

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

**ONE HUNDRED AND
SIXTY-THIRD REPORT**

**EXPENDITURE FROM THE ADVANCE
TO THE TREASURER
(APPROPRIATION ACTS 1975-76)**

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

Australian Government Publishing Service
CANBERRA 1977

JOINT COMMITTEE OF PUBLIC ACCOUNTS

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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
- (4) Appointed (Ex-officio) 9.6.76
- (5) Discharged 31.3.77
- (6) Appointed 31.3.77

DUTIES OF THE COMMITTEE

Section 8 of the Public Accounts Committee Act 1951 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 monies; 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-THIRD REPORT

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CHAPTER 1

INTRODUCTION

1. In July 1976 the Committee obtained from departments explanations relating to expenditure from the Advance to the Treasurer during 1975-76. Explanations in respect of sixteen 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, 7 September 1976

Tuesday, 14 September 1976

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

Department of Aboriginal Affairs

Mr R.W. Hogan	-	Acting Assistant Director Finance, Canberra
Mr L.A.J. Malone	-	First Assistant Secretary, Program Division, Canberra
Mr I. Pitman	-	Acting Assistant Director, Community Development Branch, Northern Territory Region, Darwin

Department of Administrative Services

Mr R. Kohlhase	-	Acting Assistant Secretary, Accommodation Branch, A.C.T.
Mr V.H. Mawhinney	-	Acting Principal Executive Officer, Island Territories Branch, A.C.T.
Mr E.R.B.D. Mitchell	-	Senior Accommodation Officer, N.S.W.

Mr P.D. Priestly	-	Acting Director, Budget and Estimates Section, A.C.T.
Mr J.J. Skinner	-	Chief Property Officer, A.C.T.
Mr F.S. Smyth	-	Executive Officer, Land and Property Management Section, A.C.T.
Mr A.H. Starling	-	Clerk, Research and Investigation Section, Accommodation Branch, A.C.T.
Mr C.E.T. Terrell	-	Assistant Secretary, Authorities Branch, A.C.T.
Mr L.W.J. Warren	-	Executive Officer, Management Services, Victoria
Mr D.R. White	-	Assistant Secretary, Finance and Services Branch, A.C.T.

Department of Industry and Commerce

Mr D.J. O'Connor	-	Controller General (Management)
Mr L.G. Stroud	-	Assistant Secretary, Tourist Industry Branch

Department of Prime Minister and Cabinet

Mr A.J. Ayers	-	First Assistant Secretary
Mr K.L. Croker	-	Principal Executive Officer, Office of Child Care, Department of Social Security
Mr J.G. Hinton	-	Assistant Secretary, Services Branch
Mr J.B. Machin	-	Assistant Director (Programs), Office of Child Care, Department of Social Security

Department of Science

Mr E.L. Macklin	-	Acting Executive Officer, Antarctic Division
Mr C.A. Webster	-	Assistant Secretary, Management Services Branch

Department of Social Security

Mr J.A. Battanta	-	Acting First Assistant Director-General (Management)
Mr M.V. Bowen	-	Director (Planning and Investigation)
Mr C. Calvert	-	Assistant Director-General (Finance)
Mr M.M. Gartland	-	Acting Assistant Director-General (Rehabilitation Services)

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

Attorney-General's Department

Mr L.G. Glare	-	Assistant Secretary, Operations Branch
Mr D.S. Lawrence	-	Acting Assistant Director Operations Branch
Mr J. Mikelsons	-	Director, Finance Section
Mr F.G. Peel	-	Finance Officer, Darwin
Mr R.J. Venables	-	Finance Officer

Department of the Capital Territory

Mr R.C. Burroughs	-	Director, Expenditure and Supply
Mr J.A. Conlon	-	Director, Finance, Management Services Branch, Department of Business and Consumer Affairs
Mr C.S. Hamilton	-	Director, Programs and Budgets
Superintendent J.C. Johnson	-	Superintendent, Management Services Division, Australian Capital Territory Police
Mr D.M. Lalor	-	Assistant Secretary, Finance and Supply Branch
Mr R.A.J. McGuinness	-	Executive Officer, Management Services Division
Mr M.M. Mikk	-	Finance Officer, Management Services Division

Department of Education

Mr R.N. Allen	-	Assistant Secretary, Management Services Branch
Miss J.L. Miller	-	Assistant Secretary, Student Assistance Branch, No. 1.
Mr I.W. Ward	-	Director, Student Assistance Branch, No. 1.

Department of Defence

Mr F.A. Garse	-	Director-General of Supply (Navy)
Mr J.C. Comerford	-	Principal Executive Officer, Department of Industry and Commerce
Mr R.L. Jones	-	Chief Executive Officer, Defence Group Expenditure Control
Mr P.D. Naughton	-	Assistant Secretary, Budgets and Estimates (General and Co-ordination)
Brigadier E.L. Palmer	-	Director-General of Supply (Army)
Commodore R. Percy	-	Director-General, Joint Plans and Operations
Mr D.B. Shine	-	Assistant Secretary, Budgets and Estimates (Services)
Air Commodore D.H. Solin	-	Director-General of Supply (Air Force)
Air Vice-Marshal S.R. White	-	Chief of Supply
Mr N.C. Yeend	-	Chief Executive Officer, Budgets and Estimates (General and Co-ordination).

Department of National Resources

Mr A.J. Moulding	-	Director of Finance, Australian Atomic Energy Commission
Mr L.R. Riches	-	Assistant Director, Finance and Accounts, Management Services Branch

Mr A.D. Thomas	-	Secretary, Australian Atomic Energy Commission
Mr R.H.J. Thompson	-	Assistant Secretary, Management Services Branch
Dr R.K. Warner	-	Acting Chief, Uranium Branch, Australian Atomic Energy Commission

Department of the Treasury

Mr A.B. Ashley	-	Assistant Secretary, A.D.P. Branch
Mr B.M. Browning	-	Acting Senior Assistant Secretary (Business and Government Relations) National Capital Development Commission
Mr A.J. Cummins	-	Project Manager, Applications Design, A.D.P. Branch
Mr D.P. Reynolds	-	Director, Finance and General Services Section, Management Services Branch
Mr M.J. Roche	-	Director, Strategic Design, A.D.P. Branch

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

Mr E.J. Ablett	-	Auditor-General's Office
Mr D.G. Batten	-	Auditor-General's Office
Mr L.D. Carder	-	Auditor-General's Office
Mr G.E. Twigg	-	Auditor-General's Office
Mr V.A. Whitfield	-	Auditor-General's Office
Ms A. Butterworth	-	Public Service Board
Mr G.A. Mawer	-	Public Service Board
Mr C.J. Dolman	-	Department of the Treasury
Mr A.M. Finch	-	Department of the Treasury
Mr B.M. Murden	-	Department of the Treasury

6. The last date for acceptance of the Original Estimates for Appropriation Acts (No. 1) and (No. 2), was 30 April 1975. The last date for acceptance of the Additional Estimates, for Appropriation Acts (Nos. 3 and 4) was 19 March 1976. The new procedure adopted in 1974-75 for making provision for salary increases during the year was adopted again for 1975-76. Section 5 of the Appropriation Act (No. 1) 1975-76 made provision for the appropriation of additional amounts to be determined by the Treasurer to cover the payments 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 19 March 1976 was included under the respective departments in Appropriation Act No. 3 which included a clause allowing expenditure from 19 March 1976 on salary increases to be charged to the Consolidated Revenue Fund.

7. For the financial year 1975-76 an amount of \$150m. was provided under Division 680 - 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.

8. An amount of \$120m. 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 money 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 money available for expenditure, pending the issue of a warrant of the Governor-General specifically applicable to the expenditure.

9. 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 ABORIGINAL AFFAIRS

Division 120/2/08: Administrative - Administrative Expenses -
Motor Vehicles - Hire, Maintenance and
running expenses

<u>Funds Available</u>	<u>1973-74</u>	<u>1974-75</u>	<u>1975-76</u>
	\$	\$	\$
Appropriation Act No. 1	-	615,000	780,000
Advance to the Treasurer	-	26,000	59,000
TOTAL FUNDS AVAILABLE	487,090	641,000	839,000
TOTAL EXPENDITURE	486,817	633,928	838,773
UNEXPENDED FUNDS AVAILABLE	273	7,072	227

10. This item provides for expenditure on the running and maintenance Exhibit
costs of the Department's establishment of vehicles on permanent 163/A4
allocation from transport pools, the use of hired vehicles in areas
where no other facilities exist and the expenses of the SRNS air-
cushioned vehicle on hire from the United Kingdom. It was a new
item in 1974-75. Expenditure was previously made from several
other items and, while it has been possible to isolate total
appropriation and expenditure in 1973-74, it is not possible to
nominate particular Acts under which the appropriation was provided.

11. In its original submission of 15 July 1976 the Department
stated:

Exhibits
163/A4
and
163/A5.

"At the time of both Revised and Additional Estimates
no variation from available Appropriation was evident.
In late May and early June, 1976, however accounts for
the Northern Territory Division car hire, which had
not previously been expected, were received from the
Department of the Northern Territory. Prior to this
time accounts up to, and including, only cost period
9 had been anticipated, but the actual accounts received
covered up to, and included, cost period 11."

12. On 6 September the Department submitted supplementary information which contained the following admission:

"A detailed investigation of the timing of submission of accounts for vehicle hire from the Department of the Northern Territory and payment by the Northern Territory Division of this Department has revealed that sufficient information was available to that Division, possibly as early as December 1975 but certainly by March 1976, to predict that the original allocation of funds would be insufficient."

13. The Chairman of the Committee on opening the inquiry on this item made the following comments on the Department's submission:

Q. A206

"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 foreseeable. In the case of item 120.2.08, the Committee found that the Department's original explanation was inadequate because it lacked sufficient detail on which the Department's estimating performance could be judged. The Committee therefore included the item in its list for public inquiry. Subsequently we received a supplementary submission containing information which, if it had been included in the original submission, may have obviated the need for a public inquiry on this item. The Committee's request for a submission was originally made on 29 June 1976 and the Committee feels that it must first of all express its dissatisfaction with the Department's disclosure that the original submission contained inaccurate information. Secondly, the Committee is disturbed that the Department discovered these inaccuracies only recently and that the supplementary submission was received by the Committee's secretariat yesterday afternoon."

14. In considering the background to this item, the Committee was told that a first bid of \$819,000 was submitted to Treasury for this item at the time of draft estimates for 1975-76 and an amount of \$800,000 agreed with Treasury at estimates discussions in May 1975. On 21 July 1975 the Treasury advised that the ad hoc Committee of Cabinet on budget expenditure sought a reduction of 10 per cent

Exhibit
163/A5

overall in the Administrative Expenses Sub-division (120/2) on agreed bids. As part of this direction the Department agreed to reduce the proposed appropriation for 1975-76 for Division 120/2/08 to \$780,000, further reduction being considered impossible in the light of the numbers of motor vehicles on permanent hire to the Department for field use. Other items were reduced by a greater amount.

15. The estimated expenditure of \$780,000 provided for the running and maintenance expenses of the Department's establishment of vehicles on permanent allocation from transport pools, the use of hired vehicles in areas where no other facilities exist, the use of pool car transport and the expenses of the SRN5 air-cushioned vehicle on hire from the United Kingdom.

Exhibit
163/A5

Analysis of Estimated and Final Expenditure
Division 120/2/08 - 1975-76

	<u>Estimated Expenditure</u>	<u>Final Expenditure</u>
	\$	\$
Central Office	54,500	40,019
New South Wales	5,000	17,343
Victoria	31,500	33,103
Queensland	9,000	19,323
South Australia	8,000	11,999
Western Australia	82,000	103,498
Northern Territory	390,000	435,920
Hire and operating expenses of A.C.V.	200,000	177,568
	<hr/> <u>780,000</u>	<hr/> <u>838,773</u>

16. The Committee was told that stringent efforts were made by the Department throughout the financial year in an effort to contain expenditure within the available appropriation. The Government had issued instructions that the use of pool car transport was to be

Exhibit
163/A5

sharply curtailed and in complying with the spirit of this direction the Department adopted a policy of utilising both airline transport between airport and city terminals and public transport services wherever possible. Following an exhaustive review of the establishment of motor vehicles on permanent allocation to the Department, decisions were taken to cancel the hire of a total of 27 vehicles and to cancel the proposed acquisition, on behalf of the Department, by the Department of Administrative Services, of an additional 12 vehicles during the financial year. Notwithstanding this reduction in establishment, it was necessary to take on hire an additional 7 vehicles in the Eastern (New South Wales) region to cope with the requirements of expansion into area offices at Lismore, Dubbo, Bourke, Queanbeyan, Griffith, Moree and Wilcannia, and one additional vehicle in the South Australian region.

Actual Motor Vehicle Establishment 1975-76

	<u>1 July 1975</u>	<u>30 June 1976</u>
Central Office	3	3
New South Wales	3	10
Victoria	22	12
Queensland	6	6
South Australia	3	4
Western Australia	42	37
Northern Territory	169	156
TOTAL	248	228

17. There were significant variations from the original estimated expenditure, occasioned mainly by increased weekly and kilometre charges for vehicles on permanent hire which became effective after the formulation of the estimate. Variations occurred in most offices of the Department. In the Central Office, the most significant effect of the curtailment of pool car transport was evident where expenditure was reduced by some \$14,000 from the estimate. Exhibit 163/A5 and Q. A243

18. In New South Wales a dramatic increase was caused by the hire of an additional 7 vehicles mentioned above and expenditure increased by some \$12,000 over the estimate. At the time of the preparation of draft estimates the Queensland region had been in operation for only two months and at a low level of activity. The estimate was prepared in Central Office and proved to be inadequate. It was also necessary to replace one sedan with a four-wheel drive vehicle to enable year round operation in the conditions encountered in North and Western Queensland. In the event expenditure exceeded the estimate by approximately \$10,000. In South Australia the hire of an additional vehicle and increased hire charges during the financial year caused expenditure to exceed the estimate by \$4,000. In Western Australia the region attempted to exercise restraint and reduce expenditure during the year by cancelling the hire of five vehicles but increased hire charges resulted in expenditure exceeding the estimate by \$21,000.

Exhibit
163/AS

19. The Committee was informed that a SRN5 air-cushioned vehicle was hired on the advice of a consultant who was employed to advise the Department in relation to a contract for the construction of an air-cushioned vehicle. The consultant who was engaged on the advice of the Department of Transport suggested that the feasibility of operating a hovercraft in the Torres Strait area should be assessed. The only available vehicle was leased from the United Kingdom so the Department could gain operating experience in the conditions peculiar to the Torres Strait Islands.

Exhibit
163/A7 and
Qs. A220
and A221

Analysis of Expenditure on SRN5

	<u>Estimated Expenditure</u> \$		<u>Final Expenditure</u> \$
(i) hire charges	75,000		68,849
(ii) operating costs	50,000	operation 28,821 freight. 17,884	46,705
(iii) fuel expenses	45,000	fuel 30,936 drum.	
		deposits 7,080	38,016
(iv) crew expenses	<u>30,000</u>		<u>23,998</u>
	<u>200,000</u>		<u>177,568</u>

20. In its supplementary submission the Department informed the Committee of difficulties in financial control in the Northern Territory area. The Department of the Northern Territory renders accounts for 13 cost periods over the financial year. It is the usual practice that accounts for cost period 13 of the previous year and cost periods 1 to 12 of the current year are rendered and paid in a given financial year. Log sheets detailing usage of the vehicles are submitted by the user and accounts compiled on both a kilometre rate and a weekly hire rate. These log sheets are frequently not available at the time accounts are prepared and, where this is the case, usage is estimated and adjusted in subsequent accounts when available. This causes major fluctuations from one cost period to another and creates some problems in estimating and budget management in the absence of a trend. The Committee was informed that the Department has great difficulty in obtaining log sheets from the remote communities. The Regional Office has to take follow-up action to obtain overdue log sheets and delays can also be caused by irregular mails.

Exhibit
163/A5 and
Q. 249

21. The Northern Territory Division advised Central Office on 28 May 1976 that their original revised expenditure estimate of \$370,000 had been incorrectly assessed on the expectation that accounts up to and including only cost period 9 would be received but the account for cost period 10 was to hand and it was expected that the account for at least cost period 11 and possibly cost period 12 would be received. Expenditure of \$475,000 was forecast which was \$98,500 in excess of available funds. The Department sought approval from the Treasury on 15 June 1976 to an increase in commitment approval of this amount and to the issue of funds from the Advance to the Treasurer. In the event \$59,000 was required to meet accounts up to and including cost period 11.

Exhibit
163/A5

22. The departmental witness informed the Committee that it discovered its original submission was incorrect approximately 1½ weeks before the hearing when it sought to amplify the original submission provided for the Committee. A detailed

Exhibit
163/A5 and
Qs. A212 and
A218

investigation had revealed that the situation regarding funds had been capable of being forecast prior to Additional Estimates. The original bid submitted by the Northern Territory Division was for \$399,000 based on an average of 169 vehicles and funds of \$390,000 were provided from the appropriation. The Division instituted a comprehensive review of vehicle usage which resulted in the hire of 13 vehicles being cancelled during the 1975-76 financial year. It has since been established that increased kilometre and weekly hire charges effected in July 1975 were not taken into account by the Division when reviewing estimated expenditure during the financial year. The increased weekly hire charges alone would have added an amount of approximately \$21,000 to anticipated expenditure and increased kilometre charges a further amount of approximately \$30,000. It had also been established that the Division had relied solely on using the actual expenditure to date as a means of reviewing estimated expenditure. Due consideration had not been given to accounts received but not yet paid, which at some periods of the financial year were substantial in amount, or to the trend of the receipt of accounts in comparison with previous years. The witness told the Committee that the rate at which accounts were being received from the Department of the Northern Territory had changed during the period. Whereas in previous financial years accounts had been rendered periodically, during 1975-76 they were speeded up and came in monthly. The witness admitted that the Division should have taken this factor into account when estimating. It was admitted that basic and established estimating procedures had been ignored in the preparation of estimates.

23. In explaining the departure from normal procedures the departmental witness informed the Committee that the Finance Section in Darwin had suffered severe disruption since the Darwin Cyclone. The Committee was told that there was a lack of continuity of staff with expertise in estimating and financial management. The Department indicated that it will be taking a more direct interest in the preparation of estimates in that region and has taken action to implement a suitable training program and an improved system of expenditure review.

Exhibit
163/A5 and
Qs. A213
and A217

24. The Committee was told that the system of charging for hired vehicles in the Northern Territory has recently been changed. The Department of the Northern Territory is now charging only a weekly hire rate. The Department of Aboriginal Affairs in future will be responsible for meeting the costs of all fuel, oil, maintenance and repairs for the vehicles it has on hire. The Department believes that as a result of the changed procedure there will be a need for a more effective control over the progress of expenditure than was previously required. The witness stated that it was considered that this measure of control could be achieved. Qs. A257 and A258

Conclusions

25. As stated at the public hearing the Committee was disturbed by a number of matters relating to the evidence submitted to the Committee on this item. Firstly, the original submission to the Committee contained inaccurate information which was not discovered by the Department until shortly before the hearing. Secondly, the original submission lacked sufficient detail on which to assess the Department's estimating performance. Finally, the supplementary submission, which reached the Committee on the day prior to the scheduled hearing, also contained inaccurate information.

26. The Committee views such matters 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."

Treasury Circular 1976/10 dated 11 May 1976 also directs the attention of departments to the necessity for evidence tendered to the Committee to be of the highest quality.

27. In relation to expenditure on motor vehicles in the Northern Territory the Committee has noted that the increased vehicle hire charges, effective from July 1975, were not taken into account by the Department's Northern Territory Division when assessing its estimated expenditure for the financial year. The Committee considers that the Central Office of the Department should have ensured that provision for the increases was included in the Division's estimates for the financial year, particularly as action was taken to provide for the increased charges when assessing the requirement for funds for this item in the various States.

28. The Committee has also noted that the Northern Territory Division had departed from normal procedures in preparing estimates without making provision for outstanding accounts. The Committee will be watching with interest the results of the Department's introduction of an improved system of expenditure reviews and the implementation of a suitable training program for its staff in the Northern Territory.

CHAPTER 3

DEPARTMENT OF ADMINISTRATIVE SERVICES

(i) Division 570/2/06: Administrative - Administrative Expenses - Office Services

<u>Funds Available</u>	<u>1973-74</u>	<u>1974-75</u>	<u>1975-76</u>
	\$	\$	\$
Appropriation Act No. 1	3,900,000	5,000,000	3,646,000
Appropriation Act No. 3	-	-	2,940,000
Appropriation Act No. 4	234,000	-	-
Appropriation Act No. 5	-	580,000	-
Advance to the Treasurer	-	-	385,000
 TOTAL FUNDS AVAILABLE	 4,134,000	 5,580,000	 6,971,000
 TOTAL EXPENDITURE	 4,070,494	 5,574,342	 6,964,588
 UNEXPENDED FUNDS AVAILABLE	 63,506	 5,658	 6,412

29. This item provides for the cost of fuel, light and power, water supply and sanitation, night patrol services, electrical maintenance, etc. for buildings jointly occupied by Commonwealth Government departments in all States and for all Commonwealth Government offices in the Australian Capital Territory and the Northern Territory, except those occupied by the Defence Department. Provision is also included for minor maintenance on Government-owned buildings and for some minor works.

Exhibit
163/A1 and
Q. A1

30. In an introductory statement to the Committee the departmental witness outlined some of the factors which complicated the assessment of requirements in Appropriation Act No. 3. It was stated that at the beginning of the financial year it had been anticipated that the responsibility for the property management function would be transferred from the former Department of Services and Property to the Department of Urban and Regional

Qs. A1 and
A2

Development on 1 December 1975. Accordingly \$3,646m. was appropriated for Department of Services and Property and \$3.282m. for the Department of Urban and Regional Development. During the delay in the provision of Supply in late 1975 payments from the item were delayed to conserve available funds and with the abolition of the Department of Urban and Regional Development on 22 December 1975 further delays in payment occurred pending the availability of Warrant Authority from the Advance to the Treasurer, which was not received until 17 February 1976. It was pointed out that because of these delays, expenditure recorded prior to the preparation of the Additional Estimates did not give an accurate view of likely expenditures for the full financial year. Estimation of requirements was further complicated by the fact that two large new building complexes became available for occupation in the Australian Capital Territory during the year and likely consumption of services in those buildings was difficult to predict.

31. In explaining the provision of \$2.94m. in Appropriation Act No. 3, the departmental submission stated that this amount largely represented the unexpended balance of funds provided in the Department of Urban and Regional Development Appropriation 685/2/06. The Committee was informed that because of the administrative changes and the fact that the Department of Urban and Regional Development was abolished on 22 December, only 22 days after it was due to take over responsibility for the property function, minimal expenditure was made from item 685/2/06. Witnesses pointed out that no provision had been made for item 685/2/06 in the Supply Bill and consequently no funds would have been available until the Appropriation Bills had been assented to in November 1975.

Exhibit
163/A1 and
Qs. A3 to
A10 and
A31 to A36

32. The unexpended balance of \$3,156,097 was reduced to \$2,940,000 as the net result of an additional requirement of \$208,000 due to increases attributable to electricity, sanitation and fuel and oil charges and savings of \$424,097. The principal

Exhibit
163/A1 and
Qs. A14 to
A16

saving of \$400,000 resulted from the fact that funds for telephone concessions to fire brigades were not required. It was explained that concessions had been provided originally by the Postmaster-General's Department but with the formation of a commercially oriented Telecommunications Commission it had not been considered appropriate for Telecom to subsidise the fire brigades through telephone concessions. Funds had been provided through the Department of Administrative Services to pay for these concessions but they had not been required because negotiations were taking place between Commonwealth and State Governments on the level of support to be made by the Commonwealth in recognition of the protection services provided to Commonwealth property. Provision has been made in the 1976-77 Budget to cover payments for 1975-76 and 1976-77 pending the introduction of new arrangements.

33. In relation to the closing date for the Additional Estimates the Committee was told that departmentally the closing date was 28 February 1976 although closing date for submission to the Treasury had been 19 March 1976. The witness representing the Department stated that had significant increases been brought to the Department's attention subsequent to the departmental closing date of 28 February efforts would have been made to adjust the figure. The Treasury Observer (Mr Murden) stated that 19 March was the effective date of closing for Additional Estimates as far as Treasury was concerned but there could be occasions where amendments could be made to the estimates after that date provided drafting and printing of the Bills had not gone too far.

Qs. A11 and
A51 to A54

34. The departmental submission stated that the major reason for obtaining funds from the Advance to the Treasurer was to pay accounts on hand in the A.C.T. where an additional amount of \$395,990 was required for the Property Division. Part of this amount was offset by savings then available in the States (\$10,240) and the Purchasing Division in the A.C.T. (\$769). The State by State break-up of expenditure was as follows:

Exhibit
163/A?

<u>State</u>	<u>Total Appropriation</u> \$	<u>Final Expenditure</u> \$	<u>Variation</u> (+) or (-) \$
New South Wales	936,240	879,430	- 56,810
Victoria	910,400	966,629	+ 56,229
Queensland	805,900	809,292	+ 3,392
South Australia	234,500	213,030	- 21,470
Western Australia	334,800	350,008	+ 15,208
Tasmania	318,600	301,662	- 16,938
Northern Territory	192,300	196,752	+ 4,452
Australian Capital Territory	<u>2,853,260</u>	<u>3,247,785</u>	<u>+394,525</u>
TOTAL	<u>6,585,000</u>	<u>6,964,588</u>	<u>+378,588</u>

35. The submission pointed out that the major areas of variation Exhibit
in expenditure in the A.C.T. were: 163/A1

	\$
a) Electricity	+ 314,538
b) Fuel	+ 67,997
c) Security Services	+ 24,455
d) Electrical Maintenance	+ 22,000
e) Collection of Office Waste	+ 33,604
f) Landscaping Maintenance	- 67,024

(a) Electricity

36. The Committee was told that considerable difficulty Exhibit
existed in preparing accurate estimates of electricity requirements 163/A1
for buildings phased in over a period of time as it usually took
about two years before a regular pattern of usage could be established.
The pro-rata expenditure on buildings being phased in, did not
indicate the additional requirements which were reflected in accounts
received after the departmental closure of Additional Estimates on
28 February. Overexpenditure occurred in the following build-
ings:

	\$
Trade Group Offices	53,200
Cameron Offices	174,500
Administrative Building	22,000
Treasury Building	34,000
Miscellaneous increases spread over 117 buildings	<u>30,838</u>
	<u>314,538</u>

• Trade Group Offices

37. It was explained to the Committee that the Trade Group Offices were being progressively phased in during 1975-76 and the increase in electricity expenditure was directly related to the phasing in. A sum of \$171,000 had been provided in the Original Estimates but accounts received on 25 February 1976 showed increases in expenditure of \$18,200 above normal expenditure. This account was received at a time when Additional Estimates were in the final stage of preparation and, because of a heavy workload, was not examined in time for inclusion in Appropriation Act No. 3. The department's submission stated that the increased consumption continued with the introduction of the Public Service Board's Mandata computer to the building. The submission also stated that the fountain at the building was commissioned during the year and electricity consumption was "understood to be heavy". Witnesses were unable to provide an accurate estimate of the fountain's power consumption pointing out that it was not separately metered.

Exhibit
163/A1
and Qs.
A18 and
A21 to A23
and Comm-
ittee File
1976/2

• Cameron Offices

38. The Committee was informed that this was a large office complex with a capacity of approximately 3,000 people and was phased in progressively from May-June 1975 and in fact the last three wings were not handed over to the Department until 31 August 1976.

Exhibit
163/A1 and
Qs. A24
and A25

Increases were attributable to greater than anticipated power consumption in newly occupied wings; increased consumption in the computer area (the Department explained that it would have been unaware of this at Original Estimates time); heavy power consumption by the waste disposal facility - "Centralsup"; and heavy consumption arising out of a failure in the computer's air-conditioning system and the necessity to use a much higher power consuming unit to maintain the operational requirements in the computer complex.

• Treasury and Administrative Buildings

39. The departmental submission stated that there was no apparent reason for increased expenditure in these buildings apart from increased usage and the introduction of an 11 per cent increase in electricity charges from 1 April 1976. Witnesses pointed out that increased usage in these two buildings occurred in February and March 1976. Witnesses claimed that the increases became apparent too late for them to be taken into account at the time Additional Estimates were prepared. The witnesses suggested that the increased consumption at the time may have been due to the fact that budgetary constraints were being considered at that time and greater overtime was being worked.

Exhibit
163/A1 and
Qs. A26
and A40 to
A42

• General Comments

40. The Department explained that it had been aware of the 11 per cent increase in electricity charges in the Australian Capital Territory prior to the closing of Additional Estimates and had attempted to make provision for the increase in Appropriation Act No. 3. Because of the variations already referred to this provision had not been adequate.

Exhibit
163/A1
and Qs.
A38 and
A39

41. During the course of the inquiry the Committee received evidence relating to the amount of electricity consumed after working hours as a result of lights being left on. The departmental witnesses explained that cleaners, as part of their

Qs. A19,
A20 and
A26 to
A28

contracts, were required to eliminate as much lighting as possible on completion of their work. The Department had also circularized departments on 21 January 1975, 3 November 1975 and 20 August 1976, asking for more economical use of electricity. Contractors were circularized in this respect and the Department had also made inquiries concerning the installation of a time control device in the Cameron Office Complex, at an approximate cost of \$10,000.

42. The Treasury Observer's view was that although tenant departments have a duty to exercise control over the use of electricity, the prime responsibility should rest with the Department of Administrative Services which has the overall responsibility for office buildings and the cleaning services. Q. A29

43. The Committee was told that the Department was looking at methods for more effective control of electricity accounts. It was stated that the Department was endeavouring to have all accounts rendered monthly so that a more accurate picture of expenditure over a given period could be gained. Q. A85

(b) Fuel

44. The Committee was informed that the overexpenditure in fuel was mainly caused by progressive increase in prices culminating in a total increase of 40 per cent on the fuel charge rate existing at the time of preparation of the Original Estimates. At the time of submission of Additional Estimates an examination of the Fuel Accounts Register and pro-rate expenditure to that date indicated that no overexpenditure would occur. The departmental witnesses explained there had been five rate increases in 1975-76 commencing with a 20 per cent increase from 4 September 1975. Four of these increases occurred before Additional Estimates closed but the Department had not taken account of any of them. The witnesses were unable to explain how all increases came to be overlooked. They stated that for some reason the Management Services Branch, which would have received advice of the increases from the Tender Board, failed to advise the Property Division.

Exhibit
163/A1 and
Qs. A43
to A48

45. The submission stated that fuel costs were difficult to estimate because of the absence of set delivery schedules, erratic submission of accounts by fuel companies, seasonal variations and the phasing in of the new buildings. The Committee was told that the Department proposed to take up the question of deliveries and of the submission of accounts with the oil companies. The witness was unable to give any specific instances of seasonal variations affecting the estimate for 1975-76.

Exhibit
163/A1 and
Qs. A55
and A56

(c) Security Services

46. Overexpenditure on security services was attributable to failure to include provision of \$14,010 in the Original Estimates for three security contracts and to the failure to take account at Additional Estimates time of increases of \$10,455 caused by the national wage increases of May and September 1975 and February 1976, in a fourth contract. Departmental witnesses were unable to explain how the additional expenditure relating to these contracts was overlooked.

Exhibit
163/A1 and
Qs. A57
to A59

(d) Electrical Maintenance

47. In its submission the Department stated that prior to the submission of Additional Estimates, the A.C.T. Electricity Authority advised that they would require an additional \$7,000 to meet the costs of electrical maintenance in Government office buildings in the A.C.T. for 1975-76. Allowance was made in the Additional Estimates for this increase. However, the additional expenditure on the sub-item was \$22,000. No advice of the additional requirement of \$22,000 was received from the A.C.T. Electricity Authority.

Exhibit
163/A1

Qs. A62
and A66

48. At the inquiry it was explained that departmental control was difficult because although departments were required to make requests for electrical maintenance through the Department of Administrative Services, most went directly to the A.C.T. Electricity Authority. It was suggested that this was either because of the

urgent nature of a department's requirement or because departments were unaware of the need to make requests through the Department of Administrative Services. The Committee was told that due to the large volume of work involved the Department did not have the capacity to cope with the workload. The Committee was assured that discussions with the A.C.T. Electricity Authority were in progress and it was hoped a method of exercising a greater degree of control over expenditure could be devised.

(e) Collection of Office Waste

49. The Committee was told that this service was provided by the Department of the Capital Territory who rendered accounts irregularly. At the time of submission of Additional Estimates the pro-rata expenditure did not indicate that overexpenditure would occur. It was stated that the whole question of the economic disposal of office waste was under consideration.

Exhibit
163/A1 and
Q. A71

50. The witness stated that tenders were called for the disposal of recyclable material at no cost to the Government but no tenders were received. Following further discussions with the Department of the Capital Territory it was proposed to call tenders again but on this occasion a financial inducement would be offered, although the witness pointed out that the amount would be much less than the \$150,000 per annum currently spent on the collection of office waste. The Committee was advised that the Department was currently experiencing difficulty in separating recyclable waste from non-recyclable material and that it was a very labour intensive process.

Qs. A71 to
A73, A94
and A95

(b) Landscape Maintenance

51. The Committee was told that the Department of Administrative Services was required to reimburse to the Department of Capital Territory the cost of maintaining landscaped areas in government buildings. The departmental submission stated:

Exhibit
163/A1 and
Qs. A74,
A77 and
A83

"The draft estimate for this item was based on information provided by the Department of the Capital Territory. At additional estimates time it was understood that the full amount of \$71,000 would still be required."

However, at the inquiry the Committee was told that at Additional Estimates time there was considerable uncertainty about the rate at which various areas would be handed over to the Department and the submission stated:

"Claims submitted by the Department of the Capital Territory during the course of the year totalled nowhere near \$71,000, due to the fact that certain areas were not handed over by the N.C.D.C. on schedule."

52. The Department's submission went on to say that inspections of the areas revealed that the landscaping was being poorly maintained so accounts to hand amounting to approximately \$7,600 were not paid as it was considered that the work had not been carried out. Discussions with the Department of the Capital Territory were continuing on these matters. Exhibit 163/A1

53. The Department conceded that insufficient staff had been engaged in the activities relating to estimating and expenditure on Government buildings and that this could have contributed to difficulties with the item. The witness hoped that the transfer of an additional officer into the area from another section could improve the estimating performance. He also pointed out that an intra-departmental management consultancy team had been examining various aspects of the Department's property management activities for the eighteen months prior to the Committee's public hearing (September 1976) and he hoped that its findings, which could be completed in a further six months, would justify an increased level of staff in the area. Qs. A88 to A91, A97 and A98

Conclusions

54. The Committee accepts that the level of funds sought by the Department in the Additional Estimates, and also the reasons for seeking funds from the Advance to the Treasurer, were reasonable given the administrative re-arrangements arising out of events late in 1975. The Committee appreciates the difficulties the Department must experience in preparing accurate estimates of expenditure for services to Government buildings and the fact that the expenditure is primarily incurred by other user departments over which the Department of Administrative Services has no direct control.

55. Notwithstanding the Committee's acceptance of the Department's explanation, there are a number of features of estimating and expenditure on this item about which the Committee wishes to comment. Firstly, the Committee would point out that when it is considering whether a Department was justified in seeking funds from the Advance to the Treasurer, the Treasury's closing date for Additional Estimates is considered to be the only effective closing date as far as the Committee's deliberations are concerned. Where a Department sets an "internal" closing date the Committee believes that account should be taken of any additional expenditure requirements which come to notice in the period between the departmental closing date and the Treasury closing date and provision made for this extra expenditure in the Additional Estimates.

56. Secondly, the Committee wishes to comment on the unnecessary power consumption caused by failure to turn off lights not required outside working hours. The Committee agrees with the Treasury view that prime responsibility for this matter should rest with the Department of Administrative Services. While the Department can, and should, seek the co-operation of other departments, the Committee believes that if, as was stated in evidence, closing down of lighting is a specific condition in cleaning contracts, the Department should initiate action to ensure either that contractors observe this requirement or that some other solution is found.

57. Finally, the Committee expresses its concern at the generally poor estimating performance which was evident in the number of oversights and omissions and lack of consultation within the Department on matters relating to this item. In particular the Committee is concerned that a lack of internal communication resulted in no provision being made for four separate fuel increases; that three security contracts were overlooked when the Original Estimates were being prepared and increases to a fourth contract were overlooked at Additional Estimates time. The Committee also expresses its concern that witnesses were unable to explain how these increases came to be overlooked. The Committee would also express concern at the fact that an electricity account, which was received in time for consideration for inclusion in the Additional Estimates was not examined because of the heavy workload at the time.

58. The Committee hopes that the internal review of the Department's property management function will provide solutions to what is a patently unsatisfactory estimating situation. The Committee wishes to be informed of the outcome of this review and of any subsequent action taken by either the Department or the Public Service Board to improve the situation.

59. The Committee also hopes that action currently taking place on matters such as regular submission of electricity accounts; closer control of expenditure on electrical maintenance and alterations to the system of collection of office waste, proves fruitful and wishes to be advised on developments in these matters.

(ii) Division 610/3/20: Administrative - Other Services -
Acquisition of cultural, historic
and scientific relics of national
significance

<u>Funds Available</u>	<u>1973-74</u>	<u>1974-75</u>	<u>1975-76</u>
	\$	\$	\$
Appropriation Act No. 1	-	-	2,000
Appropriation Act No. 3	-	-	-
Appropriation Act No. 4	-	-	-
Appropriation Act No. 6	-	12,800	-
Advance to the Treasurer	-	-	7,034
TOTAL FUNDS AVAILABLE	-	12,800	9,034
TOTAL EXPENDITURE	-	10,753	1,566
UNEXPENDED FUNDS AVAILABLE	-	1,047	7,466

60. This item provides for the costs of the acquisition of cultural, historic and scientific relics of national significance pending the establishment of a National Museum or similar institute. The Committee was informed that funds for the acquisition of these relics are, with Treasury agreement, sought on an ad hoc basis. It was explained that the purpose of such an arrangement was to allow the Government to purchase such items should they happen to come on to the market. The Treasury Observer assured the Committee that such an arrangement did not mean that delays need occur in the purchase of relics and that Warrant Authority for expenditure against the appropriation could be approved in a matter of hours. The Committee was told that no funds were provided in the Original Estimates for 1975-76 for the purchase of relics. The \$2,000 provided was to meet commitments incurred in 1974-75 in relation to the restoring of a Garrett locomotive acquired in that year.

Exhibit
163/A2 and
Qs. A107,
A108 and
A126

61. The witness from the Department informed the Committee that on 2 June 1976 the Department received a note from the Secretary to the Minister of Administrative Services indicating that the

Qs. A121
to A123

Minister had spoken to the Prime Minister about the purchase of Governor Macquarie's sword and dirk. The Department was aware of the existence of the relic, because, in the previous year an approach was made to the Department by the owners of the sword and dirk offering them for sale to the Government at a price of \$12,000. The Department rejected this offer. When the matter was investigated following the Prime Minister's interest, the Department advised the Minister on the relic's likely price at auction and the Prime Minister authorised the Department to bid to a limit of \$10,000. This approval was given on 3 June 1976.

62. The auction was held on Saturday 5 June. The Department arranged for an officer to attend the auction and for that officer to have a cheque for the payment of the relic. The Department used funds from Division 570-2-12 (Incidental and other expenditure) to pay for the sword and dirk. The witness admitted that the Department had no real authority to charge the expenditure to that item and had acted illegally. The Committee was told that because the Department was very busy at that time of year and because there was only a limited time between approval of the purchase and the auction, the funds were drawn from another item. The witness stated that it was anticipated that funds would be obtained under the proper item at some future date and the expenditure could be journalised.

Exhibit
163/A2 and
Qs. A124,
A128 and
A129.

63. The Committee was told that the Department requested the urgent issue of a Warrant Authority from the Treasurer's Advance on 18 June 1976. The departmental witness claimed that pressure of work at a very busy time of the year caused the delay from 5 June, when the auction was held, until 18 June 1976, when the request was made for the issue of a Warrant Authority. The Department did not make any attempt to expedite the warrant which was not received in the Department until 1 July 1976. Consequently, the Warrant requested from Treasurer's Advance was not utilised. The witness told the Committee that had it not been for the timing of the auction, just prior to the end of the financial year, this matter would never have come to the attention of the Committee.

Exhibit
163/A2 and
Qs. A124
and A136

64. The Treasury Observer expressed to the Committee Treasury's concern over the impropriety of the Department's action. In requesting Warrant Authority, the Department had not indicated to the Treasury that the relics had already been purchased and the expenditure charged to another Appropriation. The departmental witness explained to the Committee that the details of the matter were known to very senior officers in the Department. It was stated that the decision to draw funds from the incorrect appropriation was not solely the responsibility of the Authorizing Officer.

Qs. A130,
A140, A157
and A162

Conclusions

65. The Committee is most disturbed at the disclosure that the Department acted illegally when it charged expenditure relating to the purchase of Governor Macquarie's sword and dirk to the wrong appropriation. The Committee views this matter very seriously as in arranging to purchase the relics as it did by deliberately drawing a cheque against an appropriation that had not been approved by the Parliament for that purpose, the Department contravened a very important principle embodied in section 83 of the Constitution which states that:

"No money shall be drawn from the Treasury of the Commonwealth except under appropriation made by law."

66. The Committee also believes that when the cheque was drawn, section 34(3) of the Audit Act 1901 was breached in that the proposed expenditure was not being charged to the correct "head of expenditure".

67. The Committee was most concerned to note during the inquiry that departmental witnesses did not seem to be fully aware of the serious nature of the Department's illegal actions.

68. The Committee considers the circumstances surrounding this incident to be sufficiently serious to warrant the issue of a circular by the Department of Finance drawing the attention of all departments to the need for strict observance of the law relating to the appropriation of money from the Consolidated Revenue Fund.

69. In relation to the events that occurred, it is the Committee's view that had the special circumstances of the purchase been explained to the Treasury, arrangements could have been made for the urgent issue of a Warrant Authority from the Advance to the Treasurer in sufficient time to allow the purchase to be made and the expenditure charged to the correct appropriation.

70. The Committee has also noted the fact that when the request for the issue of Warrant Authority was forwarded to the Treasury on 18 June 1976, there was no indication that the expenditure had already been incurred and charged to the wrong appropriation.

(iii) Division 620/2/04: Cocos (Keeling) Islands - Administrative Expenses - Incidental and other expenditure

<u>Funds Available</u>	<u>1973-74</u>	<u>1974-75</u>	<u>1975-76</u>
Appropriation Act No. 1	40,400	61,500	50,000
Appropriation Act No. 3	-	-	16,700
Appropriation Act No. 4	-	-	-
Appropriation Act No. 6	-	-	-
Advance to the Treasurer	1,870	-	11,000
 TOTAL FUNDS AVAILABLE	 42,270	 61,500	 77,700
TOTAL EXPENDITURE	<u>42,267</u>	<u>61,075</u>	<u>77,668</u>
 UNEXPENDED FUNDS AVAILABLE	 3	 425	 32

71. This item provides for miscellaneous expenditure such as telephone and postal charges, medical, dental and optical, leases of land, rents, freight and other incidental expenditure relating to Cocos (Keeling) Islands.

Exhibit
163/A3

72. The Department explained to the Committee that the original estimate of \$50,000 in 1975-76 was less than the expenditure in 1974-75, because some expenditure such as the cost of repairs and maintenance were no longer charged to this item.

Q. A176 and
A177

73. The Department gave a number of reasons why it found it necessary to obtain funds amounting to \$16,700 under Appropriation Act No. 3. Firstly, \$7,000 was required to meet \$1012 for increased postal and telephone charges and \$5,988 for increased usage of telephones. Secondly, \$1200 was needed for an emergency medical evacuation for which no provision was included in the Original Estimate.

Exhibit
163/A3,
Committee
File 1976/2
and Q. A178

74. Thirdly, an additional \$1400 was required to meet the costs of arrears and current lease payments on two blocks of land on which no payments had been made since September 1973 when the islands were under the control of the former Department of External Territories. The Committee was informed that the Australian Government leases two blocks of land on Cocos (Keeling) Islands from the Clunies Ross Estate for the purpose of transmitter sites.

Exhibit
163/A3

75. The Department stated in its submission that following the receipt of a claim for these lease payments it became aware that no payments had been made since September 1973. However, during the public inquiry when asked about the date the claim for lease payment was received, a witness for the Department stated that no actual claim was received. He explained that the Department became aware of this matter when the Manager for the Clunies Ross Estate wrote to the Department asking for a copy of the records of all payments made in relation to these leases.

Exhibit
163/A3 and
Qs. A179,
A181 and
A182

76. The Committee was informed that since 1973 the Department of External Territories, the Department of the Special Minister of State and from December 1975 the Department of Administrative Services have been responsible for the administration of the Cocos (Keeling) Islands. A witness for the Department stated that for unaccountable reasons the records concerning the leases had not been brought to the attention of the appropriate officers when the responsibility for the administration of the islands had

Qs. A180 and
A182 to
A185

been handed over from the Department of External Territories to the Department of the Special Minister of State. However, the Department agreed that the payment of the leases should not have been overlooked and that procedures should have been adequate to ensure that payments were made when necessary. The Department informed the Committee that payments are now made automatically when due in accordance with the terms of the lease agreements.

77. A further \$3,500 was required to pay for the expenses associated with a review team sent to Cocos (Keeling) Islands in November 1975 to examine levels of wages, prices and conditions of labour applicable on the Islands. Approval for the visit was given by the Special Minister of State on 26 September 1975.

Exhibit
163/A3

78. The Department stated that a further \$2250 was required to pay for arrears of telephone rentals resulting from the transfer of responsibility of the internal telephone service from the Department of Transport to the former Department of the Special Minister of State. The Committee was informed that the Department of Transport in an effort to recover their costs for services to other Departments had decided to charge the Department of Administrative Services for rental on the internal telephone service. Notwithstanding that the transfer took place on 1 December 1974, a bill for 1974-75 and 1975-76 was received during the 1975-76 financial year and as no provision had been made in the Original Estimates to cover this contingency it was necessary for the Department to obtain funds from the Additional Estimates.

Exhibit
163/A3 and
Qs. A186
to A188

79. The Committee was informed that \$1350 was required from Additional Estimates to meet the costs of increases in miscellaneous expenditure (e.g. freight costs etc.)

Exhibit
163/A3

80. With regard to the \$11,000 obtained from the Advance to the Treasurer, the Department explained that from 1 December 1974 the then Department of the Special Minister of State assumed responsibility for all the Government-owned residences on Cocos

Exhibit
163/A3 and
Qs. A189 to
A192

Island. These residences are let to Australian Government employees on a fully furnished basis and whilst the costs of repairs and maintenance are borne by the Department of Construction the responsibility for the replacement of barrack stores such as light globes, pesticides etc. now rests with the Department of Administrative Services.

81. The Department stated in its submission that on 21 April 1976 the Department of Construction had forwarded a claim for \$11,063.85 in respect of household items that were purchased between November 1974 and January 1976 by that Department for use in the residences at Cocos Island. The Department of Construction also told the Department that an account for \$4,212.27 was submitted on 15 September 1975. The Department of Administrative Services informed the Committee that it only became aware of this account on 21 April 1976 and that there was no record of this account having previously been received. A thorough search in the Department had failed to locate the account which was included in the claim submitted on 21 April 1976 for \$11,063.85.

Exhibit
163/A3 and
Qs. A197 to
A199

82. The Committee was informed that in September 1974 discussions were held with officers of the Departments of Transport, Construction and the then Department of the Special Minister of State on the transfer of functions at Cocos Island. During these discussions it was brought to notice that provision would have to be made in the appropriations of the administering Department for the purchase of these household stores.

Exhibit
163/A3 and
Qs. A200 to
A204

83. The Department stated that when the claim was received on 21 April 1976 it became apparent that out of a multitude of matters that arose out of these discussions, this requirement had been overlooked and consequently it was necessary to obtain funds from the Advance to the Treasurer to settle this claim.

Exhibit
163/A3

Conclusions

84. The Committee appreciates that there were estimating difficulties associated with the transfer of responsibility for the administration of the Cocos (Keeling) Islands between departments. Nevertheless, the Committee considers that the Department should have been aware of the existence of the leases and the need to make payments when they were due. The Department's estimating procedures should also have been designed to ensure that the commitments for the lease payments were taken into account when the Original Estimates were being prepared. Similarly, the procedures should have ensured that the necessity to provide funds for the household stores was noted following the discussions held with officers from the Departments of Transport and Construction in September 1974.

85. The Committee is also concerned that the commitments for the lease payments and the household stores were not recorded in the Register of Commitments as required under section 31/3 of the Treasury Directions. Had the Register been properly kept the provision of funds would not have been overlooked.

CHAPTER 4

ATTORNEY-GENERAL'S DEPARTMENT

Division 172/2/03: Courts Administration - Administrative Expenses - Postage, telegrams and telephone services.

<u>Funds Available</u>	<u>1973-74</u>	<u>1974-75</u>	<u>1975-76</u>
	\$	\$	\$
Appropriation Act No. 1	-	-	147,100
Appropriation Act No. 3	-	-	36,400
Advance to the Treasurer	-	-	20,000
TOTAL FUNDS AVAILABLE	-	146,600	203,500
TOTAL EXPENDITURE	-	142,512	202,999
UNEXPENDED FUNDS AVAILABLE	-	4,088	501

86. This item provides for the cost of postage, telegrams and telephone services for Judges and staff of the Industrial Court, Bankruptcy Court, Supreme Courts of the A.C.T. and the N.T., Magistrates in A.C.T. and N.T., staff employed in the Courts Office Branches in the A.C.T. and the N.T., and until 1 January 1976 for the Bankruptcy Administration.

Exhibit
163/81

1. The Committee was informed that due to the amalgamation of one entire Division and three part Divisions into Division 172 from 1 July 1975 and the loss of part of the function of the Bankruptcy Administration from 1 January 1976, comparative figures for 1973-74 and 1974-75 are not available. The amalgamated Divisions and their 1974-75 coding were:

Exhibit
163/81

- Bankruptcy Administration - Division 128 (entire)
- Industrial Court - Division 129 (part)
- Courts Office, A.C.T. - Division 139 (")
- Courts Office, N.T. - Division 140 (")

87. In July 1976 the Department provided the Committee with a brief statement which explained that the Department had sought additional funds in Appropriation Act No. 3 and the Advance to the Treasurer to pay unanticipated accounts from the Australian Telecommunications Commission in Darwin dating back to December 1974, to meet additional costs resulting from increased charges and usage and because, at Additional Estimates time the Department had been unable to assess accurately the effect of the loss of the Bankruptcy Administration.

Exhibit
163/81

88. On 24 August the Committee received an additional submission which stated that "additional facts have come to notice following a further detailed examination of the actual expenditures against the estimates." At the inquiry the departmental witness explained that information had come to light during the course of preparation for the inquiry. He conceded that the information presented in the original submission had been inadequate and "not entirely accurate".

Exhibit
163/82 and
Q. 826

89. In its additional submission and in supplementary information provided to the Committee, the Department revealed its proposed, progressive and actual spending on the various sub-items contained in this item. The details were as follows:

Exhibit
163/82 and
Q. 813 and
Committee
File 1975/2

	Estimate for 1975/76	Expenditure at 29.2.76	Estimate as revised at Additional Estimates time	Expenditure 1975/76
	\$	\$	\$	\$
Bankruptcy Administration	57,700	41,535	42,500	42,326
Industrial Court	18,000	7,678	16,000	15,325
ACT Courts	47,000	37,041	60,000	60,102
NT Courts	24,400	36,444	65,000	85,246
Approp. Act No 1	147,100	122,698	183,500	202,999

90. In relation to the underexpenditure of \$15,374 on the Bankruptcy administration, the Committee was informed that this resulted from the transfer of the major parts of the Bankruptcy administration functions (those associated with the Inspector-General, the Official Receiver and the Registrars in Bankruptcy) to the Department of Business and Consumer Affairs. Under the Administrative Arrangements Order of 22 December 1975, this transfer took effect from 1 January 1976 but it was not until February 1976 that the accounting arrangements were finally settled. It was explained that the Attorney-General's Department retained responsibility for the court, judges and their staff.

Exhibit
163/82 and
Qs. 84 to
88

91. The Committee was advised that in 1974-75 the expenditure for the Australian Industrial Court was provided for in Division 129 which also contained provision for expenditure by the Australian Conciliation and Arbitration Commission and separate accounts were not kept for the expenditure by each body. It was therefore difficult to estimate accurately the 1975-76 requirements for the Court and an underexpenditure of \$2,675 resulted.

Exhibit
163/82

92. The departmental submission explained that the additional requirement of \$13,102 for the A.C.T. Courts was due to new rates effective from 1 September 1975 and some increase in usage. The new rates represented an overall average increase of the order of 40 per cent for a full year. The witness explained that part of the increased usage could have been attributed to the taking on of additional functions such as the introduction of the Small Claims Court but generally increased workload would have been a major factor in increased usage.

Exhibit
163/82 and
Q. 810

93. At the public inquiry, the departmental witness explained that the main area of difficulty in estimating for this item occurred in relation to the Court's vote in Darwin where expenditure

Q. 82

was underestimated by \$60,846. It was stated that a combination of factors including the introduction of STD facilities to Darwin in August 1974, the absence of any experience of billing under STD conditions prior to Cyclone Tracy in December 1974, destruction of departmental records during the cyclone, extensive use of the Courts phones which were among the few working after the cyclone, and the inability, because of exterior damage to the Court Building, to secure the doors until April 1975; contributed to the Department's inability to control telephone usage and to provide a soundly based estimate for the 1975-76 financial year.

94. The Committee was informed that the 1975-76 estimate for the Northern Territory Courts of \$24,000 was prepared on the basis of known 1974-75 expenditure of \$22,601. It was explained that had the Department known at Original Estimates time that there would be unpaid 1974-75 accounts totalling \$22,900 at 30 June 1975, the Department's estimating base would have been increased to approximately \$45,000. Given the higher estimating base and knowing that \$22,900 in outstanding 1974-75 accounts would be paid in 1975-76, the departmental witnesses claimed that the Original and Additional Estimates made by the Department would have been much more accurate.

Exhibit
163/B2
and Qs.
B28, B30
and B31

95. The departmental submission stated that at the time the Additional Estimates were prepared it was estimated on a pro-rata basis that the 1974-75 accounts represented \$19,000. After a more detailed examination of the accounts paid the Department estimated the accounts were \$22,900. It was explained that the form of the accounts received by the Department from the Telecommunications Commission did not enable identification of which accounts related to 1974-75 and which to 1975-76. Instead of a normal account for a six months' period, the Department had received one for eight and a half months and so apportioned the expenditure on a time basis.

Exhibit
163/B2
and Q.
B34

96. The Committee was told that the \$36,400 sought in Additional Estimates was to cover the 1974-75 accounts rendered and paid for in 1975-76 and to meet the estimated effects of increased charges effective from 1 September 1975. The Department pointed out that assessment of the effects of increased charges had been complicated by a full and partial moratorium on charges for telephone calls from Darwin following the cyclone. It was stated that the Department had taken the increased charges into account at Additional Estimates time but had not done so to a sufficient extent. The Committee was informed that the actual costs per unit of metered calls were as follows:

Exhibit
163/82
and Qs.
B37 to
B43 and
B49.

<u>Period</u>	<u>Nominal Rate</u>	<u>Actual Rate (Darwin)</u>	<u>Discount</u>
To September 1974	4.75¢	4.75¢	Nil
1 October to 24 December 1974	6¢	6¢	Nil
25 December 1974 to 12 January 1975	6¢	Nil	100%
13 January 1975 to 31 August 1975	6¢	4¢	33½%
1 September 1975 to 30 September 1975	9¢	6¢	33½%
From 30 September 1975	9¢	9¢	Nil

-
1. Although the Department's submission stated that the moratorium ended on 1 September 1975, the Committee was told at the public inquiry that this had been based on false information received from Telecom and that the actual date the moratorium ended was 30 September 1975.

97. The Committee was informed that the \$20,000 obtained from the Advance to the Treasurer on 22 June 1976 was required to meet the cost of the full effect of the increased charges on accounts rendered in April, May and June 1976. These accounts totalled \$37,242 and comprised \$31,095 for metered calls and \$6147 for rental and other charges.

Exhibit
163/82
and Qs.
811, 816
and 852
and
Committee
File 1976/2

98. The Department claimed that this was difficult to estimate at the time Additional Estimates were prepared due to:-

Exhibit
163/82

- (i) the large increase in the charge for metered calls; and
- (ii) the complexity of the effect of the original underestimate on the 1975-76 requirements.

99. In relation to control over the use of STD the witness stated that the Department had to rely on instructions and supervision. He was not certain whether any Darwin Court lines had access to STD barred. He did not believe that control locks would be an effective deterrent to the overuse of the STD facility. The witness was not able to say whether PETRA was available in Darwin.

Qs. B22
to B25

Conclusions

100. The Committee accepts that the Original Estimates were prepared in unusually difficult circumstances and therefore accepts the Department's explanation in relation to the Original Estimate. However, the Committee is not satisfied that the Department gave due consideration to all the relevant factors when preparing the Additional Estimates. The Department stated in evidence that it had been aware at the time of the Additional Estimates that the 1974-75 expenditure in the Northern Territory, and therefore the estimating base for 1975-76, had been understated by about \$19,000 and that this had to

be included in payments made in 1975-76. The Department had also taken into account additional expenditure which was expected as a result of increased rates. Allowing for these factors and for the fact that the departmental projections of expenditure on other sub-items at Additional Estimates time were relatively accurate, the Committee believes that the Department should have sought more funds at Additional Estimates time to cover its requirements in the Northern Territory.

101. The Committee is disturbed by the rapid growth in expenditure on this item in the Northern Territory and suggests that the Department seriously consider ways of reducing unauthorised and/or unnecessary use of STD facilities. In this regard the Committee would recommend that the Department examines the possibility and economics of access barring lines or of installing the call analyser equipment known as PETRA.

102. The Committee would also express its concern at the poor quality of the original submission and 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";

Treasury Circular 1976/10 dated 11 May 1976 also directs the attention of departments to the necessity for evidence tendered to the Committee to be of the highest quality.

CHAPTER 5

DEPARTMENT OF THE CAPITAL TERRITORY

(i) Division 213/2/05: Australian Capital Territory Police - Administrative Expenses - Motor vehicles and launches - Hire, maintenance and running expenses

<u>Funds Available</u>	<u>1973-74</u>	<u>1974-75</u>	<u>1975-76</u>
	\$	\$	\$
Appropriation Act No. 1	235,200	287,600	72,423 ¹
Appropriation Act No. 3	-	-	99,600
Appropriation Act No. 4	-	-	-
Appropriation Act No. 5	-	-	-
Advance to the Treasurer	-	-	110,000
 TOTAL FUNDS AVAILABLE	 235,200	 287,600	 282,023
 TOTAL EXPENDITURE	 201,868	 283,503	 280,280
 UNEXPENDED FUNDS AVAILABLE	 33,332	 4,097	 1,743

103. This item provides for the cost of running, maintenance and repairs of motor vehicles and launches required by the Police to carry out law enforcement in the A.C.T. and Jervis Bay.

Exhibit
163/83

104. The Committee was informed that following the Administrative Arrangements Order of 22 December 1975 the functions of the A.C.T. Police were transferred from the former Department of Police and Customs to the Department of the Capital Territory. Under the Department of Police and Customs, funds for the payment of expenses

Exhibit
163/83
and
Q. B100

1. This amount represents expenditure by the former Department of Police and Customs against Division 485/2/06 and 485/2/07 for the period 1 July 1975 to 31 December 1975

Exhibit
163/83

chargeable to this item associated with the functions of the A.C.T. Police were included in *omnibus appropriations* - Divisions 485/2/06 and 485/2/07 - of Appropriation Act (No.1) 1975-76. As the unexpended balance of these two appropriations as at 31 December 1975 was made available to the Department of Administrative Services it was necessary to create a new appropriation item under the control of the Department of the Capital Territory to meet payments in respect of motor vehicles and launches associated with the A.C.T. Police functions from 1 January 1976 to 30 June 1976.

105. The Committee was informed that at the time the responsibility for the A.C.T. Police functions was returned to the Department of the Capital Territory, financial records relating to the A.C.T. Police were held by the newly created Department of Business and Consumer Affairs. Witnesses representing the Department of the Capital Territory stated that \$99,600 had been sought in Appropriation Act No. 3 because advice had been received from the Department of Business and Consumer Affairs that there were no significant outstanding accounts and the balance of the original estimate of \$172,000 appeared adequate. The witness stated that the Department of the Capital Territory accepted this advice and did not carry out any further investigations to verify its adequacy.

Exhibit
163/83 and
Q. 857

106. It was explained that under the Department of Police and Customs, the responsibility for estimating the requirements of the A.C.T. Police had rested with the Central Office. Following the change in administrative arrangements the responsibility for estimating was transferred to the Department of the Capital Territory although, according to witnesses, it was essentially the police who estimated their requirements for the period 1 January to 30 June 1976. The Committee was told that two officers who were former employees of the A.C.T. Police returned from the Central Office of the Department of Business and Consumer Affairs. However, they had not been associated with finance during their period with Business and Consumer Affairs and so had to start from the beginning in estimating the additional requirements for the A.C.T. Police.

Qs. 862
and 863

107. The Committee was informed that 1 January 1976 was the date of transfer of the A.C.T. Police to the Department of the Capital Territory under the Administrative Arrangements Order. However, the actual date on which unpaid accounts were handed over was 7 January. On 13 January the Department of Business and Consumer Affairs formally advised the Department of the Capital Territory of the estimated requirements for all A.C.T. Police items for the remainder of the financial year.

Qs. B60,
B61 and
B68

108. In relation to the Department's requirement for funds from the Advance to the Treasurer, the departmental submission explained that subsequent to the closing of the Additional Estimates it was ascertained that:

Exhibit
163/83

"Accounts totalling some \$117,000 had been received in the Department prior to the closure of Additional Estimates but these were inadvertently overlooked when assessing the cash requirement for the remainder of the year."

109. At the inquiry the Department provided the Committee with a breakdown of accounts received for this item. This breakdown showed that accounts totalling \$62,596.44 had been received and registered prior to the closing of Additional Estimates on 19 March 1976 and a further two accounts totalling \$53,620.52 were registered on 24 March. These two accounts brought the total accounts received and registered by the Department to \$116,216.96. With one exception, these accounts were for periods of vehicle hire during 1975. The most recent account was one registered on 24 March 1976 for the fortnight ending 4 January 1976.

Exhibit
163/85

110. The departmental witnesses were unable to explain how the accounts came to be overlooked when Additional Estimates were being prepared nor were the witnesses able to identify which accounts had been included in accounts totalling approximately \$24,000 which had been handed over by the Department of

Qs. B71 to
B78, B80,
B81, B92 to
B94, B96
and B97

Business and Consumer Affairs in January 1976. It was suggested that some of the overlooked accounts may have been held by the A.C.T. Police while some may have been in the Central Office of the Department. It was also pointed out that the Warrant Authority to operate on Division 213/2/05 did not become available until 18 February 1976 and working codes were not available until 23 February 1976 and the witness suggested that the accounts would have been put aside because funds were not available and were then overlooked when the Additional Estimates were prepared.

111. The Committee was told that the accounts related to charges for police vehicles on permanent hire to the A.C.T. Police. Prior to the administrative changes the charges had been levied against the Department of Police and Customs. A witness representing the Department of Business and Consumer Affairs stated that there had been a substantial increase in the rates payable for hire vehicles in June or July 1975 and that these rate increases had not been taken into account in the Original Estimates. He stated that the Department of Business and Consumer Affairs would have been looking to the Additional Estimates to cover these increases if the A.C.T. Police had remained under its control.

Qs. 883 to
888, B102
and B103

112. The witnesses representing the Department of the Capital Territory stated that the additional accounts would have been discovered soon after Additional Estimates closed, probably some time in April. The Department's application for funds from the Advance to the Treasurer was made on 21 June and the warrant was issued on 23 June. The accounts were paid on 28 June and details are as set out in the table below:

Exhibit
163/85 and
Qs. B71 to
B73 and B89

Claims Paid 28.6.76

<u>Date Claim Registered</u>	<u>Amount</u>	<u>Period Claimed</u>
10.2.76	\$ 19,038.04	2 weeks to 14.9.75
10.2.76	2,416.00	2 weeks to 17.8.75
8.3.76	9,308.64	2 weeks to 26.10.75
8.3.76	9,694.66	2 weeks to 31.8.75
24.3.76	10,707.18	2 weeks to 4.1.76
8.6.76	31,245.53	6 weeks to 29.2.76
24.6.76	20,712.00	4 weeks to 9.5.76

113. By way of a general explanation of the procedure followed subsequent to the Administrative re-arrangements on 22 December 1975 the Treasury Observers (Messrs. Finch and Dolman) explained that Treasury held talks with the representatives of the various departments in order to review the appropriations as closely as possible. The Committee was assured that the requirements of the A.C.T. Police were carefully scrutinized and that on the information presented to Treasury and the pro-rata expenditure to 31 December it was reasonable to assume additional funds would not be required.

Qs. B158
to B164

114. The witness representing the Department of Business and Consumer Affairs agreed that the Original and Additional estimates had been understated. He pointed out however, that with the incorporation of the A.C.T. Police in the Australia Police some economies of scale and of rationalization had been anticipated.

Q. B101

Conclusions

115. The Committee is most disturbed by the performances of both the Department of Business and Consumer Affairs and the Department of the Capital Territory in relation to the formulation of the estimate for this item. While the Committee concedes that there were some extenuating circumstances arising out of the administrative rearrangements of the December/January period, the Committee believes that both Departments contributed to the grossly understated Additional Estimate.

116. The Committee believes that the Department of Business and Consumer Affairs made a major contribution to the poor estimate by its failure to take account of the significant rises in the rates for vehicle hire when advising the Department of the Capital Territory of likely expenditure for the period 1 January 1976 to 30 June 1976.

117. The Committee takes a very serious view of the Department of the Capital Territory's failure to make allowance for accounts which had been received in the Department and most of which had been registered in the Department's books, prior to the closure of Additional Estimates on 19 March 1976. The Committee is also concerned that the Department was unable to explain how the accounts came to be overlooked and would suggest that the departmental procedures for reviewing expenditure at Additional Estimates time may require re-examination. The Committee would suggest that closer liaison between the Department's Central Office and the Administration Section of the A.C.T. Police may also be required.

118. The Committee would also register its concern at the fact that accounts valued at more than \$51,000 were paid on 28 June 1976, presumably with funds obtained from the Advance to the Treasurer, even though these accounts had been registered

in the Department in late March 1976 or earlier and related to vehicle hire accounts dating back as far as 17 August 1975. If, as stated in evidence, the Department had been aware of the existence of these accounts in April 1976, the Committee is at a loss to understand why the Department did not seek funds from the Advance to the Treasurer at an earlier date. The Committee believes that the delays evident in the payment of these accounts reveal a most unsatisfactory state of affairs and would draw the Department's attention to the conclusions of its 151st Report which related to delays in the payment of accounts. The Committee would also draw the Department's attention to Treasury Memorandum 1976/15 of 8 June 1976 and in particular to the following comment in that memorandum:

"It is becoming increasingly evident that, in many departments, supervisors are not always aware of the extent of delays in the payment of accounts. If this is so, procedures should be introduced under which it will become the responsibility of a nominated officer to regularly review the Register of Accounts (and other relevant controls) and to report to the Accountant or Finance Officer accounts not paid one month after receipt. Prompt action should be taken to remove the causes of delays and for seeing that accounts are promptly paid."

(ii) Division 213/2/06: Australian Capital Territory Police -
Administrative Expenses - Clothing
and Equipment

<u>Funds Available</u>	<u>1973-74</u>	<u>1974-75</u>	<u>1975-76</u>
	\$	\$	\$
Appropriation Act No. 1	157,000	200,000	119,867 ¹
Appropriation Act No. 3	-	-	90,000
Appropriation Act No. 4	5,000	-	-
Appropriation Act No. 5	-	70,000	-
Advance to the Treasurer	-	-	21,000
 TOTAL FUNDS AVAILABLE	 162,000	 270,000	 230,867
 TOTAL EXPENDITURE	 139,444	 261,815	 229,623
 UNEXPENDED FUNDS AVAILABLE	 22,556	 8,185	 1,244

119. This item provides for the cost of uniforms, consumable stores and minor equipment for police use.

Exhibit
163/84

120. The Committee was informed that under the former Department of Police and Customs, funds for clothing and equipment associated with the functions of the A.C.T. Police were included in two omnibus appropriations - Divisions 485-2-08 and 485-2-09 shown in Appropriation Act (No. 1) 1975-76. As the unexpended balance of these appropriations as at 31 December 1975 was subsequently made available to the Department of Administrative Services it was necessary to create a new appropriation item under the control of the Department of the Capital Territory to meet the cost of clothing and equipment associated with the A.C.T. Police functions from 1 January 1976 to 30 June 1976.

Exhibit
163/84

1. This amount represents expenditure by the former Department of Police and Customs against Divisions 485/2/08 and 485/2/09 for the period 1 July 1975 to 31 December 1975

Exhibit
163/84

121. The Committee learnt that the \$90,000 obtained in Appropriation Act No. 3 represented the unexpended balance of the funds provided for the A.C.T. Police requirements in Divisions 485/2/08 and 485/2/09. The witness representing the Department of the Capital Territory stated that the Department had relied on the estimate advised by the Department of Business and Consumer Affairs and conceded that a proper review of expenditure had not been undertaken.
122. The witness representing the Department of Business and Consumer Affairs stated that the basis of the estimate provided to the Department of the Capital Territory was that in the omnibus appropriations 485/2/08 and 485/2/09, 47 per cent of the total funds had been spent to 31 December and so the balance had been distributed to the different police forces on the basis of the proportion of the bids they had originally made. It was stated that the Department had had to make a judgement on what would be required for the balance of the year and the Department had estimated a requirement of \$90,000 for this item. As with Item 213/2/05, this estimate had been passed to the Department of the Capital Territory on 13 January 1976.
123. The Committee was informed that the accounts for clothing and uniforms were handed over to the Administration Section of the A.C.T. Police in early January. The documents were received by the A.C.T. Police on 20 January 1976 and subsequently handed over to the Central Office of the Department of the Capital Territory where they were registered on 10 February. As with item 213/2/05 it had not been possible to pay the accounts before Warrant Authority became available on 18 February and working codes provided on 23 February.
124. The departmental submission stated that included in the documents handed over were outstanding orders totalling \$109,000 for uniforms and protective clothing placed by the former Department of Police and Customs. Claims totalling \$22,500 against
- Exhibit
163/84 and
Qs. B105 and
B106
- Qs. B116 and
B118 to B121
- Qs. B126
and B135
- Exhibit
163/84 and
Qs. B126
and B139 to
B141

these orders were also handed over. The departmental witness pointed out that the Department of the Capital Territory would not have known the content or extent of orders placed by the Department of Business and Consumer Affairs until after they had been handed over and examined. The witness from the A.C.T. Police Administration stated that there had not been sufficient time for the A.C.T. Police to examine the documents in detail in the period from 20 January until 10 February. He stated that the documents which had been examined tended to support the estimate of \$90,000 for the Additional Estimates as recommended by the Department of Business and Consumer Affairs.

125. The Committee was told that the Department of the Capital Territory normally carried out a detailed review of expenditure prior to the close of Additional Estimates. However, in the case of this item, no such review was made nor was any analysis made to ascertain likely delivery dates and cash flow requirements. It was conceded that too much reliance had been placed on the Department of Business and Consumer Affairs estimate.

Exhibit
163/84,
Qs. B144
and B147
to B150

126. It was explained that in May 1976 it became clear that the provision of \$90,000 in the Additional Estimates would be insufficient to meet expenditure which was properly payable in 1975-76. The Department therefore sought the provision of \$21,000 from the Advance to the Treasurer on 21 June 1976.

Exhibit
163/84 and
Q. B153

Conclusions

127. It would appear to the Committee that the conclusions and criticisms made in relation to Division 213/2/05 are generally applicable to this item. The Committee would reiterate its concern at the Department of the Capital Territory's inability to explain how accounts which were registered in the Department on 10 February 1976 could be overlooked in preparing the Additional Estimates which closed on 19 March.

CHAPTER 6

DEPARTMENT OF DEFENCE

Division 234/2/01: Equipment and Stores - Replacement Equipment and Stores - Weapons, armaments, ammunition and explosives

<u>Funds Available</u>	<u>1973-74</u>	<u>1974-75</u>	<u>1975-76</u>
	\$	\$	\$
Appropriation Act No. 1	24,752,000	19,726,000	18,780,000
Advance to the Treasurer	-	-	2,288,000
TOTAL FUNDS AVAILABLE	24,752,000	19,726,000	21,068,000
TOTAL EXPENDITURE	21,948,084	17,557,191	20,995,945
UNEXPENDED FUNDS AVAILABLE	2,803,916	2,168,809	72,055

128. This item provides for expenditure on the replacement of weapons, armaments and ammunition.

Exhibit
163/87

129. The Department explained that a proportion of the expenditure for this item is incurred through payments against orders on the United States Services. Such payments are required to be made in accordance with the terms of contracts and Australia is obliged to make funds available in such amounts and at such times as may be stipulated, depending on the method of supply adopted by the United States Services.

Qs. B224,
B254 and
B268

130. The Department stated that although Australian Services maintain constant liaison with the United States Services, when it prepares its financial programs it is not aware of the supply arrangements that the United States Services might make. It was explained to the Committee that the U.S. Services could issue to the Department from stock, the Australian Defence order could be joined with a U.S. order or a special contract arranged on behalf of the Australian Department of Defence. The practice of the United States Services is to contract for ordnance supplies on an incentive-type

Qs. B254 to
B267

basis, with positive and negative incentives. Positive incentives for example are rewards for producing ahead of schedule or a reduction in costs, whilst negative incentives are reductions in contract price for such things as failure to deliver on dates specified, or failure to achieve the quality contracted for. The Department further stated that by being able to participate in United States Services contracts it was in a much better financial position than by contracting itself for relatively small amounts in the United States.

131. The Department informed the Committee that following a number of variations that occurred to the programmed expenditure schedules after the preparation of the Additional Estimates, the Department on 8 June and 28 June 1976 sought amounts of \$1.715m. and \$0.573m. respectively from the Advance to the Treasurer.

The variations are listed below:

Exhibit
163/87 and
Qs. B289
and B293

Increases

- Increased net expenditure through the Department of Industry and Commerce factories \$653,000
- Accelerated deliveries and changed conditions of orders placed in U.S.A. \$1,390,000
- Accelerated deliveries of orders placed in Sweden \$408,000

Decreases

- As a result of delays in deliveries decrease in estimated expenditure \$163,000

Increases:

132. It was explained to the Committee that the "increased net expenditure" of \$653,000 mentioned in the departmental submission does not refer to actual increases in costs but to payments made ahead of the times it was estimated that these payments would be made. The Department stated that it based its expenditure program, for the items concerned, on advice from the Department of Industry and Commerce, regarding costs, production schedules, possible delays and delivery times. The Committee was informed that from time to time during the course of production the Department of Industry and Commerce would modify its original advice.

Exhibit
163/87 and
Qs. B235,
3241 and
B242

133. The Committee was informed that the variation of \$653,000 in estimated expenditure, involved some 19 orders placed with the Department of Industry and Commerce factories. The biggest single variation to estimated expenditure was \$489,000 for RAAF 30mm. DEFA ammunition for Mirage aircraft. The variations, amounting to \$164,000, for the other 18 orders were considered to be relatively small and included 20lb and 105mm. cartridges, and surface flares for the Army, bombs and cartridges for the Air Force and the Navy order involved Ikara missiles and fuses.

Exhibit
163/87, Qs.
B229, B233
and B249 to
B253

134. With regard to the 30mm. ammunition for the Air Office the Committee was told that because production difficulties experienced earlier had been overcome, it had been possible to make deliveries earlier than had been anticipated and programmed for by the Department of Defence. Consequently the Department needed \$489,000 more than had been allowed for in its estimates for the 1975-76 financial year.

Qs. B229,
B233 and
B244

135. The Department informed the Committee that the information regarding the increases in estimated expenditure on orders placed at the Government munitions factories was not available to the Department until 25 March 1976, which was after the close of the Additional Estimates on 19 March 1976. In order to pay its bills the Department found it necessary to obtain funds from the Advance to the Treasurer. Qs. B230 to B240

136. With regard to the accelerated deliveries and changed conditions of orders placed in the U.S.A. the Committee was informed that an order for .30 calibre ammunition was expected to draw expenditure in the financial year 1976-77 following delivery from the U.S. Army source of supply. However, the letter of offer accepted in June 1976 called for payment on placement of order of \$134,000. The Department explained that when the United States Services make issues from stock, it is normal, under their procedures with foreign governments to require cash with the order, so as to provide them with funds to replenish their stocks, and it was not unusual to receive a letter of offer calling for payments with an order. This was the case in this instance and consequently \$134,000 was required from the Advance to the Treasurer as no allowance was made for this in the Original Estimates for 1975-76. Exhibit 163/87

137. The Department informed the Committee that on 31 October 1975 an order was placed with a United States Company for flares at a cost of \$556,000. The delivery date was 20 April 1976 and the order required payment on delivery. The Committee was informed that the flares were placed aboard ship on 19 February 1976 and were delivered well ahead of schedule. A claim was raised and the amount of \$556,000 was paid. As no allowance had been made for this order in the Original Estimates it was necessary for the Department to obtain \$556,000 from the Advance to the Treasurer. Exhibit 163/87 and Q. B257 and B260

138. The Department explained to the Committee that at the time of the initial preparation of the Additional Estimates, late in January 1976, it had formed the opinion that deliveries for this order would not be made for at least two months and consequently no allowance was made for the cost of this order in the 1975-76 financial year. The departmental witnesses stated that their judgement, which in the event proved to be wrong, was based on past trends of normal delays in deliveries. This was substantiated by the fact that for the previous two years the Department had tended to be over optimistic and had underspent on this item.

Exhibit
163/87 and
Qs. B257 to
B260

139. The Department stated that an amount of \$700,000 was required from the Advance to the Treasurer to meet payments caused by accelerated deliveries (\$309,000) and increased costs (\$391,000) on Navy orders from the U.S.A. for which expenditure was not originally planned in the financial year 1975-76. The witness for the Department attributed the increase in costs in general to escalation in orders over a period of time whilst the accelerated deliveries were due to availability of material in the United States system. The Department explained that the orders concerned were not a fixed price contract and the Defence Department pays what is claimed by the United States Authorities.

Exhibit
163/87,
Committee
File 1976/2
and Qs. B268,
B278 and
B282.

140. The Department explained that four major orders accounted for \$694,000 with the remaining order covering the balance of \$6,000. The first major order of \$221,000 for underwater sound signals was placed on 9 July 1975, with a quoted delivery time of eighteen months. However, the Department in mid-February 1976 was advised that full payment had been claimed and paid in the United States in December 1975.

Qs. B261 to
B268

141. The second order amounted to \$89,000 for Mark 46 torpedoes and was placed on 16 September 1975. Delivery times quoted were from 13 to 22 months so expenditure was planned for the financial year 1976-77 and 1977-78. However, without receiving any prior advice delivery was notified in April 1976 and full expenditure was incurred in New York in April 1976. Q. B261

142. The third order was a large one, also for Mark 46 torpedoes at a total cost of \$11.717m. This order was originally placed on 30 June 1966. The Department stated that by June 1974 no billings had been received during the previous 4 years and indications were that the order was completed. The Department explained that accurate records were maintained, of the items received, and the order was completed in the sense of deliveries of material, but the Department is not necessarily aware if the final payment has been made. As a result of the Department's pressure on the United States Authorities to confirm that the order was complete, a further billing amounting to \$260,000 was submitted by the United States Navy and paid in April 1976. Qs. B261 to B267

143. The Department in explaining why it did not know if a payment had been made, stated that it was not aware of all the clauses in the contract between the United States Department of Defense and the contractor. Apparently there were certain provisions that the contractor would be entitled to some incentive payments if the material was produced and delivered in accordance with certain conditions. The Department believed that the contractor concerned did not lodge his claim until several years after the deliveries relating to the order had been completed. The witness stated that this situation was not unusual with orders placed with United States Authorities, consequently, the Department asks them to advise if an order is completed. Qs. B263 and B264

144. The Committee was informed that the fourth order which was for 5 inch ammunition, was placed on 5 March 1970 and amounted to Q. B267

\$810,910. The Department stated that the bulk of deliveries were received before the end of the 1974-75 financial year and the Department, after making inquiries in the United States was under the impression that the order could be considered as completed. However, in mid-February 1976 advice was received that a bill for \$125,000 had been received and paid against this order in January 1976.

145. The Department stated in its submission that at the time of preparation of Additional Estimates an order for 84 mm cartridges in U.K. for the Army was expected to result in 1975-76 expenditure of \$35,000. However, accelerated delivery resulted in \$443,000 being required from the Advance to the Treasurer.

Exhibit
163/87

146. The Committee was told that the order for 84 mm practice cartridges was placed on 31 October 1974 in Sweden and not in the United Kingdom as stated in the departmental submission. At the public inquiry the Department was unable to produce the precise details of the delivery schedule quoted in the contract. However, the Committee was assured that expected delivery dates were such as to allow for expenditure of only \$35,000 for the 1975-76 financial year.

Exhibit
163/87
Qs. B283
to B287

147. The Department was not aware of the factors which influenced the manufacturers to accelerate the delivery of this order. The Department explained that in a global sense the supply of materiel is in a somewhat paradoxical situation. On the one hand there have been shortages of raw materials in the last couple of years which have caused some delays in deliveries. Whilst on the other hand the Department has noticed that there have been conditions, that have motivated manufacturers of materiel to make every effort to improve their cash flow and consequently some deliveries and payments have been made earlier than estimated. Both of these factors have at times been responsible for variations in estimates.

Qs. B284
and B288

148. The Department informed the Committee that at the time applications were made for additional funds from the Advance to the Treasurer in June 1976, it made a judgement that \$163,000 would remain unspent because of the delays in deliveries and other slippage factors. Three items accounted for \$154,000 of the underexpenditure, the balance of \$9,000 represents the net underexpenditure over a wide range of orders. The first item involved two orders placed in the United Kingdom for Submarine Signalling Stores on 27 June 1972 and 30 June 1973 for a total value of \$432,000. Estimated expenditure for 1975-76 was \$291,000, actual expenditure incurred was \$165,000, consequently there was an underexpenditure of \$126,000. The Department explained that it had extreme difficulty in obtaining these stores from the United Kingdom because of production problems. The Department stated that these problems appeared to be nearing resolution in 1975-76 and on the basis of expected availability, provision was made in Additional Estimates for expenditure against these orders which was not in fact achieved because of non-delivery.

Exhibit
163/87,
Committee
File 1976/2
and Qs. B292
to B298 and
B301 to B303

149. The second item was for an order of 76mm cartridges placed in the United Kingdom. The Department explained that the procurement for supply from the United Kingdom was planned for the 1975-76 financial year. However, there were problems in negotiations with U.K. Authorities. In January 1976 information was received from the Australian Army Staff that the order could be placed and that a deposit of \$.011m. would be required with the order. Funds provision was made accordingly in Additional Estimates. In the event the order was placed on 16 June 1976 but the deposit was not called for. Thus, an underexpenditure of \$.011m. resulted.

Committee
File 1976/2

150. The third item was an order for 30mm. cartridges placed in the United States on 16 November 1975, at a value of \$41,000. Planned expenditure for 1975-76 was for the full amount, actual

Committee
File 1976/2

expenditure incurred was \$24,000, consequently there was under-expenditure of \$17,000. The Department explained that when the order was placed in the U.S.A., it was envisaged it would be part filled from United States Services stocks with the balance being provided by contract at an estimated total cost, based upon the best information then available, of \$41,000; Budget provision was made accordingly in 1975-76.

151. The Department in explaining the shortfall of expenditure of \$72,055 stated that the principal factor in this regard was the departmental requirement to make funds available to some 50 Authorizing Officers in Australia and overseas. The Committee was told that approximately 750,000 claims are handled per year, and that the volume makes it difficult to estimate precisely the number of claims which would come in before the end of the financial year.

Exhibit
163/87 and
Qs. B298,
B304 and B305

Conclusions

152. The Committee recognises the difficulties and complexities involved in preparing accurate estimates and controlling expenditure in this item. Nevertheless, evidence was given that the Department was aware, in February 1976, that additional funds would be required for the payments relating to the orders for underwater sound signals and the 5 inch ammunition, which amounted in total to \$346,000. The Committee considers that provision should have been made for these payments in the Additional Estimates.

CHAPTER 7.

DEPARTMENT OF EDUCATION

Division 270/4/02: Administrative - Student Assistance Program - Tertiary Education Assistance

<u>Funds Available</u>	<u>1973-74</u>	<u>1974-75</u>	<u>1975-76</u>
Appropriation Act No. 1	-	78,512,000	95,250,000
Appropriation Act No. 2	31,900,000	-	-
Appropriation Act No. 3	-	-	3,950,000
Advance to the Treasurer	3,105,000	-	10,820;000
TOTAL FUNDS AVAILABLE	35,005,000	78,512,000	110,020,000
TOTAL EXPENDITURE	34,866,664	77,336,117	109,624,632
UNEXPENDED FUNDS AVAILABLE	138,336	1,175,883	395,368

153. This item provides for expenditure on means-tested living allowances and other benefits available on a non-competitive basis to students undertaking full-time study in approved courses at Universities, colleges of advanced education, technical colleges and other approved institutions.

Exhibit
163/86

154. The Committee was advised that the Department's requirements for \$3.95m from Appropriation Act No. 3 resulted from additional expenditure of \$5.4m caused by the fact that many students received their initial 1975 benefits in the July-December period of 1975. This amount was offset to some extent by expected savings of \$1.45m anticipated as a result of an expected reduction in the number of students receiving benefits in 1976.

Exhibit
163/86

155. In relation to the additional expenditure, the Committee was informed that difficulties were experienced by State Offices in the assessment of applications in 1975. These difficulties were due to the fact that the Tertiary Education Assistance Scheme (TEAS)

Exhibit
163/86 and
Qs. 8172
and 8173

was not a competitive scheme and therefore attracted a much larger number of applications than were handled under previous competitive schemes. Departmental methods and staffing had been inadequate to cope with the demand in the peak period. Because many students received their initial payment of 1975 benefits (and therefore their entitlement for the full year 1975) in the July-December period, actual expenditure in this period was \$47.5m compared with the draft estimate of \$42.1m. It was stated that the use of mini-computers in 1976 had made a considerable difference to the processing of applications.

156. The Committee was informed that the Department had expected a drop in the number of beneficiaries under TEAS in 1976 and estimated that 78,500 students would receive the living allowance for the full six-month period, January to June 1976, while a further 7,000 would receive benefits for part of the period. It was explained that payments to these 7,000 students for part of the period was expected to be equivalent to payments to 2,000 students full-time. The expected result was an expenditure in January-June 1976 of \$51.75m, compared with the draft estimate of \$53.2m. The Committee was told that the drop in the effective number of beneficiaries had been expected because wastage rates under a non-competitive scheme tended to be higher than under a competitive scheme. This belief was confirmed by wastage statistics under TEAS to 30 June 1975.

Exhibit
163/86 and
Q. B187

157. The departmental witness explained that a number of factors contributed to the Department's difficulties in accurately estimating the number of students who would be paid during any year. These were based on estimates by the Commissions of the size of the tertiary student population. However, the Department had found that the proportion of the student population applying for, and eligible for benefit under TEAS did not bear a constant relationship to the tertiary population. The witness stated that in 1976 the Department supported approximately 40 per cent of a tertiary enrolment of 206,000.

Qs. B176
to B178,
B181, B182
and B187

In 1974 and 1975 the proportions had been 31 per cent and 35 per cent respectively. It was suggested that the variations could be partly attributable to the newness of the scheme and partly to social conditions such as the pattern of unemployment. The Department was looking for better statistical indicators to assist in estimating the likely number of TEAS beneficiaries. It was stated that estimating problems at Additional Estimates time were compounded because very few academic institutions commenced operations earlier than March so the Department had no clear indication of the number of students who would benefit for the year.

158. In relation to the Department's requirement for \$10.82m from the Advance to the Treasurer, the Committee was told that the requirement for the funds was notified on 11 May and obtained in three stages. On 20 May \$1.1m was obtained; on 10 June a further \$8.1m was obtained; and on 16 June the balance of \$1.62m was requested.

Qs. B203
and B204

159. The departmental submission stated that \$5.2m of this amount was required because it became apparent in May and June that the number of students who would receive assistance in January-June 1976 would exceed significantly the number expected when the Original Estimates and Additional Estimates were prepared. Apart from fluctuations which might be expected to occur from year to year, it was thought that the employment situation at the beginning of 1976 had an effect. Also, improved procedures for processing applications enabled more students to be put on to pay before 30 June 1976 and it was realised that the number of students receiving living allowance was likely to be 88,600, comprising 85,400 on pay at 30 June plus a further 3,200 being the full-time equivalent of students receiving benefits for part of the six-month period.

Exhibit
163/86

160. At the inquiry the departmental witnesses explained that as a result of processing problems in 1975 the Department set up a committee to thoroughly review the procedures, forms, organisation

Qs. B194
and B196

and public information service. The committee recommended the use of a mini-computer which could take over the bulk of the calculations necessary to assess benefit levels and also suggested a changed organisational pattern for examining applications. The Department purchased twelve mini-computers at a total cost of approximately \$150,000 and adopted the changed organisational pattern. The changes improved morale, job satisfaction and output.

161. As an indication of the benefits of the mini-computer, the departmental witness stated that by the beginning of 1975 the Department had been able to advise only 31,000 of 71,000 applicants using the old procedures. By using computers the Department had, by the beginning of 1976, advised 90,000 of 104,500 applicants.

Q. B195

162. A further \$1.62m was required because the average level of benefits paid per student was marginally higher in 1976 than in 1975. For the full year 1976 the average benefit per student receiving living allowance was likely to be almost \$1,240 compared with \$1,200 in 1975.

Exhibit
163/B6

163. The Committee was told that this increase was caused by an increase in the proportion of independent students receiving assistance. Independent students were entitled to a maximum benefit of \$1,600 whereas other students normally received between \$1,000 and \$1,600. In 1974 23 per cent of students received the "independent" rate; in 1975 24 per cent received the rate but in 1976 30 per cent received the independent rate.

Q. B197

164. A further \$4m was required because of the introduction of a new pay cycle resulting in a higher proportion of the total annual benefit being payable in the January-June period. The implications of this change were overlooked in the preparation of Additional Estimates. The Committee was told that the new pay cycle had 13 four-weekly instalments, instead of the 12 monthly payments made in 1975, resulting in seven payments before 30 June and six payments after 30 June.

Exhibit
163/B6 and
Qs. B198
to B201

165. The departmental submission explained that the under-expenditure of \$395,368 of the funds obtained from the Advance to the Treasurer resulted from three factors:

Exhibit
163/66 and
Qs. B205 and
B210 to B214

- (a) An amount of \$114,000 was not spent because a higher than expected rate of discontinuance resulted in 84,200 students being in receipt of living allowance at 30 June compared with an expected figure of 85,400.
- (b) A review during June established that expenditure which should have been costed to Item 270/3/11 (payment of fees to non-state Tertiary Institutions) had been recorded against TEAS. A subsequent journal entry to amend this, reduced the recorded expenditure on TEAS by \$159,000. The Committee was told that the wrong charging occurred in Tasmania and the A.C.T. and probably occurred because of unfamiliarity with the scheme for payment of fees to non-Tertiary institutions. Because the errors had occurred in the two smallest units of the Department, no remedial action was proposed.
- (c) Cheques repaid during June totalling \$122,000 had not been allowed for in seeking extra funds. Witnesses stated that repayments occurred when students changed their addresses and cheques were returned; when students received cheques after discontinuing their courses and also as a result of recovery action taken by the Department in cases where students were found to be ineligible for assistance under TEAS.

Conclusions

166. The Committee accepts the Department's difficulty in accurately estimating its requirements for this item and would commend the Department on the steps it has taken in an attempt to hasten the processing of applications. The Committee would be interested to know whether the revised processing procedures continued to be of benefit in 1976-77. The Committee would also be interested to receive advice on the Department's progress in refining its procedures for estimating likely numbers of beneficiaries under TEAS.

167. The Committee would express its concern at the failure of the Department to take account at Additional Estimates time of the financial implications of the new pay cycle which was introduced at the beginning of 1976. The Committee is concerned at the frequency at which such oversights occur in all departments. Too often, when new financial procedures are introduced, departments fail to consider adequately the financial implications of such innovations and are required to seek additional funds to meet commitments under the newly introduced procedures.

168. The Committee would register its concern at the wrong charging of expenditure which should have been charged to Item 270/4/11. However, the Committee notes that this error was rectified before the end of the financial year.

CHAPTER 8

DEPARTMENT OF INDUSTRY AND COMMERCE

Division 640/3/09: Administrative - Other Services -
Tourism Development Loans

<u>Funds Available</u>	<u>1973-74</u>	<u>1974-75</u>	<u>1975-76</u>
	\$	\$	\$
Appropriation Act No. 1	-	-	200,000
Appropriation Act No. 2	-	700,000	-
Appropriation Act No. 3	-	-	100,000
Appropriation Act No. 6	-	1,100,000	-
Advance to the Treasurer	-	-	50,000
TOTAL FUNDS AVAILABLE	-	1,800,000	350,000
TOTAL EXPENDITURE	-	1,700,000	350,000
UNEXPENDED FUNDS AVAILABLE	-	100,000	-

169. This item provides for loans for the purpose of developing tourist attractions of national significance. The whole of the expenditure charged to this item in 1975-76 related to the tourist development known as Old Sydney Town. Exhibit 163/A11

170. Old Sydney Town was incorporated on 3 April 1969 as Frank R. Fox Investments Pty Ltd and operated as a family company prior to July 1973, on which date the shareholding was acquired by:

Frank R. Fox Developments Pty Ltd	49.0%
Bank of New South Wales	25.5%
Travelodge Australia Ltd	12.75%
Bank of New South Wales Nominees Ltd	12.75%

171. The name of the company was changed to Old Sydney Town Pty Ltd on 30 July 1973. The company is developing a re-creation of Sydney Cove as it was around 1810. The project was opened to the public on 27 November 1974 but full development of the project will take a number of years. Committee File 1976/2

172. In July 1973 the then Government approved in principle equity participation in major tourism development projects. In line with this policy on 17 May 1974 the Government purchased a 25.5 per cent equity in Old Sydney Town Pty Ltd at a cost of \$317,028 from Travelodge Australia Ltd, and Bank of New South Wales Nominees Ltd. The other shareholders are the Bank of New South Wales (25.5 per cent) and Frank R. Fox Developments Pty Ltd (49 per cent). When considering the equity purchase, the former Department of Tourism and Recreation had before it -

Committee
File
1976/2

- (a) A request dated 10 December 1973 by Old Sydney Town Pty Ltd, addressed to the Minister, for a grant of funds to support the development of Old Sydney Town. The request was accompanied by a document incorporating an economic analysis of the project prepared by PA Management Consultants Pty Ltd which forecast an economically viable future for the project in the medium term.
- (b) A letter dated 24 January 1974 from Old Sydney Town Pty Ltd to the Minister providing additional financial information about the Company including *inter alia* -
 - Assessed value of the project as at 2 July 1973.
 - Balance sheet as at 2 July 1973 showing assessed values compared to book values.
 - A valuation (\$900,000) of the freehold land prepared for Frank R. Fox Investments Pty Ltd on 17 March 1972 by the Australian Mutual Provident Society. This valuation assumed the profit earning capacity of the development as put forward and taking a 10 year average.

The letter stated that on 17 January 1974 Frank R. Fox Developments Pty Ltd and the Bank of New South Wales purchased the shares formerly held by Travelsodge (Australia) Ltd. and Bank of New South Wales Nominees Pty Ltd at a cost of \$315,000 plus stamp duty, and "it would be expected that the price to be paid by a new shareholder would be based on this cost".

- (c) Comments by the Department of the Treasury dated 28 February 1974 on the aforementioned letter and accompanying documents. Treasury expressed the view that "If this valuation is realistic, a purchase price of approximately \$318,000 would not seem unreasonable for a 25.5 per cent equity". The Treasury qualification on the valuation was on the basis that the appreciated value of the land accounted for 88 per cent of the net tangible assets and therefore the basis of valuation of this item was critical to the total valuation.

173. Prior to the opening the Commonwealth Government loaned Old Sydney Town Pty Ltd \$700,000. This loan was drawn between 30 September and 16 December 1974 and was subject to an interest rate equivalent to the current bank rate plus 2.5 per cent, payable half-yearly in arrears. The principal was repayable in seven equal annual instalments to commence on 31 December 1977. As security for this loan the Commonwealth holds a Memorandum of Mortgage and Certificate of Title over the Company's property at Somersby. The purpose of this loan was to enable Old Sydney Town project to attain a reasonable stage of development prior to its opening to the public. The other shareholders had also made loans to the Company.

Bank of New South Wales	\$0.7m.
Frank R Fox Developments Pty Ltd	\$0.4m.

174. Towards the end of 1974 it became apparent that the Company faced a serious liquidity situation. Shareholders agreed that the Company should continue by means of capital restructuring. This involved a substantial increase in paid up capital. Because the project was considered of sufficient national importance to warrant a substantially increased Government involvement, the Acting Prime Minister and Treasurer on 16 January 1975 agreed to the restructuring which would involve the Commonwealth in a total investment of \$3.5m over the following three years. This proposed involvement, which would increase the Government share of equity capital to around 75 per cent, was announced by the Prime Minister at the official opening of Old Sydney Town on 26 January 1975.

Committee
File
1976/2

175. Pending the proposed capital restructuring of the Company, the Commonwealth loaned a further \$1.0m free of interest. These funds were drawn between 20 February and 27 June 1975. It was anticipated that the funds could be converted into Government equity at the time of the proposed restructuring. The other shareholders also agreed to forego interest on their loans to the Company, pending the restructuring.

Committee
File 1976/2

176. However, before negotiations proceeded it was decided to engage Price Waterhouse Associates Pty to undertake a valuation of the current worth of the Company's shares. They reported in April 1975 that the Company's assets were in the vicinity of \$2.5m, but liabilities, including secured loans from shareholder, were slightly in excess of that amount. Consequently, the value of the shares was nil. In this instance the freehold land was valued at \$478,000 on the basis of continued operation of the project with financial support from the Government and the Bank of New South Wales.

Committee
File 1976/2

177. The Department of Industry and Commerce submitted the following comments in relation to the valuation of the shares of the Company:

Committee
File 1976/2

(a) At the date when the Government took up its equity shareholding in the Company, the project was in the

development stage and without a history of operations. Nevertheless, in this situation projections of earnings is a recognised method of assessing a value for the shares.

- (b) The data put to the Department forecasting an economically viable future for the project came from a feasibility study prepared by an internationally recognised consultancy organisation. This data was subjected to analysis within the Department of the Treasury as well as the Department of Tourism and Recreation.
- (c) The shareholdings acquired on 2 July 1973 by Travelodge Australia Ltd., Bank of New South Wales Nominees and Bank of New South Wales were at a cost of 11.19 cents per share - equivalent to \$285,521 for a 25.5 per cent equity.

The consideration for the share transfers on 17 January 1974, when Travelodge and the Bank of New South Wales Nominees disposed of their interest, was approximately 12.345 cents per share - equivalent to \$315,000 (excluding stamp duty).

- (d) The Price Waterhouse share valuation was made in April, 1975, after the Company had suffered the impact of sharp cost escalations (particularly in the construction program) and had incurred substantial losses in its first five months of operations. It was then forecast that the Company was unlikely to earn profits in the foreseeable future. In this situation the consultants decided that they were unable to value the shares on an earnings basis and resorted to the alternative of valuing them on net tangible assets.

178. Negotiations towards the proposed restructure were delayed by lack of agreement between the Government and the other shareholders on the current valuation of the Company. This issue had not been resolved at the time of the change of Government in November 1975 and although an amount of \$3,075,000 had been included in Appropriation Act No. 1 in 1975-76 (Division 640/3.07: Equity participation in tourist developments) no expenditure was made for this purpose. Pending the passing of the Supply Act, the Commonwealth Government loaned the Company \$200,000 on 24 November 1975, to avoid the possibility of the Company being forced into liquidation. This loan was free of interest and was charged to Division 640.3.09.

Committee
File 1976/2

179. With the change of Government in December 1975 the Commonwealth's attitude towards an increased financial commitment in Old Sydney Town Pty Ltd was reviewed and, as a result, it was approved that an approach be made to the New South Wales Government to take over governmental support of the project. Pending the conclusion of these negotiations, the Government approved a further interest-free loan of \$100,000 to the Company to meet its immediate financial obligations. That payment was made from Division 640.3.09 to Old Sydney Town Pty Ltd on 31 March 1976 against Warrant Authority from the Advance to the Treasurer pending Additional Estimates. The funds were particularly directed towards meeting the payments of the Workers' Compensation and Public Risk Insurance owed by the Company. An amount of \$92,000 was due on 31 March 1976 for this purpose.

Exhibit
163/A11 and
Q. A364

180. Following the change of the State Government in New South Wales, the new Premier advised that his Government would need to make a thorough investigation of the proposals put forward by the Commonwealth and that in the economic climate prevailing at the time it would not be practicable for his Government to provide interim assistance to the Company pending a final decision. The Committee was told that a joint working party between Commonwealth and state

Exhibit
163/A11 and
Q. A370

officials had been established to work out a resolution to the problem. In the meantime the Company's creditors have been assured that they would be fully paid whatever the outcome of the present negotiations.

181. While these negotiations were underway the Company informed the Department that its liquidity problems were acute and the Minister for Industry and Commerce requested the issue of \$50,000 from Advance to the Treasurer. This amount was paid to the Company on 31 May 1976 as an interest free loan.

Exhibit
163/A11

182. The Commonwealth has loaned Old Sydney Town Pty Ltd a total of \$2.05m; the Bank of New South Wales has loaned \$700,000 and Fox Developments \$400,000. With a capital of only about \$100,000 the Company has a very low asset backing and until negotiations are finalised settling the transfer of the Commonwealth's interests, the Commonwealth has not taken any steps to secure the interest free loans of \$150,000 paid on 31 March and 31 May 1976. Details of the Government's loans to the Company and the nature of the securities held or pending are shown at Appendix A.

Q. A361
and Committee
File 1976/2

Conclusions

183. The Committee accepts the Department's explanation.

CHAPTER 9

DEPARTMENT OF NATIONAL RESOURCES

Division 883/6: Capital Works and Services - Australian Atomic Energy Commission - Uranium exploration and development

<u>Funds Available</u>	<u>1973-74</u>	<u>1974-75</u>	<u>1975-76</u>
	\$	\$	\$
Appropriation Act No. 2	-	-	5,587,000
Appropriation Act No. 6	-	947,000	-
Advance to the Treasurer	-	-	7,482,700
TOTAL FUNDS AVAILABLE	-	947,000	13,069,700
TOTAL EXPENDITURE	-	932,808	10,674,466
UNEXPENDED FUNDS AVAILABLE	-	14,192	2,395,234

184. This item provides for running costs, building and works, purchase of plant and equipment and investments made by the Commission for the exploration and development of uranium.

Exhibit
163/88

185. It was explained to the Committee that insofar as the financial arrangements between the Department and the Australian Atomic Energy Commission are concerned, the Commission deals directly with the Treasury in matters relating to its estimates and sends copies of the information provided to the Department. Funds are issued to the Atomic Energy Commission under Warrant Authority from the Treasury to the Authorizing Officer of the Department. These funds are then transmitted immediately to the Commission and the Department has no further involvement in the monitoring or control of funds, except that the Department is responsible for such things as consolidating explanatory notes for Senate Estimates Committees. But, in general, the Commission, like other statutory authorities, is responsible for its own financial affairs and deals directly with the Treasury as required.

Q. 8311

186. In 1974, Mary Kathleen Uranium Ltd announced a twelve-for-one new share issue to finance partly the recommissioning of its mine, treatment plant and township. The Commission, at the direction of the then government, became the underwriter and in the outcome took up 41.6 per cent of the shares of the company. The major shareholder in Mary Kathleen Uranium Ltd is Consolidated Zinc Riotinto of Australia Ltd which held 51 per cent of these shares prior to this share issue in 1974. Under the underwriting agreement Consolidated Zinc Riotinto of Australia Ltd was to take up exactly its pro-rata proportion of shares. The Atomic Energy Commission was to take up all shares not taken up by other shareholders, the public and other investors. A Commission of 0.625 cents per share was to be paid to the Atomic Energy Commission, less a handling fee of 0.125 cents per share payable to brokers to whom the other shareholders might apply. The commission was not payable in respect of the shares taken up by Consolidated Zinc Riotinto of Australia Ltd.

P.P. 294 of 1976,
Exhibit 163/88 and Q. 8321

187. The unsubscribed shares totalled 30,764,142 and to finance the acquisition of the shares the Commission, on 20 December 1974, with the consent of the Treasurer and the Minister responsible for the Atomic Energy Act, arranged an overdraft with the Reserve Bank of Australia. The original agreement with the Reserve Bank was for an overdraft of up to \$7,691,036.

Exhibit 163/88 and Qs. 8315, 8319 and 8320

188. The nominal per value of the shares was 25 cents. On application the applicant paid 10 cents, the company made one call in August 1975 for a further 10 cents and a final call on 21 April 1976 of 5 cents. The amount of the overdraft was to cover the total purchase and after the initial payment of 10 cents, further drawings were made to cover payment of the calls made by the Company. The amount of the overdraft after the payment of the final call on 21 April 1976 was \$7,482,665. There had been a reduction in the overdraft because the Commission as an underwriter was paid an underwriter's commission which

Exhibit 163/88 and Qs. 8315 to 8318 and 8367

amounted to \$208,370.55 and reduced the overdraft from \$7,691,035 to \$7,482,665. The Committee was told that on 13 September 1976 the paper value per share had risen from 25 cents buying price in October 1974 to 75 cents per share.

189. The Committee was informed that under the terms of the agreement made on 20 December 1974 with the Reserve Bank of Australia, the overdraft was repayable no later than 30 June 1976. The Commission on 4 May 1976 sought the approval of the Government to extend the overdraft a further six months. On 3 June 1976 approval was given to repay the overdraft. A Warrant Authority for \$7,482,700 was subsequently issued from the Advance to the Treasurer and the overdraft was discharged on 7 June 1976. Under the terms of the overdraft the interest was to be ten per cent per annum variable according to variations in general interest rate levels. In the event, the interest rates remained at 10 per cent paid over six months on daily balances in the account.

Exhibit
163/88 and
Q. B366

190. A witness for the Commission told the Committee that no allowance had been made in the Original Estimates to discharge the overdraft with the Bank. He explained that the Minister for National Resources had made a statement on 1 February 1976 indicating that the Government wished the Commission to withdraw from exploration activities. On 2 February the Minister advised the Chairman of the Atomic Energy Commission that the Government wished to dispose of its shares held by the Commission in Mary Kathleen Uranium Limited. No definitive action was taken because the Minister advised that prior to formal disposal action certain discussions should take place between the Government, Mary Kathleen Uranium Limited and Consolidated Zinc Riotinto of Australia Ltd. On 15 April 1976 a High Court writ was issued and served upon the Commission in relation to the issue and disposal of the 1974 share issue. It was claimed by the plaintiff, Kathleen Investments (Australia) Ltd. that the Atomic Energy Commission did not have the power to subscribe for the shares; that the subscription was ultra vires; that the allotment of the shares was void; and that the Atomic Energy Commission had never

Qs. B325,
B326, B360
and B361

been a shareholder in Mary Kathleen Uranium Limited. This was seen as an impediment to the prospect of being able to sell the shares the Commission held and was the reason given why the Commission sought approval to extend the overdraft for six months expecting the legal action to be completed during that time so that the Committee would then be in a position to dispose of its shares in accordance with the Government policy.

191. The Committee was informed that following pressure from the Reserve Bank to have the overdraft discharged, the Division in the Treasury that is responsible for the oversight of the expenditure of the Atomic Energy Commission on 3 June 1976 obtained approval to repay the overdraft and requested the amount of \$7,482,700 from the Advance to the Treasurer for this purpose.

Qs. B333,
B358 and
B359

192. The Commission stated that it was surprised that a Warrant Authority had been issued which enabled the debt to the Reserve Bank to be liquidated. The Commission had expected that the request for extension of the overdraft would have been granted. The witness explained that in order to save any further interest charges being imposed by the bank the overdraft was discharged on 7 June 1976, which was the same day as the Warrant Authority was received by the Department.

Exhibit
163/88 and
Qs. B342 and
B343

193. The Commission informed the Committee that the unexpended balance of funds available (\$2,395,234) in the original appropriation resulted from the Government's decision on 1 February to phase out the Commission's involvement in uranium exploration by the end of the 1976 field season.

Exhibit
163/88 and
Q. B344 and
B348

194. The Committee was informed that a revision of estimated expenditure in accordance with the Government's directive to phase out exploration activities resulted in a saving of \$1.86m of which \$1.83m directly related to "Uranium Exploration". In the event due to a more rapid slow down in the exploration program than was anticipated a further \$500,000 remained under-spent against the revised estimate.

Committee
File 1976/2
and Q. B344,
B346 and
B357

195. The following table sets out the details of the variations against the Original Estimate:

Committee
File 1976/2

Uranium Exploration and Development	Original Estimate	Revised Estimate	Actual Expenditure	Variation against Original Est.
	\$	\$	\$	\$
1. Running Costs				
Exploration, Production, Marketing	3,155,000	2,110,000	1,734,384	- 1,420,616
2. Buildings and Works				
Acquisition of land and buildings in the Northern Territory	1,172,000	587,000	528,741	- 643,259
3. Plant and Equipment				
Exploration Plant and Equipment	600,000	400,000	383,296	- 216,704
4. Interest Payable on Borrowings Reserve				
Bank of Australia	660,000	630,000	545,379	- 114,621
	5,587,000	3,727,000	3,191,800	- 2,395,200

196. The witness for the Commission was of the opinion that the Department of the Treasury should have considered the unexpended balance of funds available when it requested the full amount of the debt from the Advance to the Treasurer. Mr Finch, the Observer for the Treasury, agreed that with hindsight there should have been a check of the funds still available and the Treasury has to accept the responsibility for not initiating such a check. Discussions should have taken place between the Department and the Treasury.

Qs. B329
to B331,
B362, B363
and B365

Conclusions

197. Having considered the circumstances the Committee has no criticism to make of the Australian Atomic Energy Commission or the

Department. However, the Committee feels that it must express its dissatisfaction with the Division in the Department of the Treasury, which requested that Warrant Authority for the full amount of the debt should be issued from the Advance to the Treasurer, without first carrying out a check to see if funds were available under this item. The Committee trusts that action will be taken to ensure that such a situation will not occur again.

CHAPTER 10

DEPARTMENT OF THE PRIME MINISTER AND CABINET

Division 501/3: Childhood Services - Other Services

<u>Funds Available</u>	<u>1973-74</u>	<u>1974-75</u>	<u>1975-76</u>
Appropriation Act No. 1	1,080,000	20,500,000	-
Appropriation Act No. 3	-	-	4,453,500
Appropriation Act No. 5	1,000,000	-	-
Advance to the Treasurer	-	-	186,500
 TOTAL FUNDS AVAILABLE	 2,080,000	 20,500,000	 4,640,000
TOTAL EXPENDITURE	1,016,452	2,936,553	4,638,538
 UNEXPENDED FUNDS AVAILABLE	 1,063,548	 17,563,447	 1,462

198. This item provided funds for the payment of Research Grants and recurrent grants direct (as distinct from payments through the States) to organisations such as community groups, local government bodies and training institutions for projects, items and services approved by the Minister. In particular, the direct recurrent grants under this item are for:

Exhibit
163/A9
Qs. A280
and A281
and
Committee
File R28

- (a) child care centres operated by eligible non-profit organisations approved for grants under the provisions of the Child Care Act 1972; and
- (b) other childhood services such as family day care, outside school hour care, vacation care, staff training and grants for organisations assisting in the development of community-based services.

199. The Committee was informed that the underexpenditure of \$17,563,447 in 1974-75 was the result of:

Qs. A269
to A273
and
Committee
File R28

- appropriation levels needing to be determined ahead of the appointment of the Interim Committee for the Children's Commission and ahead of the establishment of the Office of the Interim Committee;
- the timing of the establishment of the Interim Committee for the Children's Commission (29 October 1974);
- the decision that the Interim Committee would seek the advice of the State-level consultative committees on projects and proposals coming forward from each State; and
- the time it takes for community groups to establish themselves as cohesive organisations and develop proposals to the stage where responsible funding may be supported.

200. The Department stated that negotiations to establish State-level consultative committees took longer than anticipated. These Committees which included representatives of Australian and State Government interests as well as local government and the community have the function, *inter alia*, of advising the Interim Committee on applications made by authorities and organisations from the State concerned. Thus consideration of new proposals was delayed until these consultative committees were established and it was not until February 1975 that an understanding was reached about these committees in all the States. While a number of grants were approved before the end of 1974, the bulk of the new projects in the 1974-75 financial year were approved in the April-May 1975 period.

Qs. A270
and
Committee
File R28

201. The Department went on to say that for the most part, the initial proposals put forward were earlier expressions of interest by community groups to State Departments and Authorities or proposals by State Departments themselves. In the main, projects approved following consideration of these initial proposals were funded from the monies appropriated under Division 923/01 (Payments to or for the States). However, action was taken to stimulate and

Q. A270 and
Committee
File R28

encourage action by community groups to shape and put forward proposals for new services and an increase in the number of direct applications was expected during the course of 1975-76.

202. The Committee was informed that one general problem in estimating for the item encountered by the Department in 1974-75 was the lack of experience of the Commonwealth Government generally in the area of children's services and working with community groups. A witness for the Department stated that it can take some considerable time for a child care centre to be established as local government permits are required and State Government licencing requirements have to be met. The witness said that with the establishment of the new office of child care and several years' experience the Department was in a better position to estimate more accurately.

Q. A271

203. In relation to the amount of \$4,453,500 appropriated in 1975-76 under Appropriation Act No. 3, the Department informed the Committee that an amount of \$6,471,000 was appropriated to the Children's Commission under Division 502/1 in Appropriation Act No. 1 - 1975-76 so that funds would be available to the Commission as soon as the Children's Commission Act was proclaimed. That appropriation included provision of \$5.35 million for recurrent grants payable direct to local government and community organisations for childhood and associated services and for research. Because the Children's Commission Act was not proclaimed the Children's Commission was not appointed. Funds under Division 502/1 therefore were not available to the Interim Committee for the Children's Commission. Consequently it was necessary for funds to be re-appropriated under Division 501/3 in the Additional Estimates.

Exhibit
163/A9

204. The Department in explaining why there was a difference between the amounts appropriated under Division 502/1 and Division 501/3 gave two reasons. Firstly, the Government had made a decision regarding expenditure restraint and as a consequence it was necessary to reduce estimates of expenditure. Secondly, because of the change of Government it was not until February that

Qs. A277
and A278

expenditure relating to new programs could be made which limited the amount of time remaining in the financial year in which the appropriation could be spent.

205. The Committee was informed that approved recurrent grants to organisations are payable on receipt of a request from the organisation concerned properly supported by quarterly progress reports.

Exhibit
163/A9

206. The Department told the Committee that there are numerous organisations such as community groups or local government councils concerned with projects such as child care centres. It was, therefore, difficult for the Department to predict its requirements accurately. The Department stated that during 1975-76, sponsoring organisations developed services approved for recurrent funding at a faster rate than was anticipated at the time the estimates were prepared. Consequently it was necessary for the Department to obtain \$186,500 from the Advance to the Treasurer. This amount was obtained on 24 June 1976.

Exhibit
163/A9 and
Qs. A299 to
A303

Conclusions

207. The Committee accepts the Department's explanation in relation to the funds obtained from the Advance to the Treasurer for this Item.

CHAPTER 11

DEPARTMENT OF SCIENCE

Division 543/2/03: Postage, telegrams and telephone services for the Antarctic Division

<u>Funds Available</u>	<u>1973-74</u>	<u>1974-75</u>	<u>1975-76</u>
	\$	\$	\$
Appropriation Act No. 1	45,000	57,000	68,500
Appropriation Act No. 3	-	-	30,000
Advance to the Treasurer	-	-	4,365
TOTAL FUNDS AVAILABLE	45,000	57,000	102,865
TOTAL EXPENDITURE	37,830	56,865	102,856
UNEXPENDED FUNDS AVAILABLE	7,170	135	9

208. This item provides for the payment of normal postage and telephone costs in Australia as well as the cost of communication through the Overseas Telecommunications Commission with the Antarctic bases and the sub-Antarctic base at Macquarie. Also under this item is the cost of radio telegrams to and from expedition ships servicing bases.

Exhibit
163/A10
and Qe. A315
and A324

209. The Department sought \$38,000 for this item in the Additional Estimates. The Committee was told that the Department was experiencing some difficulty in accurately estimating costs under this item because of the large back-log in accounts from the Overseas Telecommunications Commission. The unexpended funds of \$7,170 in 1973-74 were due to the delay in receiving accounts from O.T.C. In examining the Department's request for funds to be included in the Additional Estimates, Treasury recommended that the appropriation be reduced to \$30,000, a figure the Department accepted.

Exhibit
163/A10 and
Q. A309 and
A314

210. The Committee was told that on 27 May 1976 the Department received accounts covering radio telegrams to and from the expedition ship Nella Dan in December 1975, accounts for Nella Dan and Thala Dan in January 1976, the expedition ships in March 1975 and an expedition ship in February 1976. Also radio telephone accounts were received for the period September 1975 to March 1976. The Committee was told that the total of these accounts was approximately \$15,000 which exceeded the amount remaining unexpended under this Item. In its submission the Department stated that because of the Treasurer's memorandum of 2 June 1976 to all Ministers, a special effort was made to clear as many accounts as possible by 30 June 1976. To achieve the optimum payment an amount of \$4,365 was sought from the Advance to the Treasurer.

Exhibit
163/A10 and
Qs. A324
and A325

211. The Committee was informed that the Department had received a further account of \$6,192.40 on 2 June 1976 and had decided to delay payment until the following financial year.

Committee
File 1976/2

Conclusions.

212. The Committee accepts the Department's explanation that estimating for this item has been difficult because of the delay in receiving accounts from the Overseas Telecommunications Commission. It notes that the total of the accounts finally received in the financial year was very close to the amount included in Appropriation Act No. 1 and the amount the Department originally sought in the Additional Estimates.

213. Treasury Direction 23/6 provides for the payment of accounts for telephone and wireless traffic without a detailed check unless there is palpable evidence of error in the account. Accordingly, the Committee does not accept the Department's statement made in its original submission that a "special effort" was made to clear as

many accounts as possible by 30 June 1976. It seems to the Committee that no special effort should have been necessary to pay the account for \$4,365 received on 27 May 1976. On the other hand no effort was apparently made at all to pay an account for \$6,192.40 received on 2 June 1976. In the Committee's view this account should also have been paid using funds obtained from the Advance to the Treasurer.

CHAPTER 12

DEPARTMENT OF SOCIAL SECURITY

Division 590/3/07: Administrative - Other Services - Grant to the Australian Council for Rehabilitation of Disabled

<u>Funds Available</u>	<u>1973-74</u>	<u>1974-75</u>	<u>1975-76</u>
Appropriation Act No. 1	95,000	97,500	150,000
Appropriation Act No. 5	-	23,000	
Advance to the Treasurer	-	-	1,964
TOTAL FUNDS AVAILABLE	<u>95,000</u>	<u>120,500</u>	<u>151,964</u>
TOTAL EXPENDITURE	<u>74,461</u>	<u>120,119</u>	<u>151,964</u>
UNEXPENDED FUNDS AVAILABLE	<u>20,539</u>	<u>381</u>	<u>-</u>

214. This item covers financial assistance to the Australian Council for Rehabilitation of Disabled towards the cost of maintaining a National Secretariat and related activities, including international activities.

Exhibit
163/A12

215. The basic grant to the Council has consisted of an unmatched amount (varying over the years from \$30,000 to \$90,000) plus an amount of up to \$60,000 matched to income raised by the Council on a \$1 for \$1 basis. The \$150,000 provided for in Appropriation Act No. 1 consisted of \$30,000 as an unmatched grant; \$60,000 matched and a special unmatched grant of \$60,000. This grant was to cover a deficit in the organisation's operations and to keep their activities going.

Exhibit
163/A12 and
Q. A379

216. Payments to the Council are made progressively through the year with regard to advices concerning income raised and are subject to adjustment after receipt of an audited statement of income and expenditure confirming details of the income actually raised by the Council.

Exhibit
163/A12 and
Q. A391

217. In consequence of an examination of the Council's audited statements for the years 1973-74 and 1974-75, it was necessary to seek clarification and further information from the Council and its Honorary Auditors (a major firm of Chartered Accountants). The Committee was told that the Council had changed its accounting reporting and in 1973-74 for the first time an item appeared for interest receivable. The Council did not include that amount in the income raised on which they sought subsidy. The Department expected that this income would be brought to account and included in the following year.

Exhibit
163/A12 and
Q. A391

218. When the Department received the audited statements for 1974-75 in January 1976, the income receivable in 1973-74 had not been carried over to 1974-75. The Council had entered it as a Balance-sheet item - Sundry Debtors and Accrued Income. It was the Department's view that the income received from the investment was eligible for a matching grant. While the Council was still entitled to a further payment of \$3,358 in respect of the 1973-74 financial year its income for matching purposes during 1974-75 fell short by \$1,394 of the \$60,000 expected to be reached thus leaving a net amount of \$1,964 still payable.

Exhibit
163/A12 and
Q. A391

219. In view of the short-fall in raisings in 1974-75, payment of an amount of \$2,000 in respect of 1975-76 was held in abeyance until the Council advised, in May 1976, that income of over \$60,000 had in fact been raised. Expenditure at 31 May 1976 totalled \$149,964. To permit full payment of all the Council's entitlement to 30 June 1976, application was made for \$1,964 from the Advance to the Treasurer, and payment of \$2,000 in June as the final instalment for 1975-76 brought expenditure in that year precisely to the total of funds available.

Exhibit
163/A12

Conclusions

220. The Committee accepted the Department's explanation.

CHAPTER 13

DEPARTMENT OF THE TREASURY

Division 963/1/03: Capital Works and Services - Plant and Equipment - Department of the Treasury

<u>Funds Available</u>	<u>1973-74</u>	<u>1974-75</u>	<u>1975-76</u>
	\$	\$	\$
Appropriation Act No. 2	2,731,850	611,500	496,000
Appropriation Act No. 4	-	-	16,200
Advance to the Treasurer	-	-	65,166
<u>TOTAL FUNDS AVAILABLE</u>	<u>2,731,850</u>	<u>611,500</u>	<u>577,366</u>
<u>TOTAL EXPENDITURE</u>	<u>2,412,516</u>	<u>86,485</u>	<u>576,746</u>
<u>UNEXPENDED FUNDS AVAILABLE</u>	<u>319,334</u>	<u>525,015</u>	<u>620</u>

221. This item provides for expenditure on items of a capital nature such as computer equipment for the Department of the Treasury.

Exhibit
163/89

222. The Department informed the Committee that a number of computer installations had suffered from a power fluctuation disability. The Department tried to overcome this problem for its computer by installing, on 22 November 1974, a new system known as a No-break Power Supply. It was explained to the Committee that even a transient break in the power supply of perhaps some milli-seconds, could affect the instructions being acted upon at that particular point in time, and could involve fairly extensive reprocessing.

Qs. 8378,
8388 and
8389

223. The Committee was informed that prior to the installation of a No-Break Power Supply, it was agreed that Treasury would provide funds for its purchase and that the National Capital Development Commission (N.C.D.C.), because of its technical

Exhibits
163/89,
163/810 and
Qs. 8379 to
8381 and
8390

competence, would liaise with the supplier regarding delivery, installation and acceptance of the system. After the equipment was delivered the N.C.D.C. was billed and after acceptance, the Commission paid the supplier for the equipment. Provision was made in Appropriation Act No. 2 of the 1974-75 financial year to cover the reimbursement by the Treasury to the National Capital Development Commission, but the Commission did not claim for the cost of this equipment (\$210,000) until October 1975, leaving \$210,000 unexpended in the 1974-75 financial year. The department of the Treasury stated that due to an oversight no provision was made in the 1975-76 estimates to cover the cost of the reimbursement for this contingency.

224. The Department in explaining the reasons for the oversight stated that prior to the installation of the No-Break Power Supply, it had had no experience with this type of financial contingency as normally this sort of work is undertaken by the Department of Services and Property. However, the No-Break Power Supply was a fairly complicated piece of machinery, and rather than operating through a broker such as the Department of Services and Property, the Department had decided that it would negotiate direct with the N.C.D.C. Normally goods, supplies and contracts for services to the Treasury are arranged by raising requisitions and purchase orders. Requisitions are posted to the Appropriation Ledger which is reviewed at the end of the financial year to establish the outstanding requisitions which must be carried forward to the next financial year. However, because agreement to the installation of the No-Break Power Supply system was reached with an exchange of letters, no formal requisition was raised and the outstanding amount of \$210,000 was not carried forward and consequently no allowance was made for this in the 1975-76 estimates.

Exhibits
163/89,
163/810 and
Qs. B377,
B382 and
B390

225. A witness for the Department of the Treasury informed the Committee that no attempt was made to reimburse the N.C.D.C. in 1974-75, because the Treasury understood that the final payment to the contractor had not been made. The Department stated that

Qs. B389
and B391

it was not aware of the reasons why the N.C.D.C. did not claim reimbursement until October 1975, eleven months after the system had been installed.

226. The witness for the N.C.D.C. stated that its normal procedure for dealing with departmental items of a recoverable nature is that once an assurance has been given that funds will be available, the work is included in the total project, and the client would have to provide funds at the time the work commenced. In this case a contract had been let for the accommodation for the Treasury computer and the contract was subsequently varied to take into account this No-Break Power Supply system. Towards the end of the financial completion of the project it was ascertained that the funds had not been received and the N.C.D.C. issued an account to Treasury for the outstanding amount.

Qs. B386,
B387 and
B391

227. The Department stated that due to staff shortages caused by staff ceilings, the development or implementation of new systems and the intended transfer of existing systems from the Bureau of Statistics computer to the Treasury computer were delayed. Also because of advances made in technology in the communications side of computer development it was decided not to purchase a front end computer which was provided for in the appropriation at an estimated cost of \$125,000. After consultation with the Public Service Board, it was decided that an amount of \$194,000 would be made available from within the existing appropriation by rescheduling and deferring, until 1976-77, the purchase of some equipment programmed for installation in 1975-76. In order to settle the account with the N.C.D.C. the Department of the Treasury, in addition to the saving of \$194,000, obtained \$16,200 out of Appropriation Act No. 4.

Exhibit
163/89 and
Qs. B394 to
B407

228. The Committee was informed that the costs of some of the items deferred in 1975-76 had since increased. For instance, the cost of a terminal controller for which \$18,000 had been provided

Qs. B410
to B414

in 1975-76 had now risen to \$24,000. The price of a mini-computer for development work had risen from \$98,000 to \$104,000.

229. With regard to the amount of \$65,166 obtained from the Advance to the Treasurer the Department explained that in the latter half of 1975-76 the opportunity arose to purchase computer output microfilm equipment which had been on hire to the Department. The Department stated that in view of the considerable financial and operational advantages, approvals were obtained to purchase the following items of equipment:

- 1603 COM Recorder
- 1610 Microfilm Developer
- 1620 Microfilm Duplicator
- 1630 Previewer
- 65 x 1644 Microfilm Viewers

Exhibit
163/89 and
Qs. B415

230. It was explained to the Committee that the above items provide facilities for the production and subsequent reading of computer output in microfilm form rather than paper. The Department informed the Committee that the resultant savings on stationery for the year were approximately \$36,000 and there was an estimated savings in transport costs of \$20,800 per annum. In addition, there are considerable indirect savings in handling and storage. Furthermore, the use of microfilm permits the Department to offer an improved service to the users of the Treasury's computer system.

Exhibit
163/89 and
Qs. B417
and B418

231. The Department stated that originally, because it was a new area of development and following discussions with the Public Service Board and the Inter-Departmental Committee on A.D.P., it had been decided to move carefully into this area and rent the equipment. It was agreed to rent some of the equipment for one year, and some for two years, at a rental cost of \$79,860 over two years. The microfilm equipment had originally been rented for one year from 1 January 1976. However, on 15 March 1976

Exhibit
163/89 and
Qs. B408
and B415 to
B420, B423,
B428 and
B433

an offer was received at the Australian Government Stores and Tender Board to purchase the equipment. The offer, including an allowance for maintenance of \$8,420 for both the equipment and the viewers came to \$76,195, thus representing an immediate saving of \$3,370. In addition, there was the advantage that the equipment could be retained as long as was considered necessary after one year when the Department intends to carry out a full-scale survey of its computer and microfilm equipment. The Department anticipated the useful life of the equipment to be at least four years. The Department was advised of this offer on 29 March 1976 and on 30 April received approval from the Inter-Departmental Committee on A.D.P. to purchase the equipment. The proposal was also supported by the Australian Government Stores and Tender Board.

232. The Department explained that the actual cost of the equipment was \$67,775, but the suppliers had intimated their willingness to deduct from that amount the full value of any rental payments which had been made up to that date. The rental payments up to that time amounted to \$2,609, so that the actual amount needed from the Treasurer's Advance was \$65,166. On 30 April approval was requested for funds to be provided from the Advance to the Treasurer to purchase the equipment. Approval was received on 3 May and an amount of \$65,166 was made available from the Advance to the Treasurer on 5 May. Qs. 8408 and B423

Conclusions

233. The evidence shows that the No-Break Power Supply system was installed on 22 November 1974 and that \$210,000 was provided in the Department of the Treasury's appropriations for 1974-75 to reimburse the National Capital Development Commission for its purchase.

234. The Committee considers that closer liaison should have been maintained between the Treasury and the N.C.D.C. in relation to the purchase of this equipment. The Committee believes that, following the installation of the equipment, the Treasury should have taken the initiative by approaching the Commission regarding re-imbursement, particularly as funds had been provided in the 1974-75 financial year for that purpose. In the Committee's view the seeking of a claim from the Commission would not have been a distortion of the natural course of events or have been against the spirit of the guidelines set out in Section 18 of the Treasury Directions for handling claims and the payment of accounts.

235. It is also the Committee's view that when the re-imbursement was not made in 1974-75, a requisition should have been immediately raised for an amount to cover the cost of the equipment. It should have been obvious to the officers of the Treasury, where the appropriation ledger system was developed, that unless a requisition was raised provision would not be made for the re-imbursement to the N.C.D.C. in the 1975-76 financial year.

CHAPTER 14

CONCLUSIONS

236. 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.

237. 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.

238. The Committee wishes to emphasise to all departments the serious light in which it views the action of the Department of Administrative Services in charging expenditure relating to the purchase of Governor Macquarie's sword and dirk to the wrong appropriation. When it deliberately drew a cheque for the purchase against an appropriation that had not been approved by the Parliament for that purpose, the Department contravened a very important principle embodied in section 83 of the Constitution which states that:

"No money shall be drawn from the Treasury of the Commonwealth except under appropriation made by law".

The Committee also believes that when the cheque was drawn, section 34(3) of the Audit Act 1901 was breached in that the proposed expenditure was not being charged to the correct "head of expenditure".

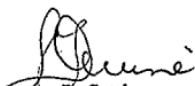
239. In addition the Committee is particularly concerned that it is still receiving evidence of delays in the payment of accounts by some Government departments. The Committee would direct the attention of all departments to the Treasurer's letter of 2 June 1976 to all Ministers on the subject of delays in the payment of accounts and to Treasury Circular 1976/15 of 8 June 1976 which referred to specific paragraphs of the Committee's 151st Report which dealt with the same subject.

240. A further matter to which the Committee would invite the specific attention of departments and in particular the Departments of Aboriginal Affairs and the Attorney-General, is the Notes Relating to Evidence that accompany requests for submissions, which clearly state that the Committee expects that:

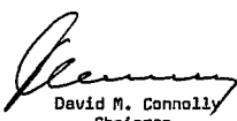
"Written submissions and explanations should be carefully prepared and thoroughly checked for adequacy and accuracy of detail and absence of ambiguity".

Treasury Circular 1976/10 dated 11 May 1976 also directs the attention of departments to the necessity for evidence tendered to be of the highest quality.

241. For and on behalf of the Committee,



T. Devine,
Secretary,
Joint Committee of Public Accounts,
Parliament House,
CANBERRA
21 April 1977



David M. Connolly
Chairman