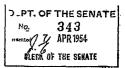
1954.



THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA.

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

# FOURTEENTH REPORT.

## SUPPLEMENTARY ESTIMATES

AND

VARIATIONS UNDER SECTION 37 OF THE AUDIT ACT 1901-1953

FOR THE YEAR 1952-53.

By Authority:
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## Mr. President

On behalf of the Committee, I bring up the Fourteenth Report on Supplementary Estimates, and Variations under Section 37 of the Audit Act 1901-53 for the year 1952-53.

# JOINT COMMITTEE OF PUBLIC ACCOUNTS.

(Appointed 25th September, 1952.)

F. A. BLAND, ESQUIRE, M.P. (Chairman).

Senator C. B. BYRNE (Vice-Chairman).

Senator S. D. PALTRIDGE. Senator the Hon. H. S. SEWARD.

G. Anderson, Esquire, M.P. F. Crean, Esquire, M.P. F. J. DAVIS, ESQUIRE, M.P. A. S. HULME, ESQUIRE, M.P. H. A. LESLIE, ESQUIRE, M.P. A. V. THOMPSON, ESQUIRE, M.P.

NEIL R. CAFFIN, Secretary,

Parliament House, Canberra, A.C.T.

## THE 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 comment as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Parliament
- (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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### JOINT COMMITTEE OF PUBLIC ACCOUNTS.

# FOURTEENTH REPORT.

# SUPPLEMENTARY ESTIMATES AND VARIATIONS UNDER SECTION 37 OF THE AUDIT ACT 1901-1953 FOR THE YEAR 1952-53.

#### (1) INTRODUCTION.

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The Committee considered that it should pay particular attention to the expenditure from the Treasurer's Advance and that covered by the authority of section 37 of the Audit Act 1901-1963.

- 2. The Committee has therefore obtained from the Treasury its draft of the Supplementary Estimates for 1952-63 which are to be submitted to the Parliament in due course, and examined the nature and purpose of such Estimates. It is submitting this Report in order that it will be available to the Parliament when it is considering the Supplementary Estimates.
- 3. The Committee has been assisted by a sectional Committee which conducted an examination of the explanations of each item in the Supplementary Estimates and received evidence, both orally and in writing, on the list of items of Supplementary Estimates and variations of appropriations selected for detailed examination.
- The items examined, and the Committee's comments, are listed below.

# (2) FIRST AND SECOND REPORTS OF THE COMMITTEE.

- 5. The First Report of the Committee, presented to the Parliament on 6th March, 1983, dealt with the Supplementary Estimates for the financial year 1961-52. In accordance with the arrangement made by the Committee with the Treasurer, a Treasury minted dated. 7th October, 1983, in reply to its Report, was received by the Committee and printed as an attachment to the Committee's Ninth Report.
- 6. The Committee considered the Treasury minute and concluded that the views expressed in it did not warrant any specific action at this stage.
- 7. The Second Report of the Committee presented to the Parliament on 26th March, 1953, reviewed the variations of appropriations under the authority of section 37 of the Audit Act 1901-1953 for the financial year 1951-52. The Treasury minute in reply to the Report, dated 18th May, 1953, was received by the Committee and printed as an attachment to the Committee's Third Report. In this minute, the Treasury cutlined the instructions which had been issued to departments on 22nd April, 1953, to improve control over those section 37 variations. As these instructions were issued only two months prior to the end of the 1952-55 financial year, the new procedure was not in force long enough to judge the effect of its operations. The instructions appear to be satisfactory, but it will be necessary to wait for the financial statement of 1953-54 before the effect of the instructions can be proporly assessed.
- 8. The Committee has still to review the form of the Estimates and the range of the items which make up the subdivisions within which the variations are permitted,

#### (3) BUDGET RESULTS OF FINANCIAL YEAR 1952-53.

 The following table sets out the amount of the Supplementary Estimates for 1952-53 compared with those of earlier years on the basis prepared by the Treasury;—

Year			Amount of Supplementary Estimates	Total Budget Expenditure.	Percentage,
1949-50 1950-51 1951-52 1952-53	::	::	£m. 0.0 12.5 0.3 14.2	£m. 581 842 1,017 1,027	1.7 1.5 0.9 1.3

- 10. The Committee, however, draws attention to its later comments in this Report, that the total of Supplementary Estimates is greater than the total disclosed by the Treasury.
- 11. The figures in this table are comparable, one with another, and the percentage of 1.3 per cent for 1952-35 is a reversal of the downward trend of the percentage of Supplementary Estimates shown in the table up to 1961-52. The Treasury has pointed out that an analysis of the Supplementary Estimates for 1952-35 will disclose the reason for this increase: for example, as the following table shows, the additional amount of 48,706,000 required for Refunds of Revenue is unusual and large:—

		Onli	Capital Works				
Year.	of Deserve		Misrel- lancous Services.	Other.	Total.	Works and Services.	Total,
1649-50 1950-51 1951-52 1952-53	£m.	£m. 1.9 4.5	£m. 1.0 1.0 1.4	£m. 4.6 4.1 4.9 3.1	£m. 7.4 9.6 5.9 13.2	fm. 2.5 2.9 3.4 1.0	£m. 9.9 12.5 9.3 14.2

If the amount of £3,700,000 is deleted, the figure of Supplementary Estimates for 1952-53 is, on the Treasury basis, £5,500,000 or 0.5 per cent. of the total Budget expenditure.

12. The total amount of the variations of appropriations under section 37 of the Audit Act 1001-1953 is compared with those of earlier years in the following table:—

Yesa.			Total of Transfers,	Total Budget Expenditure,	l'excentane.
1949-60 1950-51 1931-52 1952-53	::	::	£m. 7.1 3.9 5.2 4.4	£m, 581 842 1,017 1,027	1,22 ,46 ,51 ,43

- plementary Estimates and variations disclose a satisfactory result of the year's transactions and the Department confidently expects that the results for 1953-54 will be quite as good.
- 14. The Committee points out that its examination of individual items of Supplementary Estimates and variations of appropriations indicates that there is much room for improvement in the control of individual items of expenditure. The Committee has discussed below the cases which it has examined.

#### (4) EXAMINATION OF SELECTED ITEMS,

(a) Division 204-Reference of Revenue-£8,718,072.

15. The Appropriation Act 1952 provides-

Division 204.-Refunds of Revenue -£13,000,000.

A footnote to the vote in the 1953-54 Estimates explains that the money is-

explains that the money is—
To be applied by the Trensaure in making refunds of
amounts which have been collected but which do not properly
being to Revenue such as—Yahur of postage stamps repurchased by the Postmaster-General's Department: Unexpired
portion of telephone fees, and of fees for private boxes and
bags; moneys paid to Revenue in error: Proportion of radio
and colle trailer receipts due to Overseas Relevanmuniculions
and colle trailer receipts due to Overseas Relevanmuniculions
and colle trailer receipts due to Overseas Relevanmuniculions
verts. Refunds of tax selected by the Boards appointed under
section 250 of the Income Tax and Social Services Contribution
Assessment Act 1036-1050 and the corresponding sections of
the previous Act; and section 70 of the Pay roll Tax Assess
ment Act 1941-42.

The acquage Asympatitive on Refunds of Recogning for the

The actual expenditure on Refunds of Revenue for the year 1952-53 has amounted to £21,718,072, an excess of £8,718,072 for which a supplementary appropriation

16. The following figures of the estimated and the actual expenditure for 1951-52 and 1952-53 under this vote have been supplied by the Treasury :-

		195	-52,	1952-53,	
		Estimate.	Actual,	Estimate.	Aetual,
Income tax (other t	han by	£'000.	£'000.	£'000.	£,000.
instalments)		١	10,180	i I	19,829
Estate duty		i 1	217	1 1	353
Post office		!	450		465
Land tax			\$ 665	J	372
Other items	• • •		J	L	700
Total .,		12,000	11,512	13,000	21,718

17. The bulk of the over-expenditure is due to heavy refunds of Income Tax (payable other than by instalments) and the Treasury statement explains that-

The excess of expenditure over the provision was mainly brought about by the fact that income tax refunds to graziers and wheat-growers in respect of provisional tax paid in 1951-32 proved to be much greater than was anticipated when the original estimate was compiled.

The estimate for 1952-53 was made about six months before the preparation of the assessments when the amount of refunds would be ascertainable. The Treasury thought that the over-expenditure was not likely to recur and, in any case, the Appropriation Act for 1953-54 provided £18,000,000 for Division 204, Refunds of Revenue.

- 19. The other items making up the amount of Division 204, Refunds of Revenue, were relatively small and fairly stable.
- 19. The method of the appropriation of funds for refunds of revenue has been discussed by the Auditor General in paragraph 7 of his Annual Report for

13. The Treasury feels that these figures for Sup- 1952-53. The Auditor-General questioned whether refunds of revenue should be provided for by annual appropriations-

Section 81 of the Constitution refers to moneys raised and received which shall form one Consolidated Revenue Fund to be appropriated for the purposes of the Commonwealth. Moneys, which are refundable to the public are no longer "moneys received for or on account of the Consonwealth" within the meaning of the Audit Act 1001-1063, are not, therefore, properly part of the Consolidated Revenue the purposes of the Commonwealth.

the purposes of the Commonweath of the Commonwealth is not a purpose of the Commonwealth within the meaning of the Constant which are the constant which are refundable can be considered to have become trust moneys within the meaning of sections 28 and 29 of the Audit Act and are, therefore, payable to the Trust Fund. Governor-General's Warrant unior section 32 of the Audit Act and acquate authority, without any appropriation, for payments from the Trust Fund.

Trust Final.
If the provision of legislative authority is considered to
be a preferable course, such an authority could be included
to the preferable course, such an authority could be included
'condition R'emoid Alabinistration Act 1951 which, provides
that money paid to the credit of the Treasury and not being
public money may be returned or reputid in accordance with
the Treasury Regulations. Under such an authority, refunds
outh the debied to the head of revenue concerned and not to an appropriation.

to an appropriation.
If an appropriation is still considered necessary, an alternative procedure to the foregoing would be to provide for Refunds of Revenue by way of special appropriation. It is aroug in principle that the refund of moneys which do not assume that the necessary of the second of the second se

- 20. Refunds of Revenue are provided for at present by two different methods-
  - (a) the Annual Appropriation under Division 204 -Refunds of Revenue, and
  - (b) the Special Appropriations under various statutes.

The following table sets out the various items:-

By the Annu Income Tax				L. 1		£n
Land Tax		er could b	istumeni	S)	* *	19.
Latate Daty	,		**	* *		
Post Office			••			
Other						
						_
						21
				lat 1901	-1052	_
Customs a Section 1 Income Tax Services 1953, Sec	nd E 163 —inst. Contr ction 2	ceise—Ca alments— ibution 21v	stoms Income : Assessme	Tax and . nt Act	Social 1936-	
Section 1 Income Tax Services	nd E 163 —inst. Contr ction 2 ction—	ceise—Ca alments— ibution 1210 Wool Sa	stoms .: Income : Assessme les Dedu	Tax and . nt Act	Social 1936-	24.
Customs a Section 1 Income Tax Services 1953, Sec Wool Dedu	nd E 163 —inst. Contr ction 2 ction—	ceise—Ca alments— ibution 1210 Wool Sa	stoms .: Income : Assessme les Dedu	Tax and . nt Act	Social 1936-	24.

- 21. The Auditor-General has suggested that consideration should be given to-
- (a) the use of the Trust Fund to provide for refunds.
- (b) an authority in the Audit Act to cover refunds, or
- (c) special appropriations in the legislation involved and in the Audit Act.

22. The Treasury does not favour the use of the Trust Fund for the reason that, for example, in respect of income tax, the amount of the refund cannot be determined when the payment is received but only after the subsequent assessment. At that stage, the refund becomes dre and payment is 1 ade. The use of the Trust Fund would be an unnecessary complication. The Treasury view of what should be done is

The present practice of obtaining an appropriation for Refunds of Revenue should be continued but that, if possible, such authority should be conveyed by special appropriation rather than a vote in the Annual Appropriation Act.

It would be inconvenient to include the necessary Appro printion in each of the respective Acts. Furthermore, certain receipts which may become due for refund are not collected under the authority of an Act.

The suggestion of the Auditor-General that a special appropriation to authorize all refunds of Revenue should be included in the Audit Act is acceptable to the Treasury. The Attorney-General's Department has been asked to consider the matter in the current review of the Audit Act.

23. The Committee considers that there should be prompt payment of a refund of this nature, and there seems to be no reason why there should not be uniformity of treatment by special appropriation for all refunds in order to achieve that end.

24. A further point is that, in no document presented to the Parliament, is information given of the total amounts of refunds of revenue. The figures of revenue in the Estimates are net figures of revenue and neither the Commissioner of Taxation nor the Auditor-General includes the amounts of refunds of revenue in his Report to the Parliament. The amounts involved are large and may play a significant part in public finance. The Committee thinks that the Parliament should be informed of the amounts, both for the past year and estimated for the current year and that this should be done through the Estimates. The Treasury should consider means of providing this information in the Estimates, either by showing-

(a) net figures of Revenue, as at present, and among the Special Appropriations, the following entry:-

Refunds of Revenue (items listed) ... Less Amounts of Refunds deducted from Revenue items

(b) gross figures of Revenue and, either, to list Refunds among the Special Appropria-tions, or, to deduct the individual amounts of Refunds from the relevant Revenue items.

nil,

25. The Committee also suggests that the Commissioner of Taxation should include a statement of the Refunds of Taxation Revenue in his Annual Report.

16 ( P

(b) Use of the Treasurer's Advance in 1952-53.

26. The Parliament votes an advance to the Treasurer in the first Supply Bill for the financial year and the explanation given in the Estimates is that the amount is "to enable the Treasurer to make advances and to meet expenditure, particulars of which will afterwards be included in a Parliamentary Appropriation". Treasury Instruction No. 198 also defines the purpose of the Advance as for-

(a) Expenditure on New Works in hand at 30th June, which is incurred between 1st July and the passing of the Appropriation (Works and Buildings) Act;

(b) Expenditure of an urgent or unforescen nature which is incurred between 1st July and the passing of the relative Appropriation Act; or

Expenditure of an unforescen nature which arises during the year and which is not covered by an appropriate Vote.

27. In his Annual Report for 1951-52, the Auditor-General drew attention to two matters concerning the Advance:-

(i) the actual expenditure in 1952-53 from the Advance incurred under warrant authority exceeded the Appropriation by £4,594,241.

(ii) the amount of warrant authority for expenditure from the Advance issued by the Treasury for 1952-53 exceeded the Appropriation and the Governor-General's Warrant by £7,191,715.

#### (i) Excess of Expenditure under Treasurer's Advance, £4,594,241.

28. The Treasury stated that it has been acting on the basis that it can offset against the excess expenditure under votes for the Defence Services, savings which have been made under other Defence Services votes and it explained that-

Notes and it expiration that—
Ily a rearrangement of the votes in the Supplementary Estimates, savings on other Defence items will be offset against three excesses and in the net result the provision for Defence Services will be "nil". This accords with the normal procedure in dealing with Defence votes in the Supplementary Estimates.

For example, in the Supplementary Estimates for 1952-53, excess expenditure and savings under Defence Services votes are listed as follows:-

## SUPPLEMENTARY ESTIMATES 1952-53

Amount of Supplementary Appropriation.

Defence Services-Supplementary Expenditure
Less Amounts provided under
votes which remained unexpended at close of year .. 5,380,984

The Treasury has done this for the 1952-53 accounts and in consequence the amount of excess expenditure remaining debited to the Treasurer's Advance at 30th June, 1953 (and to be covered by the Supplementary Appropriation) is £14,213,257, calculated as follows:-

Actual Expenditure to be covered by Supplementary Appropriation noted in Auditor-General's 10.504.241 5,380,984 14.213.257

This amount is less than the amount of the Treasurer's Advance (£15,000,000).

- 29. If this basis is not a valid one, then the amount of the Supplementary Estimates would be £19,594,241 which exceeds the amount of the Advance approved by the Parliament by £4,594,241 as reported by the Auditor-General.
- 30. The Treasury submitted the following arguments to the Committee in support of its views:-
  - (a) The practice of offsetting savings in expenditure under some votes against excesses in expenditure under other votes is now confined to the Defence Services' votes although the device was used for the Postmaster-General's Department's Additional Estimates in 1951-52. The Committee noted that the practice originated during the 1939-45 war for a different purpose: it was not possible then to allot defence expenditure between the Consolidated Revenue Fund and the Loan Fund, item by item. The total defence expenditure was shown in the Estimates and it was apportioned between the two Funds on an overall basis.

(c) The present practice can be regarded as a re-arrangement of the Defence Services votes and is based on the idea that the Defence Services votes, although listed in detail in the Estimates, should be looked on as block votes.

authorized by the Parliament.(a)

(d) The practice is seen in the Additional Appropriation Bill for 1952-53, which the Parliament approved in March, 1953, and in other Appropriation Acts. In this connexion, the Committee noted the following figures for years since the war :--

	ļ	Amount of-						
Year.	Treasurer's Advance. Supplementary		Defense Offset,	Total,	Exerse over Amount of Treasurer's Advance,			
1946-47 1947-48 1948-49 1949-50 1950-51 1951-52 1952-53	£m. 10.0 10.0 10.0 10.0 10.0 15.0 15.0		£m. 5.1 (a) 20.2 (b) 19.4 2.0  9.9 5.4	£m. 12.8 30.19 28.8 11.9 12.5 19.2 19.6	£m. 2.8 20.19 18.8 1.9  4.2 4.6			

(a) Mainly for subshiles. (b) Mainly for subshiles and Defence Services

- (e) The practice is also designed to avoid the impression that large additional or supplementary amounts of money are required for the Defence Services when, in fact, the original total vote for the Services is not to be exceeded.
- 31. As each item in the Appropriation Act bears the approval of the Parliament, it seems to the Committee that no item should be increased save by Communice that no seem should be increased save by the authority of the Parliament, i.e., by a further appropriation, by use of the Treasurer's Advance, or by the power conferred on the Treasurer by section 37 of the Audit Act. Therefore, so far as the supplementary Defence expenditure is within the amount of the Treasurer's Advance, or within the scope of section 37 of the Audit Act, the Treasurer has authority to approve expenditure in excess of the amounts of the items in the Appropriation Act; but so far as the excess Defence expenditure means that the amount of the Treasurer's Advance is exceeded, the Treasurer has no authority to approve of the excess expenditure.
- 32. There is no Commonwealth legislation authorizing the practice until the Parliament approves the Supplementary Estimates. The United Kingdom practice does not assist the Treasury to overcome the shortcomings of its legal position.

G) ser Note or the No et Account branches of Government Departments Issued by the United Kingdom Treasury—

Parn, 189, Playding Services—Transfer belt new Votes—The rate that the desired the property of the Control o

- 33. Moreover, it is questionable whether the Defence Services votes should be singled out for this treatment in order to avoid the appearance of heavy supplementhe refer to floor the appearance of nearly supplementary expenditure of the departments and business undertakings is not treated in this way. For example, in 1902-53, the Postmaster-General's Department's total cash expenditure under Divisions 230 to 23Tx was less than the contract of the estimated expenditure for the year by £4,122,218, yet the Supplementary Estimates include £698,352 for excess expenditure under some of that Department's votes without any offset from the larger savings under other votes of the Department.
- 34. The fact that the Parliament has on a number of occasions approved bills for additional or supplementary appropriations in which offsetting Defence votes have been included does not constitute a continuing authority for the practice.
- 35. The "offset" of Defence Services votes should rightly he ignored in the calculations of the amount of the debit to the Treasurer's Advance. It is the Committee's opinion that the practice has resulted in the amount of the Treasurer's Advance being exceeded on a number of occasions since the war without narliamentary authority,
- 36. The Treasury has advanced the further argument that the excess over the amount of the Treasurer's Advance in 1952-53 could be traced to the abnormal Refunds of Revenue in that year. Without the abnormal expenditure, the Treasurer's Advance would have been adequate to cope with the excess expenditure, i.e., £19,504,2±1 less £8,718,072 equals £10,876,169. The Committee considers this fact to be immaterial because, in other years, excess of expenditure for other purposes has caused the amount of the Treasurer's Advance to be exceeded
- 37. The Treasury also submitted to the Committee that there were two tenable interpretations of section 36A of the Audit Act, which states-

Section 36a.—Expenditure in excess of specific appropriation or not specifically brovided for by appropriation may be charged to such heads as the Treasurer may direct provided for the provided

#### 38. The Treasury statement was-

38. The Treasury statement was—
In the report of the Auditor-General it is stated that actual
expenditure incurred under Warrant Authority exceeded the
appropriation under "Advance to the Treasurer" by
\$4,969,4241, Whether this is so depends upon the interprotation placed on the expression "in any financial year"
rotation placed on the expression "in any financial year"
to two alternatives. On that Acke which appears to be open
to two alternatives. On that expenditure from "Advance to
the Treasurer" in a financial year to the amount provided
in the Appropriation Act. In other words the Section is
conserved only with the state of affairs at the close of the
Section may be interpreted as requiring that expenditures must
obe at any stage during the financial year exceed the Estimates
provision.

39. The Treasury comment raises the question of the character of the Treasurer's Advance and the expenditure to be financed from it. Section 36x of the Audit Act 1901-1953, the Appropriation itself, and the Treasury Instruction No. 198 (all of which are quoted above), indicate that the Advance is for emergency payments or in anticipation of payments to be provided in the Estimates, both of which will subsequently be approved by the Parliament in an appropriation, either an Appropriation Bill or an appropriation clause

in other legislation. In the light of the comments of the Auditor-General and of the explanations by the Treasury, it would seem that the "Advance Account" is changing its character, and, instead of being used primarily for emergent and unforescen expenditure, is being used as a sort of "Departmental Working Account" or as a departmental bank account to make available funds that should have been provided in the original estimates. As such, it finances expenditure-

- (a) which is subsequently recovered, either from other Administrations or from other Commonwealth Departments or authorities or
- (b) which is in anticipation of a Governor-General's Warrant for expenditure already appropriated.

These transactions do not appear in the Additional or Supplementary Estimates unless the recovery is delayed beyond the end of the financial year.

- 40: The Committee believes that the intention of the Parliament is to appropriate an amount in the nature of a fund from which the Treasurer will be able to make emergency payments (£15,000,000 in 1952-53). and that, at any time during the year, the amounts charged against the appropriation, less any amounts refunded or transferred by appropriation by the Parliament should not exceed the appropriation. The Committee considers that the Treasury should review the concept of the Treasurer's Advance, and the legislation involved, in the light of these comments.
- 41. The issue is more than a technicality. An important feature of the Parliament's control of the purse is the establishment by the Parliament of limits to the amounts which can be spent from appropriations for particular purposes. If the principle of parliamentary control of the purpose is to be upheld, the limits imposed by the items in the appropriations should be strictly observed and no variation should be permitted save by methods which the Parliament has approved. If the limits on votes are too low, the authority given by the Parliament to the Treasurer by way of the Advance or by section 37 of the Audit Act can be used to increase the limits, but beyond that, a further appropriation should be submitted to the Parliament, which, if necessary, should be summoned for the purpose. The "re-arrangement" of votes does not affect this position, for the "re-arrangement" of votes to permit an excess of expenditure under an item without proper authority is in no way different from an excess of expenditure under an ordinary vote.
- 42. One method of overcoming the situation for the Defence Services votes would be to vote an aggregate as against itemized sums for each Service on the lines of the United Kingdom appropriation, e.g., 425,770,000 for the Department of the Navy, £73,742,000 for the Department of the Arny, and so on. The Treasury does not favour this method. It considers that the dissection of the Defeave votes as at vaccent should be retained to give a decree votes as at present should be retained to give a degree of control over defence expenditure. A margin of flexibility between votes is, however, desirable. The Committee agrees with this view and it believes that adequate flexibility can be achieved through the existing
- (ii) Warrant Authority under Treasurer's Advance. 43. The Auditor-General reported that, at 30th June, 1953, the amounts of the warrant authorities issued by the Treasury for expenditure as a charge

against the Treasurer's Advance pending Supple bendary Estimates, and of the actual expenditure under

	Warrant Authority Fending Supplementary Appropriation.	Actual Expenditure to be Covered by Supplementary Appropriation.
Departments and Services (other than Defence Services), Business Under- takings and Territorics of the Com-	£	£
monwealth	4,517,735	4.459.770
Defence Services	5,498,271	5.380.984
Capital Services	1,648,441	1,035,415
Refunds of Revenue-Income Tax	11,664,447 10,527,268	10,876,169 8,718,072
	22,191,715	19,591,241

It will be seen that the amount of warrant authority issued (£22,191,715) exceeded the amount Treasurer's Advance (C15m.).

- A similar position was also reported on by the Auditor-General in his Annual Report for 1951-52. He stated that-
- In January, 1952, the aggregate total Warrant Authority for Espenditure issued by the Treasury to in an expenditure under this appropriation commenced to evered £15,000,000 and by 15th June, 1952, the aggregate total was as follows:—

Issued pending Governor-General's Warrant Issued pending Recovery	£ 1,120,750 5,922,901 20,727,086 7,406,569
Total	44.177.306

The provisions of the Audit Act and the Treasury Regula-tions do not require the Treasury to restrict the amount of Warmant Authority for Expenditure to the amount of the respective appropriations but the underlying intention is that Warman Authority for Expenditure be limited to the amount of Governor-General's Warman or the amount of the appropriation, whichever is the less. This intention has been strictly followed by the Treasury in all cases except the rote for Advance to the Treasure.

To provide Parliamentary authority for the expenditure being fineurred pending appropriation, additional appropriation indiling 227,937,000 was granted by the Appropriation Act (No. 2) 1951-52 and the Appropriation Works and Services Act (No. 2) 1951-52 in indicated in the former Act, this amount took into consideration Defence Services appropriations totaling 28,758,900, estimated to remain unequended at the close of the year, thus in effect giving additional appropriation for 280,603,600 in

- It is becoming increasingly apparent that the Treasury is being compelled to take risks in the issue of Warrant Authority for Expenditure which could lead to a definite breach of Section 36, of the Audit Act.
- 45. Warrant authorities are authorized by Treasury Regulation 90 (1)-

An Authorizing Officer shall not authorize expenditure from An Authorizing Other shaft not authorize expenditure from Revenue or Loan appropriations until a Warrant Authority for Expenditure in accordance with Form 30 authorizing expenditure accordingly has been obtained from the Secretary, Department of the Treasury.

The Treasury stated that, in its view, no limit, either directly or by relation to the amount of Treasurer's Advance, is placed on the amount of warrant authority which the Treasury can issue for expenditure from the Advance. The warrant authority informs the authorizing officer of the limit of the expenditure which he is authorized to approve from the Advance. In the upshot, the amount of the warrant authority may not be spent or the actual expenditure may vary from that authorized by the various warrant

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46. The Committee considered that, at no one time during the year, should the amount of warrant authority for expenditure from the Treasurer's Advance exceed the amount of the Advance. Section 83 of the Constitution and sections 31 to 36A of the Audit Act appear to the Committee to convey the intention to limit the authority for expenditure generally to the amount of the Governor-General's Warrant, and, if such is the case, the Committee could see no reason why this limitation should not be applied to the Treasurer's Advance. If the view expressed on the general limitation of expenditure to the amount of Governor-General's Warrant is correct, the Committee suggests that the Audit Act should be amended to remove any existing doubts to its application to the Treasurer's

## (c) DEPARTMENT OF THE TREASURY.

Division 43/1 .- Commonwealth Stores Supply and Tender Bourd, £9,576.

- 47. The Postmaster-General's Department handlesstores for the Commonwealth Stores Supply and Tender Board in return for a percentage commission calculated on the value of stores issued. A rate of commission was charged by the Postmaster-General's Department to cover the costs but, in 1928, it was reduced from 5 per cent. (7½ per cent. in Western Australia) to 1½ per cent, in all States.
- 48. There was no record in the Treasury of any review of the rate of commission until 1951, when the Treasury directed that the Postmaster-General's Department should again be reimbursed the full cost of the services provided for the Board. The revised rate is 9 per cent. of the value of stores issued and the Treasury agreed to the rate from 1st June, 1952. The Treasury explained that the higher rate was reasonable as the articles were small and handled in small lots.
- 49. The supplementary appropriation is required to cover the payment to the Postmaster-General's Department of the higher rate of commission.
- 50. The Committee draws attention to the long period from 1928 to 1951 during which no review of the rate of commission was made.

Division 191, Item 15 .- Net Loss on "Macarthur" Locomotives, £533,639.

- 51. The Committee reported on this transaction. involving the re-arrangement of a locomotive construction contract, in its First Report on Supplementary Estimates for 1951-52.
- 52. Apart from the small amount provided in the 1953-54 Estimates, the contract has been completed. The Department of Supply informed the Committee
- The completed locomotives are operating very satisfactorily on the Commonwealth and South Australian Railways systems.

The estimated final cost of the 20 locomotives is £79,000 The estimated final cost of the 20 locomotives is £79,000 each, equivalent to £688 por ton and, having regard to the exceptional increases which have occurred in wages and materials costs in the intervening period, the final cost is not considered excessive.

Concerning the view expressed in the foregoing that the final cost of production is not excessive, it should be mentioned in support that 20 comparable locomotives imported from the U.S.A. in 1952 for use on a State railway system

from the U.S.A. in 1652 for use on a State railway system cut 198,500 each, equivalent to 2880 per ton duty paid insided cost.

The supplemental contract provided for delivery of the 20 locomotives in 31 months from date of contract. The actual period occupied in completing delivery was 45 months. This delay in completing was due to the following factors:

(a) The effect of stHres and unsettled industrial conditions at the company's works, and inability to obtain sufficient tradesmen.

(b) Severe electricity restrictions.
 (c) Long delays in obtaining supplies of essential materials.

(d) Inability to obtain important steel castings in Australia. These had subsequently to be obtained from England where delays in shipments occurred. 53. The Committee records the final figures for the transaction submitted by the Treasury-

	Pigures Noted in First Report,	Final Figures now Provided to Committee.
	£ 1,076,560	£ 1,723,000 600,000
Less Sale of materials	1,076,584 (Not givon	1,123,000
Total Net Loss	. (Not given	990,000

The amount of £533,639 is a part of an entry which is intended to present the transactions for 1952-53 to the Parliament correctly as a result of criticism by the Committee in its First Report. This amount is offset by £397,998 credited to Revenue in respect of Expenditure of former years. The net debit of £135,040 represents the net loss for 1952-53, a part of the total net loss of £990,000.

## (d) DEFENCE VOTES. (i) General Considerations applying to Defence Votes in 1952-53.

54. The Treasury and the Defence departments stressed the need for the Committee to give weight to the background of the 1952-53 Estimates for the Defence departments.

55. The Defence departments prepared their first estimates in the expectation that the Government would approve the balance of the Services £515,000,000 Programme of Material Requirements on mobilization and that all orders for this programme would be placed in 1952-53. The Government, instead, decided to allot £200,000,000 for Defence Expenditure for 1952-53 and this sum was apportioned among the Defence departments upon the recommendation of the Defence Committee. The departments were then given short notice of the need to reduce their original estimates to the new figures. The departments claimed that in the short time available to them before the Treasury required revised figures for printing in the Estimates, it was not possible to do more than prepare estimates on the basis of round figures.

56. The Departments of Air and Army held that these estimates should be regarded as tentative only to be adjusted during the year by variations of the items within the overall total allocation. The departments also referred to the difficulties which they experienced in working out estimates of expenditure for the individual items in the divisions. The Treasury thought that while the departments should keep expenditure within the amounts of the divisions, variations between items within the divisions under section 37 of the Audit Act and by re-arrangement through Additional or Supplementary Appropriation Acts should be accepted by the Committee. More stable conditions would mean fewer adjustments to items.

57. It is a most point how far the Parliament should go in considering defence expenditure. Should it have regard for the total expenditure only or should it concern itself with details of expenditure? Should it expect any savings in expenditure under individual items in those estimates to be preserved as such, or to be regarded as being available to the Executive for expenditure under other items within the defence

estimates? The Committee has already stated in this Report its opinion that aggregate votes are not desirable. There should be in the Estimates a reasonable amount of detail to show the purpose of the expenditure. Under the present system of Perlinventary control of the purse, each item in the Appropriation Act carries the Parliament's approval sold as 'a the purpose and the amount of the vote. The attitude of Departments should be that the amount of the item bearing the Parliament's approval is to be observed by operating during the year within that amount. It is inevitable that there will be departures from the Parliament's approval as emergencies arise, but possible departures should not be part of the normal departmental approach when framing the e-timates. other view of the matter an be taken under the principle of the Parliament's control of the purso which naturally carries with it approval both of the purpose and amount specified in the Estimates.

58. If, on the other hand, the Treasury and Defence departments feel that there should be a new approach to defence estimates, the Committee suggests that the Treasury should re-state the position to the Public Accounts Committee.

#### (ii) Department of Air.

59. Division 147—Equipment and Stores, "The Committee examined the following variations of appy) priations under Division 147, by authority of section 37 of the Audit Act :-

_	1852-53 Vote,	1952-53 Expenditure,	Transfers under Scetion 37 of Audit Act.
Item 1-Aircraft ancillary	£	£	£
and other tech- nical stores 2—Ammunition, ex-	4,000,000	3,552,392	
plosives, pyro- technics, &c 3—Mechanical and	500,000	830,638	330,639
transport equip- ment 4—Communications	900,000	996,309	96,309
equipment	1,300,000	745,325	
5—Personnel equip- ment 6—Camp, barrack and hospital	2,400,000	1,337,309	Cr. 907,661
stores and equipment 7—Petrol and oil	750,000 950,000	1,007,056 1,173,656	257,057 223,656
Total	10,800,000	0,642,685	

60. Hem 5-Personnel Equipment.—This item was underspent by £1,062,691 of which £907,661 was used to finance the excess expenditure under other items in the Division.

61. After the Department had submitted its revised Estimates to the Treasury, the Department found that the item was mainly for requirements for mobilization and it was able to reduce the demand on the item by cancelling contracts.

63. Item 2—Ammunition, Explosives, Pyrotechnics, Torpedoes and Accessories, £330,630. This item was overspont by £330,639.

63. The Department found that, during the year, it was able to obtain a larger share of the output of Government Munitions Factories than it had expected. 64. Item 3-Mechanical and Transport Equipment. £96,309.—This item was overspent by £96,309.

85. Expenditure to 31st May, 1953, was £568,000, loaving a balance of £332,000 in the item unspent at that date. The Department stated that-

By far the main item of expenditure during June, 1953, which accounted for the large rise in expenditure under this item 3 was a series of payments totalling £311,778 in respect

of orders for Stuff Cars, Light Utilities, Panel Vans, Dropside Frusks and Thyping Trusks valued in total at £33,555 (the 1555) of the Stuff Cars, and Trusks and Thyping Trusks valued in total at £33,555 (the 1553-54). These purchess represented the financial year 1553-54), These purchess represented by the Stuff Cars of the Stuff Car ment would constitute a major economy.

ment would constitute a major economy.

Action was taken in April, 1953 to place orders in a condaine with the plan which was included in the Department of All Programme of November, 1952. The actual proposal in relation to types, &c., was approved by Treasury. Contracts were arranged in Imay, 1953, and as the requirement was becoming urgent early delivery was arranged. This involved purposal in Joine, 1953 to the extent indicated above—the fact, payments, face, on 20th and 20th June, totalling anticipate, section 37 traces are accounted to the contract of the payments. Treasury approval transfer required to this item being 196,300.

The Department went on to say "the manufacturers went flat out and fulfilled orders". So vigorous was the response from the manufacturers that the Department found itself overspent by £96,399.

66. Order outstanding at the beginning of the financial year amounted to £1,300,000; new orders placed during the year amounted to £690,000, and the balance of orders outstanding at the end of the year ... as about \$1,000,000.

67. Item 6—Camp, Barrack and Hospital Stores and Equipment, £257,057.—This item was overspent by £257,057.

68. The amount of the orders outstanding at 1st July, 1952, was £950,000. New orders placed during the year and cost increases amounted to £950,000, this figure being £100,000 greater than the original appropriation for the item (£750,000).

69. Item 7-Petrol and Oil, £223,656,-The amount for this item was underestimated in the Estimates for the year. The Department stated that this was in part lecause of the difficulty in arriving at the correct estimate of future consumption of petrol and oil.

#### (iii) Department of the Army.

70. Division 127B-Item 6-Australian Regular Army-Petrol, Oil and Lubricants, £58,215,-The estimated expenditure was £150,000 and the actual expenditure was £206,215,

71. The Department of the Army obtained the Treasury's approval for variations of appropriation within the Division under section 37 of the Audit Act to cover the excess expenditure-£40,000 on 3rd June. 1953, and up to £30,000 on 29th June, 1953. The Department explained that-

The amount of £30,000 which was approved by the Treasury an amount of zanout which was approved by the Freshity on 20th June was committed prior to that this. This control of the next Year's provisions. Such authorizations are controlled. Claims however were received in June in rese of that anticipated, which resulted in the application for additional provision.

It assured the Committee that the Treasury's approval was habitually obtained before the money was wanted but it did not appear that it was done in this instance.

72. Division 133-Forces in Japan and Korea-Maintenance, £2,669,982,-The estimated expenditure for 1952-53 was £2,991,000 and the actual expenditure was £21,660,982. The over expenditure was £18,669,982 of which £10,000,000 was provided under Additional Estimates in March, 1953, leaving £2,669,982 to be covered in the Supplementary Estimates. Of the amount of £16,000,000 provided in the Additional Estimates, £10,000,000 was provided for payment into the Korean Operations Pool Trust Account and this Trust Account entered into the new financial year 1953-54, with a credit balance of £10,000,000. The decision to do so was a Government one to provide funds to meet claims known to be outstanding.

130.029

1,401,060

1,830

73. The Department of the Army explained that-73. The Department of the Army explained that—The bulk of the expenditure charged to this vote relates to the Army's share of the cost of stores, supplies, &c. for and the maintenance of the Tirtish Commonwealth Land Forces, which expenditure originates in the country of the New Zosland and Australia. Expenditure is debited in the first place to a Pool Account controlled by the Treasury and is allocated out on a per capite basis to the countries concerned. Apart from rations, the Army sends very little to Japan and Korca and consequently the main debits are in respect of issues by the United Kingdom and Canada which are not known until the allotment is made by Treasury.

74. The Treasury explained that, although it was aware of the existence of the outstanding claims from the United Kingdom, it did not have sufficient information to assess what the additional debit might be. It was necessary to write to the United Kingdom Government for the information and the money was provided when that information was received later in the financial year.

75. Division 134-Item 1-Replacement of existing Arms, Armament, Clothing, Equipment and Stores, £391,672,-The original estimate of expenditure under this item was £8,300,000 and the actual expenditure was £9.213,672. The additional expenditure of £913,672 was provided for by-

Additional Appropriation, March, 1953 Supplementary Appropriation .. 522,000 Total .. 913,672

The Department of the Army explained that deliveries of goods which were expected to be received in 1953-54 became available during the last quarter of 1952-53 and were received. The Treasury approval for the additional funds amounting to £391,672 was given on 24th June, 1953.

76. The Department stated that the liabilities outstanding at 1st July, 1952 amounted to £7,130,000 and the new orders placed in 1952-53 amounted to £6,403,000. The liabilities outstanding at the end of the year amounted to approximately £4,400,000. As the Committee found when reviewing this item in the Supplementary Estimates for the previous year 1951-52, expenditure in the second half of the year was much heavier than in the first half.

77. The estimates and expenditure under this item have increased rapidly over recent years as follows :-

	Усат,		Expenditure.	Actual Expenditure.	Excess Expenditure.	
1949-50 1950-51 1951-52 1952-53 1953-54	::	::	£'000. 1,347 1,654 4,130 8,300 8,800	£'000. 1,211 1,715 0,598 9,214	£'000. ( 136) 61 2,468 914	

78. The Committee compares the record of this item with that under Division 115, Item 2-Naval and Air Stores, reported on in paragraph 79 below.

#### (iv) Department of the Navy.

79. Division 115-Item 2-Nary and Air Stores, £425.008.—The estimate for this item was £5,430,000 and the expenditure £5,855,008, the excess expenditure being £425,008. The Treasury approved on 21st May, 1953, of a sum of £337,000 and on 17th June, 1953 of

80. The Department of the Navy stated that the additional money was required mainly to meet increased costs and increased deliveries of naval stores from overseas and local suppliers. There was also a measure

of underestimating of costs. The Department did not defer deliveries because it wanted the stores to maintain its reserve stocks at a twelve months level.

81. The Department provided the Committee with a statement of the liabilities under this item for 1951-52 and 1952-53, claiming that the amounts were within the limits of its programme approved by the Govern-

		1951-52,	1052-53.
Liabilities outstanding 1st July Now liabilities incurred	::	£'000. 2,176 9,454	£'000. 7,750 6,595
Expenditure (a)		11,630 3,880	14,345 5,855
Liabilities carried forward 30th June		7,750	8,490
(a) Vote for year		3,500	5,430

82. Attention is directed to two features disclosed by this table-

(1) the rapid increase in the amount of liabilities outstanding in the two years from £2,176,000 at 1st July, 1951, to £8,490,000 at 30th June, 1953, and

(2) the incurring of new liabilities in both years in excess of the vote and the actual expenditure for the year.

83. It seems to the Committee that the conclusions to be drawn are—

(a) the size of the liabilities outstanding means that a large vote will be required in the following year and thus restrict the Government's discretion in its control of expenditure in 1953-54,\* and

(b) the liabilities incurred have been so large that overspending of the vote has been inevitable.

84. Item 6-Repairs and Refit of Ships, £338,185 .-The excess expenditure under this vote amounted to £338,185, for which authority was obtained under section 37 of the Audit Act for £75,531; the balance of £262,654 is to be provided by supplementary appro-

85. The Department stated-

Because of operational requirements and other factors, it was necessary for certain refit work provided to be undertaken in Naval Dockyards during 1952-53 to be re-alloacted to private firms. The excess of expenditure under this vote was offset by savings under the relevant vote for Naval Dockyard wages. (Division 113-Naval Establishments—A salaries, &c. tiem 2—Temporary and Casual Employees)

86. The Treasury approved the additional expenditure on 21st May, 1953.

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#### (e) Department of Health.

87, Division 251c-Item 1-Northern Territory Medical Services-Motor Cars and Aeroplane Running Expenses and Maintenance, £11,670 .- The Department of Health explained that £9,500 of the amount of £11,670 was for maintenance carried out during 1951-52 and not provided for when the 1952-53 Estimates were prepared. The omission was due to faulty liaison between the Head Office and the Northern Territory and South Australian Offices of the Department.

88. The Department assured the Committee that the position would not occur again,

89. Item 5-Equipment for Hospitals, £3,618.-Information on outstanding commitments of about £7,000 for hospital equipment at 30th June, 1952 was not passed on to the Treasury with the Department's 1952-53 draft estimates. Consequently the amount

(\*) £5,166,000 provided in 1953-64 Estimates under this item,

was not taken into account by the Treasury when the intake of migrants in 1952-53, the accommodation amount of the estimate for the item for 1952-53 was being determined.

#### (f) Department of Immigration.

vo. Division 190v-Ilem 1-Commonwealth Hastels Limited-Contribution to Maintenance of Migrant Families, £400,000,-Commonwealth Hostels Limited operates Commonwealth-owned migrant hostels on behalf of the Commonwealth Government. This vote is to provide subsidies to the company, the amounts for 1952-53 being-

- (a) the cost of accommodating dependants in migrant families at less than cost ... (b) the cost of maintaining empty beds in hostels at the direction of the Government ... 38.767 1,271,031 (c) the inefficiency loss of the company, over and above (α) and (b) . . . . .
- 91. The Department of Labour and National Service thought that the inefficiency loss of £130,000 might be a little high because the amount of the subsidy to the company for empty beds was still under review. The Department explained that there would be an "inefficiency loss" in 1953-54. Monthly trading state-

ments were received from the company and were used 92. The total amount paid to the company by the Commonwealth in 1952-53 was authorized by :--

to follow up trading results.

The cash receipts and payments to the company for the year were-Cash on hand, 1st July, 1952 Add: Receipts from Boarders and Sundries

1,897 Deduct: Payments to Creditors, Wages, &c. .. 3,526 .. 1,629 371 Cash on hand, 3th June, 1953 ...

93. The Committee inquired why £400,000 had been provided under Supplementary Estimates to build up such a large cash balance at 30th June, 1953. The Department of Labour and National Service stated that the amount was paid over in anticipation of the pay-ment of refunds of tariffs to migrants; payments were not made whilst legal and policy decisions were obtained on technical questions. The money was not repaid to the Treasury but subsidies in the following year, 1953-54, were withheld to offset the overpayment.

94. The arrears of tariff outstanding at 28th June. 1952, were £135,292 and the amount had increased to £534,459 by 27th June, 1953. The increase in the amount of the arrears was attributed by the Department to the organized opposition from the migrants to the payment of tariffs.

95. The Audit Office stated that it was now satisfied with the action being taken to deal with the arrears.

96. Division 1990-Item 8-Hostels and Holding Centres-Caretaker Expenses, £36,396.—Migrant accommodation had been provided for an intake of 200,000 migrants a year. As a result of the lower

required was much less than that available; hostels and holding centres were accordingly closed. The position at the date of the hearing (13th January, 1954)

-	Reception, Fraining and Holding Centres (Capacity in Beds).	Heste's (Capacity in Beds),
Disposed of or being closed Closed and retained on a caretaker basis Operating and to be retained	16,972 5,575 26,071	12,580 1,700 19,480
	48,618	33,760

Not all of the beds in the hostels and centres which are shown in the table as operating and to be retained, would be in u-e. In the centres, about 12,500 beds had been sealed off in separate wings.

97. The Department of Immigration explained that whilst decisions were being obtained on what was to be done with empty hostels and centres it was necessary to have them guarded.

98. The expenditure was, in 1952-53, first charged to the vote for the maintenance of the holding centres and during the year it was decided that a separate vote should be provided.

99. The Committee noted that the Treasury approval for the final sum of £6,400 was obtained on 30th June, 1953.

#### (g) Department of the Interior.

100, Division 21,-Item 1-Acquisition of Sites and Buildings, £89,253,-The Victorian Branch Office of the Department of Health had been faced with eviction from its office and other accommodation had to be found urgently. "Red Cross House", Swanston-street. Melbourne, was purchased by the Dopartment of the Interior for £95,000, plus £1,500 for incidental

191. The Department of the Interior explained that--

Atthough lawing the advantage of a central situation, the building was an old one in a poor state of repair. A pre-limitary estimate by the Department of Works for the conversion of the building into suitable office accommodation was £62,000, plus £10,000 for a half-fluor addition to the top of the building.

the top of the building.

White this estimate was being considered a block of office space became available in a building in Bourk-street. In view of the innecdiate requirements for the Department of Beatth a five years' lease of this accommodation was taken. In the opinion of the Department of the Interior this should need the requirements of the Department of Beatth until the requirements of the Department of Beatth until the state of the state of the Section 1.

The Bureau of Census and Statistics has a requirement for and Statistics has a requirement for office space in Melborne for the 1954 Census. The use of "Red Cross Honse" for this purpose has been considered but an expenditure of £02,000 for the provision of office accommodation for a temporary undertaking is considered not warranted.

The Government is at present reviewing the position us to the future use of "Red Cross House".

102. The Department had not realized that the renovations to the building would cost as much as £62,000. The building had been used as a warehouse and was not particularly suitable for office accommodation: however, the need was stated to be desperate.

103. The Department of Health pointed out that estimated cost of £62,000 was not a firm estimate. It still wanted the building for its Branch Office.

104. The Committee draws attention to the fact that the building was purchased in April, 1953, to satisfy a desperate need, but that up to the date of the hearing (14th January, 1954), the building had remained unoccurried by the Commonwealth.

#### (h) Department of Labour and National Service.

193. Emergency Employment of Migrants.— Approvals were given by the Government during 1952-35 for expenditure up to £335,000, under the administration of the Department of Labour and National Service, to provide temporary employment for unskilled Italian migrants. The wages and associated expenditure were, in the first place, to be charged

to departmental votes. If the departmental votes were, because of the employment of the migrants, found to be insufficient, additional funds, within the total of £835,000, were provided under the departmental votes. Departmental votes were used rather than a special vote for the full amount of the special expenditure because, the Treasury said, the work done by the migrants was work normally undertaken by the Department concerned if sufficient funds were available.

10c. The majority of the migrants were employed on defence services and particulars of the expenditure. and the manner in which it was provided, are as

Tue		Total		Expenditure covered by			
D	Department. Amount Spent. Vote Charged.		Estimates Appropria- tion,	Supple- nientary Estimate,	Section 37 Transfers.		
Navy		٠.	£ 36,910	Division 113/a, 2.—Naval Establishments—Temporary and casual employees	£ 36,910	£	£
Army Air			529,696 125,894	Division 128/2.—Civillan Services—Temporary and casual employees Division 144/A/2.—Civilian Services—Temporary and casual employees	53,107	529,696 69,833	2,954
Supply			28,183	Division 150.—Storage Services			
	Production otal	 .,	43,943 764,626	Trust Fund.—Manufacture of munitions	28,163	::	::

Similar information was not readily available on the expenditure by civil departments for this purpose because, apart from £9,500 provided by the Department of Social Services, civil departments did not need additional funds.

107. It seemed to the Committee that the need for the additional money arose from circumstances outside the control of the Department of Labour and National Service and which could not possibly have been foreseen. The manner of recording the expenditure, however, obscures the real situation. The Supplementary Estimates do not reveal that the need for the bulk of the money sought for temporary and casual employees by the Department of the Army under Division 1284, Item 2, and by the Department of Air under Division 144a, Item 2, arose as a result of a special situation

#### (i) Repatriation Department.

108. Division 216-Item 1-Tuition, Text-books and Equipment, £78,734.—The original estimate for this vote was £370,000 and the actual expenditure was £548,734, provided as follows:--

Original Appropriation Additional Appropriation Supplementary Appropriation	  ••	370,000 100,000 78,734	
Total	 .,	548,734	

109. According to the Estimates, the Repatriation Department controls this vote, but, in practice, the bulk of the money is spent by the Department of Labour and National Service. In 1952-53 that Department spent £545,000. The Reputriation Department spent less than £3,000 and was not aware of the possibility of excess expenditure under the vote. It was necessary to go to the Department of Labour and National Service for information for the Committee and a witness from that Department appeared to explain the need for the Supplementary Estimates.

110. Reasons put forward by the Department of Labour and National Service to explain the excess expenditure were-

of livin	g increas	training	for trains	becaut so		12,500 12,000 1,057
Sub Balance	total	::	::	::	::	34,157 144,577
	Total					178,734

The balance of the excess expenditure of £144,577 was attributed to the unexpected increase in the amount of claims from employers for subsidy for trainees in their care. The Department of Labour and National Service stated that many employers had not lodged claims for some years but that the pressure of economic events in 1952-53 caused them to submit the outstanding claims. The Department left it to public and private employers to send in claims and to substantiate them. During 1952-53 some State corporations sent in claims that had been outstanding for years, for example, one dated back seven years.

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111. The increased cost of training beyond the average period mentioned above referred to the fact that the Department prepared its estimate for 1952-53 on the basis of an average period of training of two and a half years on the job before 100 per cent, proficiency was reached. The Repatriation Department stated that a recent investigation had shown that about 15 per cent, of the trainees had exceeded the average period. The Department of Labour and National Service agreed that the reasons for this excess training period should be examined.

112. The Committee asked why the vote should not be divided and the departmental responsibilities for the expenditure disclosed to the Parliament. The Repatriation Department stated that the vote had been placed

under its control because of the responsibility of the Minister of Repatriation for the policy of rehabilitation. Nevertheless, the Committee considers that the tion. Revertueless, the Committee considers that the central of policy in this matter could be arranged through the Administrative Arrangements Order, and that the amounts expended by the two Departments should be shown in the Estimates.

#### (i) Department of Territories.

113. Division 259-Item 5-Papua and New Guinea Shipping Service £59,992.—The trading results for the service for 1952-53 were-

					£
Repairs		• •			95,202
Running Expenses					93,923
Other Expenses					80,580
Insurance and De	ureciation	١			41,207
				•••	71,201
					310,912
Income					
***************************************	••	• • •	••		178,510
			37.4		100 100
			2000	1088	132,402
m 1 1 1 1 1					
The cash subsidy for	or the ye	ar was	_		
	-				£
Cash deficiency					00,800
Add: Carry over	of account	ts from	1931-52		45,700
				••	70,100
			Tota	1 1	136,500
					100,000
as compared with .	0171 000	2 10	*1 *0		
114. The funds	to be nr	ovided	for 1959	-53 1	VOID OF
follows:	p.				or tro
10110118					
Description to collect					£
Provision in origin	ar Appro	printion	• •		48,000
Provision in Additi	ional App	ropriati	on ,.		20,000
Provision in Suppl	umentary	Approp	riation		59,092
	-				
			Tota	١	127,092
leaving a small bal	onea os t	ha ama	aint of th		WIT OWOU
routing a small ball		are annu	THE OF THE	o cur	ry-over

of accounts into 1953-54.

115. The Department's explanation of the excess expenditure in 1952-53 follows:-

(1) The technical Superintendent stated that there had been heavy expenditure on repairs in 1951-52 so that the need for repairs in 1952-53 should be lighter. This did not prove to be the case for the Department

it is now clear that advice given by the technical Superintendents in 1962 that repair expenditure should decrease in 1962-53 did not allow sufficiently for the age of the vessels and for the rate of deterioration in the tropics.

The loss on earning time also led to a falling off in revenue.

(2) Seven vessels have been sold and these were on the Papuan run which operated with smaller losses,

(3) Staffing was particularly difficult and the records of the Service had not included all the liabilities for repairs. The result was that the new Accountant under-estimated liabilities outstanding.

#### (k) Department of Works.

116. Division 256-Item 6-A.C.T. Electricity Supply £61,271 .- The Committee noted that the cash figures for these services had been-

	1951-52	1952-53	1953-54	
	Actual,	Actual,	Estimate,	
Cash expenditure	£	£	£	
	329,707	436,271	530,000	
	230,363	328,108	480,000	
Difference (a)	Dr. 09,344	Dr. 108,163	Dr. 50,000	

(a) There are also sales not payable in each for pumping and street lighting amounting to about £50,000-260,000 per annum.

The cash expenditure in 1952-53 was to be authorized

Provision in original Appropriation Provision in Additional Appropriation Provision in Supplementary Appropriation 61.271 436,271 Total

The Department of Works stated that during the year the unit price charged for electricity by the New South Wales Electricity Commission increased from 1.2417d. per unit to 1.448d. per unit, and that insufficient allowance had been made in the Estimates for the increase in consumption, which rose from 46,000,000 units in 1951-52 to 52,000,000 units in 1952-53.

The Department stated-

In this case the estimates were so high that when they came to Head Office we doubted them. Owing to the short time available we put in a figure approximating the previous year's expenditure leaving it until later to apply for additional funda under the Supplementary Estimates. We had a vague knowledge of increases that had taken place in prices, but nothing definition.

The trading figures for this undertaking have been-

Net loss 1951-52 Net loss 1952-53 .. 103,538 ..

The Comittee was informed that up to 12th October, 1953, the Department of the Interior was in control of the undertaking, but had only handled revenue. Expenditure was under the control of the Department of Works.

117. The Committee believes that the system of dual control is impossible without a very close linison between the two Departments. Unless this is the case. there will inevitably be misunderstandings and loss and this is what, in fact, occurred. Little attempt appears to have been made to exercise effective cost control over the operations of the undertaking.

Since 12th October, 1953-

Since 12th October, 1955.

The whole Electricity Section has operated under the control of the Department of the Interior. It is intended to more towards settling up an electricity supply undertaking fully integrated with independent function understand the integrated with independent function will be made for a valuation of assets and determination of capital establishment of renewals and replacement, and other necessary reserves and general accounting on a commercial basis.

118, Division 248A-Item 6-Commonwealth Cold Stores, Darwin, £5,539 .- The original estimate of expenditure in 1952-53 was £25,000 and the actual expenditure was £30,539, an excess expenditure of £5,539 to be authorized by Supplementary Appropriation. The Department of Works stated that the additional expenditure was due to-

(a) the increase in electricity charges from 1d. to

to 24d, per unit and, the debiting of works administration staff costs to these votes instead of to Works Salaries votes as had been the practice before 1952-53.

119. The Department of Territories stated that the loss on trading operations for the year was £6.158.

120. The Stores operate under a system of dual control-the Department of Territories controls overall policy and collects revenue, and the Department of Works operates the Stores and controls the expenditure. The misunderstandings which can arise from the system of dual responsibility for administration are illustrated in this case-

(a) the Department of Territories prepared the estimate for the year's expenditure of £22,000, but an amount of £25,000 was included in the Estimates by the Depart ment of Works without the knowledge of the Department of Territories.

(c) a review of charges for cold storage by relating revenue to costs is undertaken by the Department of Territories only once a year.

121. The present arrangements for dual responsibility were established by ministerial decision in 1940 and the system also applies to the administration of the electricity supply and the water supply in the Northern Territory. The Department of Territories thought that the present system of dual responsibility should continue because the Department was not fitted count continue accurse the Department was not little to centrol the technical aspects of the service. However, when local government is established in the Territory, the local government authority there will be required to control these services.

122. The Committee is not impressed by the reasons advanced for continuing dual control of the service discussed. All the evidence, on the other hand, emphasizes the misunderstandings and frustrations that flow inevitably from such an administrative set-up. The local administration, which will ultimately be responsible for the local government administration of responsible for the local government administration of the services, is already performing a wide range of technical functions. The Estimates for 1953-54 list Prisons, Camps, Municipal Activities, Hostels, Transport Services, and Mines, as under the control of the local administration.

123. The Committee recommends the immediate review of the present arrangements and the placing of the control of the undertakings under one authority.

124, Division 2484 -- Item 7-Northern Territory Town Water Supply-Running and Maintenance, £6,104.—The Department of Works stated that the additional expenditure arose from higher electricity charges and the longer pumping hours necessary to meet the demands for water during the drought conditions in the year.

125. Under the system of dual responsibility, the Department of Works ope ates the water system in the Northern Territory and the Department of Territories has control of overall policy and collects the revenue charges. The Committee was again presented with examples of the disadvantages of dual responsibility-

(a) The Department of Territories prepared the estimates of £63,000 for the year and this was increased by the Department of Works to £65,000 without the knowledge of the Department of Territories, Subsequently the works administration salaries, &c., were charged to the vote without the knowledge of the Department of Territories a decision which has already been mentioned in paragraph 120, above.

(b) An additional £2,400 was sought for the water supply of a Northern Territory town by the Department of Works from the Department of Territories in January, 1953, but the approval was not obtained until 15th June, 1953.

The Department of Territories told the Committee that although the charges for the various water supplies varied widely because the conditions in each case were different, they were now being reviewed.

## (5) SUMMARY OF CONCLUSIONS.

126. In paragraph 26 above, the Committee has discussed the principles of Supplementary Estimates and of the Treasurer's Advance. Out of the hundreds of items for which supplementary funds were sought

(b) the Department of Works decided to debit the or for which transfers were arranged under section 37 of the Audit Act, the choice of the Committee has been dictated not so much by the volume of the amounts sought as by the nature of the expenditure, or by the unusual features of the operation, which in some cases suggested that the characteristics of the system were

> 127. It will be realized that the Supplementaries can be used to cover up inadequate or improper estimating, and that the Treasurer's Advance can be used as a sort of departmental working account.

128. When the items chosen by the Committee for examination concerned the continuing operations of a department, the examination was confined generally to the reasons for the excess expenditure to be covered by the supplementary appropriation. When the items concerned a specific matter, the Committee's examination was more detailed. In neither case, has there been any attempt to investigate the general work of the department: the Committee believes that this examination should be done when the operations of the department as a whole are being reviewed.

120. The Committee summarises the main features of its Report.

#### Refunds of Revenue.

- (1) (a) There should be prompt payment of a refund of revenue and there seems to be no reason why there should not be uniformity of treatment by special appro-priation for all refunds in order to achieve this end.
  - (b) Information on the amounts of Refunds of Revenue should be provided for the Parliament in the Estimates of Receipts and Expenditure, and of refunds of taxation revenue in the annual Reports of the Commissioner of Taxation.

#### Treasurer's Advance.

(2) (a) The practice of "offsetting" savings under some Defence Services votes against excess expenditure under other Defence Services votes in the Additional and Supplementary Estimates should be reviewed by the appropriate authorities.

(b) The amount of any "offset" under this practice should be ignored when calculating the amount of the debit to the Treasurer's Advance.

(c) The Treasurer's Advance has been exceeded on a number of occasions since the war without Parliamentary authority.

(d) The amount of the Treasurer's Advance should not be exceeded at any time during a financial year.

(c) The existing methods available to vary parliamentary appropriations by the authority of section 37 of the Audit Act, the use of the Treasurer's Advance, or by additional appropriations should pro-vide sufficient flexibility between votes.

(f) The amount of warrant authority issued for expenditure under the Treasurer's Advance should not, at any time, exceed the amount of the Advance currently available. If the Audit Act is not sufficiently clear on this matter it should be

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Department of the Treasury, (3) Commonwealth Stores Supply and Tender Board-Division 43 Item 1-£9,576.-No review of the rate of commission payable to the Postmaster-General's Department was made between 1928 and 1951.

#### Defence Services Voles.

(4) In relation to the Defence Services, Parliamentary control of the purse should be interpreted as meaning that the amount of each vote should be accepted (as in other Departments) as the limit of expenditure for the year, unless authority is obtained to exceed the vote by way of the methods set out in 2 (e) above.

#### Department of Air.

(5) Temporary and Casual Employees--Division 144A Item 2-£09,833,--The item does not show that the need for the bulk of the money arose as a result of a special situation involving the emergency employment of Italian migrants outside the control of the Departments of Air and of Labour and National Service.

#### Department of the Army.

(6) (a) Petrol, Oil and Lubricants-Division 1278 Item 6 - £56,216. - The Treasury approval for further excess expenditure of £30,000 obtained on 29th June, 1953. does not appear to have been obtained prior to the need for funds to pay outstanding accounts.

(b) Replacement of Existing Arms, Armament, Clothing, Equipment and Stores—Divi-sion 134 Item 1—£391,672.—The rapid increase in liabilities incurred under this item has led inevitably to the overspending of the vote in the year and has called:

for large votes in succeeding years.
(c) Temporary, Casual and Exempt Employees —Division 128A Item 2—£539,233.—The item does not show that the need for the bulk of the money arose as a result when R MAFIIN, gency application involving the emery when R MAFIIN, gency employment of Italian migrants outside the control of the Departments of the Army and of Labour and National Service. The situation disclosed is similar to that described in (5) above.

Department of the Navy.

(7) Naval and Air Stores-Division 115 Item 2 -£425,008.—The rapid increase in liabilities incurred under this item has led inevitably to the overspending of the vote in the year and has called for large votes in succeeding

#### Department of the Interior.

(8) Acquisition of Sites and Buildings-Division 21 Item 1-£89,253,-The building "Red Cross House", Swanston-street, Melbourne, was purchased in April, 1953, allegedly for des-perate needs but had not been used by the Commonwealth by January, 1954.

#### Repairiation Department.

(9) Tuition, Text-books, Equipment, &c.--Division 216 Item 1-£78,734.-The vote should show the Parliament the amounts of the expenditure by the Repatriation Department and by the Department of Labour and National Service respectively on these services.

#### Department of Works.

(10) The system of dual responsibility for the Northern Territory Cold Stores and Water Supply leads inevitably to administrative frustrations. The arrangement should be terminated and a single authority established as has been done with the A.C.T. Electricity Supply.

#### General.

(11) As a result of its review of the claims for Supplementary Estimates the Committee draws attention to the fact that amounts had been overlooked, understated or omitted from the original estimates.

On benalf of the Committee,

Secretary, Parliament House, Canberra, A.C.T. 25th March, 1954.

By Authority: L. F. Johnston, Commonwealth Government Printer, Canberra.