Department, in its submission, stated that provision had also been made in the Original Estimates in 1973-74 for the payment of \$4,500 for the freight costs of two magnetic tape transport equipments. This estimate was based on a quotation by Control Data Australia for freighting the equipment to Australia from U.S.A. However, due to the equipment becoming available from within Australia from bulk import for other customers, the freight costs were reduced to \$80. Consequently a shortfall of \$4,420 occurred.

Exhibit.
154/B2 and
Qs. B43 and
B44

Conclusions

100. The Committee accepts the Department's explanations for the shortfalls in expenditure under this Item with the exception of the \$15,000 included in the Original Estimates for the salaries of two Government Printer Operators.

101. In this case it appears to the Committee that the shortfall in expenditure arose because provision was incorrectly made in this Item for those salaries. The fact that salaries were involved, in the Committee's view, should have alerted the Department to the need to provide for those salaries in the salaries appropriation of the Department in accordance with the provisions of Treasury Direction 20/33.

102. The Committee also notes that part of the reason for the delay and the protracted negotiations relating to the purchase of a computer forms printer was a question of definition. The Committee finds it difficult to appreciate why it should have taken so long to decide whether the equipment concerned was, in fact, a printing machine or an office machine.

(ii) Division 715/0/06: Equipment and Stores, Barracks, domestic and medical equipment, clothing and textiles.

<u>Funds available</u>	<u>1971-72</u>	<u>1972-73</u>	<u>1973-74</u>
	\$	\$	\$
Appropriation Act No. 1	5,737,000	5,196,000	3,966,000
Appropriation Act No. 5	-	1,292,000	-
TOTAL FUNDS AVAILABLE	5,737,000	6,488,000	3,966,000
TOTAL EXPENDITURE	5,723,333	6,128,805	2,973,112
UNEXPENDED FUNDS AVAILABLE	13,667	359,195	992,888

103. This item provides for expenditure on barracks, refrigeration, air conditioning, domestic, medical and dental equipment, and on materials, textiles, clothing and individual necessities. Recoveries arising from the sale of clothing material to manufacturers and from the sale of clothing to personnel are credited to this item. Exhibit
154/B1

104. The Committee was informed that the shortfall in expenditure occurred on the following items: Exhibit
154/B1

	\$
Air Portable Ward and Surgical Facility	144,000
Cloth, Cotton, Polyester	97,000
Sales of Clothing to R.A.A.F. Members	155,218
	<u>396,218</u>
Various Miscellaneous Orders	<u>596,670</u>
TOTAL	<u>992,888</u>

Air Portable Ward and Surgical Facility

105. The Department informed the Committee that the purpose of this facility was to provide medical and surgical facilities in advance areas. It comprises equipment including accommodation, capable of transportation by air. The purchase of the facility was authorised in June 1971 at a total estimated cost of \$144,000. At the time the Original Estimates for 1973-74 were being formulated, specifications being prepared by staff employed by the Department were at an advanced stage of development and it was expected that full expenditure would be incurred during the financial year. However, as a result of the restructuring of the R.A.A.F., a decision was made on 24 July 1973 to disband the Medical Operations Support Unit for which this facility was required and procurement was cancelled on 21 August 1973. No expenditure was incurred, consequently there was a shortfall in expenditure of \$144,000.

Exhibit
154/B1 and
Qs. B53, B56
and B57

Cloth, Cotton, Polyester

106. The Department stated in its submission that in November 1972 an amount of \$112,000 was authorised for the manufacture of shirts for R.A.A.F. personnel. In April 1973 the authorisation was reduced to \$97,000 following a reduction in the funds requirement. The Department explained that the estimate of \$112,000 had been calculated on the basis that the material to be purchased would be the same as the material then in use which at that time was a 2.8 ounce material, 65 per cent polyester and 35 per cent cotton. It was found that these shirts did not have the durability that was expected and steps were taken to obtain a more durable material. A 3 ounce material was considered to be more acceptable. The witness explained that shirts made of 3 ounce material were expected to last longer than 2.8 ounce material shirts, consequently over a period of time there would be a reduction in the quantity of material required and the funds necessary to purchase. The Department, in evidence, informed us that before tenders for this material were let, user trials lasting approximately six months were conducted in order to evaluate

Exhibit
154/B1 and
Qs. B60, B61,
B63 and B65
to B67

the material. In response to a question the witness informed us that tenders were only let on 21 August 1974 and that delivery was expected in November 1974. The Department, in its submission, stated that although an order had not been placed at the time the Original Estimates were prepared based on previous experience it was anticipated that full expenditure would take place during 1973-74. Procurement action was, however, delayed pending the evaluation of the new material, consequently a shortfall in expenditure of \$97,000 occurred.

Sales of Clothing to R.A.A.F. Members

107. We were informed that the initial range of clothing for recruits to the R.A.A.F. is supplied free. However, R.A.A.F. personnel are expected to replace clothing by purchasing from the R.A.A.F. Stores, although it is possible to purchase some commercial items elsewhere. The R.A.A.F. personnel receive an allowance of up to \$175 per annum to purchase clothing.

Exhibit
154/B1 and
Q. B71

108. The Committee was informed that due to an anticipated reduced requirement for replacement uniforms following the initial issue of the new style R.A.A.F. uniform, recoveries during 1973-74 were not expected to be as high as in previous years. An amount of \$100,000 was allowed for in the Original Estimates for recoveries, however, in 1973-74 the actual amount recovered was \$255,218, consequently there was an expenditure saving of \$155,218.

Exhibit
154/B1

109. The Department informed us that although part of the increase could be attributed to price increases the major reason for the increase was the greater demand for issues of replacement clothing than was anticipated at the time the Original Estimates were prepared. The Department said that estimates of the recoveries of clothing are difficult to predict with confidence and are based on previous years experience. Recoveries in the previous three years were as follows:

Exhibit
154/B1

1970-71	\$129,000
1971-72	\$100,000
1972-73	\$ 56,000

110. The witness for the Department was not aware of the reasons why there was an increase in demand in the number of issues of replacement clothing than was anticipated.

Q. B75

Various Miscellaneous Orders

111. The Committee was informed that \$3,825,000 of the \$3,966,000 made available under Appropriation Act No. 1 for this Item relates to expenditure on maintenance items. The majority of orders placed for maintenance items are relatively small in value, and the estimates of expenditure are based on past trends. The Department, in its submission, stated that on 1 July 1973, the unexpended value of orders in existence totalled \$2,334,000. In the Original Estimates for 1973-74 an amount of \$2,164,000 was provided to cover expenditure on those orders. In the Original Estimates provision was also made for an amount of \$1,661,000 for orders expected to be raised during 1973-74.

Exhibit
154/B1

112. The Department, in its submission, also stated that actual expenditure incurred during 1973-74 against maintenance orders in existence at 1 July 1973 was \$1,695,689, resulting in a shortfall in expenditure of \$486,311. A further shortfall of \$128,359 occurred in expenditure against orders raised during 1973-74. The main reason given for the underexpenditure for maintenance items was the delay in deliveries due to worldwide shortages of commodities, although in some instances the shortage of skilled labour in Australia had caused delays in deliveries of some orders.

Exhibit
154/B1 and
Qs. B77, B78
and B82

Conclusions

113. The Committee accepts the Department's explanations for the underexpenditure on this Item with the exception of the underexpenditure of \$97,000 relating to the procurement of shirts for R.A.A.F. personnel.

114. In relation to this proposed expenditure, the evidence shows that as far back as April 1973 the Department expected that a more durable material would be used in the manufacture of the shirts and the funds authorisation was consequently reduced from \$112,000 to \$97,000. However, the Committee notes that it wasn't until 21 August 1974 that tenders were finally let for this purchase.

115. From the evidence presented, the Committee finds it difficult to understand why the Department, having sought funds for this expenditure in the Original Estimates, was unable to test the material, call tenders, arrange for delivery and pay the related accounts in the time available to 30 June 1974. On the other hand, if the time taken by the Department to arrange the procurement of this type of stores item is normal, then the Committee feels that funds for this expenditure should not have been included in the Original Estimates for 1973-74.

CHAPTER 5

DEPARTMENT OF EDUCATION

Division 845/1/05: Capital Works and Services -
Buildings and Works - Child care
organisations - Assistance for
approved capital programs

<u>Funds Available</u>	<u>1971-72</u>	<u>1972-73</u>	<u>1973-74</u>
	\$	\$	\$
Appropriation Act No. 2		3,750,000	7,150,000
		<hr/>	<hr/>
Total Funds Available		3,750,000	7,150,000
Total Expenditure		-	1,135,559
		<hr/>	<hr/>
Unexpended Funds Available		3,750,000	6,014,441
		<hr/>	<hr/>

116. This item provides for capital grants to approved eligible child care organisations for the capital cost of the purchase of land, erection of buildings and equipment for child care centres. Exhibit 154/B6
117. The scheme to provide assistance by the Australian Government in respect of approved capital programs of child care organisations was established by Act No. 12 (Child Care Act 1972-1973). The Act was assented to on 2 November 1972 and responsibility for administration of the Act was transferred from the then Department of Labour and National Service to the Department of Education as part of the Administrative Arrangements Order of 19 December 1972. Q. B367
118. The Committee was told that at the time of the transfer no staff were taken over but vacancies had already been advertised by the Department of Labour and National Service and applications had been received. The recruitment of staff to carry out this function in the Central and Regional Offices of the Department of Qs. B376 and B387

Education commenced early in March 1973. As part of the transfer, records and files concerning the work already done in this area were taken over by the Department of Education.

119. The Committee was informed that the Child Care Standards Committee, whose functions include giving advice to the Minister and eligible organisations in relation to standards to be maintained in the construction and equipment of child care centres, first met in March 1973 and that the 1973-74 Estimates had to be prepared shortly after that.

Exhibit
154/B6
Child Care
Act 1972-73
No. 121, 1973
Sect. 14 and
Q. B368

120. The Department informed the Committee that the 1973-74 estimate of \$7,150,000 was prepared on the assumption that approximately 125 projects would be approved during the 1973-74 financial year. As at 30 June 1974, 122 capital projects estimated to cost \$13.5 million had been approved and it had been expected that progress towards the development of the projects over the financial year would amount to about 60 per cent of the estimated costs of these projects. By 30 June 1974 payments totalling \$1,097,559 had been made for or towards 25 of these approved projects and a further 9 were having initial payments processed. In addition, ten grants for equipment amounting to \$38,000 had been paid from this item to June 1974, making the total expenditure on the item \$1,135,559 for the financial year.

Exhibit
154/B6 and
Q. B370

121. In explaining the shortfall, the Department stated that the Department did not have sufficient knowledge of the factors which influenced expenditure levels at the time the Original Estimates for 1973-74 were prepared. The Committee was informed that the Department had little accumulated experience in assessing likely progress in these programs of assistance which depend on the capacity and performance of community groups and local government bodies to implement projects. The witness for the Department stated that the Department in the 1973-74 financial year underestimated the problems associated with establishing community group committees as

Exhibit
154/B6 and
Qs. B368,
B370, B380
and B385

legal entities and the Department in particular, due to lack of experience, miscalculated the amount of time required for the organisations concerned to acquire land on which to develop their child-care projects. The anticipated rate of 60 per cent of development in the first year was in error. Experience in 1973-74 shows that an appropriate average project time is closer to two years with most of the capital expenditure falling in the second year.

Conclusions

122. The evidence shows that the principal reasons for the shortfall in expenditure were that the Department misjudged the amount of time required by eligible organisations to acquire land and it also underestimated the difficulties and problems associated with establishing the community group committees as legal entities. It also appears from the evidence that the Department did not have sufficient staff with experience to estimate with any precision the requirements of capital grants for child care organisations.

123. The Committee appreciates that it is difficult to prepare accurate estimates for new arrangements of this kind which involve participation by community groups and local government bodies over which the Department has no formal control. Because of this uncertainty, the Committee considers that the Department should have exercised more caution in the formulation of the original estimate for this Item and, if necessary, obtained any further funds required from the Additional Estimates.

CHAPTER 6

DEPARTMENT OF HEALTH

Division 865/4/01: Capital Works and Services - Advances
and Loans - Commonwealth Serum Laboratories
Commission - Additional Capital

<u>Funds Available</u>	<u>1971-72</u>	<u>1972-73</u>	<u>1973-74</u>
	\$	\$	\$
Appropriation Act No. 2	800,000	2,093,000	2,440,000
Appropriation Act No. 4	-	-	-
Appropriation Act No. 5	-	-	-
Advance to the Treasurer	-	-	-
TOTAL FUNDS AVAILABLE	800,000	2,093,000	2,440,000
TOTAL EXPENDITURE	800,000	2,093,000	700,000
UNEXPENDED FUNDS AVAILABLE	-	-	1,740,000

124. This item provides for assistance to be given in the financing of necessary capital projects undertaken by the Commonwealth Serum Laboratories Commission. Exhibit 154/B7

125. The original estimate for this item provided for an expenditure by the Commission of \$2,140,000 for capital works and \$300,000 for working capital. Exhibit 154/B7

126. The working capital requirement of \$300,000 was based on a budgeted loss of slightly in excess of \$1,500,000. It became apparent during the year that due to increased sales, the loss would be significantly less than had been anticipated. In December 1973 it became clear that the Commission would not have to call upon the working capital portion of the appropriation. Exhibit 154/B7 and Qs. B484 and B485

127. In regard to the shortfall of \$1,440,000 in expenditure the Committee was informed that the proposed capital works expenditure by the Commission in 1973-74 totalled \$3,095,000 Exhibit 154/B7 and Qs. B478 and B481

which was to be financed by the \$2,140,000 appropriation plus funds of \$955,000 held by the Commission. However, the actual capital works expenditure incurred by the Commission in 1973-74 was \$1,607,000 consisting of the \$955,000 initially held and \$652,000 expended from an amount of \$700,000 advanced by the Department of Health from the appropriation.

128. A breakdown of proposed and actual expenditure and commitments between major works, minor works and contingencies is shown in the following table:

Exhibit
154/B7

	<u>Major</u> <u>Works</u> \$	<u>Minor</u> <u>Works</u> \$	<u>Contingen-</u> <u>cies</u> \$	<u>Total</u> \$
Proposed Expenditure	2,350,000	680,000	65,000	3,095,000
Actual Expenditure	<u>1,150,000</u>	<u>442,000</u>	<u>15,000</u>	<u>1,607,000</u>
Under Expenditure	1,200,000	238,000	50,000	1,488,000*
Commitments as at 30.6.74	5,020,000	140,000	18,000	5,178,000

* Underexpenditure from the appropriation on capital works was \$1,440,000. The apparent discrepancy of \$48,000 arises from the fact that of the \$700,000 advanced to the Commission under Division 865/4/01 only \$652,000 was spent by the Commission.

129. The underexpenditure was mainly associated with major works. The Committee was informed that delays were and still are being experienced with the completion of work commenced prior to June 1973. These included delays in the completion of the Maximum Security Building and the Virus Production Building Phase I. These delays were due to construction problems relating to design and shortage of specific items of equipment and materials. The witness representing the Commission informed the Committee that

Exhibit
154/B7 and
Q.B497 and
B501 to
B503

the design of the Maximum Security Building was unique in Australia and that due to design and practical construction problems the project was proceeding slower than anticipated.

130. The witness in elaborating on the design problems told the Committee that in the case of the Maximum Security Laboratory Building the Commission was instrumental in changing the design of the ceiling and roof structure because it considered it undesirable to instal a fire-fighting system in the ceiling. The witness did not explain if such a system was included in the original specifications. With regard to delays caused by shortage of materials, the Committee was informed that serious delays were experienced because of difficulties of supply which in some cases, such as stainless steel, originated outside Australia.

Qs. B501 to
B503

131. It was stated in the submission that in respect of new projects initiated in 1973-74, such as the Virus Production Building Phase 2 and the Veterinary Vaccine Production Building, modifications were necessary in the light of experience with other projects. This delayed the calling of tenders and subsequently final contract negotiations with the successful tenderers took longer than expected. The delays in the capital works program and the consequent delays in purchasing the receiving equipment resulted in a shortfall of expenditure of \$1,440,000.

Exhibit
154/B7 and
Q. B506

Conclusions

132. The Committee accepts that the delays in obtaining materials and equipment were outside the control of the Commission. However, with regard to the design and related construction problems connected with the two major works, the Maximum Security Building and the Virus Production Building, the Committee feels that the design requirements for the two buildings should have been known and incorporated in the original design specifications before tenders for the construction were called.

CHAPTER 7

DEPARTMENT OF THE MEDIA

- (i) Division 885/2/01: Capital Works and Services - Plant and equipment - Australian Government Publishing Service

<u>Funds Available</u>	<u>1971-72</u>	<u>1972-73</u>	<u>1973-74</u>
	\$	\$	\$
Appropriation Act No. 2	204,600	1,144,300	1,080,000
TOTAL FUNDS AVAILABLE	204,600	1,144,300	1,080,000
TOTAL EXPENDITURE	175,146	827,332	539,626
UNEXPENDED FUNDS AVAILABLE	29,454	316,968	540,374

133. This item provides for equipment of a capital nature required by all functional areas of the Australian Government Publishing Service. A large proportion of the equipment purchased under this item is for the Printing Branch which has printeries located in Canberra, Melbourne and Darwin.

Exhibit
154/A10

134. The Committee was informed that the original estimate of \$1,080,000 for this item comprised \$795,822 for new items and \$284,178 carried over from 1972-73. The witness stated that although there had been underexpenditure of more than \$300,000 in 1972-73, it had been expected that the program would be completed in 1973-74 by commencing tendering procedures early in the year. Due to a number of difficulties including delays in the tendering procedures, departmental recruitment difficulties and problems overseas, where most of the equipment originated, delivery was not completed for all equipment even though firm commitments to the value of \$523,679 had been made in addition to the actual expenditure of \$539,626.

Exhibit
154/A10
and Q. A816

135. The Committee was told that the tendering procedures involved the calling of tenders by the Australian Government Stores and Tender Board, the evaluation of tenders and the selection of the prospective suppliers by the Government Printer, and the letting of contracts for the delivery and installation of equipment by the Tender Board. Prior to any payment being made, machines were normally required to be installed and operating to the satisfaction of the Government Printer.

Exhibit
154/A10
and Qs. A817
to A819

136. It was also explained that most of the equipment purchased was manufactured overseas. This resulted in further delays because of the necessity for the equipment to be indented by Australian Agents after the placement of an official order. Although time had been allowed for indenting when the original estimate had been prepared, the witness admitted that the process had taken longer than anticipated.

Exhibit
154/A10
and Q. A820

137. The witness stated that checking the progress of tenders and overcoming the causes of any delays was normally done by the Assistant Government Printer, Technical Services. However, the position had been vacant until January 1974 in spite of several attempts by the Department to fill the position.

Q. A826

138. The Committee was provided with details of items ordered in 1973-74 for which payment would now be made in 1974-75. These details are shown at Appendix A (page 60).

Q. A824
and Committee File
1974/1

139. As an example of the types of problems faced in relation to the purchase of the equipment, the witness explained that delays on the first item in Appendix A (page 60), the two unit Solna Distributor Offset press (\$111,833) were

Qs. A821
to A823

attributable to some minor administrative delays in tendering as well as the need to clarify technical reports on the machine. The revaluation of the currency also resulted in changes in the order of ranking of the tenders necessitating referral back to the tenderers. As a further example, the witness stated that the delay between the closing of tenders and the issue of a letter of acceptance for the Buckle/Knife folding machine (\$17,330) was caused by administrative delays in the Tender Board. The witness believes that the delays experienced in 1973-74 had been more substantial than in previous years.

140. We were told that in addition to the \$523,679 committed in 1973-74 and carried over to 1974-75, new items totalling \$1,258,000 had been allowed as the original estimate for 1974-75. The Department also had approval from Treasury for a forward commitment of \$721,000 for 1975-76. The witness commented that at the time of the inquiry, progress in the submission of specification material to the Tender Board for 1974-75 was at a more advanced stage than it had been at the same time in 1973-74

Q. A826
and A827

Conclusions

141. From the evidence it would appear that factors beyond the control of the Department caused the underexpenditure on this item. The Committee therefore accepts the Department's explanation.

(11) Division 885/3/01: Capital Works and Services -
Advances and Loans - Working Capital
Advance (for payment to the Australian
Government Stores Suspense Trust Account)

<u>Funds Available</u>	<u>1971-72</u>	<u>1972-73</u>	<u>1973-74</u>
	\$	\$	\$
Appropriation Act No. 5			300,000
TOTAL FUNDS AVAILABLE	-	-	300,000
TOTAL EXPENDITURE			110,000
UNEXPENDED FUNDS AVAILABLE	-	-	190,000

142. This item provides for working capital advances from the Consolidated Revenue Fund in order to maintain the liquidity of the Australian Government Stores Suspense Trust Account. The witness explained that common user items are procured through the Australian Government Stores and Tender Board which pays for the items from the Trust Account. Departments are charged for items purchased from or through the Tender Board and receipts are credited to the Trust Account.

Exhibit
154/A11
and Q. A831

143. The Committee was informed that the requirement for additional funds became apparent in December 1973 when, due to paper shortages, it was found that an increasing number of commercial printers were unable to quote for or fulfil the Department's printing requests. A contract for the supply of 405 tonnes of paper from Brazil was let on 16 January 1974. The cost of the paper was \$618 per tonne compared with \$590 per tonne for equivalent paper of Australian manufacture. Because it was anticipated that shipments from Brazil would be made in January, February and March for delivery in April and May, the amount had been included in the Additional

Exhibit
154/A11
Qs. A839 to
A841 and
A849 and
Committee
File 1974/1

Estimates. However, due to shipping difficulties, the principal problem being the infrequency of direct Brazil-Australia shipping, actual delivery at the time of the inquiry was expected to be 22 December in Melbourne and 26 December in Sydney.

144. The Committee was told that Warrant Authority to cover the expenditure was received in March and cheques for \$110,000 and \$190,000 were drawn on Division 885/3/01 and forwarded to the Sub-Treasuries in Sydney and Melbourne respectively. The witness stated that the money had been forwarded to the Sub-Treasuries before the delivery of the paper because payment would need to be made soon after delivery. The Department had engaged in considerable follow-up action with the contractor to hasten delivery and even as late as 2 April 1974, when the cheques would have been in the process of being drawn, the contractor had been instructed to ship via the 'Lloyd Brasilia' in the second half of May. The witness also explained that suggestions to ship the goods earlier via Japan or Singapore had been rejected because it would have cost \$50.10 per tonne extra.

Exhibit
154/A11 and
Qs. A841 and
A849

145. The witness explained that the cheque for \$110,000 sent to the Sub-Treasury Sydney had been paid into the Trust Account as had been intended. He admitted, however, that the Sub-Treasury in Sydney had found the instructions regarding the cheque ambiguous and had paid the cheque into the Trust Account only after checking with the Department.

Exhibit
154/A11
and Q. A848

146. The Committee was advised that the cheque for \$190,000 sent to the Sub-Treasury, Melbourne was received on 5 April and subsequently repaid to Division 885/3/01 due to a misunderstanding. The error had not been detected until the close of the financial year.

Exhibit
154/A11
and Q. A844.

147. In elaborating on the cause of the misunderstanding, the witness stated that when the Form 12 was made out for the cheque to

Qs. A832
and A834

be drawn, the information given was that it was an increase in working capital to the Commonwealth Stores Supply and Tender Board from Division 885/3/01 and that this information was forwarded to the Sub-Treasury in Melbourne. He told the Committee that the Sub-Treasury had found the instructions ambiguous and had contacted the Management Services Branch of the Department of the Media in Canberra by telephone. The Sub-Treasury had been told that the information given was correct and the cheque was repaid to Division 885/3/01. The Committee was told that the \$190,000 to meet this part of the cost of the paper had been included under this item in the estimates for 1974-75.

148. The witness stated that he was unable to verify the information given to Sub-Treasury in Melbourne by telephone although he accepted that they had, in fact, sought to clarify the instructions regarding the cheque. He explained that the information that should have been conveyed to the Sub-Treasury in Melbourne was that the cheque was an increase in the working capital of the Australian Government Stores Suspense Trust Account with no reference to the division or vote at all. He further commented that this was an unusual entry and this fact may have caused the error because the persons handling the transaction had had no previous experience with similar transactions.

Qs. A833,
A834 and
A837

149. In relation to the failure to detect the error before the end of the financial year, it was stated that there had been no check for errors in the past but the Department's staffing situation had improved so that there was now an Estimates Officer who would check the appropriation ledger print-outs from Treasury each month to ensure that entries had been properly recorded. The witness believed that the error relating to this item would have been detected earlier if this procedure had been in operation during 1973-74.

Qs. A835 and
A838

Conclusions

150. The Committee accepts that the Department was justified in including funds for this item in the Additional Estimates. While conceding that this may have been an unusual type of appropriation and transaction, the Committee views in a serious light the misunderstanding which resulted in the cheque for \$190,000 being repaid to Division 885/3/01. The Committee feels that the misunderstanding may have been avoided if the transaction had been handled by more experienced officers. In view of the fact that the cheque was received in Melbourne on 5 April, the Committee is most disturbed by the failure of the Department to detect the error before the end of the financial year.

APPENDIX A

	₹	TENDERS CLOSED	LETTER OF ACCEPTANCE ISSUED
<p>1 Two unit Solna Distributor offset press and access Purchase/install. 1 microfilm recording unit attachment 1 Heidelberg two colour sheet fed rotary press Single sheet Auto Collator/Stitcher Machine 4 Offset printing machines 1 Photon compositor 1 Magnetic tape unit 1 Phillipsburg master mailer 1 Buckle/Knife folding Machine 1 Crosshead Perforator and accessories Final payment on Computer 1 Oristar Paper folding machine 2 Ammonia Type Plan Printers 9 Electric punching or binding machines 1 Selecto-matic Sealer and H.D. Shrink Tunnel 1 Heidelberg Platen Press 4 Roller washers Returnish Model 156 Microfilm Processor 1 Auto Polypropylene Strapping Machine 1 Avery Tab-o-matic Envelope Labeller and Stop Counter 1 Chalco Paper Tape Reader 100 Steel Pallets 1 Manual type head and tail stock and access Other items</p>	<p>111,833 95,000 54,250 38,484 31,700 21,000 20,723 17,510 17,370 13,824 12,000 11,365 9,100 7,381 6,838 6,660 6,020 4,800 4,788 4,560 3,850 3,585 3,555 17,473 <u>523,679</u></p>	<p>23 Oct 73 31 Aug 73 23 Oct 73 23 Oct 73 11 Oct 73 15 Nov 73 30 May 74 8 Aug 73 23 Oct 73 23 Jul 73 12 Sept 72 19 Oct 73 23 Oct 73 18 Mar 74 19 Oct 73 23 Oct 73 23 Oct 73 6 Feb 74 23 Oct 73 12 Jun 73 21 Aug 73 23 Apr 74 13 Dec 73</p>	<p>7 May 74 27 June 74 6 May 74 13 Mar 74 11 Feb 74 7 Aug 74 11 June 74 20 Sept 73 26 Feb 74 5 Jan 74 21 Sept 72 5 Mar 74 25 Jan 74 8 May 74 7 Jan 74 6 May 74 6 May 74 5 Mar 74 26 Feb 74 26 Feb 74 6 Aug 73 9 Oct 73 25 Jun 74 15 Jan 74</p>

* Certificate of Inexpediency to call tenders issued.

CHAPTER 8

DEPARTMENT OF MINERALS AND ENERGY

Division 355/2/09: Bureau of Mineral Resources, Geology
and Geophysics - Administrative
Expenses - Contract Investigations

<u>Funds Available</u>	<u>1971-72</u>	<u>1972-73</u>	<u>1973-74</u>
	\$	\$	\$
Appropriation Act No. 1	2,300,000	2,100,000	1,800,000
Appropriation Act No. 5	-	-	-
Advance to the Treasurer	-	-	-
TOTAL FUNDS AVAILABLE	2,300,000	2,100,000	1,800,000
TOTAL EXPENDITURE	2,215,908	2,067,427	1,253,618
UNEXPENDED FUNDS AVAILABLE	84,092	32,573	546,382

151. This item provides for payment for work done for the Bureau by outside contractors. Included are contract drafting, scientific investigations and analyses, rotary drilling and coring, auger drilling and hire of aircraft.

Exhibit
154/B4

152. The Committee was informed that this item is treated on a program basis and the approved program for 1973-74 provided for cash expenditure of \$1,800,000 against commitments expected to total \$2,701,000. The Committee was given brief details of larger contracts for which payment fell short of the cash provided against that contract and the details appear in the following paragraphs.

Exhibit
154/B4

153. \$20,000 was provided in the Original Estimates for a pilot scheme for recomputation of gravity survey data to modern datums and standards. Difficulties and delays occurred in the conversion, from CDC 3600 to the new and faster Cyber 76, of the

Exhibit
154/B4 and
Q. B117

relevant Bureau computer programs to be used by the contractor at the Department's expense. The Department informed us that the conversion was more complicated than expected and there were also a number of operational problems which affected the progress of the reprogramming. Expenditure on this contract in 1973-74 due to the delays was limited to \$6,359 resulting in a shortfall of expenditure of \$13,641.

154. The Department had expected that success in the pilot scheme for recomputation of gravity data would lead to an order for a further \$100,000 of work with \$78,000 cash expenditure in 1973-74. The additional order had been placed but delays in the completion of the pilot scheme resulted in no cash expenditure on this further contract.

Exhibit
154/B4

155. The Department had estimated an expenditure of \$8,000 in 1973-74 against a \$76,000 contract for compilation of an aeromagnetic map of Australia. The Committee was informed that the contract was let on 31 December 1973, but the work completed to date had not met the required standards, and no payments had been made to the contractor.

Exhibit
154/B4 and
Q. B120

156. A commitment of \$82,015 carried forward in respect of the balance of a marine seismic survey in the Gulf of Papua was expected to be paid in 1973-74. As the contractor had not delivered the final report of the survey by the end of the financial year underexpenditure of \$25,542 occurred representing the amount retained by the Department pending receipt of the report. At the time of the inquiry the Committee was informed that the contractor had in fact completed the basic work and all that remained to be done was the production of the report in the final form.

Exhibit
154/B4 and
Q. B122

157. In the Original Estimates \$16,000 was provided for hire of a licensed driller to accompany a survey party of the Bureau of Mineral Resources to prepare and reinstate water bore headworks

Exhibit
154/B4 and
Qs. B123
to B126

in Central Queensland. However, because of unfavourable weather conditions and a seven months delay in obtaining parts for a departmental bore logging truck, this work was not proceeded with and no expenditure was incurred. The Committee was informed that the work is expected to be completed in the 1974-75 financial year.

158. An amount of \$50,000 was provided in the estimates for contract logging of water bores in the Queensland portion of the Great Artesian Basin. The work was completed about the end of May. After representations by the Departments, the contractor submitted his final claim on 28 June which was too late to be paid in the 1973-74 financial year and consequently a shortfall in expenditure of \$20,681 was incurred.

Exhibit
154/B4 and
Qs. B129
to B131

159. \$17,089 was provided for hire of helicopter support for the 1973 Georgetown and Westmoreland Surveys. The witness for the Department explained that in both cases they were carrying out normal geological mapping work and initiating a program of geochemical sampling. The technique the Department is trying to develop is relatively new and the Department was not quite aware of how much effort and time was involved. The Committee was informed that in the Georgetown area the helicopter was used for both phases. In the Westmoreland area it was only used for mapping work as it was found that there was sufficient access for the geochemical sampling to be carried out by land vehicles. Requirements were less than expected, only \$10,814 was spent and a shortfall of \$6,275 was incurred.

Exhibit
154/B4 and
Qs. B132
and B136

160. In the original estimate for this item for the financial year 1973-74, \$50,000 was provided to cover the cost of a pilot scheme to transcribe seismic tapes recorded during a marine survey of the continental margin of Australia. This survey took place from November 1970 to January 1973. The Department informed us that during the last year of the survey they had many inquiries and requests for this marine information and particularly seismic data. The Department in an attempt to make this fundamental geological

Exhibit
154/B4 and
Qs. B452

information available to people requesting it, considered an arrangement whereby the seismic information could be transcribed and made available in digital form. The department estimated the total cost of the transcription process to be of the order of \$500,000 to \$1,000,000. The Committee was informed that at the stage when the actual draft specifications for the pilot scheme contract were being prepared, the Department found the scheme to be impracticable, difficult to supervise and to administer. The pilot scheme was therefore abandoned resulting in a shortfall in expenditure of \$50,000.

161. The Committee was informed that an alternative scheme was formed in which seismic tapes could be transcribed within the Department itself, by using tape recorders with special filters. The Department levies a charge for the transcribed tapes recovering the costs of transcribing, also the results of further processing of the tapes by the companies or organisations borrowing a tape are provided to the Bureau of Mineral Resources.

Exhibit
154/B4 and
Q. B452

162. Based on the normal flow of funds, provision of \$93,500 was made in the Original Estimates for payment to the Australian Mineral Development Laboratories for analysis work to be done by them. The work in broad terms consists of chemical analyses and age dating. The Department explained that it is very difficult to give a precise estimate of the requirements as the number of requests for analyses depend on the number of survey parties going out during the year. In the 1973-74 financial year a lot of the analyses work related to work carried out in southern Australia, late in the field season. This caused the work flow into A.D.M.L. to be relatively late in the financial year. Some of the commitments expected to be taken up in 1973-74 were not taken up until early in the 1974-75 financial year. In the event a shortfall in expenditure of \$18,700 was incurred.

Exhibit
154/B4 and
Qs. B454
and B455

163. The Department had made provision of \$270,000 in the Original Estimates for a helicopter gravity survey in N.S.W.,

Exhibit
154/B4 and
Qs. B133
and B137

Victoria and Tasmania in 1973-74. The Bureau was able to negotiate a much more favourable contract rate than was expected, the contract was let for \$220,000 and payments under the contract were correspondingly reduced. Expenditure in 1973-74 was further reduced by delays in performance on account of flooding in Northern New South Wales and failure of a sub-contractor to supply helicopters on schedule. As a result there was a shortfall in expenditure of \$132,954.

164. An amount of \$10,000 had been provided for colour aerial photography. Because of abnormal wet weather unfavourable flying conditions prevailed in the area and the work was not undertaken until July 1974. Consequently, a shortfall in expenditure of \$10,000 was incurred.

Exhibit
154/B4 and
Q. B456

165. \$20,000 was the estimated cost of a proposed contract for acquisition of absolute total intensity magnetic data associated with the aeromagnetic map of Australia project. The contract was let on 31 October 1973 for \$22,270 and was scheduled for completion on 3 May 1974. Due to the exceptional weather conditions, the contractor was behind schedule on delivery of data and no expenditure was incurred in 1973-74.

Exhibit
154/B4 and
Q. B457

166. In the Original Estimates for 1973-74 \$60,000 was provided for expenditure on a consultancy contract for analysis of Bureau of Mineral Resources information storage and retrieval requirements and a feasibility study of alternative solutions to the problems. Plans for this project had been in train for a considerable time. Tenders had been received and the Department anticipated prompt commencement. In the event Ministerial authorisation for the project to proceed was not forthcoming and no expenditure was incurred in 1973-74.

Exhibit
154/B4

167. An amount of \$28,000 was provided in the Original Estimates for 1973-74 for payments on contracts for fair drawing and drafting which were expected to total \$59,000. The Department, in its submission, stated that mainly because suitable contractors were not available to do this work, contracts for fair drawing fell well behind schedule and expenditure was limited to \$8,698. The

Exhibit
154/B4 and
Qs. B467
and B468

witness for the Department stated in evidence that the Department, due to the slowness by which it processes its own basic data, had difficulties in supplying contractors with a steady flow of work, and he admitted that the Department was partly to blame for the under-expenditure.

168. A provision of \$30,000 was made in the estimates for hire of helicopter services for the 1973 North East Canning Basin survey. In the event the requirement for use of the helicopter was found to be much less than expected and expenditure was only \$12,296.

Exhibit
154/B4

169. As an adjunct to a Bathymetric mapping survey contract arranged by the Division of National Mapping, the Bureau of Mineral Resources had arranged to acquire magnetic data and shallow seismic profiling data at an estimated cost of \$20,000. Because the data supplied by the contractor was not up to specified standards an amount of only \$3,110 was spent. The witness informed the Committee that the contractor had previously been a satisfactory contractor for Bathymetric work for the Division of National Mapping.

Exhibit
154/B4 and
Q. B471

170. A provision of \$12,000 was made in the Original Estimates for hire of helicopter support for a survey to be undertaken in the Northern Territory. The proposed survey was cancelled and no expenditure was incurred.

Exhibit
154/B4

171. The Department in its submission stated that the net result of variations between estimated and actual expenditure on all other contracts under this item was an underexpenditure of \$20,693.

Exhibit
154/B4

Conclusions

172. The Committee believes that the need for the Department to use a pilot scheme for recomputation of gravity survey data to modern datums and standards, adequately demonstrates there was sufficient uncertainty when the Original Estimates were formulated for a somewhat more conservative view to be taken regarding prospective expenditure on this item. In this regard the Committee would refer to Treasury Direction 16/9 which states inter alia:

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

173. The Committee has noted that Ministerial authorisation was withheld from the project to let a consultancy contract for the analysis of the Bureau of Mineral Resources information storage and retrieval requirements and a feasibility study of alternative solutions to the problems. It seems to the Committee that Ministerial approval should have been a prerequisite to including an amount of \$60,000 for this expenditure in the Original Estimates.

174. The evidence also shows that a shortfall in expenditure of \$19,302 for fair drawing and drafting was due to a shortage of contractors and partly due to the slowness by which the Department processes its own data. The Committee believes that the Department should have made due allowance when assessing its funds requirements for this expenditure for the slow processing of its own data and should take appropriate action to ensure that delays in its processing are kept to a minimum.

175. The Committee accepts the remainder of the Department's explanation in relation to this item.

CHAPTER 9

DEPARTMENT OF THE NORTHERN TERRITORY

Division: 380/3/32: Administrative - General Services -
Traffic Administration and Planning -
Operational Expenses

<u>Funds Available</u>	<u>1971-72</u>	<u>1972-73</u>	<u>1973-74</u>
	\$	\$	\$
Appropriation Act No. 1	-	84,500	177,500
Appropriation Act No. 3	-	-	-
Appropriation Act No. 4	-	-	-
Advance to the Treasurer	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL FUNDS AVAILABLE	-	84,500	177,500
TOTAL EXPENDITURE	-	63,264	57,634
	<hr/>	<hr/>	<hr/>
UNEXPENDED FUNDS AVAILABLE	-	21,236	119,866
	<hr/>	<hr/>	<hr/>

176. This item provides for investigations and reviews of transport and communication matters including port development, road, rail and air services; co-ordination and liaison with interstate Road Transport Authorities in regard to matters such as uniform traffic codes, vehicle performance and road safety; and the operation of Motor Vehicle Registries. Exhibit 154/A5

177. The Committee was informed that the amounts allocated for the various parts of this item in 1973-74 were: Exhibit 154/A5

Transport Surveys	\$150,000
Motor Vehicle Registry	8,200
Vehicle Hire	4,100
Operational Expenses	4,000
Weighbridge, loadometers, etc.	6,000
Wages	5,200
	<hr/>
	\$177,500
	<hr/>

Significant underexpenditure occurred in respect of Transport Surveys, Motor Vehicle Registry and Vehicle Hire and the departmental witnesses were questioned regarding the causes of the underexpenditure.

Transport Surveys

178. The witness stated that transport surveys were first carried out by the Department in 1972-73 and it was expected that the experience and knowledge gained in that year would enable more searching and informative surveys to be carried out in 1973-74. The Department therefore programmed surveys to cost \$170,000 to commence in 1973-74 with \$150,000 to be expended during the year as follows:

Exhibit
154/A5 and
Qs. A574,
A575 and
A579 and
Committee
File 1974/1

	Program 1973-74	Estimated Expenditure 1973-74	Revote to 1974-75
	\$	\$	\$
Origin and Destination Survey	62,000	62,000	-
Axle Load Survey	100,000	80,000	20,000
Air Survey	4,500	4,500	-
Rail Survey	500	500	-
Coach Survey	500	500	-
Accident Survey	300	300	-
Shipping Cargo	300	300	-
Miscellaneous	1,900	1,900	-
	<u>170,000</u>	<u>150,000</u>	<u>20,000</u>

179. Actual expenditure on Transport Surveys during 1973-74 was \$34,478 and was spent as follows:

Exhibit
154/A5 and
Q. A657 and
Committee
File 1974/1

	\$
Origin and Destination Surveys	17,495
Urban Traffic Count Darwin	4,784
Other Surveys (revotes from 1972-73)	

	\$
1. Survey Public Transport	3,296
2. Urban Traffic Counts, Katherine, Tennant Creek, Alice Springs	2,050
3. Traffic Counts - Peko Road, Tennant Creek	282
4. Origin and Destination Survey - Stuart and Barkly Highway	4,225
5. Origin and Destination Survey - Tanami Road	1,650
6. Printing Survey Cards	<u>520</u>
Miscellaneous	<u>176</u>
	<u>34,478</u>

180. Orders for the projects in the 1973-74 program were placed with the Department of Housing and Construction because that Department had expertise developed over many years of traffic counting and analysis of traffic information. The Committee was informed that placement of orders for the projects with the Department of Housing and Construction was necessitated by staffing problems in the Transport Planning Branch. We were told that vacancies existing at the commencement of the year were not filled as expected; another position, of technical officer, became vacant during the year; and a reorganisation of the Branch was approved in stages with the top structure being approved on 23 May 1973, existing positions transferred to the new structure on 10 September 1973 and a proposal for lower level positions, forwarded to the Public Service Board on 17 May 1974, was approved on 20 June 1974.

Exhibit
154/A5; and
Qs. A580, A582
A586 and A590
and Committee
File 1974/1

The Department provided the Committee with a supplementary submission showing the time taken to recruit staff. Time taken varied from a minimum of 19 weeks to a maximum of 50 weeks with an average of 29½ weeks. The main delays in the recruiting process were in the selection of the best applicant, which the department stated varied from a minimum of 1 week to a maximum of 16 weeks with an average of 8 weeks, and the determination of appeals, which took from a minimum of 4 weeks to a maximum of 16 weeks with an average of 8 weeks.

• Origin and Destination Surveys

181. The departmental submission informed the Committee that surveys were to be made of:

Exhibit
154/A5

- (a) motor vehicles entering or leaving the Northern Territory at its three main road entry/exit points.
- (b) motor vehicles passing through strategic points along the Stuart Highway within the Northern Territory.

The surveys were intended to assist in the assessment of current traffic volumes and patterns as an aid to determining future road requirements. They also gather information on the number of tourists visiting the Northern Territory by road and their pattern of movement within the Territory and also measure the movement of freight into, out of and within the Territory, which helps the assessment of future freight facility requirements.

182. The departmental submission stated that the original estimate of \$62,000 for this survey was based on previous costs for this type of survey. When tenders were called, however, an acceptable tender for \$24,000 was received. This cost, plus an additional \$5,000 or \$6,000 expenditure on repairing the survey points by the Department of Housing and Construction's day labour gang, meant that the total expenditure on the survey would be approximately \$30,000. The contractor was required to conduct the survey at six locations over the periods 27/8/73 to 22/10/73; 20/10/73 to 24/12/73; 4/2/74 to 31/3/74; and 20/4/74 to 30/6/74. Payment was expected to be made for the first three periods and part of the fourth at a total cost of \$24,000 in 1973-74.

Exhibit
154/A5
and Q. A599

183. The Committee learned that heavy rainfall between December and April caused flooding over most parts of the Northern Territory and delayed the surveys in some areas as the contractor and the day labour gangs were unable to reach their destinations and complete their tasks. The witness explained that the contractor was delayed for seven days east of the King River Bridge (21 miles south-west of Katherine) on the way to Dingo Gap on the Western Australian border; for two days west of the King River Bridge on his way to Avon Downs on the Queensland border; and for a further twenty-one days north of Newcastle Waters, also on the way to Avon Downs. The witness stated that an alternative route to Avon Downs was also closed by floodwaters.

Exhibit
154/A5 and
Qs. A592 to
A594

184. It was stated that these delays to the contractors, plus the fact that repairs to the survey points by the day labour gang were not necessary, resulted in an actual expenditure of only \$17,495. It was also stated that in spite of the delays, the results of the surveys would still be valid because the nil return resulting from the interruptions to transport would provide the department with valuable seasonal variation information.

Qs. A596 and
A597

• Axle Load and Vehicle Dimension Survey

185. The Axle Load and Vehicle Dimension Survey was planned to:

- (a) determine the degree of loading on individual axles, the loading on each unit and its dimensions;
- (b) from (a) determine the degree of overload and over-dimension traffic requiring enforcement activity;
- (c) supplement Origin and Destination Survey data.

186. At the inquiry the witness stated that the survey had been brought forward from 1974-75 to absorb the additional expenditure resulting from savings on the Origin and Destination Survey. However, information provided to the Committee in the departmental submission and in a supplementary submission, indicated that the survey had been programmed in the Original Estimates for 1973-74.

Exhibit
154/A5 and
Qs. A599 to
A601, A608,
A619 and A642
and Committee
File 1974/1

187. The Department informed the Committee that on 15 August 1973 it had formally requested the Department of Housing and Construction to consider a detailed proposal for conducting the survey with a view to confirming the estimate of the cost as soon as possible. The Department of Housing and Construction was also required to prepare a suitable design for the survey and to clear the procedural steps required to place an order for the work and get the field work underway. The Committee was told that a high rate of expenditure was anticipated once the field work began and no problems were anticipated in completing the survey within the required time.

Exhibit
154/A5

188. The Department of Housing and Construction replied to the Department of the Northern Territory on 14 December 1973. In the period between August and December, the Transport Planning Branch was affected by the staffing problems already referred to, and also by uncertainty regarding future responsibilities of the Branch. A series of consultations regarding the survey arrangements took place between officers of the two departments during this period.

Exhibit
154/A5 and
Qs. A602 and
A603

189. The Department of Housing and Construction advised that preparation of tender documents had been requested from the consultant firm of Pak Foy and Associates and that the estimated cost of the work would be \$97,000. The Committee was told that in March 1974 the Department of Housing and Construction advised the Department of the Northern Territory that \$14,800 would be spent in the 1973-74 financial year but

Exhibit
154/A5

on 22 April advised further that because of wet season disruption expenditure for 1973-74 would be nil.

. Introduction of other Surveys to take up shortfall

190. In its submission the Department stated that when it became apparent that there would be a shortfall in expenditure on the Axle Load Survey and a very favourable price had been received for conducting the Origin and Destination Surveys, advantage was seen in advancing other studies.

Exhibit
154/A5

191. The witness explained that it was probably some time in November that the Department of the Northern Territory became aware that there would be a shortfall in expenditure because on 30 November 1973 the Department of Housing and Construction was asked what expenditure could be achieved in 1973-74 on the basis of:

Exhibit-
154/A5 and
Qs. A604 and
A607

- (a) projects which were currently provided for;
- (b) expediting the commencement of the Urban Traffic Counting Programme (a long term programme recommended by a firm of consultants and estimated to cost \$46,350) and/or the Darwin Transportation Study (previously included in the 1974-75 program)

Advice subsequently received from the Department of Housing and Construction indicated that most expenditure could be achieved if both studies were commenced in 1973-74.

192. It was explained that it was not normal to bring forward projects in this way as the Department would expect to know fairly accurately what projects would be launched in a particular year. However, the unexpectedly low expenditure on the Origin and Destination Survey had made extra funds available.

Q. A608

193. The departmental witness believed that no additional authority was necessary to make variations within the vote; the provision in the vote had been for transport surveys and the Minister had given approval in principle to setting up the surveys to obtain the information necessary for the proper planning of transport services. This view was confirmed by the Department in a supplementary submission which stated:

Qs. A609
and A624 and
Committee
File 1974/1

"It is normal practice to seek Ministerial approval to items of a new nature. Specific Ministerial approval is not sought to changes within the vote by introduction of further normal operational items of a continuing nature which would not result in expenditure or commitment in excess of the appropriation for a particular year. On this basis Ministerial approval was not sought in the case under review.

Similarly the Department would not have sought Treasury approval to a variation to its program in respect of a recurring item of expenditure which is part of the normal operations of the Department except where it would have involved extension of the liability into the next financial year and created a need for an increased level of appropriation in the succeeding year."

194. However, this submission contradicted comments made in the Department's original submission to the Committee which stated in relation to the Darwin Urban Transportation Study:

Exhibit
154/A5

"...insufficient time remained to clear the proposal with other Branches of the Department, to obtain Ministerial approval and to obtain Treasury concurrence to enter into the liability."

195. The Treasury Observer (Mr Davidson) commented that Treasury would have expected to be advised regarding the changes within the vote. Although there was no

Qs. A610, A611
A614 to A617,
and A621

legal requirement to advise Treasury of changes of this nature, he stated that the practice of advising Treasury was generally followed by departments.

196. Mr Davidson also pointed out that there could be occasions where money spent in this fashion could be required more urgently elsewhere and that new programs started, as had been done by the Department of the Northern Territory, could be postponed. He conceded that Treasury had been advised of expected savings of \$26,000 within the vote but commented that Treasury was not aware whether or not this was a saving on one or all of the items within the vote or whether it took into account further expenditure not included in the original calculations.

Qs. A610,
A612, A619
and A620

197. The Department in its supplementary submission stated that:

Committee
File 1974/1

"At discussions held in May 1974 with Treasury officers on the draft estimates for 1974-75, the Department agreed that commitment approvals would be sought to cover the introduction of new items of expenditure not programmed in the Departmental bid should such a need arise during the course of the financial year."

(a) Urban Traffic Counts, Darwin

198. The Committee was informed that the order for the Traffic Counts was placed with the Department of Housing and Construction on 5 February 1974 and as late as 5 March 1974 that Department had advised the Department of the Northern Territory that expenditure of \$40,350 could be anticipated. This estimate was reduced to \$20,000 by 22 April. Actual expenditure was \$4,784.

Exhibit
154/A5

199. The Committee was told that the Department of Housing and Construction had been advised in November 1973 that the

Exhibit
154/A5 and
Q. A646

recorders were immediately available. The witness representing that department stated that \$18,000 had been allowed for recorders and \$3,000 for repairs. The recorders had not arrived by the end of the financial year. A further order of \$11,000 placed on 27 February 1974 for a cheaper variety of counters plus spare parts was not delivered until August 1974.

200. The Committee was also told by the witness representing the Department of Housing and Construction that manual classification counts carried out by day labour and estimated to cost \$7,000 were completed in May but only \$3,600 had been recovered from the Department of the Northern Territory because the books of account relating to recoverable expenditure for the Department of Housing and Construction closed on 10 June and day labour wage sheets and plant hire returns took some time to complete. The witness stated that the Department of the Northern Territory, as sponsor, was advised of the expected shortfall as soon as the Department of Housing and Construction had completed its review of expenditure on 22 April 1974.

Qs. A646 to
A648 and A650
to A652

(b) Darwin Urban Transportation Study

201. The need for this project to supplement work undertaken by the Cities Commission had been recognised for some time and the proposal was included in the draft proposals for the 1974-75 program. We were informed that although the initial submission seeking to commence the work in 1973-74 was made on 16 November 1973, insufficient time remained to clear the proposal with other Branches of the Department, to obtain Ministerial approval and to obtain Treasury concurrence to enter into the liability. The departmental submission stated that the survey had been included in the 1974-75 estimates.

Exhibit
154/A5

. Motor Vehicle Registry

202. The Committee was informed that the \$3,532 spent on this item comprised:

Q. A662 and
Committee
File 1974/1

Number Plates	\$3,305
50 pair bus registration plates	
50 pair motor vehicle trade plates	
2,500 pair motor cycle plates	
400 pair motor vehicle plates	
1,000 pair motor trader plates	
Minor items	
protective clothing, repair	
brake testing equipment, etc.	227
	<u>\$3,532</u>

203. In its submission to the Committee, the Department stated that the poor performance record of the supplier of new six-figure number plates led to cancellation of the order. However, in a supplementary submission to the Committee, the following explanation was given for the underexpenditure on this item:

Exhibit
154/A5 and
Q. A664 and
Committee
File 1974/1

"Purchasing action for the new six figure number plates was initiated by the Branch in September 1973. Timing details are:

tender action commenced	22.10.73
tenders closed	14.1.74

At this stage it was found that incorrect specification (5 figures instead of six) had been included in the tender documents and the lowest tenderer was requested to submit a price for the amended requirements.

lowest tenderer advised	20.2.74
amended tender received	4.3.74
referred to Branch	13.3.74
returned to Branch at request of Branch	25.3.74

Tender documents were sought again by the Branch because of the poor quality of items previously supplied by the tenderer. It is incorrect to say that the order was cancelled. In actual fact the order was not placed until 3 May 1974, following the completion of negotiations.

The additional time required for these negotiations was:

samples requested from tenderer	3.4.74
samples despatched Perth	11.4.74
acceptance recommended by Branch	26.4.74
approved by Tender Board	1.5.74
letter of acceptance to tenderer	3.5.74

At this stage insufficient time remained to allow for delivery and payment before 30 June 1974.

The order was completed on 6 August 1974."

• Vehicle Hire

204. It was explained to the Committee that underexpenditure of \$2,014 occurred on this item because the Technical Officer referred to earlier occupied a position with predominantly outside duties. After his resignation on 6 December 1973 there was no one to carry out his duties so the vehicle he had been using was no longer utilised.

Exhibit
154/A5 and
Q. A665

Conclusions

205. The Committee is disturbed by a number of unsatisfactory aspects associated with the underexpenditure on this item. While accepting the Department's explanation in respect of underexpenditure on its ~~the~~ main transport surveys, the Origin and Destination and Axle Load Surveys, the Committee notes that no explanation was given for the underexpenditure of \$8,000 on a variety of minor surveys.

206. From the evidence it would appear that the Department did not contravene the Treasury Regulations or Directions by its decision to advance surveys programmed for 1974-75 to the 1973-74 financial year.

However, the Committee would suggest that, in view of the difficulties being experienced with its programmed surveys, the Department may have been unduly optimistic in accepting the opinion that expenditure could be achieved by advancing other surveys. In this regard the Committee is concerned that the Department was not simply attempting to spend the money because it was available. We would remind the Department of the conclusion contained in paragraph 216 of the Committee's One Hundred and Forty-eighth Report which states:

"....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."

207. The Committee notes with approval that the Department has undertaken to seek commitment approvals from the Treasury to cover the introduction of new items of expenditure not programmed in the Department's original estimate should such a need arise during the course of the financial year.

208. A further matter of considerable concern to the Committee is the delay in the acquisition of new number plates by the Department resulting from incorrect specifications being included in the tender documents. In view of the fact that the purpose of obtaining new number plates was apparently to change from five-figure to six-figure number plates, the Committee finds it difficult to understand how such a fundamental error could have been made and remain undetected until tenders had closed.

209. Finally, the Committee wishes to record its dissatisfaction with the quality of evidence, both verbal and written, presented to the Committee. An error of fact in the original submission relating

to the purchase of the number plates was not corrected until the Department forwarded a supplementary submission subsequent to the public inquiry; comments in the original submission regarding the Department's right to introduce new surveys were contradicted by comments made in a supplementary submission; and the witness was, at times, apparently unaware of the contents of the departmental submission. The Committee would invite attention to Memorandum 66/385 of 16 October 1970 from the Secretary to the Treasury to all Permanent Heads which relates to the preparation of material and the briefing of witnesses. This memorandum includes the following:

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

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

CHAPTER 10

DEPARTMENT OF THE PRIME MINISTER AND CABINET

Division 922/0/02: Other Services - Adjustment Assistance
for Tariff Reduction

<u>Funds Available</u>	<u>1971-72</u>	<u>1972-73</u>	<u>1973-74</u>
	\$	\$	\$
Appropriation Act No. 1	-	-	25,000,000
Appropriation Act No. 5	-	-	-
Advance to the Treasurer	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL FUNDS AVAILABLE	-	-	25,000,000
TOTAL EXPENDITURE	-	-	155,122
	<hr/>	<hr/>	<hr/>
UNEEXPENDED AVAILABLE FUNDS	-	-	24,844,878

210. The Committee was informed that as a result of the 25 per cent tariff reduction announced on 18 July 1973, provision was made under this item for assistance to be given to any company which may have been seriously affected and to any person who may have lost his job.

Exhibit
154/A1

211. We were told that the provision of \$25m. for this purpose had been a Government decision based on a report by a Committee specially constituted by the Government to report on ways of increasing imports. The Committee, chaired by Mr G.A. Rattigan, Chairman of the then Tariff Board, had recommended that an initial grant of \$25m. be made to offset any adverse effects of the 25 per cent tariff reduction.

Qs. A183,
A186, A204
to A207
and A224,
and Report
on Possible
Ways of
Increasing
Imports

212. It was explained that at the time the \$25m. assistance provision was included in the Original Estimates, the effects of the tariff reduction could not have been foreseen with accuracy. The witness pointed out that the tariff reduction was an exceptional measure in the Department's experience and it was, therefore, very difficult for the Department to predict what the precise effects would be and when the effects would be felt. He stressed, however, that the Rattigan Committee had attempted to estimate the numbers of people likely to be adversely affected and the area where imports were likely to increase. On the basis of these estimates \$15m. had been recommended to assist approximately 30,000 people affected by the decision and \$10m. had been recommended to assist affected firms.

Exhibit
154/A1 and
Qs. A184,
A187, A189
and A216

213. In its submission the Department informed the Committee that the reason for the shortfall in expenditure was that dislocation of labour and industry was less than had been expected because economic conditions resulted in a high level of activity being maintained in Australia in the fiscal year 1973-74. The Department stated that there had been no need for adjustment assistance because firms had been able to remain in production and there had been little recourse by employees to income maintenance and other measures available to them.

Exhibit
154/A1

214. In response to a query relating to attempts to advise employers and employees of benefits available it was explained that the decision to reduce tariffs and to provide \$25m. to firms and individuals adversely affected had been fully reported in the press. In addition details of the benefits available had been advertised.

Q. A190

215. The witness representing the Department of Labor and Immigration explained that when retrenchments were notified to that Department, an officer of the Australian Government Employment Service visited the firm involved, provided the firm had no objection. The officer would speak to management and would also interview people concerned and advise of their entitlements.

Q. A193
and A195

216. We were informed in the departmental submission that the number of persons retrenched as a result of the tariff reduction was 2,574 of whom only 1404 registered for employment with the Australian Government Employment Service. At the public inquiry we were told that between 18 July 1973 and 31 May 1974 there were 1,103 persons retrenched as a result of structural change and who applied for assistance and 160 claims for income maintenance lodged with the Australian Government Employment Service. The witness was of the opinion that the effects of the tariff reduction was not really felt until after 31 May and so there was little demand for the available funds. It was pointed out that the \$155,122 spent on this item was spent on income maintenance for individuals.

Exhibit
154/A1 and
Qs. A190,
A191 and
A201

217. In relation to queries regarding eligibility to receive income maintenance benefits we were informed that claims for assistance required a specially prepared Statutory Declaration from the employer stating that retrenchments were, in fact, the result of increased imports. These claims were checked by the Department of Labor and Immigration. Persons in receipt of income maintenance benefits were work-tested by that Department and if a suitable job was refused they would be disbarred from receiving any further benefits under this scheme.

Qs. A252,
A253, A261,
A262, A269,
A271 and
Committee
File 1974/1

218. The Committee was informed that no expenditure occurred in respect of assistance to firms. A tribunal had been set up to examine cases for adjustment assistance but only one case was referred to this tribunal. The case had been rejected on the grounds that the company had been affected by events which had pre-dated the 25 per cent tariff cut. The witness understood that the existence of the Tribunal had been advertised adequately but that there had been no demand for it.

Exhibit
154/A1 and
Qs. A203
and A265

219. The Committee was told that the budgetary allocation in 1974-75 was \$11.8m. provided in Item 879/0/04, Structural

Q. A212

Adjustment Assistance - Income Maintenance under the control of the Department of Labor and Immigration and \$10m. in Item 883/0/01, Structural Adjustment Assistance under the control of the Department of Manufacturing Industry.

Conclusions

220. The Committee accepts the Department's explanation for the underexpenditure on this item.

CHAPTER 11

DEPARTMENT OF TOURISM AND RECREATION

(i) Division 958/0/01 - Payments to or for the States -
Grants towards development of
tourist attractions

<u>Funds Available</u>	<u>1971-72</u>	<u>1972-73</u>	<u>1973-74</u>
	\$	\$	\$
Appropriation Act No. 1	-	-	-
Appropriation Act No. 2	-	-	1,750,000
Appropriation Act No. 3	-	250,000	-
Appropriation Act No. 4	-	-	-
Advance to the Treasurer	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL FUNDS AVAILABLE	-	250,000	1,750,000
TOTAL EXPENDITURE	-	50,000	97,500
	<hr/>	<hr/>	<hr/>
UNEXPENDED FUNDS AVAILABLE	-	200,000	1,652,500

221. The Committee was informed that this item provides for grants to State Governments to assist in the development of tourist attractions such as Australians or pioneer settlements, historic sites and buildings, fauna sanctuaries and other projects of a similar nature. It was explained that the scheme had operated in 1972-73 on a more restricted basis in that grants applied only to the development of attractions which would have particular appeal to international visitors and States were required to match the Australian Government grants; neither of these restrictions applied in 1973-74.

Exhibit
154/A6
and Qs. A683
and A718

222. In response to questions regarding the underexpenditure on this item in 1972-73 it was explained that proposals to the value of \$2.55 m. were put to the Department. Of this total, New South Wales had sought \$2.5m. The witness stated that one requirement of the grants was that States should expend the full amount and then seek reimbursement. Although approvals to the extent of \$217,500 had been made, claims had been received and processed for only \$50,000 during the financial year.

Qs. A678
and A699

223. In relation to the allocation of \$1,750,000 for this item in 1973-74, the witness pointed out that it had been a Government decision to provide this amount. The witness conceded that the only basis upon which the Department was able to make an estimate of demand for funds was the limited experience in 1972-73 when one State had submitted applications totalling \$2.5m. against an appropriation of \$250,000. He admitted that the Department had not sought any indication of likely State requirements in 1973-74 in order to provide a sound basis for advice to the Government regarding what would be a suitable estimate for the year, although the witness doubted that the Department had had sufficient time to obtain reasonable estimates from the States.

Qs. A679 to
A681, A684,
A685, A694
and A695

224. The Committee was informed that 21 grants totalling \$1,263,500 for tourist projects in all States had been approved during 1973-74 but no payments were made in respect of any of the grants approved during the year. The expenditure of \$97,500 on this item occurred on items carried over from 1972-73. The witness explained that some grants approved in 1972-73 for projects in Western Australia had still not been paid and the Department would follow-up the matter with the appropriate authority.

Exhibit
154/A6 and
Qs. A702
and A704

225. We were told that on 26 April 1974 the Treasurer had agreed to allow the Department's allocation for this item to be under-committed by \$317,029. The departmental submission explained that this was to offset an amount made available from the Treasurer's Advance for the purchase of a 25.5 per cent Government equity in Old Sydney Town Pty. Ltd., a company which was establishing a major tourist attraction based on the re-creation of the area around Sydney Cove as it was in 1810. The equity in the company was acquired on 17 May 1974.

Exhibit
154/A6 and
Department
of Tourism
and Recreation
Annual
Report 1974.
Q. A706 and
Committee
File 1974/1

226. The witness pointed out to the Committee that the Government had agreed in principle to equity participation with private enterprise in major tourist developments but that no funds had been appropriated. He explained that the \$1.75m. provided under this item had been for grants and could not, therefore, be used for the purchase of an equity in a business enterprise.

Qs. A709,
A710 and
A714

227. The Treasury Observer (Mr Davidson) agreed that the procedure followed by the Department had been appropriate in the circumstances.

Q. A708

228. In explanation of the variation between the total funds available and the expenditure in 1973-74 it was stated that the requirement that the amount of the grant should be spent on the project and then reimbursement claimed had presented a problem for some States which had been reluctant to incur the initial expenditure prior to advances being made available by the Australian Treasury. The witness understood that the Australian and State Treasuries were attempting to resolve that problem.

Exhibit
154/A6 and
Q. A718

229. A further cause of the underexpenditure was the need to evaluate a large number of applications for grants, most of which were received in the latter part of the year, prior to seeking the Minister's approval. It was stated that this left only limited opportunity for expenditure of the amount of the grant before the close of the financial year.

Exhibit
154/A6

230. In elaboration of the procedure for receipt and screening of applications, the witness stated that after the Government decision to provide funds had been announced in the Budget a criteria and procedures paper was prepared and circulated early in September 1973 to all State Ministers responsible for Tourism. In discussions at a special meeting of the Tourist Ministers Council in September 1973, the paper had been accepted.

Qs. A719,
and A721
and
Committee
File 1974/1

231. The witness explained that the State Government screened all applications for grants and provided the department with comments and an indication of priorities attached to each application. Applications forwarded to the Department were examined and referred for advice to appropriate quarters such as the Australian Tourist Commission, the Department of Aboriginal Affairs or the National Trust prior to recommendations being forwarded to the Minister. In all cases where projects were referred direct to the Department of Tourism and Recreation from sources other than the State authorities, the views of the relevant State Departments would be sought. The witness admitted that where the departments priorities differed from the State department's priorities, the States were not always advised of this prior to an official decision being made although he pointed out that one of the factors the Department took into account was the amount of funds the State Government was prepared to allocate to a project. He stated that this was one of the measures used to assess the importance the State attached to a particular project.

Qs. A722
to A726,
A736 and
A739

232. The witness agreed that the Department had been over-optimistic in believing that the funds allocated for this item could be expended in the financial year. He stressed, however, that the nature of the projects involved required a considerable time to plan and develop and the failure to spend the amount allocated should not be interpreted as an absence of demand.

Q. A733

Conclusions

233. The evidence presented to the Committee shows that the underexpenditure on this item was largely caused by factors beyond the control of the Department.

- (ii) Division 959/0/02 - Other Services - Community
Recreation Complexes -
Development Grants

Funds Available

	<u>1971-72</u>	<u>1972-73</u>	<u>1973-74</u>
	\$	\$	\$
Appropriation Act No. 1	-	-	-
Appropriation Act No. 2	-	-	3,215,000
Appropriation Act No. 3	-	-	-
Appropriation Act No. 4	-	-	-
Advance to the Treasurer	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL FUNDS AVAILABLE	-	-	3,215,000
TOTAL EXPENDITURE	-	-	1,397,990
	<hr/>	<hr/>	<hr/>
UNEXPENDED FUNDS AVAILABLE	-	-	1,817,010

234. This item provides for the payment of grants, in consultation with the State Governments, to appropriate organisations, basically local governments, for the development of community sporting and recreation centres.

Exhibit
154/A7 and
Q. A761

235. The Committee was informed that assistance by way of capital grants to recreation complexes was a completely new departure for the Government. It was stressed that there was little experience and no basic data which could guide the Department in the preparation of estimates of expenditure. The witness pointed out that every new initiative by the Department had been the subject of a Government decision.

Exhibit
154/A7 and
Qs. A753,
A1051 and
A1076

236. In relation to this item, we were told that the Department had obtained an indication of potential demand. Based on the estimated cost in excess of \$50m. of projects resulting from independent, unsolicited approaches to the Minister from a wide variety of sources and from inquiries into the disadvantaged areas of the western suburbs of Sydney and Melbourne, the Department believed that a reasonable level of expenditure could be contemplated. The proposed level of expenditure (\$3,215,000) was a Government decision based on recommendations arrived at after considerable discussions between the Minister and the Department.

Qs. A753,
A1051 and
A1075

237. The Department explained that because the program was in a completely new area, it took longer than originally expected to inform appropriate groups throughout Australia of its existence and further time for proposals to be prepared in a form in which they could be presented to the Minister for approval. The witness pointed out that the Department had met with some difficulty in educating the appropriate people at both the State and Local Government levels in the details of the scheme such as the criteria to be met and the purposes for which the grants were being made.

Exhibit
154/A7
and Q. A754

238. The Department detailed a variety of steps it had taken during the financial year in order to acquaint State and Local Government and Members of Federal Parliament with the existence of, and procedures relating to, the grants for community recreation complexes. These steps included:

Exhibits
154/A8 and
154/A15
and Qs.
A764, A771,
A772, A779
and
Committee
File 1974/1

August 1973 - immediately after the budget the Department wrote to the relevant State Ministers informing them of the availability of the money and detailing criteria for receipt of the grants.

- 24 August 1973 - Session given at Australian Institute of Parks and Recreation Conference, Sydney. Attended by approximately 150 local government representatives.
- 12 September 1973 - Workshop with senior municipal administrators held at Canberra College of Advanced Education.
- 14 November 1973 - Letters to all Members of Federal Parliament and Senators informing them of the availability of money for recreation complexes and advising them to make representations to the State Governments.
- 21 March 1974 - Letters to 900 Local Government organisations throughout Australia advising them of the continuing availability of the grants and detailing procedures for applying.
- 21 March 1974 - Letter to all Members of Federal Parliament and Senators advising them of the proposed continuation of the grants in 1974-75 and containing copies of the letter forwarded to local governments.
- 22-24 April 1974 - Seminar - "Leisure. A New Perspective"
- Held in Canberra. Invitations forwarded to every local government body in Australia.

239. The witness agreed that the Department had relied on State Governments to promulgate details of the grants to local governments. This had been done because the State Governments were in direct contact with local Governments. However, he also pointed out that the Department had organised meetings and seminars to bring the existence of the grants to the attention of

Qs. A775,
A780 and
A783 and
Committee
File 1974/1.

local governments. The witness stressed that the Department had been conscious of the dearth of information at the local government level and, in addition to forwarding the letter of 21 March 1974, the Department had on two occasions advised every local government authority of the leisure seminar. We were told that the Department had established an information and advisory service comprising a director, a library officer and a journalist. The director commenced in the Department on 4 December 1973 and the service was officially introduced, from the point of view of public access, on 1 July 1974.

240. It was explained to the Committee that State Governments established an order of priority for projects before submitting them to the Department of Tourism and Recreation for consideration. The Department would then prepare its own order of priority which would generally be acceptance of the State priorities. We were told that all projects were forwarded to the Department through the State Governments, any projects submitted direct to the Department were re-directed to the appropriate State Government Department. We were also advised that in 1974-75 there would be a change in procedure in that local governments would be required to establish an order of priority where more than one project was proposed for the area.

Qs. A760,
A764, A787
and A797

241. The Committee was told that it had been necessary to work through the States to get the program underway. It was explained that expenditure was being incurred on recreation facilities by all three levels of Government and it was necessary to establish administrative arrangements with State Governments to ensure some degree of uniformity of action between the various levels. It was pointed out that the Department and State Government Departments faced similar problems because of their being new and having limited staff resources.

Exhibit
154/A7 and
Q. A1054

242. The witness explained that the Department needed a task force to allow direct contact with local government bodies. This would give the Department a greater understanding of needs and

Qs. A1120
and A1121

would enable it to assist local governments in the production of leisure programs. Although it was expected that the task force would be established, staff ceilings had prevented the Department from proceeding.

243. The Department advised the Committee of a basic change in criteria for payment of the grants to the States which contributed to the underexpenditure on the item. It was explained that it had been intended that States should spend the full amount of the grants and then seek reimbursement from the Department of Tourism and Recreation after the completion of the project. However, on 4 December 1973, at a meeting of the Standing Committee of Permanent Heads, a back-up body for the Recreation Minister's Council, it became apparent that the States were unwilling to work on the reimbursement basis and sought the Department's reaction to providing advances to enable work on the projects to commence.

Exhibit
154/A7 and
Qs. A754,
A1055 and
A1067

244. The witness explained that because of limited departmental staff resources it was 30 January 1974 before the Department sought the advice of Treasury on this matter. Treasury had replied on 19 March giving approval to the system of advances and outlining the conditions. On 2 April the Department advised all States that the Treasury had approved of the procedure. Replies from the States accepting the conditions were received between 19 April and 31 July and it was not until each State had accepted, that grants for that State could be announced.

Qs. A754,
A1067 and
A1068

245. The Committee was advised that advances would have been made to all States except New South Wales. The witness explained that New South Wales would not have received any advances because their acceptance letter had not been forwarded to the Department until 31 July 1974. The witness explained that the main cause of the delay in respect of New South Wales was the Treasury requirement regarding the State Auditor-General's certification of expenditure by local government authorities. The Chief Secretary's Department was the appropriate Department in New South Wales and it had replied to the Department of Tourism and Recreation's letter of 2

Qs. A798,
A1056 to
A1058,
A1068,
A1069 and
A1072

April on 10 June. That letter had queried the conditions set down by Treasury for certification of expenditure. We were told that after further consultation with the Treasury, the Department of Tourism and Recreation wrote to the Chief Secretary's Department on 19 July 1974.

246. The Treasury Observer (Mr Davidson) provided the Committee with information explaining why it had been necessary to seek Treasury approval before making advances to the States from the funds already allocated in this item. It was explained that procedures were in existence in relation to payments to or for the States where legislation provided for payments and advances to be made. However, the grants for the development of Community Recreation Complexes were not covered by legislation and were not regarded as payments to or for the States: the States were merely assisting in the distribution of the grants to appropriate organisations. Advance payments of these moneys to the States did not therefore have specific legal authorisation and special consideration was necessary before procedures and conditions were imposed.

Qs. A1062
and A1064
and
Committee
File 1974/1

Conclusions

247. The Committee accepts that the Department was faced with unique problems in its attempts to make grants to local governments for community recreation complexes. The Committee also accepts that the Department may have been hampered by staffing difficulties. Nevertheless, we are not convinced that the Department made sufficient effort to advise local governments of the availability of funds in 1973-74, and feel that the Department should not have relied on State Governments to promulgate details of the grants.

248. The Committee is surprised to note that the Department was unaware, before 4 December 1973, of any State objections to the requirement that the States spend the full amount of the grant and then seek reimbursement. The Committee feels that a more effective liaison between the Department and the relevant State Authorities could have resulted in the problem being resolved much earlier in the financial year.

(iii) Division 959/0/05 - Other Services - National
Sporting Organisations -
Grants-in-Aid

<u>Funds Available</u>	<u>1971-72</u>	<u>1972-73</u>	<u>1973-74</u>
	\$	\$	\$
Appropriation Act No. 1	-	-	-
Appropriation Act No. 2	-	-	1,000,000
Appropriation Act No. 3	-	-	-
Appropriation Act No. 4	-	-	-
Advance to the Treasurer	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL FUNDS AVAILABLE	-	-	1,000,000
TOTAL EXPENDITURE	-	-	371,209
	<hr/>	<hr/>	<hr/>
UNEXPENDED FUNDS AVAILABLE	-	-	628,791

249. This item provides for grants to National sporting organisations for:

Exhibit
154/A9

- part payment of fares for approved amateur sportsmen and women to attend approved national and international championship events
- part payment of fares of approved overseas sportsmen and women and coaches visiting Australia on approved tours
- part payment of administrative costs involved with conducting world championships and events in Australia

250. The Committee was informed that the decision to provide \$1m. as grants-in-aid to National Sporting organisations had been a Government decision. In the process of seeking basic data upon which to base advice to the Government, the Department had approached a sample of sporting organisations early in 1973.

Qs. A1077
to A1079

Estimates were prepared on the basis that people going to national championships would be paid a subsidy of 66.2/3 per cent of the cost of their fares.

251. By way of background, the witness explained the procedure by which grants were approved and paid. He stated that the Department dealt only with the national sporting associations. On receipt of an application for a grant, the Department checked that the organization had affiliates in each state and international affiliation where appropriate before making any recommendation to the Minister regarding the grant. In cases where there was any doubt about the organization's eligibility to receive a grant further discussions were held with the association. The witness stressed that the Department had endeavoured to establish face to face contact with the associations and this generally reduced the number of problems which could delay the approval of grants.

Qs. A1082
and A1083

252. We were told that grants were paid direct to the national sporting associations. It was explained that the administrative costs of international events conducted in Australia and costs associated with overseas events were paid in advance. The costs associated with national championships were paid after the event.

Qs. A1080
and A1081

253. The Committee was advised that on 21 August 1973, the day the \$1m. grants-in-aid to national sporting associations was announced in the Budget, the Department wrote to the national sporting associations advising them that \$1m. had been made available to assist amateur sportsmen and sportswomen to compete at national and international levels. This letter also explained that firm guidelines had not been established and the Department would contact them again. We learned that the Department wrote again to the national sporting associations on 29 October 1973 providing them with full details of the grants and setting out the information which should be included in applications for grants.

Exhibits
154/A17
and
154/A18
and Qs.
A1085
and A1086

254. The witness pointed out that the Department received a few applications for grants between August and October but the majority of the applications were received after the letter of 29 October had been sent. The Department subsequently provided the Committee with information which indicated that approximately 60 to 65 per cent of applications were received in the period between 29 October 1973 and 31 March 1974. In this period a similar percentage of grants were approved and actual payments amounted to \$244,331 (65.8 per cent) of the total payments made in the 1973-74 financial year.

Qs. A1089
and A1090
and
Committee
File
1974/1

255. It was explained that in some cases there was a considerable time lapse between the date on which applications were received in the Department and the date on which payments were made to sporting associations. Some delays were attributable to the poor quality of applications while in other cases applications were forwarded well in advance of the event (up to 12 months). In the case of subsidies for national events the delay could be attributed to the fact that payments were made after the event. It was pointed out that grants totalling \$301,406 approved in 1973-74 would be carried over into the 1974-75 financial year.

Qs. A1106,
A1110 and
Committee
File 1974/1

256. A further cause of underexpenditure was attributed to the fact that the estimate had been based on a flat rate subsidy of 66.2/3 per cent of fares to attend championships. In implementing the scheme a sliding scale based on distances travelled and registered participants was introduced. In effect, the grants paid varied between 25 per cent and 65 per cent of the fares incurred.

Exhibit
154/A9

257. The witness conceded that the estimate of \$1m. for 1973-74 had been too high. However, it was emphasized that the decision to provide grants to sporting associations had limited the department to the provision of assistance in the three areas referred to previously and in this context, the associations had received the maximum possible financial assistance available.

Qs. A1109,
A1110 and
A1111

258. We were informed that \$1.15m. had been allowed for 1974-75, but that \$291,000 of this amount related to extensions of the program. The need for these extensions had become evident in feedback received by the Department from the national sporting associations in the period following the distribution of the letter of 29 October 1973. In the absence of any extensions to the scheme, the provision for this item in 1974-75 would have been \$859,000.

Qs. A1092,
A1094 and
A1109

259. It was also stated that during 1973-74 the Department had written to all sporting associations asking for details of events for which they would be likely to submit applications for grants in 1974-75. This information plus the basic information being built up all the time within the Department would provide the Department with a proper basis for budgeting in 1974-75 and future years.

Qs. A1083,
A1084,
A1112 and
A1113

Conclusions

260. The Committee recognises the pioneering nature of the expenditure involved in this item and from the evidence it would appear that the Department had taken all reasonable steps to advise sporting associations that the grants were available. The Committee notes with satisfaction the Department's efforts to improve its estimating performance by obtaining forward estimates from the sporting associations of their likely requirements for 1974-75.

CHAPTER 12

DEPARTMENT OF TRANSPORT

Division 820/01/02: Capital Works and Services - Plant and equipment - Aircraft, launches, vehicles, engines and equipment

<u>Funds available</u>	<u>1971-72</u>	<u>1972-73</u>	<u>1973-74</u>
	\$	\$	\$
Appropriation Act No. 2	3,400,000	2,900,000	2,800,000
Appropriation Act No. 5	200,000	-	-
Advance to the Treasurer	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL FUNDS AVAILABLE	3,600,000	2,900,000	2,800,000
TOTAL EXPENDITURE	3,594,734	2,422,100	1,767,245
	<hr/>	<hr/>	<hr/>
UNEXPENDED FUNDS AVAILABLE	5,266	477,900	1,032,755

261. This item provides for the purchase of aircraft, vehicles, launches and equipment to enable the Department to carry out its aeronautical and airways testing responsibilities, maintain its airports and aerodromes, perform its radio maintenance and construction functions and for efficient stores handling operations.

Exhibit
154/B3

262. The Committee was informed that the underexpenditure in 1973-74 arose mainly from shortfalls in three separate items. The first of these items is related to the purchase of jet aircraft and associated flight test equipment. When the Original Estimates for 1973-74 were prepared, the type of aircraft most suitable for departmental operations had been selected but a firm price had not been negotiated. On 2 April 1973 the successful tenderer made a general offer of \$11,650,000 for three basic units and a proposed pattern of progress payments which included a 5 per cent deposit payment at the signing of

Exhibit
154/B3
and Q. B93
and B98

the contract. Based on this information the Department included \$580,000 in the Original Estimates for 1973-74. However, as a result of competition between tenderers, further negotiations took place, resulting in a reduction of the overall cost to \$8.4 million and a better pattern of payments. Consequently, there was a reduction in the amount of deposit payment requirement from \$580,000 to \$397,000 and a shortfall in expenditure of \$183,000 occurred.

263. The Department informed the Committee that at the time of the Original Estimates it was under the impression that negotiations to purchase the aircraft would be finalised by September 1973 which would have provided sufficient time to purchase and obtain delivery of the first stage of electronic flight testing equipment for use with the aircraft to the value of \$120,000. The Department stated that because of the lengthy but successful negotiations referred to above, and the fact that the contract included an option for the Department to cancel within 130 days of signing if quotations for customer changes were not forthcoming from the supplier, or were unacceptable, the Department considered it essential that purchase action for the associated flight test equipment should be deferred until the contract for the aircraft had been completely ratified by the end of June 1974. Consequently there was a shortfall in expenditure of \$120,000.

Exhibit
154/B3 and
Q. B95

264. The witness for the Department conceded that with hindsight it would have been better, in view of the fact that the contract was not expected to be finalised until September 1973, to have included the cost of the associated equipment in the Additional Estimates.

Q. B101

265. The second item related to a shortfall in expenditure of \$447,000 for vehicles, vehicular plant, aerodrome maintenance plant and equipment. The Department informed the Committee that in the Original Estimates \$610,000 was allocated for vehicles but expenditure for the financial year totalled only \$283,000 which resulted in a shortfall of \$327,000 on vehicles. A further \$650,000 was allocated for the purchase of aerodrome plant and equipment but the expenditure incurred was only \$530,000, consequently there was a shortfall of \$120,000.

Exhibit
154/B3 and
Q. B108

266. The Department informed the Committee that at the time the Original Estimates were prepared it had been anticipated that as in previous years quick deliveries of vehicles and vehicular plant at firm prices would be made later in the financial year. The Department, in its submission, stated that although preliminary purchasing action for 1973-74 (calling of tenders and associated technical assessment of tenders) was initiated in July/August 1973, due to the prevailing financial environment, the unavailability of many items and the general instability in the automotive industry, the Department experienced extreme difficulties with suppliers in negotiating firm prices or variable prices with acceptable price variation formulae. In previous years the delivery period for standard items of vehicles and vehicular plant generally ranged from one to three months and only changed when tender quantities were changed or a standard specification varied. However, the experience during 1973-74 showed that deliveries were extended to a minimum of six months for major items and a minimum of three months for minor items.

Exhibit
154/B3 and
Qs. B102 and
B103

267. Again in relation to the second item the Department stated in a supplementary submission that \$28,000 was provided in the Original Estimates to cover the cost of purchasing a Navigation Instrument Flying Simulator which was to be installed in the Central Training School for training purposes. In September 1973 the Department became aware that necessary extensions to existing training facilities would absorb the space made available for this facility and the project was deferred and no expenditure was incurred. The Department did not inform the Committee why no allowance was made for this factor at the time the Original Estimates were prepared.

Committee
File 1974/1

268. The third item which accounted for underexpenditure of \$285,000 included such sophisticated equipment as altitude alerting and encoding equipment and portable distance measuring equipment required for use with the Department's aircraft flight testing and calibrating airways facilities; and digital flight recording read-out equipment required for the examination of aircraft flight

Exhibit
154/B3

recordings in the interest of air safety. It included also ten 30-man droppable life rafts required for emergency rescue purposes.

269. The original estimate for this item included a provision of \$840,000 of which only \$555,000 was spent. It was explained that the shortfall in expenditure on this item was caused by lengthy delivery delays which were the result of industrial instability and to a lesser extent, difficulties in obtaining tenders to the exact specifications required for this type of equipment. A further factor contributing to delays was the unavailability of materials from local and overseas sources.

Exhibit
154/B3 and
Q. B109

270. The Department informed us that an order of \$20,000 for droppable life rafts was placed in 1972-73 with delivery expected in 1973-74. However, due to a failure in the supply of the necessary material from the United Kingdom, the delivery dates could not be met. The Committee was told that as a result of constant follow-up action an acceptable fabric is now being manufactured in Australia. The witness explained that the delay in the supply of the life rafts had not caused any operational shortages, but it had affected the number of these items normally expected to be in store.

Exhibit
154/B3 and
Q. B107

Conclusions

271. The Committee accepts the Department's explanations regarding the underexpenditure on this item as it considers that the causes of the shortfall were generally beyond the control of the Department.

CHAPTER 13

DEPARTMENT OF THE TREASURY

Division 582/2/07: Australian Taxation Office - Administrative Expenses - Computer Services

<u>Funds Available</u>	<u>1971-72</u>	<u>1972-73</u>	<u>1973-74</u>
	\$	\$	\$
Appropriation Act No. 1	359,000	416,000	714,000
Appropriation Act No. 4	-	-	-
Advance to the Treasurer	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL FUNDS AVAILABLE	359,000	416,000	714,000
TOTAL EXPENDITURE	<u>358,598</u>	<u>354,101</u>	<u>517,806</u>
	<hr/>	<hr/>	<hr/>
UNEXPENDED FUNDS AVAILABLE	402	61,899	196,194

272. This item covers the payment of hiring, technical services and maintenance charges for computers and associated equipment and includes the purchase of consumable stores used by data preparation areas.

Exhibit
154/A12

273. By way of background information the Committee was informed that since 1965 the Taxation Office had carried out its data processing on computers controlled by the Australian Bureau of Statistics in the State capital cities. In the 1973-74 financial year, the Taxation Office was approaching the culmination of many years of research and development which would result in the replacement of previous arrangements with a system under which all of the bulk computer processing for the Taxation Office would be carried out on a central computer complex installed in Canberra by Control Data Australia Pty Ltd.

Exhibit
154/A12
and A13

274. The departmental submission explained that data entry and output printing facilities would be retained in the State capital cities but the existing paper tape machines would be replaced by mini-computer based data entry systems under which data would be recorded directly on magnetic tape after editing and error correction had been carried out at the key stations. The mini-computers used to control the data entry operation would also be used to control line printing. Communication between the data entry/output installations and the central computer would generally be maintained by transporting magnetic tapes through the civil air services although leased telephone lines would be used for inquiries and for the transmission of a limited amount of urgent updating material.

Exhibit
154/A12

275. The departmental witness pointed out that, although it had been originally thought that the computer would cost \$6m, the final cost of the central computer was considerably less than this figure because of the very competitive nature of the situation. It was also explained that cost effectiveness surveys had demonstrated that new equipment would reduce processing costs sufficiently to ensure the capital outlays would be recouped within a year or two of the new systems coming into full operation.

Exhibit
154/A13 and
Qs. A999
and A1030

276. In relation to the underexpenditure on this item in 1973-74, the Committee was informed that the Taxation Office had advised Treasury on 4 January 1974 that savings of \$59,000 could be expected. At the time of Additional Estimates (27 February 1974), an amended savings of \$70,000 was notified to Treasury. The witness emphasized that the savings were not due to estimating errors but were largely the result of equipment being delivered late but within the bounds of what was reasonable. He also stated that the balance of the total underexpenditure of \$196,194 included \$72,000 relating to orders for consumable stores.

Exhibit
154/A12 and
Q. A992

277. The Committee was advised that variations in expenditure on this item were as follows:

Exhibit
154/A12

	<u>Original Estimate</u>	<u>Expenditure</u>	<u>Variation</u>
	\$	\$	\$
Hire of computers and other equipment	205,200	209,458	+ 4,258
Hire of services	189,900	122,654	- 67,246
Repairs and maintenance	120,700	59,743	- 60,957
Consumable stores	198,200	125,951	- 72,249
	<u>714,000</u>	<u>517,806</u>	<u>- 196,194</u>

• Hire of Computers and other equipment

278. The Department explained that the excess of \$4,258 in respect of this sub-item was due mainly to increased hiring charges for I.C.L. type 1020 and 1021 punch and verifying machines. The contract for the machines (Commonwealth Contract No. 15187) had been re-negotiated in 1971 to cover the two year period ending 31 December 1972 and gave the company the right to re-negotiate the maintenance charge component of the rent in respect of the second year of the contract. It was pointed out to the Committee that agreement on the increased charges was not reached until 28 May 1973, too late for inclusion in the Original Estimates, and at that time it was agreed that the increases would be backdated to 1 January 1972. It was also pointed out that a further increase in rates, effective from 1 January 1973, was agreed on 19 June 1973. Arrears in rental for both increases had to be paid during the 1973-74 financial year.

Exhibits
154/A12
and A13
and Q. A102'

279. It was stressed to the Committee that rental for the machines had been kept constant for ten years because the machines were becoming increasingly less competitive. However, when it became

Exhibits
154/A13,
154/A14 and
Q. A1022

apparent that the Taxation Office was to obtain more modern equipment, the company had less incentive to hold their rentals down.

280. The Committee also learned that ten extra 1020 punch machines and six 1021 verifying machines were made available from the Australian Bureau of Statistics for two months in order to cope with the peak production work load for the income tax return and notice processing program at a total cost of \$1,496. The witness explained that the Taxation Office expands its data processing capacity as necessary. Quite often it was a choice between working more overtime or hiring more machines and acquiring more staff. In this case the machines were surplus and were available for rent for the short period they were required.

Exhibit
154/A12
and Q. A982

. Hire of Services

281. The underexpenditure in this sub-item occurred as follows:

Exhibit
154/A12

	<u>Original Estimate</u>	<u>Expenditure</u>	<u>Under- Expenditure</u>
	\$	\$	\$
Development terminals	5,000	NIL	5,000
Computer time	47,900	19,134	28,766
Hire of P.M.G. land lines and modems	14,950	NIL	14,950
Consultancy fees	80,000	69,020	10,980
Training	38,000	33,041	4,959
Card Reader	100	100	NIL
Payments to ICL for out-of-hours service	3,950	1,359	2,591
	<u>189,900</u>	<u>122,654</u>	<u>67,246</u>

(a) Development Terminals

282. It was explained to the Committee that it had been intended to hire a "remote batch terminal" from Control Data Pty Ltd to enable program development work to be carried out at Control Data's Service Centre in Sydney. The witness pointed out that

Exhibit
154/A12 and
Qs. A983
to A985

hire of the "remote batch terminal" was part of the total computer purchase and that the \$5,000 estimate would have been the figure included by the Company in the tender. Although the computer had been delivered on time, the "remote batch terminal" was not available.

283. When the Taxation Office became aware that the "remote batch terminal" was unavailable, approaches were made to alternative sources of terminal facilities. Time was provided free of charge on a terminal facility owned by the Bureau of Mineral Resources.

Exhibit
154/A12 and
Q. A987

(b) Computer Time

284. Expenditure on computer time for program development work totalled \$19,134 and occurred as follows:

Exhibit
154/A12

- University of Melbourne - Control Data Cyber 73	\$12,548
- C.S.I.R.O. - Control Data 7600 Computer	\$ 4,602
- Control Data Service Centre	\$ 1,984

285. The witness stated that since 1971 the Taxation Office had had a pilot installation in South Australia as the basis for the ultimate national processing system but the computers in South Australia were generally unsuitable for the proposed national system although the pilot system had enabled all operational aspects to be worked out. He also explained that \$47,900 had been provided for work to be performed in advance of receiving the computer to shorten the delay in getting the computer operational. The estimate had been based on the assumption that the services offered by Control Data would be used but the Taxation Office used the University of Melbourne's computer for the greater part of its development work because they were able to get a less expensive service which was also more related to the Office's needs than the general service available from the supplier's computer bureau in Sydney.

Qs. A990
and A991

(c) Hire of P.M.G. Equipment

286. We were advised that underexpenditure of \$14,950 occurred in respect of this sub-item because \$6,000 had been allowed for rental of P.M.G. transmission lines and modems for use in connection with the proposed "remote batch terminal"; \$5,700 was unspent when the Taxation Office decided to delay expenditure on leased lines; and a further \$3,200 was not expended when accounts for connection fees, rental of lines, modems and telephones and S.T.D. calls were not received by 30 June 1974.

Exhibit
154/A12

287. It was stated that the Taxation Office had decided to use normal S.T.D. facilities for data transmission in the early months of development instead of leasing lines on a continual basis, thus resulting in underexpenditure of \$5,750. The witness pointed out that because of the lower volume of work in the early stages of use of the computer it was more economical to use S.T.D. than to lease lines permanently.

Qs. A1006
and A1014

288. In relation to accounts for \$3,200 not received by the end of the financial year, the witness explained that the facilities had been added in April 1974 as an alternative to permanent leasing of lines and, in the normal course of P.M.G. operations, accounts would not have been sent before the end of June 1974.

Q. A1005

(d) Consultancy Fees

289. The Committee was informed that in submitting their tender for the supply of the computer, Control Data had included an estimate of \$205,000 for the provision of technical advice from company technical experts. This cost was to be spread over two and one half years and on this basis and on the assumption that Control Data would be awarded the contract, the estimate of \$80,000 was included in the Original Estimates. It was also assumed that three middle to lower level experts would be required.

Qs. A1016
and A1029

290. The witness explained that the agreement with Control Data in relation to the use of consultants was made flexible to allow the Taxation Office to vary the type and number of technical advisers assisting the office. We were told that a greater number of high level experts were used than anticipated but they were only required for relatively short periods. We were also told that the trouble experienced in meeting the acceptance tests resulted in the company experts spending a substantial proportion of their time on work chargeable to the Company.

Exhibit
154/A12
Qs. A1017
and A1029

(e) Training

291. The Committee was informed that under the terms of an agreement between the Australian Government and Control Data Australia Pty Ltd, six courses relating to the Cyber computer, its software and the Cobol programming language were scheduled to be held for approximately one hundred taxation officers. Each course was to be of fifteen days duration and Control Data lecturers were to be paid \$240 per day. However, after the first of these courses was concluded, it was decided that each subsequent course could be shortened to eleven days without detracting from the effectiveness of the training. As a result, the services of lecturers for twenty days at a cost of \$240 per day were not required resulting in a total expenditure savings of \$4,800.

Exhibit
154/A12

(f) Payments to ICL for Out-of-hours Service

292. We were told that these payments were for the maintenance of paper tape punch and verifying machines. The small saving of \$2,591 resulted from lower payments being made to ICL for out-of-hours service than were envisaged when the original estimates were prepared.

Exhibit
154/A12

• Repairs and Maintenance

293. The Committee was told that the underexpenditure of \$60,957 on repairs and maintenance resulted from \$22,111 underexpenditure on maintenance of direct data entry equipment; \$31,916 underexpenditure on the maintenance of the central computer; and \$6,930 underexpenditure on the repair of punch equipment.

Exhibit
154/A12

(a) Direct Data Entry Equipment

294. It was stated that when the Original Estimates were prepared it had been expected that approximately \$45,000 would be required in respect of maintenance charges for the direct data entry mini computer systems. Exhibit 154/A12

<u>System</u>	<u>Estimated Date From Which Maintenance Charges Could Be Expected</u>	<u>Amount</u> \$
Adelaide System 1	1/7/73	9,251
Sydney System 1	1/9/73	10,660
Sydney System 2	1/12/73	6,762
Canberra	1/9/73	7,220
Adelaide System 2	1/3/74	3,084
Melbourne System 1	1/5/74	1,826
Brisbane System 1	1/5/74	1,826
Perth System 1	1/6/74	850
Hobart System 1	1/6/74	643
Melbourne System 2	1/6/74	938
Canberra (additions)	1/3/74	912
Sydney (additions)	1/3/74	1,152
		<u>\$45,124</u>

295. The Committee learned that delays in letting contracts and in the acceptance of various systems resulted in maintenance charges of only \$22,889 being expended in respect of the Adelaide System 1, Sydney System 1 and the Canberra system. We also learned that, as at 31 July 1974, all systems, with the exception of a very minor addition to the Canberra system, had been installed.

Exhibit
154/A12 and
Q. A1035

(b) Central Computer

296. In relation to the underexpenditure on maintenance of the central computer it was explained that the inclusion of \$60,000 for this purpose in the Original Estimates had been based on a

Exhibit
154/A12 and
Q. A1036

number of assumptions regarding the likely successful tenderer for the provision of the computer, delivery date and time taken to satisfy the acceptance tests. It was estimated that five months maintenance would be required. However, because difficulties arose regarding the acceptance tests, the computer did not pass these tests until 28 March 1974 so only three months maintenance charges were paid.

297. The witness explained that the specifications required that the computer should pass a number of "acceptance tests" before the Taxation Office would become liable to pay for it. Although the majority of tests were passed in February, a few intermittent faults could not be remedied until the company brought out its top trouble shooter. The witness pointed out that in this period the Taxation Office was still able to use the equipment but was not liable to pay for it.

Q. A1037

298. The Committee was also told that a number of minor additions of communication equipment had not been either accepted or delivered by 30 June 1974 resulting in underexpenditure of \$1442 per month in maintenance charges. It was stated that the Office had expected the equipment to be delivered in the three or four months after delivery of the central computer. The delay was attributed to a decision to have equipment made in Australia as a contribution to "offset" policy. The witness explained that a minimum number of communication terminals had been obtained from the United States to keep the system operational but the remainder, about four-fifths of the total, were not required yet so no action was taken to hasten delivery.

Exhibit
154/A12
and
Q. A1038

(c) Punch Equipment

299. We were informed that savings occurred on maintenance of punch equipment and verifying machines because the introduction of direct data entry equipment had resulted in a lesser usage of the machines. Approximately \$1400 of the \$6930 saved on this item could be attributed to the return of forty punch and verifying machines to

Exhibit
154/A12
and
Q. A1039

I.C.L. In response to a question relating to the return of these machines the witness explained that the machines were paid for one month in advance and by returning them at the end of June 1974, the Taxation Office had not been required to pay the July rent in the 1973-74 financial year.

• Consumable Stores

300. The Committee was informed that partly as a result of paper shortages and partly as a result of government processes necessary to certify that accounts were properly payable, only \$125,951 of \$198,200 allowed for consumable stores had been spent. The witness stated that Treasury Regulations requiring the Australian Government Publishing Service to certify accounts as payable meant that some orders which had been delivered shortly before the end of the financial year had not been paid. Difficulties in the printing industry had contributed to delays in delivering the stores. The witness was unable to state what proportion of the goods had been delivered prior to 30 June 1974.

Exhibit
154/A12 and
Qs. A1022
and A1040

Conclusions

301. The Committee accepts the Department's explanation.

CHAPTER 14

DEPARTMENT OF URBAN AND REGIONAL DEVELOPMENT

Division 972/0/02: Payments to or for the States - Assistance
for the National Estate

<u>Funds Available</u>	<u>1973-74</u>
	\$
Appropriation Act No. 2	2,500,000
	<hr/>
TOTAL FUNDS AVAILABLE	2,500,000
TOTAL EXPENDITURE	<u>288,000</u>
UNEXPENDED FUNDS AVAILABLE	<u>2,212,000</u>

302. This item provides for a National Estate program aimed at preserving buildings of historic significance and land of particular scientific interest.

Exhibit
154/B8 and
Q. B512

303. In April 1973 the Australian Government established a Committee of Inquiry, under the chairmanship of Mr Justice Hope, to investigate the present state and nature of the National Estate and recommend measures needed to improve and enhance it. In order to demonstrate the breadth of the National Estate concept it was also decided to make provision of \$2.5m. in the first financial year of implementation of the program to be offered to the States to fund projects under the National Estate program.

Qs. B512,
B517, B519
and B521

304. The Committee was informed that on 20 July 1973 Cabinet approval was obtained for the National Estate funds to be used for land acquisitions. However, projects recommended

Exhibit
154/B8 and
Q. B516

by the Committee of Inquiry on the National Estate included not only land acquisitions but also projects involving restoration and construction and also surveys designed to assess the National Estate components and potential of specified landscapes. The Department, therefore, on 1 January 1974 sought a further approval to expand the program to cover these additional categories of projects. The necessary approval was obtained from Cabinet on 22 January 1974.

305. The Department informed the Committee that at the time the original Cabinet approval was received the staff in the whole of the operational area of the Department consisted of 19 Third Division Officers and four consultants. One of these consultants who was available to the Department for 2 days a week was in charge of the National Estate program and it was not until November that the Department was able to allocate two Third Division Officers to the National Estate Program on a full time basis. The Department informed us at the public hearing that they now had 3 permanent Third Division Officers and a number of part time officers responsible to an Assistant Secretary who were engaged exclusively on national estate matters. The Department also informed us that the staffing position was now considered adequate in terms of the National Estate program for the 1974-75 financial year.

Exhibit
154/B8 and
Cs. B517,
B543 and
B544

306. The basis adopted for calculating the funds required for grants was the recommendations of the Committee of Inquiry on the many submissions it had received during the course of its inquiry. The witness for the Department informed the Committee that at the time when the Original Estimates were prepared no difficulty had been anticipated in spending the funds appropriated, rather the reverse. The appropriation was regarded more as a national token towards the National Estate which would meet only a small number of the demands made on it.

Exhibit
154/B8 and
Cs. B512
and B524

307. The Department stated in its submission that discussions on the form of the required agreement with the States were commenced with the Office of the Crown Solicitor in December. Following the Cabinet decision of 22 January further meetings were held and by 26 February 1974 a draft letter of agreement was submitted to the Crown Solicitor's Office for consideration. Following discussions with the Treasury and the Auditor-General's Office a final draft was submitted to the Department of the Prime Minister and Cabinet on 18 March 1974.

Exhibit
154/B8

308. In response to questioning the witness gave the Committee the following reasons why the agreement was not drawn up earlier. Firstly, the Department was not aware until December of the kind of projects that were to be included in the program in sufficient detail in order to understand how these might be reflected in the agreement. Secondly, the Department had not envisaged any particular difficulties in arranging and drafting such agreements. Thirdly, there was some debate over the form the agreement was to take and this was not resolved for some time.

Qs. B526,
B527

309. The Department stated in its submission that on 6 April the Prime Minister wrote to the State Premiers, with the offer of financial assistance, attaching the list of approved projects as a schedule to each letter. Advices from the Premiers indicating agreement to the program were sent from the Premiers as follows:

Exhibit
154/B8

N.S.W.	No advice indicating agreement received at the date of the inquiry
Victoria	15 May 1974
Queensland	17 April 1974
South Australia	22 May 1974
Western Australia	11 June 1974
Tasmania	27 June 1974

310. As a result, no funds were forwarded to either New South Wales or Tasmania (total amount of approved projects for these two States being \$867,000) and the amounts forwarded to the remaining 4 States were \$150,000 for Victoria, \$33,000 for Queensland, \$60,000 for Western Australia and \$45,000 for South Australia. The Committee was informed that these amounts forwarded to the States were the amounts each State estimated it would be able to expend by 30 June 1974.

Exhibit
154/B8 and
Q. B530

311. The witness informed the Committee that the original reaction by the State of New South Wales was reluctance to participate in a program where the particular sets of projects to be included in that program were established according to the priorities of the Australian Government. The witness also said that there was some caution on the part of the States in entering into commitments in relation to the National Estate which obliges the States to take on administrative, audit and management functions for what is in relative terms not a great amount of money.

Q.B531

312. When our inquiry occurred in October 1974 the State of N.S.W. had not yet agreed to participate in the arrangements. The Department said that it was expected that the \$8m. provided in the Original Estimates for 1974-75 would be expended but it would be more difficult without N.S.W. as a greater strain would be put on the resources of the other States in arranging acquisitions and find the workmen with the necessary skills to carry out restoration work etc.

Q. B535 and
B536

313. The Committee was informed that a sum of \$273,000 was included in Appropriation Act No. 5 under another appropriation in 1973-74 for the purpose of making grants-in-aid to individual organisations concerned with the National Estate program. The Department had intended making these grants from the \$2.5m. appropriated under Division 972/0/02 in that year.

Exhibit
154/B8 and
Qs. B538
and B539

However, the Treasury advised the Department that such action would not be appropriate because those funds had been appropriated for the purpose of making payments to the States and not for making grants to meet the administrative expenses of voluntary organisations.

Conclusions

314. On the basis of the evidence the Committee appreciates the difficulties that arose for the Department in relation to the first year of operation of this scheme. Nevertheless the Committee thinks it should reiterate the view expressed by the Eighth Joint Committee of Public Accounts in its One Hundred and Thirty-fourth Report that a Department should exercise greater care in the formulation of Original Estimates for new arrangements of this nature, particularly where expenditure is affected by State participation. It would appear to the Committee that in these circumstances the Department should have regard to the availability of the Additional Estimates and the Advance to the Treasurer.

CHAPTER 15

GENERAL CONCLUSIONS

315. 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.

316. 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.

317. 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 it necessary to refer to cases of unsatisfactory

estimating or inadequate administrative performances that have resulted in shortfalls in expenditure. Attention has been drawn to these inadequacies where they have arisen.

318. The Committee has found it necessary to comment adversely on the quality of written submissions and the apparent inadequacy of briefing of some witnesses. Although the Committee was able to comment on a general improvement in this regard in its 148th Report, there were several instances of inaccurate and inadequate submissions tendered to the Committee during this inquiry. There were also a number of cases where witnesses were apparently unfamiliar with the material contained in departmental submissions. The attention of departments is again directed to Memorandum 66/385 of 16 October 1970 from the Secretary to the Treasury to all Permanent Heads which related to the preparation of material and the briefing of witnesses. The substance of the Memorandum is set out in Chapter 2 of this Report.

319. A further matter to which the Committee would invite attention relates to supplementary submissions requested by the Committee. In this regard we would remind departments of the Committee's requirements in relation to such submissions which are contained in the Notes Relating to Evidence prepared by the Committee to assist Departments, Authorities and witnesses representing them, in the submission of evidence:

"When a member of the Committee requires a witness to furnish supplementary information on a matter under examination, the Committee will require such information within seven (?) days after receipt of the transcript unless otherwise directed. . . . They should be identified with the question number to which they relate in the transcript of evidence, and should be signed by a witness sworn at the Inquiry concerned."

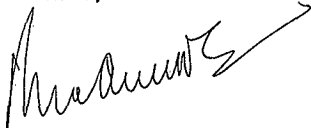
The Committee would also point out that where supplementary submissions contain information which is at variance with either

a Department's original submission or evidence given at a public inquiry, an explanation for the variation should be included in the submission.

320. For and on behalf of the Committee,



T. Devine
Secretary
Joint Committee of Public Accounts
Parliament House
CANBERRA



R.E. McAuliffe
Chairman