

1971

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

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JOINT COMMITTEE OF PUBLIC ACCOUNTS

ONE HUNDRED AND TWENTY-NINTH REPORT

TREASURY MINUTE ON THE ONE HUNDRED AND NINETEENTH REPORT

TOGETHER WITH A

SUMMARY OF THAT REPORT

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 (1)

Senator M.G.C. Guilfoyle (2)

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.

(1) Term of Service as a Senator expired on 1 July, 1971

(2) Appointed 18 August, 1971

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.

Contents

<u>Chapter</u>		<u>Page</u>
1	Introduction	5
2	Treasury Minute on the One Hundred and Nineteenth Report, The Supplementary Report of the Auditor-General 1968-69	7

JOINT COMMITTEE OF PUBLIC ACCOUNTS

One Hundred and Twenty-ninth Report

Treasury Minute on the One Hundred
and Nineteenth Report, The Supplementary
Report of the Auditor-General 1968-69

Chapter 1 - Introduction

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

As they now stand, the arrangements concerned are:-

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

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

Chapter 2 - Treasury Minute on the One Hundred and Nineteenth Report relating to the Supplementary Report of the Auditor-General Financial Year 1968-69

On 23 June 1971 and in accordance with the arrangements relating to follow-up action on Your Committee's Reports, the Treasurer conveyed to the Chairman a Treasury Minute dated 22 June 1971, which reported the action taken on Your Committee's One Hundred and Nineteenth Report.

Committee's Conclusions
One Hundred and Nineteenth Report
(5 June 1970)

Treasury Minute
(22 June 1971)

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

THE AUSTRALIAN DAIRY PRODUCE BOARD

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

The Australian Dairy Produce Board has offered the following comment:

"The decision to charge administration costs against the Dairy Industry Stabilization Fund was made during the course of the year 1968-69 in the light of information which had become available that dividends from the South East Asian projects could be expected to continue; and after clarification of the position of taxation liability cleared the way for remittance of funds to Australia.

Committee's Conclusions
One Hundred and Nineteenth Report
(5 June 1970)

Treasury Minute
(22 June 1971)

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.

Events current at the time, including devaluation of sterling and other currencies as well as overseas government intervention on the level of prices for finished competitive products, had the effect of prompting a cautious approach by the Board.

The Board has taken internal action to see that signed financial statements are lodged with the Auditor-General's Office at the earliest possible date after the close of a financial year, and to maintain a closer liaison with Audit staff."

The Department of Primary Industry has noted the conclusions of the Committee contained in paragraphs 25 and 28 of the Report. The Department has informed the appropriate officers that in circumstances in the future which are similar to those referred to in paragraph 25 the assistance of the Attorney-General's Department should be sought. It has also informed its officers that in cases where oral advice of approval to a proposal is passed from the Department, the practice will be to confirm such advice in writing.

Committee's Conclusions
One Hundred and Nineteenth Report
(5 June 1970)

Treasury Minute
(22 June 1971)

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

Committee's Conclusions
One Hundred and Nineteenth Report
(5 June 1970)

Treasury Minute
(22 June 1971)

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 effect 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.

Committee's Conclusions
One Hundred and Nineteenth Report
(5 June 1970)

Treasury Minute
(22 June 1971)

THE CANBERRA COMMUNITY HOSPITAL

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

The Canberra Community Hospital Management Board has commented as follows:-

"The Hospital has acted on the assumption that the good relationship existing between the Hospital Administration and members of the legal profession provided sufficient safeguard for the Hospital in recovery of debts of this nature. The particular debtor referred to where the Hospital did not obtain payment is the only one that has not been settled by this arrangement.

The evidence given and recorded in paragraph 32 of the transcript was given in the context that specific advice furnished to the Hospital by the patient's doctor (a medical officer approved by the Repatriation Department to treat illnesses of patients deemed to be due to war service) is considered sufficient to raise the charge against the Department. In cases where Repatriation had not previously accepted liability for the cost of treatment of a particular illness there is a time lapse before Repatriation has finalised its investigations and accepted or refused liability for treatment.

Accordingly, the reference to "incorrect" information related to those cases which the medical officer indicated that, in his opinion, the patient was suffering from an illness due to war service which in turn was not, after investigation, accepted by Repatriation and the "delays" are due to the time factor involved in the investigations".

Committee's Conclusions
One Hundred and Nineteenth Report
(5 June 1970)

Treasury Minute
(22 June 1971)

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 under-

The Repatriation Department has pointed out that at 1 June 1969 approximately \$5,000 was owed by the Department to the Canberra Community Hospital and that claims undergoing normal processing would account for the major proportion of this amount. The Department has advised that the majority of claims from the Hospital are paid within a month of receipt and this is considered by the Department to be reasonable. Where delays do occur they are usually unavoidable as it is necessary for the Department to establish liability for the patient's maintenance.

The Department of Health has advised that charges for services are determined by the Minister for Health following periodical reviews conducted by the Department. The charges are not based solely on the relevant financial statements of the Hospital. Other factors such as the level of Commonwealth subsidy desirable, the rates of charge for comparable services levied by other public hospitals and the operation of the Commonwealth Hospital Benefits Scheme are considered.

The Department has stated that the reasons given in paragraph 52 for the increase in the level of debts between June 1968 and June 1969 indicate that the increase was outside the control of the

Committee's Conclusions
One Hundred and Nineteenth Report
(5 June 1970)

Treasury Minute
(22 June 1971)

lying 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.

Hospital Management Board. The Department believes that the fact that a new procedure was introduced in 1968 to refer accounts direct to hospital benefit funds confirms the view held by the Department that the Hospital Management Board is maintaining a continuing surveillance of its outstanding debt problems and its method of debt recovery.

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.

Committee's Conclusion
One Hundred and Nineteenth Report
(5 June 1970).

Treasury Minute
(22 June 1971)

THE NATIONAL LIBRARY OF AUSTRALIA

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.

The National Library Council considered the section of the Report dealing with the Library at its August 1970 meeting. The Council noted the conclusions of the Joint Committee of Public Accounts and resolved after enquiry into the current stocktaking situation that the Committee be advised that stocktaking of the National Library's collections was proceeding satisfactorily.

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.

Committee's Conclusions
One Hundred and Nineteenth Report
(5 June 1970)

Treasury Minute
(22 June 1971)

THE SUPERANNUATION FUND

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 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

The Superannuation Board has advised that the queries raised on the original financial statements presented for audit by the target date of 29 September 1969 took longer to finalise than was expected. The amended financial statements were also subject to query by the Auditor-General's Office and arrangements were made with the Public Service Board for the secondment of an officer to finalise these accounts - to identify errors, arrange for corrections to produce accurate financial statements and also

Committee's Conclusions
One Hundred and Nineteenth Report
(5 June 1970)

Treasury Minute
(22 June 1971)

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

to provide a basis for the production of correct accounts for 1969-70 and subsequent years. A thorough examination of the records and procedures is involved combined with a reconstruction of two items in the accounts. It is expected that the task will be completed by 30 June, 1971.

A Superannuation Board Circular No. 1970/7 was issued to departments and authorities on 17 June 1970 drawing attention to delays in the furnishing of Superannuation and Provident Account variation returns and to the need for accuracy in those returns. The Superannuation Board has reported that there has been considerable improvement in the position regarding delays in furnishing returns since the circular was issued. The Board is maintaining specific records of progress in the receipt of fortnightly returns and action is being taken to follow up individual cases of delay. There has also been a vast improvement in the accuracy of the returns due to the issue of the circular and to the changes that have been made in the preparation of forms SP5 in Sub-Treasury returns.

The reference to substantial improvements in the preparation of the Board's financial statements relates to

Committee's Conclusions
One Hundred and Nineteenth Report
(5 June 1970)

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.

Treasury Minute
(22 June 1971)

the achievable targets mentioned in paragraph 85 of the Report. The Board expects that the records will be such that the material from the computer can be used for the preparation of the annual financial statements for the year ending 30 June 1971.

For and on behalf of the Committee,

David N. Reid

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

3 August, 1971

Don Dobie

DON DOBIE
Chairman

M. Smyth

MR. PRESIDENT,

ON BEHALF OF THE PUBLIC ACCOUNTS COMMITTEE I PRESENT THE ONE HUNDRED
AND TWENTY-NINTH AND ONE HUNDRED AND THIRTIETH REPORTS.

MR. PRESIDENT I HAVE A STATEMENT AND I SEEK LEAVE TO HAVE IT
INCORPORATED IN HANSARD.

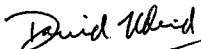
(WHEN LEAVE HAS BEEN GRANTED)

I COMMEND THE REPORTS TO HONOURABLE SENATORS AND MOVE THAT THEY BE
PRINTED.

Table Office,
The Senate,
(Attention: Mr. Symington);

Public Accounts Committee

Senator Guilfoyle proposes to table the Reports tomorrow
Tuesday 24 August, 1971.



(David N. Reid)

Secretary

23 August, 1971

JOINT COMMITTEE OF PUBLIC ACCOUNTS

ONE HUNDRED AND TWENTY-NINTH

AND

ONE HUNDRED AND THIRTIETH REPORTS

STATEMENT BY SENATOR M.G.C. GUILFOYLE

DEPARTMENT OF THE SENATE
PAPER NO.
DATE 24 AUG 1971
PRESENTED
<i>J.R. Odgers</i>
Clk of the Senate

THE ONE HUNDRED AND TWENTY-NINTH REPORT RELATES TO THE TREASURY MINUTE ON YOUR COMMITTEE'S ONE HUNDRED AND NINETEENTH REPORT WHICH REFERRED TO THE SUPPLEMENTARY REPORT OF THE AUDITOR-GENERAL FOR 1968-69. THE ONE HUNDRED AND THIRTIETH REPORT RELATES TO THE TREASURY MINUTE ON YOUR COMMITTEE'S EIGHTY-FOURTH REPORT WHICH REFERRED TO EXPENDITURE FROM THE CONSOLIDATED REVENUE FUND 1965-66.

HONOURABLE SENATORS WILL RECALL THAT WHEN THE ONE HUNDRED AND SIXTEENTH REPORT OF THE PUBLIC ACCOUNTS COMMITTEE WAS TABLED IN MAY LAST YEAR THE HISTORY, PURPOSES AND ARRANGEMENTS RELATING TO THE TREASURY MINUTE PROCEDURE WERE OUTLINED. IT WAS STATED AT THAT TIME THAT YOUR COMMITTEE BELIEVED THE TREASURY MINUTE ARRANGEMENTS HAD PROVED THEIR VALUE OVER THE YEARS AS AN IMPORTANT ELEMENT IN ENSURING THAT, THROUGH YOUR COMMITTEE, THE PARLIAMENT MAINTAINS AN IMPORTANT AND SIGNIFICANT ROLE IN THE FINANCIAL ADMINISTRATION OF THE COMMONWEALTH. THE REPORTS THAT I AM TABLING TODAY AFFORD FURTHER PROOF OF THAT VIEW.

ONE PARTICULAR FEATURE OF THE TREASURY MINUTE PROCEDURE TO WHICH I WOULD DRAW THE ATTENTION OF HONOURABLE SENATORS RELATES TO THE FACT THAT IN REPORTING A TREASURY MINUTE TO THE PARLIAMENT, YOUR COMMITTEE, ACTING ON BEHALF OF THE PARLIAMENT, RESERVES THE RIGHT TO MAKE COMMENT ON THE TREASURY MINUTE, AS IT THINKS NECESSARY. SUCH COMMENTS, TAKING THE FORM OF COMMITTEE OBSERVATIONS, ARE INCLUDED AS THE FINAL CHAPTER OF THE TREASURY MINUTE REPORT.

IN THIS REGARD YOUR COMMITTEE HAS NOT SEEN A NEED TO MAKE COMMENT ON THE TREASURY MINUTE RELATING TO THE ONE HUNDRED AND NINETEENTH REPORT. IT HAS SEEN A NEED HOWEVER, TO MAKE TWO COMMENTS ON THE TREASURY MINUTE RELATING TO THE EIGHTY-FOURTH REPORT.

THE FIRST COMMENT TO BE MADE, RELATES TO AN INADEQUACY OF EVIDENCE TENDERED UNDER OATH TO THE COMMITTEE REGARDING A FEASIBILITY STUDY PROPOSED FOR THE HIGH COMMISSIONER'S OFFICE IN LONDON IN 1966 AND THOUGHT TO HAVE BEEN ABANDONED. WITHOUT THE BENEFIT OF THE TREASURY MINUTE ARRANGEMENT, THE FULL FACTS OF THIS MATTER WOULD NOT HAVE BEEN MADE AVAILABLE TO YOUR COMMITTEE.

THE SECOND MATTER CONCERNS AN INTERPRETATION OF A MATTER OF PRINCIPLE. THIS PRINCIPLE RELATES TO THE IMPORTANT QUESTION OF WHETHER, AND IN WHAT CIRCUMSTANCES, DEPARTMENTS SHOULD SEEK OUT THEIR CREDITORS.

IN ITS EIGHTY-FOURTH REPORT, YOUR COMMITTEE DREW PARTICULAR ATTENTION TO THE FAILURE OF SOME DEPARTMENTS TO SEEK OUT THEIR CREDITORS, THE REASONS BEING SET OUT AT SOME LENGTH IN THE ONE HUNDRED AND THIRTIETH REPORT NOW BEING PRESENTED. ALTHOUGH THE MINUTE PREPARED BY THE DEPARTMENT OF THE TREASURY ON THIS MATTER MAY SUGGEST SOME DISAGREEMENT WITH YOUR COMMITTEE'S CONCLUSIONS, YOUR COMMITTEE IS SATISFIED THAT ITS VIEWS AND THOSE OF THE TREASURY COINCIDE. IN FACT YOUR COMMITTEE AGREES THAT IF SUPPLIES HAVE BEEN SATISFACTORILY PROVIDED AND THERE IS AN ABNORMAL DELAY IN THE RECEIPT OF A CLAIM FOR PAYMENT, IT WOULD NOT BE A DISTORTION OF THE NATURAL COURSE OF EVENTS FOR A SUPPLIER TO BE INFORMED THAT HIS CLAIM HAD NOT BEEN RECEIVED. INDEED IT WAS SUCH A SITUATION THAT LED YOUR COMMITTEE IN ITS EIGHTY-FOURTH REPORT TO REFER TO THE NEED FOR DEPARTMENTS TO SEEK OUT THEIR CREDITORS.