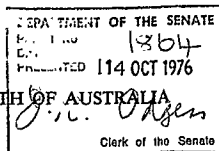


1976

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA



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JOINT COMMITTEE OF PUBLIC ACCOUNTS

---

ONE HUNDRED AND  
SIXTY-FIRST REPORT

---

TREASURY MINUTES ON THE  
ONE HUNDRED AND FIFTY-SECOND,  
ONE HUNDRED AND FIFTY-FOURTH  
REPORTS

TOGETHER WITH

SUMMARIES OF THOSE REPORTS

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.E. 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 subsection (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 SIXTY-FIRST REPORT

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JOINT COMMITTEE OF PUBLIC ACCOUNTS

CHAPTER 1 - INTRODUCTION

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

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

As they now stand, the arrangements concerned are:-

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

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

CHAPTER 2

TREASURY MINUTE ON THE ONE HUNDRED AND FIFTY-SECOND  
REPORT RELATING TO EXPENDITURE FROM THE ADVANCE TO  
THE TREASURER (APPROPRIATION ACTS 1973-74)

Committee's Conclusions  
One Hundred and Fifty-second Report  
(26 November 1974)

Treasury Minute  
(18 February 1976)

The Treasury has examined the Report and has discussed with the departments concerned the observations and conclusions of the Committee which have, where necessary, been brought to the notice of the officers concerned. Amendments to the Administrative Arrangements subsequent to the Report have resulted in changes to the names of some departments and the transfer of some functions from one department to another. The names of departments in this Minute conform with the names in the Committee's Report.

ATTORNEY-GENERAL'S DEPARTMENT  
High Court - Salaries and Payments in the nature of  
Salary - Payment in lieu of long leave to widow of Judge

17. The change from the normal procedure for submitting additional estimates for salaries and payments in the nature of salaries and the resultant haste in preparing those estimates was the major cause of the Department's failure to include provision for this item in the Additional Estimates. The Committee notes that, on this occasion, the oversight was detected relatively soon after it had occurred, although too late to have the amount included in Appropriation Act No. 3.

Committee's Conclusions  
One Hundred and Fifty-Second Report  
(26 November 1974)

18. The Committee believes that oversights of this nature should not occur and should be regarded seriously by departments. The Committee has been assured that the Department will introduce into its estimating procedures a provision which will ensure that individual applications for additional funds are included in the consolidated schedule forwarded to the Treasury and finally in the relevant Appropriation Act.

19. A further matter to which the Committee would like to draw attention relates to the brevity of the submission. In this regard we note that the Department devoted less than five lines to explaining why funds obtained from the Advance to the Treasurer, pending appropriation, remained a charge to the Advance at the end of the financial year. The Committee would draw attention to Treasury Memorandum 66/385 of 16 October 1970 to all Permanent Heads. This memorandum included the following statement:

"Not only has the Committee the right to expect that witnesses appearing before it are properly briefed but it is in the interests of each department and the Service generally that evidence tendered to the Joint Committee

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The Department has advised that administrative procedures in the Finance Section have been adjusted to ensure that similar oversights do not occur again.

The Department has noted the Committee's comments relating to the brevity of the submission and in future more detailed explanations will be provided.



Committee's Conclusions  
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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."

DEPARTMENT OF CUSTOMS AND EXCISE

Administrative - Administrative Expenses - Payment to the  
Postmaster-General's Department for the collection of duty  
on goods imported through the parcels post

30. The Committee accepts the Department's explanation on the basis of the evidence tendered, although the Committee notes that the Department did not make any special effort to obtain the claim from the Postmaster-General's Department until May 1974.

31. The Committee is concerned that the reimbursement claim of the Postmaster-General's Department was not received in time to allow the Department to obtain funds in the Additional Estimates.

32. In the circumstances the Committee believes that the Departments involved should have discussions with a view to

The Department agrees with the conclusions of the Committee. Arrangements have been made to ensure that

Committee's Conclusions  
One Hundred and Fifty-second Report  
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ensuring that, in future, the reimbursement claim is prepared in time to give the Department of Customs and Excise the opportunity to obtain funds from the Additional Estimates if so required.

future claims by the Australian Postal Commission are received in sufficient time for additional funds to be obtained if necessary in the Additional Estimates. But as the Department was aware that additional funds would be required, Treasury would have expected it to have sought an additional appropriation on the basis of a best possible estimate rather than wait until the actual figure was known.

OFFICE OF THE AUSTRALIAN DEVELOPMENT ASSISTANCE AGENCY  
Office of the Australian Development Assistance Agency -  
Administrative Expenses - Incidental and Other Expenditure

40. The Committee accepts the Agency's explanation in relation to the need for \$5,600 from the Advance to the Treasurer for advertising and removal expenses for the Director-General. The Committee also accepts the Department's explanation in relation to underexpenditure of \$4,500 for advertising. However, in relation to the clerical error resulting in \$1,103 being charged incorrectly, the Committee believes that the error made by the Department should not have occurred and that appropriate action should be taken by the Department to guard against a repetition of errors of this kind.

The Agency has advised that, with a view to preventing the recurrence of such errors, its accounting officers are regularly reminded of the need for accuracy.

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41. The Committee believes that there was sufficient time between the Agency's creation and the closing of the Additional Estimates to allow for the \$900 sought for additional removal costs to be included in the Additional Estimates. The Committee is also of the opinion that anticipated recovery of expenditure on behalf of another department should have been taken into account when funds were sought from the Advance to the Treasurer.

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(18 February 1976)

The Agency accepts that there was sufficient time to allow for the amount of \$900 to be included in the Additional Estimates but is of the opinion that there was no reliable basis for estimating the charges that would be raised in connection with the removal costs.

Colombo Plan and Other Aid - Bilateral  
Aid Programme - Training - Colombo Plan

58. While the Committee recognises that the Australian Development Assistance Agency may face some difficulties in preparing accurate estimates and controlling expenditure on this type of item, we would point to the previous accuracy with which estimates have been made in this respect.

The Agency accepts the Committee's conclusion.

59. The Committee considers that there are a number of disturbing features associated with the Agency's request for funds from the Advance to the Treasurer for this item. In particular, the

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Committee feels that the loss of the two important letters from the Department of Education caused funds for post-graduate awards to be sought from the Advance to the Treasurer instead of providing for the expenditure in the Additional Estimates.

60. In view of the uncertainty about whether grants-in-aid in respect of post-graduate awards would be paid, the Committee believes that the Agency was remiss in not seeking clarification of the position from the Department of Education prior to 6 February 1974 and considers that some follow-up action should have been taken to obtain an answer before the closing date for the Additional Estimates.

61. The Committee would also point to the errors of judgment made at the time Additional Estimates were being prepared. The Agency, although aware that there would be additional expenses for travel, living allowances and fees, and also aware that the actual expenditure to 28 February 1974 was only \$60,000 less than the pro-rata of the appropriation at that stage, took action to grant new awards and grant awards earlier than planned with the effect that 142 additional students arrived in the period from February to June 1974.

The advice sought by the Agency on 6 Feb 1974 had in fact already been provided by the Department of Education on 31 Jan 1974 but it could not be found in the Agency's records system. The Agency agrees that it should have pursued the matter before the closing date for the Additional Estimates.

The Agency has stated that its commitments register indicated that there was a balance of funds available to meet the costs of new awards granted during the period February/June 1974. However, it has since realised that the register did not provide a satisfactory basis for estimating the extent of funds available for new awards. The commitments register did not reflect all expenditure incurred, and the cost of awards granted in previous years was understated due to cost increases. In addition, other departments, such as Education, and Labour and Immigration also incurred expenditure on sponsored training.

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Procedures have been developed to achieve greater accuracy in estimating, and to control expenditure incurred against appropriations. These are being implemented progressively.

Control of expenditure will also be facilitated by the integration within the Agency of sponsored training activities previously carried out by other Australian Government departments.

62. The Committee also expresses its concern at the lack of liaison between the Department of Foreign Affairs and the Agency with regard to the unexpected receipt by the Agency of a cheque for \$33,402. The Committee feels that the Agency should have been aware that the amount was owing and should have made allowance for its receipt when requirements from the Treasurer's Advance were being assessed.

The amount received by the Agency from the Department of Foreign Affairs represented a credit from QANTAS for fares, mainly return fares, for travel not undertaken by students under the Colombo Plan. These payments are made irregularly by QANTAS and it was not possible for either the Agency or the Department of Foreign Affairs to anticipate the amount or the timing with any certainty.

63. Finally, the Committee takes a serious view of the fact that the original submission tendered to the Committee was inaccurate and that this inaccuracy was not discovered until shortly before the Agency was due to appear before the Committee. The Committee would again draw the Agency's attention to the Notes Relating to

The Agency regrets the error in its submission to the Committee. Immediately the correspondence was discovered, the Agency forwarded a supplementary submission to the Committee in accordance with the procedures outlined in the Notes Relating to Evidence.

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Evidence which clearly state that the Committee expects that:

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

DEPARTMENT OF THE PRIME MINISTER AND CABINET  
Australian Council for the Arts - Administrative  
Expenses - Postage, telegrams and telephone services

76. The Committee accepts the Council's explanation in relation to the need for funds from the Additional Estimates and also in relation to the funds required for increased usage from the Advance to the Treasurer. However, the Committee feels that the funds obtained from the Advance to the Treasurer for expenses relating to the change in accommodation should have been obtained in the Additional Estimates in view of the fact that the change occurred in November 1973.

77. Despite the efforts of the Council for the Arts to control the usage of telephones the Committee notes with some concern that the estimate for this item for 1974-75 in Appropriation Bill No. 1 has increased by 82 per cent over the actual expenditure in 1973-74 to \$192,300.

The Australia Council has advised that although significant billings were expected because of a change in accommodation, it was not possible to make a realistic assessment of the relevant amount for inclusion in the Additional Estimates. Although it was stated in evidence that bills for the installation of telephones at Northside Gardens, North Sydney were received shortly after occupation, in fact each of the billings was received after the date on which the Additional Estimates closed.

The Council stated that it shared the Committee's concern that the estimated expenditure for 1974-75 was substantially greater than the actual expenditure for 1973-74. Control by PETRA came into full operation in February 1975 and usage of the STD facility is under strict surveillance by the administration of the Council.

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DEPARTMENT OF SCIENCE  
Patent, Trade Marks and Designs Offices -  
Administrative Expenses - Postage, telegrams  
and telephone services.

88. The evidence suggests that the need for the Department to seek additional funds from the Additional Estimates and the Advance to the Treasurer arose from a lack of experience by the Department in estimating the likely costs of operating the combined telephone services for the Central Office of the Department and the Patent, Trade Marks and Designs Offices in Scarborough House. The Committee, therefore, accepts the Department's explanations justifying the seeking of funds in the Additional Estimates and the Advance to the Treasurer.

89. The Committee found that the Department's submission was very confusing and in some respects misleading. For instance, in paragraph 1 of the submission the Department stated that additional funds totalling \$32,300 were required in Appropriation Act No. 4 to cover:

(i)	Increased postal charges	\$5,000
(ii)	Increased telephone tariffs for rentals	10,000
(iii)	Telephone installations in Scarborough House	12,000
(iv)	Increased telephone usage	5,300
		<u>\$32,300</u>

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However, in paragraphs 3 and 4 on page 2 of the submission and in evidence during the inquiry, the Department stated that \$6,100 to cover the funds approved to meet the progress payment on the installations and a further \$26,200 to cover further accounts received from the Post Office for telephone services were included in Appropriation Act No. 4.

90. The submission also gave no indication that the amount of \$11,049 included in the draft estimates to meet the cost of the telephone installations in Scarborough House and later deleted, had originally been provided under Division 475/2/03 and not the item under examination Division 486/2/03. It was also noted that the information set out in the first five paragraphs under the heading Advance to the Treasurer related to the Additional Estimates and Appropriation Act No. 4.

91. The Committee views any inaccuracies or lack of quality in the information presented to it in a very serious light and would draw the Department's attention to the Treasury Memorandum 66/385 of 16 October 1970 to all Permanent Heads. This memorandum included the following statement:

"Not only has the Committee the right to expect that witnesses appearing before it are properly briefed but it is in the interests

The Department regrets the inaccuracies in its submission to the Committee and has advised that the Committee's comments on confusing and misleading aspects of the submission and its requirements in this regard have been noted.



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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."

Patent, Trade Marke and Designs Offices -  
Administrative Expenses - Printing of  
specifications and publications

98. In view of the uncertainty of the actual printing requirements and the increases in printing costs, the Committee believes that the Department had no alternative but to obtain additional funds from Appropriation Act No. 4 and the Advance to the Treasurer in 1973-74 to meet the printing claims from the Australian Government Publishing Service.

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DEPARTMENT OF SERVICES AND PROPERTY  
Overseas Property Bureau - Administrative  
Expenses - Travelling and Subsistence

110. The Committee's main concern with this item is that an amount of \$701 was charged to the Advance to the Treasurer without Warrant Authority in contravention of Treasury Regulation 90(1). That Regulation states:

"An Authorizing Officer shall not authorise expenditure from Revenue or Loan appropriations until a Warrant Authority for Expenditure authorising expenditure accordingly has been obtained from the Secretary."

111. The evidence shows that failure to detect and rectify the overexpenditure before the end of the financial year was partly the result of a failure in the Exception Report procedure by which Departments are warned of overexpenditure. However, the major factor contributing to the overexpenditure would appear to be the inexperience of staff in that they failed to carry out any reconciliation between the Treasury printout and the departmental handwritten record and also failed to contact Treasury when the overexpenditure was first discovered when there was still a chance of rectifying the departmental error.

Treasury accepts that there was a failure by its Accounting Office staff to follow procedures laid down to correct a "No Funds" situation, and that this was a contributory cause of the over-expenditure which occurred. The necessity to adhere strictly to the procedures, particularly towards the end of the financial year, has been stressed to the staff.

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112. Notwithstanding the inexperience of the staff, the Committee believes that the clerical error made by the Department should not have occurred and that appropriate action should be taken by the Department to guard against a repetition of errors of this kind. The Committee notes that the Department does not intend to keep a handwritten record in future but does not necessarily agree that this is the most appropriate action to take. It is our view that such a record, regularly reconciled with Treasury printouts and carefully checked for accuracy, may be the best method of ensuring efficient control of expenditure in the closing days of a financial year.

Following the comments of the Committee, the Department decided to retain the use of a manual ledger to control expenditure over the closing days of the financial year and to ensure that this record was reconciled with the daily working sheets as they were received from the Treasury.

Overseas Property Bureau - Overseas Property Services - Property maintenance and Services

123. The Committee accepts the Department's explanations in relation to the need for funds from the Additional Estimates and from the Advance to the Treasurer; however it is concerned, that, as was also the case in Item 516-2-01, that an amount of \$358 was charged to the Advance to the Treasurer without Warrant Authority in contravention of Treasury Regulation 90(1).

Committee's Conclusions  
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124. The evidence indicates that a clerical error in the department's handwritten record of expenditure was the cause of the overexpenditure. Again the Committee feels that the inexperience of staff caused the failure to reconcile the handwritten record with the Treasury printout and resulted in no action being taken to rectify the error when it had been detected. The Committee's comment on the clerical error in relation to Item 516-2-01 would also apply to this item.

125. A further aspect of concern to the Committee was the Department's inability to provide specific details of over and under-spending at overseas posts. The Committee is at a loss to understand how the Department can state that additional funds required by individual posts amounted to \$90,902 and under-spending at individual posts amounted to \$74,044 but be unable to provide details of what those amounts comprised.

The Bureau advised that, on its assumption of responsibility for property matters at all overseas posts, a system for the control of expenditure at post level was introduced. This was found difficult to maintain particularly late in the financial year when some Posts offered savings while others were seeking additional funds. The system was complicated further by fluctuations in exchange rates. Ultimately a record of only the total balance was kept and it was for this reason that the Bureau was unable to provide the details sought by the Committee. The system has since been modified and details of all variations are now maintained for each Post.

Committee's Conclusions  
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(26 November 1974)

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DEPARTMENT OF THE SPECIAL MINISTER OF STATE  
Administrative - Salaries and Payments  
in the nature of Salary - Salaries and allowances

138. The Committee accepts that the Department was justified in seeking funds from the Additional Estimates and the Advance to the Treasurer to cover the additional positions created, the reclassification of other positions and increases in salary payments resulting from changes in salary determinations.

139. The evidence furnished to the Committee shows, however, that the Department failed to make adequate provision for the salaries of three members of the Priorities Review Staff and that salaries of the staff of some of the former office-holders of the Parliament had been charged to the wrong appropriations.

140. While the Committee appreciates the difficulties the department has experienced in establishing its procedures and recruiting suitable staff, the Committee feels, nevertheless, that it must express its concern that the estimating procedures and control of expenditure on this item were inadequate. The Committee was pleased to learn that the staff situation in this area has now been rectified and that a system of checking has been instituted that provides for a periodical check of paysheets.

Committee's Conclusions  
One Hundred and Fifty-second Report  
(26 November 1974)

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141. Finally, the Committee feels that it must mention that some of the information included in the original submission to the Committee was inaccurate and that this was only discovered after the Department appeared before the Committee. The Committee views such occurrences in a serious light and would draw the Department's attention to the Notes Relating to Evidence that accompany requests for submissions, which clearly state that the Committee expects that:

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

The Department noted the Committee's comments on the inaccuracy of some information in the original submission and confirmed that any future submissions would be carefully prepared and checked for adequacy and accuracy of detail and absence of ambiguity.

Administrative - Administrative Expenses -  
Travelling and Subsistence

148. The evidence shows that funds were obtained from the Advance to the Treasurer to cover the cost of five overseas visits by staff which should have been provided in the Additional Estimates. A similar omission occurred with regard to provision for the cost of tea money related to additional overtime. While the Committee believes that these administrative oversights should not have occurred, the Committee has noted that the Department has introduced control measures which should ensure that omissions of this nature do not occur in the future.

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(26 November 1974)

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Administrative - Administrative Expenses -  
Australian Government Gazette - Printing

158. The evidence shows that the Department in adopting the pro-rata method of assessing its expenditure requirements for the remainder of the financial year failed to make provision in the Additional Estimates for certain outstanding accounts, increased costs of printing and increases in the number and content of Australian Government Gazettes necessitating recourse to funds from the Advance to the Treasurer.

159. The Committee believes that a thorough review of expenditure at the time requirements from Additional Estimates were being considered would have alerted the Department that additional funds would be required. The Committee hopes that the action taken by the Department to increase the staffing position in the finance area and to tighten up its estimating procedures will allow a more accurate estimate of expenditure to be made of this item in the future.

The Department advised that the continued growth in the workload in the finance area has necessitated the submission of a proposal to the Public Service Board for a further increase in the establishment of the Finance Section. It was expected that this increase would ensure the continued adequacy of financial control.

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(18 February 1976)

General Conclusions

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

161. 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.



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162. One disturbing feature to which the Committee would invite particular attention relates to the fact that in six cases amounts were charged to the Advance to the Treasurer without Warrant Authority, in contravention of Treasury Regulation 90(1.). Two of these cases were examined at public inquiry by the Committee and both these overcharges were caused by clerical errors. The Committee 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 Revenue or Loan appropriations until a Warrant Authority for Expenditure authorizing expenditure accordingly has been obtained from the Secretary".

163. A further matter to which the Committee would invite specific attention relates to the briefness and inaccuracy of some departmental explanations and the fact that some witnesses appearing before the Committee were inadequately briefed. In this regard we would remind departments of the need to consult with other relevant departments when preparing submissions to ensure that submissions presented to the Committee are based on all the relevant information in the possession of the departments concerned. We would also again draw the attention of departments

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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 relevant portion of this memorandum has already been quoted in Chapter 2.

CHAPTER 3

TREASURY MINUTE ON THE ONE HUNDRED AND FIFTY-FOURTH REPORT  
RELATING TO EXPENDITURE FROM THE CONSOLIDATED REVENUE FUND  
(APPROPRIATION ACTS 1973-1974)

Committee's Conclusions  
One Hundred and Fifty-fourth Report  
(22 May 1975)

Treasury Minute  
(22 May 1976)

The Treasury has examined the Report and has discussed with the departments concerned the observations and conclusions of the Committee which have where necessary been brought to the notice of the relevant officers. Amendments to the Administrative Arrangements subsequent to the Report have resulted in changes to the names of some departments and the transfer of some functions from one department to another. The names of departments in this Minute conform with the names in the Committee's Report.

ATTORNEY-GENERAL'S DEPARTMENT  
Northern Territory Police Force - Administrative Expenses - Property  
Maintenance and Services

29. From the evidence presented to the Committee it would appear that the under-expenditure on this item was largely the result of factors beyond the Department's control. However, the Committee is disturbed by the circumstances surrounding the failure to pay an account for \$2,991 in respect of stock items from the Department of the Northern Territory for the month of May. The Committee believes

The Department advised that the Commissioner, Northern Territory Police Force was requested to avoid including on the same account, expenditure which was to be met from more than one appropriation item and the Department of Police and Customs, with which the Police Force was then amalgamated, had implemented this procedure. The need for adequate commitment registers has

Committee's Conclusions  
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(22 May 1975)

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that the Department should have maintained an adequate record of commitments and in the absence of such a record should have avoided including accounts for two separate items on the same claim form. The Committee notes that the Department intends to process accounts for different items separately in future.

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

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

31. In view of the number of instances where, subsequent to the preparation of the Original Estimates, the Attorney-General's Department was advised by the Department of the Northern Territory that it would be responsible or only

been brought to the notice of all its Authorising Officers.

The Department has accepted the Committee's criticism in paragraph 30 (and similar criticisms in paragraphs 51 and 59) and has again circulated throughout the Department the Treasury memorandum 66/385 of 16 Oct 1970 drawing attention to the importance of the careful preparation of material and the briefing of witnesses.

The Department has advised that all officers concerned have been specifically instructed to maintain constant liaison with other departments on projects which involve appropriations it controls. These

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partly responsible for expenditure in relation to certain items, the Committee believes that full consultation should take place between the two Departments to ensure an adequate basis for the preparation of estimates in the future.

comments also apply to paragraphs 49, 50 and 59.

Northern Territory Police Force - Administrative Expenses - Clothing and Equipment

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

See comments on paragraph 31.

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

See comments on paragraph 31.

51. The Committee would also draw the Department's attention to errors of fact and omission in its original submission. While the difference of \$531 between underexpenditure and the unexpended funds

See comments on paragraph 30.

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available may be due to the difference between original estimates and actual expenditure or contract prices, the Committee believes that this should be stated in the submission. The Department's attention is again drawn to Treasury Memorandum 66/385 of 1970 which includes the following:

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

Capital Works and Services - Plant and Equipment -  
Northern Territory Police Force

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

See comments on paragraphs 30 and 31.

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COMMONWEALTH RAILWAYS  
Capital Works and Service - North Australia Railway

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

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

Australian National Railways  
(previously Commonwealth Railways)  
accepts the conclusion reached by the Committee. The position has since been corrected by staff recruitment.

DEPARTMENT OF DEFENCE  
Administrative - Administrative Expenses -  
Computer Services

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

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

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

Equipment and Stores, Barracks, domestic  
and medical equipment, clothing and textiles

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

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The Department has noted the Committee's conclusions and advised that every effort will be made to ensure that there is no repetition of this occurrence in the future.



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

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

The Department advises that the period for trials and evaluation of the new shirting material proved much longer than normally experienced for this type of procurement and at the time the original estimates were prepared provision for this expenditure was considered justified.

DEPARTMENT OF EDUCATION  
Capital Works and Services - Buildings and Works - Child care  
organisations - Assistance for approved capital programs

122. The evidence shows that the principal reasons for the shortfall in expenditure were that the Department misjudged the

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amount of time required by eligible organisations to acquire land and it also under-estimated the difficulties and problems associated with establishing the community group committees as legal entities. It also appears from the evidence that the Department did not have sufficient staff with experience to estimate with any precision the requirements of capital grants for child care organisations.

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

DEPARTMENT OF HEALTH  
Capital Works and Services - Advances and Loans -  
Commonwealth Serum Laboratories Commission - Additional Capital

132. The Committee accepts that the delays in obtaining materials and equipment were outside the control of the Commission. However, with regard to the design and

The Commission acknowledges that it is desirable that all design requirements be known and be incorporated in the specifications

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related construction problems connected with the two major works, the Maximum Security Building and the Virus Production Building, the Committee feels that the design requirements for the two buildings should have been known and incorporated in the original design specifications before tenders for the construction were called.

upon which tenders are called for major works wherever possible and has stated that it will endeavour to see that this procedure is followed should new works of this kind be undertaken in the future.

DEPARTMENT OF THE MEDIA  
Capital Works and Services - Plant and equipment -  
Australian Government Publishing Service

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

Capital Works and Services - Advances and Loans -  
Working Capital Advance (for payment to the  
Australian Government Stores Suspense Trust Account)

150. The Committee accepts that the Department was justified in including funds for this item in the Additional Estimates. While conceding that this may have been an unusual type of appropriation and transaction, the Committee views in a serious light the misunderstanding which resulted in the cheque for \$190,000

The Department has noted the Committee's conclusions and has drawn them to the attention of the relevant officers - however, it does not consider that lack of experience was a factor which contributed to the error.

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being repaid to Division 885/3/01. The Committee feels that the misunderstanding may have been avoided if the transaction had been handled by more experienced officers. In view of the fact that the cheque was received in Melbourne on 5 April, the Committee is most disturbed by the failure of the Department to detect the error before the end of the financial year.

DEPARTMENT OF MINERALS AND ENERGY  
Bureau of Mineral Resources, Geology and Geophysics -  
Administrative Expenses - Contract Investigations

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

The Department accepted the Committee's conclusions and advised that the underlying principles would be observed in future when estimates are being formulated.

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

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

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

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

Treasury Direction 16/4 requires that departmental estimates be approved by the relevant Minister before submission of them to the Treasury.

Appropriate action has been taken by the Department to ensure that delays in processing data are kept to a minimum.

DEPARTMENT OF THE NORTHERN TERRITORY  
Administrative - General Services - Traffic Administration  
and Planning - Operational Expenses

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

206. From the evidence it would appear that the Department did not contravene the Treasury Regulations or Directions by its decision to advance surveys programmed for 1974-75 to the 1973-74 financial year. However, the Committee would suggest that, in view of the difficulties being experienced with its programmed surveys, the Department may have been unduly optimistic in accepting the opinion that expenditure could be achieved by advancing other surveys. In this regard the Committee is concerned that the Department was not simply attempting to spend the money because it was available. We would remind the Department of the conclusion contained in paragraph 216 of the Committee's One Hundred and Forty-eighth Report which states:

The Department agreed that it may have been unduly optimistic in accepting the opinion of the Department of Housing and Construction that additional surveys could be completed before the end of the financial year. It has also given an assurance that its decision was prompted by considerations other than the availability of "savings" within the vote.

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"...the Committee has emphasised that it does not regard the total expenditure of available funds under a particular appropriation item as an objective to be sought without regard to other important considerations. Indeed, undue emphasis on the need to match expenditure and available funds can give rise to unnecessary and uneconomic expenditure and can result in the distortion of administrative practices."

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

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

The Department has advised that the unsatisfactory departmental procedures for ordering of number plates have been reviewed with a view to strengthening control.

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

"Not only has the Committee the right to expect that witnesses appearing before it are properly briefed but it is in the interests of each department and the Service generally that evidence tendered to the Joint Committee of Public Accounts is of the highest quality. Written submissions and explanations should be carefully prepared and thoroughly checked for adequacy and accuracy of detail and absence of ambiguity; officers who are to

The Department has noted the Committee's criticism and advised that remedial action has been taken which should prevent a recurrence of this situation.



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

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

DEPARTMENT OF THE PRIME MINISTER AND CABINET  
Other Services - Adjustment Assistance for Tariff Reduction

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

DEPARTMENT OF TOURISM AND RECREATION  
Payments to or for the States - Grants towards development  
of tourist attractions

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

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Other Services - Community Recreation Complexes -  
Development Grants

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

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

Other Services - National Sporting Organisations -  
Grants-in-Aid

260. The Committee recognises the pioneering nature of the expenditure involved in this item and from the evidence it would

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appear that the Department had taken all reasonable steps to advise sporting associations that the grants were available. The Committee notes with satisfaction the Department's efforts to improve its estimating performance by obtaining forward estimates from the sporting associations of their likely requirements for 1974-75.

DEPARTMENT OF TRANSPORT  
Capital Works and Services - Plant and equipment -  
Aircraft, launches, vehicles, engines and equipment

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

DEPARTMENT OF THE TREASURY  
Australian Taxation Office - Administrative Expenses -  
Computer Services

301. The Committee accepts the Department's explanation.

DEPARTMENT OF URBAN AND REGIONAL DEVELOPMENT  
Payments to or for the States - Assistance for the National Estate

314. On the basis of the evidence the Committee appreciates the difficulties that arose for the Department in relation to the first year of

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

GENERAL CONCLUSIONS

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

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

317. As this and previous Reports relating to expenditure from the Consolidated Revenue Fund show, there are explanations for expenditure variations from the estimates which are acceptable

The Treasury supports the observations, and fully endorses the Committee's emphasis on the unnecessary and uneconomic expenditure which can result from the "spend in full" syndrome. Although by virtue of S36 of the Audit Act 1901-1975 an annual appropriation, to the extent that it is unspent, lapses at the end of the financial year, this provision should not lead to unnecessary expenditure against an appropriation simply to use up funds. Nor is there any basis for assuming that it is necessary to spend in full so as to lay the groundwork for obtaining a satisfactory budget allocation in the following year. Indeed, such a practice would directly contravene Treasury Regulation 93(1).

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to the Committee. These variations usually arise from unforeseeable circumstances and certain other factors which are beyond the control of the Department concerned. In this Report, however, the Committee has also found it necessary to refer to cases of unsatisfactory estimating or inadequate administrative performances that have resulted in shortfalls in expenditure. Attention has been drawn to these inadequacies where they have arisen.

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

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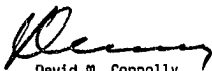
319. A further matter to which the Committee would invite attention relates to supplementary submissions requested by the Committee. In this regard we would remind departments of the Committee's requirements in relation to such submissions which are contained in the Notes Relating to Evidence prepared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

Treasury Circular 1976/10 dated 11 May 1976 again directs the attention of departments to the necessity for evidence tendered to the Committee to be of the highest quality, and in particular to paragraph 3 of the Treasury memorandum 66/385 of 16 Oct 1970. It also reiterates the Committee's requirements in relation to supplementary submissions.

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

The Committee would also point out that where supplementary submissions contain information which is at variance with either a Department's original submission or evidence given at a public inquiry, an explanation for the variation should be included in the submission.

For and on behalf of the Committee,



David M. Connolly  
Chairman



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

23 September 1976