



LEGISLATIVE ASSEMBLY

Public Accounts Committee

REPORT 2/55 – NOVEMBER 2011

REPORT ON RECOMMENDATIONS OF PUBLIC ACCOUNTS COMMITTEE OF THE 54TH PARLIAMENT

REPORTS
COMMITTEES
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LEGISLATIVE ASSEMBLY
NEW SOUTH WALES

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The motto of the coat of arms for the state of New South Wales is "Orta recens quam pura
nites". It is written in Latin and means "newly risen, how brightly you shine".

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Membership and Staff

CHAIR	Mr Jonathan O'Dea MP, Member for Davidson
DEPUTY CHAIR	Dr Geoff Lee MP, Member for Parramatta
MEMBERS	Mr Bart Bassett MP, Member for Londonderry Mr Michael Daley MP, Member for Maroubra Mr Richard Torbay MP, Member for Northern Tablelands Mr John Williams MP, Member for Murray-Darling
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Terms of Reference

The Public Accounts Committee has responsibilities under Part 4 of the *Public Finance and Audit Act 1983* (the Act) to inquire into and report on activities of Government that are reported in the Total State Sector Accounts and the accounts of the State's authorities.

The Committee recommends improvements to the efficiency and effectiveness of government activities. A key part of Committee activity is following up aspects of the Auditor-General's reports to Parliament. The Committee may also receive referrals from Ministers, the Legislative Assembly and the Auditor-General to undertake inquiries.

Chair's Foreword

I am pleased to table this second brief report of the Public Accounts Committee of the 55th Parliament.

Unlike other committees of the Legislative Assembly, the Public Accounts Committee has operated in each parliament since it was first appointed in 1902. It has long been recognised as the Parliament's watchdog of the effectiveness and efficiency of the State's administration.

Also unlike other committees of the Legislative Assembly, there has been a longstanding tradition that the Government would respond to Public Accounts Committee reports because the work of this Committee was considered valuable for improving the quality of administration. This was recognised formally in a Premier's memorandum of 1996¹ which required the Government to respond to the Committee's reports within six months. An updated memorandum of 1998 remains in force to this day.²

In 2009, the Standing Orders of the Legislative Assembly were amended to require that Ministers respond to reports of committees that make recommendations relevant to their portfolios within six months of tabling.

Like other committees, the Public Accounts Committee relied on this process to ensure its recommendations were considered. However, a consequence of this change meant that the requirement to respond to reports lasts only as long as the term of a particular Parliament. The 54th Parliament dissolved prior to the March 2011 election and Ministers of the new Government were not required to respond to reports of the Committee of the previous Parliament.

Unfortunately, this means that three of the most recent reports of the Public Accounts Committee have not received responses and there is no public record of how the relevant agencies have responded to the Committee's work.

The current Committee has decided to bring these recommendations to the attention of the Parliament again so that the relevant Ministers can advise the Parliament what action if any has been taken or will be taken in relation to them.

Jonathan O'Dea
Chair

¹ Premier's Memorandum 96-09 *Government Responses to Public Accounts Committee Reports* [downloaded from http://www.dpc.nsw.gov.au/announcements/ministerial_memoranda/1996/m1996-09]

² Premier's Memorandum 98-11 *Government Responses to Public Accounts Committee Reports (Update)* [downloaded from http://www.dpc.nsw.gov.au/announcements/ministerial_memoranda/1996/m1998-11]

List of Findings and Recommendations

RECOMMENDATION 1 _____ 4

The Committee endorses the three recommendations of Public Accounts Committee of the 54th Parliament's *Sixth Report on the Examination of the Auditor-General's Performance Audits (Delivering Health Care out of Hospitals, Managing Injured Police, Efficiency of the Office of the Director of the Public Prosecutions (Report 11/54))* namely:

- 1(i) The Committee recommends that NSW Health develop and implement a coordinated communication strategy that clearly identifies how it will inform the public and health care professionals about the benefits of in home care.
- 1(ii) The Committee recommends that NSW Health promote equality of access to healthcare by giving greater priority to rolling out successful out of hospital health care initiatives across NSW.
- 1(iii) The Committee recommends that the NSW Police Force develop a new injury compensation model, with a return to work focus, to form the basis of negotiations with the Police Association.

RECOMMENDATION 2 _____ 4

The Committee endorses the two recommendations of the Public Accounts Committee of the 54th Parliament's Report *Issues Arising from the Premature Release of Draft Auditor-General's Reports (report 12/54)* namely:

- 2(i) That the Government require all public sector departments and agencies to review their current arrangements in relation to the storage, management and transmission of confidential documents in their control. Additionally, all departments and agencies should make necessary improvements to their document control systems to ensure complete safeguarding and security of all such documents. This can be achieved through a new Premier's Memorandum and the provisions of the Model Code of Conduct for NSW Public Agencies.
- 2(ii) That the *Public Finance and Audit Act 1983* be amended to make it an offence for recipients of draft audit reports to disclose or reproduce any part of the report prior to it being tabled in the Parliament of New South Wales. The penalty for this offence should be the same as that for offences under section 38 and the Committee recommends that the penalty for these offences should be 50 penalty units.

RECOMMENDATION 3 _____ 5

The Committee endorses recommendations 2 to 7 of the Public Accounts Committee of the 54th Parliament's *Seventh Report on the Examination of the Auditor-General's Performance Audits – Sustaining Native Forests Operations, Grants Administration, Tackling Cancer with Radiotherapy, Helping Aboriginal Defendants through MERIT (Report 15/54)* namely:

- 3 (ii) The Committee strongly encourages the Department of Premier & Cabinet to ensure that grant-making agencies tie payments to clear performance measures in all instances so as to ensure that the stated objectives of the program are achieved and the public receives value for money.
- 3 (iii) The Committee recommends that NSW Health ensures the complete implementation of all the recommendations in the Auditor-General's report into Tackling Cancer with Radiotherapy.
- 3 (iv) The Committee further recommends that in its response to this report, the Government outlines its progress, and any reasons for delay, in:
- establishing formal cancer networks and developing centralised bookings systems for all radiotherapy treatment centres within a service network;
 - the completion and implementation of Radiation Oncology Standards;
 - delivering an upgraded system to monitor referrals and developing treatment priority definitions to enable collection of consistent wait time data; and
 - developing a workload measure that facilitates comparison of centres with different case-mixes and different techniques.
- 3 (v) The Committee recommends that radiation facilities extend their hours of operation to provide better access for patients and better utilisation of the facilities by July 2011, except where it does not deliver value for money, or value to patients.
- 3 (vi) The Committee recommends that the Department of Justice & Attorney General, Department of Health and NSW Police Force ensure the complete implementation of all the recommendations in the Auditor-General's report into Helping Aboriginal Defendants through MERIT.
- 3 (vii) The Committee further recommends that in its response to this report, the Government outlines its progress, and any reasons for the delay, in:
- finalising the revised MERIT Operational Manual and outlining the process undertaken to introduce the Manual to caseworkers;
 - further expanding the network of MERIT courts to include some of the non-MERIT courts with high proportions of Aboriginal and Torres Strait Islander defendants, as identified by the Auditor-General;
 - establishing permanent MERIT positions in spite of the four-year funding cycle provided under the National Healthcare Agreement;
 - ensuring that all MERIT teams are provided with initial induction training as well as ongoing training;
 - improving the level of understanding of MERIT among Aboriginal communities; and,
 - developing targets for client completion rates in order to monitor the performance of each MERIT team and identify any program issues.

Chapter One – Government responses to Committee Reports

- 1.1 The Public Accounts Committee of the New South Wales Parliament was first appointed in 1902 and has been appointed for every Parliament since. It has reported consistently to Parliament about the effectiveness and efficiency of the operation of Government. Unlike other committees of the Legislative Assembly, in recent decades, it has regularly received responses to its reports from the Government of the day.

Premier's Memoranda

- 1.2 Although there is no legislative requirement for the Government to implement committee recommendations, there is a requirement under a Premier's Memorandum issued in 1996 for Ministers to consider them and provide a formal response within six months. This memorandum emphasised the importance of these recommendations in driving administrative improvement:

The Public Accounts Committee was established to exercise the Parliament's review powers over the efficiency, effectiveness and accountability of the public sector. The Committee's reports are based on extensive research and involve gathering evidence from a wide range of expert groups and interested parties.

The Public Accounts Committee's activities provide one avenue through which we can progress our commitment to improving the efficiency, effectiveness and accountability of the public sector. Public Accounts Committee reports therefore warrant due consideration by the Government.³

- 1.3 This memorandum was updated in 1998 to instruct Ministers to respond to any follow up questions the committee might have around 18 months after a report about the progress in implementing recommendations.⁴
- 1.4 These memoranda do not include any limitation on the requirement to respond based on the term of a Parliament.
- 1.5 These were valuable for quality control of committee work. On receipt of responses, the Committee would resolve to publish them on its website and include them in reports of their activities.

Standing Orders

- 1.6 In 2009, the Standing Orders of the Legislative Assembly were amended to include a new requirement that:

On the tabling of a report from a committee, which recommends that action be taken by the Government, the Clerk is to refer the report to the relevant Minister(s), who must within six months of a report being tabled, report to the House what

³ Premier's Memorandum 1996-09 *op cit* p.1

⁴ Premier's Memorandum 1998-11 *op cit* p.1

action, if any, the Government proposes to take in relation to each recommendation of the committee.⁵

- 1.7 This meant that for the first time all committees administered by the Legislative Assembly received responses to their recommendations which are publicly available. This process was administered by the Clerk of the Legislative Assembly writing to the relevant Minister and the Premier forwarding the recommendations. Responses were provided to the Clerk who then reported them to the House. Generally responses were subsequently published on committee webpages as well.
- 1.8 The Public Accounts Committee adopted the same administrative arrangements as other committees rather than seeking responses to its reports directly from ministers in accordance with the Premier's Memoranda.

Durability of requirement

- 1.9 However, in accordance with parliamentary practice, the requirement to respond to committee reports in accordance with the Standing Orders only relates to a particular term of Parliament. When the 54th Parliament was dissolved prior to the March 2011 election, the Ministers' requirement to respond to recommendations in committee reports lapsed.

⁵ Standing Order 303A,

Chapter Two – The recommendations of the 2010 committee

- 2.1 Shortly after the appointment of the Public Accounts Committee of the 55th Parliament, the Chair wrote to relevant Ministers and the Premier seeking responses to the three reports that had not yet received responses. These were:
- *The Sixth Report on the Examination of the Auditor-General’s Performance Audits: Delivering Health Care out of Hospitals, Managing Injured Police, Efficiency of the Office of the Director of the Public Prosecutions* (Report 11/54 -June 2010)
 - *Report on the Premature Release of Draft Auditor-General’s Reports* (Report 12/54 - September 2010)
 - *Seventh Report on the Examination of the Auditor-Generals’ Performance Audits: Sustaining Native Forests Operations, Grants Administration, Tackling Cancer with Radiotherapy, Helping Aboriginal Defendants through MERIT* (Report 15/54 - December 2010)
- 2.2 In relation to the second report, the Committee was advised that the Treasurer had referred the recommendation that he arrange for legislative amendments to the Premier for consideration.⁶
- 2.3 On 29 September 2011, the Premier, the Hon Barry O’Farrell responded with a letter stating:
- I am advised that, when the Assembly expires or is dissolved, that the Assembly and all of its Committees cease to exist. “The Government” and its obligations under the Standing Orders to respond to reports of the Committees also comes to an end. This is appropriate given that the views expressed by the Committees of the 54th Parliament may not necessarily be shared by the Assembly or Committees of the 55th Parliament.
- The Government is therefore not proposing to table responses to the three reports set out in your letters. However, if the current Public Accounts Committee resolves to make any of the same recommendations as are included in the previous reports, the Government will of course respond to those recommendations in accordance with Standing Order 303A.⁷
- 2.4 The Committee considered this correspondence at its meeting on 12 October 2011 and considered that it was appropriate to continue to seek responses to the reports of the previous committee. It resolved to endorse the recommendations of the report *Issues Arising from the Premature Release of Draft Auditor-General’s Reports*.

⁶ Correspondence from the Hon Mike Baird MP, Treasurer to the Hon Barry O’Farrell MP, Premier 28 April 2011

⁷ Correspondence from the Hon Barry O’Farrell MP, Premier, to the Committee Chair, 29 September 2011

- 2.5 At its meeting on 19 October, the Committee considered the recommendations of the Sixth and Seventh Reports on the Examination of the Auditor-General's Performance Audits and resolved to endorse them as well.
- 2.6 After the meeting on 19 October 2011, the Committee received a response from the Hon Katrina Hodgkinson MP, the Minister for Primary Industries, providing a detailed response of Government action taken to date in relation to the Committee's examination of *Sustaining Native Forest Operations*. It is reproduced in Appendix One and demonstrates to the Committee's satisfaction that the Government has responded appropriately to the report. Accordingly the Committee does not consider it appropriate to endorse that particular recommendation again.
- 2.7 The recommendations that the Committee has adopted follow.

RECOMMENDATION 1

The Committee endorses the three recommendations of Public Accounts Committee of the 54th Parliament's *Sixth Report on the Examination of the Auditor-General's Performance Audits (Delivering Health Care out of Hospitals, Managing Injured Police, Efficiency of the Office of the Director of the Public Prosecutions (Report 11/54)* namely:

- 1(i) The Committee recommends that NSW Health develop and implement a coordinated communication strategy that clearly identifies how it will inform the public and health care professionals about the benefits of in home care.**
- 1(ii) The Committee recommends that NSW Health promote equality of access to healthcare by giving greater priority to rolling out successful out of hospital health care initiatives across NSW.**
- 1(iii) The Committee recommends that the NSW Police Force develop a new injury compensation model, with a return to work focus, to form the basis of negotiations with the Police Association.**

RECOMMENDATION 2

The Committee endorses the two recommendations of the Public Accounts Committee of the 54th Parliament's Report *Issues Arising from the Premature Release of Draft Auditor-General's Reports (report 12/54)* namely:

- 2(i) That the Government require all public sector departments and agencies to review their current arrangements in relation to the storage, management and transmission of confidential documents in their control. Additionally, all departments and agencies should make necessary improvements to their document control systems to ensure complete safeguarding and security of all such documents. This can be achieved through a new Premier's Memorandum and the provisions of the Model Code of Conduct for NSW Public Agencies.**

- 2(ii) That the *Public Finance and Audit Act 1983* be amended to make it an offence for recipients of draft audit reports to disclose or reproduce any part of the report prior to it being tabled in the Parliament of New South Wales. The penalty for this offence should be the same as that for offences under section 38 and the Committee recommends that the penalty for these offences should be 50 penalty units.

RECOMMENDATION 3

The Committee endorses recommendations 2 to 7 of the Public Accounts Committee of the 54th Parliament's *Seventh Report on the Examination of the Auditor-General's Performance Audits – Sustaining Native Forests Operations, Grants Administration, Tackling Cancer with Radiotherapy, Helping Aboriginal Defendants through MERIT (Report 15/54)* namely:

- 3 (ii) The Committee strongly encourages the Department of Premier & Cabinet to ensure that grant-making agencies tie payments to clear performance measures in all instances so as to ensure that the stated objectives of the program are achieved and the public receives value for money.
- 3 (iii) The Committee recommends that NSW Health ensures the complete implementation of all the recommendations in the Auditor-General's report into Tackling Cancer with Radiotherapy.
- 3 (iv) The Committee further recommends that in its response to this report, the Government outlines its progress, and any reasons for delay, in:
- establishing formal cancer networks and developing centralised bookings systems for all radiotherapy treatment centres within a service network;
 - the completion and implementation of Radiation Oncology Standards;
 - delivering an upgraded system to monitor referrals and developing treatment priority definitions to enable collection of consistent wait time data; and
 - developing a workload measure that facilitates comparison of centres with different case-mixes and different techniques.
- 3 (v) The Committee recommends that radiation facilities extend their hours of operation to provide better access for patients and better utilisation of the facilities by July 2011, except where it does not deliver value for money, or value to patients.
- 3 (vi) The Committee recommends that the Department of Justice & Attorney General, Department of Health and NSW Police Force ensure the complete implementation of all the recommendations in

the Auditor-General's report into Helping Aboriginal Defendants through MERIT.

3 (vii) The Committee further recommends that in its response to this report, the Government outlines its progress, and any reasons for the delay, in:

- **finalising the revised MERIT Operational Manual and outlining the process undertaken to introduce the Manual to caseworkers;**
- **further expanding the network of MERIT courts to include some of the non-MERIT courts with high proportions of Aboriginal and Torres Strait Islander defendants, as identified by the Auditor-General;**
- **establishing permanent MERIT positions in spite of the four-year funding cycle provided under the National Healthcare Agreement;**
- **ensuring that all MERIT teams are provided with initial induction training as well as ongoing training;**
- **improving the level of understanding of MERIT among Aboriginal communities; and,**
- **developing targets for client completion rates in order to monitor the performance of each MERIT team and identify any program issues.**

Appendix One – Response of Minister Hodgkinson



The Hon Katrina Hodgkinson MP

Minister for Primary Industries
Minister for Small Business

IM11/17552

Mr Jonathan O'Dea MP
Chair
Legislative Assembly
Public Accounts Committee
Parliament of NSW
Macquarie Street
SYDNEY NSW 2000

19 OCT 2011

Dear Mr O'Dea

Jonathan,

Thank you for your letter of 5 August 2011 regarding the Public Accounts Committee's Seventh Report on the Examination of the Auditor-General's Performance Audits.

I understand that Forests NSW has been providing advice to the Auditor-General and to the community on progress in completing the nine recommendations made by the Auditor-General in his performance audit into Sustaining Native Forest Operations. Updates and the completed recommendation reports are available on the Trade and Investment website at <http://www.dpi.nsw.gov.au/forests/management/reporting/audit>

I have attached a copy of the updated table for the Public Accounts Committee's consideration.

While there have been some delays in finalising some of the recommendations, Forests NSW remains committed to implementing all of the recommendations wherever possible. Of the nine recommendations four are now complete (recommendations 1, 4, 8 and 9), three are close to completion and are being managed by a dedicated project manager (recommendations 2, 3 and 5), and two are on-going (recommendations 6 and 7).

Thank you again for your letter.

Yours sincerely

Katrina Hodgkinson MP
Minister for Primary Industries

Encl.

MOC11/3370

PERFORMANCE AUDIT - SUSTAINING NATIVE FOREST OPERATIONS
 IMPLEMENTATION OF RECOMMENDATIONS – Updated 1 September 2011

	RECOMMENDATION	DUE DATE	STATUS/COMMENT	RESPONSIBILITY
1	<i>Upgrade its forestry management system for native forests to capture all harvesting results and other events which impact on yield.</i>	Dec 2010	<p>Status: Complete</p> <p>Comment: The first version of the Event Data Management tool was provided to users in December 2010. Updates to the program will be released from time to time to incorporate improvements that are required.</p>	Forests NSW (Director Land Management and Forestry Services)
2	<i>Finalise its net area and strike rate modifier studies to improve the accuracy of its estimates.</i>	Sept 2009	<p>Status: Partly implemented; Full implementation delayed. Public reporting on Forests NSW website by October 2011.</p> <p>Update: The Strike Rate Modifier report has been finalised to improve the accuracy of the yield estimates. The report is available on the Forests NSW website.</p> <p>A project plan for the net harvest area modifier has been prepared and approved by the CEO Forests NSW and discussed with the Auditor-General's Office. An external project manager is running this project. Aerial photography was delayed by wet weather but is now complete. Wet weather has also impacted on timing of the field verification aspect of this project.</p> <p>The majority of the analysis and model development work will be completed by the agreed revised delivery date of September 2011. However, the final report is expected to be delayed until the end of October due to the weather impacts.</p>	Forests NSW (Director Land Management and Forestry Services)

RECOMMENDATION	DUE DATE	STATUS/COMMENT	RESPONSIBILITY
<p>3</p> <p><i>Undertake and publicly report the results of:</i></p> <ul style="list-style-type: none"> • <i>A review of yield estimates for native forests in Southern Region including Eden, South Coast & Tumut</i> • <i>A review of yield estimates for hardwood plantations</i> 	<p>June 2010</p>	<p>Status: In progress; public reporting on Forest NSW website by December 2011</p> <p>Update: Yield estimates have been completed for South Coast and Tumut however are still in progress for Eden. Work is required to verify the models, and this has contributed to the significant delays in completion. An external project manager is now engaged to ensure that this work is delivered by December 2011.</p> <p>The 2010 valuation of the post-1994 hardwood estate was underpinned by the most up-to-date available inventory and yield forecasts. Further refinements to the hardwood estate model, including a spatial wood supply model, were incorporated for the 2011 valuation which was delivered in June 2011.</p> <p>Comment: The South Coast (and the 2009 North Coast) reviews have been released to industry stakeholders.</p> <p>The most up-to-date yield estimates have been used in the F2010 and F2011 Discounted Cash Flow (DCF) valuations of the native forest estate.</p>	<p>Forests NSW (Director Land Management and Forestry Services)</p>
<p>4</p> <p><i>Publicly report the results of yield estimates for high quality large sawlogs, high quality small sawlogs, low quality logs and pulpwood for each region.</i></p>	<p>June 2010</p>	<p>Status: Complete; report available on Forest NSW website</p> <p>Comment: Public reporting on Forest NSW website achieved in December 2010. The reported yield estimates underpinned the recently-implemented Discounted Cash Flow method of valuation of Forests NSW native forest assets.</p>	<p>Forests NSW (Director Land Management and Forestry Services)</p>

RECOMMENDATION	DUE DATE	STATUS/COMMENT	RESPONSIBILITY
<p>5 <i>Compare harvest results against its yield estimates over five year periods as a means of testing the accuracy of estimates</i> <i>Report the results annually starting June 2010.</i></p>	<p>June 2010</p>	<p>Status: In progress. Report available on the Forests NSW website by end of September 2011</p> <p>Comment: A comprehensive revision of the methodology for this project has been completed so as to effectively address the issue of comparing actual harvest versus FRAMES predicted yield. As a result an updated methodology has been drafted and briefings undertaken with regional staff with respect to the data requirements. Collection of field information and analysis is well progressed.</p> <p>A project manager has been engaged to complete the analysis and reporting.</p>	<p>Forests NSW (Director Land Management and Forestry Services)</p>

RECOMMENDATION	DUE DATE	STATUS/COMMENT	RESPONSIBILITY
<p>6 Investigate the reasons for not meeting its private property targets for hardwood timber and develop better ways of addressing these.</p>	<p>N/A</p>	<p>Status: The reasons for not meeting targets are discussed below. Forests NSW is working towards obtaining private property timber on a commercial basis.</p> <p>Comment: Important background note to this recommendation is that the 'private property targets' were set in the ESFM Plans framed in 2005, not in the Regional Forest Agreements signed around 2000. Thus, the Government's ability to meet its Wood Supply Agreement commitments arising from the RFAs was not prefaced on meeting set private property supplementation targets.</p> <p>Forests NSW ESFM plans were framed assuming a certain level of external funding for private property purchases would be forthcoming. The external funds actually allocated were less than anticipated and per unit costs higher than anticipated. Competition for millable logs forced up the price of rights to harvest standing timber as well as the price of timbered land, making it uneconomic for Forests NSW, as a Government Trading Enterprise, to purchase timbered land for timber production purposes alone.</p> <p>Note that some of the funds earmarked for "private property purchases" have been used indirectly for that purpose by the purchase of land carrying regrowth timber. This timber will contribute to future timber supply within the wood supply commitment period.</p> <p>Forests NSW has set up a Private Property Timber Supplementation business unit, to access private property timber resource and also to provide a paid service assisting private property growers to sell this timber for a fee or margin. In so doing, the Unit will be helping Forests NSW to achieve the remainder of the original intent of the private property supplementation program.</p>	<p>Forests NSW (Director, Native Forest Operations)</p>

RECOMMENDATION	DUE DATE	STATUS/COMMENT	RESPONSIBILITY
<p>7 <i>Investigate the potential for developing commercial markets for forest waste.</i></p>	<p>N/a</p>	<p>Status: On-going</p> <p>Comment: Forests NSW is always on the alert for marketing the full range of forest products. One promising opportunity emerging for "forest waste" is the renewable energy market. Forests NSW are undertaking a trial with Visy in the softwood plantations of Hume region on collecting post harvest waste for biofuel and potentially additional pulp quality material.</p> <p>One of the lessons learnt from the Visy collaboration is that world-scale throughput is needed for it to be viable. Visy would have greater confidence to invest if native forest biofuel could be used as a supplementary fuel source if required. Currently this market is unavailable because Clause 97 of the Protection of the Environment Operations (General) Regulations 2009 prohibits the direct use of native forest biomaterial to generate electricity. However, this restriction does not apply to sawmill wastes and biomass sourced from Forests NSW plantations.</p>	<p>Forests NSW (Director, Commercial Services)</p>
<p>8 <i>Simplify and improve timber pricing by introducing a new pricing system by December 2009 that:</i></p> <ul style="list-style-type: none"> • <i>Ensures log production costs are recovered</i> • <i>Is transparent.</i> 	<p>Dec 2009</p>	<p>Progress: New timber pricing system and approved price increase schedule are being progressively implemented.</p> <p>Comment: A new pricing system was developed and has been tested with industry over the past 12 months or so. The new system involves both price increases and simplification of the range of product categories.</p> <p>As the Auditor General noted, a significant increase in the price of native timber products pricing is essential for native forest operations to continue to operate on a long term sustainable basis.</p> <p>Forests NSW advised its high quality hardwood sawlog customers that it would apply the first of a series of six 3% price increases (over and above normal market-based price movements) over a 2-year period commencing</p>	<p>Forests NSW (Director, Commercial Services)</p>

RECOMMENDATION	DUE DATE	STATUS/COMMENT	RESPONSIBILITY
<p>9 <i>We recommend that the Minister responsible for native forest operations include yield review requirements that allow for non-compensable reduction in allocation, in all future wood supply agreements.</i></p>	<p>N/A</p>	<p>from 1 April 2010.</p> <p>In response to consultation with industry, FNSW agreed to defer the implementation of a Timber Market Survey based price increase and a transition to a simpler pricing system until 1 July 2010 to allow for additional consultation.</p> <p>The proposed increases are based on the fundamental premise of full cost recovery for harvesting and haulage components to improve the financial sustainability along the whole supply chain.</p> <p>FNSW will continue to work with the timber industry in fine tuning the price system as its implementation progresses.</p> <p>Progress: Complete.</p> <p>Comment: As the Auditor General noted, a significant increase in the price of native timber products pricing is essential for native forest operations to continue to operate on a long term sustainable basis.</p> <p>Forests NSW advised its high quality hardwood sawlog customers that it would apply a series of six 3% price increases (over and above normal market-based price movements) over a 2-year period commencing from 1 April 2010. To date two 3% price increases have occurred.</p> <p>A transition to a simpler pricing system for high quality hardwood logs until has been completed.</p> <p>Contracts for high quality hardwood logs allow for the full recovery of harvest and haul costs.</p>	<p>Forests NSW (Director, Commercial Services)</p>

Appendix Two – Extract from Minutes

MINUTES OF PROCEEDINGS OF THE PUBLIC ACCOUNTS COMMITTEE (NO. 7)

9.30 am, Wednesday, 12 October 2011
Room 1043, Parliament House

MEMBERS PRESENT

Mr O’Dea, Dr Lee, Mr Torbay, Mr Bassett and Mr Williams.

APOLOGIES:

An apology was received from Mr Daley.

7. Government response to Committee reports

- a) Letter of 29 September 2011 from Mr Barry O’Farrell MP, Premier, re: government responses to the Committee's reports:
- Issues Arising from the Premature Release of Draft Auditor-General's Reports
 - Sixth Report on the Examination of the Auditor-General's Performance Audits
 - Seventh Report on the Examination of the Auditor-General's Performance Audits

Resolved on the motion of Mr Williams, seconded by Mr Torbay: That the Chair write to the Premier advising him of the Committee's intention to endorse the recommendations of the report 'Issues Arising from the Premature Release of Draft Auditor-General's Reports' and re-consider the recommendations of the Sixth and Seventh Reports on the Examination of the Auditor-General's Performance Audits.

- b) Letter of 28 September 2011 from NSW Treasurer's Office re: Issues Arising from the Premature Release of Draft Auditor-General's Reports.

Resolved on the motion of Dr Lee, seconded by Mr Torbay: That the Chair note the Treasurer's letter of 28 September 2011.

The Committee adjourned at 10.18 am until 9.00 am on Friday, 14 October 2011.

MINUTES OF PROCEEDINGS OF PUBLIC ACCOUNTS COMMITTEE (NO. 9)

10.18 am, Wednesday, 19 October 2011

Waratah Room, Parliament House

MEMBERS PRESENT

Mr O’Dea, Dr Lee, Mr Torbay, Mr Bassett and Mr Williams.

APOLOGIES:

An apology was received from Mr Daley.

1. Recommendations of Committee reports of 54th Parliament:

- i. Issues Arising from the Premature Release of Draft Auditor-General's Reports
- ii. Sixth Report on the Examination of the Auditor-General's Performance Audits
- iii. Seventh Report on the Examination of the Auditor-General's Performance Audits

Resolved on the motion of Mr Bassett, seconded by Mr Williams: That the Committee endorse the recommendations of the reports and report to Parliament on this matter.

7. Next meeting

The meeting adjourned at 10.49 am until 10.15 am on Wednesday 9 November 2011.

MINUTES OF PROCEEDINGS OF THE PUBLIC ACCOUNTS COMMITTEE (NO. 10)

9.30 am, Wednesday, 9 November 2011

Waratah Room, Parliament House

MEMBERS PRESENT

Mr O’Dea, Dr Lee, Mr Torbay, Mr Bassett and Mr Williams.

APOLOGIES

An apology was received from Mr Daley.

5. Draft report endorsing recommendations of previous Public Accounts Committee

Resolved, on the motion of Dr Lee, seconded by Mr Torbay: That the Committee adopt the draft report as the report of the Committee and that the Chair sign it and table it subject to minor typographical corrections by the staff.

10. Next meeting

The meeting adjourned at 11.05 am until 9.30 am on Wednesday 23 November 2011.