

**Expenditure from the  
Advance to the  
Minister for Finance  
(Appropriation Acts 1978-79)**

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Report

**178**

Joint Committee of  
Public Accounts

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THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

ONE HUNDRED AND SEVENTY-EIGHTH REPORT

EXPENDITURE FROM THE ADVANCE TO THE MINISTER FOR FINANCE  
(APPROPRIATION ACTS 1978-79)

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JOINT COMMITTEE OF PUBLIC ACCOUNTS

TWELFTH COMMITTEE

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The *House of Representatives* appointed its members on 1 March 1978 and the *Senate* appointed its members on 22 February 1978.

- (1) Appointed (ex-officio) 14.3.78
- (2) Appointed 28.9.78
- (3) Appointed 18.10.78
- (4) Appointed 17.8.78
- (5) Appointed 16.10.79

The following members were discharged from the Committee on the dates shown:

J.L. Armitage, M.P., 2.5.78  
J.J. Brown, M.P., 18.10.78  
S.A. Lusher, M.P., 28.9.78  
Senator M.A. Colston, 17.8.78  
Senator J.B. Keefe, 16.10.79  
Senator A.J. Messner, 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;
  - (b) to report to both Houses of the Parliament, with such comments as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Parliament should be directed;
  - (c) to report to both Houses of the Parliament any alteration which the Committee thinks desirable in the form of the public accounts or in the method of keeping them or in the mode of receipt, control, issue or payment of public moneys; and
  - (d) to inquire into any question in connexion with the public accounts which is referred to it by either House of the Parliament, and to report to that House upon that question,

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

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CHAPTER 1

INTRODUCTION

1.1 Since the Committee was reformed late in 1952, a regular feature of its activities has been the annual examination of the Expenditure from the Advance to the Minister for Finance (formerly the Advance to the Treasurer). It is usual for the Committee to present its report to Parliament during the Budget Session.

1.2 The Advance is authorised by the Annual Appropriation Acts and made available to the Minister for issue in accordance with the terms of the appropriation and section 36A of the Audit Act.

1.3 When a department requires additional funds for existing services or newly approved services, for which the provisions in the Appropriation Acts (Nos. 1 and 2) were insufficient, or for which no provision was made, approval is sought from the Department of Finance for funds from the Advance. Funds are approved, either by the Minister or his delegate. The Advance may be used to anticipate the passing of the Appropriation Bills Nos. 1 and 2 if it is necessary to make urgent payments.

1.4 In the case of Appropriation Act No.1(1978-79), \$125m was provided in Division 310 as follows:

To enable the Minister for Finance:

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

1.5 In the case of Appropriation Act No. 2 (1978-79), \$100m was provided in Division 850 as follows:

To enable the Minister for Finance:

- (a) to make advances that will be recovered during the financial year;

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

1.6 The first purpose of both Advances is to provide funds that will be recovered during the financial year. Recoveries to the Advances may be from any source including recoveries from the Additional Estimates later in the year. It is not unusual for departments to require additional funds in any year to meet unforeseen changes in circumstances prior to the Additional Estimates and in such cases the Department of Finance will provide the required money from the appropriate Advance "pending Additional Estimates". The Department concerned is then required to seek the amount involved in the Additional Estimates and when the additional Appropriation Acts are passed the amount is credited back to the Advance to the Minister for Finance. The same principle of re-imbursing the Advance to the Minister for Finance applies to amounts provided to departments "pending the issue of Governor-General's Warrant". In this way the Advances are used as sources of temporary finance.

1.7 The remaining purposes of both Advances are intended to be used to meet commitments that could not have been foreseen in time for their inclusion in the Additional Estimates.

1.8 In July 1979 the Committee obtained from departments 106 explanations relating to expenditure from the Advance in 1978-79 as reported in the Minister's statement to the Parliament in August 1979 (see Appendix A).

1.9 Four items were selected for further public examination. Additional written information was requested from seven departments in relation to their explanations. Twenty further explanations were received from departments and authorities in respect of a submission from the Department of Foreign Affairs relating to an overseas imprest account. A submission was also obtained from Telecom in relation to explanations from six departments concerning telephone billing cycles.

1.10 In examining expenditure from the Advance to the Minister for Finance the Committee has sought to ascertain whether or not expenditure from the Advance has been confined to urgent and unforeseeable requirements for which provision could not have been made in the Original and Additional Estimates. The Committee has also sought to ascertain whether or not the departments concerned have maintained efficient administration in the expenditure of funds under the items examined.

### Section 5, Appropriation Acts Nos. 1 and 3

1.11 For a number of years, Section 5 of Appropriation Act (No. 1) has provided a special appropriation authorising the Minister for Finance, during a particular financial year, to issue out of the Consolidated Revenue Fund such amounts:

- as he determines to be necessary to meet estimated increases in salaries and wages, and payments in the nature of salary for which provision is made in Schedule 2 to the Act; and
- which become payable during that year in accordance with a law or an award, order or determination under a law.

The first such special appropriation was provided in the Supply Act (No. 1) 1973-74 and equivalent provisions have been included in all subsequent relevant Appropriation Acts.

1.12 The Department of Finance provided the Committee with a paper relating to the operation and use of Section 5. That paper forms the basis of the rest of this discussion.

1.13 The decision to introduce this special provision was taken against the background that:

- (i) in accordance with Finance Directions, appropriations do not generally allow for estimated cost escalation factors including increases in salaries or payments in the nature of salary; and
- (ii) while the Advance to the Minister for Finance was available under both the Supply Act (No. 1) and the Appropriation Act (No. 1) to meet urgent and unforeseen requirements such as cost escalation, the rapid escalation in wages and salaries which got under way during 1973 placed a heavier strain on the Advances than had previously been experienced. As a result, a large proportion of the No. 1 Advance tended to be pre-empted for the payment of salary increases.

1.14 The special appropriation clause at Section 5 of the Appropriation Act (No. 1), and Section 4 of the Supply Act (No. 1), does not give any degree of "open-endedness" to the Minister for Finance - he may issue moneys only for that purpose.

1.15 The underlying rationale for the introduction of the special appropriation in 1973-74 was to provide a separate contingency arrangement to meet the substantial increases in wages and salaries which were occurring at that time and which could not be met from the Advance to the Minister for Finance without a very significant increase in the level of the Advance.

1.16 Awards, orders and determinations made under a law, in respect of wage and salary increases, must be met by the Commonwealth in respect of its employees. While highly unpredictable, both as to timing and amount, any such increases are readily quantifiable once an award, order or determination has been handed down.

1.17 The choice, between enlarging the Advance to the Minister for Finance and of providing a separate contingency provision for salary increases, was made having regard to the very size of the increases that were being handed down and to the inevitability of payments having to be made promptly by the Government as in the private sector.

1.18 Calls on the special appropriations since their inception, both under the Supply Acts and the Appropriation Acts, are set out in Appendix B.

1.19 Since 1976-77 calls have been reduced, reflecting the adherence by the Commonwealth public sector to the indexation guidelines developed by the Conciliation and Arbitration Commission in 1975. Furthermore, the timing of indexation periods allows a number of wage increases to be included in the Appropriation and Supply Acts.

1.20 With regard to restraining calls on the special appropriations the Department of Finance stated that:

Notwithstanding the reduced calls on the special appropriations in recent times, the potential volatility of wage and salary increases remains, as reflected in the statement in the Public Service Board's Annual Report for 1978-79, wherein the view is expressed that the Board will be hard pressed to contain wage increases in the Commonwealth Public Service area given the increasing number of non-indexation wage settlements being made in other areas. The underlying rationale for Section 5 of the Appropriation Acts No. 1 (and Section 4 of the Supply Acts No. 1) therefore remains very real.

1.21 The accounting arrangements for funds made available requires that the Minister for Finance makes a determination providing that a specified sum may be issued against the appropriation. The specific sum is based on estimates of requirements by departments and authorities covering a specific number of paydays. If a department or authority later finds that it requires an amount in excess of that originally estimated, the excess may not be absorbed in amounts which were the result of overestimates of other departments or authorities; a further determination of the Minister would be required. Pursuant to the Minister's determination, Governor-General's Warrant is obtained by the Department of Finance and

warrant authority issued to departments and authorities against the heads of expenditure for salaries, allowances and overtime, or to the one-line appropriation as appropriate. Expenditures under Section 5 are likewise charged to the relevant head of expenditure. This procedure is similar to that adopted in respect of the issue of moneys from the Advance to the Minister for Finance.

1.22 Amounts payable from Section 5 are, when possible, covered in the Additional Estimates appropriations. The special appropriation is therefore operated in a similar way to the Advance to the Minister for Finance. Only increases arising out of awards or determinations made after the preparation of the Additional Estimates normally stand as a charge against the special appropriation. These amounts are reported to the Parliament by means of the Financial Statements presented by the Minister for Finance pursuant to Section 50 of the Audit Act 1901.

1.23 A more detailed explanation on the development and use of the Advance to the Minister for Finance is provided in Chapter 1 of the Committee's 173rd Report (Parliamentary Report No. 34/1978) and a Report from the Senate Standing Committee on Finance and Government Operations in August 1979 provided additional interesting background.

1.24 The Senate Committee in that Report concluded that the current system for the use of the Advance is satisfactory. However, it recommended the following changes. Our observations appear below each recommendation.

- (1) *Expenditure from the Advance in addition to items already appropriated for, or new items, be permitted only in "urgent and unforeseen" circumstances.*

The Public Accounts Committee agrees with this recommendation.

- (2) *The above criteria be set out in the Finance Regulations made under the Audit Act.*

The Public Accounts Committee agrees with this recommendation.

- (3) *The amount appropriated to the Advance in Appropriation Acts No. 1 and No. 2 be limited to 2.5 per cent of the total of the previous year's general Appropriation Acts. If the amount is exceeded, then the matter should be referred to the Senate Standing Committee on Finance and Government Operations and the House of Representatives Standing Committee on Expenditure.*

The Public Accounts Committee would agree that the amount appropriated for the Advance to the Minister for Finance should be kept to a minimum. However, we have grave reservations about

applying any arbitrary limit based on historical expenditure patterns as the Advance is specifically designed to finance urgent and unforeseen expenditure.

- (4) *The explanations accompanying the Appropriation Bills, which are examined by Senate Estimates Committees, be accompanied by a separate section of each Department showing the funds which have already been provided from the Advance.*

The Public Accounts Committee agrees with this recommendation.

- (5) *A statement of approvals of expenditure from the Advance be published at the end of each calendar month and then tabled in Parliament at the earliest opportunity. The statement should indicate into which category each item of expenditure falls i.e. whether it is expenditure to fund payments pending the issue of Governor-General's Warrants, to make advances which will be repaid within the financial year, to make moneys available for supplementation of existing appropriations for specified purposes or to make moneys available for new services for which no specific appropriation has been made. The statement should show all expenditure which requires the creation of a new appropriation item, but only expenditure above \$50,000 for the other categories.*

The Public Accounts Committee supports the need for keeping the Parliament better informed. However, the Committee believes that the administrative arrangements to provide, in accordance with the above recommendation, a document of doubtful use for Parliamentary review purposes, may not prove to be cost-effective. Nevertheless, the recommendation should be seriously considered.

1.25 The Public Accounts Committee has traditionally examined the Advance to the Minister for Finance in detail and intends to continue its long standing practice of reporting during the Budget Session on the use of the Advance to both Houses of the Parliament. Accordingly, it would be appropriate for matters relating to the Advance to the Minister for Finance to be referred to the Joint Committee of Public Accounts.

CHAPTER 2

DEPARTMENT OF DEFENCE

Division 234/1/01: Equipment and Stores - New Equipment and Stores - Naval Construction

<u>Funds Available</u>	<u>1976-77</u>	<u>1977-78</u>	<u>1978-79</u>
	\$	\$	\$
Appropriation Act No. 1	89 501 000	51 355 000	122 899 000
Appropriation Act No. 3	-	-	32 000 000
Advance to the Minister for Finance	-	5 000 000	5 000 000
<b>TOTAL FUNDS AVAILABLE</b>	<b>89 501 000</b>	<b>56 355 000</b>	<b>159 899 000</b>
<b>TOTAL EXPENDITURE</b>	<b>59 065 189</b>	<b>56 354 474</b>	<b>159 684 490</b>
<b>UNEXPENDED FUNDS AVAILABLE</b>	<b>30 435 811</b>	<b>526</b>	<b>214 510</b>

2.1 This item covers the payment for the construction, conversion and modification of ships, support craft and floating docks and for associated initial equipment, machinery and stores.

2.2 With regard to the \$30 435 811 unexpended funds at the end of the 1976-77 financial year the Department provided the Committee with the following summary and explanations of the projects which significantly contributed to this large shortfall.

<u>Projects</u>	<u>Planned</u>	<u>Achieved</u>	<u>Variation</u>
	<u>Expenditure</u>	<u>Expenditure</u>	
	\$m	\$m	\$m
a. FFG Patrol Frigates	64.443	26.623	- 37.820
b. PTF Patrol Craft	4.000	-	- 4.000
c. Oceanographic Ship	6.226	4.464	- 1.762
d. Amphibious Heavy Lift Ship	1.474	-	- 1.474
e. Oberons OS-06	8.352	7.274	- 1.078
f. Replacement Training Ship	.100	5.255	+ 5.155
g. Other Projects	18.070	15.449	- 2.621
h. Slippage	- 13.164	-	+ 13.164
	<u>89.501</u>	<u>59.065</u>	<u>- 30.436</u>



2.3 The most significant variation was \$37 820m shortfall on the FFG Patrol Frigates project. This resulted from:

- initial United States Navy (USN) timings for placements of orders for spares were too optimistic. As a result firm orders were not placed for main spares and support items and only some interim long lead item orders were entered into during the financial year, resulting in an underspend of \$8.9m.
- Expenditure of \$0.6m for test and training equipment was provided for in the 1976-77 Budget. However, advice from the US revealed that the requirement had not been sufficiently defined and consequently no expenditure was incurred.
- actual billings received varied from predictions in respect of ship's acquisition for FFG 01 and FFG 02 resulting in an underspend of \$28.3m. (In 1976 the US Government established the Security Assistance Accounting Center (SAAC) at Denver USA. The move to centralisation encountered 'teething problems' particularly with the USN who had been under-reporting actual expenditure to SAAC. In addition, USN had not been including in the billing document the forecast advance funding requirement for the next quarter as contained in the payment schedule in the Letter of Offer and Acceptance (LOA). As the Defence Budget was largely based on the LOA payment schedule, an underspend resulted. During 1977 SAAC became the sole point for contact on financial matters for purchasing countries and issued its first consolidated statement covering the three US services in the September 1977 quarter.)

2.4 With regard to the \$4.0m underspend on the PTF Patrol Craft the Department stated that:

Delays experienced in signing the contract for construction of the patrol craft resulted in the first expenditure falling due beyond the end of the 1976-77 financial year. Consequently the amounts allocated were not expended.

2.5 With regard to the \$5.155m overexpenditure on the replacement training ship the Department stated that the original Budget provision of \$100 000 was made to fund a study for a replacement training ship. However, higher expenditure was incurred following the Government's decision during the course of the financial year to proceed with the purchase of the MV *Australian Trader* as the replacement training ship.

2.6 With regard to slippage, the Committee was informed that \$13.164m provided against the 1976-77 estimate was based on

historical patterns of expenditure achievement against expectations. The Department stated patterns indicated that despite the best assessments of project managers, extraneous factors caused shortfalls in the aggregate expenditure estimates for projects. Such factors included changes in delivery schedules, inclement weather, shortages of materials and industrial action.

2.7 Explanations of other projects which contributed to this shortfall may be found in Appendix C.

Appropriation Act No. 3

2.8 The additional \$32m provided under Appropriation Act No. 3, 1978-79 were required to meet price increases (\$442 000), exchange fluctuations (-\$1 856 000) and other variations (\$33 414 000). Details are as follows:

	\$
a. Price increases in respect of the following projects:	
• Destroyer Escort Modernisation	+ 153 000
• Fast Patrol Craft	+ 131 000
• Other Projects	+ 158 000
	<hr/>
	+ 442 000
b. Exchange rate fluctuations in respect of the following projects:	
• Destroyer Escort Modernisation	+ 97 000
• Fast Patrol Craft	- 105 000
• FFGs 01-03	- 1 848 000
	<hr/>
	- 1 856 000
c. Other variations due to changed billing patterns by US Government together with changed ordering, delivery and payment patterns in respect of the following projects:	
• Destroyer Escort Modernisation	+ 943 000
• Landing Ship Heavy	- 8 217 000
• Fast Patrol Craft	- 7 398 000
• FFGs 01-03	+ 34 820 000
• Other Projects	- 2 848 000
• Adjustment to slippage provision included in Budget Estimate	+ 16 114 000
	<hr/>
	+ 33 414 000

2.9 The Department in evidence to the Senate Estimates Committee F on 3 May 1979 claimed that US forecasts were improving but some time would elapse before greater precision was attained.

2.10 The Department explained to the Committee that each quarter SAAC issues billings seeking funds for actual payments made to the end of the period and for 90 days in advance of the payment due date. By this method actual payments made by the US on behalf of the Australian Government are assessed against the advance payments and variations are used to compute the next payment required.

2.11 For Foreign Military Sales payments, United States Legislation forbids the use of US funds and therefore requires that funds from purchasing countries must be available at least three months in advance. Customer countries are required to pay, for example, on 20 June an amount covering expected US Government expenditure on their behalf up to and including 30 September.

2.12 The Department informed the Committee that the Budget provision was largely based on the US Government forecast received in May 1978. At the time the Additional Estimates were finalised (8 March 1979), the latest forecasts from SAAC (February 1979) indicated that an additional \$34m would be required on 1978-79, whilst other projects showed a net reduction of some \$2m.

Advance to the Minister for Finance

2.13 Later, in May 1979, SAAC forwarded its billing for advance payment in June 1979. This disclosed a net increased requirement in the amount appropriated for some \$6.5m in respect of the Patrol Frigate project. This was partially offset by other small reductions, reducing the call on the Advance to \$5m.

2.14 The Department explained that the underspend of \$214 510 against the Advance to the Minister for Finance was a composite of minor net shortfalls against other projects and minimal balances held by numerous Authorizing Officers within the Department.

Conclusions

2.15 The Committee accepts the Department's explanation.

Division 234/2/01: Equipment and Stores - Replacement  
Equipment and Stores - Weapons and  
Armament, Ammunition and Explosives

<u>Funds Available</u>	<u>1976-77</u>	<u>1977-78</u>	<u>1978-79</u>
	\$	\$	\$
Appropriation Act No. 1	17 691 000	24 953 000	22 907 000
Appropriation Act No. 3	-	-	-
Advance to the Minister for Finance	-	-	1 800 000
<b>TOTAL FUNDS AVAILABLE</b>	<b>17 691 000</b>	<b>24 953 000</b>	<b>24 707 000</b>
<b>TOTAL EXPENDITURE</b>	<b>16 535 329</b>	<b>15 205 879</b>	<b>24 678 857</b>
<b>UNEXPENDED FUNDS AVAILABLE</b>	<b>1 555 671</b>	<b>9 747 121</b>	<b>28 143</b>

2.16 This item covers the payment for the replacement of weapons and armaments which are worn out and not economically repairable, and ammunition expended in service.

2.17 The Department in its submission stated that the requirement for funds from the Advance to the Minister for Finance was attributed primarily to the accelerated availability of ammunition for the Army from overseas suppliers, in the UK (\$1 584 000) and USA (\$242 000).<sup>1</sup>

2.18 With regard to the "accelerated availability of ammunition" mentioned above, the Department supplied the Committee with the following list of dates when the variation was identified.

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1. Public Accounts Committee File 1979/5.

<u>Ammunition ex UK</u>	<u>\$m</u>	<u>Date Variation Identified</u>
• Cartridge 105mm Tank Armour Piercing Discarding Sabot L52	.951	Late Mar 79
• Cartridge 76mm High Explosive Squash Head	.044	Mid June 79
• Cartridge 105mm L35 A3	.333	Late May 79
• Field Artillery Computer Equipment Repair Parts	.190	Mid Apr 79
• 21mm Rockets	.066	Early Apr 79
<u>Ammunition ex US</u>		
• Miscellaneous variations on Foreign Military Sales cases	.138	Early May 79
<b>TOTAL</b>	<b>1.722</b>	

2.19 The Department claimed that none of the variations were known before the Additional Estimates closed with the Department of Finance on 8 March 1979.

#### Conclusions

2.20 The Committee accepts the Department's explanation.

Division 234/2/03: Equipment and Stores - Replacement Equipment and Stores - Liquid Fuels and Lubricants

<u>Funds Available</u>	<u>1976-77</u>	<u>1977-78</u>	<u>1978-79</u>
	\$	\$	\$
Appropriation Act No. 1	32 818 000	37 115 000	39 552 000
Appropriation Act No. 3	1 573 000	6 676 000	8 230 000
Advance to the Minister for Finance	340 000	-	350 000
<b>TOTAL FUNDS AVAILABLE</b>	<b>34 731 000</b>	<b>43 791 000</b>	<b>48 132 000</b>
<b>TOTAL EXPENDITURE</b>	<b>34 707 354</b>	<b>43 612 201</b>	<b>47 621 986</b>
<b>UNEXPENDED FUNDS AVAILABLE</b>	<b>23 646</b>	<b>178 799</b>	<b>510 014</b>

2.21 This item covers the payment for all motor spirit, fuel oil, aviation gasoline and turbine oil, fuel oil for ships and lubricating oils except for some heating oil for domestic type purposes, which is funded under administrative expenses.<sup>2</sup>

2.22 The Committee was informed that each armed service prepares its own estimates for this item based on outstanding liabilities, estimated flying hours, motor transport activities, vehicle track mileages, steaming times, and estimated requirements for visiting forces to Australia. In addition, the Department's policy to keep storage tankage as full as possible has an influence on the estimates. This policy is particularly important in view of the degree of uncertainty in the supply situation.<sup>3</sup>

2.23 The Department told the Committee that the \$8 230 000 in Appropriation Act No. 3 was required to meet the price increases of all fuels and lubricants (\$8 238 000), exchange fluctuations (\$291 000) and miscellaneous variations to Budget Estimates (-\$299 000).<sup>4</sup>

#### Advance to the Minister for Finance

2.24 An amount of \$350 000 was obtained from the Advance to the Minister for Finance on 27 June 1979 due to numerous factors which occurred after the preparation of Additional Estimates:

- \$771 000 was required due to price increases in respect of the wide range of liquid fuels and lubricants purchased.<sup>5</sup>
- \$109 000 was required due to fluctuations in the rate of exchange of the Malaysian dollar.<sup>6</sup>
- \$156 000 was required for increased stockholdings of Air Force aviation fuel during May/June 1979 energy crisis.<sup>7</sup>
- an underexpenditure of \$686 000, offsetting the total requirement of the Advance from \$1 036 000 to \$350 000, was caused by underestimating the effect of economies introduced on the rate of fuel consumption in the Army and some other minor variations.<sup>8</sup>

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- 2. Minutes of Evidence, pp 61, 77.
  - 3. Minutes of Evidence, pp 78, 79.
  - 4. Minutes of Evidence, pp 61, 21.
  - 5. Minutes of Evidence, pp 61, 84.
  - 6. Minutes of Evidence, pp 62, 81 and 82.
  - 7. Minutes of Evidence, pp 62 and 82.
  - 8. Minutes of Evidence, pp 62 and 83.

2.25 In relation to the shortfall in expenditure of \$510 014 the Department gave several reasons. Firstly, the additional funds of \$350 000 obtained from the Advance to the Minister for Finance were required, in the main, to enable payment of four claims for \$311 091 held in the Central Finance Office, Canberra. However, these claims were not processed for payment. A witness for the Department conceded that it was quite possible that other claims were also overlooked. The procedures in this area had been examined, staff "counselled" and senior management advised to pay closer attention to this area.<sup>9</sup>

2.26 Secondly, the additional funds sought provided also for a journal entry having the effect of debiting the Item with an amount of \$102 294. The journal entry is part of the normal end of year process to bring to account expenditure from an overseas imprest account. The information was received on 20 June, processed on the 26 June, but due to a misunderstanding between the Departments of Finance and Defence it was not considered an urgent transaction and was processed after 30 June. The Department had consulted with the Department of Finance to ensure this problem would not re-occur.<sup>10</sup>

2.27 Thirdly, a cheque for \$90 128 for credit to the Item was received from the Department of the Prime Minister and Cabinet at mid-day 29 June 1979, too late to be processed.<sup>11</sup>

2.28 Fourthly, some comparatively small balances, totalling \$6501, remained unexpended in the ledgers of the numerous other Authorizing Officers operating on this Item.<sup>12</sup>

#### Conclusions

2.29 The Committee is concerned that an amount of \$350 000 was obtained from the Advance to the Minister for Finance on 27 June 1979 whilst three days later on 30 June an amount of \$510 014 remained unexpended. The evidence submitted to the Committee discloses inadequate communications between the Departments of Finance and Defence, failure to process claims for which funds were specifically sought from the Advance to the Minister for Finance. Whilst the Committee recognises that some action has been taken to ensure that similar problems will not take place in the future, we believe that their occurrence reflects adversely on the Department's financial administration.

9. Minutes of Evidence, pp 62, 84 and 85.

10. Minutes of Evidence, pp 62, 85 and 86.

11. Minutes of Evidence, pp 62 and 86.

12. Minutes of Evidence, p 62.

2.30 The Committee notes that procedures have been examined, staff counselled and senior management advised to pay close attention to this area. The Committee trusts that this episode is not indicative of accounting controls in the Department and wishes to be informed of any reviews of accounting systems in progress or proposed.

#### Division 240/0/02: Defence Co-operation - Indonesia

<u>Funds Available</u>	<u>1976-77</u>	<u>1977-78</u>	<u>1978-79</u>
	\$	\$	\$
Appropriation Act No. 1	6 865 000	7 200 000	6 900 000
Appropriation Act No. 3	-	-	-
Advance to the Minister for Finance	-	10 000	290 000
<b>TOTAL FUNDS AVAILABLE</b>	<b>6 865 000</b>	<b>7 210 000</b>	<b>7 190 000</b>
<b>TOTAL EXPENDITURE</b>	<b>6 595 804</b>	<b>7 209 427</b>	<b>7 182 846</b>
<b>UNEXPENDED FUNDS AVAILABLE</b>	<b>269 196</b>	<b>573</b>	<b>7 154</b>

2.31 This Item covers payments in respect of the continuation of the Defence Co-operation Program with Indonesia.<sup>13</sup>

2.32 The Defence Co-operation programs are aimed broadly at promoting the independent defence capability of the recipient nations against external attack. The programs aim to foster regional stability and co-operation and develop Australian international relations in the Defence area.<sup>14</sup>

2.33 A Defence Co-operation program with Indonesia was formalised by a three-year commitment program approved in 1972 for an amount of \$20m. A second three-year program for \$25m was approved in 1975. Since July 1978 the defence co-operation with Indonesia has been subject to the annual budgetary processes. Total expenditure for defence co-operation with Indonesia from 1968 to 30 June 1979 was \$42m.<sup>15</sup>

13. Minutes of Evidence, p 64.

14. Minutes of Evidence, p 66.

15. Minutes of Evidence, p 67.

2.34 Under the project, ground survey operations have been undertaken in remote areas of Irian Jaya by Australian Army and Indonesian surveyors, with the assistance of RAAF Iroquois helicopters, and logistic support from RAAF Hercules and Caribou aircraft as well as RAN landing craft. Aerial photography and aerial profile recording has been undertaken by RAAF and charter aircraft from bases in Irian Jaya and the Northern Territory. Fuel is provided by Indonesia and brought to account through the Australian Embassy in Jakarta.<sup>16</sup>

2.35 The Department informed the Committee that while it did not specifically consult with the recipients when preparing estimates, it does attempt to obtain their priorities. These are met, subject to financial constraints.<sup>17</sup>

2.36 The preparation of estimates for division 240 involves the co-ordination of a number of projects and activities, which often depend to a considerable extent on development outside the Department's control, e.g. the country concerned meeting its targets in a joint project. The timing of the projects are to a large extent also dictated by the weather.<sup>18</sup>

2.37 The Committee was informed that the \$290 000 obtained from the Advance to the Minister for Finance on 25 June 1979 represented price increases against the Irian Jaya Survey and Mapping project which were not known until April 1979. These involved the costs of Australian Services involvement, including salaries and allowances, flying hours and invoicing, and on-cost charges, which are charged to the project.<sup>19</sup> <sup>20</sup>

2.38 The Department explained that, while these increases were known at the end of 1978, the actual amount was not determined until March/April after the post costing process.<sup>21</sup>

2.39 Expenditure control of the program involves a number of areas which are geographically dispersed. To bring to account the total expenditure the Department has to collect information from eight authorizing officers. The Department stated that of the \$282 846 expended against the Advance to the Minister for Finance, approximately \$182 000 was credited to Defence Revenue as project on-costs. It was explained that on-costs are a percentage of the cost of materials, direct flying hour rate (which involves the costs of fuel, repairs and spares, excluding crew costs) and general administrative costs, etc.<sup>22</sup>

#### Conclusions

2.39 The Committee accepts the Department's explanation.

16. Minutes of Evidence, pp 65 and 71.

17. Minutes of Evidence, p 76.

18. Minutes of Evidence, pp 68 and 71.

19. Minutes of Evidence, pp 64, 69, 70, 74 and 75.

20. Minutes of Evidence, p 65.

21. Minutes of Evidence, p 64.

22. Minutes of Evidence, p 65, 76 and 77.

#### Division 241/1/01: Defence Science and Technology - Salaries and Payments in the Nature of Salary

<u>Funds Available</u>	<u>1976-77</u>	<u>1977-78</u>	<u>1978-79</u>
	\$	\$	\$
Appropriation Act No. 1	61 155 000	62 935 000	61 943 000
Appropriation Act No. 3	1 789 000	1 765 000	1 718 000
Section 5	500 000	-	-
Advance to the Minister for Finance	-	1 100 000	800 000
<b>TOTAL FUNDS AVAILABLE</b>	<b>63 444 000</b>	<b>65 800 000</b>	<b>64 461 000</b>
<b>TOTAL EXPENDITURE</b>	<b>63 125 664</b>	<b>65 780 869</b>	<b>64 147 588</b>
<b>UNEXPENDED FUNDS AVAILABLE</b>	<b>318 336</b>	<b>19 131</b>	<b>313 412</b>

2.40 This item covers the payment of salaries, wages, higher duty pay etc, of officers and employees of the Defence Science and Technology Organisation and the Research and Development Establishments.

2.41 The Department stated that the Additional Estimates were based on a planned reduction, of 187 personnel, from the beginning of the financial year. The Committee was informed that the underspending of \$0.313m and the requirement for \$0.8m from the Advance to the Minister for Finance were largely due to an inability to control staff wastage patterns.<sup>23</sup>

2.42 The Committee did not conduct a public inquiry into this item but requested the Department to provide a more detailed explanation of its inability to control staff wastage patterns, particularly in relation to the 39 per cent of unexpended funds from the Advance to the Minister for Finance.

2.43 In its supplementary submission the Department stated that in predicting the final expenditure for 1978-79, April and May expenditure of \$5.034m and \$5.030m indicated a similar requirement for June 1979. Due to uncertainty the average requirement of \$5.0m was rounded to \$5.1m. However since only \$4.3m was available a requirement of some \$0.8m from the Advance to the Minister for Finance was indicated. Actual expenditure in June 1979 in fact amounted to only \$4.8m or an underspend of \$0.314m.

23. Public Accounts Committee File 1979/5.

2.44 The Committee was informed that the difficulties in accurately estimating final expenditure, encountered when the Additional Estimates requirements was assessed, were still persisting. These difficulties were associated with:

- projecting the actual level of wastage, especially during a period of planned reductions in staff numbers (205 in 1978-79);
- forecasting the type of personnel likely to separate from a large diverse workforce of nearly 5,000 with wide ranging classifications and salaries;
- unpredictable staff resignations or retirement on grounds of ill-health or furlough payments, which in the case of long serving officers have a substantial effect on the level of expenditure.

2.45 The supplementary submission stated that investigations continued since 13 July (date of original submission) reveal that the underspend was largely due to an overestimate of requirements in three main areas:

- the rounding up to \$5.1m was not required (\$0.1m);
- a credit in relation to net salary payments overseas which was adjusted in accordance with Treasury Circular Memorandum 1976/12 of 13 May 1976 was overlooked (\$0.083m);
- in the event, the average expenditure of \$6.0m in April and May 1979 was not reached in June by an amount of \$0.131m.

#### Conclusions

2.46 Although the extent of the underexpenditure of the amount drawn from the Advance to the Minister for Finance was only 6 per cent of the forecasted expenditure for the month of June, it was 39 per cent of the funds obtained from the Advance. The Committee believes that sufficient uncertainty existed as to requirements for the Department to have made a more conservative estimate.

### CHAPTER 3

#### DEPARTMENT OF FOREIGN AFFAIRS

Division 315/2/15: Administrative - Administrative Expenses - Expenditure Overseas on Behalf of Other Departments Unrecouped at 30 June

<u>Funds Available</u>	<u>1976-77</u>	<u>1977-78</u>	<u>1978-79</u>
	\$	\$	\$
Appropriation Act No. 1	-	-	-
Appropriation Act No. 2	-	-	-
Advance to the Minister for Finance	-	-	75 000
<b>TOTAL FUNDS AVAILABLE</b>	<b>-</b>	<b>-</b>	<b>75 000</b>
<b>TOTAL EXPENDITURE</b>	<b>-</b>	<b>-</b>	<b>51 562</b>
<b>UNEXPENDED FUNDS AVAILABLE</b>	<b>-</b>	<b>-</b>	<b>23 438</b>

3.1 This Item provides for expenditure to 31 May 1979 at the Department's overseas imprest posts, on behalf of various Commonwealth departments and authorities, but not recovered from those departments/authorities as at 30 June 1979. Details of amounts outstanding against each department/authority are set out in Appendix D.

3.2 The Committee did not conduct a public inquiry into this item but received submissions from the Department of Foreign Affairs and a further twenty explanations were obtained from departments and authorities relating to this matter.<sup>1</sup>

3.3 Expenditure on behalf of various Commonwealth departments and authorities is incurred at each of the Department of Foreign Affairs' imprest posts. (See Appendix E). This expenditure estimated by the Department of Foreign Affairs to be in the region of \$50m per annum, is charged initially by the Department of Foreign Affairs to the Advance to the Minister for Finance, but is eventually recorded against relevant appropriations as departments and authorities reimburse the department which repays the Advance.

1. Public Accounts Committee File 1979/5.

3.4 The standing accounting arrangements for payments (and recoveries) transacted at overseas "imprest" posts is for the accounting documents to be sent by the post to the Department of Foreign Affairs (or Department of Trade and Resources) Canberra and for that Department to seek a settlement with the department finally responsible for the receipts or expenditure.

3.5 Prior to the 1978-79 financial year, amounts outstanding at the end of June were transferred to a Trust Fund and then returned to the Advance to the Minister for Finance at the commencement of the next financial year.

3.6 The Finance Directions (see Appendices F and G) provide that expenditure incurred overseas by the Department of Foreign Affairs on behalf of other departments may be funded through the Advance to the Minister for Finance, pending reimbursement by the department concerned. All debit balances have to be cleared before the close of the financial year and credit balances arising from heads of expenditure, other than annual appropriations may be transferred to Trust Fund - Other Trust Moneys pending adjustment in the following year.

3.7 The Auditor-General in his report for 1977-78 said that:

Representations were made to the Department of Foreign Affairs suggesting that, as the credits could contain amounts originating from annual appropriations which should lapse at the end of the financial year, the credit balances should be frozen pending details being obtained from departments and refunds made as appropriate. Concern was expressed that the Department may have incorrectly used the Trust Fund as a repository to carry over balances beyond the end of the financial year.

3.8 The Department of Finance indicated that the transfer of credit balances was in breach of the Finance Directions except where the credits originated from special appropriations, trust funds or deposits by statutory authorities.

3.9 The proposal to allow unreimbursed debit balances at 30 June to remain outstanding against 'Advance to the Minister for Finance' is not acceptable to the Department of Finance as it would be in breach of section 36A of the Audit Act.

3.10 Following the Auditor-General's criticism of transferring outstanding amounts at the end of a financial year to the Trust Fund the Department of Foreign Affairs agreed with the Department of Finance that to clear the Advance to the Minister for Finance, the unrecouped expenditure at 30 June had to be brought to account. The item under examination was established for this purpose under the Department of Foreign Affairs Administrative Expenses.

3.11 A memorandum to all Permanent Heads in January 1979, from the Department of Finance states, in part:

...It appears that in respect of the transactions of the final month of each year (May at an imprest post), debtor departments are frequently delaying reimbursement of the amounts claimed until the beginning of the new financial year - presumably because of a shortage of funds in the relevant appropriations.

This has two principal effects; the first is that Foreign Affairs and Trade and Resources have had to carry the expenditure over 30 June and the second is that expenditure properly belonging to the financial year has not been brought to account in that financial year. Neither is satisfactory.

It is incumbent upon each department or authority which receives a reimbursement claim in respect of overseas transactions, up to and including May, to make payment in sufficient time for the Department of Foreign Affairs and the Department of Trade and Resources to bank the cheque before the year's accounts are closed. If a department requires further funds for that purpose it must make a request to the Secretary, Department of Finance for Warrant Authority from the Advance to the Minister for Finance.

It is advised that if payments are not so made, the Department of Foreign Affairs or the Department of Trade and Resources as the case may be will be furnished with sufficient Warrant Authority to enable the outstanding debits to be recorded in its appropriation ledger under the heading "Expenditure Overseas on behalf of other departments unrecouped at 30 June". This may mean that such outstandings will come under the scrutiny of the Joint Parliamentary Committee of Public Accounts.

3.12 As the Department of Foreign Affairs is powerless to force reimbursement of expenditure it decided also to advise relevant debtor departments and authorities that failure to reimburse outstanding amounts by 30 June would result in these amounts remaining outstanding against the Advance to the Minister for Finance. On 30 April 1979, the Department of Foreign Affairs issued a memorandum to relevant departments and authorities advising of detailed arrangements designed to ensure full recovery.

3.13 The Department of Foreign Affairs in its submission to the Committee stated that:

2. Public Accounts Committee File 1979/5.

Throughout the latter part of June, it pursued recovery by every means possible, but our efforts were hampered considerably by the failing communications system and, to a lesser extent, mail delays. "The success of our efforts can be gauged by the fact that the amount unrecovered at 30 June 1978 was in excess of \$1.3 million."

3.14 In the light of its experience in 1978-79, the Department proposed that discussions be held with the Department of Finance to consider refinement of accounting procedures with a view to effecting 100 per cent recovery in future years.

3.15 The Committee obtained explanations from departments and authorities on behalf of which the Department of Foreign Affairs had incurred expenditure at its overseas imprest posts, but had not been reimbursed at 30 June 1979.

3.16 The main reasons given to the Committee by departments and authorities were:

- delays caused by accounts being sent to wrong departments by the Department of Foreign Affairs.
- delays by loss of vouchers or vouchers wrongly filed.
- delays caused by disputing claims or part thereof.
- inefficiency on part of office concerned.
- claims received too late for processing before 30 June or received after 30 June.
- variation in exchange rates.
- breakdown in communications within the department concerned.
- delays caused by industrial disputes involving Telecom during June 1979.
- several departments claimed cheques had been issued before 30 June but had not been processed by the Department of Foreign Affairs before the end of the Financial Year.

3.17 As unrecovered expenditure at 30 June 1979 included an amount of \$1,286.36 expended in Manila on behalf of the Papua New Guinea Government, the Committee asked the Department of Foreign Affairs for clarification.

3.18 The Department explained that the Papua New Guinea Government maintains a small office in Manila and, by arrangement, its operating costs which range from about \$100 to \$500 per month have been met by the Australian Embassy on a pay and recover basis. This arrangement should not have continued after Papua New Guinea achieved independence. The matter appears to have been overlooked at that time.

3.19 The Committee was informed that more appropriate arrangements are presently being negotiated and it is likely that any future expenditure of this kind will be funded from an advance to be provided by the Papua New Guinea Government.

#### Conclusions

3.20 The use of the Advance to the Minister for Finance for this item is considered justified.

3.21 It is recognised that there may be difficulties and complexities involved in effecting reimbursement of expenditure incurred on behalf of other departments overseas. Hence the Committee notes with approval the efforts made by the Department of Foreign Affairs to recoup expenditure incurred on behalf of other departments.

3.22 The Committee is concerned that debtor departments are frequently delaying reimbursement of the amounts claimed because of a shortage of funds in the relevant appropriations. The Committee thinks it expedient to reiterate the view expressed in its 151st Report that the payment of any account should not be delayed because of lack of funds and that departments should be encouraged to apply for funds from the Advance to the Minister for Finance for this purpose. It is the Committee's view that each department or authority which receives a reimbursement claim in respect of overseas transactions has a clear responsibility to make payment as soon as possible. This applies in particular in respect of reimbursement in sufficient time for the Department of Foreign Affairs or the Department of Trade and Resources to bank the cheques before the year's accounts are closed. Conversely, any department which incurs expenditure on behalf of another department or authority has a clear responsibility that it submits accounts for reimbursement to debtor departments or authorities as soon as possible after the expenditure has been incurred.

3.23 This principle is mentioned again in Chapter 6 of this Report where the Committee advises it will be maintaining close surveillance of this subject.



CHAPTER 4

DEPARTMENT OF SCIENCE AND THE ENVIRONMENT

Division 543/2/04: Antarctic Division - Administrative and Operational Expenses - Hire of Ships and Aircraft

<u>Funds Available</u>	<u>1976-77</u>	<u>1977-78</u>	<u>1978-79</u>
	\$	\$	\$
Appropriation Act No. 1	1 217 000	1 930 000	2 391 000
Appropriation Act No. 3	549 000	38 000	277 000
Appropriation Act No. 1 (Section 5)	-	-	-
Advance to the Minister for Finance	-	-	98 038
<b>TOTAL FUNDS AVAILABLE</b>	<b>1 766 000</b>	<b>1 968 000</b>	<b>2 766 038</b>
<b>TOTAL EXPENDITURE</b>	<b>1 717 378</b>	<b>1 946 145</b>	<b>2 765 949</b>
<b>UNEXPENDED FUNDS AVAILABLE</b>	<b>48 622</b>	<b>21 855</b>	<b>89</b>

4.1 This item provides for chartering and hiring of ships and aircraft for Antarctic expeditions by the Antarctic Division.<sup>1</sup>

4.2 The Division administers, organises and provides logistic support for Australian activities in Antarctica, including the establishment and maintenance of Antarctic and sub-Antarctic stations. It plans and conducts approved scientific programs and co-ordinates and supports annual Australian National Antarctic Research Expeditions (ANARE). It raises annual expeditions which occupy four stations - one on Macquarie Island and three in Australian Antarctic Territory on the Antarctic continent.<sup>2</sup>

1. Minutes of Evidence, p 3.
2. Commonwealth Government Directory 1979.

4.3 Appropriation Act No. 1 provided the following funds for hire of ships and aircraft:

	<u>Estimate</u>	<u>Actual Expenditure</u>
	\$	\$
Ship Charter Costs	1 872 000	2 306 518
Aircraft Charter-		
Helicopter	308 000	288 812
Fixed Wing	120 000	81 860
LARC	5 000	1 908
RAAF Flights	86 000	86 851
	<u>2 391 000</u>	<u>2 765 949</u>

4.4 In March 1978 the estimate for hire of ships 1978-79 was prepared and was based on ship charter rates applicable at that time. This included a 9.5 per cent increase over previous rates which, for the *Nella Dan*, according to the Department, was the minimum the ship's owner would accept.<sup>3</sup>

4.5 At that time agreement had not been reached on the final charter rates for both the *Nella Dan* and the *Thala Dan*. The estimate for the ships' charter in March 1978 was:

	<u>Days</u>	<u>\$A</u>
<i>Nella Dan</i>	150	1 362 000
<i>Thala Dan</i>	50	510 000
		<u>1 872 000</u>

4.6 The Department explained that no other satisfactory shipping is available because these ships, chartered from their Danish owners since 1953, have some necessary special features. They are ice strengthened, can carry up to 54 passengers and 1500 cubic meters of cargo, large quantities of bulk fuel oil and a helicopter.<sup>4</sup>

4.7 After long and protracted negotiations, the charter for the *Nella Dan* was settled in early September 1978 and a sub-let

3. Minutes of Evidence, p 3. and Committee File 1979/5.
4. Minutes of Evidence, pp 3, 4, 14 and 16.
5. Minutes of Evidence, p 5.
6. Minutes of Evidence, p 15.

agreement for the *Thala Dan* was finalised shortly after with the French Antarctic authorities. The final arrangements, which involved a further \$217 000 over the estimated provision, were as follows:<sup>8</sup>

	<u>Days</u>	<u>\$A</u>
<i>Nella Dan</i>	202	1 565 000
<i>Thala Dan</i>	50	524 000
		<u>2 089 000</u>

4.8 The Committee was informed that the negotiations were completed subject to the availability of funds, and included a new condition that the *Nella Dan* be hired for a minimum period of 202 days with delivery and redelivery in Europe. Previous charters for the vessel were on a minimum 120-day period with delivery and redelivery in Melbourne. Under the new charter arrangements the ship would still only be available for 120 operational days as the remaining 82 days were allowed for the delivery journey to and from Europe. This arrangement did not involve additional expenditure as previous charter payments included ballast bonuses to and from Europe.<sup>9</sup>

4.9 Contrary to Section 7 of Finance Directions, the Department arranged an insurance to guard against possible liability for any additional costs, while the ship was en route between Europe and Australia.<sup>10</sup>

4.10 The approval to commit the additional funds of \$217 000 for ships charter was contingent upon deferring an Enderby Land scientific program and the purchase of items of plant as off-setting savings. \$277 000 was sought at Additional Estimates for the overall vote.<sup>11, 12</sup>

#### Advance to the Minister for Finance

4.11 In March 1979 the Department realised that, due to variations in exchange rates, the amount sought at Additional Estimates would not be sufficient to cover ships hire. The following table shows the appreciations on the currency rates at the beginning and end of the period:<sup>13</sup>

7. Minutes of Evidence, pp 4, 15-18 and 27.
8. Minutes of Evidence, p 4.
9. Minutes of Evidence, pp 4, 19 and 20.
10. Minutes of Evidence, p 19.
11. Minutes of Evidence, pp 23 and 24.
12. Minutes of Evidence, pp 4, 5 and 24.
13. Minutes of Evidence, pp 5, 27-30.

	<u>September 1978</u>	<u>June 1979</u>
	<u>\$A1</u>	<u>\$A1</u>
Danish Kroner	6.379	6.154
Pound Sterling	.5947	.5355
French Franc	5.060	4.8993

4.12 The Department explained that, as it could not forecast exactly the number of days hire nor the exchange rates until well after submission of Additional Estimates, it was necessary to seek \$98 038 from the Advance to the Minister for Finance to settle claims presented in June 1979.<sup>14</sup>

#### Conclusions

4.13 The Committee accepts that the Department's request for \$98 038 from the Advance to the Minister for Finance was justified.

4.14 Contrary to Section 7 of Finance Directions, the Department arranged an insurance to guard against possible liability for any additional costs, while the ship was en route between Europe and Australia. The principle that the Commonwealth acts as its own insurer to the greatest extent possible is sound. While the Committee believes that this principle is generally understood, the Committee is concerned that in this case, officers ignored or were ignorant of the provisions of Finance Directions and did not seek advice until premiums had been paid. The Committee would expect that departments take careful note of this breakdown in observance of Finance Directions.

14. Minutes of Evidence, p 36.

Division 543/2/06: Antarctic Division - Administrative and Operational Expenses - Shipping and Stevedoring Charges

<u>Funds Available</u>	<u>1976-77</u>	<u>1977-78</u>	<u>1978-79</u>
	\$	\$	\$
Appropriation Act No. 1	205 000	226 000	226 000
Appropriation Act No. 3	-	15 000	15 000
Appropriation Act No. 1 (Section 5)	-	-	-
Advance to the Minister for Finance	-	-	129 434
<b>TOTAL FUNDS AVAILABLE</b>	<b>205 000</b>	<b>241 000</b>	<b>370 434</b>
<b>TOTAL EXPENDITURE</b>	<b>204 945</b>	<b>240 723</b>	<b>370 433</b>
<b>UNEXPENDED FUNDS AVAILABLE</b>	<b>55</b>	<b>277</b>	<b>1</b>

4.15 This Item provides for shipping and stevedoring charges in connection with ships required for relief operations in Antarctica.<sup>15</sup>

4.16 The basis for \$226 000 provided under Appropriation Act No. 1 for 1978-79 was costs incurred during 1977-78 financial year except for \$15 000 provided under Appropriation Act No. 3. This was for an unusual requirement for extra cargo to be loaded in Fremantle, due to ship refrigeration failure.<sup>16</sup>

4.17 An additional \$15 000 was sought under Appropriation Act No. 3 in 1978-79 for increased tonnage on two voyages in November and December 1978.<sup>17</sup>

4.18 In March 1979 the Department became aware that considerable additional funds would be required for stevedoring which, it was claimed, would be too late for inclusion in Additional Estimates. This was in spite of the fact that in May 1977 an urgent rebuilding program designed to replace existing facilities at stations, over a period of approximately, 10 years was approved by the Government.<sup>18</sup>

15. Minutes of Evidence, p 7.  
 16. Minutes of Evidence, pp 33, 34.  
 17. Minutes of Evidence, pp 7, 36.  
 18. Minutes of Evidence, pp 8, 37.

Advance to the Minister for Finance

4.19 It was stated that the requirement for \$129 434 arose from:<sup>19</sup>

- an exceptionally large quantity of building materials and associated heavy construction equipment to be shipped to all three stations in Australian Antarctic Territory;
- there were extraordinary difficulties experienced in stowing this quantity and type of material in the confined holds of the small ships built to withstand navigation in Antarctic waters;
- a rise of approximately 7 per cent in wharf labour rates.

4.20 With regard to the large quantity of building materials to be shipped, the Department had not appreciated the time required to load until it commenced, or the necessity for overtime on week-ends and public holidays to maintain sailing schedules, essential to avoid ice entrapment and to keep within the contract-  
 ed charter period.

4.21 During 1978-79 the actual expenditure incurred was for 31 days loading/unloading for *Nella Dan* and *Thala Dan*.<sup>20</sup>

	\$
Stevedoring	280 000
Hire of Stevedoring Equipment	20 000
Sundry Port Charges	70 000
<b>TOTAL:</b>	<b>370 000</b>

4.22 The Committee was informed that special handling equipment was needed at the wharf to load the ship. Although there are no wharf facilities in the Antarctic, no special problems were encountered in using the ship's cranes to unload the ships into a LARC (Lighter, Amphibious, Resupply Cargo) vehicle.<sup>21</sup>

4.23 The logistical requirements of the Department's program has exceeded the capacity of the current shipping resources both in respect of cargo capacity and passenger accommodation. In order to provide better shipping facilities for cargo a proposal is being examined to supply a special cargo ship which would more efficiently transport supplies in 1979-80.<sup>22</sup>

19. Minutes of Evidence, pp 8, 36 to 42 and Committee File 1979/5.  
 20. Public Accounts Committee File 1979/5.  
 21. Minutes of Evidence, pp 8, 36, 37, 40, 42, 43.  
 22. Minutes of Evidence, pp 8, 44, 45.

4.24 The Department claimed in evidence that it was not aware of excessive expenditure incurred for stevedoring until the final accounts were received in May. On 16 May a formal application was made by the Department for the amount of \$129 434 from the Advance to the Minister for Finance.<sup>23</sup>

#### Conclusions

4.25 The Committee is not satisfied that the Department's use of the Advance to the Minister for Finance in this case was justified.

4.26 The evidence shows that the rebuilding program was approved nearly two years prior to materials being shipped and that the Department had had considerable experience in operating the ships in question - the *Nella Dan* and the *Thala Dan*. It appears to the Committee that there was ample time for the Department to make special arrangements, if required, for the shipping of the large amount of building materials and other equipment.

4.27 According to the evidence presented, the Department was not aware of the large expenditure commitment until the accounts were received. It would not be unreasonable to expect the Department to be kept informed of the loading times and other expenses incurred on its behalf. The Committee believes that this situation demonstrates a breakdown in administrative practices which is inexcusable.

4.28 The Committee wishes to be advised that the Department has taken necessary steps to ensure that the correct procedures have been drawn to the attention of the officers concerned and that the special cargo ship will provide a more effective and efficient means for the transporting of supplies.

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23. Minutes of Evidence, pp 40, 41.

## CHAPTER 5

### TELEPHONE BILLINGS

5.1 During its examination of the submissions relating to expenditure from the Advance to the Minister for Finance 1978-79, the Committee found that several were concerned with the frequency of telephone billings in Canberra. Consequently, the Committee sought comments from the Australian Telecommunications Commission. (See Appendix H).

5.2 The Commission explained that the telephone billing system in Canberra underwent a major change during the period October 1977 to March 1978 when automatic data processing (ADP) for the preparation of bills was introduced. The immediate effect of the new system for most Canberra accounts was to bring forward the normal billing date by about one month so that, subscribers who normally received bills in June/July would, under the new system, have received them in May/June respectively in 1978.

5.3 When the new billing system had been installed, all new applicants for telephone services received bills at quarterly intervals. Existing subscribers were not billed quarterly until two consecutive accounts exceeded \$150. The Commission explained that timing of the changeover to quarterly billing on the services in question was governed by the rental paid in advance for six months on the "second" bill. A period of adjustment was needed to bring the six months' rental cycle into step with the new quarterly procedures.

5.4 Because of the lapse of time (1 year) to identify subscribers who would be billed quarterly, six months to adjust rental and three months until the initial quarterly bill was issued, the first of these did not reach the customers until June 1979. During the changeover to ADP billing it was necessary to maintain two sets of records and there were delays in dealing with queries.

5.6 The foregoing comments relating to Canberra are generally applicable wherever the ADP telephone billing system had been or was being introduced. During 1978-79 conversions and/or extensions were proceeding in all States and in the A.C.T. In all cases advice of the pending change was forwarded to subscribers in advance. Telecom's submission claimed that departments were advised of the changeover to quarterly billings.

5.7 The first ADP bills were issued in Canberra during March 1978. Telecom experienced difficulties in resolving queries raised by the Department of Business and Consumer Affairs in respect of the "in dialling" lines for which exchange line rental charge does not apply. The corrective action had not been

completed until the unpaid charges were carried forward in the March 1979 bill. Telecom confirmed that quarterly billing for high usage subscribers in the Canberra area has been completed and that no further problems should be experienced with the new billing frequency.

5.8 One of the submissions examined by the Committee was from the Department of Defence on Item 233/1/03. This covers payment for postage, telegrams, cablegrams, installation, alteration, maintenance, rental and call charges of telephones and teleprinters, locked bag costs, and telephone tie line services.

5.9 The following table shows that the Department obtained \$250 000 from the Advance to the Minister for Finance but used only \$62 533.

Department of Defence - Item 233/1/03

<u>Funds Available</u>	<u>1976-77</u>	<u>1977-78</u>	<u>1978-79</u>
	\$	\$	\$
Appropriation Act No. 1	21 282 000	20 612 000	20 889 000
Appropriation Act No. 3	-	-	250 000
Advance to the Minister for Finance	-	-	250 000
<b>TOTAL FUNDS AVAILABLE</b>	<b>21 282 000</b>	<b>20 612 000</b>	<b>21 389 000</b>
<b>TOTAL EXPENDITURE</b>	<b>18 912 806</b>	<b>20 439 117</b>	<b>21 200 533</b>
<b>UNEXPENDED FUNDS AVAILABLE</b>	<b>2 369 194</b>	<b>172 883</b>	<b>188 467</b>

5.10 The Department stated that the application for additional funds of \$250 000 was based on the value of claims which were on hand and ready for payment. This represented a 1.18 per cent increase in requirement over the Additional Estimates of \$21 139 000. The increase resulted from the receipt of claims from Telecom Australia at a rate slightly in advance of previous trends.

5.11 The reason given by the Department for the unexpended balance was the non-payment by the Defence Regional Office, Sydney, of an account for \$239 557.

5.12 The claim was not paid because a portion of it (\$59 000) was "unidentifiable" as a proper charge to the Department and this portion was, in the opinion of the Regional staff, of sufficient magnitude to warrant payment of the claim being

delayed pending clarification. At the time of the incident great difficulty was being experienced with Telecom services and communication by the NSW Regional Office with Canberra and RAAF Base, Richmond (the source of the claim) was affected.

5.13 Finance Direction 23/6 states in part:

unless there is palpable evidence of incorrectness these claims shall be paid without a detailed check.'

The Department in a supplementary explanation submitted that it was entitled to defer action on that part of the claim which could not be properly identified having regard for the amount involved. The Department conceded however that it would have been proper and prudent to have paid the balance.

5.14 The Department informed the Committee that:

Regional staff in Sydney have been counselled on the proper action which should be taken in matters of this nature.

Conclusions

5.15 During the period October 1977 to March 1978 automatic data processing for the preparation of bills was introduced in Canberra. The evidence submitted to the Committee shows that Telecom advised departments, involved in the changeover to quarterly billings, of the billing dates. It would appear that some departments did not take appropriate action to seek additional funds in the Estimates to allow for the changed billing cycle. The Committee believes that the effects of such changes should have been properly considered by departments concerned.

5.16 The Committee is disturbed by the evidence that of \$250 000 obtained by the Department of Defence from the Advance to the Minister for Finance, \$188 467 remained unexpended. The reason given that because \$59 000 of an account for \$239 557 was unidentifiable the account was not paid is contrary to Finance Directions and is unacceptable to the Committee.

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1. See also Finance Circulars 1977/18, 1979/16 and Treasury Circular 1976/23.

Memorandum to all Ministers on 9 November 1974 from the Prime Minister, asking all Ministers to ensure that there were no avoidable delays in the paying of accounts.

P.P. 124/1975 - Committee of Inquiry into Government Procurement Policy.

CHAPTER 6

GENERAL CONCLUSIONS

6.1 In examining expenditure from the Advance to the Minister for Finance, the Public Accounts Committee sought to ascertain whether or not Expenditure from the Advance to the Minister for Finance had been confined to urgent and unforeseeable requirements for which provision could not have been made in the Original and Additional Estimates. It had also sought to ascertain whether or not the departments concerned had maintained efficient administration in the expenditure under the item selected for inquiry.

6.2 Evidence taken during this inquiry has shown there were cases of clerical error, administrative oversight, procedural weaknesses within departments and inadequate estimating. Nevertheless the Committee is pleased to note that there has been a significant improvement in the efforts made by departments to meet their financial obligations within the Appropriation Acts.

6.3 The policy of financial restraint imposed upon departments over the last few years has required departments to apply greater care to ensure that their financial requirements are met within the approved appropriations. Whereas in previous years the Committee found evidence that some departments believed the Advance to the Minister for Finance was a simple means of covering short-falls in their estimating performance, there has been a marked improvement in departments' estimating which has meant less demands have been made from the Advance to the Minister for Finance, except in those cases which were urgent and unforeseen.

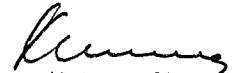
6.4 In recent years the Committee has had cause in its reports relating to expenditure from the Advance to the Minister for Finance, to comment adversely on the quality of written submissions and oral evidence tendered by departments. There has, however, been considerable improvement in the quality of evidence tendered this year.

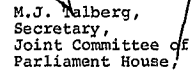
6.5 There was evidence of failure by some departments and authorities to pay accounts promptly. On 9/11/74 the Prime Minister issued instructions to the effect that the Commonwealth should, as a matter of policy, satisfy its creditors as quickly as possible. The Public Accounts Committee reiterates its view expressed in its 151st Report (Parliamentary Paper No. 327/1974):

...that a more responsible attitude should be adopted by departments towards their creditors both departmental and private. ...The Committee believes that it would be appropriate at this point to remind departments that delays in paying accounts received from private creditors could cause liquidity problems, particularly for those who are self-employed or small businesses that are largely dependent upon Australian Government contracts.

6.6 The Public Accounts Committee believes that financial obligations should be settled by Commonwealth departments and authorities within the normal 30-day business cycle, or earlier if incentive discounts are available for prompt settlement. As Permanent Heads have clear authority under the Audit Act, the Committee expects that they will ensure that liabilities incurred by their departments are settled quickly. Also, the Committee expects the Auditor-General and the Department of Finance to keep this situation monitored and to take whatever steps are necessary to ensure that departments are aware of their obligations. The Committee intends to maintain a close scrutiny of this matter as it is not satisfied with the present position.

6.7 For and on behalf of the Committee,

  
David M. Connolly, M.P.  
Chairman

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

25 October 1979

ADVANCE TO THE MINISTER FOR FINANCE

Statement of Heads of Expenditure  
and the amounts charged thereto  
pursuant to section 36A of the  
Audit Act 1901

Appropriation Act (No. 1) 1978-79  
Division 310—\$125 000 000

Appropriation Act (No. 2) 1978-79  
Division 850—\$100 000 000

ABSTRACT

EXPENDITURE FROM THE ADVANCE TO THE MINISTER FOR FINANCE  
 APPROPRIATION ACT (No. 1) 1978-79-\$35 161 334

DEPARTMENTS AND SERVICES

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5	Department of Administrative Services . . . . .	323 335
5	Attorney-General's Department . . . . .	279 749
6	Department of Business and Consumer Affairs . . . . .	596 013
6	Department of the Capital Territory . . . . .	66 624
6	Department of Defence . . . . .	17 427 096
7	Department of Education . . . . .	1 173 429
8	Department of Employment and Youth Affairs . . . . .	247 283
8	Department of Finance . . . . .	39 471
8	Department of Foreign Affairs . . . . .	4 869 889
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10	Department of Industrial Relations . . . . .	63 199
10	Department of National Development . . . . .	67 010
10	Department of the Prime Minister and Cabinet . . . . .	366 455
11	Department of Productivity . . . . .	7 858
11	Department of Science and the Environment . . . . .	333 764
11	Department of Social Security . . . . .	164 505
12	Department of Trade and Resources . . . . .	893
12	Department of Transport . . . . .	735 626
12	Department of the Treasury . . . . .	307 724

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DEPARTMENTS AND SERVICES

	\$
13 Department of Administrative Services . . . . .	300 968
13 Attorney-General's Department . . . . .	21 700
13 Department of Education . . . . .	14 621
13 Department of National Development . . . . .	77 969
14 Department of Primary Industry . . . . .	15 000

I. CASTLES  
 Secretary to the Department of Finance  
 August 1979

ERIC L. ROBINSON  
 Minister for Finance  
 August 1979



EXPENDITURE FROM THE ADVANCE TO THE MINISTER FOR FINANCE

APPROPRIATION ACT (No. 1) 1978-79

DEPARTMENTS AND SERVICES

PARLIAMENT

	\$
DIVISION 101.—SENATE	
2.—Administrative Expenses—	
03. Printing, binding and distribution of papers . . . . .	52 148
06. Incidental and other expenditure . . . . .	1 781
DIVISION 102.—HOUSE OF REPRESENTATIVES	
2.—Administrative Expenses—	
03. Printing, binding and distribution of papers . . . . .	261 704
DIVISION 103.—PARLIAMENTARY REPORTING STAFF	
1.—Salaries and Payments in the nature of Salary—	
01. Salaries and allowances . . . . .	10 063
2.—Administrative Expenses—	
01. Travelling and subsistence . . . . .	5 854
04. <i>Hansard</i> —Printing, distribution and binding— House of Representatives . . . . .	61 028
DIVISION 104.—PARLIAMENTARY LIBRARY	
1.—Salaries and Payments in the nature of Salary—	
02. Overtime . . . . .	7 857
2.—Administrative Expenses—	
07. Incidental and other expenditure . . . . .	3 945

DEPARTMENT OF ABORIGINAL AFFAIRS

	\$
DIVISION 120.—ADMINISTRATIVE	
2.—Administrative Expenses—	
03. Postage, telegrams and telephone services . . . . .	63 292
12. Incidental and other expenditure . . . . .	7 774
3.—Other Services—	
06. Vocational training and adjustment . . . . .	14 330

DEPARTMENT OF ADMINISTRATIVE SERVICES

	\$
DIVISION 130.—ADMINISTRATIVE	
3.—Other Services—	
12. Australian Bicentenary Celebrations . . . . .	31 894
6.—Overseas Property Services—	
02. Property maintenance and services . . . . .	28 748
03. Furniture and fittings . . . . .	38 472
DIVISION 133.—AUSTRALIAN ELECTORAL OFFICE	
2.—Administrative Expenses—	
06. Commonwealth elections and referendums . . . . .	44 729
DIVISION 137.—COMMONWEALTH POLICE	
2.—Administrative Expenses—	
06. Motor vehicles—Hire, maintenance and running expenses . . . . .	63 802
DIVISION 140.—PARLIAMENTARY AND MINISTERIAL STAFF AND SERVICES	
4.—Visits Abroad of Ministers (including personal staff) and Others . . . . .	103 999
DIVISION 291.—COMMONWEALTH ACCOMMODATION AND CATERING SERVICES LIMITED	
03. Migrant temporary accommodation assistance . . . . .	11 691

ATTORNEY-GENERAL'S DEPARTMENT

	\$
DIVISION 165.—ADMINISTRATIVE	
1.—Salaries and Payments in the nature of Salary—	
01. Salaries and allowances . . . . .	25 634
2.—Administrative Expenses—	
06. Legal expenses . . . . .	113 132
DIVISION 173.—FAMILY LAW	
2.—Administrative Expenses—	
06. Reimbursements to States for services under Family Law Act . . . . .	130 038
DIVISION 178.—ADMINISTRATIVE APPEALS TRIBUNAL	
2.—Administrative Expenses—	
03. Postage, telegrams and telephone services . . . . .	10 945

DEPARTMENT OF BUSINESS AND CONSUMER AFFAIRS

	\$
DIVISION 195.—ADMINISTRATIVE	
2.—Administrative Expenses—	
03. Postage, telegrams and telephone services . . . . .	533 577
DIVISION 199.—TRADE PRACTICES COMMISSION	
2.—Administrative Expenses—	
05. Legal fees . . . . .	62 436

DEPARTMENT OF THE CAPITAL TERRITORY

	\$
DIVISION 210.—ADMINISTRATIVE	
3.—Other Services—	
06. Social welfare . . . . .	46 508
DIVISION 211.—AUSTRALIAN CAPITAL TERRITORY HOUSE OF ASSEMBLY	
1.—Salaries and Payments in the nature of Salary—	
01. Salaries and allowances . . . . .	11 305
02. Overtime . . . . .	87
2.—Administrative Expenses—	
01. Travelling and subsistence . . . . .	924
02. Office requisites and equipment, stationery and printing . . . . .	417
03. Postage, telegrams and telephone services . . . . .	114
04. Reporting of meetings . . . . .	6 010
05. Incidental and other expenditure . . . . .	1 259

DEPARTMENT OF DEFENCE

	\$
DIVISION 230.—AUSTRALIAN DEFENCE FORCE	
1.—Salaries and Payments in the nature of Salary—	
02. Permanent Military Forces . . . . .	1 898 321
DIVISION 233.—ADMINISTRATIVE AND OTHER EXPENDITURE	
1.—Administrative Expenses—	
03. Postage, telegrams and telephone services . . . . .	61 533
04. Fuel, light, power, water supply and sanitation . . . . .	213 298
10. Computer services . . . . .	9 984
15. Transfer expenses . . . . .	251 568

Department of Defence—continued

	\$
DIVISION 234.—EQUIPMENT AND STORES	
1.—New Equipment and Stores—	
01. Naval construction . . . . .	4 785 490
04. Other equipment and stores . . . . .	7 441 688
2.—Replacement Equipment and Stores—	
01. Weapons, armament, ammunition and explosives . . . . .	1 771 857
DIVISION 237.—BUILDINGS AND WORKS . . . . .	33 423
DIVISION 238.—NATURAL DISASTERS AND CIVIL DEFENCE	
2.—Administrative Expenses—	
03. Postage, telegrams and telephone services . . . . .	2 683
DIVISION 240.—DEFENCE CO-OPERATION	
01. Malaysia . . . . .	187 817
02. Indonesia . . . . .	282 846
DIVISION 241.—DEFENCE SCIENCE AND TECHNOLOGY	
1.—Salaries and Payments in the nature of Salary—	
01. Salaries and allowances . . . . .	486 588

DEPARTMENT OF EDUCATION

	\$
DIVISION 270.—ADMINISTRATIVE	
1.—Salaries and Payments in the nature of Salary—	
01. Salaries and allowances . . . . .	50 711
4.—Student Assistance Programs—	
03. Secondary allowances and senior secondary scholarships . . . . .	342 451
DIVISION 272.—EDUCATIONAL SERVICES—NORTHERN TERRITORY	
1.—Salaries and Payments in the nature of Salary—	
01. Salaries and allowances . . . . .	258 295
DIVISION 278.—CANNBERRA COLLEGE OF ADVANCED EDUCATION	
1.—For expenditure under the Canberra College of Advanced Education Act—Running expenses . . . . .	35 104
DIVISION 279.—THE AUSTRALIAN NATIONAL UNIVERSITY	
1.—Running expenses—Supplementary grant . . . . .	247 868

Department of Education—continued

DIVISION 280.—DARWIN COMMUNITY COLLEGE	\$
1.—For expenditure under the Darwin Community College Ordinance—Running expenses	239 000

DEPARTMENT OF EMPLOYMENT AND YOUTH AFFAIRS

DIVISION 288.—COMMONWEALTH EMPLOYMENT SERVICE	\$
1.—Salaries and Payments in the nature of Salary—	
01. Salaries and allowances	227 776
2.—Administrative Expenses—	
06. Freight and cartage	19 507

DEPARTMENT OF FINANCE

DIVISION 304.—ADMINISTRATIVE	\$
1.—Salaries and Payments in the nature of Salary—	
01. Salaries and allowances	15 320
3.—Other Services—	
05. Act of grace payments in special circumstances	17 108
07. Commonwealth Employees' Furlough—Payments to Statutory Authorities in respect of transferred employees	4 060
DIVISION 308.—SUPERANNUATION FUND INVESTMENT TRUST	
2.—Administrative Expenses—	
01. Travelling and subsistence	2 983

DEPARTMENT OF FOREIGN AFFAIRS

DIVISION 315.—ADMINISTRATIVE	\$
2.—Administrative Expenses—	
15. Expenditure overseas on behalf of other Departments, not recouped at 30 June 1979	51 562
DIVISION 318.—AUSTRALIAN DEVELOPMENT ASSISTANCE BUREAU	
4.—Bilateral Aid Projects, Technical Co-operation and Related Activities—	
01. Colombo Plan and other bilateral programs	2 224 251
02. Disaster relief	152 966

Department of Foreign Affairs—continued

7.—Multilateral Aid—United Nations Programs—	\$
04. United Nations High Commissioner for Refugees	2 441 110

DEPARTMENT OF HEALTH

DIVISION 327.—HEALTH INSURANCE	\$
2.—For payment to the Health Insurance Fund established by the Health Insurance Act 1973	7 178 838

DEPARTMENT OF HOME AFFAIRS

DIVISION 340.—ADMINISTRATIVE	\$
3.—Other Services—	
02. Cocos (Keeling) Islands and Christmas Island Air Charter	21 845
DIVISION 344.—AUSTRALIAN WAR MEMORIAL	
2.—Administrative Expenses—	
13. Incidental and other expenditure	2 127
DIVISION 346.—COCOS (KEELING) ISLANDS	
2.—Administrative Expenses—	
03. Incidental and other expenditure	7 532

DEPARTMENT OF IMMIGRATION AND ETHNIC AFFAIRS

DIVISION 360.—ADMINISTRATIVE	\$
2.—Administrative Expenses—	
03. Postage, telegrams and telephone services	48 183
08. Freight and cartage	990
3.—Other Services—	
01. Deportation—Fares and other costs	86 274
04. Immigration studies and research	360
4.—Embarkation and Passage Costs—	
02. Movements of migrants on disembarkation	28 968

Department of Immigration and Ethnic Affairs—continued

		\$
<b>DIVISION 364.—OVERSEAS SERVICE</b>		
1.—Salaries and Payments in the nature of Salary—		
01. Salaries and allowances . . . . .		156 695
2.—Administrative Expenses—		
01. Travelling and subsistence . . . . .		42 846
03. Telephone services . . . . .		728
04. Incidental and other expenditure . . . . .		26 249

**DEPARTMENT OF INDUSTRIAL RELATIONS**

		\$
<b>DIVISION 295.—INDUSTRIAL RELATIONS BUREAU</b>		
2.—Administrative Expenses—		
01. Travelling and subsistence . . . . .		13 977

<b>DIVISION 370.—ADMINISTRATIVE</b>		
1.—Salaries and Payments in the nature of Salary—		
01. Salaries and allowances . . . . .		49 222

**DEPARTMENT OF NATIONAL DEVELOPMENT**

		\$
<b>DIVISION 430.—ADMINISTRATIVE</b>		
2.—Administrative Expenses—		
05. Payments under Compensation (Commonwealth Government Employees) Act . . . . .		26 973
09. Incidental and other expenditure . . . . .		1 590

<b>DIVISION 431.—DIVISION OF NATIONAL MAPPING</b>		
1.—Salaries and Payments in the nature of Salary—		
01. Salaries and allowances . . . . .		38 447

**DEPARTMENT OF THE PRIME MINISTER AND CABINET**

		\$
<b>DIVISION 500.—ADMINISTRATIVE</b>		
2.—Administrative Expenses—		
04. Distinguished visitors, guests and special occasions—Official hospitality, presentations and entertainment . . . . .		24 916
3.—Other Services—		
01. Former Governors-General or their dependants—Annual allowances . . . . .		196
09. State Funerals . . . . .		4 408

Department of the Prime Minister and Cabinet—continued

		\$
<b>DIVISION 504.—CONVEYANCE OF GOVERNOR-GENERAL, MINISTERS OF STATE AND OTHERS BY R.A.A.F. AND DEPARTMENT OF TRANSPORT AIRCRAFT</b>		
01. R.A.A.F. . . . .		308 539
02. Department of Transport . . . . .		6 903

<b>DIVISION 515.—AUDITOR-GENERAL'S OFFICE</b>		
2.—Administrative Expenses—		
01. Travelling and subsistence . . . . .		21 493

**DEPARTMENT OF PRODUCTIVITY**

		\$
<b>DIVISION 523.—PATENT, TRADE MARKS AND DESIGNS OFFICES</b>		
2.—Administrative Expenses—		
06. Incidental and other expenditure . . . . .		7 652
3.—Other Services—		
02. Contribution to the International Patent Documentation Centre . . . . .		206

**DEPARTMENT OF SCIENCE AND THE ENVIRONMENT**

		\$
<b>DIVISION 543.—ANTARCTIC DIVISION</b>		
1.—Salaries and Payments in the nature of Salary—		
01. Salaries and allowances . . . . .		71 948
2.—Administrative and Operational Expenses—		
04. Hire of ships and aircraft . . . . .		97 949
06. Shipping and stevedoring charges . . . . .		129 433
<b>DIVISION 544.—COMMONWEALTH BUREAU OF METEOROLOGY</b>		
2.—Administrative and Operational Expenses—		
12. Incidental and other expenditure . . . . .		34 434

**DEPARTMENT OF SOCIAL SECURITY**

		\$
<b>DIVISION 590.—ADMINISTRATIVE</b>		
1.—Salaries and Payments in the nature of Salary		
02. Overtime . . . . .		164 505

DEPARTMENT OF TRADE AND RESOURCES

DIVISION 644.—EXPORT DEVELOPMENT GRANTS BOARD	\$
3.—Other Services—	
01. For expenditure under the Export Market Development Grants Act . . . . .	893

DEPARTMENT OF TRANSPORT

DIVISION 655.—ADMINISTRATIVE	\$
1.—Salaries and Payments in the nature of Salary—	
02. Overtime . . . . .	41 421
2.—Administrative Expenses—	
03. Postage, telegrams and telephone services . . . . .	694 205

DEPARTMENT OF THE TREASURY

DIVISION 670.—ADMINISTRATIVE	\$
1.—Salaries and Payments in the nature of Salary—	
01. Salaries and allowances . . . . .	79 104
3.—Other Services—	
02. Loan management expenses . . . . .	90 576
DIVISION 672.—AUSTRALIAN TAXATION OFFICE	
2.—Administrative Expenses—	
05. Legal expenses . . . . .	138 044

EXPENDITURE FROM THE ADVANCE TO THE MINISTER FOR FINANCE

APPROPRIATION ACT (No. 2) 1978-79

DEPARTMENTS AND SERVICES

DEPARTMENT OF ADMINISTRATIVE SERVICES

DIVISION 819.—OTHER SERVICES	\$
05. Sir Robert Menzies Memorial Trust—Contribution . . . . .	300 000
09. Joint Commonwealth-State Task Force on Drugs . . . . .	968

ATTORNEY-GENERAL'S DEPARTMENT

DIVISION 823.—CAPITAL WORKS AND SERVICES	\$
1.—Buildings and Works—	
01. Commonwealth-State Law Courts, Sydney . . . . .	700
DIVISION 824.—PAYMENTS TO OR FOR THE STATES	
02. Legal Aid—Grants to supplement existing legal aid schemes . . . . .	21 000

DEPARTMENT OF EDUCATION

DIVISION 835.—CAPITAL WORKS AND SERVICES	\$
1.—Buildings and Works—	
01. The Australian National University—Approved capital programs . . . . .	4 377
02. Canberra College of Advanced Education—Approved capital programs . . . . .	9 736
06. Child migrant education program—Demountable classrooms . . . . .	508

DEPARTMENT OF NATIONAL DEVELOPMENT

DIVISION 842.—PAYMENTS TO OR FOR THE STATES	\$
1.—For the purposes of the Urban and Regional Development (Financial Assistance) Act—	
04. Urban water supply . . . . .	52 969
DIVISION 887.—OTHER SERVICES	
05. Radioactive material management . . . . .	25 000

DEPARTMENT OF PRIMARY INDUSTRY

	\$
DIVISION 914.—OTHER SERVICES	
03. Cheynes Beach Whaling Company—Grant . . . . .	15 000

APPENDIX B

CALLS ON SPECIAL APPROPRIATION SECTION 4  
SUPPLY ACT, SECTION 5 APPROPRIATION ACT

Year	Bill	APF <sup>2</sup> /m	Section	U/G Warrant \$	Issues to Depta \$
1973-74	Supply 1	30	4	46,258,000	46,163,133
1973-74	Approp 3	50 (Approp 1)	5	23,400,000	23,400,000
1974-75	Supply 1	60	4	109,285,000	109,285,000
1974-75	Approp 1	} 75	5	138,306,700	
1974-75	Approp 1		5	12,200,000	
1974-75	Approp 1		5	1,062,000	
				151,568,700	151,550,758
1975-76	Supply 1	120	4	67,513,249	67,469,959
1976-77	Approp 1	110	5	13,840,483	12,735,033
1977-78	Approp 1	118.	5	77,000,000	225,095
1978-79	Approp 1	125	5	**1,497,120 56,900	56,900

\* Advance to the Minister for Finance (Treasurer prior to December 1977).

\*\* Determination was made by the Minister under Section 5 of Approp. Act (No 1) 1978-79 on 18 May 1979; in the event Governor-General's Warrant was obtained in respect of the amounts provided by Appropriation Act (No 3) 1978-79 (Additional Estimates) before it could be obtained for the Determination. Accordingly, interim warrant authority issued from the Advance to the Minister for Finance pending the issue of Governor-General's Warrant against the Determination, was assumed by the Additional Estimates warrant.

DEPARTMENT OF DEFENCE

EXPENDITURE FROM THE ADVANCE TO THE MINISTER  
FOR FINANCE 1978/79

PART OF THE ADDITIONAL EXPLANATION PROVIDED BY THE  
DEPARTMENT OF DEFENCE TO THE PUBLIC ACCOUNTS COMMITTEE

Appropriation Item : 234/1/01 - New Equipment and Stores -  
Naval Construction

Oceanographic Ship (~ \$1.762m)

Underexpenditure resulted from a general slippage on Oceanographic Ship construction due mainly to changes in delivery schedules for machinery and electrical items and deferment/delays in placing orders for Government Furnished Equipment.

Amphibious Heavy Lift Ship (- \$1.474m)

Delays in the tender evaluation phase of the project resulted in the placement of the construction contract being deferred by 8 months. As a consequence the downpayment of 5% was not achieved in 1976/77.

Oberons 05-06 (- \$1.078m)

Underexpenditure was due mainly to MOD(N) UK advising a reduced expenditure requirement for 1976/77 on the main contract after the Budget Estimate was finalised.

Other Projects (- \$2.621m)

Less significant expenditure shortfalls were encountered against a number of other projects.

APPENDIX DAMOUNTS OUTSTANDING AT 30 JUNE 1979

\$

Australian Broadcasting Commission	136.57
Australian Development Assistance Bureau	64.35
Department of Administrative Services (Overseas Operations Branch)	2,718.83
Department of Administrative Services	1,391.13 (4)
Australian Telecommunications Commission	25.83
Attorney-General's Department	11,702.12
Australian National University	6,304.34
Department of Housing and Construction	10,844.40
Department of Industrial Relations	36.32 (1)
Film Australia	6,714.05
National Library	3,471.31
Department of National Development	1,101.26
Department of Post and Telecommunications	293.17 (5)
Department of Primary Industry	785.57
Department of Productivity	459.74
Department of Science and the Environment	180.07
Department of Social Security	576.00
Department of Trade and Resources	428.22 (5)
Department of Trade and Resources (Trade Publicity)	948.30 (1)
Taxation Office, Parramatta	1,711.29 (3)
Department of Veterans' Affairs	382.21
Papua New Guinea Government	1,286.36 (2)
	<u>\$51,561.52</u>

## NOTES:

- (1) Payment received 3 July
- (2) Part payment (\$640.28) received 3 July
- (3) Cheque drawn Sydney 28 June but not received  
Canberra by 30 June.
- (4) Part payment (\$668.29) received 5pm 29 June.
- (5) Vouchers redirected by another department and  
not received by paying department by 30 June.



LIST OF OVERSEAS POSTS WHERE  
IMPREST ACCOUNTS ESTABLISHED

1. Posts where advances reimbursed by an Accounting Office, Department of Finance

(a) Reimbursement by:

The Director  
Office of the Accounting Office, Department of Finance  
Australian Mission and Consulate  
17-19 Chemin du Champ d'Anier  
1211 Geneva 19  
SWITZERLAND

The Australian Embassy

ANKARA  
ATHENS  
BEIRUT  
BELGRADE  
BERN  
BONN-BAD GODESBERG  
BRUSSELS  
COPENHAGEN  
LISBON  
MADRID  
PARIS  
ROME  
STOCKHOLM  
TEL AVIV  
THE HAGUE  
VIENNA  
WARSAW

The Australian High  
Commission  
VALETTA

The Australian Consulate-  
General

HAMBURG  
MILAN

The Australian Government  
Information Office

HELSINKI

The Australian Military  
Mission

BERLIN

(b) Reimbursement by:

Office of the Accounting Office, Department of Finance  
C/- Australian Consulate-General  
636 Fifth Avenue  
NEW YORK, N.Y. 10020, U.S.A.

The Australian Embassy

MEXICO CITY  
WASHINGTON

The Australian High Commission

OTTAWA

The Australian Consulate-  
General  
CHICAGO

LOS ANGELES  
SAN FRANCISCO

Australian Government  
Trade Commission

MONTREAL  
TORONTO  
VANCOUVER

(c) Reimbursement by:

Accounting Office Department of Finance,  
Australia House  
The Strand  
LONDON, W.C. 2B 4L.A ENGLAND

The Australian Embassy

DUBLIN

2. Posts where advances reimbursed by other Departments

(a) Reimbursement by:

Department of Foreign Affairs  
CANBERRA, A.C.T.

The Australian Embassy

BANGKOK  
BUENOS AIRES  
CAIRO  
JAKARTA  
ISLAMABAD  
LIMA  
MANILA  
MOSCOW  
PHNOM PENH  
PRETORIA  
RANGOON  
RIO DE JANEIRO  
SAIGON  
SANTIAGO  
SEOUL  
TAIPEI  
TEHERAN  
TOKYO  
VIENTIANE

The Australian Consulate

NOUMEA

Note The following post provides facilities to departments but does not maintain an imprest advance, accounts being forwarded for payment to the post indicated:

Post

Australian Government Office  
KARACHI

The Australian High  
Commission

ACCRA  
COLOMBO  
Dacca  
DAR-ES SALAM  
KUALA LUMPUR  
LAGOS  
NAIROBI  
NEW DELHI  
SINGAPORE  
SUVA  
WELLINGTON

The Australian Deputy  
High Commission

BOMBAY  
CALCUTTA  
The Australian Commission  
HONG KONG

The Australian  
Representative -

NAURU

Accounts Paid by

Australian Embassy  
ISLAMABAD

(b) Reimbursement by:

Department of Overseas Trade  
CANBERRA, A.C.T.

The Australian Government Trade Commission

AUCKLAND  
BAHRAIN  
CHRISTCHURCH  
JOHANNESBURG  
OSAKA  
PORT-OF-SPAIN

Note Imprest Advances maintained by other Australian Government Trade Commissions are reimbursed as follows:

Office

Australian Government Trade  
Commission  
CAPETOWN

Reimbursement by

The Australian Government Trade  
Commission  
JOHANNESBURG

OVERSEAS ACCOUNTS DIRECTIONS

Duties of Chief Accounting Officer for overseas office operating on an account.

25. Except where the Minister otherwise directs, the Chief Accounting Officer for an overseas office shall, at the end of each month, forward to the appropriate Authorizing Officer or to the Overseas Authorizing Officer at another overseas office who reimburses the Imprest Account -

- (a) a statement of the transactions entered in the cash book for the month;
- (b) a schedule of the amounts received during that month in respect of each Department together with the vouchers for those amounts and any Transfer Accounts prepared in accordance with paragraph (a) of sub-clause (3.) of clause 9 of these Directions;
- (c) all accounts paid during that month, together with a covering schedule in respect of each Department showing the account numbers and a summary of charges in relation to each head and item of expenditure;
- (d) if a representative of the Auditor-General is not available to audit the accounts -
  - (i) a bank sheet of the bank account for that month certified as correct by the bank; and
  - (ii) a statement certified as correct by the Overseas Authorizing Officer and another officer of the overseas office and showing a reconciliation between the final cash balance for the month as shown in the cash book and the final cash balance for the month as shown in the bank sheet; and
- (e) an account for reimbursement.

26. When an Overseas Certifying Officer for an overseas office receives from another overseas office any accounts or other documents of a kind referred to in the last preceding clause, he shall, if he is satisfied, upon the evidence available, that the reimbursement account is correct -

- (a) certify that that account is correct within the meaning of section 34 of the Act; and
- (b) unless the Minister otherwise directs, arrange for the reimbursement of the Imprest Account for the other overseas office.

27.- (1.) When an Authorizing Officer receives from an overseas office accounts and other documents of a kind referred to in clause 25 of these Directions, he shall forward them to the appropriate person in Australia who is appointed by the Minister under sub-section (1.) of section 34 of the Act to certify the correctness of accounts.

(2.) If that person is satisfied, upon the evidence available, that the reimbursement account is correct, he shall -

- (a) certify that that account is correct within the meaning of section 34 of the Act; and
- (b) unless the Minister otherwise directs, arrange for the reimbursement of the Imprest Account for the overseas office.

#### PART IV. - MISCELLANEOUS.

28. An Overseas Certifying Officer for an overseas office shall keep in the office a copy of every account paid by the office.

29. Unless the Minister otherwise directs, remittances to an overseas office from a Department in Australia or from another overseas office shall be made to a bank account for the first-mentioned overseas office.

30. The form of books and other documents to be used in connexion with the receipt and expenditure by an overseas office of public moneys shall be approved by the Secretary to the Department of the Department of Finance.

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Duties of officer in overseas office who receives accounts from another overseas office operating on an Imprest Account.

Duties of officers in Australia who receive accounts from overseas office operating on an Imprest Account.

Copies of accounts to be kept.

Remittances to overseas bank account.

Form of books and other documents.

## FINANCE DIRECTIONS

### SECTION 34

#### Reimbursement of Imprest Accounts

\*75. The statement for the purposes of clause 25 (a) of the Overseas Accounts Directions, to be forwarded to the office of reimbursement, shall be supported by the certificates set out in Appendix D to this Section. Vouchers for the purposes of clause 25 (b) shall include receipted bank deposit slips in addition to copies of the official receipts issued.

\*76. The bank reconciliation statement required by clause 25 (d) (ii) of the Overseas Accounts Directions shall bear a certificate by the Overseas Authorizing Officer (or, where such an appointment is not held at the post, by the officer appointed to make payments from the Imprest Account) and another officer in the form set out in Appendix E to this Section. The documents referred to in clause 25 of the Overseas Accounts Directions shall be despatched without the bank reconciliation statement where it cannot be completed in time to accompany them. The reconciliation statement shall be forwarded to the appropriate office as soon as it is completed.

77. If an adjustment or correction to a head of receipt or expenditure is necessary and it can be made before the voucher or the paid account is forwarded to Australia, the Overseas Authorizing Officer shall correct the entry on the voucher or account and in the records of the overseas office. If an adjustment or correction is found necessary after the voucher or paid account has been forwarded to Australia, the Overseas Authorizing Officer shall:

- (a) prepare a Transfer Account to adjust the records in the overseas office, and
- (b) forward a copy of the Transfer Account to the Authorizing Officers concerned at the end of the month (see Directions 34/74 - 34/75).

#### Examination of Imprest Account Documents

\*78. Unless otherwise directed by the Dept., the Certifying Officer or Overseas Certifying Officer, as appropriate, shall, before the reimbursement of an imprest account maintained at an overseas office, examine the accounting documents relating to transactions processed through the account during the period concerned and verify that:

- (a) the balance of the cash book carried forward at the end of the period last reimbursed agrees with the balance brought forward at the commencement of the period under reimbursement;
- (b) all receipt and cheque numbers are accounted for in the cash book and that there is no break in continuity between them and the last receipt and cheque numbers shown in the cash book relating to the period of the last reimbursement;
- (c) the receipt and expenditure vouchers have been correctly listed in the cash book;
- (d) the amounts shown in the "amount banked" column of the cash book agree with the receipted copies of the bank deposit slips;
- (e) the statement forwarded for the purposes of clause 25 (a) of the Overseas Accounts, Directions, is supported by certificates in accordance with Direction 34/75;
- (f) the amount of the reimbursement, added to the balance of the cash book carried forward at the end of the period under reimbursement and any reimbursements in transit, agree with the amount of the imprest advance; and shall also arrange, either before or after the reimbursement, for a complete check of the imprest account bank reconciliation statement.

\*78A. The Chief Officer for the office responsible for bringing imprest account transactions to final account shall arrange, either before or after a reimbursement, for receipt vouchers, expenditure vouchers and transfer accounts to be submitted to such degree of check as will satisfy him that the provisions of the Audit Act, the Treasury Regulations, the Overseas Accounts Directions and the Finance Directions given thereunder have been complied with.

#### Recoveries

79. Where expenditure incurred by an overseas post has to be recovered in Australia the relative paid accounts shall be specially marked, e.g. by means of a rubber stamp - RECOVERABLE, to bring the recoverable item to the immediate attention of the Department concerned.

80. If expenditure by an overseas office has to be recovered in another country, the account shall be marked:

"Recoverable in . . ."  
The Overseas Authorizing Officer at the overseas post incurring the expenditure shall forward a request to the Chief Accounting Officer in the country concerned (see Direction 34/22) supported by a copy of the paid account. If the amount is recovered before despatch of the account to Australia, the account shall be indorsed to that effect together with the number of the Official Receipt issued.

#### Non-Official Requests for Services or Assistance

81. Where a request for assistance is received from a source other than a Government Department or Authority, and the expenditure of public moneys is required, the Chief Account-

ing Officer shall, unless the request has been received through the Head Office of the Department, ask the Head Office whether the assistance is to be provided. It is essential that in all such cases the Department should obtain an amount to cover all costs or a firm undertaking to reimburse to the Government all charges associated with providing the service before any expenditure is incurred. This Direction does not apply to requests for which special conditions and approvals exist, e.g. cases covered by the Consular Fees Act and Directions 34/82 and 34/83 etc.

#### Expenditure by Trade Commissioners on behalf of firms or individuals

82. An amount is provided in the annual appropriations of the Department of Overseas Trade to enable Trade Commissioners to perform certain services on a recoverable basis for Australian firms and businessmen interested in the export trade. Expenditure from this appropriation is to be confined to transactions which fall under the following headings:

- (a) samples purchased on request;
- (b) samples and display material from Australia;
- (c) tenders - purchase of documents etc.;
- (d) market and product reports, credit rating reports, official documents, statistical and trade information;
- (e) surveys, inspections etc. by approved mercantile survey firms;
- (f) travel expenses incurred by the Trade Commissioner or his staff in making journeys at the specific request of an individual firm;
- (g) advertising - minor, spasmodic or departmentally sponsored publicity;
- (h) cables and telephone calls.

83. Trade Commissioners shall however:

- (a) seek deposits in cases where the expenditure is likely to exceed the equivalent of \$200.
- (b) require a businessman to pay locally, expenses incurred personally by him at the post unless special reasons exist for recovery in Australia, e.g., lack of convertible currency or time factors;
- (c) with the exception of the urgent purchase of tender documents or except in extraordinary circumstances, undertake no expenditure without specific request;
- (d) not incur expenditure of this nature if the request is made by a person not connected with the promotion of Australian export trade.

#### Interdepartmental Recoveries

84. A claim on another Department for reimbursement of expenditure from an Imprest Account shall be made on Form 12, certified in accordance with Direction 23/1, and supported by a copy of the overseas expenditure voucher. It will be the responsibility of the Authorizing Officer of the Department controlling the Imprest Account to ensure that the original overseas accounts are supported by receipts.

#### Remittances

85. Remittances to and reimbursement of Imprest Accounts overseas shall be made by the Authorizing Officer in Australia except for those in North America and Europe (excluding the United Kingdom) which shall be arranged by the Chief Accounting Officers, New York, and Geneva, respectively by cheque, bank draft, telexgraphic transfer or other means available to them. The Treasury will authorize remittances, as necessary, to Commonwealth of Australian Accounts. The Chief Accounting Officer of the overseas office is to be advised of any amounts so remitted.

DATES OF HEARINGS, LIST OF WITNESSES AND OBSERVERS

1. The items selected from the Statement of Expenditure from the Advance to the Minister for Finance were made the subject of a public inquiry at Parliament House, Canberra on Tuesday 18 September 1979.

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

Department of Defence

Mr D.A. Whitty	-	Assistant Secretary, International Policy
Air Vice-Marshal S.R. White	-	Chief of Supply
Mr M.N. Woolley	-	First Assistant Secretary, Financial Services and Internal Audit
Mr J.S. O'Neill	-	Assistant Secretary, Budgets and Estimates, (General and Co-ordination)
Mr G.J. Hanson	-	Chief Executive Officer, Budget and Estimates

Department of Science and the Environment

Mr R.A. Leslie	-	Acting First Assistant Secretary, Operations and Management Division
Mr P.H. Sulzberger	-	Acting Director, Antarctic Division
Mr A.J. Carroll	-	Project Officer (Hobart), Antarctic Division

3. During the Public Inquiry the Committee was assisted by the following observers:

Mr A.M. Finch	-	Department of Finance
Mr C. Rush	-	Department of Finance
Mr E. Abbott	-	Auditor-General's Office
Mr D. Crombie	-	Auditor-General's Office
Mr A.A. Chapple	-	Public Service Board
Mr B.C. McCallum	-	Public Service Board