



1965.

 PARLIAMENT OF TASMANIA

REPORT OF THE STANDING COMMITTEE OF PUBLIC ACCOUNTS

ON

ESTIMATES 1963-64

Brought up by Mr. Fraser on Tuesday, October 12, 1965, and ordered by the House of Assembly to be Printed.

REPORT.

The Public Accounts Committee have the honour to report as follows:—

In the Auditor-General's Report for 1964, between pages 247 and 276, is printed the Treasurer's Statement No. 3, Consolidated Revenue Fund: Details of Expenditure for the year ended 30th June, 1964, Compared with the Amounts as Estimated in and Voted by the Appropriation Act 1963-64. Your Committee noticed a number of cases in which amounts substantially above or below the estimate were spent. Evidence was heard on the reasons for these variations and details of the explanations received, together with the Committee's comments, are set out below.

1. *Miscellaneous (Minister for Transport): Item M5—Maintenance of Aerodromes: Estimate £1,300, Expenditure £2,164 7s. 5d., Variation + £864 7s. 5d.*

The Auditor-General, on page 24 of his 1964 Report, made the following comments on this excess expenditure:—

“This Parliamentary provision was supplemented by £1,450 from the ‘Treasurer's Reserve’. Explanation submitted in support of the application for further funds included—

- (1) A grant of £300 to the North Eastern Aerodrome (Company) Pty. Ltd. towards the maintenance cost of the Bridport Aerodrome was not included in the estimates for 1963-64’.

It seems the Transport Commission was previously advised by the Department of Civil Aviation not to make assistance available to the Company until it indicated whether or not it intended to maintain the aerodrome as a licensed aerodrome. Subsequent to the date of this advice, works required by D.C.A. were completed and the aerodrome remained licensed.

'(2) An additional amount of £1,151 as required to meet the cost of work carried out in 1961-62 on Smithton Aerodrome'.

In respect to the latter item I found it necessary to inform the Honourable the Treasurer that I was concerned with the following aspects of the application:—

1. The amount was being provided to meet the State's half share of the cost of work carried out in 1961-62 and originally estimated to cost £992, however, the total cost was £2,302, i.e., £1,310 above the original estimate.
2. Despite specific instructions that works of this nature carried out by private contractors could not be commenced unless tenders were first called and formal contracts let, in this instance these formalities appeared to have been overlooked.
3. Despite the death of the Commission's aerodrome supervisor in June, 1962, and the contractor's anxiety to have a Commission officer inspect the site of the work, it was not until 12th August, 1962, that an officer actually visited the site. By that time the work had been practically completed. The accounts submitted by the contractor showed that the major portion of the work was carried out between 25th June, 1962 (four days after the contractor had visited the Commission's office at Hobart) and 14th July, 1962.
4. In my opinion this affair demonstrated a lack of financial responsibility on the part of the officers concerned. There is no record other than the contractor's claim and verbal report of the groundsman that the materials claimed for were supplied and the work carried out. There was a lamentable lack of supervision on the part of the Transport Commission staff, for everything relative to the contractor's engagement appeared to have been left entirely in the hands of the late supervisor without any attempt having been made to obtain periodic reports from him."

Your Committee were concerned to read that on works estimated to cost £992, the amount actually expended had been £2,302. Evidence from the Transport Commission was heard, and subsequently an examination of the Commission's files on this matter was carried out.

The original estimate of £992, for "rehabilitation of old runways for use as taxiways and runways for light aircraft, including provision of gravel spreading, rolling and grading", was made by the Commission's reporting officer at Smithton. In October, 1961, the Commissioner directed his Personal Assistant to see that tenders for the work be called, and that contract documents be prepared. This officer in the same month passed on the direction to the reporting officer. No reply was received by the Commission, and the Committee are concerned that office procedures at the time were such that an instruction of this nature was not followed up. In fact, the files contain no further reference to the project until June, 1962, when the contractor who was carrying out the work visited the Commission's office in Hobart. The Finance and Research Officer on June 21st, 1962, reported to the Commissioner that the contractor had called to advise that because of the recent death of the reporting officer, he would be held up in his work, as he had no-one in authority to refer to. This letter was minuted by the Commissioner to his Personal Assistant on July 24th, asking whether he was looking into the matter. On July 27th the Personal Assistant replied that he would be unable to visit the aerodrome for at least a month, and asked that an inspection be made by another officer. On August 8th, the Commissioner instructed his Personal Assistant to carry out an inspection as soon as possible, and this direction was carried out on August 12th and 13th, seven weeks after the contractor's request was made in Hobart on June 21st. The seriousness of this delay is pointed out by the Auditor-General in the passage quoted above when he says that most of the work was carried out between June 25th and July 14th.

Your Committee were told that the Commission had no idea that additional expenditure had been incurred until the account was received in August, 1963—twelve months later. In view of this, the officer who made the inspection in August, 1962, was examined thoroughly. The following is an extract from the transcript of evidence:—

Question—When you went there in August, 1962, you were checking the situation without any documents to help you but purely on your previous knowledge of the aerodrome at the time of your last visit?

Personal Assistant—I did do this—I went to the Agricultural Bank office. I searched all the papers left there to find out what the reporting officer might have left. His wife was also contacted to see if there were any papers at his home, and the only other thing I was able to do was gain some information from the groundsman.

Question—What did you learn from him?

Personal Assistant—The groundsman told me that the amount of gravel had been carted on to the 'drome and I asked him if he kept a trip record to prove the quantity.

Commissioner—That was on the subsequent visit.

Question—What I am seeking from you is this—whether or not there was any alarm in your mind in 1962 that additional work had been done or may have been done.

Commissioner—I think the answer is 'No', that it was not immediately apparent to the Personal Assistant, because if it had been apparent he would have reported it.

Question—With due respect, I am asking the Personal Assistant this.

Personal Assistant—I wouldn't say I had any alarm about it. After all, £992 was a fairly considerable sum of money, and I honestly at this stage believed that that amount of money covered the work that had been done."

At the time of the inspection, the contractor was out of the State and therefore could not be asked in person whether any kind of contract had been made. However, in his report to the Commissioner, the Personal Assistant made no mention of this aspect, so that there was still no following up of the matter.

In August, 1963, after a number of requests, the contractor submitted his account, as follows:—

1. Carting and filling depressions where needed on the edge of the 101° taxi strip 1,950 yards filling @ 5s. per yard	£	s.	d.
	487	10	0
2. Carting gravel, spreading, grading, rolling on 101° and 169° runways 1,815 yards gravel @ £1 per yard	1,815	0	0
	<hr/>		
	£2,302	10	0
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Upon receipt of this account, the Personal Assistant and the Commonwealth District Airport Inspector visited the aerodrome to determine whether the material quantities claimed for had actually been supplied. The result of tests carried out showed that the quantity of gravel referred to in the account was substantially correct. Since this was so, and since the work had been performed to the satisfaction of both the Commission and the Department of Civil Aviation, the account for £2,302 10s. was paid. The Commission recovered £1,151 5s. for the Commonwealth's share of the cost from the Department of Civil Aviation.

Your Committee were most concerned to find that despite explicit instructions from the Commissioner, there is no evidence that tenders were ever called or that a contract was made. It can only be assumed that the late Reporting Officer at Smithton had obtained verbal quotes from a number of contractors and authorised one of them, either by an exchange of letters or verbally, to carry out the work. How the contractor came to be authorised to proceed with the additional works that account for the large excess remains a mystery. It was suggested by Transport Commission witnesses that Department of Civil Aviation officers might have played some part in discussions which led to additional work being carried out. However it occurred, the fact that it was possible for over £1,300 to be committed without the knowledge of the Commission is disturbing.

It is essential that for major work outside maintenance, wherever public money is involved, tenders should be called and a proper contract made. It has in fact been the Commission's policy to follow this procedure, and the departure in this case was due to the lack of suitable office procedures. That procedures were unsatisfactory is amply borne out by the fact that the instruction to the reporting officer was never followed up, so that the Commission had no written communication at any stage with the contractor prior to the receipt of his account. The dangers of such a situation are obvious. Again, there was a delay of over seven weeks between the contractor's request for an inspection of the site and the actual visit. A further year was allowed to elapse before the account was obtained.

Your Committee were assured by the Commissioner that steps had been taken to improve procedures:—

"On the question of future preventative measures, I think you and the Committee can rest assured. We do make mistakes and they are bound to occur. I am not excusing it for one second, but we quite honestly attempt to learn from mistakes, and I think in this particular instance there will be no case of a thing like this appearing before the Committee because one cannot explain things because of the death of so and so and the

absence of a contract. In other words, we'll probably carry on getting quotes in the same way through the local supervisor and then we'll draw a small contract document, probably one sheet of paper, to cover the essentials of what has to be carried out and the price. So on that angle you can feel certain that that will be the practice in the future. The other angle is of these delays in answering letters, in fact some letters that I signed were not replied to at all. We cannot guarantee that that will never happen again because sometimes they do happen, but I think we have a records system now that, whilst I don't think it is fool-proof, at least it is a lot better than the records system that we had at this particular time. In the process of establishing this we got advice from an expert on the Public Service Commissioner's staff, and we have a good system now. That source of error and omission, whilst we cannot guarantee it won't happen again, at least the chances of it happening are very appreciably reduced."

2. PUBLIC SERVICE COMMISSIONER'S DEPARTMENT: *Office Requisites, Printing and Advertising: Estimate £4,750, Expenditure £5,809 18s. 2d., Variation + £1,059 18s. 2d.*

Since the estimate was exceeded by over 20%, the Committee sought an explanation from the Department. Expenditure for the item was as follows: about £710 for office requisites and normal printing, and the remainder of £5,100 on advertising. It was explained that this figure covers advertising for Public Service vacancies for all Departments. The costs of local, mainland and overseas advertising for this purpose were £990, £1,930 and £2,180 respectively.

Your Committee were told that it was very difficult to estimate for this item because advertising requirements fluctuate from year to year. The types of vacancies that occur largely determine the cost of advertising since positions which are normally filled by in service promotion need only be publicised locally, and frequently only in the Government Gazette. Mainland and overseas publications are used principally for the recruitment of people with professional or technical qualifications.

It is clear that requirements for these personnel would vary considerably, and in view of the relatively high cost of mainland and overseas advertising, the Department's explanation is acceptable.

3. PUBLIC SERVICE COMMISSIONER'S DEPARTMENT: *Travelling Expenses: Estimate £450, Expenditure £818 12s. 9d., Variation + £368 12s. 9d.*

In this case an excess of over 80% occurred. The Department explained that normal expenditure from this item applies to intrastate travel by the Commissioner and Inspectors investigating Public Service offices outside Hobart, and to interstate travel for various purposes. Expenditure on this travel was reasonably close to the estimate in 1963-64. The excess is accounted for by the fact that the Commissioner and the Chief Inspector visited New Zealand for the Australasian Conference of Public Service Commissioners in December, 1963. This conference was the first to have been held overseas and therefore the cost of travelling expenses was relatively high. Venues and dates of other conferences were:—

Canberra—February, 1956.

Melbourne—February, 1959.

Brisbane—October, 1960.

Hobart—February, 1962.

Wellington—December, 1963.

The next conference is to be held at Perth in December, 1965.

It will be seen from the dates above that conferences have been held about every second financial year, so that the interval between the Hobart and Wellington meetings was not unusually short.

Your Committee were told that provision for the conference was omitted in error. This came about since there had been no expenditure for such travel since the Brisbane conference in 1960-61. When the estimate was prepared, a figure which would have been sufficient for the years immediately preceding 1963-64 was asked for. This does account for the omission, but your Committee are nevertheless at a loss to see how such an important matter could have been overlooked in a small department. The method of estimating by taking the previous year's expenditure is not a good one. Of course, past experience is a necessary guide, particularly in items of this type, but before estimates are forwarded, senior departmental officers should examine them closely to ensure that all anticipated expenditure is allowed for,

4. STATE LIBRARY OF TASMANIA: *Maintenance of Buildings: Estimate £3,000, Expenditure £1,624 7s. 9d., Variation — £1,375 12s. 3d.*

The Accountant, State Library, explained that because of the newness of the Murray Street building, only a rough estimate had been attempted for maintenance in 1963-64. About £600 had been allowed for fencing and windbreaks, but these were not proceeded with because of the preparation of plans for the second stage of the building. £400 was allowed for vermin control. This was felt to be excessive, and it was decided to attempt to have the work done later. A worthwhile saving resulted as the Library was able to obtain a quote of about £200 recently. In view of these savings, the estimate was reasonably accurate for a new building.

It was found after the building had been used for some months that it was necessary to instal tiling in the toilets and protection for plaster work at corners. Considerable damage had been done by book trolleys through lack of this protection. These points were rectified during 1964-65. The cost involved was greater than it would have been had not these omissions in design been made.

5. DEPARTMENT OF HEALTH SERVICES: *Pay-roll Tax: Estimate £9,100, Expenditure £9,485 5s. 1d., Variation + £385 5s. 1d.*

Your Committee sought an explanation of this excess because it was apparently disproportionate to the budget results for salaries (expenditure for Salaries, including Wages, Allowances and Overtime, was £11,010 16s. 5d. below the estimate, and for Salaries and Fees: Doctors, Dentists, and Consultants £528 6s. 2d. above the estimate). The Department's Accountant explained that its Pay-roll Tax expenditure was not 2½% of salaries as is the case with other departments, since for some of its employees (at the Mothercraft Home and in the District Nursing Service, for example) exemptions from the tax are allowed by the Commonwealth.

Pay-roll tax commitments for the Department are therefore calculated for sections of employees. The excess in this case arose from the fact that the cost of salaries of District Medical Officers is shared by the Department and the various municipalities. The Department pays the Pay-roll tax and in error the estimate was based on the figure which represents the Department's share of the salaries, instead of the gross amount paid to District Medical Officers. Your Committee realise that errors in calculations can occur and accept this explanation. The frankness with which it was presented is appreciated.

6. LEGISLATURE-GENERAL: *Parliamentary Printing: Estimate £14,000, Expenditure £16,846 9s. 9d., Variation + £2,846 9s. 9d.*

Your Committee discussed this item with the Clerk of the House of Assembly and asked the Honourable the Speaker in his capacity as Chairman of the Printing Committee to consider whether that Committee should investigate the following matters:—

- (1) The increase in cost to the State of Parliamentary printing;
- (2) The lack of provision for sale of Parliamentary Papers;
- (3) The increase in cost of printing particular annual reports;
- (4) The size and form of reports as a factor in their cost; and
- (5) Procedures relating to accepting or rejecting requests for supply of Parliamentary Papers.

Mr. Speaker later advised that the Printing Committee would investigate these points, and this inquiry is proceeding.

7. PUBLIC BUILDINGS: *Power, Fuel and Water, Government Buildings: Estimate £27,500, Expenditure £33,244 5s., Variation + £5,744 5s.*

This excess of over 20% led the Committee to seek an explanation. The result was far from satisfactory, as appears below. It was stated by a witness from the Premier's and Chief Secretary's Department that the estimate had been prepared essentially as a repetition of the adjusted expenditure for the preceding year (1962-63). The excess expenditure noted above was divided as follows:—

Water: expenditure rose £4,042 16s. 1d. on £3,105 2s. (approximately 130%).

Electricity: expenditure rose £1,703 18s. 1d. on £23,744 1s. 11d. (approximately 7%). Total consumption figures for water showed that usage rose 33,499,000 gallons on 59,187,000 gallons between 1962-63 and 1963-64. This is an increase of about 57%. Corresponding figures for electricity consumption could not be provided since no record is kept. However, it is assumed that there was an increase of about 7% in consumption as well as expenditure, since the Hydro-Electric Commission has stated that there was no change in the tariff or method of charging for Government buildings between 1962-63 and 1963-64.

In view of these figures, the Committee asked the Premier's and Chief Secretary's Department to prepare detailed lists of water and electricity consumption for individual premises. From these lists, certain variations were noticed.

Electricity costs for the St. John Street Public Buildings, Launceston, were £1,509 1s. 4d. in 1963-64 and £1,546 13s. 6d. in 1964-65. For both years, these figures are third highest on the list of power charges for Government properties.

A similar list supplied by the Premier's and Chief Secretary's Department showing water consumption and charges contained, among others, the following figures:—

	1962-63 Consumption ('000 gallons)	1963-64 Consumption ('000 gallons)	% Increase (approx.)
Agricultural Bank	843	943	12
Department of Labour and Industry	464	693	50
Social Welfare Department	162	527	220
Davey Street Buildings	2,105	2,793	32
Lands and Surveys Department—			
Macquarie Street	246	401	63
Brisbane Street	817	902	10
Murray Street Public Buildings	1,215	1,104	decrease 9

In each of the above cases, the Department concerned was asked to say to what the variations could be attributed. None appeared to have any real idea of the reasons for these changes. They had also been unaware of their consumption figures prior to being told by the Committee, and had never seen accounts for water.

The situation appears to have been that the Premier's and Chief Secretary's Department has always paid accounts for electricity used by State properties and paid for excess water used up till the end of the financial year 1963-64. From 1964-65, the Lands and Surveys Department became responsible for paying most water accounts.

Your Committee feel justified in saying that prior to this inquiry being commenced, there has been no attempt to control the use of electricity or water by State properties. In fact, with the centralised method of payment, individual Departments have been quite unaware of their levels of consumption. No real attention has been paid to big fluctuations in consumption from year to year by the various premises, and apparently no person or Department has felt itself to be responsible for attempting to see that due economy is exercised.

This lack of control is well illustrated by the fact that the Department responsible for meeting the accounts for electricity used by public buildings throughout Tasmania did not know whether there had been an increase in tariff rates between 1962-63 and 1963-64.

Until it was contradicted by the Committee during the course of the inquiry, the Department imagined that an increase in tariff between the two years had led to the higher expenditure incurred.

A few passages from the transcript of evidence taken from the Premier's and Chief Secretary's Department are worth quoting.

Question—What control is there over the usage of power?

Witness—There is no control from our department.

Question—Is there no-one who is in control of the usage of power?

Witness—I think early when I first came into the department it was mooted that an economy campaign be instituted, but I don't think it was proceeded with.

Question—It would be the responsibility of the Premier's and Chief Secretary's Department?

Witness—Yes.

Question—There are some regulations in the departments that radiators are not switched on before . . . ?

Witness—I don't know of any such regulation.

Question—There are no specific instructions to heads of departments to watch economy in usage of power?

Witness—No ”.

These passages relate to the use of electricity.

The following passage is quoted from the transcript of evidence taken from the Surveyor-General and Secretary for Lands, whose Department now meets water charges for most Government Departments:—

Witness—We deal with the water but not with the power. The power is the responsibility of individual departments and in the case of Public Buildings the Treasury deals with it. On the water side, we're insisting on metering. We don't really have very much control there. The only form of control is to pay the rates on the metered amount. We are paying excess where necessary but we have no control over the use of it.

Question—There is no provision in your department for the control of the amount of water that is used by these people?

Witness—No.

Question—The account comes to your department and is paid irrespective of what the figure is?

Witness—Provided we can check it against the meters, yes. As far as control of the amount or where water connections are made, we have nothing to do with that.

Question—Your only form of control is to see that the actual amount of water charged to your department has passed through the meters?

Witness—That is so”.

It is clear from the above that with over £30,000 per annum being spent on water and electricity, there is no real attempt to control or supervise usage.

Your Committee therefore wishes to bring this situation to the notice of the Honourable the Treasurer, and recommends that a more business-like approach to this expenditure be effected.

8. DEPARTMENT OF AGRICULTURE: *Miscellaneous: Estimate £4,000, Expenditure £3,624, Variation — £376.*

This item covers such expenses as miscellaneous freight, expenses of visiting agricultural authorities, debt collections and a variety of other small costs. In view of the nature of these items it was considered that a variation of less than 10% on the item was reasonable.

9. DEPARTMENT OF AGRICULTURE: *Inspection of Fresh Fruit and Produce for Overseas Shipment (Repayable by Commonwealth Government): Estimate £43,650, Expenditure £55,927, Variation + £12,277.*

Expenditure from this item depends on the quantity of fruit involved and the availability of shipping. The 1963-64 estimate was based on expenditure in the preceding year. However, there was a marked increase in the amount of fruit shipped (6.8 million bushels of apples and pears in 1963-64 against 5.2 million bushels in 1962-63), this, along with an increase in overtime rates, accounts for the excess expenditure.

10. TOURIST AND IMMIGRATION DEPARTMENT: *Temporary Accommodation of Migrants and Transport from Ports of Arrival to Destination: Estimate £1,700, Expenditure £2,199, Variation + £499.*

The Department's explanation, that expenditure depends upon the numbers and types of arrivals and is therefore subject to considerable fluctuation, was accepted. The major portion of expenditure is on the provision of temporary accommodation for up to seven days. Requirements for this service vary according to the types of migrants arriving. Group nominations, such as teachers, frequently require it, whereas private nominations tend to go direct to their permanent accommodation.

11. TREASURY DEPARTMENT: *Travelling Expenses: Estimate £1,650, Expenditure £942, Variation — £708.*

The Under-Treasurer explained that nearly all of this item is used for interstate travelling expenses in connection with conferences and meetings (for example, Premiers' Conferences and Grants Commission meetings). Expenditure can therefore be expected to vary greatly and because relatively few interstate visits were necessary during 1963-64, expenditure was well below the estimate.

12. EDUCATION DEPARTMENT: *Salaries, including Wages, Allowances and Overtime: Estimate £234,700, Expenditure £222,312, Variation — £12,388.*

The Department was able to show that some savings (in this case of the order of 5%) in expenditure on salaries is inevitable in a large Department. Where positions become vacant, delay in filling them, together with the fact that new appointees begin at a lower salary rate, result in savings.

13. EDUCATION DEPARTMENT: *Miscellaneous: Estimate £1,500, Expenditure £2,383, Variation + £883.*

Payments from this item during 1963-64 were £1,377 for compensation and £1,006 for miscellaneous expenditure. To the extent that claims for compensation vary according to circumstances, the excess does not seem unreasonable. In accordance with Government policy the Department does not carry insurance for injuries to children or employees on school premises and the expenditure is therefore necessary. However, it seems fair to say that these compensation payments should be met from a separate item so that Parliament is made aware of the level of cost involved. Your Committee feel that the wording of items in the Estimates should describe fully the nature of expenses that are to be met from them.

14. LANDS AND SURVEYS DEPARTMENT: *Travelling Expenses: Estimate £13,000, Expenditure £9,102, Variation — £3,898.*

The saving in this item resulted mainly from an unexpected shortage of staff and consequently lighter travelling expenses.

15. LANDS AND SURVEYS DEPARTMENT: *Miscellaneous: Estimate £600, Expenditure £298, Variation — £302.*

Most of the expenditure in this item was expected to be made on new duties assigned by legislation. For the first time the Department was responsible for the removal of fire risks and noxious weeds. The Department initially had little idea of what costs would be involved. Expenditure on this work was very much lower than the estimate and this largely accounts for the saving made on the item.

16. LANDS AND SURVEYS DEPARTMENT: *Mapping: Establishment of Permanent Marks and for Field Survey Control required for the Aerial Survey of Tasmania: Equipment and Incidental Expenses: Estimate £1,500, Expenditure £1,001, Variation — £499.*

When the estimate was prepared, £500 was allowed for the purchase of permanent marks, &c., for use in sewerage surveys. Councils did not proceed with plans for such surveys in 1963-64 and therefore the Department did not obtain the equipment provided for.

17. PUBLIC SERVICE TRIBUNAL: *Travelling Expenses: Estimate £450, Expenditure £224, Variation — £226.*

It was explained to the Committee that the estimate was made in anticipation of claims and appeals resulting from amendments to the Public Service Tribunal Act in 1963. Few claims and appeals were made, and to the extent that expenditure from this item depends on the number of hearings conducted away from Hobart, it is clear that precise estimation is impossible.

The Committee wishes to record its appreciation of the valuable work of its Secretary, Mr. P. T. McKay, in pursuing inquiries and conducting research on behalf of the Committee, which has very materially facilitated its work.

Meetings were attended by representatives of the Auditor-General and the State Treasury. Their assistance in this enquiry is gratefully acknowledged.

W. H. FRASER, Chairman.

Ministerial Party Room,
House of Assembly,
Hobart, September 30, 1965.