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J.

Clerk of the Senate



Expenditure from the
Advance to the
Treasurer (Appropriation
Acts 1976-1977)

Report

Report

168

Joint Committee of
Public Accounts

Expenditure from the Advance to the Treasurer (Appropriation Acts 1976-77)

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

ONE HUNDRED AND SIXTY-EIGHTH REPORT

EXPENDITURE FROM THE ADVANCE TO THE TREASURER

(APPROPRIATION ACTS 1976-77)

Australian Government Publishing Service
CANBERRA 1977

JOINT COMMITTEE OF PUBLIC ACCOUNTS

ELEVENTH COMMITTEE

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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, discharged 13.9.77
- (5) Discharged 31.3.77
- (6) Appointed 31.3.77
- (7) Appointed (Ex-officio) 14.9.77

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

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

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CHAPTER 1

INTRODUCTION

1. In July 1977 the Committee obtained from departments explanations relating to expenditure from the Advance to the Treasurer during 1976-77. Explanations in respect of twelve items were selected and referred to 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, 23 August 1977
Tuesday, 6 September 1977

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

Department of Administrative Services

Mr N.P. Barwick	-	Chief Property Officer, Americas/Pacific Region, Overseas Operations Branch
Mr N.M. Boyle	-	Assistant Secretary, Personnel and Establishments Branch,
Mr K.R. Gleeson	-	Chief Property Officer, Northern Europe Region, Overseas Operations Branch
Mr A.J. Greer	-	Acting Administrative Officer, Commonwealth Police
Assistant Commissioner L.S.J. Harper	-	Crime Intelligence, Commonwealth Police
Mr A.H. Hillier	-	Assistant Secretary, Overseas Operations Branch
Mr R.J. McCoy	-	Acting Principal Executive Officer, Programming, Overseas Operations Branch
Mr A.R. Palmer	-	Deputy Secretary
Mr T.F. Peterson	-	First Assistant Secretary, Ministerial and Management Services Division
Mr P.O. Priestly	-	Acting Director, Budget and Estimates Section

Mr D.R. White

Assistant Secretary,
Finance and Office Services
Branch

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

Attorney-General's Department

Mr K.M. Crotty - First Assistant Secretary,
Management and Special
Service Division

Mr L.G. Glare - Assistant Secretary,
Operations Branch

Mr J.P. Harkins - Director, Australian Legal
Aid Office

Department of the Capital Territory

Mr R.C. Burroughs - Director, Expenditure and
Supply

Mr C.S. Hamilton - Director, Programs and Budgets

Superintendent J.C. Johnson - Superintendent, Management
Services Division, Australian
Capital Territory Police

Mr K.W. Sandoe - Executive Officer, Australian
Capital Territory Police

Department of Defence

Mr D.N. Biddle - Acting Assistant Secretary,
Project Planning and Evaluation
Branch

Mr C.D. Campbell - Assistant Secretary, Supply
Policy Branch

Mr F.A. Cerese - Director-General of Supply,
Navy

Mr J.C. Comerford - Principal Executive Officer,
Munitions Supply Branch,
Department of Productivity

Mr W.H. Granfield - Acting Assistant Secretary,
Resources Planning, Navy

Mr R.G. Humphrey - Acting Assistant Secretary,
Financial Programmes Branch

Mr K.E. Jeeves	-	Engineer, Industry Development Branch
Mr J.W. Knight	-	Assistant Secretary, Budgets and Estimates, Services
Mr M.J. Madden	-	Assistant Secretary, Resources Planning, Air Force
Mr J.S. O'Neill	-	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
Air Commodore D.H. Solin	-	Director-General of Supply, Air Force
Mr T.E. Sullivan	-	Assistant Secretary, Resources Planning, Army
Mr A.F. Viney	-	Acting Chief Executive Officer, Budgets and Estimates, Co-ordination and Review
Air Vice-Marshal S.R. White	-	Chief of Supply

Department of National Resources

Mr A.A. Garren	-	Finance Controller, Petroleum and Minerals Investment Group
Mr R. Hopkins	-	Assistant Secretary, Management Services Branch
Mr L.R. Riches	-	Assistant Director, Finance and Accounts, Management Services Branch

Department of Science

Mr R.A. Leslie	-	Senior Assistant Secretary, Space Projects Branch
Mr R.C. Lloyd	-	Acting Principal Executive Officer, Space Projects Branch
Mr C.A. Webster	-	Assistant Secretary, Management Services Branch

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

Mr. E. Ablett	-	Auditor General's Office
Mr. A. Buchanan		
Mr. J. Clint		
Mr. F. Ward		
Ms. A. Buttsworth	-	Public Service Board
Mr. K. Hollis		
Mr. A. Finch	-	Department of Finance
Mr. R. Murden		

6. The last date for acceptance of the Original Estimates for Appropriation Acts (No. 1) and (No. 2), was 19 May 1976. The last date for acceptance of the Additional Estimates, for Appropriation Acts (Nos. 3 and 4), was 8 March 1977. The new procedure adopted in 1974-75 for making provision for salary increases during the year was adopted again for 1976-77. Section 5 of the Appropriation Act (No. 1) 1976-77 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 8 March 1977 was included under the respective departments in Appropriation Act (No. 3) which included a clause allowing expenditure from 8 March 1977 on salary increases to be charged to the Consolidated Revenue Fund.

7. For the financial year 1976-77 an amount of \$110m. 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 \$100m. was provided under Division 970 - Advance to the Treasurer - in Appropriation Act (No. 2) to enable the Treasurer:

- (a) to make advances that will be recovered during the financial year;
- (b) to make moneys available for expenditure, particulars of which will afterwards be submitted to the Parliament, including payments by

way of financial assistance to a State on such terms and conditions, if any, as the Treasurer determines; and

- (c) to make moneys available for expenditure, pending the issue of a warrant of the Governor-General specifically applicable to the expenditure.

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 ADMINISTRATIVE SERVICES

- (i) Division 137/1/02: Commonwealth Police - Salaries and Payments in the Nature of Salary - Overtime

<u>Funds Available</u>	<u>1974-75</u>	<u>1975-76</u>	<u>1976-77</u>
Appropriation Act No. 1	1 105 000	2 608 300	2 293 000
Appropriation Act No. 3	184 000	-	407 000
Appropriation Act No. 5	615 600	-	-
Section 5 (Appropriation Act No. 1)	-	-	11 000
Advance to the Treasurer	-	-	109,000
 TOTAL FUNDS AVAILABLE	 1 904 600	 2 608 300	 2 820 000
TOTAL EXPENDITURE	1 891 942	1,578 050	2 811 266
 UNEXPENDED FUNDS AVAILABLE	 12 658	 1 030 250	 8 734

10. This item provides for the payment of overtime to members of the Commonwealth Police Force, and Public Service support staff.

11. The Committee was informed that the Commonwealth Police Force was formed in 1960 under the responsibility of the Attorney-General. Until transferred to the responsibility of the Minister for Police and Customs in March 1975, the Force contained its own administrative section which dealt with the payment of salaries, allowances and administrative expenses of its members and Public Service support staff. Each Commonwealth Police District had its administrative cell which was controlled by an officer in charge of the district and responsible to the Commissioner.

12. Following the transfer, the administrative functions of the force became the responsibility of a centralised departmental staff which was responsible not only for Commonwealth Police but for the Australian Capital Territory Police, the Northern Territory Police and the Narcotics Bureau. On 22 December 1975 the Department of Police and Customs was abolished and responsibility for the Commonwealth Police Act 1957 was vested in the Minister for Administrative Services. The administrative arrangements reverted to a system similar to that existing prior to March 1975. However, the administrative staff remained separated from the operational side of the Force for some months causing some dislocation and confusion.

13. In relation to the underexpenditure of \$1.030m in 1975-76, the Committee was told that this occurred as a result of the administrative re-arrangements of December 1975. Originally an appropriation of \$3.188m had been provided for overtime for all elements of the Australia Police. Of the original appropriation, \$579 700 had been spent to 31 December 1975 by the A.C.T. and N.T. Police and the Narcotics Bureau, and the \$2 608 300 shown in the table above was the residual amount. It comprised an original provision of \$1.900m for

the Commonwealth Police, together with the unspent amount which had been originally provided for the A.C.T. and N.T. Police and the Narcotics Bureau. Of the \$1.900m appropriated for the Commonwealth Police, \$1.578m was actually spent. The true underexpenditure of approximately \$320 000 was a result of the restrictions on the working of overtime imposed by the Government from December 1975.

14. The Committee was told that under the terms and conditions of employment for the Commonwealth Police, overtime provisions came into effect after the member had worked a 40-hour week. Overtime was necessitated by a variety of reasons including staff shortages, accommodation difficulties, the need to perform duties which were not sufficient to warrant an additional officer and requests for guard duties from Commonwealth departments.

15. It was explained that during 1976-77 the Commonwealth Police had an establishment of 1680 but a staff ceiling of 1510. The Public Service Board Observer (Ms Buttsworth) explained that staff ceilings were based on the level of staff each June. At 30 June 1976 the Commonwealth Police were well under strength. The witness representing the Commonwealth Police stated that the force was faced with the problem of balancing a high wastage rate against recruitment. During 1976-77 the force had recruited 228 officers while 189 had resigned.

16. The Committee was told that the additional \$407 000 was required from Appropriation Act No. 3 for essential overtime caused by staff shortages resulting from a large number of resignations throughout the year. At the beginning of the financial year total strength was 60 short of the staff ceiling of 1510. The ceiling was expected to be reached by September 1976 but was not reached until late March 1977 when 187 recruits were required to make up the original deficit of 60 and a further 127 resignations. The witness believed that the high wastage rate was due to a variety of reasons including lower salary rates being offered by the Commonwealth Police than were offered by some State Police Forces and discontent with localities officers were required to work at. Ninety per cent of wastage was the result of resignations.

17. As an example of accommodation problems necessitating additional overtime, the witness cited such localities as Woomera, Alice Springs and Exmouth, where the absence of suitable housing prevented sufficient staff being employed and contributed to built in overtime of up to 16 hours per week.

18. The Committee was informed that requests for the services of the Commonwealth Police for guard duty were made by departments to the Commissioner. The use of Commonwealth Police for such purposes was restricted to areas where the Commonwealth had a specific interest and it was normal for these services to be provided without cost to the requesting department.

19. The departmental submission stated that \$11 000 was required under Appropriation Act No. 1 (Section 5) to meet National Wage Cases in March 1977 and May 1977.

20. The Committee was advised that \$109 000 was required from the Advance to the Treasurer to meet staff contingencies which were unforeseen at the time Additional Estimates were prepared and included:

• guarding of Chinese Exhibition at Sydney, Melbourne and Adelaide from March 1976	\$12 278
• manning of new overseas station at Berlin from April 1977, 4 members	\$ 2 791
• manning of two unestablished positions at Pine Gap from May 1977	\$ 5 124
• manning of four unestablished positions at Department of Defence Brisbane from March 1977	\$14 444
• manning of shifts of three members required as Instructors at Constables Course No's 1 and 2 held at Headquarters from March to June 1977	\$ 8 580
• security guard for Department of Defence (Navy Office) at Talbingo, N.S.W. (February and May 1977)	\$ 4 473
• manning of additional 8 positions at the new detention centre of Villawood N.S.W. It was intended that the guard duties at Lithgow and St. Marys munitions factory be lifted and the duties be transferred to Villawood. However the proposal was not accepted and the additional guard required at Villawood continued on an overtime basis.	\$40 591
• A continuation of the high resignation rate. During the period 1 March to 20 June 1977 there was a total of 91 resignations as compared to 67 appointments. Average strength for the period was approximately four members below ceiling	\$10 982
• security guard of A.A.E.C. at Lucas Heights N.S.W. in May 1977 during Friends of the Earth demonstrations and during movement of uranium	\$ 3 300
• guarding of Yugoslav delegation in Sydney and Melbourne	\$ 1 245
• survey and appreciation of systematic theft and fraud of government cheques	\$ 1 230
• miscellaneous ad hoc duties costing less than \$1000	\$ 3 962

21. In relation to the guarding of the Chinese Exhibition the Committee was told that the Department became aware of the need to provide guards in June 1976 and the extent of the duties were apparently finalised on 8 October 1976. However, as it had been intended that the duties would be for a period of only two months from January 1977 no provision was made in the Additional Estimates for the extra period from March 1977 to the end of the financial year.

22. The manning of the overseas station in East Berlin required expenditure of \$2791 because the Department had only four men, instead of the necessary five to man the station continually. It was stated that accommodation problems led to the situation of working shifts with one man short.

23. The Committee sought evidence on the manning of "unestablished positions" at Pine Gap and Brisbane. The Public Service Board Observer stated that the Board did not recognise the term "unestablished position" and suggested that differences between the establishment provisions of the Commonwealth Police Act and the Public Service Act could account for the use of such positions in the Commonwealth Police Force. Although the Public Service Board Observer pointed out that the Board had concurred in the provision of the positions at Pine Gap in April 1977 and at Brisbane in May 1977, the witness representing the Commonwealth Police stated that the positions had remained unestablished because the Minister had not formally authorised them under the Commonwealth Police Act. He pointed out that there was little to be gained in establishing positions which could not be filled because of staff ceilings.

24. In relation to the positions at the Defence Establishment, Brisbane, the Committee learned that a request was made by the Department on 29 November 1976 for manning the positions at the new headquarters. Delays in construction made it unnecessary to man the positions until 28 February 1977. The witness pointed out that the actual requirement for rostering was four and one-fifth men, with a cost saving by using overtime in lieu of an additional officer.

25. The Committee was informed that because of a continuing high rate of wastage and a rising recruitment rate it became necessary to conduct courses for new recruits in the latter part of the financial year. The decision to conduct courses was made in late February 1977. It was known at that time that the shifts of the three instructors required at these courses would need to be manned by using other officers on overtime.

26. The witness explained that it was normal for Commonwealth Police to perform guard duties for Service Departments such as occurred in February and May at Talbingo. The requests to provide the security guards were made on short notice on both occasions in February and May and the Department was not able to provide the \$4473 spent in overtime in the Additional Estimates.

27. The Committee was told that \$40 591 was spent in the period from November 1976 to June 1977 in maintaining a force of 17 officers at a new Immigration Centre at Villawood. The Commonwealth Police had intended to transfer personnel from St. Marys and Lithgow to man the positions but the transfer had not occurred because the manpower had still been required at those two localities. The Police planned to establish additional positions at Villawood and on 14 June 1977 the Public Service Board had received a proposal to establish 8 positions there.

28. The departmental witness explained that although an application for funds for inclusion in the Additional Estimates closed with the Department of Finance on 8 March 1977, it was necessary for the Department of Administrative Services to commence preparation of its Additional Estimates earlier than this in order to meet the deadline. In some areas the Department had to use expenditure figures and details available to it in mid-January.

Conclusions

29. The Committee accepts the Department's explanations in respect of most of the items for which it sought funds from the Advance to the Treasurer. However, the Committee is not satisfied that the amounts of \$6580 for the manning of shifts of members required as instructors and that part of \$4473 required for the security guard at Talbingo during February 1977, could not have been obtained in the Additional Estimates. Although a department may have to commence preparation of its Additional Estimates much earlier than the Department of Finance's closing date, (which was 8 March 1977) that date is the only effective closing date of relevance. Departments should include that date in any internal circulars advising its branches of procedures for the preparation of any estimates. As stated at paragraph 55 of the Committee's 163rd Report:

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.

30. The Committee would also express some reservations about the manning of "unestablished" positions at Pine Gap and Brisbane. The Committee is concerned that such a practice could be used as a method of overcoming staff ceilings. While it believes that the staff ceilings should be sufficiently flexible to provide for such positions if they are demonstrably necessary, the Committee does not support this device. The Committee is at a loss to understand the witness's statement that there was little to be gained in establishing positions which would not be filled because of staff ceilings as the evidence shows these positions were filled. The evidence also suggests that the salaries of the officers concerned were met entirely from the overtime vote. The Committee seeks information whether there are any other cases of a similar nature. The Committee would also wish to be informed whether its assumption that when a staff ceiling is set for a department or organisation that ceiling figure then becomes synonymous with the approved total establishment for that body.

(ii) Division 137/2/01: Commonwealth Police - Administrative Expenses - Travelling and Subsistence

<u>Funds Available</u>	<u>1974-75</u>	<u>1975-76</u>	<u>1976-77</u>
	\$	\$	\$
Appropriation Act No. 1	380 100	1 188 300	896 000
Appropriation Act No. 3	46 200	-	-
Appropriation Act No. 5	241 600	-	-
Advance to the Treasurer	-	-	31 000
TOTAL FUNDS AVAILABLE	667 900	1 188 300	927 000
TOTAL EXPENDITURE	664 787	929 849	920 741
UNEXPENDED FUNDS AVAILABLE	3 113	258 451	6 259

31. This item bears the cost of fares, travelling allowance, meal allowance and other expenses for members of the Commonwealth Police and Administrative staff travelling throughout Australia and Overseas.

32. The Committee was told that in 1975-76 an appropriation of \$1.74m had been made available for the Australia Police within the Department of Police and Customs, of which \$940 000 was the component for the Commonwealth Police. When the Department of Police and Customs was abolished in September 1975 the responsibility for the original appropriation was disbursed among the four forces involved in the Australia Police, the A.C.T. Police, the N.T. Police and the Narcotics Bureau and the Commonwealth Police. The latter was allocated \$1 188 300.

33. The Department provided the Committee with a breakdown of expenditure in travelling and subsistence in the 1976-77 financial year which showed the following monthly expenditures:

	\$
July	40 642
August	80 902
September	70 636
October	67 821
November	54 184
December	63 039
January	55 650
February	74 671
March	81 083
April	68 343
May	102 910
June	140 863
	<hr/>
	920 741

34. The departmental submission stated that at the time that Additional Estimates were finalised by the Commonwealth Police in mid-February 1977 it was estimated that there would be savings of \$25 000 from the original appropriation of \$896 000. This estimate was based on expenditure and known commitments as at 31 December 1976. The estimated savings of \$25 000 were used as offsets against additional requirements in other appropriations under the Department's control.

35. The departmental submission explained that the increased rate of expenditure subsequent to the completion of the Additional Estimates made it necessary for the Department to seek the Department of Finance approval in late June to restore the savings of \$25 000 and to provide an additional \$31 000 from the Advance to the Treasurer. The requirement for these funds was attributed to:

	\$
• travelling expenses of a security guard for wife of Prime Minister during trip to Hamburg in April 1977 to launch an Australian tanker (one member).	3 000
• the unscheduled return of one member and his family from Port Moresby in March 1977 and travelling expenses for his replacement and family	2 800

• travelling expenses of a security escort for Governor-General during his tour of Europe and Asia from April to June 1977 (one member). Official advice of this trip was received on 31 March 1977	\$ 5 900
• the extradition of a person from London in May 1977 (two members)	3 600
• additional costs associated with Prime Minister's tour of Europe and America May to June 1977 (two members)	3 700
• the provision of a security guard to the Australian Consulate in Beirut from June 1977. The amount provided for cash advances and fares for two members.	9 000
• increased costs of training courses held outside the Police College	24 500
• various items of unexpected requirements which could not be foreseen at the time of the Additional Estimates review e.g. detention of the Taiwanese fishing boats in Queensland in May 1977	3 500
	<hr/>
	\$56 000

36. However, as shown by the month by month expenditure above there was a significant build up of expenditure in the last two months of the financial year. Expenditure over May and June 1977 amounted to \$243 770 of which \$100 835 was for unforeseen requirements. In a supplementary submission, the Department argued that if the effects of the unforeseen requirements were deducted from the expenditure for May and June the remaining balance would show an expenditure rate consistent with the general monthly expenditure rate. The unforeseen requirements for \$100 835 comprised expenditures as follows:

• Prime Minister's visit to Europe and U.S.A., airfares and baggage for three security guards	\$ 7 973
• Leave fares for seven members based overseas	3 316
• Advance of travelling allowance for unscheduled posting of two members to Beirut	4 776
• Overseas posting of two members and their families to Moscow. Costs include	

• airfares, baggage, travelling and transfer allowances	\$ 6 823
• Overseas visit to London, U.S.A. and Canada by one member	1 710
• 7th Airport Police Recruit Training Course	43 567
• Security guard for extradition of person from London	3 168
• Temporary transfer of one member to Brisbane for 10 weeks	1 500
• Security guard for Governor-General to Asia and Europe	2 946
• Overseas posting of one member and family to Belgrade	5 216

37. The Committee was informed that the Australian Police College at Manly, New South Wales, was the training College for the Commonwealth Police Force. In addition to a variety of courses specifically for the Commonwealth Police a number of other courses and seminars were conducted at the College. During the 1976-77 financial year, 23 courses were conducted at the College compared with 13 in the previous year. Among them the 15th Officer's Course was attended by representatives from the Commonwealth and State Police Forces and the Police Forces of New Zealand, Papua New Guinea and Fiji. The decision to proceed with this annual course was made on 3 December 1976.

38. In relation to the expenditure of \$24 500 from Treasurer's Advance which was required for training courses held outside the Australian Police College it was stated that no provision had been made for any to be held outside the College. It had been decided that courses would be held in each State. However, in November 1976 it became apparent that this method of training was not successful and it was decided to revert to the centralised training. As the College already had a full program, it was realised that courses would have to be conducted using the College dining and lecture facilities with trainees being accommodated in nearby motels. Accordingly, at the time of the Additional Estimates review, provision was made for three courses, of four weeks each with 25 trainees, at an estimated cost of \$33 000. The precise course to be conducted had not been determined at that stage. In the event, the actual cost of these three courses was \$57 500. The increase of \$24 500 being for an eight week Airport Police Course. At the time this course was being conducted, the 15th Officer's Course precluded the use of the College dining and lecture facilities.

39. The Department informed the Committee that the decision to hold the Airport Police Course was taken by the Police Commissioner on 11 February

1977. The course of eight weeks was for constables recruited directly to the Airport Police Branch who had not previously attended a training course.

40. The Committee was provided with a breakdown of costs which attempted to show the difference between conducting courses at the College (based on a pro rata of annual expenditure at the College) and at a motel (based on actual costs for travelling allowance, accommodation and restaurant expenses incurred during the Airport Police Course). The costs were:

Item	At College	At Motel
Salaries	\$38 362	\$9 805
Extra Duties	3 298	-
Sub-total	41 660	9 805
Travel and Subsistence	6 860	18 746
Office requisites	6 567	6 567
Telephones etc.	2 625	189
Office Services	1 206	1 206
Freight and Cartage	164	164
Motor Vehicles	1 391	1 391
Operational Supplies	2 138	2 138
Incidental	7 311	13 166
Sub-total	28 262	43 567
TOTAL	<u>\$69 922</u>	<u>\$53 372</u>

Conclusions

41. The Committee is not satisfied with the Department's explanation in relation to the expenditure of \$24 500 from the Advance to the Treasurer to meet the costs of training courses held outside the Australian Police College. The Committee notes that the decision to conduct the courses was made on 11 February 1977 and believes that there was ample time for provision to be made in the additional estimates which closed on 8 March 1977.

42. Further the Committee finds it difficult to accept that the actual cost of conducting courses at the College is greater than the actual cost of conducting a similar course in motel accommodation and would contend that the comparison of costs shown at Paragraph 40 is invalid. The Committee points to the relative discrepancy in costs and points to the need for this to be investigated.

43. There are also a number of other items mentioned in the evidence which the Committee finds it difficult to accept were unforeseen. These include leave fares and a number of major overseas postings to Belgrade, Berlin and Moscow. Such movements should be known well in advance. The Committee is critical of the planning associated with the manning of overseas posts as well as the apparent lack of communication between the Commonwealth Police administrative area and the Department's financial section.

44. Further, the Committee is disturbed by a number of inconsistencies between the information provided in the Department's original submission and information provided to the Committee in a supplementary submission. For

example, the Committee is unable to understand how \$5 900 could be required from the Advance to the Treasurer in late June, when the Department states that the unforeseen requirement for this purpose was only \$2 946. Also, the Committee has noted a discrepancy in the evidence relating to the number of Police stationed in East Berlin. In evidence on the previous item (137/1/02) the Committee was told there were four police in East Berlin and a fifth position was manned on an overtime basis. In a supplementary submission on this item, the Committee was informed that \$19 840 was required for the posting of five members to East Berlin.

45. In relation to these apparent discrepancies, the Committee would draw the Department's attention to the Notes Relating to Evidence that accompany requests for submissions which state that the Committee expects:

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.

(iii) Division 137/3/01 - Commonwealth Police - Other Services - United Nations Peace Keeping Force in Cyprus - Australian Police Unit.

<u>Funds Available</u>	<u>1974-75</u>	<u>1975-76</u>	<u>1976-77</u>
	\$	\$	\$
Appropriation Act No.1	298 900	547 000	298 400
Appropriation Act No.3	196 000	-	-
Appropriation Act No.5	-	-	-
Advance to the Treasurer	52 400	-	70 000
 TOTAL FUNDS AVAILABLE	 \$547 300	 \$547 000	 \$368 400
TOTAL EXPENDITURE	515 390	372 682	355 212
 UNEXPENDED FUNDS AVAILABLE	 \$ 31 910	 \$174 318	 \$ 13 188

46. This item provides for cost of salaries and allowances, fares to Cyprus and return, leave fares, uniforms and other miscellaneous expenses of the Australian Police Unit attached to the United Nations Peace Keeping Force in Cyprus.

47. The Committee was told that members of the police force normally spend a period of 12 months in Cyprus where they were responsible for patrolling the line between the Cypriot and Turkish held parts of the island. Prior to November 1975 there had been a contingent of 35 police stationed in Cyprus. From November 1975 to July 1977, at the request of the United Nations, the size of the contingent had been reduced to 16 and from July 1977 this number was increased to 20 officers.

48. The witness representing the Commonwealth Police stated that there were varying methods of paying costs. Costs incurred before the contingent left Australia, and for fares to Cyprus, were paid in Australia. The A.C.T. Sub-Treasury paid allotments to various bank accounts for dependants in Australia out of officers' fortnightly salaries and allowances. The remainder was paid through New York Sub-Treasury to the United Nations in Cyprus. Leave fares were paid initially by the United Nations in Cyprus who submitted the bills to the United Nations in New York, who then submitted the bills to the New York Sub-Treasury, which paid them. Eventually the documentation flowed to the Commonwealth Police in Canberra.

49. In relation to the need to obtain funds from the Advance to the Treasurer, it was stated that at the time Additional Estimates were finalised by the Commonwealth Police in mid-February 1977 it was estimated that there would be savings of \$23 000 from the original appropriation of \$298 400. This was despite the fact that the Department of Finance had approved the commitment of an additional \$10 000 due to devaluation. The estimated savings of \$23 000 were used as offsets against additional requirements in other appropriations under the control of the Department. However, it subsequently became necessary to seek the approval of the Department of Finance to the restoration of these savings and to provide a further \$70 000 from Treasurer's Advance.

50. The request for additional funds followed urgent requests dated 24 May and 17 June from New York Sub-Treasury for a total of \$93 000 to meet accounts recently received from the United Nations Headquarters. The accounts related to salary and allowance payments for the period 8 January 1976 to 16 February 1977 and for airfares and miscellaneous items for a period not specified.

51. It was explained that delays in presentation of accounts by the United Nations was not uncommon but in previous years accounts had usually been received at regular intervals for 12 months expenditure only. However, in 1976-77 accounts relating to services for most of the period from September 1975 to December 1976 were not received until May 1977. In the past several approaches to the U.N. were made to ensure that accounts were submitted promptly.

52. The witness stated that the Commonwealth Police would not have been aware of these accounts at the time bids for Additional Estimates closed. He pointed out that usually accounts from Cyprus were vetted by the United Nations and the Australian Sub-Treasury in New York before they were submitted to Canberra, where they were again checked. However, during checking by the Sub-Treasury in New York a duplication of invoices was detected after the warrant authority for the full amount of \$70 000 had been approved on 22 June. This resulted in the underexpenditure of \$13 188.

53. The departmental submission stated that the estimates for this item were based on the regular submission of accounts by the United Nations and suggested that the late submission of these accounts contributed to both the large underexpenditure in 1975-76 and the need to obtain additional funds from the Advance to the Treasurer in 1976-77. The submission conceded that had a more thorough scrutiny of expenditure overseas been made at an appropriate

stage of the financial year, the requests for funds from Treasurer's Advance may have been prevented. The witness suggested that a factor in failing to become aware of the outstanding accounts may have been the transfer from the Department of Police and Customs to the Department of Administrative Services in December 1975 and that this changeover coincided with the decision to reduce the size of the contingent from 35 to 16.

Conclusions

54. The Committee notes that the departmental submission conceded that the request for funds from the Advance to the Treasurer may have been prevented had a more thorough scrutiny been made at additional estimates time. The Committee cannot, however, agree that the inadequacy revealed in the estimating procedures in the early part of 1977 can be attributed to events which occurred in late 1975. The Committee believes that the backlog of accounts with the United Nations should have become evident during the Additional Estimates review, provision should have been made for these funds in Appropriation Act No. 3 and action taken to ensure the accounts were submitted as soon as practicable.

(iv) Division 141/1/01: Ministers of State - Staff and Services - Salaries and Payments in the Nature of Salary - Salaries and Allowances.

<u>Funds Available</u>	<u>1974-75</u>	<u>1975-76</u>	<u>1976-77</u>
Appropriation Act No.1	2 292 200	2 763 000	2 299 700
Appropriation Act No.3	-	-	78 300
Appropriation Act No.5	122 400	-	-
Section 5 (App. Act No.5)	28 500	-	14 200
Advance to the Treasurer	25 800	-	43 700
 TOTAL FUNDS AVAILABLE	 2 468 900	 2 763 000	 2 435 900
TOTAL EXPENDITURE	2 467 199	2 408 276	2 435 178
 UNEXPENDED FUNDS AVAILABLE	 1 701	 354 724	 722

55. This item provides for the payment of salaries and allowances to staff of the Ministers of State.

56. The Committee was told that the underexpenditure of \$354 724 in 1975-76 was due to the reduction in Minister's staff that occurred at the end of 1975. The estimates for 1975-76 were calculated on the expected average monthly staffing for Ministers of State of approximately 215. However, the actual average per month for the year had been 157. The approved establishment to November 1975 had been 242. At the time of the inquiry the approved establishment was 180.

57. An amount of \$78 300 was required in Appropriation Act (No.3) 1976-77 to cover -

• National Wage Case Decisions	59 600
• Provision for staff of the Minister for Productivity	18 700

A further provision of \$14 200 was made under Section 5 of Appropriation Act (No. 1) 1976-77 to cover -

• March 1977 National Wage Case Decision	11 600
• May 1977 National Wage Case Decision	2 600

58. It was necessary to obtain \$43 700 from the Advance to the Treasurer to meet the following:

• terminations	39 475
• advance payments (recreation leave)	2 429
• leave bonuses	1 796

59. The Committee was told that during the period 1 March 1977 to 30 June 1977 thirty-six staff of the various Ministers terminated their services and became eligible for payments in lieu of recreation leave and furlough. Provision had not been made in the estimates and the requirement of \$39 476 was necessary to meet the costs associated with thirty-one of those terminations. The extent of terminations could not have been foreseen at the time of preparation of Additional Estimates.

60. The witnesses were unable to explain the reasons for the high rate of termination. It was pointed out that because of the change of Government at the end of 1975 large numbers of Ministerial staff had terminated in the December and March quarters of 1975-76. However, in the June quarter of 1975-76 only 13 had terminated, compared to 21 in the corresponding quarter of 1974-75. The Department was attempting to build up statistics to enable a more accurate estimate but the substantial fluctuations made likely terminations difficult to assess.

61. A further \$2 429 was required to meet pre-payment of salaries for six officers proceeding on recreation leave in June 1977 and in normal circumstances the salaries for these officers would have been paid in the 1977-78 financial year. The witness stated that the Department required about three weeks notice to make such pre-payments and that it was unlikely that any of the officers would have applied for leave prior to the closure of Additional Estimates.

62. In relation to the funds required for the leave bonuses, the departmental submission stated that:

In the last six days of 1976-77 forty-two staff received payment of leave bonuses amounting to \$6 997. Although provision had been made in the estimates for the payment of the 1977 leave bonus there were a number of staff who

also received payment of the 1976 bonus for which no provision had been made. Although some staff invariably are behind in taking their recreation leave entitlement it is normal practice to only provide for the payment of one leave bonus for each member of the staff each financial year. It was possible to meet some of these leave bonus payments from within the existing appropriation and only \$1 796 was required from Treasurer's Advance. These additional leave bonus payments could not be foreseen at the time of preparation of Additional Estimates.

63. The Committee was told that in 1975 special approval had been given for ministerial staff to carry over an extra year's leave. Normally, ministerial staff followed Public Service practice which allowed only one year's leave to be carried over. However, in 1974 and 1975 special approval had been given for ministerial staff and public servants to carry over an extra year's leave. The witness believed that this had resulted in a greater carry over of accrued leave in 1976-77 than would have occurred normally.

Conclusions.

64. The Committee accepts the Department's explanation.

(v) Division 141/1/02 - Ministers of State - Staff and Services - Salaries and Payments in the nature of Salaries - Overtime.

<u>Funds Available</u>	<u>1974-75</u>	<u>1975-76</u>	<u>1976-77</u>
Appropriation Act No.1	283 600	315 900	250 000
Appropriation Act No.3	-	-	67 000
Appropriation Act No.5	55 400	-	-
Advance to the Treasurer	-	-	1 300
 TOTAL FUNDS AVAILABLE	 339 000	 315 900	 318 300
TOTAL EXPENDITURE	316 690	309 677	318 281
 UNEXPENDED FUNDS AVAILABLE	 22 310	 6 223	 19

65. This item provides for the payment of overtime to the staff of the Ministers of State.

66. The Committee was told that estimates for this item were prepared on the basis of previous expenditure. Factors of a non-recurring nature were discounted while allowance was made for "the full year's effective increased rates payable because of national wage cases."

67. The provision of \$250 000 made in Appropriation Act (No.1) 1976-77 compared to expenditure of \$309 677 in 1975-76 was a reduction of \$59 677 due to the full year effect of the reduced Ministerial staff establishment approved by the present Government. However, staff members eligible for overtime payment worked larger amounts of overtime than originally expected and, at the time of preparation of Additional Estimates it was anticipated that \$67 000 would be required for the balance of the year. In late June 1977 it

became evident that additional funds of \$1 300 would be required from Treasurer's Advance to meet commitments.

68. The departmental witness stated that of the 180 established positions on ministerial staff approximately 115 would be entitled to the normal Public Service conditions and be paid overtime. The remainder, with the exception of the Press Secretaries, would be entitled to receive the ministerial staff allowance which was currently \$4 246 per year. Press Secretaries had an option of receiving either the ministerial staff allowance or being paid overtime under the provisions of their award.

69. Generally, a public servant above Class 8 level was not entitled to receive overtime. However, officers in positions equivalent to or above this classification in Ministers' offices received an annual allowance in recognition of the fact that they were required to work a significant amount of extra duty as part of their normal duty. The witness stated that ministerial staff claimed that the allowance was much less than if they had been paid overtime. The following table sets out the details of total salary and overtime paid to Ministerial Staff eligible to receive payment for overtime. The table also details, for purposes of comparison, the salary rates and Ministerial Staff Allowances payable to Ministerial Officers and Press Secretaries.

Salary/Overtime Payments Made to Ministerial Staff
July 1976/June 1977.

<u>Designation</u>	<u>Total Salary</u>	<u>Overtime/ Allowance</u>	<u>Overtime as Percentage of Salary</u>
	\$	\$	
Personal Assistants)			
Asst. Private Sec.)	713 630	218 006	31
Clerks to the Whips)			
Secretary Typists (Electorate Secs.)	346 279	30 763	8
Steno-Secretaries			
Grade 1	243 232	60 526	25
Press Secretaries (a)	77 200	31 050	40

Allowance in Lieu of Overtime.

<u>Designation</u>	<u>Total Salary</u>	<u>Overtime/ Allowance</u>	<u>Percentage O/T/Salary</u>
	\$	\$	
Ministerial Officer			
Grade 1	13 659	4 098	30
Ministerial Officer			
Grade 2	16 290	4 098	25
Ministerial Officer			
Grade 3	18 911	4 098	21
Ministerial Officer			
Grade 4	23 757	4 098	17

<u>Designation</u>	<u>Total Salary</u>	<u>Overtime/ Allowance</u>	<u>Percentage O/T/Salary</u>
Ministerial Officer Grade 5	26 042	4 098	16
Press Secretary Grade A1	17 794	4 098	23
Press Secretary Grade A4	21 690	8 196	38

Note: (a) An average of five (5) Press Secretaries elect to receive overtime payments in lieu of the Ministerial Staff Allowance. The Salary/Overtime figures quoted refer to the three (3) Press Secretaries who worked and received overtime payment for the full twelve (12) months.

70. In relation to the question of departmental control of overtime it was stated that notes were issued for the guidance of staff in Ministers' Offices and these notes outlined information relating to approval of overtime rates of payment, rest leave after overtime and emergency duty. The Committee was told that overtime worked was required to be approved in advance, certified by the Senior Private Secretary or in the case of the Press Secretaries, by the Minister or his delegate. Overtime was therefore subjected to the same controls as overtime worked by Public Servants.

71. The Department was satisfied that ministerial staff followed the normal rules of recording attendance, in so far as this was possible given their greater movement, and was satisfied with the existing procedures and operations associated with overtime in ministerial offices. The witness pointed out that the Department had to rely, as it did in the case of Public Service overtime, on certification by a senior officer. It was therefore necessary to depend on the control exercised by the Senior Private Secretary. The witness agreed that there had been a higher overtime earning per employee in 1976-77 than in preceding years.

72. The Public Service Board Observer (Ms Buttsworth) provided the Committee with the historic background of the Ministerial Staff allowance. An allowance was first introduced in April 1951 to overcome the administrative problem of effectively authorising and supervising the considerable amount of work outside normal hours of duty and other unusual aspects of the job. In July 1973 the allowance was set at a figure representing approximately 30 per cent of the maximum salary at Class 6 (Ministerial Officer Grade 1) Level. Since September 1975 the allowance has been indexed according to National Wage Case decisions. In recognition of the change of circumstances which has occurred since the allowance was first introduced the Government has requested that the Public Service Board examine and consider, in consultation with the Department of Employment and Industrial Relations, the various aspects of the overtime structure for all ministerial staff. The Board and the Department are considering the most appropriate means of recognising the regular extra duty performed by Ministerial Staff and the special features of their jobs in the light of more recent developments.

73. In relation to the payment of allowance to Press Secretaries the Board's submission stated that less than half the number of Press Secretaries receive the allowance although the Board considered that the allowance was the more appropriate form of payment of overtime. The Board adopted this view because problems arose in the administration of overtime worked by Press Secretaries due to:

- Hours of duty were not fixed
- Attendance records were not always kept
- Press Secretaries were not necessarily subject to supervision
- There was often no suitable officer available to authorise working overtime.

Conclusions.

74. The Committee accepts the Department's explanation in relation to its requirement for funds from the Advance to the Treasurer. However, it noted with some surprise, the comment that, in preparing estimates for this item, allowance was made for National Wage Case decisions. The Committee would remind the Department of the principles of estimating as set out in Finance Direction 16/9 which states, *inter alia*:

Estimates for supplies and services shall be based on current or known costs and in no circumstances shall provision be made for possible rises in costs.

75. The Committee agrees with the view expressed by the Public Service Board in relation to the payment of Press Secretaries and wishes to be advised of the outcome of the examination of the ministerial staff allowance which is currently being undertaken.

(vi) Division 817/2:Capital Works and Services - Buildings and Works, Overseas Operations Branch.

<u>Funds Available</u>	<u>1974-75</u>	<u>1975-76</u>	<u>1976-77</u>
	\$	\$	\$
Appropriation Act No.2	11 400 000	21 500 000	19 500 000
Appropriation Act No.4	-	-	1 635 000
Advance to the Treasurer	-	-	500 000
TOTAL FUNDS AVAILABLE	11 400 000	21 500 000	21 635 000
TOTAL EXPENDITURE	11 017 019	15 900 701	21 515 365
UNEXPENDED FUNDS AVAILABLE	382 981	5 599 299	119 635

76. This item provides for the purchase of land and buildings and the cost of construction of office and residential accommodation at overseas posts.

77. In explanation of the underexpenditure of approximately \$5.6m on this item for 1975-76 the departmental witness stated that all departments had been requested by the Government to effect savings in the latter half of 1975.

In the context of this request the Department withdrew a number of new projects to allow savings of \$1.7m, and on works in progress underexpenditure of \$3.9m was achieved.

78. The departmental submission explained that an amount of \$1.635m was requested in Appropriation Act No. 4 to meet the effects of the devaluation of the Australian Dollar in November 1976. The net effect across the board was not the same in all countries. With the agreement of the Department of Finance, the Department used an average of 15 per cent as the net devaluation. On the unexpended balance of \$13.1m at the end of November 1976, the Department should have sought \$1.95m. However, after an examination of the expenditure rates on all projects the Department judged that only \$1.635 would be required.

79. The Committee was told that \$150 000 of the \$500 000 requested from the Advance to the Treasurer had been required because the rate of expenditure on several major projects had increased beyond expectation. This amount would be required to cover effects of devaluation. The witness explained that as the Department used a global system of allocation of funds for the item, it was not possible to identify particular projects where the rate of expenditure increased. Assessment of where the increase occurred was also confused by the fluctuations in the value of the Australian Dollar which continued during the second half of the financial year.

80. The remainder of the \$500 000 was required to meet increases in the cost of construction of the Chancery and staff accommodation in Paris. The submission stated that at the time Additional Estimates were prepared, expenditure on the project was expected to be \$9.241m in 1976-77. However, due to the rise and fall clauses in the contract, an additional amount of \$343 000 was required to enable payments to the contractor for claims submitted in respect of increased costs of labour and materials during the period March to June 1977. The Committee was told that the total cost of the Chancery and staff accommodation was currently estimated at \$19.87m, the original approval being \$18.4m. The increases were attributable to devaluation and inflation.

81. The departmental submission explained that the underexpenditure of \$119 635 became apparent because expenditure on the Washington Chancery extension project was \$125 910 less than had been forecast on 1 June 1977. It was stated that a progress payment was estimated to be \$172 260 and it was believed that this amount would be claimed by the contractor before the end of June. In fact the contractor had advanced sufficiently with the construction to claim only \$46 350. Payment of this claim was made on 16 June 1977. Had this progress claim been \$172 260 as anticipated, the full amount obtained from the Advance to the Treasurer would have been expended.

82. The variation between the underexpenditure of \$119 635 and the shortfall of \$125 910 on the Washington Chancery extension project progress payment resulted from continuing fluctuations in the exchange rates used to calculate the amounts of progress payments made on projects under this vote.

Conclusions.

83. While the Committee accepts the Department's explanation, it has some reservations on the use of a global system of allocation of funds for this item.

CHAPTER 3.

ATTORNEY-GENERAL'S DEPARTMENT.

Division 175/2/07: Australian Legal Aid Office -
Administrative Expenses - Payments
to private legal practitioners

<u>Funds Available</u>	<u>1974-75</u>	<u>1975-76</u>	<u>1976-77</u>
	\$	\$	\$
Appropriation Act No.1	3 646 000	7 000 000	9 550 000
Appropriation Act No.3	-	-	1 900 000
Advance to the Treasurer	-	-	198 000
TOTAL FUNDS AVAILABLE	3 646 000	7 000 000	11 648 000
TOTAL EXPENDITURE	682 261	6 371 712	11 647 418
UNEXPENDED FUNDS AVAILABLE	\$2 963 739	\$628 288	\$582

84. This item provides for the direct cost of assistance to persons granted legal aid, by way of Counsel's fees or costs of referrals to panel solicitors by the Australian Legal Aid Office.

85. It was explained that due to delays in the hearing of cases, and because solicitors had submitted their accounts more slowly than expected, the Department had overestimated its expenditure requirements for the financial years 1974-75 and 1975-76. However, during 1976-77 accounts were submitted much more rapidly.

86. The original estimate for this Item in 1976-77 was based on previous years' expenditure and known commitments carried forward.

87. An amount of \$1.9m was appropriated in the Additional Estimates to meet the anticipated inflow of accounts for 1976-77 related to the approved commitment level of \$1m per month. It was estimated that approximately 45 800 claims would be paid in the financial year at an average value of \$250 per claim.

88. The amount of \$198 000 obtained from the Advance to the Treasurer was required to provide funds for increases in the average value of each paid claim which rose from the estimate of \$250 to \$257.09, in June 1977.

89. Details of the average value for June and the previous four months are set out in the following table:

	<u>Average Value for month</u>	<u>Average Value of paid claims</u>
February	-	\$249.54
March	\$262.72	251.24
April	256.85	251.70
May	244.15	250.86
June	294.52	257.09

90. The Committee was informed that the increase in the average value of paid claims in June 1977 was partly attributable to the payment of a number of high value claims which had been under query and on which disputes were resolved towards the end of the financial year. There was also an increase in the total number of undisputed claims which increased from 4344 in May 1977 to 6472 in June 1977. The value of these claims was \$1 906 145. The witness for the Department suggested that the overall increase was possibly due to some unfortunate publicity about a shortage of funds available for expenditure on Legal Aid.

91. The Department explained that the additional funds required as a result of the increase in value of claims was partially offset by a reduction of 496 in the estimated number to be paid. The Department did not know of any specific reason for the reduction in the total number of claims for the year.

Conclusions

92. The Committee accepts the Department's explanation.

CHAPTER 4

DEPARTMENT OF THE CAPITAL TERRITORY

Division 213/2/03: Australian Capital Territory Police -
Administrative Expenses - Postage,
Telegrams and Telephone Services

<u>Funds Available</u>	<u>1974-75</u>	<u>1975-76</u>	<u>1976-77</u>
	\$	\$	\$
Appropriation Act No. 1	175 400	108 600	196 000
Appropriation Act No. 3	-	76 400	27 000
Appropriation Act No. 5	-	-	-
Advance to the Treasurer	-	93 000	84 500
TOTAL FUNDS AVAILABLE	175 400	278 000	307 500
TOTAL EXPENDITURE	175 236	277 519	307 085
UNEXPENDED FUNDS AVAILABLE	164	481	415

93. This item provides for postal, telephone and telegram costs at Police establishments in the A.C.T. and Jervis Bay.

94. From December 1972 to March 1975 the Australian Capital Territory Police was part of the Attorney-General's Department, and, as a result of the Administrative Arrangements Order of 27 March 1975, became part of the newly created Department of Police and Customs. This Department was abolished on the 22 December 1975 and responsibility for the Australian Capital Police was transferred to the Department of the Capital Territory.

95. Of the \$27 000 approved under the Additional Estimates in 1976-77, \$12 000 related to installation costs of 10 non-switching units at police headquarters. Due to a delay in the installation of trunk access barring equipment an additional \$15 000 was required to provide for an expected increase in telephone call charges in excess of that provided for in the estimates.

96. The Department explained that at the time the Original Estimates were prepared allowance was made for an expected decrease on the 1975-76 expenditure, due to a proposal to install trunk access barring equipment by the end of August. However, the equipment did not become operational until December. The Committee was informed that the Department had approached Telecom several times to have the installation completed by the earlier date.

97. With regard to the \$12 000 for the installation of the 10 non-switching units at Police Headquarters the Department stated that this installation had been ordered while the Police formed part of the former Department of Police and Customs. The Administration Section of the A.C.T. Police, which had been disbanded, was reformed after the responsibility for the Police was transferred

to the Department of the Capital Territory on the 22 December 1975. This section only became aware that an order had been raised when the account was received.

98. The Committee was informed that the use of access barring equipment would save approximately \$60 000 per year. The Department pointed out that, while some unauthorised use of telephones could occur, this amount did not necessarily represent the cost of unauthorised usage of telephones but rather savings due to greater use of alternative methods of communication such as letters, telegrams and telex messages.

99. The Department stated in its submission that at the end of February 1977 expenditure was \$145 530 out of the original appropriation of \$196 000. Although accounts for some later months had been received in the Department prior to the closure of Additional Estimates these were not taken into account when the Additional Estimates were determined. The Department was unable to explain to the Committee the reasons for delays in paying these accounts and why they had not been considered when the Additional Estimates were prepared.

100. Following the transfer of responsibility for the A.C.T. Police from the former Department of Police and Customs in December 1975 the Department experienced delays in receipt of accounts from Telecom because the accounts continued to be addressed to the Attorney-General's Department (which was responsible for the A.C.T. Police from December 1972 to March 1975). This matter was not rectified until the issue of the October 1976 accounts. The Department stated that this contributed to the delay in bringing expenditure to account.

101. Further, it was stated that as a result of overcoming delays in receipt and payment of accounts, the Department received three six-monthly accounts for the rental of the PABX covering the periods ending 31/10/76, 30/4/77 and 31/10/77 during 1976-77 whereas normally only two six-monthly accounts were received. Based on previous experience, the Department had expected to receive the account for the period ending 31 October 1977 in August or September and this had contributed to the Department's use of funds from the Advance to the Treasurer.

Conclusions

102. It appears to the Committee that the Department was justified in charging the rental for the PABX for the period ended 31 October 1977 to the Advance to the Treasurer.

103. However, the evidence discloses that the delays which had occurred in the receipt of accounts and the delays in bringing to account expenditure in respect of claims on hand, combined with the incorrect addressing of account, were factors the Department had not recognised when the Additional Estimates were prepared. The Committee is particularly disturbed by the Department's failure to carry out a proper analysis of its expenditure and accounts on hand before it prepared its Estimates.

CHAPTER 5

DEPARTMENT OF DEFENCE

(i) Division 234/1/03: Equipment and Stores - New Equipment and Stores - Armoured and Combat vehicles, artillery and associated initial equipment and stores

<u>Funds Available</u>	<u>1974-75</u>	<u>1975-76</u>	<u>1976-77</u>
	\$	\$	\$
Appropriation Act No. 1	4 818 000	21 064 000	45 431 000
Appropriation Act No. 3	-	2 710 000	8 970 000
Appropriation Act No. 5	-	-	-
Advance to the Treasurer	1 923 000	-	717 500
 TOTAL FUNDS AVAILABLE	 6 741 000	 23 774 000	 55 118 500
 TOTAL EXPENDITURE	 6 697 224	 22 939 512	 55 111 405
 UNEXPENDED FUNDS AVAILABLE	 43 776	 834 488	 7 095

104. This item provides for the initial purchase of Artillery and Armoured Vehicles and initial associated equipment and stores.

105. In an explanation of the departmental requirement for an additional \$8.97 m in Appropriation Act No. 3 the Committee was told that this resulted from price variations in accordance with contract provisions, exchange fluctuations, changed ordering and delivery phasing and reductions in respect of Australian industry participation.

106. Increases attributable to allowable contract price escalations totalled \$7.28 m. Of this amount \$5.608m was the result of an escalation on the cost of the medium (Leopard) tank project, \$1.087m on the surface-to-air guided weapon (Rapier) Phase I and \$0.585m on Phase II. Exchange fluctuations on the purchase of the Leopard tanks and close support and general support weapon systems added \$4.653m. to the Department's requirements.

107. The Department's needs were reduced by \$2.851m. because of changed ordering and delivery phasing and \$0.112m for reductions in Australian industry participation. Included in these alterations were anticipated savings of \$3.707m caused by withholding 15 per cent of the final contract payment (pending resolution of a specification defect) on the tanks, savings of \$0.970m due to deferrals and delivery delays associated with the purchase of a fire support vehicle, and savings of \$0.798m arising from the revision of expenditure patterns for items of tank test equipment and spares. An extra payment of \$1.587m arose out of a revised claiming pattern for expenditure on six tanks which were planned for delivery on 30 April 1977.

108. Also, it was considered when the additional estimates were being prepared that all other planned contractual payments would be met and a slippage allowance of approximately \$1.26m would need to be reinstated. The witness explained that when estimates were prepared allowances for a certain degree of slippage were made, based upon past experience.

109. The Committee was told that the major reason for the increased funds requirement from the Advance to the Treasurer related to the delivery and consequent payment for the final six tanks against Phase I of the Leopard tank purchase. These tanks incurred expenditure of \$2.6m and provision had not been included in the Original Estimates.

110. The Committee was informed that it had originally been planned that 53 tanks would be delivered in 1976-77. However, as the last six were due to be delivered on 31 May the Department had expected that the delivery date would not be met and only 47 would be paid for during the financial year. The actual delivery pattern which emerged showed that delivery of tanks was behind schedule in the early part of the financial year but was achieved in April and May 1977.

111. The Committee was told that a shortfall against initial capital equipment associated with the Leopard tank purchase and other projects totalling \$1.89m offset the extra \$2.6m required for the six tanks. The main reasons for the shortfall were slippages in delivery, actual escalation claims being less than forecast at the time Additional Estimates were prepared and exchange rates which were more favourable at the date of payment than when the estimates were prepared. The Committee was told that the main items contributing to this shortfall were \$118 000 associated with the tank trainer, \$356 000 for documentation for the tanks and \$600 000 which had not been claimed for quality assurance checks.

112. A complex price variation formula written into the contract for the tanks made it difficult for the Department to know precisely what an individual tank would cost at the time of delivery. This price variation formula included variations due to changing costs from materials and labour and fluctuations in exchange rates. The Committee was told that the total contract price was expected to be of the order of \$100m for 101 tanks plus documentation and associated equipment. In July 1974 the price per tank at the exchange rate then existing was a little under \$600 000. In July 1977, at the current exchange rate, the price was marginally over \$900 000.

Conclusions

113. The Committee accepts the Department's explanation in relation to the use of the Advance to the Treasurer.

(ii) Division 234/2/04: Equipment and Stores - Replacement
 Equipment and Stores - Other equipment
 and stores including hire

<u>Funds Available</u>	<u>1974-75</u>	<u>1975-76</u>	<u>1976-77</u>
	\$	\$	\$
Appropriation Act No. 1	75 025 000	85 408 000	108 509 000
Appropriation Act No. 3	343 000	7 983 000	10 230 000
Advance to the Treasurer	-	1 650 000	7 791 900
 TOTAL FUNDS AVAILABLE	 75 368 000	 95 041 000	 126 530 900
 TOTAL EXPENDITURE	 73 792 046	 94 925 598	 126 442 305
 UNEXPENDED FUNDS AVAILABLE	 1 575 954	 115 402	 88 595

114. This item covers all replacement equipment and stores except weapons, armament and ammunition, rations and liquid fuels and lubricants. The item includes electrical, electronic, clothing, air, transport, medical, dental, engineering and general stores, victualling equipment, and the hire of equipment.

115. The Committee was informed that the Department had sought the amount of \$10.230m in the Additional Estimates to meet:

- increased prices generally for equipment and stores based on price movements in the period between the preparation of the Budget and the Additional Estimates

.. transport	\$1 534 000
.. air stores	\$1 420 000
.. electrical and electronic equipment	999 000
.. workshop services and equipment	981 000
.. clothing	814 000
.. victualling, barracks, equipment and stores	551 000
.. other	86 000
	+ 6 385 000
.. exchange fluctuations	+ 4 498 000
.. revised requirement of F111C spares based on actual spares usage	+ 2 484 000
.. other charges over a wide range of estimated expenditure	- 3 137 000
	\$10 230 000

116. It was explained that the exchange fluctuations estimate of \$4.498m was a relatively low percentage of the total expenditure because a large proportion of the stores were purchased in Australia.

117. The departmental witness explained that the increased requirement of \$2.484m for F111C spares arose because of the need to replace various high cost components at a rate greater than anticipated. He explained that the F111C engines had flown sufficient hours for them to require major servicing and expenditure on spare parts had risen from approximately \$300 000 per month to approximately \$1m per month. The reason for the increased rate of replacement of spares was believed to be the fact that the R.A.A.F. operated the aircraft under different conditions to the U.S. Air Force which first determined the replacement rate.

118. The anticipated savings of \$3.137m comprised a number of increases and decreases. The increases totalling \$1.692m occurred in 7 areas and included clothing for an increase in the number of recruits in the WRAAF (\$428 000), restocking of units and stores depots to levels consistent with approved policy (\$646 000), an accelerated delivery of a 500 tonne press (\$93 000) and an increased requirement in ship's furniture for the oceanographic ship (\$90 000). The decreases totalled \$4.829m and included deferral of United States foreign military sales stock level case (\$1.5m), deferral of orders for transport (\$809 000), deferral of orders for clothing over a wide range of items (\$837 000), deferral of light observation helicopter spares and savings arising out of a re-assessment of flying hours for Mirage, Iroquois and Hercules aircraft (\$556 000).

119. In relation to the \$7 791 900 required from the Advance to the Treasurer, the Committee was told that this comprised:

• Additional expenditure against the 1976-77 U.S. Air Force requisition case	\$2 625 149
• Advance payment against the 1977-78 requisition case	\$2 124 861
• Additional expenditure on M113 armoured vehicles	
.. Track shoes	309 219
.. Shoe pads	122 000
..	\$ 431 219
• Acceleration in the processing of claims	\$1 000 000
• Increases in expenditure in a variety of areas	\$1 610 671

120. It was explained that a foreign military sales requisition case was arranged each financial year to cover the supply of spares from the United States Air Force. Claims against the 1976-77 case were received at a faster rate than had been anticipated at the time Additional Estimates were prepared. During the early part of 1976-77 the United States Department of Defence had centralised the three U.S. Service billing agencies under one authority and because of the time required to audit and transfer records to this agency, the issue of billings during the first eight months of 1976-77 was very slow. However, the rate of billings increased sharply and large claims were lodged and paid during the latter months of the financial year. This required \$2 625 149 from the Advance to the Treasurer.

121. The advance payment of \$2 124 861 for the 1977-78 requisition case was made because failure to make the payment would have required the re-negotiation

of a new case in 1977-78 with an unacceptable break in logistic support. The departmental submission explained that it was normal practice to make an advance payment against the annual requisition case and the billing for this payment was usually received in late June or early July and payment made in either July or August. Consequently, provision for advance payment against the 1977-78 requisition case was not included in the Original or Additional Estimates. However, on 27 April 1977 the Air Attaché, Washington, advised that the letter of offer and acceptance in respect of the 1977-78 case required an advance payment with acceptance.

122. The witness explained that the co-operative logistics supply support arrangements, which had been concluded with the United States in 1964, had provided that quarterly payments would be made in advance on the middle day of the month preceding the quarter in which the Australian Services were to place demands for them. The U.S. Air Force did not adopt that claiming pattern until after the three U.S. Services accounting centres were combined during 1976-77. The Australian Department of Defence was not aware that the United States Air Force would be adopting the original agreed claiming pattern until the last quarter of 1976-77.

123. The Committee was told that the additional expenditure on the M113 armoured vehicle track shoes arose because claims totalling \$359 219 were received although only \$50 000 had been provided in the estimates. Similarly, claims totalling \$246 000 for the M113 armoured vehicle shoe pads were received although only \$124 000 had been included in the Original Estimates. The witness explained that stocks of these items were originally procured from the United States but the Department had arranged to have them manufactured at the Small Arms Factory at Lithgow. The Department of Defence had found during the latter part of the year that the demand for the items was exceeding the supply and it advised the Department of Productivity accordingly in March 1977. The increase in claims was due to the accelerated purchase of components from sub-contractors by the Department of Productivity. The expenditure against this particular item at the end of March and April had indicated that the likely increases' cash requirement would be met from the existing appropriation. However, other increased meant that it was not possible to absorb the additional expenditure which resulted from the increased delivery rate.

124. The departmental submission stated that revised procedures for processing claims in the Sydney area were introduced in February/March 1977, and although some increase in expenditure before 30 June 1977 was foreseen, the actual achievement exceeded expectations. The witness explained that the Department had sent a review team to the Regional Finance Office (Navy Office) in Sydney and the team's report indicated that payment of claims could be expedited if procedures were brought into line with the other two Services. Previously the Navy system had provided for all documents to go to the Regional Finance Office and to be matched there, whereas, in the case of the Army and Air Force, this matching process was done where the stores were delivered. The Department had expected an increase of approximately \$400 000 in the value of the claims processed and it was not until they received the computer printouts of achievements for expenditure as at the end of February that it became evident that expenditure would be at a greater rate.

125. Finally, in relation to the \$1 610 671 required for increases on a variety of orders, it was pointed out to the Committee that expenditure under this item covered the provision of more than one million line items. During the

course of the year, 170 000 orders were placed and expenditure was incurred against these orders as well as against orders placed in earlier years. It was not possible to examine each individual item although the Department did focus its attention on some individual items at Additional Estimates time. As a general rule, however, it was necessary that Additional Estimates be prepared on a bulk rather than order by order basis. The departmental submission stated that expenditure trends increased sharply after the appropriation of Additional Estimates to an extent greater than had been anticipated. In order to meet payments of legitimate claims it had been necessary to seek funds from the Advance to the Treasurer.

Conclusions

126. The Committee accepts that the Department's request for \$7 791 000 from the Advance to the Treasurer was justified.

127. However, the Committee wishes to express its concern at the absence of specific detail contained in the Department's submissions relating to this item and to item 234/1/03. The submission on this item (234/2/04) referred to variations of \$6.385m and \$3.137m and although these figures included many individual variations of more than \$100 000 (and several exceeding \$1m!) the Committee did not receive this information until the public inquiry. The absence of such detail hampers the Committee in its selection of items for public inquiry and reduces its ability to adequately assess the validity of the department's claim on funds from the Advance to the Treasurer. While the Committee recognises that departments must balance the needs of the Committee for sufficient and accurate information on which to assess performance with the resources needed to be diverted to this task, the Committee wishes to point out that where departments later discover that information is deficient, a supplementary submission prior to a public hearing will greatly assist the Committee as well as departmental witnesses.

CHAPTER 6

DEPARTMENT OF NATIONAL RESOURCES

Division 883/5: Capital Works and Services - Investments in Petroleum and Minerals Development

<u>Funds Available</u>	<u>1974-75</u>	<u>1975-76</u>	<u>1976-77</u>
Appropriation Act No.2	\$ -	9 626 000	2 352 000
Appropriation Act No.4	\$ -	-	4 290 000
Advance to the Treasurer	566 600	-	101 000
TOTAL FUNDS AVAILABLE	566 600	9 626 000	6 743 000
TOTAL EXPENDITURE	566 427	3 842 246	6 736 311
UNEXPENDED FUNDS AVAILABLE	173 5 783 754		6 689

128. This item provides for meeting the contractual obligations of the Commonwealth arising from the acquisition of an approximate 18 per cent interest in the South Australian Cooper Basin natural gas project coupled with related petroleum interests in South Australia. The origin of these obligations flowed from an agreement entered into jointly by the former Petroleum and Minerals Authority and the Commonwealth of Australia in July 1975 to acquire 50 per cent of the interests of Delhi International Oil Corporation. When the High Court ruled the Petroleum and Minerals Authority Act 1973 invalid, the continuing commitments under the agreement became the responsibility of the Australian Government thus necessitating the requirement for \$566 600 from the Advance to the Treasurer in the 1974-75 financial year.

129. The Commitment inherited from the Petroleum and Minerals Authority in relation to Delhi International Oil Corporation, made a significant contribution towards the expenditure of \$3.842m in 1975-76. The Committee was told that \$9.626m had been provided in the Original Estimates to enable the Government to enter mining agreements in five specific areas. In the event, the change of Government in late 1975 resulted in a change of policy. The Government decided not to proceed with four of the proposals and expenditure was mainly incurred in relation to the Cooper Basin natural gas project. In addition, approximately \$1m in repayable advances was made to Mareeba Mining N.L. (\$0.3m) and Wambo Mining Corporation Pty Ltd (\$0.7m).

130. On the assumption that the Government's petroleum interests would be divested by 31 December 1976 \$2.352m was provided in the Original Estimates for 1976-77. This comprised estimates of \$1.272m for two quarterly instalments on the Delhi projects, \$0.48m for expenditure on natural gas production and \$0.6m for the purchase of inventories following the completion of a unit agreement (a form of joint venture agreement) which was arranged with the parties involved in the Cooper Basin natural gas project.

131. Prior to unitisation the Australian Government had no direct legal interest in the assets of Delhi. Revenues were received from Delhi which would render a monthly account to the Commonwealth showing gas sales receipts together with capital and operating expenditure. This gave rise to either a monthly receipt or payment depending on whether the Commonwealth share of gas sales exceeded the corresponding share of capital and operating expenditures.

132. The Committee was told that \$4.29m obtained in Appropriation Act No. 4 provided for expenditure from January 1977 to June 1977 as follows:

Two quarterly instalments of deferred purchase consideration and interest	\$ 1 330 000
Estimate of capital and operating expenditure	<u>3 023 000</u>
	4 353 000
Less unexpended funds available from original appropriation	<u>63 000</u>
	4 290 000

133. The witness explained that expenditure was almost double that in the first half of the financial year, because following unitisation, the Commonwealth was no longer able to offset revenues from gas sales against expenditure. All revenues were required to be lodged in the Consolidated Revenue Fund and it was necessary to pay monthly operating and capital expenditure directly from the Appropriation Acts. Actual revenue in the period January to June 1977 was \$2.132m followed by an adjustment of \$0.6m on 2 July which resulted from a gas price increase.

134. The Finance Observer, Mr Finch, explained that the Audit Act required that expenditure be met from appropriations and that revenues be paid direct to the Consolidated Revenue Fund. This procedure had not been thought necessary, because the Petroleum and Minerals Authority, which had entered into the original agreement, had not been subject to the Audit Act. This was a normal arrangement for Government business enterprises. He explained that there was some doubt following the declaration of the invalidity of the Petroleum and Minerals Authority Act 1973 as to whether the Commonwealth was acting in breach of the Audit Act in not paying revenues intact to the Consolidated Revenue Fund from the outset.

135. The departmental submission stated that \$101 000 was required from the Advance to the Treasurer because the estimate of capital and operating expenditure of \$3 023 000 was underestimated to the extent of \$108 000. This was offset to the extent of \$7000 due to changes in exchange and interest rates. The underestimate arose following changes in capital construction programs, particularly in field development drilling, gathering system construction and field compression.

136. The departmental witness explained that the Additional Estimates had been made on the basis of budgets prepared by the operators of the Cooper Basin project. The March quarterly update of the 1977 calendar year budget was the basis for the departmental estimate of capital expenditure for the period to 30 June 1977. The Committee was told that it was evident that some of the 300 projects in hand were behind schedule when the Additional Estimates were prepared.

137. The submission pointed out that the Commonwealth was committed to meet the expenditure incurred by the operators. In May 1977, it became evident that additional funds would be required because of an increased rate of expenditure in a number of areas. The witness stated that to enable the Commonwealth to monitor expenses on the projects the Commonwealth received a monthly statement of expenditure. However, he stated that although this did not provide any real control over expenditure, supervision was exercised through the internal audit conducted by a firm employed by the various parties to the unitisation agreement. The Auditors carried out a systematic test check review and its findings were discussed by the various financial representatives of each of the parties involved.

Conclusions

138.. The Committee accepts the Department's explanation.

CHAPTER 7

DEPARTMENT OF SCIENCE

Division 927/2/06: Capital Works and Services - Plant and Equipment - Turn Around Ranging Station

	<u>Funds Available</u>	<u>1974-75</u>	<u>1975-76</u>	<u>1976-77</u>
Appropriation Act No.2		\$ -	\$ 35 000	\$ 85 000
Advance to the Treasurer		-	-	50 000
TOTAL FUNDS AVAILABLE		-	35 000	135 000
TOTAL EXPENDITURE		-	34 876	134 959
UNEXPENDED FUNDS AVAILABLE		-	124	41

139. The Committee was told that the purpose of this item was to provide funds for a facility which would provide station-keeping information in respect of the Japanese Geostationary Meteorological Satellite (G.M.S.) Under an agreement with Japan, Australia has undertaken to install and operate a turn-around ranging station for support of the G.M.S. The station was likened to a repeater in a radio chain which received a signal, amplified it and sent it on to the next repeater, or, in this case, back to a satellite. In return Japan has undertaken to provide to Australia special meteorological observations which will be of particular value in the forecasting of cyclones.

140. The Committee learned that \$85 000 had been provided in Appropriation Act No. 1 for expenses anticipated in respect of a contract for the supply and testing of a turn around ranging station (T.A.R.S.) Public tenders had been invited on 30 April 1976 for the supply and installation of the T.A.R.S. and four offers had been received. The difference between the two lowest tenders was in the order of \$150 000. However, the second lowest tenderer made a fixed price offer whereas that submitted by the lowest tenderer Plessey Australia Pty Ltd, contained a variation clause mainly in respect of the cost of testing the equipment in Japan. The contract required that the equipment be successfully tested by the appropriate Japanese Government Authority (the Japanese Meteorological Agency (JMA)) prior to despatch to Australia. It was not possible at the time of tendering for either the tenderer or the Department to obtain from the JMA a reliable estimate of the time involved in this testing. The equipment was a prototype which made it more difficult to assess this aspect. In accepting the open-ended tender of Plessey, the Department was confident that in spite of the prototype nature of the equipment the cost was unlikely to exceed that of the next lowest tender.

141. In its submission, the Department stated that at the time Additional Estimates were prepared, an approach was made to the Department of Finance to provide an additional \$50 000 to cover the cost of providing for the installation of the T.A.R.S. equipment and to meet unforeseen expenses involved in testing the equipment in Japan. However, a witness revealed that the additional

funds were first sought on 18 March and on 30 March the Department of Finance wrote seeking further information. Although further explanations were provided on 20 April it was not possible to settle the matter in time for inclusion in the Additional Estimates.

142. The Finance Observer (Mr Finch) confirmed that it had not been possible to include in the Additional Estimates the \$50 000 requested by the Department because the request had been received on 18 March whereas individual applications for Additional Estimates closed on 8 March. He stated that further information was sought from the Department in relation to a number of matters including the open-ended nature of certain provisions in the contract and that of the \$50 000 that had been requested, explanations were provided in respect of only \$37 000.

143. The Department of Finance accepted the more detailed explanation received from the Department on 20 April and provided the funds requested from the Treasurer's Advance. The \$50 000 obtained comprised:

• Devaluation component	\$ 21 242
• Testing of Equipment	
Additional time taken	7 860
Additional requirements necessary for testing	3 512
• Concreting of foundations	4 000
• Accelerated payment due to early delivery	13 385

144. In relation to the devaluation component the Finance Observer stated that the Department of Finance queried the amount because it represented an increase of 22.6 per cent which was considered in excess of the actual devaluation percentage. In its letter of 20 April to Department of Finance the Department explained that the tender was submitted on the basis of 380 yen to the dollar and the requirement for payment was for 310 yen to the dollar.

145. In relation to the \$7860 required for the additional time taken in testing the equipment, the Committee was told that the tendered price provided an amount of \$12 950 for Japanese and contractor engineers' time at the Japanese Meteorological Agency (JMA) testing site during the test. As neither organisation could estimate with accuracy the length of testing time needed, the price was based on an estimated 78 man-days. In the event, a total of 128 man-days was required involving an additional expenditure of \$7860. The witness explained that 78 man-days had been the tenderers best estimate of the time needed and that a variation clause had been included accordingly.

146. Expenditure of \$3512 was incurred by the contractor due to unforeseen requirements by JMA and the Japanese Government in respect of the testing. There was a clause in the contract to the effect that, because of uncertainty about the test program of the Japanese Government, the contractor reserved the right to request the items involved in testing if their assumptions were invalid. One of these assumptions was that the facilities required for testing in Japan would be available to them free of charge. Two unforeseen circumstances arose which resulted in the company seeking to amend the contract:

- (a) renting a building and paying for power, etc., at the JMA testing site (\$2047); and
- (b) obtaining a Radio Regulatory Licence in Japan to enable the testing of their equipment by JMA (\$1465).

The witness stated that it was not unusual to accept a variation clause such as this and pointed out that tenderers bidding a fixed price in such circumstances would include a contingency for additional costs which could be involved.

147. A contract was let to provide a concrete foundation for the T.A.R.S. antenna resulting in an unanticipated cost of \$4000. The submission explained that it had been originally intended that the Orroral Valley Station staff would provide the concrete foundation for the antenna. However, this proved to be impracticable because the manufacturers specified foundations which required five times more concrete than the Department had anticipated and it became necessary to have the work done under contract.

148. A further \$13 385 was required because of early delivery of the equipment. The contract delivery schedule had provided for some payments on the equipment being met in 1977-78. The Department had originally anticipated that testing would occur in November 1976 but a delay in the availability of a vital component delayed the test period until February 1977. At that stage it was expected that delivery would not be until May or early June and it appeared likely that payments would fall in the 1977-78 financial year. However, the equipment was shipped on 16 March and had arrived by the end of April. It passed its first specification test on 16 June.

149. The departmental submission showed that the original and current estimated pattern of expenditure was as follows:

	<u>Original Estimate</u>	<u>Present Estimate</u>
1975-76.	33 000	35 000
1976-77	85 000	135 000
1977-78	52 000	34 000
	<hr/> 170 000	<hr/> 204 000

150. The conditions of settlement were based on a 30 per cent progress payment within twenty days of the contract being allotted, 60 per cent within twenty days of completion of successful testing in Japan and 10 per cent within twenty days of the acceptance date of 16 June. The \$34 000 for 1977-78 represented the final payment to the contractor and expenditure on installation and testing. The final check of the equipment occurred in late August 1977. The witness explained that the equipment was now fully commissioned and it was unlikely that the final cost would exceed the present estimate of \$204 000.

Conclusions

151. The Committee has noted that although the Department sought inclusion of the requirement for \$50 000 in the Additional Estimates, it submitted its

request too late for inclusion and also failed to provide sufficient information to the Department of Finance. While the evidence suggests that the Department may have been unaware of the need to provide the additional funds before the closing date for Additional Estimates, the Committee is disturbed at the Department's failure to provide a fully documented request to the Department of Finance when it first sought additional funds on 18 March.

152. The Committee accepts that the Department was justified in obtaining \$50 000 from the Advance to the Treasurer.

CHAPTER 8

GENERAL CONCLUSIONS

153. 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.

154. 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, in particular the Departments of Administrative Services and the Capital Territory, there was evidence of 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.

155. In general, however, there was a reduction in the number of requests for funds from the Advance to the Treasurer and the results of the Committee's examination suggest that the large majority of these requests was confined to urgent and unforeseeable requirements. There was also a general improvement in the quality of submissions presented to the Committee, although the Committee has found cause to comment on instances of conflicting evidence, in the case of the Department of Administrative Services, and of the lack of specific detail in submissions, in the case of the Department of Defence.

156. In the case of the Department of Defence, it is worth restating here that the Committee recognises that departments must balance the needs of the Committee for sufficient and accurate information on which to assess performance, with the resources needed to be diverted to this task and wishes to point out that where departments later discover that information is deficient, a supplementary submission prior to a public hearing will greatly assist the Committee as well as departmental witnesses.



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3 November 1977

REFERENCES TO EVIDENCECHAPTER 2

<u>Paragraph Number</u>	<u>Reference</u>
	(i) <u>Division 137/1/02</u>
10	Exhibit 168/A1.
11	pp. A1 and A2.
12	p. A2.
13	Exhibit 168/A1 and pp. A4 and A5.
14	pp. A5 and A6.
15	pp. A7 and A13 to A15.
16	Exhibit 168/A1 and pp. A14 and A15
17	pp. A5 and A6
18	pp. A29 and A30
19	Exhibit 168/A1.
20	Exhibit 168/A1 and p. A20
21	p. A32 and Committee File 1977/1.
22	pp. A9, A10 and A15.
23	pp. A7, A8 and A11.
24	pp. A11 and A12.
25	pp. A25 and A26.
26	p. A17.
27	pp. A19 and A20.
28	p. A27.

(ii) Division 137/2/01

31	Exhibit 168/A2.
32	Exhibit 168/A2 and p. A32.
33	p. A33 and Committee File 1977/1.
34	Exhibit 168/A2.
35	p. A37 and Committee File 1977/1.
36	Exhibit 168/A2, pp. A39 and A40 and Committee File 1977/1.
37	Exhibit 168/A2.
38	pp. A33 to A36.
39	pp. A36 and A37 and Committee File 1977/1.

CHAPTER 2 (continued)

<u>Paragraph Number</u>	<u>Reference</u>
40	Committee File 1977/1.
	(iii) <u>Division 137/3/01</u>
46	Exhibit 168/A3.
47	pp. A43 and A45.
48	pp. A42 to A44.
49	Exhibit 168/A3.
50	Exhibit 168/A3.
51	Exhibit 168/A3 and p. A48.
52	pp. A46 to A48.
53	Exhibit 168/A3 and pp. A47 and A48.
	(iv) <u>Division 141/1/01</u>
55	Exhibit 168/A4.
56	pp. A49 and A50.
57	Exhibit 168/A4.
58	Exhibit 168/A4.
59	Exhibit 168/A4 and p. A52.
60	pp. A50 and A51.
61	Exhibit 168/A4 and p. A53.
62	Exhibit 168/A4.
63	p. A54.
	(v) <u>Division 141/1/02</u>
65	Exhibit 168/A5.
66	p. A56.
67	Exhibit 168/A5 and pp. A56 and A57.
68	p. A58.
69	pp. A62 to A64.
70	pp. A59 to A61.
71	pp. A61 and A63.
72	p. A65 and Committee File 1977/1.
73	Committee File 1977/1.

CHAPTER 2 (continued)

<u>Paragraph Number</u>	<u>Reference</u>
	<u>(vi) Division 817/2</u>
76	Exhibit 168/A6.
77	pp. A68 and A69.
78	Exhibit 168/A6 and pp. A70 and A71.
79	Exhibit 168/A6 and p. 71.
80	Exhibit 168/A6 and pp. A74 to A76.
81	Exhibit 168/A6.
82	Exhibit 168/A6.

CHAPTER 3

84	Exhibit 168/B1.
85	Exhibit 168/B1 and p. B2.
86	pp. B7 and B8.
87	pp. B7 to B13.
88	Exhibit 168/B1 and p. B8.
89	Exhibit 168/B1 and p. B8.
90	Exhibit 168/B1 and pp. B1, B14, B15 and B17.
91	Exhibit 168/B1 and p. B14.

CHAPTER 4.

93	Exhibit 168/B2.
94	pp. B19 and B20.
95	Exhibit 168/B2 and pp. B23 and B27.
96	Exhibit 168/B2 and pp. B27 and B28.
97	p. B25.
98	pp. B26 and B27
99	Exhibit 168/B2 and pp. B34 and B35.
100	Exhibit 168/B2 and pp. B35 to B37.

CHAPTER 5

(i) Division 234/1/03

104	Exhibit 168/B6.
105	Exhibit 168/B6.
106	Exhibit 168/B6 and pp. B66 and B67.

CHAPTER 5 (continued)

<u>Paragraph Number</u>	<u>Reference</u>
107	Exhibit 168/86 and pp. B67 and B68.
108	pp. B68 and B69.
109	Exhibit 168/86.
110	pp. B69 and B70.
111	Exhibit 168/86 and p. 875.
112	pp. B70 and B72 to B74 and Committee File 1977/1.

(ii) Division 234/2/04.

114	Exhibit 168/87.
115	Exhibit 168/87 and p. 881.
116	p. 882.
117	pp. 882 to 884.
118	pp. 884 and 885.
119	Exhibit 168/87.
120	Exhibit 168/87.
121	Exhibit 168/87.
122	p. 886.
123	Exhibit 168/87 and pp. 888 to 890
124	Exhibit 168/87 and pp. 890 and 891.
125	Exhibit 168/87 and p. 891 and 892.

CHAPTER 6

128	Exhibit 168/83 and Committee File 1977/1.
129	pp. B42 to B46 and B50.
130	Exhibit 168/83 and pp. B43, B46 and B47.
131	Exhibit 168/83 and p. 848.
132	Exhibit 168/83.
133	Exhibit 168/83 and pp. B48, B50 and B51.
134	pp. B51 to B53.
135	Exhibit 168/83.
136	pp. B53 and B54.
137	Exhibit 168/83 and pp. B55 and B56.

CHAPTER 7

<u>Paragraph Number</u>	<u>Reference</u>
139	Exhibit 168/B5 and p. B57.
140	Exhibit 168/B5 and p. B60.
141	Exhibit 168/B5 and pp. B58 and B62.
142	p. B59.
143	Exhibit 168/B5 and pp. B59 and B62.
144	Exhibit 168/B5 and p. B61.
145	Exhibit 168/B5 and p. B62.
146	Exhibit 168/B5 and p. B62.
147	Exhibit 168/B5 and p. B63.
148	Exhibit 168/B5 and pp. B60, B61 and B63.
149	Exhibit 168/B5.
150	pp. B60 and B63.

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