

1970

DEPARTMENT OF THE SENATE
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THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

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JOINT COMMITTEE OF PUBLIC ACCOUNTS

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ONE HUNDRED AND SIXTEENTH  
REPORT

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TREASURY MINUTES ON THE  
ONE HUNDREDTH AND ONE  
HUNDRED AND NINTH REPORTS

TOGETHER WITH

SUMMARIES OF THOSE REPORTS

MR PRESIDENT,

ON BEHALF OF THE PUBLIC ACCOUNTS COMMITTEE I PRESENT THE ONE HUNDRED AND SIXTEENTH REPORT OF THE COMMITTEE WHICH RELATES TO TREASURY MINUTES ON THE COMMITTEE'S ONE HUNDRETH AND ONE HUNDRED AND NINTH REPORTS.

MR. PRESIDENT I SEEK LEAVE TO MAKE A SHORT STATEMENT.

(WHEN LEAVE HAS BEEN GRANTED)

AS THE ONE HUNDRED AND SIXTEENTH REPORT IS THE FIRST REPORT PRESENTED BY YOUR EIGHTH COMMITTEE IN RELATION TO TREASURY MINUTES, IT WOULD SEEM APPROPRIATE THAT HONOURABLE SENATORS SHOULD BE REMINDED OF THE BASIS OF THE TREASURY MINUTE ARRANGEMENTS WHICH HAVE OPERATED SINCE 1953 WHEN THE COMMITTEE PRESENTED ITS FIRST REPORT TO THE PARLIAMENT.

UPON TABLING IN THE HOUSE OF REPRESENTATIVES BY THE CHAIRMAN AND BY A MEMBER OF THE COMMITTEE IN THE SENATE A COPY OF EACH REPORT OF YOUR COMMITTEE IS FORWARDED TO THE TREASURER WITH A REQUEST THAT HE CONSIDER IT AND INFORM THE CHAIRMAN OF ACTION TAKEN TO DEAL WITH YOUR COMMITTEE'S CONCLUSIONS. IT SHOULD BE MENTIONED THAT AS PART OF THE TABLING PROCEDURE, COPIES OF ALL REPORTS ARE FORWARDED TO THE PRIME MINISTER, TO YOU MR. PRESIDENT, TO MR. SPEAKER, TO THE LEADER OF THE OPPOSITION, TO THE LEADERS OF THE GOVERNMENT AND OPPOSITION IN THE SENATE AND TO EACH MINISTER WHOSE DEPARTMENT HAS BEEN REPORTED ON.

THE TREASURER'S REPLY COMES IN THE FORM OF A TREASURY MINUTE AND IS EXAMINED BY YOUR COMMITTEE. SHOULD YOUR COMMITTEE FIND DURING THAT EXAMINATION THAT THERE ARE RECOMMENDATIONS AND CONCLUSIONS NOT

FULLY DEALT WITH OR WHICH ARE SUBJECT TO A FURTHER MINUTE, EXPLORATORY DISCUSSIONS ARE HELD WITH OFFICERS OF THE DEPARTMENT OF THE TREASURY.

WHEN YOUR COMMITTEE IS SATISFIED WITH THE TREASURY MINUTE, IT IS PUBLISHED, TOGETHER WITH THE CONCLUSIONS OF THE REPORT TO WHICH IT RELATES, IN A SUBSEQUENT REPORT TO THE PARLIAMENT. THIS IS THE BACKGROUND TO THE REPORT BEING PRESENTED TO-DAY.

IN REPORTING A TREASURY MINUTE TO THE PARLIAMENT YOUR COMMITTEE, ACTING ON BEHALF OF THE PARLIAMENT, RESERVES THE RIGHT TO MAKE COMMENT ON THE TREASURY MINUTE AS IT THINKS NECESSARY. SUCH COMMENTS, TAKING THE FORM OF COMMITTEE OBSERVATIONS, ARE INCLUDED AS THE FINAL CHAPTER OF THE REPORT. THE NEED TO MAKE SUCH OBSERVATIONS, HOWEVER, HAS ARISEN ON ONLY TEN OCCASIONS IN THE PAST SEVENTEEN YEARS.

YOUR EIGHTH COMMITTEE BELIEVES THAT THE TREASURY MINUTE ARRANGEMENTS HAVE PROVED THEIR VALUE OVER THE YEARS AS AN IMPORTANT ELEMENT IN ENSURING THAT, THROUGH YOUR COMMITTEE, THE PARLIAMENT MAINTAINS AN IMPORTANT AND SIGNIFICANT ROLE IN THE FINANCIAL ADMINISTRATION OF THE COMMONWEALTH. THE ONE HUNDRED AND SIXTEENTH REPORT AFFORDS FURTHER EVIDENCE IN SUPPORT OF THAT VIEW.

I COMMEND THE REPORT TO HONOURABLE SENATORS AND MOVE THAT IT BE PRINTED.

JOINT COMMITTEE OF PUBLIC ACCOUNTS

EIGHTH COMMITTEE

J.D.M. Dobie, Esquire, M.P. (Chairman)

C.J. Hurford, Esquire, M.P. (Vice-Chairman)

Senator J.F.Fitzgerald

Senator J.J.Webster

Senator Dame Ivy Wedgwood

F.W.Collard, Esquire, M.P.

J.F.Cope, Esquire, M.P.

B.W.Graham, Esquire, M.P.

A.W.Jarman, Esquire, M.P.

I.L.Robinson, Esquire, M.P.

The Senate and the House of Representatives appointed their  
Members on 25 November, 1969.

DUTIES OF THE COMMITTEE

Section 8 of the Public Accounts Committee Act 1951-1966 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 Parliament by the Auditor-General in pursuance of sub-section (1.) of section fifty-three of the Audit Act 1901-1950;
  - (b) to report to both Houses of the Parliament, with such comment as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Parliament should be directed;
  - (c) to report to both Houses of the Parliament any alteration which the Committee thinks desirable in the form of the public accounts or in the method of keeping them, or in the mode of receipt, control, issue or payment of public moneys; and
  - (d) to inquire into any question in connexion with the public accounts which is referred to it by either House of the Parliament, and to report to that House upon that question,

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

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JOINT COMMITTEE OF PUBLIC ACCOUNTSONE HUNDRED AND SIXTEENTH REPORTTreasury Minutes on the One Hundredth  
and One Hundred and Ninth Reports  
together with Summaries of those ReportsCHAPTER 1INTRODUCTION

In its Seventy-ninth Report dated 10th March, 1966, P.P.No.275  
Your Committee set out in detail the basis of the Treasury of 1964-65-66  
Minute arrangements which have been made to ensure that appropriate  
action ensues from comments contained in our Reports.

As they now stand, the arrangements concerned are:-

- (1) The Report of Your Committee is tabled by the Chairman in the House of Representatives and by a Member of the Committee in the Senate. Motions are moved in both Houses of the Parliament that the Report be printed as a Parliamentary Paper.
- (2) The Chairman of Your Committee thereafter forwards a copy of the Report to the Departments affected and to the Treasurer with a request that he give the Report his consideration and inform the Chairman of the action taken to deal with Your Committee's comments.
- (3) The reply received, which is in the form of a Treasury Minute, is then examined by Your Committee and, together with the conclusions of the Report to which it relates, is submitted as soon as possible to the Parliament as a Report.
- (4) Where during its examination of a Treasury Minute Your Committee finds that there are recommendations not fully dealt with or which are subject to a further Minute, it holds an exploratory discussion with officers of the Department of the Treasury prior to the submission of the Minute to the Parliament.

- (5) In reporting a Treasury Minute to the Parliament, Your Committee does not usually make any comment on the Minute other than to note recommendations not fully dealt with or subject to a further Minute. In special cases where comment is thought to be necessary, Your Committee makes it.
- (6) Your Committee reviews a Treasury Minute, if necessary, when it again examines the department concerned.
- (7) The Department of the Treasury furnishes Your Committee with a half-yearly report on outstanding Treasury Minutes, indicating the progress made in dealing with Your Committee's comments.



CHAPTER 2

TREASURY MINUTE ON THE ONE HUNDRETH REPORT RELATING  
TO EXPENDITURE FROM THE ADVANCE TO THE TREASURER

(APPROPRIATION ACTS 1967-68)

On 27 February 1970, in accordance with the arrangements relating to follow-up action on Your Committee's Reports, the Treasurer conveyed to the Chairman, a Treasury minute which reported the action taken on Your Committee's One Hundredth Report.

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Treasury Minute  
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The Treasury has examined the Report and has discussed with the Departments and authorities concerned the observations and conclusions of the Committee which have, where necessary, been brought to the notice of officers concerned.

ATTORNEY-GENERAL'S DEPARTMENT

Division 125/2/01: Patents, Trade Marks, Designs  
and Copyrights Offices-Administrative Expenses-  
Travelling and subsistence.

18. Your Committee notes that the provisional estimate put forward initially by the Department on this Item was for an amount of \$82,000 and that by comparison, actual expenditure amounted to \$84,863. Although, prima facie, it may appear that the Department was justified in seeking that figure, the evidence tendered shows that throughout the year considerable uncertainty existed as to the likely course of events. Accordingly we believe that the Department of the Treasury was

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justified in seeking a substantial reduction in the provisional estimate to arrive at a figure for inclusion in the Original Appropriation and requiring the Department to make use of the Additional Estimates if required. Even so it appears that beyond the closing date for the Additional Estimates, unforeseen events required a comparatively substantial use to be made of the Advance to the Treasurer.

19. Arising also from the evidence The Department has advised that we would again emphasise the need for greater care will be taken in future in the by departments in formulating estimates preparation of estimates explanations and preparing explanations connected furnished to the Treasury. with them. We believe that the Central Office of the Attorney-General's Department did not, in the present case, exercise due care in the formulation of its explanation of the amount of \$4,700 following discussions with officers of the Department of the Treasury.

20. Finally, we would commend the Patent Office for its action in maintaining a register of liabilities although the official responsibility for maintaining such a register for general expenses rests with the Central Office of the Attorney-General's Department. We trust that the Department will examine critically the form and operation of its

The Department has examined the form and operation of its liabilities register and considers that the present method of controlling commitments by filing copies of outstanding requisitions and checking each month with the statement of outstanding requisitions provided by the Treasury A.D.P. appropriation/revenue ledger system, is adequate.

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liabilities register relating to general expenses.

Division 131/2/05: Northern Territory-Courts Office  
Administrative Expenses-Fees-Jurors and witnesses

30. On the basis of the evidence Your Committee accepts that, in an Item of this nature, the formulation of estimates is a matter of considerable difficulty. While we accept, in the circumstances, the Department's explanation in relation to the use of the Advance to the Treasurer, we are somewhat concerned at the events that occurred between 14 and 21 June 1968. It appears that, having received a request dated 11 June from its Darwin Office for funds from the Advance to the Treasurer, the Department transmitted this request to the Department of the Treasury on 14 June. We believe that the Department of the Treasury should have cleared the request prior to Thursday, 20 June. Moreover, we believe that as the Sub-Treasury in Darwin had for some time been holding the accounts in anticipation of approval of funds from the Advance to the Treasurer, it should have been ready to take immediate action on them when it received appropriate telegraphic advice from the Attorney-General's Department.

The Department's application for funds was received in the Treasury on 17 June 1968 and advice of the approval was forwarded to the Department on 20 June. For a routine application which included no request for urgent consideration, this is not considered unreasonable.

Further investigation has revealed that the Sub-Treasury, Darwin had not been holding the accounts referred to but that the principal unpaid account, for the sum of \$4,568 of accounts totalling \$4,874, was not received by the Sub-Treasury until noon on 24 June, 1968. This account then required examination, certification and authorization within the sub-Treasury before being passed to the Paymaster for payment.

At that stage the Sub-Treasury functions in Darwin were performed by the Northern Territory Administration on behalf of the Treasury. Delays then

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occurring in processing accounts through the Sub-Treasury, which were due to staff shortages in the Examination Section of the Administration, were known to departments in Darwin. Although departments had been informed by Sub-Treasury circular that facilities existed to process accounts of an urgent nature after the closing date for other accounts, no request for the urgent payment of this account was made by the Department.

It is mentioned that, for reasons associated with the rapid growth in accounting work, the responsibility for Sub-Treasury functions in the Northern Territory was transferred from the Northern Territory Administration on 1 July 1969 to a new Sub-Treasury Office located at Darwin which is staffed by Treasury personnel.

DEPARTMENT OF EXTERNAL TERRITORIES

Division 955/7/01: Capital Works and Service-Advances and Loans -Cocos(Keeling)Islands-Commonwealth Hostels Limited -Working Capital Advance.

37. It appears to Your Committee from its examination of the payments to Commonwealth Hostels Ltd, over two successive years that, partly for reasons beyond the control of the Company,

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difficulty was experienced in reaching a final figure for the working capital required to finance the Cocos Islands catering service. We note, however, that the Company conducted a feasibility study of the project late in 1966 and we assume that such a study, if undertaken adequately, would have revealed some of the accounting and other problems that did not, evidently, become apparent until a much later stage. We also note with some concern, that at least a part of the difficulty that confronted the Company arose from arrears in its accounts.

38. While it is clear in the circumstances that the Department of External Territories had no option but to obtain an amount of \$31,000 from the Advance to the Treasurer late in 1967-68 we are disturbed by the fact that much of the essential information surrounding the nature of this payment found no place in the Submission tendered to us but was obtained only after close examination of the witness.

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DEPARTMENT OF HEALTH

Division 914/03: Payments To Or For The States-  
Tuberculosis Act-Reimbursement of capital expenditure  
by State Governments.

49. Your Committee considers that, in view of the expenditure position when the Additional Estimates review was undertaken; past experience on this Item; the absence of replies from New South Wales in particular and also from Tasmania; and the overall funds position on the Item, the Department of Health would not have been justified in seeking further funds in the Additional Estimates. It is also clear that the claims subsequently submitted could not have been reasonably foreseen by the Department, despite its earlier efforts to obtain advance information, and in the circumstances we believe that the Department was justified in seeking funds from the Advance to the Treasurer to enable the claims to be met in the financial year.

50. Your Committee would also commend the Department for its positive and sustained efforts, following our previous Inquiry to draw the attention of the State Administrations concerned to the need for greater realism in the formulation of estimates and for offering

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its practical advice and guidance to at least one of those administrations in an effort to assist it to implement a system for the recording of expenditure which, we trust, will prove to be of benefit to both Administrations in future years.

DEPARTMENT OF THE INTERIOR

Division 319/2/02: Commonwealth Bureau of Meteorology-  
Administrative Expenses-Office requisites and equipment,  
stationery and printing.

55. Your Committee notes that, arising from an error made in the Sub-Treasury, Melbourne, an account of \$66 was expended without proper authority. Although we appreciate that the amount involved is small and that the officer concerned was confronted with a difficult decision as to whether or not to correct an error made previously but not detected earlier, Your Committee believes that the Treasury Regulations do not and should not provide scope for a decision of this type. The evidence shows that the error that gave rise to the excess expenditure arose from the failure of an officer to complete a record as part of a usual and proper procedure. We believe that greater care should have been exercised in the execution of that procedure and that the error should have been detected more promptly.

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56. We trust that the transfer of the authorising and certifying functions from the Sub-Treasury, Melbourne, to the Bureau of Meteorology will facilitate the necessary close control of funds and assist in the elimination of errors of the type that occurred on this Item.

Division 323/4/09: Australian Capital Territory,

Services-General Expenses-Swimming pools-Maintenance

60. Your Committee is disturbed to note that while the allowance for the Manager of the Olympic Swimming Pool had been included in the estimates for 1966-67, no provision had been made for this in the Original Estimates for 1967-68. Your Committee believes that this oversight should have been detected when expenditure on the Item was reviewed in anticipation of the Additional Estimates. We further believe that, in the circumstances, provision should have been made in the Additional Estimates for that allowance and for increases in salaries for attendants and cashiers which had applied from 7 October 1967, and that the Department should have confined its use of the Advance to the Treasurer to the expenditure associated with the extension of the swimming season.

The Department has stated that the review of expenditure carried out in conjunction with the preparation of the Additional Estimates had indicated that no additional funds would be required under this item.

Particular care was taken by the Department to ensure that provision was made in 1968-69 for those commitments which were omitted in 1967-68.



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Division 324/1/01: Australian Capital Territory Police-  
Salaries and Payments in the nature of Salary-  
Salaries and allowances .

67. Your Committee rejects the claim made by the Department that, due to the magnitude of the provision for this Item and to fluctuations in police pay due to penalty rates, the omission of the \$10,000 was not clearly evident when the requirement for Appropriation Act No. 3 was estimated. The evidence shows clearly that the error of \$10,000 in the final adjustment to the original estimate was known to officers of the Department when it occurred and a decision was taken at that time not to correct the Original Estimate but to make an adjustment, if necessary during the Additional Estimates review. The amount of \$31,400 sought in the Additional Estimates, however, represented the round total of new commitments approved between 1 July 1967 and 14 March 1968, and no evidence was tendered to suggest that the need to provide an additional \$10,376 to compensate for the error made earlier was considered. Indeed, the evidence also shows that the failure to make such an inclusion at that time was not discovered until much later in the financial year when expenditure trends disclosed an insufficiency of funds for the Item.

The Department maintains that the provision of funds in Additional Estimates beyond the \$31,400 sought would not have been justified on the results of the expenditure review carried out when these estimates were being prepared.

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68. We consider that the Department should have advised the Department of the Treasury when the error in rounding the original estimate occurred and, even if it had then been decided to allow the error to remain, it should have taken care to ensure that the likely need to make an adjustment in the Additional Estimates was kept clearly before the officers concerned.

Division 485/1/O1: Northern Territory Services-  
Salaries and Payments in the nature of Salary-Salaries  
allowances.

74. It appears to Your Committee from the evidence that had an error amounting to \$24,440 not occurred as a result of a failure to make a posting, the amount sought by the Administration in the Additional Estimates would have been greater by that amount and the funds sought from the Advance to the Treasurer would have been correspondingly less. Your Committee is disturbed that errors of this nature should occur and that they should not be detected in sufficient time to enable appropriate corrective action to be taken.

The Department has advised that an independent control sheet is now prepared progressively from documents originating in the salaries section of the Northern Territory Administration. A comparison of ledger postings with the information recorded on the control sheet is made to detect errors of the type referred to by the Committee.

75. The evidence also shows, however, that due to an unexpected change

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that occurred in the pattern of recreation leave in the late stages of the financial year a final shortfall in expenditure on the Item was inevitable. We trust that if the newly emergent pattern of recreation leave is sustained in the years ahead, the change involved will operate to the benefit of administration in the Northern Territory.

Division 753/01: Meteorological Services (Department of Air)-  
Proportion of salaries provided under Department of the Interior

82. It appears to Your Committee from the evidence that while the Bureau had issued to each of the Sub-Treasuries, separate Warrant Advice under each Item of both Divisions, to enable the correct apportionment of expenditure to be made, the Sub-Treasuries in London and Darwin failed to allocate the funds as directed. It is also clear, however, that the Bureau was aware, from the postings that it received on a monthly basis from the Sub-Treasuries, that the postings referred to Division 753 without identifying which of the Items 01 and 02 was concerned. We believe that this lack of detail should have alerted the Bureau early in the financial year to the need to satisfy itself that each Sub-Treasury was implementing the arrangements according to the directions given. Had such a check been

The Department of the Interior has agreed that advices showing that Sub-Treasuries at Darwin and London had not allocated the funds as directed should have alerted the Bureau of Meteorology early in the financial year and allowed the errors to be corrected.

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made the error would have been discovered and corrected without embarrassment.

83. In regard to the deletion of the deduction line arrangements for this Item but the retention of interdepartmental payments by the Departments of Civil Aviation, Air and Supply to the Bureau of Meteorology and the crediting of these payments to the Consolidated Revenue Fund, Your Committee would invite attention to paragraph 99 of its Fifty-fifth Report of 28 September, 1961. In that paragraph we expressed doubts as to the desirability or necessity for one department, as a general rule, to charge another for any service or function. To this general rule, however, we found an exception in the case of the Postmaster-General's Department, which maintains accounts in commercial form. We also note that section 8 of the Meteorology Act (No. 6 of 1955) provides that the Director of the Meteorological Bureau may, subject to any direction of the Minister, make charges for forecasts, information, advice, publications and other matter supplied in pursuance of that Act. It would appear that as the arrangements now stand, the recovery of charges from the departments concerned and payment to revenue has the effect of inflating the expenditure and revenue figures of the

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The practice of charging the Departments of Civil Aviation, Air and Supply for meteorological services supplied by the Bureau of Meteorology and crediting the receipts to the Consolidated Revenue Fund has been reviewed in the Treasury. In reviewing this practice due regard was paid to the Committee's views on interdepartmental charging as stated in its Fifty-fifth Report and to the effect the procedure has on the Commonwealth's expenditure and revenue figures.

After carefully weighing all the factors, the Treasury has decided that the present charging and recovery procedure should be retained. Like the Postmaster-General's Department, the Department of Civil Aviation has to determine, on a commercial basis, the cost of the facilities and services it provides as the aviation industry is required under the Air Navigation (Charges) Act 1952-1969 to pay charges for the use of those facilities and services - including meteorological services. It is appropriate, in these circumstances, that the Bureau of Meteorology should charge the Department under the Meteorology Act for

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Commonwealth. In the circumstances, Your Committee considers that the practice of charging these Departments for those services should be reviewed.

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these services. It is also considered appropriate for the Departments of Air and Supply, appropriations for which are included in the overall defence Vote, to be charged for these services, which are genuine Defence activities, the cost of which is substantial.

DEPARTMENT OF SUPPLY

Division 763/1/01: Administrative-Salaries and Payments  
in the nature of Salary -Salaries and allowances.

89. While Your Committee is sympathetic regarding the problems that confront departments in the process of relocation in Canberra it appears that in the present case the Department, when conducting its additional estimates review failed, through an oversight, to take into account a recovery of salary arising from an arrangement that it had with the British Defence Research and Supply Staff and as a result it underestimated its requirements for the remainder of the financial year. We consider that this oversight should not have occurred and that the Department should have sought further funds in the Additional Estimates.

The Department has advised that it will exercise all due care in future to ensure that salary estimates take into account any unusual factors and arrangements for recoveries.

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Division 763/2/09: Administrative-Administrative Expenses-

Patent fees.

94. It appears to Your Committee that the Department was justified in seeking funds from the Advance to the Treasurer for this Item in 1967-68. Indeed, based on the estimating and expenditure record of the Item in each of the preceding years it appears that the Department could have framed its Original Estimates on a more conservative basis and made use of the Additional Estimates and, if necessary, the Advance to the Treasurer, in those years also.

Division 771/1/02: Weapons Research Establishment-

Salaries and Payments in the nature of Salary-

Temporary and casual employees.

101. Your Committee accepts the Department's explanation. We note that action has been taken, with effect from 1968-69, for a change to be made in the recovery arrangements which in the past, have proved difficult to estimate as credits to the Items. We trust that the change made will assist the Department in future years. We also trust that the re-direction of staff arising from the variations made to the joint project, will be achieved smoothly and economically.

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DEPARTMENT OF TRADE AND INDUSTRY

Division 533/2/04: Commercial Intelligence  
Service-Lebanon -Administrative Expenses-  
Rent and maintenance, other buildings.

106. Your Committee accepts the Department's explanation.

Division 533/2/07: Commercial Intelligence  
Service-Lebanon-Administrative Expenses-  
Incidental and other expenditure.

111. As the problem revealed in evidence on this Item is elementary in nature we believe that the Department should have ensured from the outset that a clear understanding existed between its Central Office Administration in Canberra and its Overseas Posts regarding the Exchange rates to be adopted. Had such an understanding existed it is clear that, in the case of this Item, it would have been unnecessary to make use of the Advance to the Treasurer.

The Department has carried out a complete examination of the accounting procedures covering exchange variations at overseas posts and has prepared a comprehensive set of instructions which should correct defects noted in the course of the examination. Copies of the instructions have been made available to the Department's accounting staff in Canberra and suitable amendments will be made to the Overseas Accounts Handbook for Trade Posts.

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Division 541/1/01: Commercial Intelligence Service-  
Peru - Salaries and Payments in the nature of  
Salary - Salaries and allowances.

116. It appears to Your Committee that the circumstances that gave rise to the charge of \$996 against the Advance to the Treasurer were beyond the control of the Central Office of the Department of Trade and Industry in Canberra. We are somewhat concerned however, by the circumstances associated with the amount of \$644 involved in the payment of hotel accommodation. In view of the payment and re-imbusement arrangements that are operating we believe that the Overseas Post concerned should have advised the Department of Trade and Industry of the payment that had occurred so that appropriate provision could be made for it in the Additional Estimates. We further believe that the Department of Trade and Industry should, in respect of all of its Overseas Posts, ensure that it is appropriately advised of unforeseen expenditures when they occur.

Following the decision to appropriate funds for the Trade Commissioner Service (formerly Commercial Intelligence Service) under one Division from 1968-69, the Department completely re-examined its methods of controlling overseas expenditure. A number of management controls have been introduced which will provide an effective allocation of funds and checks on progressive totals of expenditure at individual posts and the overall total for each expenditure item. The frequency and extent of examination and forecasting of expenditure trends have also been intensified.



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Division 549/1/01: Commercial Intelligence Service-  
Thailand-Salaries and Payments in the nature of  
Salary-Salaries and allowances.

119. The evidence shows that due to an error in the interpretation of expenditure results the Department incorrectly assessed its requirements on this Item during the Additional Estimates Review. The evidence also suggests that the Additional Estimates Review was conducted without any advice being sought from or tendered by the Post concerned and that the Department reached the conclusion that unexpected savings had occurred without seeking confirmation of the fact from the Post. Your Committee considers that the situation that arose points strongly to the need for a more adequate form of funds control to be developed by the Department in relation to Overseas Posts.

Prior to taking up duty at an overseas post, Trade Commissioner staff are being briefed specifically on their responsibilities towards the management of funds allocated to their post and the need for early advice to Central Office of any adverse expenditure trends.

Conclusions

123. Your Committee's examination of departmental submissions connected with expenditure from the Advance to the Treasurer for 1967-68 showed a marked improvement both in the quality of the material furnished and in the use made by the departments of Advance. We believe that this two-fold

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improvement stems partly from the use of the pro-forma in its present form over three successive years and partly from a greater awareness by departments of the principles of sound estimating and the valid purposes for which the Advance to the Treasurer may be used. In these circumstances Your Committee was able to reduce the number of Items requiring oral examination to sixteen compared with twenty-six in the previous year.

124. Notwithstanding the improvements to which we have referred, the evidence taken during the present Inquiry revealed cases where insufficient care had been taken by departments in the formulation of their Original and Additional Estimates. While the evidence also revealed instances where clerical errors had occurred we are disturbed by the fact that these errors were not detected readily and in some cases were not discovered until after the close of the financial year. In this regard we believe that departments should examine their accounting arrangements to ensure that, wherever possible, clerical errors are detected promptly. Unless this can be achieved, the formulation of estimates becomes poorly based and expenditure results become unreliable.

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125. We also believe that where a department makes a change in an accounting arrangement, as occurred in the case of Division 753 administered by the Department of the Interior, the department should ensure that the consequences of the change are understood clearly and are implemented properly from the outset.

126. The evidence also reflected a need for the Department of the Treasury, the Sub-Treasuries and departments generally to act promptly in regard to urgent requests made late in the financial year for funds from the Advance to the Treasurer.

127. Your Committee would again draw attention to a lack of adequate liaison evident between Central Offices of Departments and Overseas Posts. A lack of proper liaison gives rise to undetected errors and misunderstandings as to expenditures that have occurred and funds that are available. Associated with this is the need for the Central offices of departments to obtain from their Overseas Posts, adequate supporting detail as a

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Where a department makes request for urgent provision of funds from Advance to the Treasurer late in the financial year, the Treasury makes special arrangements for these requests to be handled expeditiously. After the requests have been approved it is the responsibility of the Department to ensure that the need for urgent payment is brought to the attention of the officers processing the accounts.

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basis on which to form reliable judgments regarding expenditure levels at those Posts and the validity of draft estimates that they have prepared.

128. Finally, we have considered the position that arises where deduction lines involving Commonwealth departments, other than those engaged in operations of a trading nature have been deleted but the charges imposed on those departments have been retained and the proceeds credited to revenue. It appears that where such arrangements have been made the recovery of charges and payments to revenue has the effect of inflating the expenditure and revenue figures of the Commonwealth. In these circumstances and having regard also to Your Committee's views relating to inter-departmental charging as set out in the Fifty-fifth Report, we consider that the practice of charging non-trading type Commonwealth Departments for services provided for them and crediting the proceeds to revenue should be reviewed by the Department of the Treasury and the other Departments concerned.

Treasury Minute

(27 February, 1970)

As mentioned in the Treasury Minute on the Committee's Fifty-fifth Report, the Treasury is continuing its examination of the remaining interdepartmental payments with a view to applying, where possible, the principles enunciated by the Committee in that Report.

CHAPTER 3

TREASURY MINUTE ON THE ONE HUNDRED AND NINTH REPORT

THE SUPPLEMENTARY REPORT OF THE AUDITOR-GENERAL

FINANCIAL YEAR 1967-68

On 9 February 1970 in accordance with the arrangements relating to follow-up action on Your Committee's Reports, The Treasurer conveyed to the Chairman a Treasury Minute which reported the action taken on Your Committee's One Hundred and Ninth Report.

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The Treasury has examined the Report and has discussed with the Departments and authorities concerned the observations and conclusions of the Committee which have, where necessary, been brought to the notice of officers concerned.

Australian Egg Board

The Australian Egg Board has offered the following comment:

"The Committee's comment and conclusions have been considered by the Board and noted.

21. Your Committee's inquiry into this matter arose from the failure of the Australian Egg Board to complete its financial statements in time for their inclusion in the Auditor-General's Supplementary Report for 1967-68. Over many years Your Committee has taken a very serious view of such failures on the part

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of Statutory Authorities and has often found, when it has conducted inquiries in this area, that these failures have arisen from administrative defects in the Authority concerned.

22. It appears to Your Committee from the evidence tendered that a number of factors affected the ability of the Australian Egg Board to complete its financial statements for 1967-68 in time for their inclusion in the Auditor-General's Supplementary Report. These factors included an expansion of the work of the Board without additional staff; staff changes in the managerial level of the Board; resignations of overseas staff; staff illness and problems arising from the devaluation of sterling.

23. The evidence shows that, following the implementation of a plan by the Council of Egg Marketing Authorities of Australia, all States pooled their exports of eggs through the Australian Egg Board from the commencement of the 1965-66 season and from 1967-68 arrangements were made for the staff of the Australian Egg Board to attend to all Australian shipments which in previous years had been undertaken by State Egg Boards. Your Committee accepts that such a transfer of work would place a strain on the Board's

The Board believed that its staff would be capable of handling all the additional work in which the staff became involved and, as pointed out by the General Manager of the Board to the Committee, the normal staff could have coped adequately with the situation but for several unforeseen factors, including the absence through illness of the General Manager for some weeks, the absence of the Secretary overseas for three months to fill a vacancy in the Board's London representation, and the resignation of the Board's Pacific

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staff resources and believes that the Board should have examined its staff structure critically before accepting this increased work commitment.

24. In 1967-68 changes occurred at the General Manager and Secretary levels of the Board. Both new appointees were drawn from the Egg Marketing Board of New South Wales and for a period of twelve months were engaged in the work of both Boards as well as in the work of the Council of Egg Marketing Authorities. Your Committee believes that the Egg Marketing Authorities concerned should have ensured that these transfers at the managerial level were effected quickly and smoothly.

25. The events which followed the resignation of the Egg Board's representatives in London and the Pacific area are matters for some concern. The Secretary of the Board was sent to London to interview the nominees for the vacant position there, to advise the Board on a suitable nominee for the position and to fill the position on a temporary basis. In fact a new appointment was not made and the problem was resolved

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representative. The employment of temporary staff could not have appreciably helped the situation as the complexities of egg marketing mean that new staff are of virtually no assistance until they have been adequately trained.

The Board considers that the transfers at managerial level to which the Committee refers in paragraph 24 of its Report were made as quickly and as smoothly as the circumstances at the time permitted.

As to paragraph 25 of the Report, the Board has closely examined the nature of its overseas representation and it considers that the present arrangements for overseas representation are the most satisfactory it can make in the current circumstances. The Board is fully aware of the importance of its overseas representation, and has adopted its present policy to fit the situation

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by the Egg Board arranging to be represented by the staff of the Australian Meat Board in London. As this appears to be satisfactory it raises the question as to whether such an arrangement should not have been entered into in previous years. As the Australian Meat Board has a staff of four located in London a single resignation from that staff would not have left the interests of the Australian Egg Board wholly unprotected. Similarly, it is noted that while the resignation of the Board's Pacific Area representative required the presence of the Executive Officer (Shipping) in the Persian Gulf area, it is not proposed to re-appoint a full-time representative in the Pacific area. In these circumstances Your Committee believes that the Egg Board should examine critically the nature of its representation overseas.

26. It appears from the evidence that while the problems arising from the devaluation of sterling were wholly beyond the control of the Board they imposed a considerable amount of additional work on the Board's staff in 1967-68. Your Committee believes that the Department of Primary Industry could, with advantage, re-examine the criteria relating to post-devaluation payments as they affect the

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as it stands now. The Board will vary its policy in the light of future developments in overseas markets."

The Department of Primary Industry, in collaboration with the Australian Egg Board, has devised a procedure within the terms of the Government's decision on devaluation compensation which will facilitate the receipt of devaluation compensation by the Board.



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Egg Board with a view to assisting the Board as far as possible with its problems in this area.

27. Finally, we would commend the Egg Board and its newly appointed management for the action taken to increase the efficiency of its staff through on-the-job training and by encouraging the completion of qualifications within its accounting area. Your Committee believes that such action should, in the long term, provide the Board with greater staff flexibility to meet its problems in the future.

War Service Homes Insurance Trust Account

46. From its commencement in 1919 the War Service Homes Act and Regulations have provided that all dwellings in which the Director has an interest shall be insured under the War Service Homes Insurance Scheme. The legislation was amended in 1948 to enable purchasers and borrowers who had discharged their liability to continue the insurance of their homes, on a voluntary basis under the scheme. The Scheme is intended to provide War Service Homes purchasers and borrowers with insurance cover on their home at rates as near to cost as possible and at the same time to maintain sufficient in reserve

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to meet contingent liabilities. It is a co-operative, non-profit scheme financed from its inception wholly by premiums paid by War Service Homes purchasers and borrowers.

47. Your Committee noted that the balance in the War Service Homes Insurance Trust Account had declined from \$1,576,061 as at 30 June 1967 to \$1,264,358 as at 30 June 1968 while the value of houses insured under the scheme had increased from \$1,533,139,269 to \$1,585,444,969 over the same period.

48. The evidence shows that in recent years there have been a number of events which have resulted in substantial increases in War Service Homes insurance claims costs which have contributed to reductions in the balance of the Trust Account since June 1966. In particular, claims arising from bushfires in Tasmania totalled \$213,000, hail and tempest storms in Queensland \$290,000, and earthquakes in Western Australia about \$150,000. After consultation with the Commonwealth Actuary, however, action was taken in 1967-68 to re-cast the premium rating system to achieve a more equitable distribution of the costs under the War Service Homes Insurance Scheme

The Director of War Service Homes has confirmed that it is his practice to consult the Commonwealth Actuary before determining any variation in War Service Homes insurance premium rates. Consultations were held with the Commonwealth Actuary to determine the premiums to be charged for 1969-70. The Director anticipates that as a result of action taken following these consultations the balance in the War Service Homes Insurance Trust Account will, over a period of approximately three years, be restored to the level recommended by the Commonwealth Actuary.

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with effect from 1 July 1968. Concurrently the opportunity was taken to include an additional loading in each premium to provide for a gradual re-establishment of the reserve fund to the level of \$1,655,607 which was regarded as adequate by the Commonwealth Actuary. Your Committee believes that the Director of War Service Homes should continue to consult the Commonwealth Actuary, on a regular basis, in relation to the adequacy of the reserve fund. In view of the importance of this matter, Your Committee will note the variations that have occurred in the balance of the War Service Homes Insurance Trust Account as shown by the Auditor-General in his Reports to the Parliament.

49. The evidence showed that while the War Service Homes Insurance Trust Account has been held by the Commonwealth for fifty years, it did not attract payments of interest from the Commonwealth prior to 1968. In earlier years when the balance in the fund was relatively small, the view had apparently been taken that the Government might be called upon to support the fund financially and in these circumstances it was reasonable that the Commonwealth should obtain the benefit of the interest derived

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from the investment of the Fund. As the Commonwealth has not been required to make a contribution and as the fund comprises contributions by purchasers and borrowers under the War Service Homes Scheme Your Committee would commend the decision taken in 1968 to credit to the Trust Account interest on the investment of that Account with effect from 1968-69. Your Committee feels however, that this action should have been taken sooner.

50. A further matter to which Your Committee would make reference is the fact revealed in evidence that while insurance companies are required to contribute to the costs of fire fighting services in the States, evidently no contribution is required to be made towards the costs of fire fighting services in the Australian Capital Territory. Your Committee believes that this matter should be examined carefully by the authorities concerned.

In 1962 and again in 1967, following Treasury enquiry, the Minister for the Interior considered whether fire insurance companies should be required to contribute towards the cost of the fire brigade service in the A.C.T. On both occasions the Minister concluded that the fire brigade service was established as a public utility and should be financed from revenue, as are other public services and utilities in the Territory. It had been appreciated that unless fire insurance premium rates in the A.C.T. were lower than elsewhere in Australia, the companies concerned would benefit from the decision not to require them to contribute towards the cost of the fire brigade service. As a result of negotiations between the Department of the Interior and the Fire and

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Accident Underwriters Association it was agreed in 1962 that fire insurance premium rates in the A.C.T. would be 10% below the level of those then ruling in New South Wales. The margin of benefit to insurers in the A.C.T. was increased further in April 1966 when a 5% surcharge on premiums in New South Wales, Victoria, South Australia and Tasmania, designed to meet the increased burden of fire brigade costs in those States, was not imposed on policy holders in the A.C.T.

For and on behalf of the Committee,

*David N. Reid*

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Joint Committee of Public Accounts,  
Parliament House,  
Canberra. A.C.T.

23 April, 1970.

*Don Dobie*

DON DOBIE  
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*Ivy Wedgwood*