

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

ONE HUNDRED AND SEVENTIETH REPORT

FINANCE MINUTES ON THE COMMITTEE'S 153RD, 163RD AND
165TH REPORTS

Together with

SUMMARIES OF THOSE REPORTS

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JOINT COMMITTEE OF PUBLIC ACCOUNTS

TWELFTH COMMITTEE

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- (1) Discharged 2.5.78
- (2) Appointed 2.5.78, Discharged 18.10.78
- (3) Appointed (ex-officio) 14.3.78
- (4) Discharged 28.9.78
- (5) Appointed 28.9.78
- (6) Appointed 18.10.78
- (7) Discharged 17.8.78
- (8) Discharged 17.8.78
- (9) Appointed 17.8.78
- (10) Appointed 17.8.78

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

Arrangements to ensure that appropriate action is taken arising from comments contained in the Committee's Reports have been in operation since 1952 although reviewed periodically. These were known as Treasury Minute arrangements.

Following the creation of the Department of Finance on 7 December 1976 it was agreed that the arrangements should continue as before and should now be known as the Department of Finance Minute.

As they stand the procedures are:

- (1) The Report of the Committee is tabled by the Chairman in the House of Representatives and by a Member of the Committee in the Senate. Motions are moved in both Houses of the Parliament that the Report be printed as a Parliamentary Paper.
- (2) The Chairman of the Committee thereafter forwards a copy of the Report to the Ministers of the Departments affected and to the Minister for Finance with a request that he give the Report his consideration and inform the Chairman of the action taken to deal with the Committee's conclusions.
- (3) The reply received, in the form of a Department of Finance Minute, is then examined by the Committee and, together with the conclusions of the Report to which it relates, is submitted as soon as possible as a Report to the Parliament.
- (4) Should the Committee find during its examination of a Department of Finance Minute that certain recommendations are not fully dealt with or are subject to a further Minute, it holds an exploratory discussion with officers of the Department of Finance prior to the submission of the Minute to the Parliament.
- (5) In reporting a Minute to the Parliament, the Committee except in special cases, does not usually make any comment other than to note recommendations not fully dealt with or subject to a further Minute.
- (6) When the Committee next examines the department concerned the Department of Finance Minute is considered by the Committee if applicable.

- (7) The Department of Finance provides the Committee with a half-yearly report on outstanding Minutes, indicating the progress made in dealing with the Committee's comments.

The Committee has been concerned from time to time with delays in the submission of Treasury Minutes. On the 11th November 1976 the Committee had a discussion with officers of the Department of the Treasury. As a result, the Permanent Head of the Department of the Treasury, Sir Frederick Wheeler, undertook to write to all departments seeking co-operation in reducing the delay in finalising Treasury Minutes.

Under the arrangements outlined above the Department of Finance advised that there were three Department of Finance Minutes outstanding on the 31st August 1978. One has been sent to the Committee since and those outstanding relate to the Committee's 167th and 168th Reports which were tabled together in Parliament on the 4th November 1977.

Observations

The Committee is concerned that the Department of Finance Minute relating to the Committee's 153rd Report on Delays in Occupancy of Leased Premises took over three years to be sent to the Committee. When the Report was tabled in 1975 the Committee was told that an Interdepartmental Committee on Property Management had been deliberating and that the Minute had been delayed until action had been completed within the Department of Administrative Services. The Committee recommended that this Interdepartmental Committee should complete its deliberations urgently and produce a set of recommendations covering all aspects of leasing and occupancy. Given that in each of his Reports presented since the tabling of the 153rd Report the Auditor-General has referred to further instances of "dead rent" being paid, the Committee regards the delay in completing a set of recommendations covering all aspects of leasing and occupancy by the Interdepartmental Committee on Property Management and the Department of Administrative Services as intolerable.

The Committee notes the new procedures and intends to review them when it inquires into other matters relating to property in the near future.

CHAPTER 2

DEPARTMENT OF FINANCE MINUTE ON
THE ONE HUNDRED AND FIFTY-THIRD REPORT
RELATING TO DELAYS IN OCCUPANCY OF LEASED PREMISES

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The Department of Finance has examined the Report and has discussed with the departments concerned the observations and conclusions of the Committee which have where necessary been brought to the notice of the relevant officers.

Amendments to the Administrative Arrangements Order subsequent to the Report have resulted in changes to the names of some departments and the transfer of some functions from one department to another. Departments named in the headings in this Minute conform with the names appearing in the Committee's Report.

(a) DEPARTMENT OF CIVIL AVIATION (now Transport)

(i) Air Liquide House, Melbourne

137. The evidence presented to the Committee shows that the Department of Civil Aviation first informed the Department of the Interior of its need for additional accommodation in May 1970. In October Interior commenced negotiations on behalf of D.C.A. to lease Air Liquide House. Because of the economic restraints introduced in February 1971 D.C.A. was asked to re-examine its requirements. In April 1971 when the Victorian Branch of Interior was satisfied with D.C.A.'s confirmation it approached its Central Office for formal lease approval. After a series of discussions and provision of further detailed information Central Office, Interior, decided it was not satisfied with D.C.A.'s assessments of its existing space needs and so proceeded to inspect Aviation House where the Department was then located.

138. In view of the fact that Interior had agreed with the Department of Civil Aviation as early as October 1970 to the principle of leasing of office space in addition to that occupied by the Department in Aviation House, the Committee

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finds it disturbing that Interior should have felt it necessary to carry out an inspection of Aviation House on 23 August 1971 (that is, ten months later):

"to satisf(y) ourselves that it was not possible for them to re-arrange the accommodation in that building to gain any extra space."

The Committee feels that it would have been more appropriate for Interior to have satisfied itself as a matter of normal procedure on such a fundamental aspect in advance of any acknowledgement regarding the leasing of additional space. The Committee feels that the six months' delay between April and October 1971 from when Interior's Victorian Branch requested formal approval of the lease till Central Office approached Treasury for rental funds was unnecessary and could have been avoided had Interior assured itself at a more appropriate stage of the events, that the Department could not have re-arranged its existing accommodation. Following Interior's request for rental funds in October 1971, Treasury in its turn queried the Department on its space justification.

139. While these steps were progressing, in anticipation of the lease settlement the Department negotiated with the Postmaster-General's Department on the installation of telephone services, and proposed preliminary office layout sketches, so that when the lease was settled and rental agreement reached in December 1971, D.C.A. was able to arrange immediately for temporary telephone facilities, and to provide the Department of Works with detailed plans of the layouts. Delays occurred before Works could produce the preliminary estimates and the limit of costs estimate, which it provided in March and May 1972 respectively. The Committee was informed that these delays occurred because Works was not supplied with adequate information on the services

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The Department of Administrative Services has indicated that at the time the occupation of Air Liquide House was being planned, it was normal practice for the then Department of Works to make a direct approach to consultants nominated by the owner in respect of building services. Because of this direct liaison the then Department of the Interior was not aware that the Department of Works required additional information on services in the building, and would not itself have had the information. The revised working arrangements referred to in the comments against paragraph 179 will highlight at an early stage in the planning process problems such as those which arose in the occupation of Air Liquide House.

of the building. The Committee feels that these delays should not have occurred since these details would have been available to Interior from the owner and they should, therefore, have been supplied to Works to enable estimates to be calculated without any delays occurring while Works attempted to get additional information.

140. No further delays occurred during the subsequent stages which included the receipt of Treasury approval in May 1972 to funds for consequential works, the letting of contracts for the three stages of work, and the progressive occupation of the building which actually began in April 1972 and was concluded in March the following year. The net total loss to the Commonwealth was estimated by the Department at \$30,000.

(ii) Da Costa Building, Adelaide

141. In October 1969 the Department of Civil Aviation requested an additional minimum 6,000 sq ft of space in the Da Costa Building, Adelaide. In April the following year the Department of the Interior offered 5,733 sq ft which was accepted by D.C.A. while requesting further space. D.C.A. provided in June 1970, at Interior's request, a detailed submission on its space needs, which was examined by the Public Service Inspector, and an inter-departmental accommodation committee. This I.D.C. in July 1970 reached an agreement to move from the building the Departments of Supply and Interior and the Public Service Inspector's Office, and to apportion what was then made available between D.C.A. and two other departments.

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142. In September and October 1970 areas on the sixth and seventh floors were offered to Civil Aviation, which in November commenced its design plans. These plans were submitted to Interior in January 1971. D.C.A. started to occupy areas on the sixth floor in February 1971 but because of the economic restraints imposed at this time decided to postpone the necessary consequential works and to offer the space to another department on a temporary basis. The Committee commends the Department on its prompt action in arranging for Interior to occupy those areas it was then not able to use immediately.

143. Between February and August 1971 plans were discussed, revised and finally approved, and in September floors six and seven were passed to the Department to occupy progressively. During October Works completed the detailed drawings and provided a limit of cost estimate at the beginning of November. The Public Service Inspector approved the final layout on 13 December 1971 but D.C.A. did not forward the requisition authorising Works to commence until 10 January 1972. The Committee feels that the Department was remiss in this matter. In view of the relative inexperience of many departments in the leasing field, the Committee feels that the Department of the Interior should have been more involved in reminding departments at appropriate stages of the processes, of their responsibilities in terms of authorisations to other involved departments.

144. The building owner's approval to the consequential works was obtained in January 1972, and the work schedule for February to August prepared. The Department of

The Department of Administrative Services agrees with the Committee's conclusions, and has stated that problems similar to those which occurred in the occupation of the Da Costa Building will be avoided by the new proposals for project management as outlined in the comments provided against paragraph 179. These include improved planning arrangements under which the project team members will be kept informed of all requirements, progress in planning, achievement of deadlines, rental and commencement dates.

Works did attempt to hasten the processes by using its own day labour force where possible. Full occupancy was effected in September 1972 the Department having lost approximately \$14,000 in dead rent.

(b) I.M.F.C. House, Adelaide

(i) Department of Services and Property

145. In October 1970 it was decided that the Department of the Interior would shift from its location in the Da Costa Building, Adelaide to I.M.F.C. House. Interior, therefore, sought funds approval for the lease from the Treasury. However, in November 1970 Treasury indicated it could not completely agree to Interior's proposal. Evidence was presented to the Committee to the effect that because of the expenditure constraints applying then, Interior agreed in January 1971 to reduce the amount proposed by deleting the two to three years' growth allowance.

146. The revised layout plans which took a further month to complete, were passed to Works in March 1971 who provided within a fortnight the necessary cost estimate needed by Interior to apply to Treasury for funds approval. Interior delayed for two weeks before making this application.

147. Again because of the current expenditure constraints it took Treasury seven weeks to get the Cabinet approval to the application but in the meantime, to enable Works to proceed with detailed design drawings it approved "Design List A" status for the project. However, Treasury had delayed for three weeks before granting the

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latter approval. In the event Works needed a further three weeks to complete designs following Treasury funds approval on 20 May 1971.

148. Interior progressively occupied the area from April 1971 without partitioning. Tenders were invited in June, a contract awarded in July and the space permanently occupied in September 1971.

149. Although the Committee acknowledges the effect of the expenditure constraints on some of the stages of the procedures, it considers it unsatisfactory that minor unexplained delays should occur, especially when these delays originate from departments playing principal roles in the accommodation sphere. The three weeks' delay by Treasury in conveying its formal agreement to Interior with regard to the lease, the fortnight's delay by Interior in applying for funds from Treasury, and the three weeks' delay by Treasury in approving Design List A status to enable Works to proceed with its part of the programme, are all types of delays which the Committee believes should not occur. The Committee would like to see the procedures more closely monitored to ensure that such delays do not occur.

The Department of Administrative Services has stated that the minor delays and other problems of the type which arose in connection with the occupation of IMFC House will be avoided with the improved monitoring of procedures under the new project management arrangements outlined in the comments against paragraph 179.

(ii) Public Service Board

150. According to evidence tendered to the Committee the Public Service Inspector's Office in Adelaide was required to begin arrangements in September 1970 for a move from the Da Costa Building to I.M.F.C. House. It proposed to use $1\frac{1}{2}$ floors of that building. In November the Treasury indicated its reservations on the amount of space requested by the

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Board. Following this the space was reduced by 1,000 sq ft and this amount offered back to the lessor. In December 1970 the Board was asked to find an alternative 1,000 sq ft because of the unsuitability of the initial space for alternative uses. This it proceeded to do.

151. The Board met in January 1971 with the Treasury and the Department of the Interior to try to agree on outstanding problems. It was decided to review the entire space requirements and layouts. The Board completed this review in March 1971 during which a further amount of approximately 500 sq ft was taken off the space requested. Treasury indicated in April that funds would be made available and having received this necessary indication the Board requested Works for a final cost estimate.

152. The Board explored the possibility of occupying the space temporarily before completion of the partitioning but decided against this because of the type of work that had to be performed by the Public Service Inspector's Office.

153. The Department of Works completed its final estimate in May 1971, after which formal Treasury approval was received. Tenders were called in June, contracts let in July and occupancy effected in September 1971.

154. The Committee again acknowledges the delays directly attributable to the unusual economic constraints but at the same time considers it unsatisfactory that it took the Treasury and the then Department of the Interior so long to discover how difficult it was to inform one another of relevant accommodation matters before agreeing to regular bi-monthly meetings. The Committee

The regular bi-monthly meetings developed into a continuing liaison between the officers of the two Departments until 1976-77 when an annual leasing program was introduced. This program, together with the new funding arrangements referred to in the comments against paragraph 179, rendered such regular contact no longer necessary.

would like to be kept informed of the success or otherwise of this particular measure.

(iii) Department of Labour (now Labor and Immigration)

155. The Committee was informed of a decision taken in February 1971 by the Department of Labour and National Service to move from the Richards Building, Adelaide, to the 13th Floor of I.M.F.C. House. Labour took steps in March that year to obtain support for its proposal from the local Public Service Inspector, and to obtain a preliminary cost estimate from the Department of Works. When the latter was obtained in June 1971 the Department of Labour and National Service decided that since it did not have enough funds and in view of the current economic restraints, rather than approach the Treasury for additional funds it would revise the plans. These were sent to Works in September 1971.

156. In November the Department of the Interior switched the space proposed from the 13th to the 9th floor of I.M.F.C. House, which entailed some minor revisions to the plans and a new preliminary cost estimate from the Department of Works. The latter was forthcoming in December 1971. The changes were submitted to the Public Service Inspector, who indicated his support in January 1972, following which a works requisition for \$4,200 was issued.

157. The Department of Works gave the Consultant the necessary brief in March 1972 and the following month the Consultant indicated that the cost would need to be increased

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to \$5,400. Works delayed for a fortnight before requesting an increase in authorisation from the Department of Labour and National Service. Works indicated that steps had been taken to ensure that it did not again cause this type of delay.

158. The Consultant's tender documents were considered and amended during May 1972, tenders called in June, a contract accepted and completed in August 1972, when occupancy was effected. Because of the nature of the work involved occupancy could not be made on a progressive basis.

159. The Committee would again like to draw to the attention of the Department of Services and Property the need for it to monitor the procedures most closely. In this case when a delay was caused by tardiness on the part of the Department of Works the client department - the then Department of Labour and National Services - because of its relative inexperience in these matters was not in a position to prompt Works. The Committee believes that this prompting function should be carried out by the co-ordinator - that is, by the Department of Services and Property.

The Department of Administrative Services has stated that problems of the type which arose in connection with the occupation of IMFC House should be avoided with the improved monitoring of procedures under the new project management arrangements, as outlined in the comments against paragraph 179.

(iv) Department of Social Security

160. In August 1971 the Department of Social Services was asked to move from the space it occupied in the A.M.P. Building, Adelaide, to I.M.F.C. House. The proposal was agreed to by the Department. The Treasury was approached and its support received in September. Layout plans were prepared by the Department and consequential works arranged by

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the Department of the Interior in October 1971. At the end of October 1971 the premises were occupied by Social Services. No 'dead rent' was paid.

161. The Committee has no comment to make on this case.

(c) Other Departments

(i) Department of Transport

162. In March 1969 the Department of Shipping and Transport decided to relocate its offices in Sydney. It took a year before agreement could be reached with the Department of the Interior on a suitable location in Caltan House, North Sydney.

163. An Inter-Departmental Committee was established in April 1970 to consider layout plans which were prepared by the Department in the ensuing few months, for floors 3 to 9 of the building. Over a number of meetings the I.D.C. reached general agreement on all floors excepting 7 and 9. The Department of the Interior in October approved plans for partitioning floors 3 to 8 and detailed specifications for all floors were then sent in October and November 1970 to the Department of Works which then provided the cost estimates in January and February 1971. Following receipt of these estimates Transport Central Office (for no apparent reason) delayed for three weeks before submitting a funds request for \$192,000 to Treasury.

164. Because of the economic restraints the Treasury in March 1971 asked the Department of Shipping and Transport to reconsider its request, but this was rejected. The Treasury in the following month approved the expenditure \$149,000 for floors 3 to 8 but rejected floor 9 proposals on the grounds of extravagance. Works requisitions for an amount of \$149,000 were issued in April 1971 and Transport requested the Department of Works in May to observe certain priorities so that progressive occupancy could be carried out. This request for reasons apparently not ascertainable by either Department was not received by Works, with the result that priorities were not set, and subsequently progressive occupancy could not be effected in accordance with Transport's plans.

165. Tenders were called for floors 3 to 8 by the Department of Works in July, a contract signed in August and the work completed in December 1971. Occupation of these floors followed immediately. For floor 9, the Department of Shipping and Transport revised the layouts and received the Treasurer's approval for \$44,000 for consequential works in July 1971. Tenders for preliminary work were called in October, with the remainder of the tenders not being called for till February 1972. The area on the ninth floor was ready for occupation five months later in July 1972.

166. The amount of 'dead rent' paid during the period from March when rental was agreed to with the lessor to December 1971 when occupancy took place, was approximately \$105,000.

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167. In respect of the delay incurred by the Department of Shipping and Transport in not promptly forwarding a funds request to Treasury the Committee would like to draw attention to its comments made in Chapter 8(a) (ii):

"the Department of the Interior should have been more involved in reminding departments at appropriate stages of the processes, of their responsibilities in terms of authorisation to other involved departments".

168. In its examination of this case the Committee considers that if there had been one overall co-ordinating body the events as described above would probably not have occurred. A crucial step in the procedures as outlined to the Committee was the setting up of priorities for the consequential works to be carried out. If these priorities had actually been communicated to the Department of Works before tenders were called, much time and money, in the form of dead rent paid which progressive occupancy would have avoided, could have been saved. However, because there was no overall co-ordinator no one department was in a position to be aware of the non-receipt of a specific message. The Committee, therefore, recommends that the Department of Services and Property, as the Department specially instituted to arrange accommodation matters, should devise a monitoring system involving co-ordination of all factors including: the lease negotiations, the preparation of the layout plans by the client department, the issuing of these plans to the Department of Works to enable it to estimate costs, the request for funds for both rental and consequential work to Treasury, the

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See comments against paragraphs 143 and 179.

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issuing of works requisitions (and any other relevant instructions or requests from client departments), the completion of tender documents and the entire contracting procedures, and the occupation, both progressive and final, of completed premises.

169. The Committee requests that it be informed of progress in these matters.

The Department of Administrative Services has advised that the Report of the Interdepartmental Committee has been completed and a summary of its recommendations in regard to the occupancy of leased premises appears against paragraph 179.

(ii) Department of Overseas Trade

170. In July 1970 the Department of Trade and Industry was informed that as of November that year it would be required to change the location of its Sydney office. In March 1971 it was decided to seek the lease of 24,000 sq ft in Stocks and Holdings House, then under construction. The Department of Works, therefore, produced first sketches and a rough estimate of costs of \$140,000 in April. At this stage the Department made its first attempt at acquiring from Works a breakdown of costs, thereby receiving in June 1971 its first refusal on this matter (after a fortnight's delay by Works in replying).

171. The layouts were discussed and amended during July and then forwarded to the Department of Works which in August advised that substantial changes would be required to comply with various regulations. The Committee finds it difficult to understand why these amendments were required at this juncture when

The Department of Administrative Services states that overall control of projects such as this will be improved in the future.

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according to the evidence presented Works was involved as early as April 1971 in preparing layout sketches. Similarly, the Committee finds it most difficult to understand complaints made in October 1971 by the Department of the Interior, about the plans revised after Works criticism, in respect of areas allocated to various officers. The Committee does not feel it a satisfactory situation that these types of differences could still exist following discussions between the Departments of Trade and Interior (according to the latter on at least three occasions between April and June 1971). The Committee cannot but feel that Interior should have by then made its objections and/or requirements abundantly clear without having to resort to further criticisms on these matters. In view of the fact that following Trade's reply to these renewed criticisms Interior agreed with the Department's defence the Committee would especially like to voice its concern over such apparently superfluous time-consuming negotiations.

172. The Department of Works supplied preliminary cost estimates of \$152,600 in mid-October 1971, while at the same time requesting a works requisition to enable it to proceed with the job. After a delay of nearly three weeks the Department approached the Treasury for its funds approval. At this time (early November 1971) the Department was apprised of a request made by the Treasury four or five months previously, to reduce the space allocated by 3,000 sq ft. It was not made clear in evidence why this proposal was not communicated to the Department either by the Treasury or the Interior, at that early stage. Because of this requirement the plans once again had to be revised and re-

Under the procedures in operation at that time, the change of location to Stocks and Holdings House was dealt with as two separate (although related) proposals:-

- (i) the proposal to lease, which then involved the Department of the Treasury in negotiations with the then Department of the Interior; and
- (ii) the subsequent proposal to fit out that portion of the leased area to be occupied by the then Department of Trade, which involved that Department in negotiations with the then Department of Works and the Treasury.

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drawn completely. The Department advised the Treasury in December 1971 that because of the government's expenditure restraint policies it was deferring the increases in accommodation till a later stage. The final revised plans (reduced to 21,900 sq ft) were completed by the end of December.

173. Another query was repeated by the Treasury at this time. It appears from the evidence that a major misunderstanding between the Treasury and the Department of Works took place over the breakdown of consequential costs between the various floors in Stocks and Holdings House. Although the original request for an explanation of the difference was made in May 1971, Treasury had still not received an explanation which it considered satisfactory by the end of the year. The two departments according to evidence presented to the Committee did not manage to discuss this matter together until a telephone call was made on 11 February 1972 to resolve the issue. The Committee views this sort of non co-operation between such departments as deplorable. In view of the obvious

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Because of the transfer since 1971 of administrative responsibility for the leasing function from the Department of the Interior to the Department of Services and Property, then to the Department of Urban and Regional Development and finally to the Department of Administrative Services, and also changes in the personnel engaged in this function, the Department of Administrative Services cannot now explain why the officers dealing with the lease proposal in 1971 did not apprise the Department of Trade of the Treasury's insistence that it should accept a space reduction of 3000 sq feet in its occupancy of the total area finally leased. The Treasury was, of course, unaware that its views had not been communicated to the Department of Trade until it was approached for funds for the setting up costs of 3 Nov 1971.

A number of delays contributed to the total elapsed period of 9 months (May 1971 to March 1972) referred to by the Committee. However none of them was caused by a major misunderstanding between the Treasury and the then Department of Works as the Committee has suggested. The request in May 1971 for a breakdown of consequential costs between the various floors of the building was addressed to the Department of Works by the Department of Trade. The Treasury was not approached until 3 Nov. 1971 when the Department of Trade sought Treasury approval to the provision of funds for consequential works. On 18 Nov 1971 the Treasury referred a number of matters to the Department of Trade including a request for a breakdown of costs. The Department of Trade responded on 6 Dec 1971 with advice that the information had been

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inability of the client department in bringing the two departments - Treasury and Works - together on such an issue the Committee feels that it is incumbent upon the so-called co-ordinating department - then Interior, and now Services and Property - to provide an explanation of how such a breakdown of communications could exist for a period of nine months, and exactly what measures are being taken to ensure that this does not recur.

174. By March 1972 all of the misunderstandings were settled, the necessary approval provided and the works requisitions received by the Department of Works. Documentation was commenced, but unfortunately further delays were experienced which culminated in a meeting in June 1972 which attempted to expedite matters. Apart from agreeing to occupy the premises on a progressive basis and agreeing to draw up a works schedule to enable such occupancy to take place, there was little else that the meeting could achieve at that stage. The Committee does not hesitate to point out that in its opinion such a meeting should have taken place in April 1971, not June 1972.

175. As explained in Chapter 6 a series of unavoidable time-consuming delays plagued the project, so that occupancy did not actually take place until September 1972, a full nine months after rent became payable. The amount of dead rent involved was \$130,000.

176. As the Committee stated in its recommendation on Chapter 8(c) (i), it feels that if there had been an overall co-ordinating body the events

requested from the Department of Works but would not be available until after plans were redrawn to reflect the reduction in floor space. On 11 Feb 1972 the Department of Trade advised the Treasury by memorandum that final plans had been submitted to the Department of Works and that there had been a reduction in fitting out costs. A further reduction in cost was advised by the Department of Trade on 6 March and advice of approval to the provision of funds was issued by the Treasury on 14 Mar 1972.

As a result of the introduction of annual leasing and fitting-out programs mentioned in the comment against paragraph 179, the Department of Finance is not now involved on a continuing basis in consultations between the Department of Administrative Services and the Department of Construction on individual leasing and fitting out proposals. In conjunction with these programs a revised set of guidelines for the provision of space and accommodation standards has been formulated by the Department of Administrative Services in consultation with the Department of Finance and the Public Service Board and endorsed by the Government. The application of these standards is the responsibility of the Department of Administrative Services.

The Department of Administrative Services expects that similar problems will be overcome in the future by the new working arrangements referred to in

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as described above would probably not have occurred. This criticism applied both to the minor avoidable delays caused by negligence and/or ignorance on the parts of various departments and the major delays which occurred because departments were not brought together or chose not to meet, to discuss their differences and difficulties.

the comments against paragraph 179.

Committee Recommendations

177. While the Committee readily acknowledges the difficulties faced by any new department in asserting itself in terms of its newly acquired roles and functions, the Committee is concerned that the Department of Services and Property has not produced either a cohesive or an adequate set of procedures which would enable it to cope with its functions as set out in the Administrative Arrangements Orders. Nor does the Committee believe that the Department has substantially improved on the procedures used by its predecessor in the management of office accommodation for Australian Government Departments.

178. The evidence presented in this Inquiry shows that there is a large degree of confusion and disagreement among the principal departments involved, and that the procedures themselves are not capable of coping with demands placed on them either in the normal course of events or when unusual pressures or circumstances arise.

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179. The Committee believes that the cases dealt with and the evidence presented in this Inquiry illustrate that the above interpretation of the problems of leased office accommodation is an accurate one. In addition, the Committee notes that the Auditor-General in his 1973-74 Report has once again instanced delays involving substantial amounts of 'dead rent' which in one case could ultimately exceed \$500,000. The Committee, therefore, recommends the following:

The Interdepartmental Committee on Property Management, comprising the Departments of Administrative Services, Construction and Finance, and the Public Service Board, has completed its deliberations and reached agreement on the terms of its Report. The Department of Administrative Services has submitted a statement, which draws on this Report, indicating that the following actions have been taken in response to the recommendations of the Joint Committee of Public Accounts.

- (1) The existing Inter-Departmental Committee comprising the Department of Services and Property, Housing and Construction, the Treasury and the Public Service Board should as a matter of urgency complete its deliberations on the roles of the principal departments and should produce a set of recommendations covering all aspects of leasing and occupying office accommodation. The Committee would especially like to be informed of the Inter-Departmental Committee's recommendations with respect to the co-ordinating role of the Department of Services and Property and the proposals for continuous co-operation between these principal departments.
 - (2) Where substantial expenditure is involved in the leasing of privately-owned office accommodation by the Australian Government on behalf of a department or group of departments, or where changes are planned to existing occupants of already leased
1. The roles of the principal departments concerned in the leasing and occupation of office accommodation have been reviewed and the central co-ordinating role of the Department of Administrative Services defined. The revised roles of the departments involved reflect the Government's decision to introduce an annual leasing program and an annual budget for fitting out leased premises under the sponsorship of the Department of Administrative Services.
 2. On each project involving substantial expenditure a Project Management Committee is to be formed. The Project Manager, an officer of the Department of Administrative Services appointed by the Chief Property Officer, is to act as co-ordinator and the Committee is to control each proposal from the

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premises, the Committee recommends that an inter-departmental committee should be established immediately. The inter-departmental committee should include representatives from the Departments of Services and Property, Housing and Construction, the Treasury, the proposed client department(s), and the local Public Service Inspector. The functions of the inter-departmental committee should include: the examination of the proposed movements, the examination of office layout plans prepared by the client department(s), the provision of assistance (through the Services and Property, and Housing and Construction representatives) in the preparation of these plans, the co-ordination of all of the stages from the initial proposal through to actual occupancy, and ensure that all relevant information is made available to those who require it at appropriate times. The inter-departmental committee should be chaired by an officer specifically appointed by the Department of Services and Property to co-ordinate that particular project (or group of projects).

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identification of an allocation to completion and occupation. The Committee will comprise, as appropriate, a member from each of the following:-

- . Project Manager (Chairman) - Department of Administrative Services
- . Department of Construction
- . User department

with representatives co-opted from the following as appropriate:-

- . Transport and Storage Division of the Department of Administrative Services
- . Public Service Board
- . Local Government Authorities (re building approvals, fire/safety etc) where they are prepared to attend
- . Owner/Consultant Architect/Agent (Leased premises)
- . Telecommunications Commission.

The Committee will prepare a schedule of works, setting deadlines for the various stages of a program designed to allow for the earliest possible occupation. The schedule will allow for regular meetings for review and for the identification of delays on matters likely to affect the anticipated completion date. The Project Manager is to be responsible for ensuring that these deadlines are met or, if unavoidable delays occur, that these are fully reported and brought to the attention of the Chief Property Officer and the departments

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concerned, to ensure that all possible action is taken to overcome the delays.

- (3) The Department of Services and Property should institute a system whereby regular reviews are carried out in conjunction with each of the Australian Government departments to assess the likely changes in their office accommodation requirements well in advance of the actual need.
3. As a result of the introduction of an annual leasing program, departments in need of additional office accommodation are now required to make submissions to the Department of Administrative Services in September each year with full justification for the request. These proposals are investigated and alternative means of meeting the requirement, including the re-allocation of existing accommodation, are examined. In the light of these investigations and a priorities review, an annual program for new leases and related fitting out work is formulated for consideration in the context of the Budget. Urgent accommodation needs which arise throughout the year are met, as appropriate, by substitution for items in the approved program or, in special circumstances, by the provision of additional funds.
- (4) The Department of Services and Property should increasingly sponsor office accommodation procedures on behalf of client departments. The Committee agrees with the proposition made in evidence that Services and Property should sponsor such matters as fitting out of leased buildings (rather than individual departments presenting their own proposals to the Department of Housing and Construction). Similarly the Committee recommends that the Department of Services and Property should directly place all requests to Treasury for funds for consequential works,
4. The revised role of the Department of Administrative Services involves the sponsorship (on behalf of client departments) of the annual leasing program and the annual budget for fitting out in leased premises.

in the same way as it already does with requests for rental funds.

- (5) The Committee recommends that the Department of Services and Property should ensure that plans of buildings to be leased by government departments are made available to the Department of Housing and Construction to enable it to offer advice to potential occupants on detailed requirements prior to the preparation of office layout plans.
- (6) The Committee recommends that either the Public Service Board's Management Consultancy and Review Division, or a specially selected external management consultancy agency, should conduct an intensive investigation, on behalf of, and in conjunction with, the Department of Services and Property, with a view to ascertaining whether or not modern management systems (such as Program Evaluation Review Technique) could be utilised in the office accommodation field. If it is found that such techniques could be usefully employed the Committee recommends strongly that all necessary steps be expedited by Services and Property, the Public Service Board and the Treasury, in enabling these techniques to be introduced at the earliest possible moment.
5. The project management guidelines for major accommodation projects provide for the Department of Construction to receive plans of the building and to inspect the premises prior to the first meeting of the project Management Committee.
6. A joint Department of Administrative Services/Public Service Board review team has conducted a detailed investigation having regard to the need for modern management control systems and techniques in the office accommodation field. Arising from this investigation the project management procedures mentioned in the comments against paragraph 179(2) and which incorporate the principles of Program Evaluation Review Technique, have been introduced to provide for continuing review and oversight of major leasing projects.

The joint review team also recognises the need for property management purposes of improved information and control systems and a short term system has been introduced incorporating the use of new consolidated records of all leased premises. A feasibility study is currently under way within the Department of Administrative Services on the development of a computer system to provide:-
 - . information regarding occupancy, extent and nature of leased premises;

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- an analysis of costs associated with the leased premises;
- information for programming purposes; and
- comprehensive information for operational purposes at State level.

CHAPTER 3

DEPARTMENT OF FINANCE MINUTE ON
THE ONE HUNDRED AND SIXTY-THIRD REPORT
RELATING TO EXPENDITURE FROM
THE ADVANCE TO THE TREASURER
(APPROPRIATION ACTS 1975-76)

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The Department of Finance has examined the Report and has discussed with the departments concerned the observations and conclusions of the Committee which have where necessary been brought to the notice of the relevant officers.

DEPARTMENT OF ABORIGINAL AFFAIRS

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

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

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26. The Committee views such matters in a serious light and would draw the Department's attention to Notes Relating to Evidence, that accompany requests for submissions, which clearly state that the Committee expects that:

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

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

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

The Department of Aboriginal Affairs accepts the Committee's criticism and is fully aware of the need for submissions to be carefully prepared and thoroughly checked.

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

The Department of Aboriginal Affairs is confident that the efficiency and estimates expertise of the Northern Territory Division is now at a satisfactory level. Effective systems of expenditure reviews have been implemented and continue to be improved as the occasion demands. Nevertheless, because of the complexities and the level of expenditure in the Division, the Department will maintain close oversight over performance.

DEPARTMENT OF ADMINISTRATIVE SERVICES

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

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

55. Notwithstanding the Committee's acceptance of the Department's explanation, there are a number of features of estimating and expenditure on

The Department of Administrative Services has noted the Committee's remarks on the closing date for Additional Estimates and agrees with

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

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

57. Finally, the Committee expresses its concern at the generally poor estimating performance which was evident in the number of

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its concern at the poor estimating performance in some areas covered by this item. Its officers have been instructed to ensure that provision is made for additional expenditure requirements that come to notice in the period between the departmental closing date and the Department of Finance closing date. In addition, the Committee's comments in paragraph 154 of the 168th Report were included in the internal departmental minute dealing with 1977/78 requirements for Additional Estimates.

The Department of Administrative Services has advised that a comprehensive review of energy management policy is being undertaken with a view to reducing costs by such means as block-switching, multi-metering, staff awareness, stricter supervision etc. This review is proceeding. Measures to physically enforce compliance by cleaning contractors with the terms of their contracts in respect of electricity are taken as often as possible having regard to available staff resources. Special conditions of contract are now in operation and the attention of new contractors is specifically drawn to the clauses on electricity. In addition, contractors are from time to time advised in writing of their obligations.

The Department of Administrative Services recognises the need for general administrative training in the property area. Staff are encouraged

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

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

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

to participate in both internal and external training programs. A major problem in estimating property management requirements has been the lack of historical and co-ordinated expenditure records. This matter is currently the subject of an intensive review and when completed the system will provide the basis for better estimating. Progress has been made in this review by the re-organisation and strengthening of the estimating and programming cells and implementation of systems to co-ordinate expenditure records pending the conversion to a total ADP system.

The Department of Administrative Services has advised that in its review of property management procedures priority has been given to the development of a computerised property management system and several programs have been developed and are in operation. The Committee will be kept informed of progress in this area.

The Department of Administrative Services hopes that the priority being given to the development of the property management system will permit further historical reports to be generated relating to office services costs and building expenditures to provide more accurate data which will lead to an improvement in performance in estimating and in controlling expenditure.

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

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

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

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

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

68. The Committee considers the circumstances surrounding this incident to be sufficiently serious to warrant the issue of a circular

The Department of Administrative Services has given an assurance that, in future, payments will be made in accordance with the provisions of section 34 of the Audit Act and the relevant Finance Regulations and Directions.

The Department of Finance fully agrees. Finance Circular 1977/9 was issued on 8 Jun 1977 to emphasise the requirements and importance of Finance

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by the Department of Finance drawing the attention of all departments to the need for strict observance of the law relating to the appropriation of money from the Consolidated Revenue Fund.

Regulation 45 and section 34(3) of the Audit Act. An extract from the Committee's Report (Paragraphs 60-70) was included as an attachment to the Circular.

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

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

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

84. The Committee appreciates that there were estimating difficulties associated with the transfer of responsibility for the administration of the Cocos (Keeling) Islands between departments. Nevertheless, the Committee considers that the Department should have been aware of the existence of the leases and the need to make payments when they were due. The Department's estimating procedures should also have been designed to ensure that the commitments for the lease payments

The Department of Administrative Services accepts the Committee's criticisms. Procedures are now in force which ensure that the lease payments are made as they fall due and there should be no repetition of the events of 1975-76 should it become necessary to seek funds in the Additional Estimates to cover arrears of payments from previous financial periods. Steps have also been taken to ensure that provisions for all requirements, including the household stores, are included in the annual

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were taken into account when the Original Estimates were being prepared. Similarly, the procedures should have ensured that the necessity to provide funds for the household stores was noted following the discussions held with officers from the Departments of Transport and Construction in September 1974.

estimates.

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

The Department of Administrative Services agrees that had its records included reference to the lease payments and household stores at the time of the transfer of functions, proper provision would have been made for the payments in the appropriations. The Department emphasises, however, that the Register of Commitments is only one of a number of records which need to be taken into account in the preparation of the Estimates. The Department of Finance agrees with this view.

ATTORNEY-GENERAL'S DEPARTMENT

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

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

The Attorney-General's Department has advised that the procedures for reviewing expenditure trends have been revised to ensure that, where necessary, sufficient funds are sought in Additional Estimates.

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1975-76, had been understated by about \$19 000 and that this had to be included in payments made in 1975-76. The Department had also taken into account additional expenditure which was expected as a result of increased rates. Allowing for these factors and for the fact that the departmental projections of expenditure on other sub-items at Additional Estimates time were relatively accurate, the Committee believes that the Department should have sought more funds at Additional Estimates time to cover its requirements in the Northern Territory.

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

102. The Committee would also express its concern at the poor quality of the original submission and draw the Department's attention to the Notes Relating to Evidence that accompany requests for submissions, which clearly state that the Committee expects that:

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

Steps have been taken to bar access to STD and to advise staff that STD calls should be made only when the costs can be justified against other means of communication and then only with prior approval of a senior officer.

The Attorney-General's Department has brought the Committee's comments regarding the quality and accuracy of explanations to the attention of its finance and accounting officers and the procedures for the preparation of these explanations have been revised accordingly.

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.

DEPARTMENT OF THE CAPITAL TERRITORY

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

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

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

The Department of Business and Consumer Affairs, which had, at the relevant time, the responsibility for the estimate, contends that the estimate made at 31 Dec 1975 did in fact allow for the rise in hiring rates and was soundly based on the information available at that time. It acknowledged, however, that the estimate should have been further reviewed in March 1976 when the need for additional funds due to the late receipt of claims for expenditure incurred before 31 Dec 1975 would have been revealed.

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

118. The Committee would also register its concern at the fact that accounts valued at more than \$51 000 were paid on 28 June 1976, presumably with funds obtained from the Advance to the Treasurer, even though these accounts had been registered in the Department in late March 1976 or earlier and related to vehicle hire accounts dating back as far as 17 August 1975. If, as stated in evidence, the Department had been aware of the existence of these accounts in April 1976, the Committee is at a loss to understand why the Department did not seek funds from the Advance to the Treasurer at an earlier date. The Committee believes that the delays evident in the payment of these accounts reveal a most unsatisfactory state of affairs and would draw the Department's attention to the conclusions of its 151st Report which related to delays in the pay-

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The Department of the Capital Territory acknowledges the conclusions of the Committee and reports that positive steps have been taken to improve the procedures relating to the review of ACT Police expenditure and to achieve a closer liaison between the Department's Central Office and the ACT Police Administration. Improved procedures were developed during 1976-77 and a satisfactory system of recording and reporting on expenditure results was introduced from the beginning of the 1977-78 financial year. The Department expects that the procedures will facilitate adequate control of accounts (including the identification of outstanding claims and delays in payment), commitment control and estimating in respect of all ACT Police appropriations.

The Department of the Capital Territory has noted the Committee's observations and the contents of Treasury Circular 1976/15 of 8 Jun 1976. The Department has advised that it has for some years monitored the progress of accounts for payment. Claims which have not been paid within one month of receipt are investigated to determine and remove the cause of any delay. The accounts referred to in the Committee's Report were registered in February and March 1976 and authorised for payment on 9 Apr 1976. However, as insufficient funds were available in the appropriation, payment could not be made.

The accounts were returned to the ACT Police Administration to obtain funds but were not re-registered as is the normal procedure in the Department. Because of this omission, delays which occurred in the Police Administration were not detected by

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ment of accounts. The Committee would also draw the Department's attention to Treasury Memorandum 1976/15 of 8 June 1976 and in particular to the following comment in that memorandum:

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

the procedures for monitoring unpaid accounts. Additional funds were not sought from the Advance to the Treasurer until 20 Jun 1976 and the accounts were paid on 28 June. The Department has acknowledged that unusual delays occurred and has advised that had normal registration and funding procedures been followed the payments would have been made more promptly.

The Department has advised that the procedures now operating to identify and follow up delays in the payment of accounts are satisfactory.

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

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

DEPARTMENT OF DEFENCE

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

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

The Department of Defence accepts the Committee's conclusions.

DEPARTMENT OF EDUCATION

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

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

The Department of Education has advised that the processing of applications has continued at the satisfactory levels achieved in 1975-76. The introduction of a new system of reporting the number of students receiving assistance, as a by-product of processing by mini-computers, has improved the statistics of changes in the number of beneficiaries throughout the year and has provided some important information on average entitlements. This has given the Department a greater understanding of the factors which influence the number of beneficiaries and the rates of payments involved in the scheme.

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The Department has stated that it will always be difficult to predict the number of students who will qualify for assistance in future years. A wide range of factors influence student numbers including the availability of places at tertiary institutions, economic circumstances, the levels of assistance available, and individual decisions on whether or not to undertake or continue with tertiary studies.

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

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

The Department of Education has advised that stability of staffing and new organisational arrangements should lead to an improved level of control and check in the future.

DEPARTMENT OF INDUSTRY AND COMMERCE

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

183. The Committee accepts the Department's explanation.

DEPARTMENT OF NATIONAL RESOURCES

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

197. Having considered the circumstances the Committee has no criticism to make of the Australian Atomic Energy Commission or the Department. However, the Committee feels that it must express its dissatisfaction with the Division in the Department of the Treasury, which requested that Warrant Authority for the full amount of the debt should be issued from the Advance to the Treasurer, without first carrying out a check to see if funds were available under this item. The Committee trusts that action will be taken to ensure that such a situation will not occur again.

Once it was decided to repay the overdraft as requested by the Reserve Bank, the Division of the (then) Treasury responsible for the oversight of the Commission's finances, in seeking to settle the matter urgently, overlooked the need to establish whether surplus funds were available in the appropriation. Such a check is normally made before deciding what funds need to be sought from the Advance to the Minister for Finance. Officers of all Divisions of the Department of Finance have had this breakdown drawn to their attention and have been reminded of the importance of ensuring that the issue of funds from the Advance be kept to a minimum.

DEPARTMENT OF THE PRIME MINISTER AND CABINET

Division 501/3: Childhood Services - Other Services

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

DEPARTMENT OF SCIENCE

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

212. The Committee accepts the Department's explanation that estimating for this item has been

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difficult because of the delay in receiving accounts from the Overseas Telecommunications Commission. It notes that the total of the accounts finally received in the financial year was very close to the amount included in Appropriation Act No. 1 and the amount the Department originally sought in the Additional Estimates.

213. Treasury Direction 23/6 provides for the payment of accounts for telephone and wireless traffic without a detailed check unless there is palpable evidence of error in the account. Accordingly, the Committee does not accept the Department's statement made in its original submission that a "special effort" was made to clear as many accounts as possible by 30 June 1976. It seems to the Committee that no special effort should have been necessary to pay the account for \$4 365 received on 27 May 1976. On the other hand no effort was apparently made at all to pay an account for \$6 192.40 received on 2 June 1976. In the Committee's view this account should also have been paid using funds obtained from the Advance to the Treasurer.

The Department of Science accepts the Committee's conclusions. The Department has confirmed that the current procedures provide for the payment of telephone and telex accounts in accordance with Finance Direction 23/6.

DEPARTMENT OF SOCIAL SECURITY

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

220. The Committee accepts the Department's explanation.

DEPARTMENT OF THE TREASURY (Now Department of Finance)

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

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

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

235. It is also the Committee's view that when the re-imbusement was not made in 1974-75, a requisition should have been immediately raised for an amount to cover the cost of the equipment. It should have been obvious to the officers of the Treasury, where the appropriation ledger system was developed, that unless a requisition was raised

The Department of Finance agrees with the Committee's conclusions.

The Department of Finance accepts the Committee's conclusions.

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provision would not be made for the re-imbusement to the N.C.D.C. in the 1975-76 financial year.

CONCLUSIONS

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

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

238. The Committee wishes to emphasise to all departments the serious light in which it views the action of the Department of Administrative Services in charging expenditure relating to the purchase

On 8 Jun 1977 the Department of Finance issued Finance Circular 1977/9 to departments in the following terms:

"In its One hundred and sixty-third Report the Joint Committee

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of Governor Macquarie's sword and dirk to the wrong appropriation. When it deliberately drew a cheque for the purchase against an appropriation that had not been approved by the Parliament for that purpose, the Department contravened a very important principle embodied in section 83 of the Constitution which states that:

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

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

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of Public Accounts expressed serious concern over the action of a department in knowingly charging expenditure to an incorrect appropriation pending a request for Warrant Authority under the correct appropriation item. The circumstances of the case and the Committee's comments are given in the attached extract from the Committee's Report.

The Department of Finance fully supports the Committee in its criticism. It must be clearly understood by all officers concerned with financial management that a Parliamentary appropriation cannot legally be used for a purpose other than that for which it was granted. Thus, if a Certifying Officer has certified an account as correct for payment within the terms of Finance Regulation 45 and section 34(3) of the Audit Act 1901 which is not properly chargeable to the appropriation referred to on the account, and an Authorising Officer has authorised its payment, both officers have breached the law.

Where special circumstances, especially as to timing, exist in relation to requests for Warrant Authority from Treasurer's Advance full details should be provided in the memorandum seeking Warrant Authority. The attention of the appropriate Department of

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Finance Officer should also be drawn to those circumstances by telephone or telex.

Please bring this circular to the notice of all officers in your department exercising appointments under section 34 of the Audit Act and to officers with responsibilities for departmental estimates."

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

As a further initiative aimed at bringing this problem before the appropriate officers in departments, the Department of Finance conducted a session entitled "Prompt Payment of Accounts-Problems and Responsibilities" during the November 1977 Finance Management Conference conducted by the Public Service Board. The Committee's attention is also directed to Finance Circular 1977/18 of 30 Nov 1977 which drew attention to various practices in the payment of accounts which are frequently the subject of complaints by suppliers to the Commonwealth.

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

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

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

CHAPTER 4

DEPARTMENT OF FINANCE MINUTE ON
THE ONE HUNDRED AND SIXTY-FIFTH REPORT
OF THE REPORT OF THE AUDITOR-GENERAL
FINANCIAL YEAR 1974-75

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DEPARTMENT OF CONSTRUCTION

(a) Extensions to City South Telephone Exchange, Sydney

37. From the evidence received by the Committee it would appear that the then Postmaster-General's Department made the decision to alter its requirements for the City South Telephone Exchange building on the assumption that 10-C local exchange equipment, produced by the same company which was to provide the 10-C trunk exchange equipment for the Pitt Street Exchange, would be acceptable and would be installed in the City South Exchange.

38. The Committee, while acknowledging the Department's desire to provide a degree of flexibility in its exchange to cater for possible technological advances, is concerned that the alterations to the design of the City South building was made to accommodate equipment which had not been fully evaluated and which, on evaluation, proved to be unsuitable. It would appear that the delay of approximately ten months occasioned by these alterations, resulted in the building being constructed in a period where the industrial and economic climate had altered dramatically.

The Australian Telecommunications Commission has advised that by March 1970, engineering judgement showed that Stored Program Control switching equipment was most likely to be adopted for future use in the local network and that either the particular type then being evaluated, 10C Local, or some other type with equivalent environmental requirements would be installed in the City South Building. Any decision prior to March 1970 may have been premature, but to delay such a decision beyond this time would have been to ignore the accommodation requirements for the new generation switching equipment, and result in a building unsuitable for such equipment.

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39. On the other hand, as the decision to provide the building with the capability to accommodate electronic switching equipment was based to a large extent on the type of equipment being installed in the Pitt Street Exchange, the Committee believes that the decision should have been taken earlier than March 1970. The Committee bases this view on the fact that quotations for the installation of 10-C type SPC trunk switching equipment in the Pitt Street Exchange were being considered at about the time the consultant architects were engaged to prepare the contract documents for the City South Telephone Exchange.

40. The Committee notes that at the time of the inquiry, the Telecommunications Commission was examining tenders for a SPC local exchange system and expected that this type of equipment would be in service by 1980. The Committee wishes to be advised of the outcome of the Commission's examination of tenders and of the compatibility or otherwise, of the chosen equipment with the design of the building as originally proposed and as eventually constructed.

41. In relation to the delay from 8 November 1973 until 6 February 1974 before action to terminate the contract was set in motion, the Committee is not satisfied that this delay was necessary. The Committee believes that the extent and nature of the delays and problems exper-

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The Commission has advised that the period prior to March 1970 was clouded by difficult questions. In particular the associated engineering services costs, the date by which a suitable Stored Program Control Local system could be commissioned in the Australian network, and consideration of alternative technological options, required intensive study. It was not until September 1977 that Telecom Australia took the final decision to accept a Stored Program Control Local system as the next technological step from crossbar exchanges. The Commission considers that the decision taken in March 1970 for the Sydney City South Exchange was, in retrospect, totally correct, but points out that it could not have been taken responsibly prior to that date because the necessary studies had not been completed.

The examination of tenders for Stored Program Control equipment which was in progress at the time of the Committee's enquiry, resulted in a decision in September 1977 to accept such a system with the L.M. Ericsson system being adopted as the future standard for the Australian network in urban applications. The changes incorporated in the building as eventually constructed made the City South building suitable for the installation of this equipment; without these changes it would not have been suitable.

The Department of Construction has advised that there was no delay by the Department in initiating termination of the contract once the decision to terminate was reached. Termination had been under consideration for some time and in September 1973 a study of all factors relating

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enced on the site during the "approved" construction time should have prompted the Department of Construction (or Housing and Construction as it was then known) to act more quickly when the extended completion date was reached on 8 November 1973, with only 30 per cent of the work on the contract completed. The Committee is disturbed that the Department had not sought legal advice regarding the possibility of termination before the contract was due to expire.

to the contract was made by the Department and independently by a major contracting firm commissioned by the Department and it was concluded that the better course was to continue with the contract and to monitor progress by comparison with definable construction "milestones". After a brief period of improvement, progress again lapsed to an unacceptable level and termination of the contract was initiated in February 1974. Legal advice was not sought prior to termination action because the contractual position was considered to be straight forward and the industrial problems were considered to be open to solution and solely within the contractor's responsibility.

(b) Wellington Telephone Exchange

73. The Committee is generally satisfied with the explanations given by the Department in relation to the reasons for selecting the foundation system adopted and with the remedial measures taken following the discovery of the problems with the piling. However, the Committee wishes to express its concern at the Department's failure to test piles subsequent to withdrawal of the casings. Noting that part of the recommendations made by the foundation consultant related to the use of "temporary casing which would be removed during the concrete pouring", the Committee believes that the adequacy of this procedure should have been tested early in the pile construction period either by coring one of the working piles or by constructing an additional test pile.

The Department of Construction agrees that an attempt should have been made to verify the soundness of the working piles at an earlier date. However, it has expressed the view that coring one of the working piles would probably have shown the defects but the construction of an additional test pile would not.

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74. The Committee believes that the San Francisco-based foundation engineering consultant should have been aware of similar problems experienced in the United States in relation to the John Hancock Center in Chicago and which were recorded in engineering trade publications in view of their pre-eminence in the profession.

The Department of Construction has advised that the problems at the John Hancock Centre involved voids in the concrete. This was the relatively smaller problem at the Wellington Telephone Exchange where the major problem was bentonite contamination, of which no previous experience was found on record.

DEPARTMENT OF ENVIRONMENT, HOUSING
AND COMMUNITY DEVELOPMENT

100. As the 1974-75 year was apparently the first year that Treasury had not automatically obtained Governor-General's Warrant and issued warrant authorities for what appear to be schemes operating under similar legislation, the Committee believes that the Treasury should have contacted the Department to inform it of the change in its requirements for 1974-75 and future years. The Committee, therefore, attaches no blame to the Department for its failure to obtain the Ministerial Determination under the Act required by the Treasury as a pre-requisite to obtaining Governor-General's Warrant.

The Department of Finance agrees that all affected departments should have been advised in advance of the proposed change from previous practice.

101. In this context the Committee notes that the Department does not agree with the Treasury that such a Determination is necessary under the Act before warrant is issued and has sought a legal opinion on this matter. The Committee wishes to be informed of the details of this legal advice and how the problem has been resolved.

A legal opinion of 8 Aug 1973 advised to the effect that where special appropriation clauses in legislation provided that "moneys payable to under this section should be paid in such amounts and at such times as the Treasurer determines", the moneys were not "lawfully available" within the meaning of Section 32(1) of the Audit Act until covered by such a determination, ie a Governor-General's Warrant could not be obtained.

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On 19 Dec 1977 the Attorney-General's Department advised that, following an enquiry from the Department of Environment, Housing and Community Development, the opinion of 8 Aug 1973 had been reconsidered and that, in effect, the 1973 opinion was reversed. The Auditor-General's Office was advised of the revised opinion and now accepts that a Ministerial determination in respect of a Special Appropriation is not generally necessary under provisions of the kind in question as a prerequisite to the obtaining of a Governor-General's Warrant.

102. Notwithstanding the Committee's comments regarding the Treasury's lack of liaison with the Department in this matter, the Committee views in a very serious light the fact that the Department failed to observe an important and fundamental principle in the control over the expenditure of public moneys by not ensuring that warrant authority had been issued by the Treasury before authorising the payment of \$6,048,024 to the States.

The Department of Environment, Housing and Community Development has noted the observation by the Committee and advised that instructions issued to all Authorizing Officers within the Department stress the statutory responsibility of each officer to ensure that warrant is available prior to passing any account for payment. In addition the supervisor responsible for oversighting the work of the Authorising Officers has a clear direction to ensure compliance with the procedures laid down for warrant control.

103. In relation to the Department's contention that a telephone call was made to the Treasury to obtain the required warrant authority for the expenditure, the Committee would direct attention to the Treasury Observer's comment that application would have to be in writing before approval would be given and warrant authority issued. The Committee also considered it significant that no warrant authority number could be quoted by the Department.

104. The Committee has noted the Department's statement that although the control system then in use had operated successfully for many years, it has introduced additional internal control procedures to ensure that as far as possible a similar error will not occur again.

THE DEPARTMENT OF INDUSTRY AND COMMERCE

Australian Government Clothing Factory -
Production and Sale of Civilian Clothing

141. The evidence shows that the production of the particular civilian clothing mentioned by the Auditor-General in his report was improperly authorised by the Manager as it was not covered by a specific funded order or otherwise authorised by the Minister in accordance with Government policy. The decision of the Manager was also contrary to policy directions issued in 1969 and 1971 to all managers on this particular subject.

142. It is the Committee's view there was no excuse for the Manager taking this course despite the pressures to maintain an appropriate workload at the Factory. The Committee believes that the decision was of sufficient importance to warrant an approach to the Central Office of the Department and through that Office to the Minister for the necessary approval. In other circumstances the Committee would have expected the Department to have taken disciplinary action against the Manager for not complying with the policy directions.

The Department of Productivity has advised that Factory Managers are well aware of their statutory responsibilities including their obligations concerning the authorisation of expenditure either on specific orders or on Ministerially approved projects. These policies are well known and understood. Notwithstanding this, the conclusions reached by the Committee in this paragraph were specifically drawn to the attention of all Factory Managers in the munitions group by memorandum on 28 Oct 1977.

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The Committee considers that if it has not already done so, the Department should direct the attention of all factory managers to this particular breach of the policy directions and stress the need for their strict observance.

143. In relation to the arrangements made for selling the manufactured garments at Jensen House, it is the Committee's view that the officer or officers who approved those arrangements and the officers conducting the sales should have been aware of the legislative provisions covering the control of public moneys and stores and ensured that they were followed. In this context the Committee would direct the attention of the Department to Treasury Regulation 132 which states that every Chief Officer should ensure that the provisions of the Audit Act and Treasury Regulations are complied with so far as they concern the officers under his control.

144. The Committee takes a very serious view of the fact that experienced officers in the Department were apparently unaware of some extremely important principles incorporated in the Audit Act, Treasury Regulations and Treasury Directions for the control of public moneys and stores.

145. Although the Committee appreciates that the main objective of the Department at that stage was to convert the stock of manufactured garments to cash, the Committee cannot agree that the methods used were justified. The Committee believes that the Department should have followed the

Continuous action is taken by the Department of Productivity to ensure that relevant officers are aware of the provisions of the Audit Act, Finance Regulations and Directions. This action takes the form of:-

- . Departmental Accounting Manuals which are continuously reviewed and amended as required;
- . circular memoranda, which are used to draw attention to amendments; and
- . staff training conducted by the Department.

The Chief Officer has specifically drawn the attention of his officers to the conclusions of the Committee as expressed in this Report and has issued instructions drawing attention to the principles governing the control of public moneys and stores.

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procedures laid down in the legislation. In this particular case the Department did not follow proper procedures for banking Commonwealth moneys or for recording and maintaining adequate control over stock, sales and cash received.

146. It appears to the Committee that it would not have taken a great deal of additional staff effort to have checked stocks of clothing on arrival from the Factory to form a firm basis for the transactions to follow or to have instituted periodic reconciliations of sales with cash on hand. The Committee is not convinced that the institution of basic financial controls would have seriously affected the volume of sales.

147. The Committee notes that there were no discrepancies in cash or clothing relating to the sales of knitwear provided on consignment by a private supplier and assumes that the control over sales in this private selling operation was superior to the control exercised over the Factory-made clothing.

For and on behalf of the Committee

M.J. Talberg
Secretary
Joint Committee of Public Accounts
Parliament House
CANBERRA

David M. Connolly
Chairman

24 October 1978