

City,

14<sup>th</sup> April  
~~20th March~~, 1949.

The Secretary,  
Department of the Treasury,  
CANBERRA.

DEPARTMENT OF SUPPLY AND DEVELOPMENT : SEGREGATION  
AND LIQUIDATION OF R.A.A.F. COMPONENTS.

On the authority of a "Certificate Authorising the Destruction of Surplus Commonwealth Assets" issued by the Commonwealth Disposals Commission indicating that the items have no sale value in their existing form, surplus aircraft and aircraft components held by the R.A.A.F. at No. 7 S.D. Drayton and C.M.U., Oakey, Queensland are being issued to the Department of Supply and Development (Munitions) for segregation and liquidation.

2. The items, which range from land planes and aero engines to small parts thereof, are listed on R.A.A.F. issue vouchers (Forms E/A48), signed for by Department of Supply and Development officers and subsequently written off in the R.A.A.F. stock ledgers from the receipted vouchers. The salvage officers dismantle and break down the stores and the salvaged items are then weighed and packed for transport to the disposal centre. No distinction is made between the different parts or material salvaged and no attempt is made on the aerodrome to segregate the different components. The whole quantity recovered is treated as so many tons or pounds of salvage.
4. It is agreed by this office that when the stage of packing the salvage material is reached, sufficient control exists on a weight basis, but there is lack of control prior to packing, i.e. from the time of taking over the aircraft on Form E/A.48 until the break-up of the plane and the salvage material is packed.
5. In response to Audit representations the Department of Supply and Development stated -

"Effective control of these aircraft while on the R.A.A.F. area is difficult by reason of the following facts -


- (a) The aircraft are located in fairly remote areas and the parked aircraft covered many hundreds of acres. It was impossible to effectively guard the aircraft at night and pilferage was possible.
- (b) The type of labour recruited for physical work from local sources was not suitable.
- (c) The practice of the R.A.A.F. officers of recovering from parked aircraft any item on demand in the services.

All these aircraft have been released from R.A.A.F. strength for final destruction. The salvage by D.A.P. officers can be effective and economical only by the adoption of a procedure which is not costly to operate. When the stage of receiving and packing the salvaged materials is reached there is sufficient control provided in the instruction to ensure that there is a quantitative check and that attractive lines such as tyres, instruments, wireless equipment, etc. are recorded both by weight and item numbers which should prevent their unauthorised disposal."

6. The procedure being followed as outlined in the foregoing is in accordance with various departmental instructions, but is contrary to Treasury Instructions Nos. 540 and 541, and also to Commonwealth Disposals Commission memoranda to all Departments concerned in salvage operations (see paragraphs 3 (b), (c) and (d) of Circular Finance Memorandum AD/30 of 3rd February, 1948, copy of which is forwarded \* herewith.)

7. As there is still a large number of aircraft for disposal, and taking into account the necessity for the adoption of a procedure which is not costly to operate, it is suggested that consideration be given either to the practicability of applying the Disposals Commission procedure outlined in Circular memorandum AD/30, or the issue of Treasury approval to dispense with the requirements of Treasury Instructions.

8. It will be appreciated if you will please favour me with your views on the above suggestion together with advice of any action taken in regard thereto.

  
(H.C.Hine)

Secretary and Chief Inspector.

Encl.

*RS* 17/5/49

3rd May, 1949.

The Chief Auditor,  
BRISBANE.

DEPARTMENT OF SUPPLY & DEVELOPMENT : SEGREGATION AND  
LIQUIDATION OF R.A.A.F. AIRCRAFT COMPONENTS. YOUR

48/282. 49/173-14

A summary of the correspondence relating to the abovementioned subject was referred to the Treasury on 14th April, 1949 with a request for their views on the practicability of applying Disposals Commission procedure outlined in Circular memorandum AD/80, or whether Treasury approval should be issued to dispense with the requirements of Treasury Instructions.

2. A reply has been received which reads as follows :-

"I forward herewith copy of a memorandum received from the Secretary and Chief Inspector, Audit Office, having reference to the failure of the Department of Supply and Development to observe the provisions of Treasury Instructions Nos.540 and 541 in regard to the control of stores.

The Treasury is averse to adopting the Audit suggestion in paragraph 7 to dispense with the requirements of Treasury Instructions and would prefer to find some other solution.

The difficulties of providing adequate protection for the aircraft in isolated spots are fully appreciated, but it is suggested that the need for protection would be considerably reduced if valuable equipment were removed before the aircraft is handed over to the Department of Supply and Development.

The question of meeting the charge for the removal of equipment is one which could be finalised by arrangement, but the important factor is that the adoption of this procedure would appear to be in the best interests of the Commonwealth as not only would the items be protected against pilfering but the need for providing a guard over a wide area would be avoided.

It would be appreciated if you would kindly examine the position with a view to adoption of a procedure which would meet Audit and Treasury requirements."

3. When further information is received you will be advised.

*J. D. C.*  
A/Secretary & Chief Inspector.

*Ref. 2/4/49*  
*4/7/49*

20 48/282  
1/3 48/613

IN REPLY PLEASE QUOTE  
No. 47/173-14.

Telephone No. F36 NEXT 414  
COMMONWEALTH OF AUSTRALIA.

AUDIT OFFICE  
JTH.  
13 FEB 1950  
CENTRAL  
MEMORANDUM:

AUDIT OFFICE, BRISBANE  
(G.P.O., Box 106 B.)  
8th February, 1950.

The Secretary and Chief Inspector,  
Commonwealth Audit Office,  
CANBERRA CITY, A.C.T.

LIQUIDATION OF R.A.A.F. AIRCRAFT COMPONENTS.  
YOUR NOS. 48/282 AND 48/613.

Reference is made to your memoranda of 29th December, 1949 and 20th January, 1950, in regard to the abovementioned matter.

2. As the unsatisfactory accounting position at C.M.U., Oakey (now disbanded), and 7 S.D., Toowoomba has been brought under notice of the Treasury by your memorandum of 27th September, 1949, it is considered that so far as the accounts of those Stations are concerned, no further Audit action is possible.

3. With regard to 3 A.D., Amberley - the Department of Air informed you on 27th September, 1949, that "all Schedules are intact and copies of the transfer vouchers affecting the transfer of component parts to store are attached to each Schedule." The Treasury, according to paragraph 3 of its memorandum of 2nd December, 1949, considers that this should meet requirements. As the parts, etc. transferred, as shown by the transfer vouchers, have not been posted to Schedules, there are, of course, no complete records available for Audit or which disclose whether parts, etc., have been properly accounted for. The position from an Audit point of view is not satisfactory, but as the matter has been represented to, and considered by the Treasury, it would seem that no further action can be taken.

4. With regard to paragraph 2 of your memorandum, it is confirmed that all Category "E" Aircraft (Aircraft for liquidation already declared) have been dealt with by 3 Aircraft Depot, Amberley. It is to be noted, however, that 3 A.D. is holding 127 aircraft under Category "C" (Stored Reserves), and in respect of which, it is quite possible that downgradings to Category "E" may occur in the future. This matter will be kept under notice by this office, and you will be fully informed if any unsatisfactory features arise.

5. Your advice would be appreciated as to the outcome of your correspondence with the Treasury (your reference as above) dealing with the responsibilities of the Department of Supply and Development in accounting for R.A.A.F. aircraft components taken over for disposal. Your last advice in this regard was dated 3rd May, 1949.

*Sup. records replied*

*A. Furler*  
(A. FURLER)  
Chief Auditor.

*McHarvey 13/2*

COMMONWEALTH OF AUSTRALIA.

Department of Supply and Development.

Coronation House,  
113, Edward Street,  
Brisbane, Q'ld.Please address all correspondence to -  
The State Controller,  
Dept. of Supply and Development,  
Box 1391 R, G.P.O.,  
BRISBANE.

23rd December, 1949.

MEMORANDUM for:The Chief Auditor,  
Audit Department,  
Commonwealth Building,  
Adelaide Street,  
BRISBANE.DIVISION OF AIRCRAFT PRODUCTION  
DISPOSAL OF ASSETS IN QUEENSLAND BY DEPT. OF MUNITIONS.Further to our memorandum of 11th October, 1949,  
reference PIA/1, it is advised that lists of unaccounted for items  
Att. have now been compiled, and are attached hereto.2. The procedure adopted to transfer D.A.P. assets to  
Department of Munitions, was as follows:-

- (a) Despatch Advice Notes were raised and issued by the  
Department of Aircraft Production, transferring  
D.A.P. assets to the Department of Munitions for  
disposal.
- (b) Munitions records of the assets were compiled from the  
Despatch Advice Notes and as each item was transcribed  
on to a Stock Inward Record, it was given a Log Number  
for purposes of identification.
- (c) The contents of each building were related to original  
Despatch Advice Notes, and consequently to particular  
Log Numbers. Subsequent Despatch Advice Notes were  
not so related.

3. When the transfer was made, the Receiving Officer nomin-  
ated was the Stores and Transport Officer, who usually signed the  
Despatch Advice Notes as Receiving Officer, but not in every case, as  
a number were signed by the Area Controller.4. The Stock Inwards List was prepared in triplicate by the  
Department of Stores and Transport, and two (2) copies were forwarded  
to the office of the Department of Munitions and the remaining copy  
held by the Department of Stores and Transport.5. In many instances, the items covered by Despatch Advice  
Notes were not physically transferred to the Store holders premises,  
but were left in situ and sold from there.6. The contents of a number of Buildings were cleared out as  
the Buildings were required for tenants and the items transferred to  
Buildings 27 and 37, where, unfortunately, they lost their identity,  
as no proper recording was used to identify the items with the Build-  
ings from where they came.7. This was particularly noticeable when items were trans-  
ferred to Auction. The similarity of description of items from

various buildings and variation in nomenclature of the similar items, also made identification difficult and consequently proper tie-up with the Inward Stock Sheets became impossible.

8. The lists are not a complete record of the unaccounted for items, as the contents of Building No. 1 and associated Buildings were sold at auction. The items were covered by fifty-nine (59) Despatch Advice Notes.

9. The contents of Building No. 28 - Tool Room and Metrology - were transferred to the Department of Machine Tools and Gauges, as were other items from various Buildings which came under their selling jurisdiction, and as the Department of Munitions did not receive copies of Sales Advice Notes raised by the Department of Machine Tools and Gauges, the records could not be marked off.

10. A number of items on the unaccounted for list should be accounted for, such as Mobile Cranes, Test Units, etc., but as no paper work was received by the Section dealing with the marking off on the records, they still appear as unaccounted for.

11. Three (3) of the Mobile Cranes listed on Page 7, DAB. 64440 are also listed on Page 16, DAB. 64455, Reg. Nos. C51394, C51397, C51396. This is a duplication.

12. A comparison of the Munitions Office records and those of the Store holders, approximately nine (9) months ago, revealed that they were much in accord.

13. There is also attached a list of items sold at auctions which have not been related to any item on the Stock Inwards record. The values shown are those obtained at auction.

14. The list of unaccounted for items comprises thirty-one (31) pages, and noted hereunder are comments on specific items set out on the sheet:-

<u>Page No.</u>	<u>Log No.</u>	<u>Description</u>	<u>Qty.</u>	<u>Value</u>
1	60	Pole Hose Drying 60', comp. with rope and Pulleys.	1	£7:10: 0.
		This was used for drying Fire Hose and is still erected on the Area.		
1	2326	Rifle .303	14	£140: 0: 0.
		These rifles should not have been logged, as they were returned by Mr. O'Shea (Manager of Munitions Rocklea Factory) to the Army Ordnance Depot with a small quantity of Revolver Bullets.		
5	5318	Test Unit - 4 wheels mounted on McGrath Trailer	1	£750: 0: 0
6	5320	- ditto -	1	£750: 0: 0
		It is understood that these were transferred to Melbourne, but no paper work is available.		
7	5528	Mobile Cranes	1	£508: 2: 6
	5529	" "	1	£320: 0: 0
	5530	" "	1	£330: 0: 0
	5531	" "	1	£330: 0: 0
		The Cranes covered by Log Nos. 5528, 5529, and 5531 were transferred to Department of Works and Housing on T.A. 90, dated 4th September, 1947. The one covered by Log No. 5530 is still in use by Department of Stores and Transport - no paper work received.		
10	9029	Gate Cyclone, 8'6" x 2'6"	8	£40: 0: 0
		These may still be erected on the Area.		

Para. 14 (ctd.) -

<u>Page No.</u>	<u>Log No.</u>	<u>Description</u>	<u>Qty.</u>	<u>Value.</u>
16		Office right side Main Door, Building No. 37, 12' x 12'	1	Unknown
		This Office has been included in the Building when leased.		
16	DAB. 64455	Crane	1	
	10870	"	1	
	10876	"	1	
	10963/4	"	1	
		The above Cranes are a duplication of the Cranes listed on Despatch Advice Note B.64440, reference page 7.		
18	11049	Bench Webb Cramping Spar	2	£28: 0: 0
		This is evidently a duplication of Log No. 8969, page 10.		
22	18124	Single Air and 3-point Elect. Power Point.	16	£35: 0: 0
		This should be included with the Building.		
22	25398	Transformer 415V.	1	£6: 0: 0
		This should be included with the Building.		
27	25048	Hydraulic Ramp Car, with Ramps,	1	
	25048/1	Pressure for Ramp	1	
		The above items are said to have been acquired by the Department of Works and Housing.		
28	26904/5/6/7/8 - 26598/9 - 26605/7/8/9 - Test Clubs			
		The items covered by the above Log Nos. are said to have been returned to Melbourne.		
30	26966	Petrol Bowser	1	
	26967	" Tanks, 500-Gals.	2	
		Despatch Advice Note B64244 - Building No. 31.		
		The above Despatch Advice Note should not have been raised. The above Pump and Tanks are the property of the C.O.R. and were moved by them to their present location adjacent to Building No. 44, Rocklea Ammunition Area, now occupied by the Commonwealth Engineering Works (Q'ld) Ltd.		

SUMMARY:

Missing Tooling	£596:11: 6
Unaccounted for as per List Pages 1 to 31 inclusive.	£8,130: 1: 8
	£8,726:13: 2.
Unaccounted for and sold as per attached list Pages 1 to 5 inclusive	£245:10: 9
Balance -	£8,481: 2: 5.

15. In submitting the attached lists, it is understood that it is not a complete record of the unaccounted for items in the Munitions records of D.A.P. assets. It would not be possible at this stage to account for or to trace all the items listed, as practically all of the members of the staff who were handling the disposal of D.A.P. assets and

Para. 15 (ctd.) - of D.A.P. assets and/.....

the records, are no longer in the Commonwealth Service.

16. It is very evident that lack of paper work and proper identification methods have occasioned what appear to be discrepancies.

17. The List is submitted for your concurrence to apply through the Chief Accountant of this Department (to whom a copy has been sent) for Treasury approval to have all unaccounted for items, as per attached List, written off; the list being taken to represent the final action in endeavouring to reconcile D.A.P. assets as transferred on Despatch Advices with the Munitions records of such assets.

18. A list of Aircraft Engine Tooling, which was alleged to have been stolen from Rocklea in 1947, and in connection with which there has been a considerable amount of correspondence (reference Audit File Att. 44/71 and Director of Supply File Melb. 210/361/448) is attached.

19. As no advice has been received at this office that finality has been reached, the list is attached so that the amount (£596:11:6) can be included in the application for an overall write off, as this amount is not included in any other list.

(Sgd.) C. Bowser  
State Controller.



JTH.

23rd March, 1950.

MEMORANDUM:

The State Controller,  
Dept. of Supply and Development,  
Box 1391 R, G.P.O.,  
BRISBANE.

DIVISION OF AIRCRAFT PRODUCTION: DISPOSAL OF ASSETS  
IN QUEENSLAND BY DEPARTMENT OF MUNITIONS. YOUR NO.  
PIA/1.

With reference to your memorandum dated 23rd December, 1949, it is noted that a number of unsatisfactory features exist in connection with your Department's accounting records for Division of Aircraft Production stocks, e.g.,

- (a) Although the disposal of these stocks has now been concluded, your Department is not in a position to submit a complete and accurate list of discrepancies.
- (b) Division of Aircraft Production equipment was transferred in 1945-46 to the custody of the Stores and Transport Officer, who acquitted the majority of the Despatch Advices. However, as adequate accounting records were not maintained by the Stores and Transport Officer, a duplicate set of records, which had been kept by the Liquidations Section for selling purposes, was utilised in lieu thereof. Due to the purpose for which the duplicate set of records was maintained, it cannot be considered as completely satisfactory as an "on charge" record of stores.
- (c) The list of discrepancies submitted, being compiled from the Liquidations Section records as mentioned in (b) above, does not include discrepancies which may have occurred in equipment held in:-
  - (i) Building No. 1 (and associated buildings), contents of which were sold "in situ" by Auction, but not reconciled against Despatch Advices or "Stores inwards records".
  - (ii) Building No. 28, containing valuable metrology equipment. Documents concerning the disposal of this equipment are stated to be unavailable.
- (d) It is indicated in paragraph 14 of your memorandum that many of the items now reported as deficient were correctly disposed of, but the relevant documents are not available.
- (e) Transfers of equipment were authorised by a "change of location Notice" in memorandum form signed by the Liquidations Officer or a member of his staff. Vouchers recording such movements were not raised, and equipment became difficult to identify.
- (f) Neither the Commonwealth Disposals Commission's "Auction Procedure Manual" nor any other acceptable accounting procedure was adopted to record the transfer of equipment to Auction. Such transfers were authorised by memorandum, but the physical movement of the equipment was not recorded. In certain

JTH.

23rd March, 1950.

MEMORANDUM:

The State Controller,  
Dept. of Supply and Development,  
Box 1391 R, G.P.O.,  
BRISBANE.

DIVISION OF AIRCRAFT PRODUCTION: DISPOSAL OF ASSETS  
IN QUEENSLAND BY DEPARTMENT OF MUNITIONS. YOUR NO.  
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DEPARTMENT OF THE TREASURY,  
DEFENCE DIVISION

2156

Victoria Barracks,  
MELBOURNE, S.C.I.

24th April, 1950.

MEMORANDUM for :-

Secretary,  
Department of the Treasury,  
CANBERRA. A.C.T.

DEPARTMENT OF SUPPLY AND DEVELOPMENT : SEGREGATION  
AND LIQUIDATION OF R.A.A.F. COMPONENTS.

Reference is made to your minute of 16th March, 1950, forwarding copy of a memorandum No.48/282 from the Secretary and Chief Inspector, Audit Office, on the above subject.

2. The problem of dealing with the large quantity of aircraft sentenced by the Air Force is one which has been kept under notice by this Division for some time. Because of the unusual nature of the liquidation process in relation to a strict accounting for each aircraft by components, etc. and having regard to the availability of manpower for the actual breaking-down work, it is felt that in the strictest sense, compliance with Treasury Instructions 540 and 541 is not possible.

3. It is considered, however, that the items contained in and recovered from sentenced aircraft are not stores as envisaged by these Instructions and further, that all practicable safeguards are being used to ensure that the aircraft as such is fully accounted for by way of recording the items and residue resulting from the liquidating operations.

4. It is admitted after actual inspection of these operations that a weakness exists in the control over the aircraft between the date of their declaration for disposal by the R.A.A.F. and the time they are dealt with by the breaking-down parties under the control of the Division of Aircraft Production. These difficulties are more in the nature of administrative measures and are referred to in paragraph 5 of the Audit Office memorandum to you dated 14/4/1949. It has been ascertained that in many cases the aircraft are parked in the open away from the aerodrome or depot area for several years before liquidation operations can be commenced.

5. Prior to the declaration of the aircraft as unfit for further service, action is taken by the R.A.A.F. to remove certain parts and return them to stores stock. These items are listed for each type of aircraft and are accounted for on a transfer voucher, a copy of which is attached inside the front cover of the standard schedule relating to each aircraft.

6. For your information, I forward herewith a copy of the standard schedule of a multi-engine land plane from which you will note the large number of items covered. Certain other accessories such as generators are not covered but any authorised removal of them is recorded in the aircraft log book. Both these records are retained by the R.A.A.F. after the aircraft has been handed over to the Division of Aircraft Production and are available for check.

3 copies pls

7. In the Audit Office memorandum to you of 27th September, 1949, it was brought under notice that postings of the transfer vouchers to the standard schedules were not being made and that in the case of these schedules in Queensland, they had been destroyed.
8. In my reply of 11th November, 1949, it was pointed out that owing to staff shortage, the postings had not been made nor is it the practice to do so at any R.A.A.F. depot in respect of aircraft sentenced for liquidation. The destruction of the schedules in Queensland was inadvertent and the schedules are normally available for Audit check of the transfer vouchers. The actual postings are not considered to be necessary under these circumstances.
9. The breaking-down operations are carried out by working parties under the direction of experienced and trustworthy officers of the Division of Aircraft Production, the usual practice being to deal with aircraft in batches and to remove the components under supervision of the officers referred to. After removal, the components are collected, taken to store and recorded on Bin Tally cards until there is sufficient accumulation to justify arranging for disposal. Metal removed from the aircraft and miscellaneous residue is recorded by weight. The airframe, together with such parts as are not removed, is sold in that condition.
10. It is understood that the Audit Office is satisfied with the control exercised from this stage and agrees that unauthorised disposals should be prevented.
11. In discussion with the officers in charge of the breaking-down work it was ascertained that although the aircraft is handed over by the R.A.A.F. on an issue voucher endorsed "as per schedule" and the standard schedules and log books are available for inspection, it is definitely impracticable for a check to be made of each aircraft in order to verify components removed and recorded in these documents.
12. It is also admitted that it would be possible for parts to be removed from a condemned aircraft to replace a defective part in an aircraft under repair and further that unauthorised "souveniring" could take place before the breaking-down work begins. The operations are therefore commenced on the aircraft in an "as is" condition. The supervisory officer, however, surveys the aircraft and nominates the valuable parts for removal.
13. The aspects outlined in the last two paragraphs above are those which may be said to be unsatisfactory from a stores accounting point of view. It is not thought, however, that any substantial loss of public funds occurs and it is apparent that the institution of more rigid controls would entail a cost which is not warranted under the circumstances.
14. The instructions issued by the Department of Air and the Division of Aircraft Production covering the accounting for the components removed and the residue material comprised in the aircraft, are considered to be adequate. The administrative control of the aircraft during the period they are awaiting the breaking-down operations is thought to be reasonable, having regard to the extent of the security arrangements in force at the various R.A.A.F. depots.
15. It is therefore recommended that the Secretary and Chief Inspector of the Audit Office be advised that the procedure in operation in connection with the liquidation and segregation of R.A.A.F. aircraft components, meets Treasury requirements.

(SGD.) (H.C. Newman)  
Assistant Secretary.

Telephone No.: F36, Ext. 414

COMMONWEALTH AUDIT OFFICE  
C.A.O.

13 JUN 1950

CENTRAL

AUDIT OFFICE, BRISBANE  
(G.P.O., Box 106 B.)

7th June, 1950.

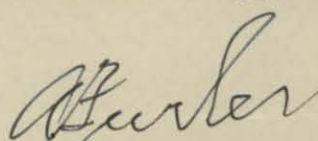
MEMORANDUM:The Secretary and Chief Inspector,  
Commonwealth Audit Office,  
CANBERRA CITY, A.C.T.LIQUIDATION OF R.A.A.F. AIRCRAFT COMPONENTS.  
YOUR NO. 48/282.

Consideration has been given to the report of the Assistant Secretary, Department of the Treasury, Defence Division, on the abovementioned subject which was forwarded under cover of your memorandum dated 9th May, 1950. Each aspect of the accounting for aircraft components has been again examined and the procedure in general carefully reviewed.

2. Recent Audit test checks of R.A.A.F. ledgers (Amberley) and of Bin Tally Cards of the Department of Supply which record the taking on charge and the sale of aircraft components, have proved satisfactory.

3. As the **unsatisfactory accounting features** have been brought under the notice of the Departments and the Treasury and the Assistant Secretary, Defence Division, Treasury is of the opinion that the procedure in operation meets with Treasury approval and further, as approximately fifty aircraft only are awaiting liquidation in Queensland which, it is expected, will be completed within a few months, it is considered that at this juncture, further pursuance of the subject by Audit is not warranted. It is suggested the Treasury be informed that in the circumstances the Audit Office does not intend to further pursue the matter.

4. Your further advice in due course would be appreciated.

  
(A. FURLER)  
Chief Auditor.

The Secretary,

as the Chief Auditor and the Treasury do not require further action, and the present position is satisfactory I have prepared an advice to the Chief Auditor that we will not pursue the matter.

Bomcar  
13/6/50

Mr. Furler 13/6/50

L. Furler  
13.6.50

COMMONWEALTH OF AUSTRALIA.

205/301/261.

Department of the Treasury,  
Defence Division.Victoria Barracks,  
Melbourne. S.C.I.

18th July, 1949.

MEMORANDUM for:-Secretary,  
Department of Supply and Development,  
339 Swanston Street,  
MELBOURNE. C.I.DIVISION OF AIRCRAFT PRODUCTION - NON-RECONCILIATION  
OF DEPARTMENTAL ACCOUNTS.

With reference to your memorandum 205/301/261 of 7th November, 1948, relative to the above subject, I have to advise that the Treasurer has approved of the following recommendations in connection with the non-reconciliation of Departmental accounts:-

- (i) That in relation to plant in States other than Queensland, a financial reconciliation be dispensed with and the first complete stocktaking be accepted as the basis of stock records, values being assessed where necessary, your Department to undertake -
- (a) That any discrepancy arising subsequent to the stocktaking will be adjusted in accordance with normal Treasury instructions,
  - (b) That the practice of allowing contractors and annexes to purchase plant from production expenditure will be terminated,
  - (c) That the record of plant instituted from the first complete stocktaking will be maintained to indicate the location or final disposal of each piece of plant, factory records to be maintained similarly to Munitions factories,
  - (d) That where any suspicion exists that all plant purchased by a contractor from production expenditure has not been satisfactorily accounted for, thorough investigation will be made until your Department is satisfied that no loss to the Commonwealth has occurred,
  - (e) That immediate action will be taken to have Departmental stocktakings of plant made at those annexes not previously checked and at Commonwealth Aircraft Corporation, Melbourne, plant being simultaneously branded.
- (ii) That in relation to Queensland, no further action be taken in regard to plant records.
- (iii) That in relation to stores stock records, a financial reconciliation be dispensed with and the first complete stocktaking after approval be accepted as the basis of stock records and the necessity to reconcile and obtain approval of discrepancies disclosed at the first stocktaking be dispensed with, quantities arising on sale of surplus Maintenance Branch stocks being accepted as the stocktaking for such stocks; your Department to undertake -
- (a) That in relation to factories, stores stocks and records will be maintained similarly as for Munitions factories,
  - (b) That in relation to Maintenance Branch and Appendix "A" Pool stock and records, quantity controls with a financial control on receipts will be maintained.

This is approved, subject to a satisfactory programme of stocktaking being submitted and adhered to by your Department; also that the necessary arrangements are implemented regarding Maintenance Branch disposals and an adequate system adopted covering receipts and issues of Maintenance Branch and Appendix "A" Pool stocks.

(iv) That no further action be taken in regard to stock records of materials and components previously stores in Queensland.

(v) That in relation to goods received from overseas prior to 1st July, 1947, the necessity to prove receipt thereof be dispensed with.

(vi) That no further action be required in relation to recording and clearing of down-payments or progress payments made overseas prior to 1st July, 1947.

It is suggested that the High Commissioner's Office, London, might be informed of this approval so that action can be taken by that Office if necessary as regards the records held in relation to these transactions.

(vii) That the institution of proper overseas salary records be allowed to commence to cover payments made subsequent to 30th June, 1947, only.

(viii) That no further action be taken by either Department to finalise claims rendered on Department of Air for deliveries prior to 1st July, 1947.

(ix) That in relation to production of planes and parts for the Department of Air, no further action be required in costing projects other than current projects. This approval is given subject to -

- (a) proper steps being taken to obtain necessary funds where that action is required.
- (b) a satisfactory costing system being installed which will record all expenditure and credits. If necessary, a central costing group should be established.

2. The recommendation set out in paragraph 28 of your memorandum has been discussed with officers of your Department, and it is confirmed that as this matter does not relate to the Division of Aircraft Production only, any adjustments found to be necessary should be the subject of specific submissions to Treasury, setting out the whole of the facts, the sum involved and the Departments concerned.

(Sgd.) H.C. Newman

(H.C. Newman)  
Assistant Secretary.