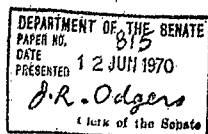


1970



THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

ONE HUNDRED AND NINETEENTH
REPORT

THE SUPPLEMENTARY REPORT OF
THE AUDITOR-GENERAL—
FINANCIAL YEAR 1968-69

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 ACCOUNTS

ONE HUNDRED AND NINETEENTH REPORT

THE SUPPLEMENTARY REPORT OF THE AUDITOR-GENERAL

FINANCIAL YEAR 1968-69

Chapter 1

Introduction

The first duty of Your Committee as set down in Section 8 of the Public Accounts Committee Act 1951-66 is:

- (a) to examine the accounts of the receipts and expenditure of the Commonwealth and each statement and report transmitted to the Houses of the Parliament by the Auditor-General in pursuance of sub-section (i) of section fifty-three of the Audit Act 1901-1950. The second duty of Your Committee is:
- (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.

2. Each year since 1959 Your Committee has conducted a separate series of inquiries related specifically to matters raised by the Auditor-General in his Reports to the Parliament.

3. The results of Your Committee's inquiry into the Report of the Auditor-General for 1968-69 were presented to the Parliament in our One Hundred and Thirteenth Report.

P.P. No. 161 of
1969.

4. The Supplementary Report of the Auditor-General was presented to the Parliament on 22 September, 1969.

5. On 25 September, 1969 Your Seventh Committee discussed with the Auditor-General a number of items on which he had commented in his Supplementary Report. Your Seventh Committee, however, was precluded by the general elections held on 25 October, 1969 from proceeding with its consideration of the Report.

6. Early in February 1970, submissions arising from the earlier discussion with the Auditor-General were obtained by Your Eighth Committee and from these a number of matters were selected for detailed examination

7. The items selected and referred to in Chapters 2 to 5 of this Report, were made the subject of Public Inquiry at Parliament House, Canberra, on:

Tuesday 17 March, 1970

Tuesday 7 April, 1970

8. The following witnesses were sworn at the Public Inquiry and were examined by Your Committee:

The Australian Dairy Produce Board

Mr. T. L. Phillips - Economic Advisor
Mr. G. E. Trickett - General Secretary

The Canberra Community Hospital

Mr. A. H. Ide - Accountant
Mr. J. H. Pead - Deputy Chairman
Mr. A. J. Tozer - Secretary

The National Library of Australia

Sir Harold White - National Librarian

The Superannuation Board

Mr. B. A. Lorenz - Director, Superannuation Section

9. During its inquiry Your Committee was assisted by the following Observers :-

Mr.W.H.Scott	- Auditor-General's Office
Mr.H.West	- Department of Health
Mr.J.F.O'Bryan	- Department of Primary Industry
Mr.G.N.Vanthoff	- Public Service Board
Mr.G.S.Davidson }	- Department of the Treasury.
Mr.J.I.Maunder }	

Chapter 2

The Australian Dairy Produce Board

10. In paragraph 40 of his Supplementary Report for 1968-69 the Auditor-General stated :

"Reference was made at paragraph 186 of my Report dated 18 August, 1969 to the establishment and functions of the Australian Dairy Produce Board. It was also advised that it was expected that financial statements relating to the 1968-69 transactions of the Board would be available for inclusion of particulars in the Supplementary Report.

Audits of the Accounts and records of the Board in respect of the 1968-69 transactions have been effected during the year, but at the date of preparation of this Report, the financial statements had not been received for audit."

11. We were informed that the final draft copies of the accounts of the Australian Dairy Produce Board, other than the Dairying Industry Stabilization Fund, were lodged with the Auditor-General, Melbourne, on the following dates :

Dairy Produce Fund	- 9 September, 1969	
Butter, Cheese and Dry Skim Milk	- 15 September, 1969	
Dairy Produce Sales Promotion Fund	- 19 September, 1969	Exhibit
Devaluation Compensation	- 1 October, 1969	119/2

12. A preliminary draft of the Dairying Industry Stabilization Fund Account was lodged with the Auditor-General's office on 15 September, 1969. It was stated that the delay in presenting the final draft of this Account was occasioned by an item of \$97,743 that the Dairy Produce Board decided late in 1968-69 to charge against the Dairying Industry Stabilization Fund, to cover administration costs incurred in 1968-69 in earning income from its associated South East Asian projects. It was explained that previously, these costs had been charged against the Dairy Produce Fund Account because income was not forthcoming from the industry's investment in its associated overseas milk plants against which these costs could be matched.

Exhibit
119/2
and Qs. 74
to 76.

Following the appearance of income from the operations of these projects in 1967-68 and 1968-69, it had been decided to deduct associated Board administration costs from such income.

13. It was stated, however, that in view of the arrangement that income derived from this operation was to be returned to the Dairying Industry Stabilization Fund Account, any associated administrative costs were in fact a charge to the Dairying Industry Stabilization Fund Account. In order to cover this position, the Australian Dairy Produce Board wrote to the Secretary, Department of Primary Industry, on 2 June, 1969. In that letter the Board referred to previous approvals given by the Minister for Primary Industry for expenditure of monies out of the Stabilization Fund for investment in overseas plants. The Board indicated that it had decided to open an Australian Dairy Produce Board South East Asian Milk Plant Project Account to receive income from and to meet costs incurred in earning this income, before returning the income to the Stabilization Fund. It requested approval for this procedure.

Exhibit
119/2
and Q.77

14. The Department of Primary Industry Observer, Mr. O'Bryan informed us that before replying to the Dairy Produce Board the Department had examined the Ministerial approvals that had been given for the payments of money from the Fund in respect of share capital and loans to the South East Asian plants. There was nothing in the Ministerial approvals to indicate that any income derived from the plants must be paid back to the Account. The Department also examined the relevant legislation very carefully. The inference was that the operating account could be set up and the income earnings or expenses against costs incurred in earning plant income could be offset against the account and Ministerial approval would therefore not be involved.

Qs. 80 and 82

15. On 4 July 1969 the Department of Primary Industry wrote to the Dairy Produce Board informing it that no objection was raised to the Board operating an account for the purpose proposed, provided that the costs incurred did not include expenses of a capital nature.

Exhibit
119/2
and Q.78

16. We were informed that subsequent discussions between the Dairy Produce Board and the Auditor-General's office revealed that on the advice of the Attorney-General's Department, which had been sought by the Auditor-General's office, any expenditures that were a charge against the Stabilization Fund would require Ministerial approval. In this regard the Audit Observer, Mr. Scott, informed us that in previous years the charges concerned had been made to the Dairy Produce Export Fund under Section 15 of the Dairy Produce Export Act. That section states in part that the Board may manage and control all matters connected with the handling, storage, etc of Dairy Produce. The charge to the Dairying Industry Stabilization Fund caused the Auditor-General's office to examine the Dairying Industry Act, Section 11 of which states that the use of this Fund is limited in relation to expenses for the sale of butter and cheese or for any other purpose approved by the Minister. It seemed to the Auditor-General's office that the approval of the Minister was necessary, but as there was some uncertainty about this the Attorney-General's Department was consulted in mid-November, 1969. That Department advised the Auditor-General's office orally that the approval of the Minister was necessary to make the charge to the Stabilization Fund and the Auditor-General's office conveyed this advice to the Dairy Produce Board. Exhibit 119/2 and Qs. 88 and 89

17. Regarding the delay that occurred between the submission by the Board of its draft financial statement to the Auditor-General's office on 15 September and the action taken by that office in mid-November to seek a legal opinion from the Attorney-General's Department, the Audit Observer, Mr. Scott, informed us that it is a usual practice for most statutory authorities to submit draft statements for audit. Until a signed statement has been submitted, however, the Auditor-General's office is unable to consider that the statements have actually been presented. In the present case, the audit was completed and signed statements were received from the Board on 16 October. Audit query of a normal nature arose relative to the signed statements and it was not until 19 November that revised signed statements were received by the Auditor-General's office from the Board.

The legal opinion that was obtained subsequently indicated that to place the matter of administration costs beyond any doubt of its validity, the approval of the Minister should be obtained. In view of this advising, the Auditor-General's office felt that it could not submit the accounts to the Auditor-General and recommend that he should base his report on them without obtaining the safeguard of Ministerial approval.

18. The witness representing the Dairy Produce Board informed us that on 28 November, 1969 the Board received from the Auditor-General's office advice of the opinion given by the Attorney-General's Department. It immediately sent a telex message to the Department of Primary Industry requesting that Ministerial approval for expenditure of the \$97,743 be sought to cover the administration costs involved. In view of the time factor, the Department of Primary Industry obtained the necessary Ministerial approval on the same day and conveyed it in writing direct to the Auditor-General in Canberra. A similar letter was not sent to the Dairy Produce Board but the Board was advised by telephone of the action taken on the understanding that its objective had been met. The Department of Primary Industry Observer, Mr. O'Bryan, stated that if a further delay of another day had occurred, the publication of the Board's Report would have been held up for another two months due to printing problems.

Exhibit
119/2
and Qs. 91 to 93

19. Written confirmation of the action taken on 28 November, 1969 was not sought by the Dairy Produce Board until 23 February, 1970, when it was confronted by the need to tender a submission to this Committee relating to the late presentation of the financial statements. In response to a telephone call from the Board on that day, the Department of Primary Industry sent a telex message to the Board confirming the action that had been taken.

Exhibit
119/2
and Qs. 94 to 96

20. We were informed that the Dairy Produce Board, being fully conscious of the need to finalise its accounts on the earliest possible date, under an ever-increasing workload, had recently arranged with the Management Services Division of the Public Service Board to confer with it regarding the use of Electronic Data Processing

Exhibit
119/2

to improve the speed of account preparation and to facilitate management.

21. Regarding the benefits that the Board expects to achieve from the introduction of Electronic Data Processing, it was stated that in the case of cheese for Japan and milk powder in use in the overseas milk plants, the Board is required to supply produce that is of a higher standard than that required for normal export. This means that the Board must co-ordinate the arrangements for the purchase of these products and the returns of the Department of Primary Industry and from testing authorities to ensure that these products meet the standard required. On the basis of these reports, the Board makes payment for the products. With the increased volume of work that has arisen, the Data Processing machines operated by the Board have reached 80 per cent of their capacity. As additional overseas milk plants had been brought into operation early in 1970, a further increase in workload was in prospect. In the circumstances, the Board felt that it should examine its Data Processing arrangements in association with the Public Service Board, rather than acquire further machine capacity for use within its existing arrangements.

Conclusions

22. The evidence shows that the main cause in delay in the submission of the final draft of the Dairy Industry Stabilisation Account to the Auditor-General's office related to an amount of \$97,743 that the Australian Dairy Produce Board decided late in 1968-69 to charge against the Dairying Industry Stabilization Fund to cover administration costs incurred in that year in earning income from its South East Asian projects.

23. In considering the circumstances relating to this matter Your Committee believes that the Board should have given attention to it when income from the South East Asian Projects began to appear in 1967-68.

24. As later events showed, however, the Board was justified in seeking Ministerial approval to its proposal to open an Australian Dairy Produce Board South East Asian Milk Plant Project Account to receive income from and to meet costs incurred in earning that income before returning the income to the Stabilization Fund.

25. Your Committee notes that the Board's request for Ministerial approval was under examination by the Department of Primary Industry for about one month during which previous relevant Ministerial approvals and legislation were examined carefully. As the Board had specifically requested Ministerial approval for its proposal we believe that the Department might well have sought an opinion from the Attorney-General's Department at that stage regarding the need for such approval. It is clear that such action would have obviated the need for an opinion to be sought by the Auditor-General's officers at a much later stage.

26. Apart from these considerations however, it also appears that while a preliminary draft of the Dairy Industry Stabilization Fund was submitted by the Dairy Produce Board on 15 September, 1969 it was not until 16 October that official, signed statements were received by the Auditor-General's Office from the Board. Following normal Audit queries, however, a further delay occurred and revised signed statements were finally presented as late as 19 November.

27. Your Committee believes that, even in years where the rising of the Parliament has not required the submission of the Auditor-General's Supplementary Report at an early stage the final presentation of financial statements as late as 19 November, at such a stage would, in all probability have precluded the inclusion of the financial statements in the Supplementary Report. For this reason Your Committee would commend the Board for its action taken in 1969 to consult the Public Service Board regarding the use of electronic data processing equipment to improve the speed of its

account preparation and to facilitate management. We think that perhaps this action could have been taken sooner, with advantage to the Dairy Produce Board.

28. Finally, Your Committee would note that when the Department of Primary Industry obtained Ministerial approval for the Dairy Produce Board's proposal, it conveyed the necessary advice formally to the Auditor-General but advised the Dairy Produce Board only by telephone. While this had no affect on the matter, we believe that departments should exercise care to ensure that informal advices are confirmed by letter or memorandum as the case may require.

Chapter 3

The Canberra Community Hospital

29. Paragraph 10 of the Auditor-General's Supplementary Report for 1968-69 contained the following comment:

"At 30 June 1969, Sundry debtors for patients' fees amounted to \$534,220 (\$423,757) after bad debts totalling \$36,103 (\$24,988) had been written off. Provision for doubtful debts was increased from \$27,000 at 30 June, 1968 to \$82,000 as at 30 June, 1969. In May 1969, the total of debtor accounts for patients' fees referred to the Crown Solicitor for recovery action was \$101,832 (\$73,946 in May 1968)".

30. An age analysis of the hospital's outstanding debts for patients' fees as at 26 May, 1968 and 1 June, 1969 is shown in Table No. 1.

Table No. 1

The Canberra Community Hospital

Sundry Debtors (Patients' Fees) - Comparative Age Analysis

26 May 1968 and 1 June 1969

Sundry Debtors (Patients' Fees)	As at 26.5.68		As at 1.6.69	
	Amount	Percent. of Total	Amount	Percent. of Total
	\$		\$	
Current month	88,933	21	89,943	17
1 month old	36,902	9	45,769	9
2 months old	23,266	6	21,755	4
3 months and over	43,113	10	43,265	8
Crown Solicitor referrals	73,946	17	101,832	19
Accident at work	44,591	35	55,950	39
Third Party	103,709		152,551	
Repatriation and Defence Departments	10,731	2	20,549	4
TOTAL :	425,191	100	531,614	100

Exhibit
119/1

Source: The Canberra Community Hospital.

31. Regarding the table above we were informed that in view of the volume of work, particularly at 30 June each year, the hospital has adopted cyclical management techniques and thus avoids preparation of an analysis of outstanding debts as at that particular date. The hospital operates on a 4 weekly accounting basis and a statement Committee setting out budget proportion, charges raised, cash collections and debts outstanding is prepared and submitted to each monthly meeting of the Hospital Management Board. In addition a debtors age analysis is prepared and considered at 12 weekly intervals. File 1970/1

32. Debts outstanding as at 1 June, 1969 are referred to below.

. Debts held by the Hospital for recovery

33. These debts amounted to \$200,732 or 38 per cent of the total debts. By comparison, the debts held by the hospital for recovery as at 26 May, 1968 amounted to \$192,214 or 46 per cent of the total debt. It was said that more than one half of the amount outstanding as at 1 June, 1969 was the subject of direct claims on Hospital and Medical funds. Exhibit 119/1

. Debts referred to the Deputy Crown Solicitors for recovery action

34. As at 1 June 1969 these debts amounted to \$101,832 or 19 per cent of the total debt. By comparison the debts so referred as at 26 May, 1968 amounted to \$73,946 or 17 per cent of the total debt. In regard to this increase it was stated that in view of the increases that had occurred in patient numbers and fee rates, an increase in indebtedness in this area would normally be expected. The witness informed us that recovery action through the Deputy Crown Solicitor's office was reasonably successful, particularly in view Exhibit 119/1 and Qs. 4 and 25 to 30

of the fact that cases are not referred to that office until considerable effort has been made by the hospital to recover debts.

. Third Party Claims

35. As at 1 June 1969, \$208,501 or 39 per cent of the hospital's outstanding debts related to charges made to patients who may have a claim for the cost of their hospitalisation from another person or party. By comparison the corresponding debts outstanding as at 27 May, 1968 amounted to \$148,300 or 34 per cent of total outstanding debts. We were informed that the daily charges for this class of patient increased from \$11.70 to \$18.00 a day (general ward rate) from 1 January, 1969. During the period 1 January 1969 to 30 June, 1969 there was also an increase of 3 per cent in the number of bed days for such patients. It was said that these two factors in association with the delays that inevitably occur in finalising claims involved in such issues continue to reflect an increase in this group of debt.

Exhibit
119 / 1
Q.31 and
Committee File
1970/1

36. It was claimed in evidence that experience had shown that debts involving third party claims were not a bad credit risk. Subsequent to our inquiry, however, we were informed that a case had arisen where a debtor involved in such a claim had received verdict monies but had refused to authorise payment to the hospital of any part of the debt. As the location of the debtor could not be ascertained, even with the assistance of the Commonwealth Police, the hospital was faced with writing off the debt as irrecoverable. It was therefore deemed desirable that even the remotest possibility of a recurrence of this problem should be removed. In May 1970 the Secretary of the Hospital recommended to the Hospital Management Board that at the time of first contact with the legal representative of a debtor who has indicated that he has a claim for the cost of treatment from another person, body or party, an order be obtained from the claimant or written undertaking obtained from the Solicitor that, in consideration of the Hospital withholding recovery action, the amount owing to the Hospital will be paid from the amount of the award or settlement. It was also recommended that if such an order or undertaking is not forthcoming the Hospital should proceed with the recovery process to the stage where a judgment for the debt

Exhibit
119 / 1
Q.31 and
Committee
File 1970/1

is obtained so that the judgment can be executed against the award or settlement.

. Debts Due by Commonwealth Departments

37. We were informed that debts due by the Repatriation Department and Defence Departments amounted to \$20,549 or 4 per cent of the total debt as at 1 June, 1969. By comparison this class of debt amounted to \$10,731 or 2 per cent of the total debt as at 26 May, 1968. It was stated that there is some delay in the recovery of debts in the repatriation field. The hospital acts on the basis of advice from the Repatriation Department's medical officer, who is treating the patient, that the patient has a claim against that Department. In some cases the hospital finds that the information supplied is incorrect or considerable delay occurs before the Department accepts liability. The witness stated that where the delay in payment becomes excessive after a charge has been raised the hospital takes up the matter with the service department concerned.

Exhibit
119/1 and
Qs. 11 to
17 and 32 to
37

38. The evidence showed that sundry debtors for fees charged and recorded in the Balance Sheet increased from \$423,757 as at 30 June, 1968 to \$534,220 as at 30 June, 1969. Four factors were said to have contributed to this increase.

Exhibit
119/1

39. First, there had been an increase in the daily fees charged for inpatients from 1 January, 1969. The additional fees charged as a consequence totalled \$218,922. Because of the increase in daily rates the average rate of charge increased from \$8.40 per day in 1967-68 to \$8.55 for the period 1 July 1968 to 31 December, 1968 and \$11.14 for the period 1 January, 1969 to 30 June, 1969.

Exhibit
119/1
and Qs. 40 to 45

40. Secondly, an increase in the daily average of inpatients produced an increase in the number of bed days charged from 467 to 520. The extra income charged because of the additional patients amounted to \$108,440.

Exhibit
119/1

41. Thirdly, an increase of approximately 50 per cent in charges made for X-ray examinations because of increased demand for service and increases in rates of charges for particular examinations

came into operation on 1 November, 1968. The average charge for a 4 week period prior to the increase was \$9,770 and this increased to \$14,640 subsequently. The increase in rates ranged from 11 per cent to 131 per cent according to the type of examination.

Exhibit
119/ 1

42. Finally, in June 1968, the Hospital Management Board introduced a procedure of benefit assignment or payment of account on discharge with a view to reducing the length of time taken to collect outstanding fees. The introduction of this new system resulted in a very large increase in the number of accounts referred direct to hospital funds in 1968-69. It was said that while the new procedure has undoubtedly been successful it has exhibited clearly the dependency of the hospital on the hospital funds for its success. In the case of funds with offices located in Canberra, the claims are despatched by hand. With the exception of the larger proportion of interim accounts for long term patients, claims are despatched on 4 days each week. Continuation interim accounts for long term patients are rendered at 4 weekly intervals. It was stated that the results of the revised recovery procedure had indicated that accounts are now being paid more quickly than previously.

Exhibit
119/ 1
and Qs. 46 to 48

43. We were informed that normally the issue of accounts for the larger amount of debt relating to long term patients would have been made on 22 June, 1969. It was decided however, to defer the raising of these accounts until the final week of the financial year as the Auditor-General's Office had commented on the fact that these accounts had closed early in June of the previous financial year and had suggested that this should be delayed until later in June 1969 to show a more realistic income figure for the year. The Audit Observer, Mr. Scott, confirmed that this suggestion had been made. The witness claimed that having regard to payments made by the funds, the standard rendering of accounts and the additional week charged on interim accounts, it would be reasonable to assume that very little of the charges raised between 15 and 29 June, 1969 would have been paid by 30 June. On the basis of this assumption debts in excess of \$100,000 would relate to accounts rendered so close to

Exhibit
119/ 1
and Q. 49

30 June that payment before that date would be unlikely under the present procedure.

44. We were informed that prior to 30 June, 1969 the provision for doubtful debts shown in the hospital's Balance Sheet reflected the estimated total of bad debts that would be written off during the following year. In January, 1969 the Auditor-General's Office raised the question of introducing a revised method of calculating the provision of doubtful debts which appears in the Balance Sheet. The Auditor-General's Office had taken the view that, in accordance with the generally accepted accounting approach in this area, it would be preferable to show the amount required to reduce the total of sundry debtors in the Balance Sheet to an estimated net realisable figure. The Audit Observer, Mr. Scott, indicated that the principle involved is that a more accurate calculation of doubtful debts is achieved by making an analysis of components in the classes of debtors. The Auditor-General's Office had suggested that each class of debt, based on past experience, should be examined and analysed and a separate percentage applicable to that particular class of debt, should be set aside as a provision against doubtful debts.

Exhibit
119/ 1
and Qs.50 to
53

45. We were informed that on 8 September, 1969 the Hospital Management Board approved the Provision for Doubtful Debts being increased to \$82,000 in the Balance Sheet as at 30 June, 1969. The Audit Observer, Mr. Scott, stated that in the opinion of the Auditor-General's Office, this figure represents a realistic assessment of the requirement.

Exhibit
119 / 1
and Q.50

46. Regarding the charge made in the Provision for Doubtful Debts the witness representing the hospital expressed the view that as the hospital does not operate on a profit basis it would be more realistic to concentrate attention on the amount of bad debts expected to be written off rather than to resort to the commercial practice of standard accounting procedure. While the Audit Observer agreed that the hospital is not a business enterprise, he stated that if charges for services are to be fixed in relation to financial statements that have been prepared, scientifically calculated figures should be used in the preparation of those statements.

47. We were informed that the hospital Board has examined the debt recovery procedures of other hospital. The procedures adopted by the Canberra Community Hospital were said to be very similar to those applying in hospitals in New South Wales.

Q.64

48. Regarding the writing off of bad debts the witness stated that a number of such debts refer to persons whom the hospital and the Commonwealth Investigation Service is unable to trace. In these cases the debt is recorded in the Deputy Crown Solicitor's Office or at the hospital or at the Commonwealth Investigation Service Q.54 in case the person concerned should be discovered at a later stage. In other cases debts are written off for specific reasons such as extreme financial hardship, estates where there are no moneys available to recover the debt or patients who have been transferred to mental hospitals and the Hospital Board has decided not to proceed further with recovery action.

Conclusions

49. In relation to the evidence tendered Your Committee would invite particular attention to the hospital's outstanding debts arising from third party claims which constituted 39 per cent of the hospital's outstanding debts as at 1 June, 1969. Although it was claimed in evidence that these debts are not a bad credit risk, we note that a case has arisen in which the hospital has been unable to obtain verdict moneys in satisfaction of the debt. As a consequence, and to avoid a repetition of such cases, it has been necessary for the Hospital Management Board to consider an alteration to its debt recovery procedures for patients involved in third party claims. Your Committee is disturbed by the fact that the procedures operated by the hospital in the past were evidently such that a case of this nature could arise.

50. Your Committee is also concerned by the suggestion that delays occur in the settling of hospital debts by Commonwealth departments. In particular it appears that in some cases incorrect information is supplied to the hospital by the Repatriation Department's medical officer regarding the repatriation eligibility of patients. We believe that Commonwealth departments concerned should settle all hospital accounts with which they are concerned with minimal delay and that proper care should be exercised in

advising any hospital concerning the repatriation eligibility of patients.

51. Your Committee would also invite attention to the revised method introduced recently for calculating the provision for doubtful debts for inclusion in the Hospital's Balance Sheet. While recognising that the hospital is not a business enterprise we agree with the Audit Observer that if charges for services are to be determined in relation to financial statements that have been prepared, scientifically calculated figures should be used in the preparation of such statements.

52. The evidence shows that sundry debtors for fees charged and recorded in the Hospital's Balance Sheet increased by about 26 per cent from \$423,757 as at 30 June, 1968 to \$534,220 as at 30 June, 1969. The main factors underlying this increase were an increase in the daily fees charged for inpatients; an increase in the average number of inpatients; an increase in the charges for x-ray examinations and the introduction in June 1968 of a procedure of benefit assignment or payment of account on discharge from the hospital. This last factor resulted in a very large increase in the number of accounts referred direct to hospital funds in 1968-69 although the evidence showed that, currently, accounts are being paid more quickly under the new procedure.

53. While Your Committee appreciates the nature of these factors we believe that the significant increase that occurred in sundry debtors recorded in the Hospital's Balance Sheet and the problem disclosed in relation to outstanding debts for third party claims require the hospital to maintain a continuing surveillance of its outstanding debt problems and its methods of debt recovery.

Chapter 4

The National Library of Australia

54. Paragraph 51 of the Report of the Auditor-General for 1968-69 included the following comment:

"Reference has been made in previous Reports to the Library's proposal to undertake a stocktaking of its assets on a selection basis. Stocktaking of the Library's assets commenced during the year, the initial objective being to assess the time and staff establishment necessary to complete this assignment."

55. In paragraph 30 of the Auditor-General's Supplementary Report for 1966-67 it was stated that arising from an inspection of other records of the Library, in compliance with an amendment to section 25 of the National Library Act, it was agreed between representatives of the Library and the Auditor-General's Office that there was a need for the introduction of an appropriate programme of stocktaking in relation to the assets of the Library.

P.P. No.
134 of 1967

56. In commenting on the amendment to Section 25 of the Act the Audit Observer, Mr.Scott, informed us that the National Library Act 1960 provided that the Auditor-General should inspect and audit the accounts and records of financial transactions of the Library. Arising from a proposal made by the Library in 1964 to take over the books and papers of the Parliamentary Library, it was felt that the audit provisions of Section 25 of the Act did not give the Auditor-General authority to audit records of the Library, other than financial records. The office of the Auditor-General had always approached the audit of the National Library on the understanding that the legislation intended that a full audit should be made, not only of the financial records, but of the books, documents and other records which the Library holds. Advice on this matter was requested from the Attorney-General's Department in mid 1964. The reply received in February 1965 indicated that the existing wording of Section 25 was not sufficient to authorise the Auditor-General to inspect any records, other than financial records of the Library.

57. Since it could be assumed that the main records of the Library are those relating to its stocks and collections of documents and other valuable papers, an amendment to section 25 was obtained in 1967 to include among the duties of the Auditor-General the inspection of records insofar as they relate to the acquisition, receipt, custody or disposal of the Library. Q. 110 to 112

58. The witness representing the National Library stated Q. 114 that the stocktaking programme of the National Library in recent years has been of a composite nature. The simplest element, from many points of view of control, is the large and important collection of celluloid, particularly moving picture films. A stocktake, involving a relatively simple procedure is undertaken of these each year. Regarding the manuscript collection, which is more complex, a stocktake was last made in 1968. The printed collection falls into two groups, monographs or books, and serials or periodicals. It was stated that a continuous and automatic stocktake is maintained of periodicals including newspapers. These are entered on cards and marked off as they are received. In due course the cards are replaced and the series of periodicals is bound. About ten years ago a total stocktake of periodicals was undertaken. A stocktaking of the Library's pictorial collection was part completed in 1969 and is expected to be completed in 1971.

59. It was said that printed material is the area which Q. 115 would normally be considered the subject of the audit proposal for selective stocktaking. The Library has conducted a pilot project in this field which has disclosed a loss rate lower than had been expected.

60. When questioned regarding the National Library's stock- Q. 117 taking arrangements as compared to other libraries in Australia and overseas, the witness said that some major libraries continue to make a serious attempt to take stock, at intervals of about five years, but some libraries do not attempt a stocktake at all. He expressed the opinion that to take stock of collections such

as the National Library holds would involve costs far in excess of the values relating to potential losses.

61. Four reasons were given to indicate that the stock-taking of a library collection must of necessity go beyond the traditional periodical stocktake of many other forms of material. These were said to be:

Exhibit
119/3

- (i) Every copy of every book, every part of a serial or periodical and every issue of a newspaper is for this purpose unique and has to be individually identified.
- (ii) Many items of a serial or periodical nature are superseded and require automatically to be discarded or to be kept for functional reasons which the library alone can decide.
- (iii) Items in a collection are subject to frequent movement from stack to reading rooms and from one library to another.
- (iv) There is an inevitable time lag between accessioning on initial receipt of an item and its final cataloguing or its binding for permanent placement on the shelves.

62. Regarding the causes of the inevitable time lag referred to in (iv) above, the witness stated that the National Library is the only major research institution in the world of which he knew that has a policy and performance of placing all of its printed material on the shelves and into active use within twenty-four hours of receipt. The procedure which enables this service to be maintained involves the allocation of numbers to books which suffices for their immediate availability to users. These are provisional or temporary entries.

Q.118

For more scholarly purposes, however, the books are catalogued or classified. This procedure requires professional staff and time and is more costly than the temporary procedure.

63. We were informed that all libraries employ procedures and records designed to check and control the movement and location of stock at all times. This is essential to achieve the purposes sought by an audit and to ensure the efficient operation of the library. The National Library has developed controls of this nature which in some cases extend beyond those of other libraries. Although many large libraries rely upon these procedures rather than upon the traditional periodical stocktake to maintain control of their collections, the National Library had proposed the selective stocktake to which the Auditor-General had referred in his Report for 1968-69.

Exhibit
119/3

64. It was stated that after occupation of the new National Library building it appeared that it was both feasible and desirable to consider the use of a full rather than a selective stocktake of material. It was said that the long history of the Library's substandard accommodation had exposed its stock to unprecedented hazards. Also, for many years, items from the Library's stock were freely available for access and loan by the public of Canberra and this had exposed the collection to additional risks

Exhibit
119/3

65. It was stated that a pilot project was commenced by the Library in January 1969 in order to assess the time and staff establishment required to complete a stocktake of the Library's collections. The project was carried out by a team of sixteen people seconded on a part-time basis from other areas of work in the Library. It was stated that while the leader of the project had twenty years experience in the British Museum, London, other members of the team undertaking the project may not have been experienced in stocktaking procedures in Libraries as a regular stocktaking has not been undertaken in previous years. The pilot project was completed in October, 1969.

Exhibit
119/3 Qs.119
to 123 and
Committee File
1970/1

66. It was claimed that the project has enabled the Library to propose a system beyond a selective stocktake so that the following objectives may be achieved:

Exhibit
119/3

- (i) To ensure that there is a shelf list card for each book title which has been catalogued and classified individually.
- (ii) To ensure that there is a shelf list card for each serial title in the collection.
- (iii) To ensure that the volumes and copies listed on each shelf list card are on the shelves in their correct individual or collection order and that the symbol designating this location also appears on the shelf list card and on the appropriate catalogue cards; and that the place of any book or serial absent from the shelves is shown on an appropriate movement record.

67. Experience in and analysis of the pilot project indicated that to complete the proposed stocktake, staffing requirements, in addition to supervisors, would amount to 30 man years to check the shelf list against the shelves; 14.4 man years to reconcile the location symbols of books, shelf list and catalogue; and 14.4 man years for further reconciliation requirements involving adjustment, corrections, or updating of a number of records. It was explained that the updating of records involves corrections to records over and above the reconciliation of location symbols of books, shelf list and catalogue, the necessity for such corrections being revealed during the reconciliation process. The staffing requirements were assessed very carefully on the basis of a complex thirty page document comprising the directions issued in relation to the pilot study.

Exhibit
119/3
Qs. 128 to 130
and Committee
File 1970/1

68. A submission was made by the National Library to the Public Service Board on 5 December, 1969 for an additional fourteen

positions to enable a stocktake to be implemented over a five year period. An additional thirteen positions on the Library's Establishment were created by the Public Service Board on 14 January, 1970. At the time of our inquiry in April 1970 thirteen appointments had been made to these positions and four officers had taken up duty. The stocktake had been commenced.

Exhibit
119/3 and
Qs. 134 to 141

69. The Public Service Board Observer, Mr. Vanthoff, informed us that three of the fourteen positions sought by the National Library were essentially supervisory in nature and the Board suggested that one of these positions could be eliminated by altered lines of control. Following a discussion between the National Library and the Public Service Board the Library agreed that the Board's suggestion was reasonable. Q.132

70. Mr. Vanthoff added that the thirteen new positions are classified in the clerical assistant structure of the Fourth Division of the Commonwealth Service. Five separate levels of this structure are involved, the lowest positions being designated as Clerical Assistant Grade 2 with a salary range of \$2,889 to \$3,084 and the most senior of the thirteen is a Clerical Assistant Grade 7 with a salary range of \$4,371 to \$4,500. Q.133

71. Regarding the relatively short time involved in obtaining the approval of the Public Service Board to the Library's staffing proposal, Mr. Vanthoff said that the pilot project undertaken by the National Library had covered two matters of real importance to the Public Service Board in its consideration of the proposal. First, the thirty page document which set out the work procedures followed during the pilot study was submitted to the Board as part of the Library's proposal. In addition, these procedures which had been developed enabled work standards to be established in some detail and this permitted the Board to examine the proposal with greater ease than would have been the case without this detailed background. Q.134

Conclusions

72. The evidence shows the stocktaking programme of the National Library in recent years has been of a composite nature. Annual stocktakes have been made of celluloid collections including moving picture films. A continuous and automatic stocktake of periodicals including newspapers has been maintained. However, a stocktake of the Library's pictorial collection was only part completed in 1969 and a stocktake of the manuscript collection has not been taken since 1968.

73. On the basis of the evidence Your Committee agrees with the view taken earlier by representatives of the Auditor-General's Office and the National Library that there was a need for the introduction of an appropriate programme of stocktaking in relation to the assets of the Library.

74. Following the pilot study made by the Library in 1969 and the subsequent creation by the Public Service Board of thirteen new positions on the Library's staff establishment, we trust that a suitable stocktaking programme will be implemented without delay.

Chapter 5

The Superannuation Fund

75. In paragraph 61 of his Supplementary Report for 1968-69 the Auditor-General included the following remarks:

"A summary of the transactions of the Superannuation Fund for 1968-69, as shown in the Treasurer's Statement, was included in paragraph 23 of my Report dated 18 August, 1969.

At the time of preparation of this Report, financial statements for 1968-69 had not been received from the Superannuation Board for Audit examination."

76. We were informed that the target date for completion of the accounts was 29 September, 1969 and in fact the accounts in final form were transmitted to the Chief Auditor, Canberra, on that date. His examination, however, led to audit queries which at the time of our inquiry were being pursued. One of these queries related to the reserve units account, which forms a part of the fund. Another related to the provident account which also forms part of the fund, and the third query related to the records of sundry debtors. It was expected that the Superannuation Board would be in a position to submit amended accounts to the Auditor-General by the end of March 1970.

Exhibit
119/4
and Q.149

77. It was stated that by the nature of the business of the Superannuation Scheme, which caters for about 168,000 contributors in Australia and overseas, advices of variations for contributor records are submitted from 460 locations, while related deductions are made from pay at 220 places. It was stated that a major problem arises from inevitable time lags that occur before the documentary work is completed in the various departments and authorities and received in the Board's office in Canberra. As a consequence of this problem, the documents for the final pay period in each financial year do not reach the Board's office immediately at 30 June and in fact those from larger organisations such as the Postmaster-General's Department tend to be subject to greater delay.

Exhibit
119/4

78. In elaborating on this problem the witness explained that the contribution records are developed from the variations and returns in relation to individual contributors that are submitted each fortnight. Deductions are made from the fortnightly salary. Each department submits variations and in submitting them tenders a summary advice detailing the effect of the variations. Initially, the department must balance the variations with the deductions in the pay system. It prepares summary sheets and these are submitted to the Superannuation Board. In turn, the Board machine adds and reconciles the variations with the summary sheets. Q.151

79. We were informed that in June 1966 the Superannuation Board issued to departments and authorities a general circular relating to prompt payment of contributions to the Board and delays and errors in the submission of fortnightly returns. Also from time to time, the Board has circulated departments pointing out that at the close of the financial year it is necessary for returns to be submitted promptly to enable the Board to prepare financial statements. The Board maintains very precise records relating to the submission of returns by departments and authorities and all returns that are outstanding. Towards the end of each financial year, departments are encouraged to make sure that their returns are lodged on time. In respect of 1968/69, some 30 departments submitted returns subsequent to the 30 June, 1969 and 9 returns were still outstanding as at 31 July, 1969.

Exhibit
118/4
Qs. 151, 152,
153, 158 &
Committee File
1970/1

80. It was stated that a further problem arises from the need to resolve queries disclosed by the reconciliation of cash received with summary returns and supporting variation advices from contributors before the relevant information can be taken into the contributor records of the Board and reflected in its annual accounts. When this problem arises, the papers are returned to the Department for balancing and correction of errors or are set aside pending correspondence with the departments or authorities concerned. It was stated that the main causes of these queries relate to variations that have been omitted from the return, or variations that have been changed subsequent to the submission of information to the pay system.

Exhibit
118/4
Q.159 and
Committee File
1970/1

This system provides for three copies of each return to be made by each department or authority. The original copy is forwarded to the pay system, the duplicate copy is submitted to the Superannuation Board, and the third copy is retained in the Personnel Section of the department or authority concerned. Sometimes the department or authority, in checking its pay and contributions, ascertains that an error has been made. On some occasions, the original copy which is submitted to the pay system is changed, but the copy that has been forwarded to the Superannuation Board is not altered.

81. We were informed that the fortnightly contributions that are paid to the Board and the summary return are based on the deductions that are made from the pay system. In these circumstances, the return that is submitted to the Superannuation Board shows a different amount to that which was deducted in the pay system and the record will not balance. In order to establish the precise figures that are flowing into the fund, the Superannuation Board reconciles the variations with the summary statements and, in the circumstances outlined, the variations will not reconcile. If the Board is able to establish the reasons for the failure of reconciliation it writes to the department concerned suggesting the cause of the error and seeking confirmation. If the Board is unable to establish the cause however, it must remit the papers back to the department for further investigation. Q.159

82. We were informed that during 1968/69, 224 returns from 68 departments and authorities failed to reconcile. In 103 instances it was necessary for the Superannuation Board to write to the department or authority and in 11 instances the variations and summaries were returned to the department or authority. In the remainder of the cases, it was possible for the Superannuation Board to correct the returns without reference to the department or authority initiating them. The major causes of errors leading to failures of reconciliation in 1968-69, included missing forms, incorrect preparation or cancellation of forms, the insertion of incorrect figures and the failure to amend copies of forms amended after preparation

Exhibit
118/4
Q.159 and
Committee File
1970/1

but not conveyed to the Superannuation Board.

83. It was stated that, in respect of 1968/69, queries were resolved progressively after 30 June and the last of these was completed by the end of the first week in September. Further time was required for the information flowing from resolved queries to be translated into a form suitable for computer input and for output from the computer to be reflected in the accounting figures.

Exhibit
118/4

84. It was claimed that the Superannuation Board, in conjunction with the departments, is endeavouring to improve the current situation. During 1968/69 the Department of the Treasury introduced a system whereby it printed from its computer pay system a partially prepared form SB5, the document in which departments report to the Superannuation Board variations made in salary and contributions. Under the new arrangement the Superannuation Board has experienced fewer problems with reconciliations.

Q.168

85. It was also stated that, as at March of this year the Board was developing the final stages of a computer system to maintain its contributor records. The witness expected that by the end of October 1970 most of the Board's records up to 30 June 1969 will have been placed on the computer and that by 1971 the records will be computerised up to 30 June in time to use the computer for the annual accounts.

Q.169

Conclusions

86. Your Committee previously examined the late presentation of financial statements by the Superannuation Board in its inquiry into the Reports of the Auditor-General for 1963-64. The evidence submitted on that occasion showed that the delays that had occurred in the presentation of financial statements had been caused mainly by large fluctuations in work loads that had arisen previously from changes in legislation and pay codes. At that time also, the Board was experiencing staffing difficulties and apparently the Board's staff structure was inadequate. Subsequent to that inquiry the Public

P.F. No.160 of
1964-65 and
P.F. No.275
of 1964-65-66

Service Board approved an increase in the staff of the Board and a significant change in its staff structure.

87. The evidence taken in the present inquiry shows that while the target date for presentation of the accounts for audit was achieved, subsequent audit queries that were raised resulted in the need for the accounts to be amended and it was not expected that this process would be completed until as late as the end of March, 1970.

88. While Your Committee cannot regard this as a satisfactory state of affairs, we are equally concerned by the problems confronting the Superannuation Board in the preparation of its financial statements. The evidence shows that, since 1966 the Board has issued circulars to departments and authorities concerning the prompt payment of contributions and delays and errors that have occurred in the submission of fortnightly returns. In spite of this action about thirty departments and authorities submitted returns for 1968-69 subsequent to 30 June, 1969 and more returns were still outstanding as at 31 July, 1969. Also during 1968-69 the Board found it necessary to investigate 224 returns from sixty-eight departments and authorities that failed to reconcile. Your Committee would make it quite clear that this situation reflects on the administrative performances of the departments and authorities concerned.

89. We also note that recent developments have occurred in connection with the printing of Superannuation Board forms from the Treasury computer and further developments that are in prospect concerning the placing of the Board's records on computers are expected to result in substantial improvements in the preparation of the Board's financial statements. We trust that these expectations will be realised with minimum delay.

For and on behalf of the Committee,

DAVID N. REID
Secretary
Joint Committee of Public Accounts
Parliament House,
Canberra. A.C.T.
5 June, 1970.

DON DOBIE
Chairman