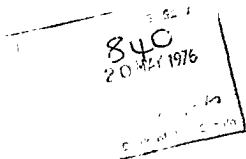


1976



THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

ONE HUNDRED AND
FIFTY-EIGHTH REPORT

EXPENDITURE FROM THE ADVANCE
TO THE TREASURER
(APPROPRIATION ACTS 1974-75)

JOINT COMMITTEE OF PUBLIC ACCOUNTS

ELEVENTH COMMITTEE

D.M. CONNOLLY, Esquire, M.P. (Chairman)

The Hon. F. CREAN, M.P. (Vice-Chairman) (2)

Senator P.C. BAUME

Senator M.A. COLSTON

Senator A.J. MESSNER

J.L. ARMITAGE, Esquire, M.P. (3)

The Hon. J.D.M. DOBIE, M.P.

U.E. INNES, Esquire, M.P. (1)

S.A. LUSHER, Esquire, M.P.

V.J. MARTIN, Esquire, M.P.

J.R. SHORT, Esquire, M.P.

The House of Representatives appointed its members on 3 March 1976
and the Senate appointed its members on 4 March 1976.

(1) Discharged 8.4.76

(2) Appointed 8.4.76 elected Vice-Chairman 29.4.76

(3) Elected Vice-Chairman 16.3.76 resigned as Vice-Chairman 29.4.76

DUTIES OF THE COMMITTEE

Section 8 of the Public Accounts Committee Act 1951-1973 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 FIFTY-EIGHTH REPORT

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CHAPTER 1

INTRODUCTION

In July 1975 the Tenth Committee obtained from departments explanations relating to expenditure from the Advance to the Treasurer during 1974-75. Explanations in respect of 10 items were selected for referral 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, 2 September 1975

Tuesday, 9 September 1975

Tuesday, 30 September 1975

Tuesday, 7 October 1975

3. Since the inquiry many changes have been made to the titles and functions of departments. However, in this Report Australian Government Departments are referred to by the titles held at the time of the inquiry - 2 September to 7 October 1975.

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

Department of Defence

Air Commodore V.J. Hill	- Director General, Joint Plans and Operations
Mr A.F. Kent	- Assistant Secretary, Project Planning and Evaluation
Mr P.D. Naughton	- Assistant Secretary, Budgets and Estimates (General and Co-ordination)
Mr T.E. Sullivan	- Assistant Secretary, Budgets and Estimates (Services)
Mr M.N. Woolley	- Assistant Secretary, Financial Programs

Department of Housing and Construction

Mr L.W. Lane	- Assistant Director-General, Establishments and Finance, Department of Health
Mr A.W.G. Miles	- Acting Assistant Secretary (Works)
Mr K.J. Rodda	- Deputy Secretary
Dr A.M. Walsh	- First Assistant Director-General, Quarantine, Department of Health

Department of Labor and Immigration

Mr J.E. Cooley	- Assistant Secretary, Finance and Information Services Branch
Mr S.J. Dempsey	- First Assistant Secretary
Mr B. Freedman	- Director of Immigration Information, Department of the Media
Mr P.E.F. Kirby	- Acting First Assistant Secretary, Manpower Development and Operations No. 1 Division

Department of the Special Minister of State

Mr A.A. Glasdon	- Secretary, Grants Commission
Mr W.R. O'Neill	- Executive Officer, Australian Archives
Mr P.D. Priestly	- Senior Finance Officer
Mr D.R. White	- Assistant Secretary, Management Services Branch

5. The following witnesses were sworn, and examined by Sectional Committee B during the public inquiry:

Department of Education

- | | |
|------------------|--|
| Mr R.N. Allen | - Assistant Secretary,
Management Services Branch |
| Mr G. Green | - Regional Director,
New South Wales State Office |
| Miss J.L. Miller | - Assistant Secretary,
Student Assistance No. 1 Branch |
| Mr J.M. Parr | - Acting Assistant Secretary,
Student Assistance No. 2 Branch |

Department of the Prime Minister and Cabinet

- | | |
|----------------|---|
| Mr J.G. Hinton | - Assistant Secretary,
Services Branch |
|----------------|---|

Department of Social Security

- | | |
|------------------|--|
| Mr B. Budak | - Acting Director (Finance) |
| Mr A.S. Colliver | - First Assistant Director-General
(Social Welfare) |
| Mr R.C. Kaiser | - Acting First Assistant Director-
General (Rehabilitation) |
| Mr K.T. Kimball | - First Assistant Director-General
(Management) |
| Mr J. Lucas | - Director (Homeless Persons
Assistance) |
| Mr M. Wryell | - Deputy Director-General |

Department of Services and Property

- | | |
|-------------------|---|
| Mr B.J. Claremont | - Executive Officer, Management
Services, New South Wales Office |
| Mr J.R. Clark | - Assistant Secretary, Accommodation,
Central Office |
| Mr J.E. Cooley | - Assistant Secretary, Finance and
Information Services Branch,
Department of Labor and Immigration |
| Mr B.H. Coughlin | - Director, Finance |

Department of Services and Property (Cont'd)

Mr J. Dickson	- Manager, Facilities and Services Branch, Customer Services Department, Australian Telecommunications Commission
Mr D.W. Ganderton	- Chief Property Officer, Victoria
Mr J. McConnell	- Assistant Director, Management Services, Department of Housing and Construction
Mr G.T. O'Connor	- Finance Officer
Mr J.J. Skinner	- Chief Property Officer
Mr K.B. Smith	- Staff Engineer, Customer Equipment Branch, Australian Telecommunications Commission
Mr J.W.A. Waugh	- Acting Assistant Director-General, Establishments and Finance Branch, Department of Social Security
Mr P.E. Westerway	- Assistant Secretary, Management Services
Mr A.D. White	- Chief Property Officer, Brisbane

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

Mr E.J. Donnelly	- Auditor-General's Office
Mr P.J. Hinchy	- Auditor-General's Office
Mr S.A. Huntley	- Auditor-General's Office
Mr S.J. Rauchle	- Auditor-General's Office
Mr K. Faul	- Public Service Board
Mr A. Mawer	- Public Service Board
Mr D.G. Whelan	- Public Service Board
Mr A.M. Finch	- Department of the Treasury
Mr R.M. Murden	- Department of the Treasury

7. The last date for acceptance of the Original Estimates for Appropriation Acts (No. 1) and (No. 2), was 30 April 1974. The last date for acceptance of the Additional Estimates, for Appropriation

Acts (No. 5) and (No. 6), was 7 March 1975. Appropriation Acts (No. 3) and (No. 4), which came into operation on 7 March 1975, made provision for emergency expenditure resulting from the Darwin cyclone, the Derwent Bridge disaster and certain other expenditure. The last date for acceptance in these Appropriation Acts was 23 January 1975.

8. The new procedure adopted by the Treasury in 1973-74 for making provision for salary increases occurring during the financial year was adapted again for 1974-75 with a slight variation. Section 5 of Appropriation Act (No. 1) 1974-75 made provision for the appropriation of additional amounts to be determined by the Treasurer to cover the payment during the year of increases in salaries and wages and payments in the nature of salaries granted under any law, award, order or determination. Expenditure charged under this Section up to 7 March 1975 was included under the respective departments in Appropriation Act No. 1. Appropriation Act No. 5 included a clause which allowed expenditure from 7 March on salary increases to be charged to the Consolidated Revenue Fund and a proviso that the Treasurer shall report the amounts so issued to the Parliament.

9. For the financial year 1974-75 an amount of \$75 million was provided under Division 590 - Advance to the Treasurer - in Appropriation Act (No. 1) to enable the Treasurer:

- (a) to make advances that will be recovered during the financial year, in respect of expenditure that is expenditure for the ordinary annual services of the Government; and
- (b) to make moneys available for expenditure, being expenditure for the ordinary annual services of the Government -
 - (i) particulars of which will afterwards be submitted to the Parliament; or
 - (ii) pending the issue of a warrant of the Governor-General specifically applicable to the expenditure

10. An amount of \$75 million was provided under Division 970 - Advance to the Treasurer - in Appropriation Act (No. 2) to enable the Treasurer:

- (a) to make advances that will be recovered during the financial year;
- (b) to make moneys available for expenditure, particulars of which will afterwards be submitted to the Parliament, including payments by way of financial assistance to a State on such terms and conditions, if any, as the Treasurer determines; and
- (c) to make moneys available for expenditure pending the issue of a warrant of the Governor-General specifically applicable to the expenditure

11. In its examination of expenditure from the Advance to the Treasurer, the Committee sought to ascertain whether or not expenditure has been confined to urgent and unforeseeable requirements for which provision could not have been made in the Original and Additional Estimates. 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

DEPARTMENT OF DEFENCE

Division 607/1/02: Equipment, Stores, Machinery and Plant -
New Equipment - Aircraft and Associated
Initial Equipment

<u>Funds Available</u>	<u>1972-73</u>	<u>1973-74</u>	<u>1974-75</u>
	\$	\$	\$
Appropriation Act No. 1	27,573,000	34,789,000	32,026,000
Advance to the Treasurer	-	-	1,387,000
TOTAL FUNDS AVAILABLE	27,573,000	34,789,000	33,413,000
TOTAL EXPENDITURE	21,464,184	34,356,938	33,172,698
UNEXPENDED FUNDS AVAILABLE	6,108,816	432,062	240,302

12. This item provides for the purchase of aircraft and includes provision for the initial purchase of associated equipment and spares. The departmental submission pointed out that prior to 1974-75 appropriations and expenditure for this item were made under the then Departments of Navy, Army and Air. It stated that the vote was re-structured in 1974-75 so the 1973-74 figures are estimates based on the effect of the re-structuring whilst the 1972-73 figures are in respect of Departments of Air and Navy only because the Department of Army did not have a separate item for aircraft but included funds under an overall appropriation for equipment.

Exhibit
158/A2

13. The Department explained that the size and complexity of the item necessitated considerable reappraisal of estimates during the course of the financial year. The Committee was told that estimates were subject to continual review from the time the Budget is brought down, with major reviews occurring shortly after the Budget, in December, and again at Additional Estimates time. Information on expenditure progress at Additional Estimates time is examined by the Higher Level Defence Committees which then forward any proposals for increased appropriation to the Minister.

Exhibit
158/A2 and
Qs. A136
and A137

In addition to the continual examination and review of the annual appropriation, the Department of Defence maintains a five-year rolling program which is also subjected to continual review and amendment on the basis of physical and financial progress.

14. The Committee was advised that the amount of \$1,387,000 was sought from the Advance to the Treasurer on 19 June 1975 following revisions of actual expenditure requirements which revealed changes in the projects outlined below:

Exhibit
158/A2

<u>Increases</u>	\$
Due to devaluation of Australian dollar	2,254,000
Downpayment on Long Range Maritime Patrol Aircraft	<u>6,000,000</u>
Total Increases	<u>8,254,000</u>

<u>Decreases</u>	
Medium Lift Helicopter Project	347,000
CT4 Air-Trainer Project	345,000
Long Range Maritime Patrol Aircraft feasibility study	200,000
F111C Aircraft-support equipment	472,000
Light Observation Helicopter Project	1,719,000
Sea King Helicopter Project	3,325,000
Other Miscellaneous Projects	<u>699,302</u>
Total decreases	<u>7,107,302</u>

. Increases

15. The witness explained that the increases of \$2.254m. due to devaluation of the Australian dollar in September 1974 occurred mainly in respect of the Sea King Aircraft (\$1.368m). Other increases also occurred on aircraft purchased by Air Office over a number of years (\$0.753m) and Army aircraft (\$0.133m). In reply to a question concerning the apparent inconsistency in the

Exhibit
158/A2 and
Qs. A138
and A139

departmental submission which referred to "favourable conversion rates" in relation to the Medium Lift Helicopter Project, it was pointed out that there was daily variation in the exchange rates. This, plus the fact that the Australian devaluation against the U.S. dollar occurred at a time when the Pound Sterling was floating downwards, contributed to the favourable conversion.

16. In relation to the down payment on the Long Range Maritime Patrol (LRMP) Aircraft the Committee was told that on 7 April 1975 the Government agreed to the acquisition of eight LRMP aircraft to replace the Neptune aircraft which are to be phased out in 1977-78. In May the Treasurer agreed to the acquisition of eight P3-C Orion aircraft from the Lockheed Aircraft Corporation at an estimated cost of \$148.6m. The contractual arrangements provided for a down payment of \$18m. with the acceptance of the Letter of Offer and a further payment of \$26m. in 1975-76. The Committee was informed that to obtain a binding agreement the Minister proposed to the Treasurer on 11 June 1975 that the Letter of Offer be accepted on the basis of a down payment of \$6m. in 1974-75 and a further payment of \$12m. in July 1975. The Department expected at that time that the \$6m. could be provided because of reductions in expenditure from the equipment appropriation amounting to about \$4m. with the remainder to be obtained from the Advance to the Treasurer. Q. A135

. Decreases

17. The Committee was advised that unforeseeable delays had occurred in the delivery of CT4 Air Trainers resulting in under-expenditure of \$345,000 on the project. The Department had anticipated delivery of the Air Trainers in late May 1975 but production difficulties in New Zealand, where the aircraft were being built; a change in the venue for the manufacture of the planes; and a variation in the fatigue testing program had all contributed to the delay.

Exhibit
158/A2 and
Q. A140

18. It was explained that the decrease in expenditure on LRMP feasibility study had occurred because there were some outstanding claims which had not been cleared for payment by the end of the

Exhibit
158/A2 and
Q. A141

financial year because of clarifications necessary in respect of some elements of the claims. An amount of \$25,000 had also been saved because of a reduction in the contract price.

19. The departmental witness explained that the overestimation of \$472,000 required in 1974-75 for support equipment for the F111C aircraft had occurred because agreement on the method of handling the equipment was reached too late to allow payment in 1974-75. It was stated that, at the time estimates were prepared, the Department had expected the equipment would be handled by the United States Air Force through the Foreign Military Sales Arrangement. Although this is what ultimately happened, agreement was only reached after considerable discussion of the matter. Q. A142

20. The Committee was told that the delays in expenditure on the Light Observation Helicopter occurred because of decisions late in the 1973-74 financial year to reduce the number of military aircraft required from 75 to 56 and the long period of negotiations which occurred as a result of these decisions. Exhibit 158/A2 and Q. A143

21. The Committee learned that the Australian Government had entered into an arrangement with Bell Helicopters of Australia to undertake production of 75 military aircraft and an additional 116 helicopters for the civil market. The original program involved the importation of 12 aircraft to satisfy the immediate military requirement and the rest of the aircraft were to be assembled in Australia by the Commonwealth Aircraft Corporation with a progressively greater proportion of the aircraft being manufactured in Australia as the program developed. The Committee was told that the decision to reduce the number of military aircraft being purchased resulted in the Company cancelling the production of the 116 aircraft for the civil market. The witnesses expressed the opinion that the decision to cancel the civil production was more an opportunity taken by the Company because it was experiencing difficulties in selling its aircraft. Qs. A145 and A148 to A150

22. The departmental submission explained that non delivery of one aircraft and spare engines and airframe spares contributed significantly to the expenditure decreases on the Sea King Helicopter project. The Committee was advised that the Department learnt on 16 May 1975 that one aircraft could not be delivered in the 1974-75 financial year while advice was received in April regarding the inability to supply the spare engines and airframe spares before 30 June 1975. The witness for the Department stated that industrial problems in the United Kingdom had contributed significantly to the delays on the project.

Exhibit
158/A2,
Qs. A144 to
A146 and
Committee
File 1975/2

23. In response to a question relating to the Department's failure to spend \$240,302 of the funds obtained from the Advance to the Treasurer, the witness stated that the size and complexity of the item meant that unforeseeable delays could always occur at the last minute and the requirement that accounts be certified and properly processed could result in accounts received in June remaining unpaid at the end of the financial year. He believed that the results obtained on this item had been very satisfactory.

Q. A147

Conclusions

24. The Committee, recognising the problems confronting the Department in preparing accurate estimates and controlling expenditure in an item of this complexity, and noting that the need to seek funds from the Advance to the Treasurer resulted from decisions made after the closure of Additional Estimates, accepts the Department's explanation.

CHAPTER 3

DEPARTMENT OF EDUCATION

- (i) Division 200/4/09: Administrative - Student Assistance Programs - Aboriginal Study Grants

<u>Funds Available</u>	<u>1972-73</u>	<u>1973-74</u>	<u>1974-75</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Appropriation Act No. 1	720,000	845,000	1,345,000
Appropriation Act No. 4	-	105,000	-
Appropriation Act No. 5	-	-	60,000
Advance to the Treasurer	-	-	16,000
	<hr/>	<hr/>	<hr/>
TOTAL FUNDS AVAILABLE	720,000	950,000	1,421,000
TOTAL EXPENDITURE	<u>631,415</u>	<u>904,514</u>	<u>1,403,224</u>
UNEXPENDED FUNDS AVAILABLE	<u>88,585</u>	<u>45,486</u>	<u>17,776</u>

25. The purpose of this item is to provide grants for all persons of Aboriginal descent to undertake full-time or part-time courses of study after leaving school.

Exhibit
158/81
and Q. B73

26. The witness for the Department told the Committee that a means test did not apply but that applicants for Aboriginal Study Grants have to declare on their application forms whether they were of Aboriginal or Torres Strait Islander descent. In normal circumstances this would satisfy the eligibility requirement of the Department. However, if there were doubts, the Department may carry out an investigation or the applicants may be requested to substantiate their claim.

Qs. B74 to
B78 and
B109

27. The Committee was told that the Department of Education administered the Aboriginal Study Grants Scheme on behalf of the Department of Aboriginal Affairs. The scheme is very flexible and caters for virtually any course of study an Aboriginal may want to do after leaving school. It could range from a full time

Qs. B74, B79,
B136 and
B137

tertiary degree course down to a special course of a few weeks' duration in basic literacy. Prior to the establishment of the scheme in 1968 the number of Aboriginal students enrolled in tertiary institutions was negligible. However, in 1974, there were fifty-five Aboriginal students enrolled in tertiary institutions in Australia.

28. The Committee was informed that the Aboriginal Study Grants Scheme is well publicised at State and Federal levels through advice from education and Aboriginal Affairs liaison officers, through metropolitan and country press advertisements, distribution of leaflets from the Department of Labor and Immigration and perhaps what is more effective, through word of mouth.

Qs. 887
to 889

29. The Department informed the Committee that it was necessary to seek funds of \$60,000 in the Additional Estimates to meet a higher rate of expenditure incurred in the period July - December 1974. The original estimate provided for 840 full-time students to receive grants under the scheme. However, the actual number who received grants was 1060. The Committee was told that because the scheme is not competitive and there are no fixed numbers of grants available during the year, it is difficult to accurately estimate annual requirements. An additional problem in estimating the demand for grants is that the Department is a member of a large team of government and non-government agencies, with interests in Aboriginal welfare and advancement. Special courses of definite value to the Aboriginal Community developed by some of these agencies do at times make unexpected demands on the Aboriginal Study Grants Scheme. The volume of these courses varies from year to year. A further difficulty for this type of scheme, which serves specific groups in the community, is that statistics on the general community are not necessarily a good guide to requirements of a specific group.

Exhibit
158/81 and
Q. 890

30. In regard to expenditure from the Advance to the Treasurer, the Department informed the Committee that on 17 June 1975 it sought an additional \$16,000 to meet payments of living allowances payable under the Aboriginal Grants Scheme for the final pay period of the

Exhibit
158/81 and
Qs. 891 to
893

financial year. The Department stated that because of the variety in both types and length of courses that may be undertaken under these schemes, it is extremely difficult to predict accurately the total expenditure in any given period.

31. The Department told the Committee that in order to enable the Central Office of the Department to carry out an overall review of expenditure at regular intervals, and to seek additional funds if required, State Offices are requested to supply the Central Office with information concerning expenditure. Qs. B96 to B99

32. The Department explained that when reviewing expenditure in June, the New South Wales Office of the Department overlooked the fact that returned or uncollected 'hold' cheques to the value of \$17,029 were to be repaid to the credit of the Appropriation during June. The Department told the Committee that the error arose partly from failure to follow standing procedures and partly as a result of a breakdown in communications between two Sections of the New South Wales Office - the Program Section (responsible for reviewing program expenditure) and the Accounts Section (responsible for payments). Exhibit 158/B1 and Qs. B100 to B108

33. It was explained that 'hold' cheques are cheques held by the office at the request of the grantee for personal collection or cheques held at the department's initiative pending clarification of the grantee's status. The standing procedure is that cheques not collected by grantees within three weeks of the issue of the cheque, should be repaid to the credit of the Appropriation after review by the Program Section concerned. Cheques returned by grantees who have discontinued their awards are required to be repaid immediately. Exhibit 158/B1 and Qs. B101, B106 and B111

34. The Committee was informed that the practice of 'hold' cheques was developed because it has the advantage of providing money immediately for students who very often arrive for their courses with little money and often in great need of departmental support. When a student Q. B111

arrives to receive his cheque he is either escorted to the Collector of Public Moneys and identified by the education officer concerned or the student is given a letter of identification bearing his specimen signature and he is directed to the Collector of Public Moneys to collect and sign for the cheque.

35. The Department informed the Committee that not all of the uncollected cheques related to new students. Some were for students already on a course. The 'hold' cheque system had been used for paying a number of such students, often at their request but also to minimise the risks of overpayments. These cases have comprised students who did not have a permanent forwarding address and students about whom there had been a doubt concerning entitlement (for example, *unexplained absence from the course*).

Q. B111

36. The witness explained to the Committee that if a cheque is to be held the Section concerned prepares a Treasury Form 12, for manual payment indicating that it is for a 'hold' cheque and the form is sent to the Department's Authorizing Officer. The Department forwards a written authority to the Sub-Treasury under Treasury Direction 27/2 - empowering the Sub-Treasury to hand to specified officers of the Department cheques drawn in favour of the student. The cheques are passed to the Department's Collector of Public Moneys and recorded in a register. The cheque is kept in the Collector's safe for subsequent disbursement to payees.

Qs. B112 to B115, B117 and B118

37. Treasury Direction 27/2 states in part that Treasury Regulation 68 designates the persons to whom accounts may be paid and Treasury Direction 111(1) provides that cheques shall be posted or delivered to the payees of the cheques. Although Treasury Regulation 111(2) provides that a Chief Officer or officer authorised by him may authorise the Paymaster to post or deliver a cheque to other than the payee, the general intention is that payment, where made by cheques, shall be made by the Paymaster only to the payee whose name appears on the cheque by handing, upon adequate identification, or posting the cheque to the payee. The handing or

Treasury Direction 27/2

posting of a cheque to a person other than the payee whose name appears on the cheque shall not be authorised unless there are very exceptional circumstances and unless, in the light of those circumstances, the Chief Officer or officer authorised by him has given the Paymaster a specific direction in writing, giving reasons why it is considered desirable to depart from normal procedure.

38. The Department informed the Committee that during the period concerned some 'hold' cheques were also prepared by ADP methods, the cheques being made out in the name of the student and the address given as "C/O Sub-Treasury". There were instances of several such cheques drawn in favour of a single student accumulating with the Collector of Public Moneys. This occurred mainly at times when the Program Section was extremely busy, placing students on course, getting them on to the payroll, etc. Because of its preoccupation with these urgent matters, it deferred taking action to cut off the flow of cheques, knowing that there was no risk of overpayments occurring, since the cheques were held by the Collector of Public Moneys. Steps have been taken to avoid such situations in the future; and the practice of having ADP prepared cheques "C/o Sub-Treasury" has been discontinued and the use of 'hold' cheques confined to the manual system.

Qs. B111,
B127 and
B129

39. The Observer from the Auditor-General's Office (Mr Huntley) commented that the issuing of these 'hold' cheques on a regular basis, could hardly be classed as exceptional circumstances and he considered it very doubtful if the Department was complying with the terms of Treasury Direction 27/2. Mr Huntley also pointed out that the Certifying Officer, when he asks for a cheque to be drawn for a debt which may not exist, may not be complying with section 34 of the Audit Act. Mr Huntley commented that although there is no evidence of cheques being lost, there is always the possibility of defalcation occurring. Furthermore, there are ways that money can be obtained from the Treasury fairly quickly if need be. The Treasury has procedures where cheques can be paid within one or two hours.

Qs. B119
to B122

The Treasury Observer (Mr Finch) supported Mr Huntley's view and informed the Committee that Treasury would certainly be looking at the situation with the Department in order to develop a better procedure within the existing framework of the Treasury Directions.

40. The witness for the Department, in defence of the failure of the N.S.W. Office to repay 'hold' cheques not collected within three weeks to the Appropriation, stated that the General Accounts Section in the Sydney Office had been under very great pressure. The Department had recently acquired a responsibility for payments under the adult migration program and most of that work had fallen on that particular Section. It was explained that the receipt of cheques was recorded alphabetically rather than in chronological order. Thus periodically a list had to be extracted of cheques outstanding for more than three weeks. Due to pressure of work this was not carried out.

Qs. B107
and B124

41. The Committee was informed that instructions have now been issued that a register of 'hold' cheques shall be maintained in chronological order, and arrangements have been made to increase the staff in the General Accounts Section. Furthermore, a senior officer now reviews the situation every few weeks.

Q. B124

42. The witness for the Department stated that the Department distinguishes between "eligibility" and "entitlement"; "eligibility" refers to whether or not a student meets the conditions which must be met in order to attract benefits under the Scheme at all, and "entitlement" refers to the amount of benefit attracted. It would be rare indeed that eligibility would not have been determined before a student arrived for a course but there may be doubts about entitlement to benefits in some cases, as for example, where the applicant has expressed uncertainty about starting on a course. The Department maintained that despite these doubts attending some cases it is a matter of over-riding necessity to have money ready for the students because they often do arrive literally penniless.

Q. B125

Conclusions

43. The Committee considers it most unsatisfactory that because procedures were not followed and proper liaison was not maintained between two Sections of the N.S.W. Office of the Department, funds were sought from the Advance to the Treasurer when in fact funds were not required.

44. The Committee notes the steps taken by the Department to overcome the deficiencies disclosed and trusts that the action taken will result in an improved performance in the formulation of estimates and the control of expenditure on this item.

45. It would seem from the evidence presented to the Committee that it is the Department's firm belief that some money must be readily available for these students when they first arrive. Although the Committee does not dispute this necessity, it has reservations about the practice that had developed of preparing cheques and holding them at the request of the grantee or pending clarification of the grantee's status. In this regard the Committee is inclined to agree with the views expressed by the Observers from the Auditor-General's Office and the Treasury that it is doubtful if the very exceptional circumstances exist as stipulated in Treasury Direction 27/2 and that the requirements of section 34 of the Audit Act are being met. In this regard the Committee is pleased to note that the Treasury has agreed to look at the situation in conjunction with the Department in order to develop a better procedure within the existing framework of the Treasury Directions. The Committee would be interested to know the outcome of the discussions.

(ii) Division 848/0/11: Other Services - Adult Secondary Education Assistance

<u>Funds Available</u>	<u>1972-73</u>	<u>1973-74</u>	<u>1974-75</u>
	\$	\$	\$
Appropriation Act No. 6	-	-	638,000
Advance to the Treasurer	-	-	370,000
	<hr/>	<hr/>	<hr/>
TOTAL FUNDS AVAILABLE	-	-	1,008,000
TOTAL EXPENDITURE	-	-	759,047
	<hr/>	<hr/>	<hr/>
UNEXPENDED FUNDS AVAILABLE	-	-	248,953

46. This item provides assistance to adult students undertaking full-time study in the final year at matriculation level, or the equivalent, at a secondary school, or an approved institution other than a secondary school.

Exhibit
158/82

47. The Department informed the Committee that in 1974 this type of assistance was provided under an administrative scheme known as the Tertiary Allowances Scheme. In October 1974, the Student Assistance Act 1973, came into operation. Under this Act the definition of a tertiary education institution showed clearly that courses at a secondary school level were excluded. Consequently a new scheme of assistance to adult students undertaking full-time studies in the final year of secondary schooling (at matriculation level or equivalent) was introduced in February 1975.

Exhibit
158/82 and
Q. 8141

48. The Department stated that in 1974 some 500 adult secondary students received assistance under the Tertiary Allowances Scheme. The Department estimated that under the new scheme an additional 500 students would be eligible for assistance. The Department expected that of the total of 1000 students some would be eligible to receive benefits under the National Employment and Training Scheme and the figure was discounted down to 750.

Exhibit
158/82 and
Qs. 8146
and 8147

49. The Department told the Committee that before preparing the estimates for the \$638,000 provided in Appropriation Act No. 6 it had discussions with State Education Departments concerning the number of adults in secondary schools. The Department also consulted the Department of Labor and Immigration regarding the possible effects of the National Employment and Training Scheme, However, little reliable evidence was available on which to base the likely number of students who would participate in the new scheme of assistance. The Department informed the Committee that probably as a result of the abolition of fees at tertiary level, there had been an increase in the number of adults wishing to undertake tertiary studies. Consequently, the demand of adults to complete their secondary education had risen.

Exhibit
158/B2 and
Qs. 890,
8146 and
8147

50. In connection with the funds obtained from the Advance to the Treasurer, the Committee was informed that a review of the appropriation carried out in June 1975 by the Department disclosed that the State Offices of the Department expected to be in a position to make payment to some 1260 eligible students before 30 June 1975. The amount estimated to be required from the Advance to the Treasurer to meet the increase in students receiving benefits from 750 to 1260 was \$370,000.

Exhibit
158/B2

51. The Department explained that expenditure fell short of the total funds available by \$248,953 for the following reasons. Firstly in New South Wales and Victoria benefits amounting to \$96,000 paid to some 116 students were not processed until late June 1975. The Department explained that because of the pressure of work in the General Accounts Section, in the case of N.S.W., payments missed the cut-off date for 1974-75 expenditure. Payments were made on 3 July 1975 with expenditure recorded against the 1975-76 appropriation.

Exhibit
158/B2 and
Qs. 8148
and 8149

52. Secondly, the Department's New South Wales Office, when it provided the Department with an estimate of the likely number of students to be paid benefits in 1974-75, was holding some 100 applications pending receipt of additional information from the students. The Department explained that they had written to the

Exhibit
158/B2 and
Qs. 8150
to 8152

students to obtain information which was in most cases either confirmation of enrolments or verifications of statements made in support of an application for a living allowance at independent rates. The Department assumed that this information which was thought to be readily available to students would be received in time for payments to be made before the end of June 1975, but in the event, it was not received and underexpenditure of \$82,000 resulted. The Department, in a reply to a question informed the Committee that all the State Offices except N.S.W. had received the additional information required in time to process the applications concerned.

53. Thirdly, the Department stated that initial payments under the scheme in all States were costed against the Tertiary Education Assistance Scheme pending rearrangements of computer programs. During June action was taken to have expenditure incurred up to 31 May transferred by journal entry to the correct appropriation. Action was also taken during June to have journal entries passed to adjust the June expenditures. It was explained to the Committee that to effect the transfer, it was necessary for the Department to give a three letter Alpha code to the local office of the Treasury and have this incorporated into the system to accept the new payments. The Department, however, gave an Alpha numeric code which was rejected by the computer. Mr Finch, the Treasury Observer, stated that it was the responsibility of the local Office of the Treasury in each State in conjunction with the local office of the Department of Education, to rectify this matter. The Committee was told that amendments were made progressively in each State, except N.S.W. The Department stated that its New South Wales Office assumed, following advice from the local office of the Treasury, that payments during June would be automatically costed against the correct appropriation. This did not occur and expenditure of \$60,700 was recorded against the Tertiary Education Assistance Scheme appropriation.

Exhibit
158/2 and
Qs. 8153
to 8158

54. Mr Finch informed the Committee that on 21 June 1975 the N.S.W. Office of the Treasury received a journal entry of approximately \$200,000. It was assumed by the local office of the Treasury that this was both the May and June journal entries whilst in actual fact it was the May journal entry only.

Q. 8157

Conclusions

55. The Committee appreciates that there are difficulties in establishing a scheme such as the Tertiary Allowances Scheme, particularly in estimating its requirements. In general, the Committee accepts the Department's explanation with regard to obtaining funds from the Advance to the Treasurer.

56. However, it appears to the Committee that closer liaison should have been maintained between the Department's Sydney Office and the local Office of the Treasury in relation to expenditure under this item. In the Committee's view a closer liaison between the two offices would have resulted in the coding error being rectified and the misunderstanding over the journal entry would not have occurred.

CHAPTER 4

DEPARTMENT OF HOUSING AND CONSTRUCTION

Division 872/1/09: Capital Works and Services - Departmental -
Department of Health

<u>Funds Available</u>	<u>1972-73</u>	<u>1973-74</u>	<u>1974-75</u>
	\$	\$	\$
Appropriation Act No. 2	800,000	2,000,000	1,832,000
Appropriation Act No. 6	-	-	668,000
Advance to the Treasurer	-	-	82,000
TOTAL FUNDS AVAILABLE	800,000	2,000,000	2,582,000
TOTAL EXPENDITURE	755,147	1,797,808	2,544,676
UNEXPENDED FUNDS AVAILABLE	44,853	202,192	37,324

57. This item provides for the buildings and works requirements of the Department of Health throughout Australia at its Quarantine Stations, Offices, Laboratories etc. It does not provide for the Hospital and Health Services in the A.C.T. or the N.T. which are separate items.

Exhibit
158/A1

58. The Committee was advised that the original Appropriation of \$1,832,000 was based on a program of works as follows:-

Exhibit
158/A1

	<u>Program</u>	<u>Estimated Expenditure</u>
	\$	\$
The unexpended balance on works in progress at 1 July 1974	1,810,392	1,482,000
New Works proposed to be commenced during 1974-75	1,688,000	350,000
	<u>3,498,392</u>	<u>1,832,000</u>

59. The departmental submission stated that the estimates for 1974-75 had been prepared against a background of material and labour shortages, industrial disputes and difficulty in securing tenders. The departmental witness explained that the difficulties were most severe in the latter part of 1973-74 and the overall experience of 1973-74 contributed to the Department's conservative approach to estimating for 1974-75. The Committee was told that the difficulties disappeared soon after the commencement of the financial year 1974-75 with a sharp reduction in industrial unrest and a marked improvement in the number of tenders being received. In addition to these improvements, increases in the cost of labour and materials contributed to the need to seek additional funds.

Exhibit
158/A1 and
Qs. A58 to
A62, A64
and A65

60. In relation to the \$668,000 obtained in Appropriation Act No. 6, the Committee was told that this was based on assessed increases of \$711,000 which comprised:

Exhibit
158/A1 and
Q. A95

Deer Park Community Health Centre	\$380,000
Cape Pallaranda - Quarantine)	
Lytton - Quarantine)	180,000
Townsville - Health Laboratory)	
Narrabundah, A.C.T., Brucella Laboratory	117,000
Miscellaneous	34,000

It was explained that in seeking funds from Additional Estimates, the Department "rounded off" the total estimated requirements of \$2.543m. to \$2.5m.

61. The Committee was informed that because the construction of the Deer Park Community Health Centre had been a last-minute inclusion in the Original Estimates only \$100,000 of the total estimated cost of \$500,000 was included. However, the Department of Health subsequently requested completion of the project by December 1974, necessitating the provision of additional funds.

Exhibit
158/A1 and
Q. A98

62. The witness representing the Department of Health explained that a temporary health centre had been opened in Deer Park in June 1974 to serve about 10,000 people living in the area but this had quickly proved inadequate. After discussions with the community and the State Government, it had been decided that the permanent health centre should be completed as quickly as possible.

Qs. A89
and A91

63. A witness from the Department of Housing and Construction explained that it had been possible to complete the health centre so quickly because the design and construction had been based on a health centre in Canberra's Civic Centre. The design stage had been considerably shorter, site works had been commenced immediately and construction had been undertaken by the contractor who had built the Canberra Centre. The witness did not believe that the speed of construction had added to the cost of constructing the health centre. He explained that, although an additional \$16,000 in overtime was spent in completing the site works quickly, design and construction of the health centre at the usual rate would probably have resulted in greater overall cost due to price escalation. He also stated that the Department would like to use a similar approach to construction more frequently but did not believe the Department, or the industry, had the capacity to handle a significant amount of work by this method because it was more demanding on resources.

Qs. A92 to
A94

64. Although the departmental submissions referred to increased costs in Queensland as contributing towards the need for additional funds, the witness did not believe that the increases in Queensland were any greater than elsewhere. The witnesses stressed that given the stringent animal quarantine requirements, the heavy demand for kennels for quarantining dogs and cats, the cost of necessary supporting buildings, and previous experience by the Department in the construction of such kennels, the amount authorised for the Lytton Quarantine was not excessive. It was also pointed out that owners of dogs and cats quarantined at the

Qs. A68 to
A70, A83,
A84, A101 to
A103, A109,
A110, A113,
A114 and
A122 to A128

kennels were charged at a rate which was designed to recover running costs and was similar to charges made by commercial kennels. The Committee was told that existing quarantine stations had not been sufficient to cope with the influx of animals, particularly those from Papua New Guinea, and construction of the Lytton Quarantine in Brisbane was considered the most economical and suitable because it was located at an appropriate entry point. Further quarantine stations were being planned on the eastern seaboard to cope with the demand.

65. The Committee learnt from the departmental submission that subsequent to the preparation of the Additional Estimates in February 1975 it became apparent that progress on works would be greater than previously anticipated. The sum of \$82,000 was sought from the Advance to the Treasurer on 13 June 1975 to pay claims received or anticipated in the last two weeks of the financial year. At the inquiry the Committee was advised that the amount required was assessed after consultation between the Department's Regional and Central Offices. The main variation leading to the need to obtain funds from the Advance to the Treasurer occurred in Queensland where an additional \$106,000 was required. The actual amount sought was reduced to \$82,000 after consultation and review of spending in other regions.

Exhibit
158/A1 and
Q. A96

66. The Committee was informed that final expenditure in the various regions was as follows:

Exhibit
158/A1

	<u>Final Estimate of Expenditure</u>	<u>Final Expenditure</u>
	\$	\$
N.S.W.	57,000	48,513
Victoria	650,000	649,999
Queensland	1,265,700	1,256,027
South Australia	26,000	24,683
Western Australia	57,000	54,437
Tasmania	5,900	5,899
Northern Territory	160,000	145,117
A.C.T.	360,000	360,000
	<u>2,582,000</u>	<u>2,544,676</u>

67. In response to a question regarding the reason for the Department not requiring \$37,324 of the funds obtained from the Advance to the Treasurer, the Committee was advised that the under-expenditure occurred mainly in three regions.

Q. A97

- Northern Territory. An unexpended balance of \$14,883 remained because an account for a progress payment of \$20,402 on an Alice Springs project was received too late in Darwin to enable additional funds to be obtained. The account had been posted from Alice Springs on 11 June and received in the Finance Section in Darwin on 18 June.
- Queensland. Two accounts, totalling \$28,000 were ready for payment too late to enable additional funds to be obtained thus the Queensland balance of \$9,673 was not spent.
- New South Wales. Underexpenditure of \$8,400 occurred on a number of small projects. An account was not received for one project involving expenditure of \$4,000 although the Department requested an invoice for the work on 29 May 1975.

Conclusions

68. The Committee accepts that the Department was justified in seeking additional funds for this item. However, in regard to the unpaid account relating to the Alice Springs project, the Committee considers that the time available from 11 June to the date when accounts for the financial year are officially closed should have been sufficient to allow funds to be obtained from the Department's Central Office and the account paid.

CHAPTER 5

DEPARTMENT OF LABOR AND IMMIGRATION

Division 300/4/02: Administrative - Employment Training and Assistance - National Employment and Training System

<u>Funds Available</u> ¹	<u>1972-73</u>	<u>1973-74</u>	<u>1974-75</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Appropriation Act No. 1	2,448,000	5,130,000	17,818,000
Appropriation Act No. 3	-	-	6,200,000
Appropriation Act No. 4	-	398,000	-
Appropriation Act No. 5	351,000	-	-
Appropriation Act No. 6	375,000	-	-
Advance to the Treasurer	-	341,000	7,000,000
TOTAL FUNDS AVAILABLE	3,174,000	6,049,000	31,018,000
TOTAL EXPENDITURE	2,874,793	5,396,961	29,946,013
UNEXPENDED FUNDS AVAILABLE	299,207	652,039	1,071,987

69. This item provides funds to implement a comprehensive system of labour market training capable of selective and speedy application to remedy labour imbalances in industrial sectors and geographical regions and designed to:

Exhibit
158/A3

- (a) alleviate unemployment wherever it may occur and contribute to overcoming skills in short supply;

-
1. The Department advised that the National Employment and Training System (NEATS) superseded the separate Employment Training Schemes previously administered by the Department of Labor and Immigration for Women, Persons Displaced by Redundancy and Technological Change, Aborigines, General Employment Retraining, Rural Reconstruction Employment Training, National Service and Permanent Forces Resettlement Schemes. It also incorporates the Widow Pensioners Training Scheme previously administered by the Department of Social Security and that part of the National Service Training Scheme previously administered by the Department of Education. Funds provided in 1972-73 and 1973-74 were allocated separately to the various schemes but have been totalled for comparison purposes in the table.

Exhibit
158/A3

- (b) assist in the long-term restructuring of the work-force, promote regional development, and bring about overall increases in the general levels of skill; and
- (c) serve the social as well as the economic needs of the community and of individuals by means of special assistance, guidance, remedial training, and other measures designed to aid the removal of inequalities and enhance employment opportunities.

70. The Committee was informed that payments made under this item mainly comprise allowances for people undergoing training under the NEAT system and payments for living away from home, for books and fees and other expenses incurred in completing a course of training. Payments are generally made to individuals although some payments were made to employers in the form of subsidies of wages paid to individuals trained by the employer. The Committee was told that persons eligible for training assistance were those whose employment prospects had been, or were likely to be adversely affected by a variety of factors, or for whom assistance with training was required to help them find suitable employment. Such factors included tariff restructuring, technological changes or other situations caused by redundancy, residence in an area where employment opportunities were limited or declining, military service and absence from employment for reasons such as health, incapacity, imprisonment, domestic responsibility; or possession of inadequate or inappropriate work skills. Assistance was also provided for persons who entered specially developed training programs designed to alleviate particular labour shortages.

Exhibit
158/A3 and
Qs. A153
and A154

71. The departmental submission stated that the initial appropriation of \$17,818,000 was based on an estimated carry-over of 6,640 trainees continuously in training for the first 3 months of the financial year, and a provision for 8,640 trainees to be continuously in training from the commencement of NEAT on 1 October 1974. The witness pointed out that the estimate was not based on the average length of training but on the number of persons estimated to be in training at any time during the year. The proportion of full-time, part-time and in-plant trainees was important in preparing the estimate.

Exhibit
158/A3 and
Qs. A184
and A185

72. The Committee was told that the Original Estimates were based on a report recommending the introduction of an employment training scheme and experience with, and expected takeover of, existing training schemes run by the Department and other departments. The Committee was told that the following average numbers of persons were estimated to be in training at the end of each month:

Qs. A158,
A185 and
Committee
File 1975/2

Full-time 4,245 persons	@ \$77 p.w.	\$12,748,000
Part-time 2,595 "	@ \$11 p.w.	1,099,000
In-Plant 1,800 "	@ \$25 p.w.	1,755,000
Other allowances (including living away from home allowance etc.)		<u>191,000</u>
		\$15,793,000
Plus provision for the schemes in existence before the beginning of October		<u>2,025,000</u>
		<u>\$17,818,000</u>

73. The Committee was informed that in December, at the time the Department was formulating revised estimates, it was considered that the average number of trainees in the scheme would increase to 12,000, over the 9 months period of NEAT in 1974-75 but the same distribution as the original estimate of full-time, part-time and in-plant trainees would be maintained. The same average costs were anticipated and the estimate was revised as follows:

Q. A183 and
Committee
File 1975/2

Full-time 5,900 persons	@ \$77 p.w.	\$17,718,000
Part-time 3,600 "	@ \$11 p.w.	1,544,000
In-Plant <u>2,500</u> 12,000	@ \$25 p.w.	2,438,000
Provision for other allowances		<u>300,000</u>
		\$22,000,000
Plus actual expenditure on previous schemes		<u>2,300,000</u>
Say		<u>\$24,000,000</u>

74. The departmental submission pointed to a number of factors which made estimating the funds required for this item unusually difficult. It was explained that the proportion of the trainee population undertaking full-time, part time and in-plant training

Exhibit
158/A3 and
Qs. A159 to
A162

depended on the availability of training courses, readiness of employers to make training vacancies available, the impact on the community of downturns in the economy and other factors relating to attitudes of people to work and further education, all of which were difficult to predict. The original estimate proportions were based on the previous training schemes which did not indicate a great influx of full-time trainees. However, departmental witnesses conceded that there had been no attempt to estimate the number of training courses available nor had the department taken any steps to ascertain the courses which might be available at the various training institutions or the willingness of employers to make training available.

75. Information provided to the Committee showed a marked change in the proportions of full-time, part-time and in-plant trainees. Whereas there were approximately 50 per cent full-time, 30 per cent part-time and 12 per cent in-plant trainees in the December quarter, the percentages for the June quarter were 67, 14 and 15 per cent respectively. This change in the various components of training accounted for the increase in the unit cost of trainees.

Q. A192 and
Committee
File 1975/2

76. The Committee was advised that the nature of the system did not permit the setting of predetermined limits on the number of trainees entering it. Control was exercised through eligibility tests rather than quotas and the increasing unemployment situation increased the number of potential trainees and applications exceeded earlier estimates. In addition, the department underestimated community demand for NEAT which was stimulated to an unexpected extent by publicity and by the higher benefits available compared to previous schemes.

Exhibit
15B/A3

77. It was explained that the eligibility tests were basically assessments of the assistance an individual needed in order to gain satisfactory employment. The basic eligibility tests which were

Qs. A163,
A173 and
A174

applied to applicants from the outset of the scheme sought to ascertain individuals prospects of obtaining satisfactory employment without training and, where training was deemed necessary, to assess whether the individual could complete the proposed course of training and obtain satisfactory employment as a result of completing that training. In effect, the tests were designed to assess the cost and benefits of training but because the Department had been unable to meet the demand, additional eligibility tests had to be applied and restrictions put on access to the scheme.

78. The additional eligibility tests which the Committee was told were introduced with Cabinet approval shortly after the scheme's inception were designed to restrict access to the scheme and to establish priorities for various categories including individuals who were unemployed because of a Government decision, those who were unemployed or threatened with redundancy as well as for certain socially, physically and mentally handicapped persons who might need assistance with their employment. Additional restrictions also approved by Cabinet were introduced in the first week of December 1974 when the primary breadwinner was accorded priority. The introduction of the priority categories, particularly the primary breadwinner category, severely reduced access to the scheme for females. The primary purpose of introducing the priority categories was to ensure that individuals most in need would be helped by the scheme.

Qs. A163,
A164, A177,
A178 and A201

79. The tests, which were designed by the Department, were initially conducted by departmental officers at the local level. However, it was pointed out that the high rate of applications for training assistance resulted in some of the work being removed from the local offices and made the responsibility of regional and central offices. In particular, discretion in respect of courses of longer than one year's duration was given to the regional and central offices soon after the commencement of the NEAT system. The reduction of responsibility had relieved pressure on local offices and had also served the purpose of

Qs. A164 to
A167, A171,
A172, A196
to A198, A203
and A204 and
Committee
file 1975/2

reducing the administrative burden necessary to disseminate information about labour market forecasts from the regional to the local offices. Delays had occurred in having applications accepted but a large number of these delays were attributable to the introduction of the priority categories. Rather than reject applications, the Department had deferred consideration pending possible removal of the categories. Staffing shortages had also contributed to the delays. It was drawn to the Committee's attention that more than 30,000 applications had been dealt with in the first nine months of operation of the scheme.

80. The witness for the Department admitted that there was no guarantee that a person would take up employment on completion of the training and that the Department had not been able to require individuals to make an enforceable undertaking in this respect. However, the witness pointed out that this aspect would be tightened up in 1975-76 and applicants would be tested on their willingness to take up employment at the end of the training. He also pointed out that about 68 to 75 per cent of persons completing training had found satisfactory employment in a difficult labour market situation.

Qs. A182,
A203, A209
and A210

81. The departmental witness conceded that some abuses could have occurred in the early weeks of the scheme but the introduction of the various priority categories had limited the likelihood of abuses occurring. He stated that although NEAT had received a considerable amount of unfavourable criticism investigation of various allegations of malpractice were generally found to be without substance.

Qs. A179 to
A181, A202
and A203

82. The Committee was told that when NEAT was approved by the Government it agreed in principle to the inclusion in NEAT of some programs administered by other Departments. At the time of the initial estimate the actual inclusion of these other schemes was still dependent on officer-level discussions which subsequently resulted in the inclusion in NEAT of all other schemes from 1 October 1974, with the only exception being 400 persons undertaking full-time university training under the Defence retraining scheme which was administered by the Department of Education. The witness stated

Exhibit
158/A3 and
Q. A176

that the Department was particularly surprised that over 95 per cent of beneficiaries under the widow pensioner retraining scheme had opted to transfer to NEAT even though the higher NEAT system benefit would have resulted in the loss of normal pensioner benefits relating to travel, medical benefits, telephones, etc.

83. The departmental submission also stated that on the basis of experience under previous schemes the Department had under-estimated average lengths of training that had to be approved to overcome applicants' employment difficulties. Experience under NEAT in the economic circumstances applying since it began suggested that employment was becoming increasingly difficult to find for persons without formal qualifications, and that resolution of employment difficulties of many more applicants than had been estimated was requiring long periods of training. This caused the average unit cost of training a person to be higher than had been expected.

Exhibit
158/A3

84. The Committee was informed that the main upsurge in the number of applications for training was not felt until March 1975. This plus the increase in the proportion of full-time trainees referred to above caused the necessity to seek funds in the Additional Estimates. The Committee was provided with information which showed that 6,316 applications were received in the December quarter 1974 while 13,476 applications were received in the March 1975 quarter. Similarly, the number of persons in training increased from 6,635 in January 1975 and 9,948 in February to 11,666 in March and 14,050 in June 1975.

Exhibit
158/A3,
Q. A200 and
Committee
File 1975/2

85. The Department advised that the amount of \$7m. was sought from the Advance to the Treasurer on 29 May 1975. The witness told the Committee that the figure was based on weekly expenditure during May and a monthly increase in expenditure over the previous three or four months plus an allowance of \$0.25m. for the National Wage case decision in April. It was felt the expenditure would be around \$1.5m. a week and \$7m. was considered to be necessary for expenditure in June. Subsequent information provided to the Committee showed that average weekly expenditure during June was actually \$1.357m.

Qs. A189
and A192
and
Committee
File 1975/2

86. Witnesses for the Department believed that the underexpenditure of \$1.071m. on the item was not unreasonable even though funds had been sought from the Advance to the Treasurer late in May. It was explained that this figure amounted to less than one week's commitment and could be attributed simply to the administrative delays that had built up in processing the training allowances.

Exhibit
158/A3 and
Qs. A175
and A192

87. The Committee was informed that in preparing the original estimate, no attempt had been made to break down the estimated expenditure between regional and local offices because the Department believed its estimates were reasonably accurate. However, future estimates would be broken down and based on the labour market situation in the various States and local areas in an attempt to make the estimates more accurate.

Qs. A168
and A169

Conclusions

88. The Committee considers that the increases in demand upon the NEAT system could not have been anticipated at the time the Original and Additional Estimates were prepared and therefore accepts the Department's explanation. However, notwithstanding this acceptance, the Committee believes that a better estimating performance may have resulted if the Department had ascertained the courses available at the various training institutions and attempted to gauge the willingness of employers to make training vacancies available.

CHAPTER 6

DEPARTMENT OF THE PRIME MINISTER AND CABINET

Division 430/2/04: Administrative - Administrative Expenses - Distinguished visitors, guests and special occasions - Official hospitality, presentations and entertainment.

<u>Funds Available</u>	<u>1972-73</u>	<u>1973-74</u>	<u>1974-75</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Appropriation Act No. 1	210,000	290,000	411,000
Appropriation Act No. 5	-	119,000	73,000
Advance to the Treasurer	43,000	-	11,000
TOTAL FUNDS AVAILABLE	253,000	409,000	495,000
TOTAL EXPENDITURE	251,305	408,706	494,736
UNEXPENDED FUNDS AVAILABLE	1,695	294	264

89. The purpose of this item is to provide for the cost of extending hospitality to guests of the Australian Government and distinguished visitors, entertainment by Ministers and Permanent Heads.

Exhibit
158/83

90. The Department in explaining the reasons for obtaining funds under Appropriation Act No. 5 in 1974-75 stated that difficulty is experienced in accurately estimating the likely expenditure under this item because the need for much of the hospitality arises at short notice. Visits by overseas dignitaries, for example, are made at the invitation of the Government and its Ministers, and these invitations are taken up at a mutually agreeable time. Similarly, Government hospitality is initiated by Ministers as and when the need arises. In addition Permanent Heads of all Departments and office holders of First Division status authorise official entertainment expenditure and obtain reimbursement from this item.

Exhibit
158/83

91. The Department stated that in view of the difficulties associated with this vote, and in accordance with the practice

Exhibit
158/83

followed in the past the original estimate for 1974-75 was based on expenditure in 1973-74. Increasing costs over all areas associated with hospitality (food, liquor, wages, etc.), resulted in a need to seek funds in the Additional Estimates.

92. With regard to the funds obtained from the Advance to the Treasurer, the Department informed the Committee that on 25 June 1975 the Treasury Accounting Office, Canberra, advised the Department that a number of payments for which cheques had been issued in November 1974, had inadvertently not been posted by Treasury to the Appropriation Ledger. The unposted payments included expenditure totalling \$10,517 in respect of this item. When the Department was compiling its Additional Estimates it was not aware that these payments had remained unposted and as a result insufficient additional funds were sought at that time. When the Treasury advice was received on 25 June 1975 the funds still available under the appropriation of \$484,000 amounted to approximately \$200. As the unposted vouchers had to be brought to account before 30 June 1975, it was necessary to obtain funds from the Advance to the Treasurer. Expenditure for the year eventually totalled \$494,736.

Exhibit
158/83

93. The witness for the Department admitted that between November 1974 and June 1975 the Appropriation Ledger print-outs forwarded from the Department of the Treasury, daily, were not checked as required by Treasury Direction 37/8. This Direction states that:

Exhibit
158/83 and
Qs. 8276
to 8278

"A Chief Accounting Officer of the department serviced by the Treasury ADP Appropriation/Revenue Ledger System shall ensure that departmental procedures provide for the control account entries appearing on the ledger daily working sheets received from a Commonwealth Sub-Treasury to be checked to ensure that all input batches forwarded to the Sub-Treasury have been processed."

94. The Department in its submission stated that due to a high rate of staff turnover within the accounts area and the fact that the Department's experience of the Treasury computer ledger system at that time had been limited to only two years, the failure to post these payments passed unnoticed until receipt of the Treasury advice

Exhibit
158/83 and
Q. 8285

on 25 June 1975.

95. The Committee was informed that during the 1974-75 financial year out of a staff of ten in the section concerned there had been three different occupants of the position of accountant, three different occupants of the position of certifying officer, two in the position of senior examiner and two in the position of senior ledgerkeeper. Q. 8284

96. The Treasury Observer (Mr Finch) reminded the Committee that it is normal procedure for the Treasury to provide instruction to officers from departments whose accounts are being added to the Treasury computer system. The training provided would have included instruction on the use of the data being produced by the computer, what to expect from the computer and what checks are made within the system. The Committee was assured that this was done in the case of the Department of Prime Minister and Cabinet. Mr Finch also pointed out that had the Department approached the Treasury at any time since then it would certainly have received whatever assistance was necessary to make its officers aware of the details of the Treasury computer system. Q. 8289

97. Mr Finch also told the Committee that when the batches of vouchers for payment are received from the Department they are initially sent to a data processing operator, who punches them up for input into the Appropriation Ledger. From there they proceed to another data processing operator who processes them for cheque writing. Providing there is no exception report indicating that funds are not available, the cheques are released in the normal manner. In order to ensure that no batches have been missed, a reconciliation is carried out reconciling the cheque writing tape with the ledger posting tape. This is usually done within two days but at this particular time the reconciliation process was in arrears. As there was no exception report it appeared that the ledger had been posted. However, when a second reconciliation was carried out after the Additional Estimates had closed it was discovered that these particular batches Q. 8279

had not been posted. Mr Finch said that how this occurred was difficult to reconstruct and the reasons obscure.

98. The Committee was informed that instructions have been issued to the Accounts staff of the Department drawing attention to the error and directing that, in accordance with Treasury Directions, all batches of accounts returned from the Treasury must be checked against the daily working reports issued by that Department's Accounting Office. Procedures have been implemented to ensure that the instructions will be carried out. The Department informed the Committee that detailed instructions are being prepared and on the job training is now carried out to ensure that officers appointed whose duties relate to the receipt or payment of public moneys are fully acquainted with the provisions of the Audit Act and Treasury Regulations and Directions. Qs. 8286 to 8288

99. The Department informed the Committee that a monthly report concerning progress of expenditure is promulgated through the Department to the particular branch concerned. The witness was of the opinion that in view of the \$250,000 already spent at the time the Additional Estimates were prepared, it would have been difficult to have detected the error of \$11,000 not having been posted from that monthly report. Qs. 8280 to 8281

Conclusions

100. Although the Committee appreciates the staffing difficulties experienced by the Department in the accounts area it must nevertheless be critical of the fact that the Department failed to carry out the fairly simple but important step of checking the ledger daily working sheets to ensure that all expenditure was recorded.

101. The Committee believes that the absence of written instructions contributed to the oversight as new staff would probably have not been aware of the need to carry out the check. In this regard the Committee

notes that the Department has instituted a system of checking the ledger printouts as required by the Treasury Directions. The Committee trusts that the revised procedures and instructions will be followed and kept under close review to ensure that proper financial control is maintained.

102. The Committee is also concerned that the reconciliation of the cheque writing tape and the ledger posting tape carried out within the Sub-Treasury was apparently not carried out for some months which allowed the error to remain undetected from November 1974 until April/May 1975. The Committee believes that this reconciliation should at least have been brought up to date before the final amounts for inclusion in the Additional Estimates were determined.

CHAPTER 7

DEPARTMENT OF SERVICES AND PROPERTY

Division 515/2/03: Administrative - Administrative Expenses -
Postage, Telegrams and Telephone Services

Funds Available	<u>1972-73</u>	<u>1973-74</u>	<u>1974-75</u>
	\$	\$	\$
Appropriation Act No. 1	-	2,323,000	3,700,000
Appropriation Act No. 3	632,400	-	-
Appropriation Act No. 4	-	279,000	-
Appropriation Act No. 5	418,600	-	180,000
Advance to the Treasurer	-	63,070	700,000
TOTAL FUNDS AVAILABLE	<u>1,051,000</u>	<u>2,665,070</u>	<u>4,580,000</u>
TOTAL EXPENDITURE	<u>957,838</u>	<u>2,664,957</u>	<u>4,569,987</u>
UNEXPENDED FUNDS AVAILABLE	<u>93,162</u>	<u>113</u>	<u>10,013</u>

103. This item provides for the cost of telephone, telegraph and postal services for all areas of the Department with the exception of the Australian Electoral Office and the State and Electorate Offices of Ministers and Members of Parliament for which provision is made in Divisions 517/2/03 and 519/2/01.

Exhibit
158/85

104. The Committee was informed that the Department in order to expedite occupation of premises generally accepted responsibility for the property management function when there are several Australian Government Departments occupying a building.

Q. 8375

105. The Department informed the Committee that increased usage of telephones, because of expansion of departmental activity in Australian Government Office buildings and increases in telephone charges and rentals paid for associated equipment, were the reasons for the large increase in expenditure for this item from \$957,838 in 1972-73 to \$4,569,987 in 1974-75.

Exhibit
158/85 and
Q. 8366

106. The Department in its submission stated that the additional provision made in Appropriation Act No. 5 in 1974-75 was to meet expenditure associated with the following:-

Exhibit
158/85
and Q. 8375
and Committee
File 1975/2

	\$
(a) Higher rate of usage than originally estimated and increased cost for the installation of a PABX system in CAGA Centre, Canberra	60,000
(b) Higher rate of usage than originally estimated (\$277,000) and increased salaries (\$43,000) for PABX switch-board staff at Australia House, Taxation Building and the Australian Government Centre, Brisbane	320,000
(c) Installation of additional services of Tivoli Court, Melbourne	18,000
(d) Increased volume of telephone calls and telegraphic services in all States	<u>22,000</u>
	420,000

Less:

Savings resulting from Australian Taxation Office accepting responsibility for telephone services to the King William Tower Building, Adelaide for which provision was made in Appropriation Act No. 1	<u>240,000</u>
	<u>180,000</u>

107. The witness for the Department told the Committee that the increase in expenditure in Queensland had been so much higher than anticipated because during the financial year 1974-75 there had been a large increase in the number of staff and consequently an increase in telephone services and usage in the buildings controlled by the Department of Services and Property. The Department of Social Security in particular had increased its staff numbers considerably during the period. Also as a result of the

Exhibit
158/85 and
Qs. 8368
to 8371

Darwin Cyclone disaster a large number of Australian Government Darwin officers were accommodated in Brisbane Offices controlled by the Department of Services and Property.

108. In relation to the amount of \$700,000 obtained from the Advance to the Treasurer on June 20, we were informed that the State Offices of the Department in Victoria sought \$247,000, Queensland \$355,000, Tasmania \$20,000 and the A.C.T. \$141,000. These amounts were offset by expected underexpenditure of \$60,000 in N.S.W. and \$3,000 elsewhere.

Exhibit
158/85 and
Q. B435

109. The Department gave the following reasons for the amount sought in respect of each State:

Exhibit
158/85

Victoria \$247,000

110. The Department stated in its submission that at the time of preparation of Additional Estimates, the estimated expenditure for 1974-75 in Victoria was \$990,500. This figure was based on actual expenditure to 28 February 1975 plus estimated expenditure of \$366,000 for the remaining 4 months of the financial year. This latter figure was based on costs and trends for accounts paid to February 1975 and was required for:

Exhibit
158/85 and
Q. B379

	\$
Telephone costs of the Australian Government Centre which is occupied by the Department of Services and Property, Australian Electoral Office, the Department of Health and portion of the Bureau of Meteorology.	220,000
Telephone costs of staff of the Departments of Housing and Construction and Labor and Immigration accommodated in the building known as Tivoli Court	110,000
Australian Government Centres in country areas and other minor buildings	36,000
	<u>366,000</u>

111. The Department explained that the Tivoli Court building was occupied by the Department of Housing and Construction in October 1973 and then from February 1974 the Department of Labor and Immigration over a period of twelve months gradually commenced to occupy various areas within the building. During this period the Department of Services and Property was responsible for the management of the building and telephone accounts. The Committee was informed that arrangements had been made with the Departments concerned to take over the telephone accounts in the future.

Q. 8381

112. The Department informed the Committee that when the initial estimates were being prepared the Department had no information, such as past history, on which to base its estimate for costs of telephones in the building. At the time of the Additional Estimates, the highest telephone account received by the Department for the Tivoli building was \$108,000. However, the actual expenditure for the last 4 months of the financial year was \$353,399.85, i.e. an increase of \$243,399.85 over the amount provided in Appropriation Act No. 5. This expenditure was mainly made up of 2 accounts - one for \$261,078.70, received on 4 April 1975, the other for \$91,868.19 received on 6 May 1975. The 4 April account was more than \$150,000 greater than the previous largest account and the Department said that there was no reason to expect an account amounting to \$261,000. It was necessary, therefore, for the Department to obtain additional funds from the Advance to the Treasurer to pay these accounts.

Exhibit
158/85 and
Qs. 8382
and 8383

Queensland \$355,000

113. The Committee was informed that in Queensland, the Department has been responsible for the costs of the PABX Units at the Australian Government Centre, Australia House and the Taxation Building. Provision was made in the Department's 1974-75 appropriations for the payment of the PABX accounts for the period 1 April 1974 to 31 March 1975. However, one account for \$246,790 for these buildings, being calls for the month of April 1975 and for 6 months rental, was received on 9 June 1975. In 1974, the April account was received on 24 June, which was too late to have it examined and

Exhibit
158/85 and
Qs. 8368,
8370, 8372,
8373 and
8395

certified prior to the close-off of accounts for the year. It was expected that the April 1975 account would follow the same time of issue and would, therefore, not be paid until after 30 June, i.e. in the 1975-76 financial year.

114. The Department stated that the cost of metered calls in respect of the Australian Government Centre and Australia House was approximately \$72,000 more than provided for in the appropriations. An additional provision of \$400,000 was made in Appropriation Act No. 5 for metered calls for the period 1 April 1974 to 31 March 1975. This was based on the average monthly cost (\$79,240) of accounts for the period 1 April to 30 November 1974 and had regard to the estimated cost (\$123,600) of the increases in charges for metered calls, effective from 1 October 1974. The provision in Appropriation Act No. 1 for metered calls in these buildings was \$674,000, making the total appropriation \$1,074,000. However, the actual cost of metered calls for these buildings for the period 1 April 1974 to 31 March 1975 was \$1,146,300, i.e., \$72,300 more than provided in the appropriations.

Exhibit
158/85 and
Committee
File 1975/2

115. In its submission the Department stated that the cost of trunk calls for the Taxation Building and Australia House exceeded the provision in the appropriations by approximately \$10,400. At the time of preparation of the Additional Estimates, it appeared that additional funds would be necessary for trunk calls. However, as the provision for trunk calls represents a small percentage of the overall provision for the Department's Queensland Office (appropriation for the Queensland Office in 1974-75 was \$1,423,100) and as trunk call accounts can vary significantly from month to month, it was decided against increasing the provision for a possible increased trunk calls requirement.

Exhibit
158/85 and
Qs. 8399
and 8400

116. In explanation the Department stated that in the financial year 1974-75 the provision of \$172,000 made for telephone rentals for the Australian Government Centre, the Taxation Building and Australia House was approximately \$10,000 less than the actual expenditure. The expenditure against miscellaneous charges for the PABX units in the

Exhibit
158/86

Australian Government Centre, and Australia House was approximately \$8,700 more than provided for while expenditure for the Townsville District Office was \$2,000 more than estimated. The provision in the estimates had been based on the latest six monthly account. There were other miscellaneous increases totalling approximately \$4,600 more than estimated.

117. The Committee was informed that the Department of Services and Property has been the registered telephone subscriber for the telephone services in the Australian Government Centre, the Taxation Building and Australia House. These buildings are occupied by several departments and the Department of Services and Property, therefore, has no direct control of telephone usage by the occupying departments. The witness for the Department told the Committee that there was no consultation with other user departments when the estimates were being prepared, neither would the Department be advised if an occupying department were contemplating the introduction of a new scheme which would entail greater use of telephone services. The Department informed the Committee that the Telecom Division in Queensland had recommended multi-metering of extensions in two buildings. This recommendation, if carried out, would ensure that each of the departments concerned would become directly responsible for the control of expenditure relating to the provision of its telephone services.

Exhibit
158/86 and
Qs. 8401
to 8412

Australian Capital Territory \$141,000

118. A total amount of \$141,000 was sought from the Advance to the Treasurer in respect of the A.C.T. In explanation the Department stated that the Department's Central Office and A.C.T. staff are accommodated in the CAGA Centre building, Canberra. During 1974-75 the building was also occupied by the Overseas Property Bureau of the Department of Foreign Affairs, the Department of Tourism and Recreation and the former Department of Northern Development. As major occupant of this new building, the Department of Services and Property was responsible for the telephone costs of the

Exhibit
158/85

building. When the draft estimates were prepared in March 1974, the Department had been occupying the building for only 2 months and therefore, had no historical data on which to base its estimate. At that time, departments occupying the building were making telephone calls through a manually operated switchboard with a PABX system due to be operational by 1 July 1974.

119. The Department informed the Committee that in respect of the PABX system, \$11,600 and \$38,700 were provided in the Original Estimates to cover the costs of installation and rental, but actual costs were approximately \$23,700 and \$53,500 respectively. The Department stated that its estimate for the cost of installation and rental of the PABX system was mainly based upon the advice provided by the Post Office although it was admitted that the Department itself had omitted to include some related items of cost. The departmental witness maintained that subsequent increases were outside the control of the Department.

Exhibit
158/85 and
Qs. B416
and B417

120. The Committee was informed that expenditure on metered and trunk calls exceeded the amount provided by about \$90,000. In explanation the Department stated that very little historical data or any other information was available on which to base an estimate for calls. There would have been a considerable number of calls made by the Department of Northern Development as a result of Cyclone Tracy. In addition, the cost of calls made by the Overseas Property Bureau of the Department of Foreign Affairs would have been high. After the installation of the PABX, one telephonist continued to be employed on the switchboard; the cost of telephonists was approximately \$8,000 more than the provision in the appropriations. There were other sundry increases in A.C.T. expenditure over the amount provided in the appropriations but specific details were not provided.

Exhibit
158/85

121. The Department in its submission stated that most of the accounts for the A.C.T. were not received from the Postmaster-General's Department until April/May 1975; they covered the period 19 August 1974, when the PABX system became operational, to

Exhibit
158/85 and
Qs. B418
and B423

15 February 1975. The time when accounts for telephones are received in the latter half of the financial year has a significant effect on the provisions the Department must make in Additional Estimates and in the funds it must subsequently seek from the Advance to the Treasurer. At the time of Additional Estimates, expenditure on telephones in Canberra was running at an average of \$14,000 per month; the total provision in the appropriations was \$160,000 which was approximately in line with the monthly average. The receipt of accounts for larger amounts than had previously been the case was mainly responsible for the need to seek funds from the Advance to the Treasurer. Receipt of these accounts prior to the close of the Additional Estimates would have enabled the Department to make a more accurate provision in Additional Estimates. The witness was not aware at the time of the inquiry if any specific action had been taken by the Department to obtain these accounts prior to the closing of the Additional Estimates but he stated that this would be part of the normal procedures.

Tasmania \$20,000

122. The Committee was informed that the Australian Government Centre Exhibit 158/B5 and the Continental Building, Hobart are connected to the switchboard Q. 8425 and in the Australian Government Centre. The Department estimated and Committee total expenditure for the year at \$328,000; this figure was based File 1975/2 on expenditure trends at the time of preparation of the Additional Estimates. Expenditure for the year was \$348,000. The Department stated that the requirement of an extra \$20,000 was attributable to telephonists' salaries costing more than provided for and to a higher rate of usage than estimated.

New South Wales \$60,000

123. The Department informed the Committee that the provision in the appropriations for the salaries of telephonists employed in the Australian Government Centre, Sydney and the Australian Government Offices, Newcastle was \$53,000. The final expenditure of Exhibit 158/B5 and Q. 8429 and Committee File 1975/2 \$21,710, was for accounts up to 8 January 1975. Accounts for periods subsequent to that were received from the Postmaster-General's Department on 30 May 1975 and 30 June 1975, amounting to \$21,912.50 and \$10,204.50 respectively.

124. The Department stated that when received, these accounts are processed by the Personnel Section (for checking against the attendance records, etc.). At the time of receipt of the claims, this Section was occupied to capacity on calculating salary increases resulting from the National Wage case. The accounts, therefore, were not processed in sufficient time to be paid prior to the closing of accounts on 24 June. The Committee was informed that the Department now pays telephone accounts in accordance with Treasury Direction 23/6 which states that:

Exhibit
158/85 and
Q. 8430

"Unless there is palpable evidence of incorrectness, these claims shall be paid without a detailed check, provided that adequate records are maintained to enable recovery action to be taken where necessary. Where recovery is necessary from personnel at outlying centres of a departmental organisation, the responsibility for recovery action shall rest with appropriate officers at the outlying centres where the necessary records would normally be maintained."

125. The Department stated in its submission that the amount provided in the appropriations for telephones in the Australian Government Centre, Sydney was \$492,000 while expenditure was \$477,000 representing a shortfall in expenditure of \$15,000. The broad reasons for the under-expenditure were due to a lower rate of usage than was estimated. This was considered to be attributable to the fact that during the year some floors were vacated to permit refurbishment work to be carried out. The amount provided for telephones for the Australian Government Offices, Lismore was \$44,700. This was based on expenditure of \$19,800 to 31 December 1974 and estimated expenditure of \$24,900 for the remainder of the financial year. Total expenditure for the year was \$29,419 or \$15,251 less than provided for; actual expenditure for the same period in 1973-74 was \$37,742. In view of this the Department considered the estimate of \$44,700 a reasonable one after taking into account the effects of increased charges which became effective from 1 October 1974. The witness for the Department told the Committee that the underexpenditure of \$15,251 in the Australian Government Offices at Lismore was due to usage of telephones being below the expected trend. No reasons were advanced why this was so.

Exhibit
158/85 and
Q. 8434

126. During the inquiry specific reference was made to Treasury Memorandum 66/2105 of 30 November 1970 which sets out the policy for payment for telephone service operation in multi-occupied buildings. This policy was reiterated in Treasury Memorandum 69/2690 of 25 July 1975, which states in part that:

Q. B367
and Treasury
Circular
75/15

"The policy notified on 30 Nov. 1970, requires departments which are the present registered subscribers of a PABX system in a multi-occupied building to seek advice from the Australian Telecommunications Commission as to the feasibility of separate metering facilities within that system, by the provision of a separate group of exchange lines for the exclusive use of each department served by the PABX to handle both incoming and outgoing calls. Under this arrangement the present registered subscriber (usually the Department of Services and Property or the department regarded as the major occupier) continues to pay rental for the switchboard and all extensions together with the cost of staffing the board. Each department using the common switchboard is separately billed by the Telecommunications Commission for the rental of its block of exchange lines as well as for all trunk and metered (including STD) call charges in respect of those lines. Each department deals directly with the Telecommunications Commission on all matters relating to its block of exchange lines, such as variations in the number of lines, trunk access barring (where necessary), the installation of PETRA, etc.

Where a registered subscriber of a PABX system to which other departments have access has not already done so, action should be taken now to explore with the Australian Telecommunications Commission the feasibility of providing metering facilities for the separate billing of all user departments in accordance with the above policy. Only if such metering is not feasible, should the registered subscriber of the PABX system meet the full cost of the service, including rentals and call charges, without recovering from other departments using the facility".

127. The Treasury Observer (Mr Finch), commented that although not specifically stated in the Circular the underlying assumption is that the major occupier would be the registered subscriber. This

Q. B386

would probably offer a substantially greater degree of control over expenditure on telephones than would be the case if the registered subscriber had only a small number of staff or no staff at all in the building.

128. The departmental witness stated that the Department was aware of the Treasury memoranda. However, because of technical difficulties and the high cost involved in many instances, the introduction of separate metering facilities had not been as expeditiously carried out as the Department would have liked. The Department informed the Committee that it had issued instructions to its State Offices to implement the Treasury directives as quickly as possible. Qs. B367 and B385

129. The Committee was informed that the Department had approached the Australian Telecommunications Commission (Telecom) with regard to the feasibility of providing a system of separate metering facilities at the CAGA Centre, Canberra. Telecom Australia on 9 September 1975 replied in the following terms: Qs. B414 and B421

"It is not possible to provide individual groups of outgoing exchange lines with the type of equipment installed in the above premises. No extension metering equipment has been provided to date on joint PABXs in Canberra. This Commission has been conducting feasibility studies relative to the matter but to date no decision as to when the facility may be available or the particular type of PABXs suitable to accommodate this metering, has been determined."

130. The witness for the Department stated that it is very expensive to install this type of equipment. Furthermore, in a number of buildings controlled by the Department of Services and Property the turnover of new departments and new sections had been very high and it was difficult for the Department to predict precisely the long-term needs of specific departments in a particular building. The Department said that to sub-meter with any real long-term benefit is difficult to arrange. If the Department was aware in advance which departments were going to occupy a building or who was to be the major occupier for some time, it would greatly facilitate the installation of equipment. Q. B415

131. The witness stated that a recommendation by Telecom for individual metering of extensions in two buildings had been considered by the Department but not proceeded with because of the high cost of installing the necessary equipment. It was also stated that the separate metering of exchange lines did not necessarily cut costs as the actual extensions needed to be controlled. The witness told the Committee that the department had no control over telephone usage by other departments, other than to ask departmental heads to supervise the use of telephones and exercise control.

Qs. 8400,
8402 and
8421

132. Several times during the public hearing reference was made to the use of a telephone call analyser system known as PETRA. The Department told the Committee that in the Australian Capital Territory part of the department's staff is located in a building occupied by the Department of Capital Territory and a PETRA system had been installed there. Approval had been given to introduce PETRA into most of the Department's offices in the A.C.T. In the States PETRA had not been installed in any building for which the Department was responsible although in Queensland investigations on the installation of PETRA were being made. The witness for the Department stated that in the CAGA buildings in the A.C.T. the Department regarded the introduction of PETRA as too costly and time consuming particularly with regard to the reading of tapes although the witness conceded that experience in other departments indicated that it could be worthwhile. The Department at the inquiry stated that access-barring to STD lines had been operating in the Australian Government Centre in Sydney for 12 months. There are 6 departments in that building and each Chief Officer had nominated the extensions which could be used for STD calls. In the Department's Central Office one line had been access-barrred.

Qs. 8387
to 8394

Conclusions

133. The Committee appreciates the difficulty the Department must experience in preparing accurate estimates of expenditure for telephone services, particularly that part of the expenditure that is incurred by other user departments over which the Department of Services and Property

has no direct control. The Committee therefore accepts the Department's explanations for the need to seek funds in the Additional Estimates and from the Advance to the Treasurer.

134. The Committee notes that the Department does not consult the other user departments in regard to the estimates of expenditure for their telephone services. The Committee believes that information could be gained by consultation at appropriate times during the financial year that would assist in preparing more accurate estimates, particularly where the other user departments are in the process of increasing staff numbers or taking other steps that could entail a greater use of telephones.

135. Although it would appear that there is no simple solution to the problem of ensuring proper control over the use of telephones, the Committee considers that cost control would be improved if, whenever possible, departments were made directly responsible for the preparation of estimates and payment of accounts for their own telephone services. This is, of course, the objective of the policy enunciated in the Treasury memoranda mentioned during the inquiry, which the Committee notes is being implemented as quickly as possible by the Department of Services and Property.

136. The Committee considers it appropriate at this stage to restate the view expressed in earlier Reports that a direct responsibility rests with every Permanent Head to maintain proper administrative supervision over the use of telephone facilities installed in his Department. The Committee sees this responsibility as extending to consideration of whether it is practical and economical to install such monitoring devices as PETRA within departments and whether access-barring of particular extensions or exchange lines to STD facilities is feasible.

CHAPTER 8

DEPARTMENT OF SOCIAL SECURITY

Division 947/0/02: Payments to or for the States - States
Grants (Home Care) Act - Grants towards
the salaries of Welfare Officers

Funds Available	<u>1972-73</u>	<u>1973-74</u>	<u>1974-75</u>
	\$	\$	\$
Appropriation Act No. 2	25,000	130,000	150,000
Advance to the Treasurer	9,500	-	180,000
TOTAL FUNDS AVAILABLE	34,500	130,000	330,000
TOTAL EXPENDITURE	34,289	74,201	319,279
UNEXPENDED FUNDS AVAILABLE	211	55,799	10,721

137. The purpose of this item is to provide for financial assistance Exhibit
to the States in the form of payment of two-thirds of the salary of Welfare ^{158/B4}
Officers employed by, or in association with, an approved senior
citizens' centre.

138. The States Grants (Home Care) Act 1969-1973 states in part Q. 8321
that:

10. (1) Subject to this Act, where a person is employed as a welfare officer of a senior citizens' centre in a participating State wholly or mainly in connexion with the provision of an approved welfare service or approved welfare services by or in association with the centre, there is payable to the State, by way of financial assistance, an amount equal to two-thirds of the amount paid to the welfare officer by way of salary in respect of any period commencing after the commencement of this Act and after the State has given the notice by virtue of which it is a participating State.

(2) Where two or more persons are employed throughout the same period as welfare officers of the same senior citizens' centre, this section does not, unless the Minister otherwise approves, apply in relation to the employment of more than one of those persons.

139. The Department explained that if there is a case for financial assistance for a welfare officer in any State to assist in helping senior citizens' centres in the application of their responsibilities towards the aged, a municipal council makes an application to the State Department for that financial assistance. The State Department then submits the application for assistance to the Central Office of the Department of Social Security. If the Department is satisfied that the application meets with the requirements under the Act, the amount is paid to the State Department by the Central Office of the Department of Social Security.

Qs. B292
and B293

140. The Department informed the Committee that in 1972-73 following an increase in the subsidy paid under the Act (from one dollar for each dollar paid by the local council or senior citizens' centre to two dollars for one dollar) there was a substantial increase in the number of welfare officers being appointed. In 1973-74 the increase in the number of welfare officers appointed was not as great as was anticipated, consequently there was an underexpenditure in 1973-74 of \$55,799.

Qs. B295,
B296 and
B319 to
B332

141. The Department in preparing its estimates for this item obtains estimates of requirements from the States. However, a witness for the Department said that there remains an element of speculation in preparing these estimates as there is no definite information available as to what senior citizens' centres are planning to employ welfare officers during the period concerned.

Q. B297

142. In regard to the amount of \$180,000 obtained from the Advance to the Treasurer the Committee was informed that late in April 1975, the N.S.W. Department of Youth, Ethnic and Community Affairs lodged claims for arrears of subsidy which amounted to \$187,000. This claim arose through an administrative oversight by the State Department which had not applied for subsidies to which entitlement had existed for a considerable time. In some instances

Exhibit
158/B4
and Qs.
B298 to
B300

the unclaimed subsidy had been payable since the enactment of the enabling legislation in 1969. At 30 April 1975 expenditure under this item was \$129,595 and the Department expected that the original amount provided in Appropriation Act No. 2 would be sufficient to meet the year's requirements. The bulk arrears application, however, was unexpected and to meet this liability it was necessary to obtain additional funds from the Advance to the Treasurer.

143. The Committee was informed that only N.S.W. had lodged claims for arrears of subsidy payments. The witness explained that the local authorities in N.S.W. had actually lodged the claims for financial assistance to the State Government Department. However, through an administrative oversight, the State Government Department had not passed on 31 of such claims to the Department of Social Security for consideration. Some of these claims had been outstanding for a number of years. The witness said that it seemed inexplicable that local authorities having lodged these claims with the State Government Department did not complain when the amounts were not received.

Qs. B302
to B305
and B313
to B318

144. The Department informed the Committee that the legislation received a considerable amount of attention when it was enacted. It had been preceded - this is particularly relevant in the case of New South Wales - by the report of a committee set up by the New South Wales Government which inquired into the needs and care of the aged.

Q. B304

145. The witness for the Department understood that the N.S.W. State Government Department had taken action to ensure that there would be no recurrence of such delays in presenting claims for this subsidy on behalf of the local government councils. An officer of the Department assisted the State Department for several days in preparing the back log of claims. Consequently, the State Department should now be fully aware of the Department of Social Security's procedures. The witness believed that the Department, knowing the extent of its current commitments, would be in a better position now

Qs. B306
and B312

to notice if there were any delays in the submission of claims by State Departments.

Conclusions

146. The Committee accepts the Department's explanation.

CHAPTER 9

DEPARTMENT OF THE SPECIAL MINISTER OF STATE

- (i) Division 544/2/04: Australian Archives - Administrative Expenses - Office Services

<u>Funds Available</u>	<u>1972-73</u>	<u>1973-74</u>	<u>1974-75</u>
	\$	\$	\$
Appropriation Act No. 1	103,000	109,000	102,000
Appropriation Act No. 3	-	-	-
Appropriation Act No. 5	-	-	3,000
Advance to the Treasurer	-	-	13,100
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUNDS AVAILABLE	103,000	109,000	118,100
TOTAL EXPENDITURE	<u>63,592</u>	<u>80,004</u>	<u>117,515</u>
UNEXPENDED FUNDS AVAILABLE	<u>39,408</u>	<u>28,996</u>	<u>586</u>

147. This item provides for the costs of servicing the various Archives repositories and offices located in all States.

Exhibit
158/A4

148. The Committee was told that underexpenditure on this item in previous years was due to delays in the completion of a large archives repository at Villawood. The Villawood complex had been built to replace a repository at Maroubra and funds for electricity, water rates and security had been provided in previous years' estimates but had not been spent because of delays in completing the transfer to the various stages of the Villawood repository.

Qs. A373
and A375

149. It was explained that \$3,000 was obtained in Appropriation Act No. 5 to meet the costs of opening a second repository in Hobart. At the inquiry, the witness stated that the Department had received advice in mid-December 1974 that the lease for the second repository had been approved and would take effect from 1 January 1975. He said that costs would have included additional security services which, he understood, would have been arranged by the Department of

Exhibit
158/A4 and
Qs. A376,
A377 and
A379 and
Committee
File 1974/4

Services and Property in the early months of 1975. In a supplementary submission, the department explained that the decision to proceed with a second Hobart repository had been made in May 1974 but because negotiations were not completed until the lease was signed on 12 November 1974, no action could be taken to provide the additional funds which would be required. The supplementary submission stated that the lease ran from 1 July 1974 and occupation of the building had commenced in December 1974. The additional funds had been necessary to meet costs associated with cleaning (\$1,000) gas, fuel and electricity (\$900), repairs and maintenance (\$600) and security (\$500).

150. The Committee was informed that the need for further funds from the Advance to the Treasurer arose from increased electricity, fuel and security service charges and from general increases associated with the opening of additional repositories. Funds were sought from the Treasury on 9 June 1975. The amount of the appropriation, revised estimate of expenditure for the financial year made on 4 June and actual expenditure was as follows:

Exhibit
158/A4 and
Qs. A385,
A386, A395
and A396

	<u>Appropriation</u>	<u>Revised Estimate</u>	<u>Actual Expenditure</u>
	\$	\$	\$
Cleaning	9,800	6,300	6,273
Gas, fuel and electricity	51,000	65,000	65,102
Repairs and Maintenance	10,800	6,100	6,079
Water Rates	12,300	8,000	7,610
Lift and caretaker	20,000	31,000	30,940
Pest Control	1,100	1,500	1,511
	<u>105,000</u>	<u>118,100</u>	<u>117,515</u>

151. In respect of the increased electricity costs, the witness explained that there had been a 17½ per cent increase in the cost of electricity in New South Wales from early 1975. This increase was coupled with additional expenditure resulting from the increased phasing-in of the Villawood complex.

Qs. A380
and A381

152. The departmental submission stated that the cost of fuel oil rose 8 cents per gallon and diesel oil rose 10 cents per gallon. However, at the inquiry the departmental witness referred to increases of 12.8 cents and 22.5 cents which occurred in January 1975. The January, February and March accounts processed in February and March included these increases. An additional unforeseen expense was the need to fill a 3,000 gallon tank to allow test runs of a standby power plant. The total cost of increases in fuel oil amounted to about \$1,000.

Exhibit
158/A4 and
Q. A382

153. The Committee was informed that an increase in the contract rate for security services at Villawood was approved on 21 April 1975. The increase of \$140 per week was effective from 1 December 1974 and resulted in an additional requirement of \$3,640. Other increases in expenditure for security services, which were apparently funded from savings in other areas, were associated with the inter-city services contract which expired on 30 November 1974. Increases of more than \$8,000 arose due to an increase in the contract rate and the discovery of a charging error by the contractor which had resulted in under-payments over several years.

Exhibit
158/A4 and
Qs. A392
and A394

154. In relation to the additional costs associated with the opening of new repositories during the year, the Committee was told that at the time the Original Estimates were prepared the Department would have been responsible for 16 leased premises and 11 departmental premises. During the year a further 5 repositories were opened in various cities plus stage 2 of the Villawood complex and although some provision had been made for them in the Original Estimates it was difficult to estimate usage for new repositories in advance. The witness pointed out that Stage 2 of the Villawood repository was larger than all other new repositories combined.

Exhibit
158/A4 and
Qs. A370,
A371, A383,
A384 and
A387

155. In explaining the causes for the underexpenditure in several of the sub-items, the witness stressed the problems which had been associated with the completion of the Villawood complex and stated that delays at Villawood had resulted in savings on some expected

Exhibit
158/A4 and
Qs. A387
to A391

expenditures. He pointed out that the Department would have had no idea of the possible water usage and hence the likely water rates at Villawood until it had been in operation for some years. The witness was unable to give the Committee any details of the basis of the water rates levied on the property at Villawood.

Conclusions

156. From the evidence, the Committee is not completely satisfied that all funds sought from the Advance to the Treasurer were justifiably obtained from that source. For example, the Committee believes that the Department should have made provision for increases associated with electricity and fuel costs in the Additional Estimates as these increases were apparently known at the time Additional Estimates were prepared.

157. While sympathising with the Department's estimating difficulties associated with the delays relating to the Villawood complex, the Committee would appreciate some reassurance from the Department, or its successor, that an adequate review of expenditure was carried out at the time the Original Estimates were prepared.

158. The Committee was disturbed prior to its public inquiry by the poor quality of the submission relating to this item and subsequently by the poor quality of the oral evidence and the inconsistencies this evidence revealed. We would remind the Department of the need for accuracy of detail in submissions presented to the Committee and for the adequate briefing of witnesses.

- (ii) Division 546/2/02: Grants Commission - Administrative Expenses - Office requisites and equipment, stationery and printing

<u>Funds Available</u>	<u>1972-73</u>	<u>1973-74</u>	<u>1974-75</u>
	\$	\$	\$
Appropriation Act No. 1	8,700	36,000	40,000
Appropriation Act No. 3	-	-	-
Appropriation Act No. 5	-	-	4,300
Advance to the Treasurer	-	-	1,100
	<hr/>	<hr/>	<hr/>
TOTAL FUNDS AVAILABLE	8,700	36,000	45,400
TOTAL EXPENDITURE	8,956	33,820	38,711
	<hr/>	<hr/>	<hr/>
UNEXPENDED FUNDS AVAILABLE	-256	2,180	6,689

159. This item provides for the purchasing of office machines and equipment, office requisites, stationery, printing and binding and subscriptions for books and newspapers and periodicals for the Grants Commission.

Exhibit
158/A5

160. In its original submission to the Committee the Department explained that \$4,300 was obtained in Appropriation Act No. 5 "to meet increased costs in printing the reports of the Commission" while \$1,100 was obtained from the Advance to the Treasurer to "meet increased costs associated with the printing of the Local Government Accounting Returns". The submission stated:

Exhibit
158/A5

"All unexpended funds were committed and it was anticipated that the accounts involved would be received and presented for payment before the end of the financial year. However, the majority of these accounts were not received. Therefore the additional \$1,100 was not required."

161. Subsequent to the Committee's decision to examine the Department at public inquiry in respect of this item, the Department forwarded a much more detailed supplementary submission which admitted that the Department's original submission had been inaccurate.

Exhibit
158/A6 and
Q. A401

It was explained that the already inadequate staff of the Department's Central Office and at the Grants Commission had been engaged in exercises relating to possible expenditure cuts and it had not been possible to provide as full an explanation for each item as would normally have been desirable. Upon a closer and more detailed examination of the expenditure it had been ascertained that:

"although the non-receipt of accounts in sufficient time to effect payment by the close of the financial year contributed to the under-expenditure, there were also other contributing factors."

162. By way of background to the financial responsibilities of the Department and the Grants Commission, the Committee was informed that requisitions are initially raised by the Commission and forwarded to the Department to check that funds are available. The Commission then proceeds with purchases and, following receipt of accounts, certifies them and forwards them for payment to the Department. Qs. A399 and A400

161. In respect of this item, the Committee was informed in the Department's supplementary submission that the final expenditure and appropriation figures for the item were as follows: Exhibit 158/A6

<u>Sub-item</u>	<u>Appropriation</u>	<u>Expenditure</u>
Stationery and Printing	27,400	28,000
Office Machines	3,000	723
Newspapers, Books and Periodicals	1,000	1,452
Office Requisites	2,000	2,642
Photocopying	12,000	5,894
	<u>45,400</u>	<u>38,711</u>

164. The submission explained that, following a detailed examination of the expenditure on the item it had been established that the under-expenditure could be attributed to three main causes: Exhibit 158/A6

- . non-payment of accounts by close of financial year;
- . accounting procedures; and
- . under-expenditure in relation to office machines and photocopying

• Non-payment of Accounts

165. The Committee was informed that the Grants Commission's staff resources in the Management Services Section had been seriously depleted for several months. The Commission's approved establishment for this service area consists of an Administrative Officer (Class 5), a Clerk (Class 2/3), a Clerical Assistant (Grade 3) and a Clerical Assistant (Grade 1). The Administrative Officer is responsible for overseeing the Commission's financial administration - including preparation of draft estimates and submissions for the Additional Estimates. At the time the Commission received advice from the Department to the effect that a written explanation would be required for the Committee outlining the reasons for the under-expenditure against Division 546/2/02, the whole of the Commission's Management Services Section (so far as financial administration matters were concerned) consisted of the Clerk (Class 2/3). Exhibit 158/A6

166. The witness representing the Commission explained that the Administrative Officer had been on furlough for a period of about six months around January to May 1975, and that the Clerk Class 2/3 had been acting in the position. The Clerical Assistant, Grade 3 who normally shared some of the administrative burden associated with arranging travel for staff of the Commission, was on maternity leave. The Commission had sought assistance from the Central Office of the Department but the Department was unable to offer any assistance because it, too, was experiencing staffing problems in the finance area. The witness explained that the Commission's administrative establishment had subsequently been increased to 7. Qs. A403, A404 and A406 to A409

167. The Public Service Board Observer (Mr Mawer) pointed out that the Commission's problems were staffing problems rather than organisational problems and, as such, were the responsibility of the Department, not the Board. He stated that, to his knowledge, the Board was not aware of the problems of staffing in the Department's Central Office. Qs. A405 and A410

160. The Department's supplementary submission explained that an initial examination of the Commission's funds position on 1 August 1975 revealed that a number of accounts, either not received by the end of the financial year or, presented for payment at various dates close to the end of the financial year, were not settled by 30 June. It stated that as one of these accounts was for an amount in excess of \$800, the Commission took the view that the overall shortfall (\$6,689) could be explained in these terms. It pointed out that had the Commission's staff resources been more adequate at that time, a closer examination would have revealed the deficiencies in that explanation and led the Commission to an elaboration of the other contributing factors.

Exhibit
158/A6

169. In response to a question seeking information regarding the number and amount of outstanding accounts at 30 June 1975, and the reasons those accounts were not paid, the Commission explained that it was not possible to identify all accounts that may have been received before 30 June as the Commission had not maintained a register of the receipt of accounts. The Commission listed five accounts, the largest being one for \$305.71 from Rank Xerox, which may have been received prior to 30 June 1975.

Q. A430
and
Committee
File 1975/2

170. The witnesses at the inquiry explained that the more detailed examination of the expenditure on the item would not have been carried out if the Committee had not decided to conduct its public inquiry into the item. However, the Committee was assured that the true extent of unpaid accounts would have been discovered in the period after 30 June as part of a normal check of outstanding requisitions to be carried forward.

Qs. A411
to A414

171. The Committee was advised that although the Department and Commission had been receiving the monthly printouts of expenditure from Treasury, staff shortages prevented any check of its contents. The witness for the Commission stated that the Commission had previously been using the printout as its register of liabilities but was now maintaining its own register of commitments.

Qs. A415
and A416

. Accounting Procedures

172. The Committee was informed that on 24 April 1974 a requisition for \$6,000 was raised to cover the cost of printing of the Grants Commission's 41st Report 1974 on Special Assistance for States. This estimate was supplied to the Commission by the Australian Government Publishing Service (based on a standing contract for 85 printing which the A.G.P.S. has with nominated private printing firms throughout Australia) and formed the basis for the provision by the Commission of an estimate of \$6,000 in its draft estimates for 1974-75 to cover the cost of printing this Report.

Exhibit
158/A6

173. We were told that on 10 July 1974, following discussions with private printing firms, the A.G.P.S. agreed that the printing requirement fell outside the terms of the contract, and advised the Commission that a revised quotation of \$12,900 for the printing of the Report had been submitted and recommended its acceptance by the Commission. Accordingly, a second requisition was raised on 12 July for an additional \$7,000 and was subsequently provided in the Commission's estimates, and brought to \$13,000 the total amount provided by the Commission for the printing of the Commission's 41st Report.

Exhibit
158/A6

174. The departmental submission explained that on 7 February 1975, the A.G.P.S. submitted to the Commission the final account submitted by Griffin Press totalling \$15,412.76. The departmental witness explained that the final account exceeded the quotation of \$12,900 originally accepted by the Commission because of the fact that the former Chairman of the Commission, Sir Leslie Melville, had retired on 30 September 1974 and it had been necessary to have the report completed by that date. The printer had had to put on additional shifts to meet the deadline and the A.G.P.S. believed that the only way to meet the deadline was to accept the revised price.

Exhibit
158/A6 and
Q. A417

175. The submission stated that in order to meet the revised estimate, \$2,500 had been provided in the Additional Estimates and the account was processed for payment on 10 March 1975. At this point, an error in accounting procedures took place in the Department. In writing the commitment for \$15,412.76 out of the Appropriation

Exhibit
158/A6

Revenue Ledger, the second requisition only was written back and outstanding commitments in the Appropriation Revenue Ledger were then overstated by \$6,000 (the amount raised by the first requisition). This error was subsequently carried forward to the close of the financial year and was not detected until after the preparation of the explanatory statement submitted by the Department to the Committee on 18 July wherein it was stated (in explanation of the Commission's request for \$1,100 from Treasurer's Advance) that all unexpended funds were committed and that it was expected that the accounts involved would be received and presented for payment before the end of the financial year.

170. The Department's submission conceded that the occurrence of this accounting error was, in an indirect sense, partly responsible for the Commission's need to seek funds from the Advance to the Treasurer and also for the under-expenditure in certain sub-components of this item both of which factors contributed in a major way to the under-expenditure against the total appropriation.

Exhibit
158/A6

171. In explanation of the Department's need to obtain funds from the Advance to the Treasurer the departmental submission stated that the Appropriation Revenue Ledger computer printout for the month of May 1975 indicated total commitments outstanding against Grants Commission appropriations for Division 546/2/02 of \$9,110. On the basis of this amount, an approach was made to Treasury on 9 June 1975 for the provision of an additional \$1,100 from Treasurer's Advance to cover costs associated with the printing of the Commission's annual Returns of Accounting and Other Information which are collected from local governing authorities throughout Australia each year.

Exhibit
158/A6

176. The Committee was told that at the time of preparation of its draft estimates for 1974-75, the Commission included an amount of \$1,100 in Division 546/2/02 to cover the cost of printing these Returns. This estimate was furnished to the Commission by the Australian Government Publishing Service on the basis of a fairly imprecise statement of the Commission's requirements. The witness pointed out that at the time the estimates were prepared the Commission had not finalised its

Exhibit
158/A6 and
Q. A422

requirements for the forms. Subsequently, on 5 June 1975, an account for \$1,153.07 for a progress payment in respect of this job was received from the A.G.P.S. The A.G.P.S. estimated that the cost of the whole job would be in the vicinity of \$1,700. The Appropriation Revenue Ledger computer printout for the month of May indicated that the position at 31 May 1975 was as follows:

<u>Sub-Item</u>	<u>Expend- iture</u>	<u>Outstanding Commitment</u>	<u>Total</u>	<u>Appropriation</u>
	\$	\$	\$	\$
Stationery and Printing	26,219	8,441	34,660	26,300
Office Machines	723	6	729	3,000
Newspapers, books and periodicals	1,236	138	1,374	1,000
Office requisites	2,292	451	2,743	2,000
Photocopying	5,894	73	5,967	12,000
	<u>36,364</u>	<u>9,109</u>	<u>45,473</u>	<u>44,300</u>

Under-expenditure - Office Machines and Photocopying

179. The Committee was advised that at 28 February 1975 expenditure and commitments on office machines and photocopying amounted to \$682 against an appropriation of \$3000 for office machines and \$4,360 against an appropriation of \$12,000 for photocopying. The witness understood that the original estimate of \$12,000 for photocopying would have been based on previous expenditure and thought it included a fixed component of about \$6000 for the hire of a photocopying machine with the balance of the photocopying expenditure being an allowance for usage. Although expenditure at 28 February was not as high as anticipated, we were told that the Commission had expected that the rate of expenditure would increase sufficiently to ensure adequate expenditure against both sub-items by the end of the financial year.

Exhibit
158/A6 and
Qs. A414
and A426

180. In respect of office machines, the Committee was advised that the Commission expected to meet a requirement of the Local Government Finances Branch for several electronic calculators following the

Exhibit
158/A6

completion of the 1974-75 cycle of public hearings and inspections by the Commission. The Commission had under examination at that time a proposal to purchase an electronic programmable desk calculator costing in the vicinity of \$800 - \$1,000. Also, the Commission had under examination a proposal to purchase a franking machine and associated mail room equipment (estimated cost \$800) which was not then a contract item.

181. In relation to photocopying expenditure the submission explained that the Commission, early in the New Year, entered into discussions with Rank Xerox to terminate its pre-existing contract for the hire of a Rank Xerox 4000 machine and to enter into a rental agreement covering the hire of a larger capacity Rank Xerox 3600 machine. During these negotiations, the Rank Xerox organisation advised that the optimum solution to the Commission's photocopying requirements lay in retaining the small 4000 series machine as well as the larger 3600 series machine. On this basis the basic hiring charge to the Commission's account for this sub-item would have approximately doubled. In a full year the total hiring charges for the retention of both machines would have amounted to approximately \$6,000. After investigation of the Rank Xerox suggestion, the Commission rejected the proposal to hire two machines and, on 22 May 1975, signed a rental agreement covering the hire of the 3600 series machine.

Exhibit
158/A6

182. The witness for the Commission explained that the need for a new machine arose out of the substantial use to which the existing machine was being put. The 4000 series was too small for the Commission's requirements but the Commission had rejected Rank Xerox's arguments in favour of hiring both the 4000 series and the 3600 series as the only apparent reason for keeping the smaller machine was to cover the breakdown periods of the larger one.

Q. A429

183. The supplementary submission explained that in addition to the \$2,500 sought by the Commission from the Additional Estimates for the 41st Report (already referred to above) the final accounts

Exhibit
158/A6

for costs associated with the printing of the Commission's First Report on Financial Assistance for Local Government totalled approximately \$8,800 against a total appropriation of \$7,000. These two factors combined - having regard to the Commission's expectations at that time about expenditure against other sub-items within the Division - necessitated an approach by the Commission for additional funds amounting to \$4,300.

184. The submission stated that the failure by the Commission to identify accurately the possibility of utilising savings from the Office Machines and Photocopying sub-items to obviate the necessity to seek the additional funds was partly attributable to the accounting error referred to above. On the basis of the funds position as illustrated by the computer printout the Commission decided not to proceed with the purchase of office machines and a franking machine and associated mail room equipment.

Exhibit
158/A6

185. In relation to the underexpenditure on photocopying the Committee was told that the amount provided in the 1974-75 estimates was based on the assumption that the monthly throughput of paper would approximate the 25,000 to 30,000 copies per month in the latter half of 1973-74. Actual usage in 1974-75 was only 19,000 copies per month and was partly attributable to a decline in requirements for circular explanatory material for local government authorities as they developed more familiarity with the Commission procedures, and partly to the Commission utilising reproduction facilities of the Department for some reproduction requirements at no cost to the Commission.

Exhibit
158/A6 and
Committee
File
1975/2

General Comments

186. The Committee was informed that the Department, in consultation with the Grants Commission, had suggested the implementation of the following procedures to minimise the risk of recurrence of similar under-expenditure in future years:

Exhibit
158/A6

- "(i) the Commission had been requested to take positive action in the closing months of the financial year to ensure that all accounts for significant amounts were presented for payment and settled promptly before 30 June. In addition, the Commission had recently obtained the Public Service Board's approval to a reorganised staffing establishment for the Commission. Subject to positions being able to be filled under staff ceiling restrictions the Commission's new establishment should facilitate a strengthening of the Commission's Management Services Section;
- (ii) action would be taken to ensure that in future two requisitions were not raised in respect of the same service; and
- (iii) arrangements would be made to ensure better liaison between the Department's Accounts Branch and the Grants Commission's Management Services Section. In particular, it proposed that checks be made at regular intervals to ensure that all outstanding commitments shown in the Appropriation Revenue Ledger were in fact current. These arrangements would ensure that an overstatement of outstanding commitments would not continue undetected for several months in the manner in which the error was carried forward during 1974-75."

Conclusions

187. The Committee is most concerned about the errors and oversights disclosed during the inquiry which were associated with expenditure of funds appropriated for this item and with the Department's preparation of an explanatory statement for the Committee in relation to that expenditure.

188. Prior to commencing the public inquiry into this and the previous item (Division 544/2/04) the Chairman of the Committee made the following statement:

"In assessing whether or not a department is justified in seeking funds from the Treasurer's Advance, the Committee needs to know whether the expenditure was unforeseeable. Although the amounts involved in both items are small, the Committee found that the Department's original explanations were inadequate, because neither contained sufficient detail on which the Committee could judge the Department's estimating performance. The Committee therefore felt obliged to include these 2 items in its public inquiry. The Committee has received a supplementary submission in respect of item 546/2/02. While the Committee commends the Department on the quality of this supplementary submission, it should be noted that the Committee is disturbed by the Department's admission that the original submission was inaccurate."

189. From the evidence submitted to the Committee it is apparent that failure to pay accounts was only a very minor factor in the Department's underexpenditure of \$6,689. It is clear that the chief factor in this underexpenditure was the administrative oversight which resulted in the failure to cancel a superseded requisition for \$6,000. While the Committee can understand the original oversight, the Committee was at a loss to understand why the details of this non-existent commitment had not been discovered by the Commission or the Department by 1 August when the Commission prepared its original submission for the Committee. It is clear that the Department had no need to seek funds in either the Additional Estimates or from the Advance to the Treasurer.

190. The Committee noted that the Commission apparently proposes to maintain its own register of commitments rather than to make use of the computer printout produced by the Treasury Ledger System. The Committee finds this decision surprising in view of the Commission's stated staffing problems and would point out that the computer printout overstated the outstanding commitments for this item because of an error made within the Department. The Committee believes that keeping a second register of commitments within the Commission would be an unnecessary duplication.

191. The Committee is also disturbed by the instances of conflicting evidence presented to it at the inquiry. While the Commission claimed that staffing problems caused difficulty in preparing a submission for the Committee on 1 August 1975, the witness, in evidence, was unable to say specifically when the senior officer in the Management Services Section was on furlough. He was only able to suggest that it was for about six months around January to May. Further, the witness was unable to provide details of the components of the photocopying sub-items and although he suggested a figure of \$6,000 for hire of the one machine, the departmental submission indicated that rental for both machines would have cost \$6,000. 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."

CHAPTER 10

GENERAL CONCLUSIONS

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

193. This inquiry has shown that in some cases expenditure from the Advance to the Treasurer was confined to urgent and unforeseeable requirements for which provision could not have been made in the Appropriation Acts. In other cases, however, there was evidence of clerical errors, inefficient estimating procedures, and delays which caused expenditure to be charged to the Advance when provision should properly have been made in the Additional Estimates. Attention has been drawn to these inadequacies where they have been discovered.

194. The Committee would invite particular attention to the fact that there were several cases where amounts were charged to the Advance to the Treasurer without Warrant Authority, in contravention of Treasury Regulation 90(1). Although the Committee was generally satisfied with departmental explanations relating to these expenditures and did not examine any at public inquiry we would again remind departments of the requirements of Treasury Regulation 90(1) which is expressed in the following terms:

"An Authorizing Officer shall not authorize expenditure from an appropriation of the Consolidated Revenue Fund (other than an appropriation that is deemed to be made by virtue of section 35 of the Act) or an appropriation of the Loan Fund until a Warrant Authority for Expenditure authorizing expenditure accordingly has been obtained from the Secretary."

195. A further matter to which the Committee would invite specific attention relates to the brevity of some departmental explanations and the fact that some witnesses appearing before the Committee were inadequately briefed. In this regard we would again draw the attention of departments to Memorandum 66/385 of 16 October 1970 from the Secretary to the Treasury to all Permanent Heads which related to the preparation of material and the briefing of witnesses. The substance of the Memorandum is set out in Chapter 9 of this Report.

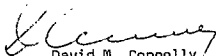
196. Finally the Committee would invite the attention of departments to the fact that some departments, and in particular the Department of the Special Minister of State and the Department of Services and Property, were unduly slow in furnishing supplementary information requested during the course of the public inquiry. In this regard we would remind departments that requirements in relation to such submissions 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, and include the following:

"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 (7) 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."

For and on behalf of the Committee,



T. Devine
Secretary
Joint Committee of Public Accounts
Parliament House
6 May 1976



David M. Connolly
Chairman