



## **PUBLIC ACCOUNTS COMMITTEE**

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*The truth, the whole truth and nothing but the truth?*

### ***ANNUAL REPORTING in the NSW PUBLIC SECTOR***



**Report No. 5/51  
[No. 95]**

**March 1996**

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**standing: Peter Cochran, Ian Glachan and Joe Tripodi**

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### **Mr Terry Rumble, FCPA, MP, Chairman**

Terry Rumble was elected Labor Member for Illawarra in March 1988. Before entering Parliament he qualified as an accountant and was employed in public practice and in the coal mining industry. He has served as a member of the Regulation Review Committee and is the Chairman of the Premier's Backbench Committee which involves Treasury, arts and ethnic affairs. Mr Rumble was elected Chairman of the Committee on 24 May 1995.

### **Mr Pat Rogan, MP, Vice- Chairman**

Pat Rogan has been member for East Hills since 1973. He has been active on numerous parliamentary committees in that time including the Joint Committee upon Public Accounts and Financial Accounts of Statutory Authorities. This was the Committee that reactivated a dormant Public Accounts Committee in 1983. Pat Rogan has also served as Shadow Minister for Minerals and Energy with a background as a senior sales engineer in automation.

### **Mr Joe Tripodi B.Ec (Hons), MP**

Joe Tripodi was elected to Parliament in March, 1995 as the Labor Member for Fairfield. Before entering Parliament he worked as an economist with the Reserve Bank of Australia and as a union official with the Labor Council of NSW.

### **Mr Ian Glachan, MP**

The Liberal Member for Albury since 1988, Ian Glachan has had a varied background. He served five years at sea as a marine engineer, was a farmer for ten years, and operated a newsagency in Albury for 18 years. Mr Glachan is also a past president of the Albury-Hume Rotary Club and a Paul Harris Fellow, an active member of the Anglican Church, and was the Legislative Assembly member on the Board of Governors of Charles Sturt University. He was Chairman of the Public Accounts Committee in late 1994 and early 1995.

### **Mr Peter Cochran, MP**

Following a background in farming, the Army, the Commonwealth Police, ASIO, and the Cooma-Monaro Shire Council, Peter Cochran won the seat of Monaro for the National Party in 1988. His previous parliamentary responsibilities have included the chairmanship of the Minister's Advisory Committee on Land and Water Conservation, deputy chairmanship of the Committee for Police and Emergency Services, and membership of the committee for the Environment and the Select Committee on Public Sector Superannuation. He was also the Premier's representative on the Anzac House Trust and the Anzac Memorial Trust. He is currently Secretary to Shadow Cabinet.

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## CHAIRMAN'S FOREWORD

This Report takes as its theme that the contents of annual reports should represent “The truth, the whole truth and nothing but the truth”.

The PAC has built its findings and recommendations on the foundation that accurate and honest annual reports are essential in serving the interests of Ministers, the government, the Parliament and most importantly the citizens of NSW.

The landscape applying to annual reports has changed markedly over the years. From a time when public sector agencies either did not produce annual reports at all or did so in a way that made them irrelevant and uninformative, the PAC has seen a major improvement in annual reports.

In 1983 the PAC issued its first report on the appropriateness of an Annual Reports Act and subsequently Parliament passed the *Annual Reports (Statutory Bodies) Act 1984* and the *Annual Reports (Departments) Act 1985* [discussed in more detail in Chapter 2].

Both of these statutes have been enhanced over the years but as this report demonstrates there is still the need for reform and renewal. One area of many that the PAC is committed to is the enhancement of reporting of outcomes. Far too many annual reports document activity but do not record performance.

The production of honest annual reports is essential to the operation of responsible government in NSW because they represent one of the means of keeping a check on the actions of the executive. No reader of this Report should be in any doubt about the views the PAC has about annual reports overall. The Findings and Recommendations made reflect these views.

Annual reports represent one of the means by which Ministers, Parliament and citizens may make evaluations of the appropriateness, effectiveness and efficiency of government agencies in the administration of legislation and the implementation of government policy.

Annual reports are required to be produced by Chief Executives of Departments and the Boards of statutory authorities and those preparing them are therefore subject to clear legal and other duties in relation to their content.

Annual reports must provide accurate information in accordance with the provisions of the relevant legislation as well as in line with the wider duty owed by public servants to Parliament and citizens. Such information must not be false or misleading and there is a positive duty on public servants to ensure annual reports do not contain information that requires the reader to supply omitted facts or to resolve ambiguities.

Annual reports must be prepared on the basis the public interest requires disclosure of information and the public interest predominates even if a disclosure may embarrass a Minister, the Government, another government agency, or anyone else. This requirement also

means annual reports should disclose information and evaluations over and above the minimum required by legislation.

Lest it be thought the PAC is being in any way radical in its attitude to improving the value of annual reports it is appropriate to consider the views of FA Bland, Foundation Professor of Public Administration at the University of Sydney from 1935 to 1947 and Chairman of the Joint Committee of Public Accounts in the Australian Parliament from 1953 to 1960. Writing in 1923 Bland said:

All departments submit annual reports to parliament which contain dry official language supported by statistics and accounts, a summary of their activities. These are seldom read except by students of government and therefore of very little value in educating public opinion. If the official style were discarded and the reports were differently written, giving concise information on the organisation and functions of the departments, recording in addition to their own operations the experience and activities of similar bodies in other places, the expense would be little more but the advantages would be incalculable. In addition officials might be encouraged to publish their view upon important questions of administration without having to resort to anonymity or to wait until they have severed their connection with the service.<sup>1</sup>

It is the PAC's hope that, 73 years after Bland's comments, the Findings and Recommendations in this Report will be accepted and embraced and annual reports will fulfill their vital function in the operation of responsible government in NSW.

## ACKNOWLEDGMENTS

I would like to thank my fellow members of the PAC for the way in which they have gone about this inquiry. This is yet another unanimous report - the result of the PAC's strong tradition of bipartisanship. This report has the potential to significantly improve the accountability of NSW public sector agencies to the Parliament and the people of NSW. In the years ahead, I am sure that my fellow Committee members will be able to look back with pride at this report as a significant step in the development of public accountability.


Primary responsibility for the management of this inquiry rested with David Blunt. I would like to place on the record the Committee's appreciation for the considered and thoughtful approach which Mr Blunt has taken to this important inquiry. In October 1995 Mr Blunt was seconded to act as Director of the Legislative Council Standing Committee on Law and Justice. This interrupted the drafting of this report. In December 1995 Mr Blunt was officially appointed Director of the Law and Justice Committee. The PAC is greatly appreciative of the fact that since his appointment to this new position Mr Blunt has made time to complete the drafting of this report. On behalf of the PAC I would like to thank Mr Blunt for his valuable assistance with the PAC's work over the past eighteen months and wish him every success in the future.

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<sup>1</sup> FA Bland; *Shadows and Realities of Government*, WEA, Sydney, 1923 pp 80-81

As always this inquiry was a team effort by the PAC Secretariat. Caterina Sciara formatted the final report. Kendy McLean proofread the report. Jozef Imrich and Kendy McLean ably assisted with the organisation of the public seminar in August 1995. Patricia Azarias oversaw the inquiry.

Lastly I would like to thank all those who made submissions and gave evidence before the Committee. Particular thanks is due to three experts who provided comments upon draft versions of this report - Dr James Guthrie, Peter Wilmshurst and Alan Bridges. Their valuable comments were of considerable assistance to the Committee.

  
Terry Rumble MP  
**Chairman**

## **FINDINGS AND RECOMMENDATIONS**

Set out below are the findings and recommendations contained in chapters 4 to 12 of this report. Please refer to the relevant chapters for the full context and background to these findings and recommendations.

### **Chapter 4 - Current State of Public Sector Annual Reporting in NSW**

Over the last ten years since the introduction of the annual reporting legislation there have been significant improvements in the quality of annual reports produced by NSW public sector agencies. Annual reports are now generally produced within the prescribed time-frame. The financial statements are produced according to a consistent standard and the introduction of accrual accounting has led to further improvements in the quality of financial information provided.

The PAC supports the work of the Annual Report Awards Australia Inc. in encouraging excellence in reporting and believes that the awards have played an important role in raising the standard of public sector annual reporting. The fact that the Office of State Revenue received the Platinum Award - the award for the most outstanding report in the year 1995 - against competition from Australia's largest companies and public sector organisations in other States and Territories is testament to the high quality of some public sector annual reports. Clearly, the best public sector annual reports are the equal of the best produced in the private sector.

Despite these achievements there is still a long way to go in establishing high standards of annual reporting across all NSW public sector agencies. The PAC is disappointed with the continued high levels of non-compliance with particular reporting requirements, such as measures of performance, equal employment opportunity strategies, consumer response and risk management. This non-compliance means that large numbers of public sector agencies are flouting the law in failing to comply with specific reporting requirements laid down by the Parliament. This is unacceptable.

Most importantly many public sector annual reports continue to fail to properly address the key areas of an agency's responsibilities which are of concern to readers. This involves a failure to comply with the legislative requirement to address "major problems and issues". It also involves a failure to report relevant information which may be in any way regarded as controversial. Once again, this is unacceptable.

## **Chapter 5 - Treasury's Reform Proposals**

The PAC supports in principle the Treasury's proposed new three-tiered reporting framework. It is appropriate that past performance and future prospects be the key focus of annual reports. The proposed general reporting obligations set out in the Treasury's submission to the Committee represent a good starting point for a set of key reporting requirements. It is appropriate that these general reporting obligations be set out in the new legislation.

The PAC is reassured by the Treasury's intention to include detailed reporting requirements based on the current regulations under the new Act. It is appropriate that this information be placed in a later part of an agency's annual report so as not to detract from the key performance information. It is important that there continue to be parliamentary scrutiny of proposed annual reporting regulations.

The PAC supports the concept of best practice statements being issued to assist agencies achieve best practice in reporting. However, it is important that there be some form of parliamentary scrutiny of these guidelines.

**The new Act should require that new regulations and proposed changes to the regulations to be made under the Act be referred to the PAC for comment prior to being made. There should also be a requirement that best practice statements be referred to the PAC for comment before being issued and published (e.g. in the Government Gazette) by the Treasury.**

The PAC strongly supports the Treasury's intention that Chief Executives be required to sign a statement, for inclusion in annual reports, indicating whether an adequate system of internal control operated in their agencies. The PAC also strongly supports the proposed application of the general reporting obligations to controlled entities.

## Chapter 6 - Reporting on Performance

The PAC notes the significant amount of performance information being provided to central agencies through the Program Performance Statements and the GTE monitoring unit. The PAC notes the initial publication of some performance information in the 1995-96 budget papers and recommends that performance information continue to be published in budget papers in future years, so that it will continue to be subject to parliamentary scrutiny through the estimates committee process.

However, the PAC is concerned that the detailed performance information which has been reported to central agencies has not been provided to the Parliament before this year, and that even this year only the briefest information has been included in the budget papers. **The PAC reaffirms in the strongest of terms that the Parliament is the centre of the accountability of the public sector and that it is through its accountability to the Parliament that the public sector is ultimately accountable to the people of NSW. The PAC therefore recommends that the performance information contained in the Program Performance Statements and provided to the GTE monitoring unit must be regarded as the minimum level of performance information to be included in annual reports to Parliament.**

**The PAC is of the view that Ministers and the customers/stakeholders of agencies are the most appropriate people to be involved in setting the performance indicators which are to be used by agencies. The PAC recommends the establishment of Ministerial Customer Councils involving members of the public and representatives of key interest groups for each NSW government agency. The roles of these Ministerial Customer Councils, in respect of annual reports, would include advising the Minister on the performance indicators which should be set for each agency. Obviously, these Ministerial Customer Councils could be used by Ministers for other purposes in addition to those listed here in respect of annual reports.**

The PAC notes the important role played by the Western Australian Auditor-General in auditing performance indicators. **The PAC recommends that the NSW Auditor-General should be given a role slightly different to that played by the Western Australian Auditor-General in auditing performance indicators published in annual reports. The Auditor-General should attest to the accuracy of the information reported by agencies.**

**The Public Bodies Review Committee should, where it considers it appropriate, comment on the relevance and appropriateness of performance indicators published by agencies in their annual reports, so as to ensure that performance indicators reflect the public's real interests in those agencies' work.**

## **Chapter 7 - Public Sector Governance**

The PAC welcomes Treasury's proposal to include public sector governance as a key reporting obligation in the new legislation. Reporting of performance and public sector governance must be the two key aspects of annual reports to Parliament by public sector agencies. The PAC endorses Treasury's proposal to require that agencies report on:

- \* the composition of the board, the accountability chain between the chief executive, the board and the Minister and their respective roles; and whether there are any sub-committees of the board such as audit committee, human resources committee etc. and, if so, their roles and objectives;
- \* a statement signed by the CEO of a department and the CEO and a board member of a statutory body indicating whether a system of internal control was in place and operated satisfactorily during the year; and
- \* responses to recommendations made in reports of the ICAC, Ombudsman, and Public Accounts Committee, in addition to the Auditor-General.

However, the PAC believes that reporting of public sector governance could be further enhanced by the inclusion of other information suggested to the Committee during the course of its inquiry. **The PAC recommends that, in addition to the matters proposed to be included in annual reports by Treasury the following matters should also be reported under the broad heading of public sector governance:**

- \* **the inclusion of a compliance statement signed by the CEO of a department and CEO and chair of the board of a statutory body to the effect that the annual report complies with all reporting requirements;**
- \* **corruption prevention strategies;**
- \* **sponsorship arrangements entered into;**
- \* **procedures instituted to implement the Protected Disclosures Act 1994;**
- \* **related party disclosure (for agencies with boards of management);**
- \* **fees paid to directors and board members; and**
- \* **directions from ministers (to statutory bodies).**

## **Chapter 8 - "Peripheral" Information**

The PAC notes that "peripheral" information has recently been removed from annual reports in Victoria and the Commonwealth. The PAC has carefully considered the arguments put forward in favour of such a change, in terms of addressing the "information overload" and focussing reports upon essential performance information. **However, the PAC is not prepared to recommend any changes to the annual reporting requirements which would lead to a diminution of public accountability.**

**The PAC recommends that so-called "peripheral" information should continue to be required to be published in annual reports.** Much of this information is of considerable interest to particular groups of readers. Some of this information has previously been added to the reporting requirements so as to address abuses in particular areas of public administration. Over the last ten years mandatory disclosure in annual reports has proven to be an effective means of addressing such abuses.



**Any proposals to delete reporting requirements contained in the annual reporting regulations must continue to be referred to the PAC for advice. The PAC signals its intention to rigorously examine any such proposals.**

**The PAC recognises the problem of “information overload” and recommends that the following steps be taken to address this issue:**

- (i) agencies should be encouraged to include “peripheral” information in a separate part of the annual report from key performance information, perhaps in a basic second volume “compliance” report;**
- (ii) agencies should be encouraged to comply with the Annual Report Awards criteria, particularly the requirement to clearly and concisely report the overview/objectives and highlights on the early pages; and**
- (iii) further consideration should be given to the possible use of short form annual reports, with full reports and financial statements available upon request.**

Evidence received by the Committee suggests that there has been inadequate compliance with equal employment opportunity (EEO) and human resources reporting requirements and that there is a lack of quantitative data published on public sector employment issues. **The PAC recommends that the Office of the Director of Equal Opportunity in Public Employment (ODEOPE) more actively monitor compliance with EEO reporting requirements and that ODEOPE and the Treasury review the EEO and human resource reporting requirements, with a view to ensuring that more meaningful quantitative data is reported. The PAC also recommends that the Anti-Discrimination Act be amended to require ODEOPE to publish both an annual report on its own operations and its annual report on EEO across the entire public sector.**

Evidence received by the Committee suggests that there has been inadequate compliance with the freedom of information (FOI) reporting requirements. **The PAC recommends that the Ombudsman more actively monitor compliance with the freedom of information reporting requirements and that the Ombudsman and the Treasury review the freedom of information reporting requirements to ensure their effectiveness.**

The PAC notes that environmental reporting is an area which is receiving increasing attention both in the public and private sectors. The PAC welcomes the work being done by the EPA to provide guidance to agencies on environmental performance evaluation and reporting. **The PAC recommends that the current reporting requirement relating to “performance of recycling activities” be expanded to cover environmental performance more generally. The PAC recommends that the EPA and the Treasury develop more detailed environmental reporting requirements.**

## **Chapter 9 - Monitoring Compliance and Parliamentary Scrutiny**

**The PAC recommends that the Treasury continue to engage the Audit Office to conduct compliance review of annual reports on its behalf.** There may be some scope for the Audit Office to work together with other agencies such as the Ombudsman and ODEOPE in reviewing compliance with particular reporting requirements such as freedom of information and equal employment opportunity.

Parliamentary scrutiny of annual reports must focus on the quality of the information being reported. It is an addition to, and can operate in conjunction with, the Audit Office’s compliance review of annual reports.

The PAC notes the role that has been given to the Public Bodies Review Committee in examining annual reports. The PAC will co-operate with the PBRC in whatever way it can to assist the PBRC in the exercise of this important function. However, the PAC is concerned that the PBRC is not established by legislation and that there is no guarantee that it will be re-established in future parliaments. **The PAC therefore believes that it is essential that it continue to have a role in relation to annual reporting. The PAC must continue to have a statutory role of advising on proposed changes to annual reporting regulations under the new legislation. However, the PAC should be able to consult with the PBRC in the exercise of this function.**

**The PAC recommends that future estimates committees continue the practice established in 1995 of enabling members to ask questions arising from annual reports.** The PAC notes that an increasing number of agencies are off budget and that their annual reports are therefore not able to be scrutinised during the Estimates Committee process. The Parliament may wish to consider how these agencies may be brought within the Estimates Committee process.

Whilst recognising that it is up to the PBRC and the Legislative Council Standing Committees to determine how they will scrutinise annual reports, the PAC draws attention to the proposal that annual reports be sent out by the Parliament to interest groups and interested individuals for comment and feedback.

## **Chapter 10 - Legal Obligations of Ministers and CEOs**

The lack of reporting of bad news in agencies annual reports may be the result of a lack of appreciation in the public sector of the legal obligations of Ministers and CEOs in the annual reporting process. A CEO cannot lawfully ignore a statutory reporting requirement. It would be unlawful for a CEO to leave information out of an annual report, that would otherwise be required by legislation to be reported, on the basis the Minister did not want it reported or the CEO thought the Minister would not want it reported. A report which did not comply with statutory reporting requirements could be declared a nullity and Parliament could require that a CEO resubmit a report that complies with the reporting requirements. **The PAC recommends that the new legislation maintain and clearly state these legal obligations of Ministers and CEOs in the annual reporting process.**

**The Treasury should actively promote a better understanding by Ministers, ministerial offices, CEOs and the public officials who prepare annual reports of the legal obligations of Ministers and CEOs in the annual reporting process.**

**The new legislation should maintain the legislative power for a Minister to direct a CEO to include additional information in an annual report or a separate report. Ministers should be made aware of this power and encouraged to take an independent and demanding role in relation to the annual reports of their agencies.**

**The PAC would like to put CEOs on notice that it will in the future be taking a more vigilant and aggressive approach to ensuring that the annual reports for which they are responsible accurately reflect their legal obligations and those of their Ministers.**

## Chapter 11 - Reporting by Parliament

The Parliament cannot expect the public sector to be accountable to it unless it is prepared to be accountable for its own operations. The PAC commends the decision of the Department of the Legislative Assembly and the Department of the Legislative Council in 1990 to produce annual reports. The PAC also commends the decision to commence producing a Joint Services annual report in 1995. As these are recent initiatives it is not surprising that there is some room for improvement in the level of disclosure. Improvements are already evident in the level of disclosure in the most recent reports. The PAC recommends that the Parliament seek to continually improve the level of disclosure in its annual reports. **One way in which this can be done is by entering the Annual Report Awards and receiving feedback from adjudicators. Another way is to study the annual reports produced by other Parliaments.**

## Chapter 12 - Matters requiring further inquiry

A number of issues have arisen during the course of the Committee's inquiry which were not of central concern to the PAC and on which the PAC has not taken enough evidence to be in a position to reach any definite conclusions. However, the PAC recognises that each of these issues are significant and should be the subject of further inquiry.

**The opportunities for reporting electronically/by Internet should be initially investigated by the Treasury and Department of Public Works and Services.**

**The annual reporting and budget processes need to be properly integrated. Members of Parliament must have access to up-to-date information about the performance of agencies during the Estimates Committee process.**

**The PAC is concerned that there are a number of agencies which have important roles and functions but which are not required to produce annual reports. The PAC recommends that the Treasury undertake an investigation to identify all tribunals and other agencies which are not required to produce annual reports. The Treasury should present the findings of this investigation to both the PAC and PBRC. Treasury should develop reporting requirements for these tribunals and agencies. These reporting requirements should be presented to both the PAC and PBRC for comment.**

The PAC commends the recent work of the Department of Local Government in monitoring compliance with the reporting requirements in the new Local Government Act and providing guidance to councils about how to address reporting requirements. **The PAC recommends that, in a further effort to encourage better reporting by councils, the Department of Local Government promote the Annual Report Awards and encourage councils to enter the awards.**

**PART ONE**

**BACKGROUND**

## CHAPTER ONE

### INTRODUCTION

This chapter provides some information about the background to this inquiry, the way in which the Committee went about its task, and the structure of this report.

#### **Background to this inquiry**

In 1993 the Treasury announced its intention to rewrite the financial and annual reporting legislation applying to the NSW public sector. This would bring together into one act all the financial and annual reporting requirements currently contained in a number of different pieces of legislation. The rewrite was to be a major undertaking and would take some time to complete. The PAC has been invited to take part in the rewriting process and has made submissions concerning the sections of the new legislation to cover the Public Accounts Committee and a number of issues raised in previous PAC reports which could be incorporated into the new Act.

In 1994 it was agreed that the PAC could assist the rewriting process by conducting a survey of Members of Parliament about their views as users of annual reports. This survey was conducted and the results were published by the Committee in May 1995.<sup>2</sup>

The PAC was closely involved in the development of the annual reporting legislation in the early 1980s. Since that time the PAC has continued to take a close interest in public sector annual reporting and has commented on various issues concerning annual reporting in a number of reports. On a number of occasions the PAC has indicated its intention to conduct a comprehensive review of public sector annual reports at some future time. In late 1994 the PAC came to the view that the time had now come for it to conduct such a comprehensive review as the results of the Committee's review would be able to feed into the Treasury's rewrite of the legislation.

#### **Conduct of this inquiry**

During the period between the dissolution of the 50th Parliament (and therefore the PAC) on 3 March and the appointment of the PAC of the 51st Parliament on 24 May 1995, Committee staff undertook considerable desk-based research. One of the tasks completed during this time was the preparation of a draft *Issues Paper* on annual reporting. This paper identified key issues for the Committee to address during its inquiry and questions upon which submissions would be invited. Committee staff consulted Treasury officers during the

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<sup>2</sup> PAC Report No. 90, *Annual Reports - Issues Paper*, May 1995, pp. 43-48

drafting of the *Issues Paper*. Also during this time Committee staff participated in the judging process for the 1995 Annual Report Awards (the PAC Director is a member of the panel of advisors to the Annual Report Awards Australia Inc.). This enabled Committee staff to be exposed to a large number of what were judged to be the best annual reports produced by the public sector, the private sector and community organisations.

At its first deliberative meeting on 25 May the new PAC formally resolved to conduct an inquiry into public sector annual reporting. The Committee adopted the following terms of reference:

To inquire into and report to the Legislative Assembly upon:

1. The effectiveness of annual reporting under the current annual reporting legislation;
2. Any of the current annual reporting requirements with which there has been consistent inadequate compliance;
3. The form which the annual reporting requirements in the new financial and annual reporting legislation should take, including the extent to which it should be prescriptive;
4. The specific annual reporting requirements which should be included in the new financial and annual reporting legislation, including any new requirements which could improve the effectiveness of annual reporting;
5. Mechanisms to monitor compliance with the new requirements and to achieve best practice standards in reporting;
6. Measures to increase the level of parliamentary scrutiny of annual reports; and
7. Any other matter concerning public sector annual reporting in NSW.

On 1 June the Chairman of the PAC, Terry Rumble MP, tabled the *Issues Paper* in the Legislative Assembly. The *Issues Paper* was distributed widely in an effort to encourage public discussion of the issues involved.

The Committee advertised in June calling for public submissions. The Chairman also wrote to each Minister requesting that they arrange for the agencies under their administration to prepare submissions on the questions contained in the *Issues Paper*. This step was taken so as to enable those who have responsibility for the preparation of annual reports to make a contribution to the inquiry. By September 37 submissions had been received. (They are listed in Appendix 2.) The submissions were tabled in Parliament at the end of September. A further submission was received in November.



On 9 August the Committee held a public seminar at Parliament House entitled *Annual Reporting in the NSW Public Sector: the Best is Yet to Come*. The seminar was very well attended by senior public servants and annual reporting experts from the private sector and academia. A range of senior public officials and practitioners addressed the seminar and a number of important issues were raised. The seminar proceedings were tabled in Parliament at the end of September.<sup>3</sup>

Following the public seminar the Committee held two public hearings at which some of the key issues were explored in more depth. 16 witnesses gave evidence at these hearings. (They are listed in appendix 3.)

The Committee began deliberations on the issues under review in late September. Work began on a draft report in October. There was a delay of some weeks due to the secondment of the Senior Project Officer working on this report to another parliamentary committee.

## **Structure of this report**

This report is divided into four parts. Part One provides background information. It consists of three chapters. Chapter one provides information about the background to this inquiry and the way in which it was conducted. Chapter two describes the NSW annual reporting legislation. The PAC's landmark 1983 report, the 1984-85 annual reporting legislation, previous PAC inquiries dealing with annual reports, changes to the legislation since 1985, and other relevant legislation are discussed. Chapter three describes relevant developments in other jurisdictions. The annual reporting requirements in other States are briefly described, along with the 1994 Commonwealth annual reporting requirements and the Corporations Law Simplification Bills.

Part Two discusses the current status of annual reporting by NSW public sector agencies. It consists of two chapters. Chapter four examines the effectiveness of annual reporting by NSW public sector agencies. The question "how good are NSW public sector annual reports?" is posed. Deficiencies in annual reports and the reporting requirements, and areas of non-compliance with reporting requirements, are identified. Chapter five outlines the NSW Treasury's current reform proposals and the proposed new reporting framework.

Part Three is the crux of the report. It sets out the PAC's recommendations for the annual reporting requirements to be included in the new legislation. It consists of five chapters. Chapter six deals with the reporting of non-financial performance information and the need for this sort of information to be the focus of public sector annual reports. Chapter seven examines the concept of public sector governance and the means by which public sector accountability can be enhanced through annual reports. Chapter eight deals with the question

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<sup>3</sup> PAC Report No. 92, *Proceedings of the Seminar on Annual Reporting in the NSW Public Sector: the Best is Yet to Come, 9 August 1995, September 1995*

of what should happen to the peripheral information (that is, information not related to performance or public sector governance) that is currently required to be included in annual reports. Chapter nine discusses mechanisms for monitoring compliance with reporting requirements and increasing the level of parliamentary scrutiny of annual reports. Chapter ten deals with the role and responsibilities of Ministers in respect of annual reports. Chapter eleven briefly considers reporting by Parliament.

Part Four consists of one chapter. It discusses a range of matters which have been raised during this inquiry upon which the Committee recommends that further work be undertaken.

## CHAPTER TWO

### ANNUAL REPORTING LEGISLATION IN NSW

This chapter discusses the background to the introduction of annual reporting legislation in New South Wales and describes the various legislative requirements. Previous Public Accounts Committee reports which have dealt with annual reporting are also briefly discussed.

#### **PAC's landmark 1983 report**

In December 1982 the PAC received a reference from the then Treasurer, the Hon. Ken Booth MP, to inquire into the appropriateness of an Annual Reports Act to govern the accounting and reporting requirements of statutory authorities. A working party on Public Sector Accounting and Reporting Standards had recommended an Annual Reports Act. The Treasurer had also indicated in response to the release of the Wilenski report in July 1982 that the Government would introduce legislation to standardise the presentation of annual accounts by statutory authorities.

The Committee's report was very critical of the quality of public sector annual reports in NSW. The Chairman, Michael Egan MP, said in the foreword to the report that,

Annual reports should be a suitable mechanism for authorities to account to Parliament, but in reality, most annual reports are next to useless. They are often characterised by lateness, lack of consistent accounting treatment, and failure to disclose important information about their objectives and their achievements. This situation is clearly unacceptable. The Government, the Parliament, and the people have a right to know whether public money is being well spent.<sup>4</sup>

The PAC recommended the enactment of an Annual Reports Act to specify the reporting and accounting requirements for statutory authorities. The report contained detailed recommendations about the audited financial statements required to be included in annual reports. The requirements would include:

- an income and expenditure statement;
- a balance sheet or statement of assets and liabilities;
- consolidated accounts where appropriate;

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<sup>4</sup> PAC Report No. 7, *Report on the Accounting and Reporting Requirements for Statutory Authorities*, June 1983, p. 1

- a source and application of funds statement; and
- adequate notes to the accounts.

The report recommended that detailed requirements concerning the nature of the financial statements should be set out in the regulations to be made under the Annual Reports Act.

Significantly, the PAC's report did not only deal with accounting requirements. The PAC found that the "content and quality of non-financial information ... is critical", however, "the standard of non-financial information in the annual reports of statutory authorities is generally poor".<sup>5</sup> The PAC spelt out in some detail the sorts of non-financial information which should be included in annual reports. This included information under the following headings:

- charter;
- access;
- aims and objectives;
- management and structure;
- review of operations;
- a statement by the Minister;
- achievement of objectives;
- research and development;
- plans and prospects;
- legislative changes;
- prices and pricing policy;
- personnel and industrial relations;
- promotion and public relations activities;
- consumer complaints and suggestions for improvements;

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<sup>5</sup> Ibid., p. 28

- service delays; and
- budget.<sup>6</sup>

The report discussed the importance of performance measures and indicators but did not make any recommendations about the sort of indicators that should be included in annual reports. The report stated that it was critical that annual reports be produced on time, and specified that they should be tabled within three months of the end of the reporting period. The PAC stated that, “while annual reports are primarily accountability documents to the Parliament they are also reports to the public”. The Committee therefore recommended that authorities be responsible for making their annual reports available for sale at the Government Information Centre. Finally, the PAC recommended that the detail of reporting requirements be spelt out in regulations to be made under the Act. Proposed amendments to the regulations should be referred to PAC for advice.

This report did not consider the annual reporting requirements for departments. The terms of reference were viewed as dealing only with statutory authorities. The report emphasised the pressing need for the accountability of statutory authorities to be improved.

## **Annual Reports (Statutory Bodies) Act 1984**

The Annual Reports (Statutory Bodies) Bill was introduced into the Legislative Assembly in May 1984 by the Treasurer, Ken Booth MP. Mr Booth placed the legislation in the context of various reforms to improve the accountability of statutory authorities which had been introduced by the Wran Government. He said the legislation would “provide common reporting requirements and replace the wide range of often inadequate provisions in existing legislation”. He indicated that legislation was being prepared to provide similar reporting requirements for government departments.

The legislation was passed with bipartisan support. Peter Collins MP, then a member of the Public Accounts Committee, spoke at length during the debate and made a number of interesting points.

[O]verall and with only rare exceptions, annual reports provide scant information and avoid the real and often daunting problems confronting the State. Most bureaucracies avoid inclusion of any material that could be taken to demonstrate weakness or an inability to overcome obstacles or complete tasks within their allocated budget. The end product is a range of glossy but essentially empty publications which serve as fodder for the reception areas of the statutory authorities and electorate offices of State members of parliament. Instead of statutory authorities joining the race to produce third-rate coffee table books, I would prefer to see - as would all honourable members and members of the public - less

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<sup>6</sup> Ibid., p. 33

expensive and more informative annual reports. Preferably these should be of standard size and make companion volumes to the series of budget documents introduced last year by the Treasurer ...

Current accounting methods for statutory authorities are varied and bewildering for both the public and Parliament alike. Indeed all the rules to date have been designed to assist the professional reader to the great disadvantage of the majority of report readers. This is not entirely accidental, and in some instances is a deliberate attempt to confuse and conceal ...

Most of the annual reports tabled in the NSW Parliament are as useless as a 1960s encyclopaedia. Outdated information is as useless as none at all and, sometimes, can be worse ...

No doubt great consideration has been given to the long-term advantages of compatibility of reporting formats. Presumably, in the long run, all government information systems will become part of a total government computerised database. It will be much simpler for that purpose to establish comparability of statutory authorities' reports ...<sup>7</sup>

The *Annual Reports (Statutory Bodies) Act 1984* (ARSBA) came into operation on 1 July 1984. The Act basically followed the recommendations contained in the PAC's 1983 report.

Section 7 of the Act provides that the annual report of a statutory body shall comprise:

- (i) financial statements prepared in accordance with Division 3 of part 3 of the Public Finance and Audit Act 1983 and the regulations under that Act;
- (ii) the certificate given in accordance with that Division of the auditor as to those statements;
- (iii) ... a detailed budget for the financial year to which those statements relate and an outline budget for the next following financial year;<sup>7</sup>
- (iv) a report of the operations of the statutory body prepared in accordance with this Act and the regulations; and
- (v) such other matters as may be prescribed.

Section 9 sets out the following matters which are to be included in a statutory body's report on its operations:

- (a) charter;
- (b) aims and objectives;

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<sup>7</sup> *Parliamentary Debates (Hansard)*, Legislative Assembly, 24 May 1984, pp. 1267, 1269, 1271

- (c) access;
- (d) management and structure;
- (e) summary review of operations;
- (f) legal change.

Section 9 (2) adds that the report on operations shall also include such particulars as may be prescribed in regulations. Section 10 provides that a statutory body must present its annual report to its Minister and the Treasurer within four months of the end of the financial year. Section 11 provides that the Minister must table the report in Parliament within one month of its receipt. Section 12 provides that as soon as practicable after its annual report has been tabled a statutory authority must make copies of the report available for public sale or distribution in such manner or at such places as may be prescribed. Section 13 provides that a statutory body may apply to the Treasurer for an extension to the time limit for the preparation of its annual report. Section 16 provides for the Treasurer to refer any matter relating to annual reports, proposal to amend the Act or make a regulation under the Act to the PAC for examination and report.

Section 17 provides for regulations to be made in relation to a number of matters:

- (a) the information and particulars to be included in the report of the operations of a statutory body;
- (b) the form of the report of the operations of a statutory body;
- (c) the manner of preparation of the report of the operations of a statutory body;
- (d) the distribution to the public of the annual report of a statutory body;
- (e) the cost of distribution to the public of the annual report of a statutory authority; and
- (f) the granting of exemptions from provisions of the regulations.

Following the commencement of the ARSBA on 1 July 1984 the Treasurer forwarded to the PAC for comment proposed regulations to be made under the Act in November 1984. The PAC provided the Treasurer with comments on these proposed regulations in January 1985. Most of the PAC's comments were minor in nature. The most significant comments related to the inclusion in the regulations of requirements for the reporting of superannuation liabilities, the reporting of post-financial year information and the graphics/colour/layout of reports. The PAC strongly opposed the inclusion in the regulations of prescriptions about the aesthetic features of annual reports aimed at reducing the cost of annual reports prepared by

statutory bodies. The Committee put forward the following reasons for its position:

1. Creative reporting by statutory bodies would be unnecessarily stifled.
2. The use of colour printing often improves presentation and readability.
3. Commercial statutory bodies would be at a disadvantage vis-a-vis their competitors.
4. Annual reports in colour need not be excessively expensive. For example, the Metropolitan Waste Disposal Authority has produced an annual report for three years in succession in full colour which has won two gold awards for annual reporting from the Australian Institute of Management and yet has only cost \$7.50 per copy to produce (1984 report).<sup>8</sup>

The regulations were published in the *Government Gazette* on 14 June 1985 and came into operation on 1 July 1985. Some of the key provisions of the regulations are summarised below:

- Clause 4 prescribes the details to be included in a statutory body's report on its operations. For instance:

**Management and Structure:** the names of board members, their qualifications, method and term of appointment, and attendance at meetings; the names of senior officers, their qualifications; the names and functions of all significant committees; and an organisational chart. [s.4 (1) (d)]

**Management and Activities:** description of the nature and range of activities; qualitative and quantitative measures and indicators of performance; performance review practices and improvements; management improvement plans; "a description of the major problems and issues that have arisen"; "particulars of significant cost overruns in major works or programs"; "the reasons for any significant delays to, or amendment, deferment or cancellation of, major works or programs". [s. 4 (1) (h)]

**Human Resources:** the number of employees by category with comparison to the previous three years; "any exceptional movement in wages, salaries or allowances of material benefit"; personnel policies and practices; industrial relations policies and practices. [s.4 (1) (j)]

**Consultants:** the names of consultants the cost of which exceeded \$30,000 together with the name of their project and actual cost; the total number and cost of consultants costing less than \$30,000. [s. 4 (1) (j1)]

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<sup>8</sup> PAC Report No. 13, *Report on proposed regulations accompanying the Annual Reports (Statutory Bodies Act) 1984 and Public Finance and Audit Act 1983*, January 1985, p. 10



**Land Disposal:** total number and value of properties disposed; a list of each property disposed with a value of more than \$5 million, together with the name of the person who acquired the property and the proceeds; reasons for the disposal; the purposes for which the proceeds of the disposal will be used. [s. 4 (1) (j3)]

- Clause 5 provides for the inclusion of additional matters. These include particulars of any matter “which could have a significant effect” in the succeeding financial year on:
  - (a) the financial operations of the body;
  - (b) the other operations of the body;
  - (c) the clientele or section of the community served by the body.
- Clause 6 contains provisions relating to the presentation and format of annual reports. Section 6 (1) provides that annual reports shall be “effectively presented and arranged” with attention given to:
  - (a) material information reported;
  - (b) \*\*\*
  - (c) logical sequence of information;
  - (d) appropriate layout of information;
  - (e) clear readable text; and
  - (f) appropriately captioned charts, diagrams or photographs.
- Clause 6(2) provides that annual reports shall contain an index and table of contents, arranged to assist in identifying the reporting requirements of the Act complied with in the report.
- Clause 9 provides for the Treasurer to grant, on application by a statutory body, an exemption from any or all of the provisions of the regulations. Any exemptions and the reasons for them are to be included in the relevant annual report.

## **Annual Reports (Departments) Act 1985**

The *Annual Reports (Departments) Bill* was introduced into the Legislative Assembly by the Treasurer on 13 November 1985. The Treasurer indicated that there were certain differences between departments and statutory bodies which necessitated separate legislation for the two

groups of government agencies. (One important difference was that at the time of this legislation statutory bodies were required to use accrual accounting whereas departments were still using cash accounting.) However, he noted that the legislation was very similar to the ARSBA.

The then Acting Chairman of the PAC, John Aquilina MP, said that this bill was even more important than the ARSBA. This was because many statutory bodies had produced reports for some years before the ARSBA whereas most government departments had rarely, if ever, produced annual reports.<sup>9</sup>

The *Annual Reports (Departments) Act 1985* (ARDA) came into operation for the year ending 30 June 1986. In all significant respects the ARDA is identical to the ARSBA. Section 9 sets out exactly the same matters to be included in annual reports as section 7 of the ARSBA. Section 11 sets out exactly the same matters to be included in reports on operations as section 9 of the ARSBA. Section 20 provides for regulations to be made in respect of the same matters as section 17 of the ARSBA.

The *Annual Reports (Departments) Regulation 1986* (ARDR) was gazetted on 27 June 1986. The Treasurer forwarded the proposed regulations to the PAC for comment in March 1986. The PAC made a number of recommendations for additional requirements to be prescribed. These included information on the measurement of the achievement of objectives, performance reviews, internal audit, equal employment opportunity and consultants.<sup>10</sup> The contents of the ARDR are almost identical to the contents of the ARSBR.

## **Current reporting requirements**

Over the ten years that the annual reporting legislation has been in place there have been numerous amendments to the two acts and the regulations. Further reporting requirements have been added. Furthermore, additional annual reporting requirements have been added through other legislation, such as the *Freedom of Information Act 1989* and the *Government Pricing Tribunal Act 1992*, Premier's Memoranda, Treasurer's Directions, Treasurer's Memoranda and Treasury Circulars. Of course, the contents of annual financial statements are prescribed in the *Public Finance and Audit Act 1983*. In March 1994 the Treasury published a consolidated checklist of annual reporting requirements<sup>11</sup>. This is the best and most ready summary of the current annual reporting requirements. It is reproduced as Appendix 1.

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<sup>9</sup> *Parliamentary Debates (Hansard)*, Legislative Assembly, 19 November 1985, p. 9856

<sup>10</sup> PAC Report No. 23, *Report on proposed regulations accompanying the Annual Reports (Departments) Act 1985 and miscellaneous amendments concerning annual reporting*, May 1986

<sup>11</sup> *Excellence in Financial Management - Annual Reports: A Guide for the NSW Public Sector*, March 1994, pp. 24-32

Section 68 of the *Freedom of Information Act* requires that each agency prepare an annual report on its obligations under the Act, which may be included in its annual report. The *Freedom of Information Procedure Manual* provides that agencies should include the FOI annual report in their annual reports and that Ministers' Offices should forward their FOI annual reports to the Premier's Department for inclusion in the Premier's Department annual report. The procedure manual sets out over six pages the statistical data which is required to be kept and included in FOI annual reports.

Section 18 of the *Government Pricing Tribunal Act* provides that an agency subject to a determination of the Government Pricing Tribunal is required to include the following information in its annual report:

- (a) particulars of how any such determination has been implemented; and
- (b) a statement of whether any such recommendation has been implemented and, if not, the reasons why it has not been implemented.

On 1 September 1995 the annual reporting regulations were remade by the Treasurer. This was necessitated by the staged repeal of subordinate legislation as required by the *Subordinate Legislation Act*. However, there were no substantive changes to the reporting requirements.

## **Other public sector reporting models in NSW**

Since the introduction of the annual reporting legislation in the mid-1980s alternative reporting models have been developed for different categories of public sector agencies in NSW. The *State Owned Corporations Act 1989* contains annual reporting requirements for NSW's State Owned Corporations (SOCs). Each SOC has four months after the end of the financial year to deliver to its Minister and the Treasurer an annual report on its operations, together with financial statements. The financial statements are to conform to the requirements of the Corporations law. Section 24 (2) requires that each annual report of the operations of a SOC must:

- (a) contain such information as is required by the voting shareholders [the Minister and the Treasurer] to enable an informed assessment of the operations of the State owned corporation and its subsidiaries, including a comparison of the performance of the corporation and subsidiaries with the relevant statement of corporate intent; and
- (b) state the dividend payable to the State by the corporation for the financial year to which the report relates.

Section 26 (5) states that the annual report must also be accompanied by:

a statement describing how the State owned corporation has, during the financial year

concerned, exhibited a sense of social responsibility, including:

- (a) a summary of any community interests considered under section \*(c) the accommodation of which was thought to be incompatible with its principal objective; and
- (b) an assessment of the costs that would have been incurred in accommodating any such interests.

An example of a recently corporatised body is Sydney Water. In 1994 the Water Board was corporatised to become a State owned corporation known as Sydney Water. Schedule 5 to the *Water Board (Corporatisation) Act 1994* set out annual reporting requirements in addition to those contained in the *State Owned Corporations Act* with which Sydney Water must comply. These include a number of requirements lifted from the ARSBA and cover such areas as consultants, equal employment opportunity, investment performance and liability management performance.

Whilst it is a separate level of government in its own right, it is appropriate that mention be made of Local Government in NSW for two reasons. Firstly, Local Government is established under State legislation and the annual reporting requirements applying to Local Government are set out in legislation passed by the NSW Parliament. Secondly, although this inquiry focussed upon NSW government departments and statutory authorities, some submissions and evidence received by the Committee touched upon the quality of Local Government annual reporting.

Chapter 13 of the *Local Government Act 1993* deals with the accountability of councils. Councils are to prepare annual reports as to the achievement of objectives and performance targets within five months of the end of each financial year. Section 428 (2) sets out the matters to be reported. These include: financial performance; performance against objectives; the state of the environment; the condition of public works; legal proceedings; councillors' fees and expenses; senior staff; contracts awarded; environmental programs; bush fire hazard reduction activities; promotion of access to services for people from diverse cultural backgrounds; work carried out on private land; human resources and EEO; and partnerships or joint ventures to which the council is a party. The annual reporting requirements are complimented by the requirement for each council to develop a management plan each year with respect to activities for the next three years and revenue for the next year. Section 405 requires a process of public consultation on the draft management plan.

## **Previous PAC inquiries**

The PAC has continued to take a strong interest in annual reporting over the years. In 1986 the PAC produced a *Follow-up Report on Annual Reporting of Statutory Authorities*. The report noted that most of the PAC's recommendations about annual reporting had been implemented by the Government. The Committee noted that although there had been an

improvement in the quality of public sector annual reports there had been too many exemptions sought from the Treasurer and a disturbing level of non-compliance with the annual reporting legislation.

It is pleasing to note that there has been a marked improvement in the standard of annual reports under the new requirements. In a few cases, however, there has been more emphasis on literal requirements rather than the spirit of the reforms. At this stage the Committee has not conducted a detailed review of the annual reports presented, considering it prudent to allow a settling in period to elapse before making a more detailed review. The Committee therefore foreshadows a future review of the standard of annual reports and financial statements ...

In general terms the Committee is most dissatisfied with the attitude adopted by many authorities towards the annual reporting regulations. It believes that the number of exemptions sought from the Treasurer is excessive and should be discouraged. The Committee is also disturbed at the extent of unauthorised non-compliance with the legislation. To this end it foreshadows its intention to review these areas in the future.<sup>12</sup>

In 1987 the PAC reported on the timeliness of annual reports from both statutory bodies and government departments. It was pointed out that for the 1986 reporting year 101 statutory bodies out of 175 were late in tabling their reports, and that 22 out of 44 departments were also late.<sup>13</sup>

In 1989 the PAC found that there had been significant improvements in the timeliness of annual reporting by government departments but that there remained problems with the timeliness of annual reports by statutory authorities. The Committee recommended that when tabling an annual report later than the tabling deadline the relevant Minister should be required to explain to Parliament the reasons for the delay. The PAC recommended more active monitoring of compliance with the annual reporting requirements by the NSW Treasury and also recommended that non-compliance with annual reporting legislation be held to be performance below the level expected of the responsible officer. The Committee also recommended improvements to the level of information about subsidiaries to be included in annual reports.<sup>14</sup>

The PAC reviewed the implementation of these recommendations in 1992. It was found that the level of compliance with tabling dates had improved substantially and that the NSW Treasury had engaged the Audit Office to review a large sample of annual reports on its behalf each year. However, the Government had not responded positively to the recommendation about the responsibility of relevant officers. The Committee reiterated its

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<sup>12</sup> PAC Report No. 26, *Follow-up Report on Annual Reporting of Statutory Authorities*, July 1986, pp. 3-4

<sup>13</sup> PAC Report No. 34, *Supplementary Report Year ended 30 June 1987*, September 1987, pp. 11-12

<sup>14</sup> PAC Report No. 47, *The Challenge of Accountability*, November 1989, pp. 37-59, 79-89

recommendation that non-compliance with annual reporting legislation be held to be performance below the level expected of the responsible officer. This recommendation had not been acted upon by the Government.<sup>15</sup>

The PAC also considered possible steps to improve the quality of annual reporting in its Report on the Progress of Reform in the New South Wales Public Sector in June 1992. The PAC recommended that the Treasury and Audit Office develop guidelines for the audit of performance indicators in annual reports. The PAC also recommended that the Treasury actively encourage public sector participation in the Annual Report Awards.<sup>16</sup>

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<sup>15</sup> PAC Report No. 61, *Follow-up Report on Financial Accountability*, June 1992, pp. 55-87

<sup>16</sup> PAC Report No. 64, *Report on Progress of Financial Reform in the New South Wales Public Sector*, June 1992, pp. 26-27

## CHAPTER THREE

### DEVELOPMENTS IN OTHER JURISDICTIONS

This chapter does not purport to be a comprehensive description of the annual reporting requirements in other jurisdictions. Whilst there is a brief outline of the relevant legislation the main emphasis is on significant differences between the reporting requirements which operate in other jurisdictions and the reporting requirements in New South Wales public sector.

#### Annual reporting in other States and Territories

##### Victoria

Public sector annual reporting was formalised in Victoria by the *Annual Reporting Act 1983*. This has recently been superseded by the *Financial Administration Act 1994*. Section 46 (3) provides that where a public body's total cash payments do not exceed \$1 million the relevant Minister must report his or her receipt of the body's annual report but need not table it in Parliament unless a member of either House of Parliament so requests. The Act does not contain any detail about the contents of annual reports. The *Financial Management Regulations 1994* broadly set out the scope of directions which the Minister for Finance may issue in respect of annual reports.

The detailed annual reporting requirements are contained in Directions of the Minister for Finance under the *Financial Management Act 1994*. There are a number of points of interest in relation to these directions. Firstly, the directions are expressed in plain English, are clearly set out and include, where necessary, relevant examples. This is in stark contrast to the unwieldy annual reporting regulations, Treasurer's directions, memoranda etc. which contain the NSW reporting requirements.

Secondly, section 9.1.3 (iv) sets out a number of categories of information which is "to be retained by the accountable officer and made available to the relevant Minister, Members of Parliament and the public on request". This includes: declarations of pecuniary interests by relevant officers; details of shares held by senior officers in a statutory authority or subsidiary; publications; details of changes in prices, fees etc. charged by the entity; details of major external reviews; details of research and development activities; details of overseas visits; promotional, public relations and marketing activities; occupational health and safety measures; industrial relations; and committees.

Thirdly, section 9.4 sets out director-related disclosure to be included in public sector financial reporting. This basically covers related party information in respect of directors of public sector entities. Illustrative disclosures under these guidelines are included.

## **Queensland**

In Queensland annual reporting is governed by the *Financial Administration and Audit Act 1977*. The content of annual reports is specified in the Annual Reports Practice Statements contained in the Public Finance Standards. These standards provide Ministers with discretion to determine whether annual reports and financial statements of entities are published in full or in summary form.

## **South Australia**

In South Australia annual reporting was formally governed by the *Government Management and Employment Act 1985*. These requirements have recently been replaced by the *Public Sector Management Act 1995*. The information required to be included in annual reports is set out in regulations made under the Act.

The Economic and Finance Committee of the South Australian Parliament (the equivalent of the PAC) has provided the Committee with advice about annual reporting by South Australian public sector agencies. It was pointed out that Program Performance Budget information and supporting documents are scrutinised during the Estimates Committee proceedings each year and that "the examination of Program Performance Budget documents and questioning of Ministers during Estimates Committees is often far more rigorous than that which is afforded to Annual Reports". It was also pointed out that last year the Deputy Premier and Treasurer's Office advised agencies that funding would no longer be provided for the production of promotional style annual reports. Rather the Parliament would only fund the printing of annual reports in parliamentary paper style and in numbers sufficient for the requirements of Parliament. Agencies choosing to produce a second version of the annual report for publicity and promotional purposes must meet this cost from within their own budgets.

## **Western Australia**

Annual reporting by public sector agencies in Western Australia is governed by the provisions of the *Financial Administration and Audit Act 1985*. Section 62 of the Act states that annual reports shall consist of: financial statements; performance indicators; and a report of operations. The information required to be contained in each of these are set out in detail in Treasurer's Instructions. The distinguishing feature of annual reporting in Western Australia is the emphasis upon performance indicators, and the role which the Auditor-General has been given in providing an opinion on the relevance and appropriateness of performance indicators included in annual reports. This issue is discussed in detail in Chapter six.

In 1991 the Western Australian Public Accounts and Expenditure Review Committee



released a discussion paper on Annual Reporting and the Parliament. The main conclusion of the paper was that there was a need for Parliament to take a more active role in monitoring compliance with annual reporting requirements and evaluating annual reports.<sup>17</sup>

## **Northern Territory**

Public sector annual reporting in the Northern Territory was formally governed by the *Financial Administration and Audit Ordinance 1978 and the Public Service Act 1976*. These have been superseded by the *Financial Management Act 1995*. The information required to be reported is detailed in Treasurer's Directions.

The Public Accounts Committee of the Northern Territory Legislative Assembly jointly sponsors the Northern Territory public sector Annual Report Awards. The PAC chairman is a member of the panel of adjudicators for the awards.

## **Australian Capital Territory**

Annual reporting by public sector agencies in the Australian Capital Territory has previously been required by administrative direction of the Chief Minister. In June 1995 legislation was introduced into the ACT Legislative Assembly to provide statutory authority for the preparation of annual reports. Under the legislation the form and content of annual reports are to be set out in detail in annual reporting directions and guidelines to be tabled in the Legislative Assembly. The directions issued for the 1994-95 reporting year closely reflect the Commonwealth model whereby reporting focuses on programs and sub-programs (see below).

## **Commonwealth reporting requirements**

Annual reporting was made compulsory for Commonwealth departments in 1985 through amendments to the *Public Service Act 1922*. The legislation provides for guidelines setting out the detail of matters to be reported to be presented to Parliament after approval by the Joint Committee on Public Accounts (JCPA). In March 1994 the requirements for departmental annual reports underwent a significant change with new guidelines, approved by the JCPA, issued by the Department of Prime Minister and Cabinet. The reporting requirements were changed to focus upon program performance and to remove extraneous material from annual reports.

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<sup>17</sup> Public Accounts and Expenditure Review Committee (WA), *Annual Reporting and the Parliament*, Discussion Paper No. 1, 1991, p. 16

These annual reporting requirements have been designed, in particular, to emphasise program performance and the achievement of program objectives - i.e. a focus on results. They are intended to provide sufficient information for the Parliament to make a fully informed judgment on departmental performance, while avoiding excessive and extraneous detail.

The annual reporting requirements have also been designed in recognition of, and so as not to exacerbate, the information overload placed on modern parliamentarians and their staff, thereby strengthening accountability to the Parliament for the performance of the Government's programs.<sup>18</sup>

Under the new guidelines departments are required to report on the performance of programs, down to sub-program level, with information on objectives, resources and performance measures and outcomes. The information required to be included on programs is similar to that previously provided in Program Performance Statements scrutinised by Estimates Committees during the budget process. In addition to program performance information departments are required to provide the following categories of information:

- portfolio and corporate overview:
  - \* portfolio overview;
  - \* corporate overview;
  - \* social justice and equity; and
  - \* internal and external scrutiny;
- staffing overview;
- financial statements;
- industrial democracy;
- occupational health and safety;
- freedom of information; and
- advertising and market research.

Extraneous material which was previously required to be included in annual reports is now

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<sup>18</sup> Department of the Prime Minister and Cabinet, *Requirements for Departmental Annual Reports*, March 1994, p. 1

required to be compiled by departments and available to MPs and members of the public upon request.

To ensure there is no diminution in the information available to Members of Parliament and Senators, departments must maintain information on the previous reporting requirements and be able to provide on request, to the level of detail published in annual reports before 1993 ...

The maximum time for the provision of this information is five working days from the date of the request after annual reports have been tabled. This time may be varied, in individual cases, by agreement between a department and the Member or Senator making the request.

It is important that departments provide details (title, telephone and facsimile numbers) in their annual reports of the contact officer(s) to whom enquiries should be addressed.

It is a matter for secretaries' discretion as to whether any of the information requirements contained in Attachment 3 should be included in annual reports. Such decisions might be based on the level of demand for some information.<sup>19</sup>

The categories of information required to be made available upon request include:

- portfolio bodies, including lists of enactments pertaining to statutory authorities, information about the operation of non-statutory bodies and lists of the names of government companies;
- social justice and equity matters, including statistics on EEO in appointments outcomes, and the results of access and equity programs;
- staffing matters, including statistical information on performance pay and training;
- financial matters, including details of claims against the department, purchasing arrangements generally as well as for information technology, and details of consultancies;
- internal and external scrutiny, including fraud control, reports by the Auditor-General and parliamentary committees, comments by the Ombudsman and decisions of courts and tribunals;
- privacy issues, including complaints to and determinations by the Privacy Commissioner;

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<sup>19</sup> Ibid., Attachment 3

- environmental matters, specifically with reference to which departmental actions have met the guidelines for ecologically sustainable development and the integration of environmental consideration into the department's corporate plan; and
- property usage, including office and non-office usage, dead rent and valuations of properties exempt from rent or a capital use charge.

This change to the guidelines for departmental reports has coincided with a significant change to the structure of Senate Committees. Senate Standing Committees have each been divided into a References Committee and a Legislation Committee. Departmental annual reports are now referred to the relevant Legislation Committee for detailed consideration and review.

Annual reporting by Commonwealth statutory authorities is also in the process of being changed. The *Commonwealth Authorities and Companies Act 1995* will for the first time provide all embracing legislative requirements for every statutory authority to report to Parliament. The detailed content of statutory authority reports will be set out in Finance Minister's Orders, which are disallowable by Parliament.

Instead of a summary of activities and achievements the new Finance Ministers Orders will require the inclusion in annual reports of a "management discussion and analysis". Generally, the information in authorities' annual reports must: "focus on outcomes; provide clear links between objectives, strategies and outcomes; and be concise, readily understandable and balanced". The management discussion and analysis is required to express management's views on the performance of the entity and its prospects. The discussion and analysis must address the entity as a whole and for "each responsibility segment (e.g. an area responsible for carrying out a mission, performing a line of services or producing a group of products)". The areas to be covered include:

- the business environment in which the reporting entity and each responsibility segment operates;
- the strategic directions of the reporting entity and each responsibility segment;
- the operations and financial results of the reporting entity and each responsibility segment during the reporting period;
- developments since the end of the reporting period;
- likely future developments; and

- each responsibility segments' ability to innovate, adapt to change and continuously improve.<sup>20</sup>

## Private Sector: Corporations Law Simplification

Annual reporting for private sector organisations is governed by the Corporations Law. The detail of reporting requirements is set out in accounting standards and, for publicly listed companies, the Australian Stock Exchange listing requirements.

The Corporations Law is subject to an ongoing reform process known as the "simplification program". The first *Corporate Law Simplification Act 1995* contained major changes to the financial reporting requirements for proprietary companies. A second simplification bill is currently being prepared. The second bill will include significant reforms to the rules for annual reporting by both public and private companies.<sup>21</sup>

A two-tiered system of annual reporting to shareholders will be introduced for public companies. Under this system the company must prepare a full set of financial statements and reports for lodgment with regulators but can elect to send shareholders a concise summary report. The summary report would consist of the director's report, concise financial statements, an auditor's statement and a statement that the full financial statements and report will be sent to a shareholders free of charge, upon request.

The contents of directors' reports will also be reformed. Directors will be required to discuss and analyse the company's financial condition and results of operations. The discussion and analysis will need to address:

- results of operations, both overall and for key business segments;
- key strategic initiatives;
- major commitments and sources of funding for them;
- unusual or infrequent events or transactions;
- likely future developments in the business; and

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<sup>20</sup> "Report of Operations of Commonwealth Authorities", *Finance Minister's Orders*, Draft, 1995, overview

<sup>21</sup> Information in this section on the second simplification bill is taken from Ian Govey (Convener, Simplification Task Force), "Simplification of the Corporations Law: Annual Reporting", Address to Annual Report Awards seminar, 14 June 1995

- trends or events that have affected or are likely to affect the business.

The other significant change is to introduce a distinction between small and large proprietary companies. Only large companies will be required to lodge audited financial statements with the ASC. Large companies will be those meeting at least two of the following criteria:

1. gross operating revenue of \$10 million or more a year;
2. value of consolidated gross assets of \$5 million or more at the end of the financial year; and
3. 50 or more employees at the end of the financial year.

Approximately 98% of proprietary companies will be classified as small. Small companies will only be required to prepare accounts if requested to do so by the ASC or shareholders holding at least 5% of the voting shares.

**PART TWO**

**ANNUAL REPORTING IN NSW:**

**THE CURRENT POSITION**

## **CHAPTER FOUR**

### **CURRENT STATE OF PUBLIC SECTOR ANNUAL REPORTING IN NSW**

This chapter accesses the current state of public sector annual reporting in New South Wales. The role of the Annual Report Awards in providing for an external assessment of public sector annual reports is discussed, as is the recent consideration of the evidentiary value of annual reports by the Industrial Relations commission. The views of the Treasurer and Auditor-General about deficiencies in public sector annual reports and non-compliance with reporting requirements are highlighted.

#### **Annual Report Awards**

The Annual Report Awards were begun in 1950 by the Australian Institute of Management. The Awards were originally confined to the private sector, particularly public companies. However, since the early 1970s the Awards have broadened to include the public sector and community organisations. The Awards are now run by an incorporated non-profit organisation, Annual Report Awards Australia Inc. (ARA). ARA is run by volunteers who donate their time to adjudicate which annual reports deserve awards. In 1995 there were 389 entrants to the awards, from all States and Territories, New Zealand and Papua New Guinea.

As mentioned in Chapter two, the PAC has previously encouraged the participation of NSW public sector organisations in the Annual Report Awards. The PAC believes the Awards serve a valuable role in promoting and encouraging excellence in reporting and believes that the Awards deserve some credit for improvements which have occurred in the quality of reporting, both in the public and private sectors in recent years.

Of course the primary focus of the PAC must be on the adequacy of existing reporting requirements and the need to ensure compliance with statutory obligations. Public sector agencies operate within a unique accountability environment and as long as annual reports are prepared on the basis of this environment then the additional value of participation in the Awards can be recognised and given its appropriate weight.

During this inquiry the Committee sought the views of the ARA on the quality and effectiveness of public sector annual reporting in NSW. The Secretary of the ARA, Craig Prosser, spoke at the public seminar held at Parliament House on 9 August.

How good are public sector annual reports? I have done an analysis of award winners over the last four years and there has been a fairly large increase in the percentage of awards going to public sector organisations. In 1992 the public sector organisations represented 32% of all awards made and 29% of the gold awards. This year it was up to 52% across the board, with 50% of the golds being from the public sector. I think that is a reflection of the way that the



reports have improved over time.

In terms of comparing them to private sector organisations I would say that the very best of the public sector reports are at least equal to anything that the private sector puts out and that in general terms they are certainly much more comprehensive. They tend to cover all aspects of our criteria whereas a number of the private sector reports are very deficient in specific areas such as providing details of the people that work in the organisation. Very few private sector reports have meaningful objectives and even less really do any sort of evaluation of their performance against those objectives. By and large the public sector reports do that and do it well.<sup>22</sup>

Representatives of the ARA also appeared before the Committee to give evidence on 22 August. They pointed out that the annual report of the Office of State Revenue was recognised as the Report of the Year in 1995. They added that this was a significant achievement when it was considered that large private sector organisations devoted significant resources to the preparation of their annual reports.

Mr PROSSER: I think on the government side there has been considerable improvement in quality. The reports that we may have considered for an award five or six years ago would probably be receiving nothing today ... Certainly the report of the year, being that of the Office of State Revenue, is an indication that public sector reports are as good as any that are about ...

There is a bit of a myth around that the private sector produces better reports than the public sector. That may have had some credence a few years ago but it is not the case now. I have looked at probably 100 reports this year, including many from the private sector, and the worst three reports I saw were private sector reports ...

Mr BRIDGES: I might say that the best four reports this year included only one from the private sector. That is despite the fact that large corporate organisations have teams of up to 13 or 14 people who do very little else but work on corporate communications. A large part of that is the annual report and they have no limit to their budgets. In even our largest public sector organisations - I might take the Office of State Revenue as a case in point, with the single best report this year - there were two people who worked part time with a very limited budget. We have recognised them because of the quality of the information. All their report does is simply say, "We set out to do these things and this is what happened".<sup>23</sup>

## **Evidentiary Value of Annual Reports**

During the course of the inquiry Associate Professor James Guthrie, of the Graduate School of Management at Macquarie University, drew the Committee's attention to a 1993 decision

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<sup>22</sup> PAC Report No. 92, *Proceedings of the Seminar on Annual Reporting in the NSW Public Sector: the Best is Yet to Come, 9 August 1995*, pp. 105-106

<sup>23</sup> *Evidence*, 22 August 1995, p. 12

of the Industrial Relations Commission.<sup>24</sup> The case involved an application by the Public Service Association of NSW for a 10% pay increase for public servants, based largely on improvements to public sector productivity since 1988. The full bench of the Industrial Relations Commission awarded a two stage wage increase totalling 7%, which came into effect during 1994. As evidence of productivity improvements the PSA placed considerable reliance on the annual reports of a number of agencies. Dr Guthrie was commissioned by the PSA to conduct an audit of the performance statements contained in the annual reports of a number of agencies. The IRC commented that:

Dr Guthrie's methodology depended upon an analysis of the annual reports and an acceptance of the accuracy of the information given in them, no independent opinion being formed on the accuracy or dependability of the information ...<sup>25</sup>

Curiously, the Government's response to Dr Guthrie's evidence to the IRC questioned the reliance which could be placed upon the performance or productivity information contained in annual reports.

Mr Lambert [Treasury Secretary] for example had said: "They (annual reports) cannot and do not provide necessarily an overall indication of the performance of the agency" and "there would be very few agencies of which you could say the information provides information on outputs and outcomes in a way that could assess performance of a given agency at a given point in time".<sup>26</sup>

The IRC considered the reliability of annual reports and concluded that they provided a reliable evidentiary basis for findings about productivity and performance.

The Commission has concluded, having regard to the statutory obligation for factual reporting, and the emphasis which the Government has laid on accountability as demonstrated by the evidence, that the annual reports do found a reliable evidentiary base for findings to be made on the material found in those reports.<sup>27</sup>

## **Deficiencies in public sector annual reports**

In April 1993 the Hon. Michael Egan MLC, then Leader of the Opposition in the Legislative Council, and now Treasurer, gave a speech to a Royal Institute of Public Administration in Australia (RIPAA) seminar in which he was very critical of the quality of annual reports

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<sup>24</sup> Industrial Relations Commission of NSW, *Nos IRC 789, 1058 and 1059 of 1993 Application for Awards for Crown Employees*, unreported, 24 December 1993

<sup>25</sup> *Ibid.*, p. 54

<sup>26</sup> *Ibid.*, p. 183

<sup>27</sup> *Ibid.*, p. 48

produced by NSW public sector agencies.<sup>28</sup> Amongst the problems identified by Mr Egan were:

- the excessive size of annual reports with the consequent danger that “too much data can camouflage more than it discloses”;
- the misuse of annual reports to promote the profile of Ministers, with numerous photographs;
- a lack of reporting of failures or bad news;
- a lack of analysis and opinion about the facts reported;
- a lack of acknowledgement of significant political debate about an agency; and
- a lack of information about trends or interstate comparisons.

By way of illustration Mr Egan traced the reporting of HomeFund in the annual reports of the Department of Housing between 1988 and 1993.

At the Committee’s public seminar at Parliament House on 9 August 1995 a number of speakers were extremely critical of the quality of public sector annual reports. Professor Bob Walker, from the School of Accounting at the University of NSW, and Chairman of the Council on the Cost of Government, drew attention to research which found that there were very few users of public sector annual reports. He also criticised what he saw as an undue focus on financial information in annual reports and the excessive size of some public sector reports.<sup>29</sup>

The Auditor-General, Tony Harris, also spoke at the Committee’s public seminar. He was critical of the failure of public sector annual reports to address major issues for which agencies were responsible. By way of example he drew attention to what he saw as shortcomings in the most recent annual reports of agencies as diverse as the Department of Corrective Services, the Art Gallery of NSW and the State Transit Authority. He traced the failure of the Police Service to address the problem of police corruption in its annual reports over a ten-year period, and he compared the annual reports of the Department of Corrective Services and Sydney Electricity produced in 1984 and 1994. Mr Harris’ general conclusion was that although there had been a real improvement in the reporting of financial information the reporting of non-financial information was inadequate.

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<sup>28</sup> The Hon. Michael Egan MLC, “The importance of Annual Reports”, Speech to RIPAA seminar on Annual Reporting, 27 April 1993

<sup>29</sup> PAC Report No. 92, *Proceedings of Seminar on Annual Reporting*, pp. 19-20

Mr HARRIS: [The PAC] said in the early 1980s that:

Most annual reports are next to useless; annual reports are late; annual reports use inconsistent accounting treatment; annual reports fail to disclose important information about agencies objectives and achievements.

We can change that summary a little, I think. Most annual reports are not late now. Most annual reports use consistent accounting treatment. But I would still say, I think - and the PAC can make its own judgment - that most annual reports are next to useless because they still fail to disclose important information about their objectives and achievements.<sup>30</sup>

On the other hand, a number of submissions received by the Committee were critical of the quality of public sector annual reports. Mr Michael Mobbs, an environmental law and policy consultant, focussed on the reports of conservation and resource oriented agencies.

The major problems with annual reporting include:

- a failure by public sector agencies to quantify the outcomes most important or relevant to the business or resource being managed by the agency e.g. whether land and water resources have been conserved or degraded during the reporting year;
- a failure to measure trends in the well-being of the public resource which the agency is responsible for e.g. whether the total loads of pollution licensed to be discharged to waters have gone up or down in the current reporting year, and since licences commenced being issued ...<sup>31</sup>

Many public sector agencies were critical of the reporting requirements contained in the legislation. One agency which was critical of the quality of annual reporting produced under those requirements was Land and Water Conservation. It was argued that the reporting requirements made it impossible for the information needs of stakeholders to be adequately addressed or for meaningful information to be provided.

The needs of key stakeholders concerned with efficient resource use are met because the publication of the audited financial report assures transparency and full financial accountability. However, because of the limitation on the physical dimensions of the annual report document, it is much more difficult to satisfy stakeholder needs for information on performance outcomes ...

Since about 1988, when content began to be very closely prescribed, annual reports ceased to be useful as PR/marketing tools and became much more focussed on accounting for efficient use of inputs with specific performance measures. Quantitative replaced qualitative assessments. Annual reports may now be better records of historic changes in government financial policy and accounting procedures than of activity in program areas ...

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<sup>30</sup> Ibid., p. 82

<sup>31</sup> *Submissions and Exhibits*, S35, p. 2

Meeting the stringently prescribed accountabilities to Parliament within the prescribed size and layout limitations has effectively removed the capacity of the annual report to provide meaningful information about the quality of management in an organisation.<sup>32</sup>

## **Non-compliance with reporting requirements**

As mentioned in chapter two the PAC recommended in 1989 that the NSW Treasury more actively monitor compliance with the annual reporting requirements.<sup>33</sup> In response to that recommendation the Treasury in 1991 engaged the Audit Office to review a selection of annual reports each year. The Audit Office's findings are published each year in the Auditor-General's reports to Parliament. Each year the Audit Office has found a number of areas of non-compliance. For instance, the 1994 report noted that:

The number of reports examined in 1993-94 was 24 ...

Some of the more common areas of non-compliance noted related to the omission of information regarding:

- measures of performance;
- major works;
- consumer response;
- risk management and insurance activities;
- payment of accounts;
- equal employment opportunity strategies; and
- guarantee of service.<sup>34</sup>

The Audit Office's submission to this inquiry provided information about its 1994-95 review of annual reports. It identified a number of further areas of non-compliance.

In 1994-95 the compliance review program identified that agencies had failed to comply fully or had misinterpreted the following requirements of the legislation:

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<sup>32</sup> Ibid., S14, pp. 1-2

<sup>33</sup> PAC Report No. 47, *The Challenge of Accountability*, pp. 37-59

<sup>34</sup> *NSW Auditor-General's Report for 1994: Volume Two*, pp. 59-60

**Measures of Performance:** Agencies are not linking their performance indicators to their corporate objectives. In addition, comparisons of actual results with targets and past years results, as well as targets and strategies for the following year, are not being adequately disclosed. In general, there appears to be inadequate coverage of performance indicators relevant to the goals of the organisation.

**Consumer Response:** Consumer complaints and changes made as a result of complaints or consumer suggestions are not being well reported. Agencies are interpreting the term “consumers” widely (as intended) to cover all clients of the agency as well as the general public.

**Equal Employment Opportunity Strategies:** Some agencies are not including in their annual reports a statement setting out the key equal employment opportunity strategies proposed for the following years.

**Guarantee of Service:** Agencies are not disclosing, where appropriate, their standard for providing services, together with comment on any variance from the standard or changes made to the standard.

**Major Problems and Issues:** Agencies are not disclosing the major problems and issues that have arisen during the reporting year. Consequently, the reports suffer from being unbalanced. They may also be perceived as merely “public relations” documents.

**Management and Strategy Reviews:** Agencies are not disclosing the benefits achieved as a result of management and strategy reviews.

**Risk Management:** Agencies are not providing adequate information on risk management. The regulations and Treasurer’s Direction requires the Head of Authority to report on risk management. The report should cover the major risks of the organisation and business risks in particular.

The reports should also outline the chain of responsibility for risk management within the organisation and highlight the risk management initiatives or programs developed by the agency including preventative programs and contingency plans.<sup>35</sup>

Associate Professor James Guthrie drew attention to a number of other areas of non-compliance in his submission.

The most important area where there has been non-compliance is the “measures and indicators of performance”. Others include: reporting of consultant fees; SES performance statements; human resources; specific productivity data; and internal and external performance reviews conducted.<sup>36</sup>

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<sup>35</sup> *Submissions and Exhibits*, S6, pp. 1-2

<sup>36</sup> *Ibid.*, S16, p. 8

Mr Bruce Smith<sup>37</sup> drew the Committee's attention to what he sees as consistent inadequate compliance with the reporting requirements concerning freedom of information (together with what he sees as inadequacies in the reporting requirements and *Freedom of Information Act*).

## **Findings**

Over the last ten years since the introduction of the annual reporting legislation there have been significant improvements in the quality of annual reports produced by NSW public sector agencies. Annual reports are now generally produced within the prescribed time-frame. The financial statements are produced according to a consistent standard and the introduction of accrual accounting has led to further improvements in the quality of financial information provided.

The PAC supports the work of the Annual Report Awards Australia Inc. in encouraging excellence in reporting and believes that the awards have played an important role in raising the standard of public sector annual reporting. The fact that the Office of State Revenue received the Platinum Award - the award for the most outstanding report in the year 1995 - against competition from Australia's largest companies and public sector organisations in other States and Territories is testament to the high quality of some public sector annual reports. Clearly, the best public sector annual reports are the equal of the best produced in the private sector.

Despite these achievements there is still a long way to go in establishing high standards of annual reporting across all NSW public sector agencies. The PAC is disappointed with the continued high levels of non-compliance with particular reporting requirements, such as measures of performance, equal employment opportunity strategies, consumer response and risk management. This non-compliance means that large numbers of public sector agencies are flouting the law in failing to comply with specific reporting requirements laid down by the Parliament. This is unacceptable.

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<sup>37</sup> A pseudonym used by a former NSW public servant who has written extensively on these issues in the *Freedom of Information Review* in recent years.

Most importantly many public sector annual reports continue to fail to properly address the key areas of an agency's responsibilities which are of concern to readers. This involves a failure to comply with the legislative requirement to address "major problems and issues". It also involves a failure to report relevant information which may be in any way regarded as controversial. Once again, this is unacceptable.



## CHAPTER FIVE

### TREASURY'S REFORM PROPOSALS

During the course of this inquiry the NSW Treasury put forward detailed proposals for reforms to the annual reporting legislation. This chapter contains and describes Treasury's reform proposals and contains the Committee's views on those proposals.

#### Review of the Financial and Accountability Legislation

Two years ago the NSW Treasury announced that it was rewriting the *Public Finance and Audit Act 1983*. The Treasury indicated that the annual reporting legislation would be incorporated into the new act. The Treasury announced that the new legislation would:

- bring all current provisions into line with contemporary public finance, accountability, financial reporting and auditing standards;
- re-orient the Act away from its somewhat prescriptive and detailed approach to one written, wherever possible, in broad terms with statements of principles, and supported by statements of best practice issued by the Treasurer; and
- adopt a Plain English approach.<sup>38</sup>

The process of rewriting the legislation has more recently been referred to as a review of the financial and accountability legislation and it has been placed in the wider context of a decade of financial management and reporting reform in the NSW public sector. Indeed the Treasury Secretary, Michael Lambert, has stated that:

the introduction of the new legislation will not require a wholesale change to existing financial management practices come 1 July 1996. The new legislation is only designed to support the public sector reforms that have occurred over the last decade.<sup>39</sup>

More recently, the 1995-96 budget papers indicated that the legislation will encompass the objectives and philosophy of the reform program over the last decade, "namely financial accountability and transparency, financial integrity, financial responsibility and equity and devolution of authority".<sup>40</sup>

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<sup>38</sup> NSW Treasury - Office of Financial Management, *Annual Report 1993-94*, p. 28

<sup>39</sup> "The New Financial and Annual Reporting Legislation", PAC Report No. 92, *Proceedings of the Seminar on Annual Reporting*, Appendix One

<sup>40</sup> *NSW Budget information 1995-96: Budget Paper No. 2*, p. 7-10

In the *Issues Paper* tabled in Parliament in June the Committee specifically sought comment on the Treasury's intention to "move away from a somewhat prescriptive and detailed approach to broad terms with statements of principles" in the new financial and annual reporting legislation. Interestingly, the submissions received from NSW public sector agencies were fairly evenly divided in the views put forward about Treasury proposed move away from a prescriptive approach. Whilst many agencies were supportive of this move, oversight agencies (and some other agencies) expressed concerns about this approach. Concerns were also expressed by individuals reviewing annual reports. Speakers at the public seminar at Parliament House on 9 August were also divided in their views about Treasury's approach.

To a large degree the comments sought by the Committee and provided in submissions were somewhat speculative, as the Treasury had not enunciated what it meant by its statement that it intended to move away from a prescriptive approach to broad terms with statements of principle. Following these comments the Treasury made a written submission which detailed its proposed new annual reporting framework

## **Treasury's proposed new annual reporting framework**

The Treasury submission identifies five problems with the current annual reporting legislation. These are set out below:

1. The current legislative provisions are too detailed and prescriptive and they do not focus on the key issues of accountability and performance of agencies.
2. There are no longer any compelling reasons for two separate pieces of legislation covering departments and statutory bodies.
3. A small number of reporting requirements are specified in non-legislative documents such as Premier's memoranda and Treasury Circulars which are not subject to parliamentary scrutiny.
4. Some reporting requirements are no longer relevant.
5. Existing reporting requirements do not generally extend to controlled entities (e.g. subsidiary companies) of departments and statutory bodies.<sup>41</sup>

The submission goes on to outline Treasury's proposed reporting framework. This involves a three-tiered approach. It is proposed that the new act will set out **general reporting obligations** which must be addressed by all agencies in the text of their annual reports. The proposed general reporting obligations, to be included in the act and to be the focus of an

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<sup>41</sup> *Submissions and Exhibits*, S37, p. 6

agency's annual report are set out in full below:

- the charter, objectives and major strategies and activities of the organisation;
- the major features of public sector governance operating within the organisation;
- whether, in the opinion, of the chief executive or the governing board, the agency has achieved its plans and objectives as indicated in the corporate plan and, if not, the reasons for non-achievement;
- qualitative and quantitative measures of actual performance together with a commentary on significant trends (indicating a clear linkage between inputs, outputs and outcomes);
- a comparison of actual performance with past and planned performance as well as the performance of equivalent agencies in the other jurisdictions, both locally and overseas (where practicable);
- highlights of major achievements and events and key strategic initiatives implemented during the year;
- significant internal and external factors to be taken into account in assessing the financial and non-financial performance;
- the agency's response to significant political debate about major aspects of its activities;
- the future operating environment and developments as well as future plans and major projects including those which are designed to further improve performance; and
- such other matters as are relevant to an informed assessment of performance.<sup>42</sup>

The submission states that the intention is to ensure there is a clear focus on the performance and future prospects of agencies and that both good news and bad news are reported.

The aim of the above reporting requirements is to provide a clear framework within which each agency can meaningfully discuss and analyse all the major issues relating to its past performance and future prospects. It will be stressed in the legislation that both positive and negative issues must be addressed. In some ways, the proposed approach is more prescriptive than is presently the case particularly in relation to performance reporting which will be elevated to a higher level of importance.

In essence, agencies will be required to explain, in clear simple terms, what it planned to

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<sup>42</sup> Ibid., p. 7

achieve, what it has in fact achieved and what it expects to achieve in the future. As well, the report will present to users comments and information which are relevant to the assessment of financial and non-financial performance. A substantial part of the general reporting obligations referred to above is not covered by the existing legislation.<sup>43</sup>

The second tier of reporting obligations are to be termed **specific reporting obligations**. They will be set out in the regulations to be made under the Act.

The detailed reporting requirements in the second tier will be based on those which currently exist in the Regulations. However, the present requirements will be comprehensively reviewed to delete all non-essential provisions and to ensure that they reflect the current accountability environment in the NSW public sector. Guidance will also be drawn from the criteria used in Annual Report Awards. Some additional reporting requirements may be prescribed for the large agencies depending on whether they are budget or non-budget dependent. It is expected that this part of the reporting package will be placed in the latter part of the agency's annual report so as not to detract from the main focus of performance reporting.<sup>44</sup>

The third-tier of the reporting framework will be **best practice guidelines** to be issued by the Treasury from time-to-time. The aim of these guidelines will be "to assist agencies in improving the quality of their annual reports and in moving to the best practice position".<sup>45</sup> The guidelines will be subject to on-going review.

The submission adds that there will be a requirement that a chief executive sign a statement, to be included in the annual report, indicating whether or not an adequate system of internal control was in place in the agency. It is further stated that all controlled entities will be subject to the general reporting obligations.<sup>46</sup>

## **Findings and Recommendations**

The PAC supports in principle the Treasury's proposed new three-tiered reporting framework. It is appropriate that past performance and future prospects be the key focus of annual reports. The proposed general reporting obligations set out in the Treasury's submission to the Committee represent a good starting point for a set of key reporting requirements. It is appropriate that these general reporting obligations be set out in the new legislation.

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<sup>43</sup> Ibid., pp. 7-8

<sup>44</sup> Ibid., p. 8

<sup>45</sup> Ibid.

<sup>46</sup> Ibid.

The PAC is reassured by the Treasury's intention to include detailed reporting requirements based on the current regulations under the new Act. It is appropriate that this information be placed in a later part of an agency's annual report so as not to detract from the key performance information. It is important that there continue to be parliamentary scrutiny of proposed annual reporting regulations.

The PAC supports the concept of best practice statements being issued to assist agencies achieve best practice in reporting. However, it is important that there be some form of parliamentary scrutiny of these guidelines.

**The new Act should require that new regulations and proposed changes to the regulations to be made under the Act be referred to the PAC for comment prior to being made. There should also be a requirement that best practice statements be referred to the PAC for comment before being issued and published (e.g. in the Government Gazette) by the Treasury.**

The PAC strongly supports the Treasury's intention that Chief Executives be required to sign a statement, for inclusion in annual reports, indicating whether an adequate system of internal control operated in their agencies. The PAC also strongly supports the proposed application of the general reporting obligations to controlled entities.

**PART THREE**

**ANNUAL REPORTING IN NSW:**

**THE WAY FORWARD**

## **CHAPTER SIX**

### **REPORTING ON PERFORMANCE**

This chapter describes the performance information currently being produced by public sector agencies in New South Wales. It also discussed key questions about the auditing and setting of performance indicators.

As noted in Chapter four one of the key criticisms of public sector annual reports in recent years has been the fact that they do not adequately report on the performance of the agency being reviewed. The Treasury has recognised this major deficiency and has submitted that the reporting framework to be provided in the new legislation should involve a clear performance focus. The PAC is strongly supportive of this proposal.

#### **Performance Information currently being reported to central agencies**

The Committee is of the view that there is now a good deal of useful performance information being produced by public sector agencies in NSW. The problem up until this time has been that this performance information has not been made publicly available, and has rarely been published in annual reports. Associate Professor James Guthrie suggested that this was part of a trend away from accountability to Parliament to increased accountability to central agencies.

In the myriad of accountability instruments used in the Westminster system of government one trend appears to be dominant in recent decades - there has been a movement away from accountability of agencies to Parliament, now to accountability to the central agencies of government.<sup>47</sup>

I had in mind in that part of my submission observations I made regarding Treasury requirements. The point which came to mind was the government trading enterprise monitoring unit requiring a number of performance indicators to be reported specifically to Treasury. In the past some of that information has been consolidated and produced in a global report, and I wondered what other information was produced by Treasury and was not in the annual report. Secondly, and more importantly in relation to program information, a lot of activity has occurred in recent years about programs in government entities. This information is reported in the budgetary estimate process but is not necessarily in the formal documents made available to Parliament and the public. I refer to the sort of information focussing on the idea of performance and program. Currently, this is not required to be

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<sup>47</sup> *Submissions and Exhibits*, S16, p. 4

incorporated in the annual report in detail.<sup>48</sup>

The Committee actively followed up the point made by Dr Guthrie and sought to inform itself of the extent of performance information being reported to central agencies. On 28 August the Committee received evidence from Mr Robin Sen. Mr Sen is currently a consultant to the Council on the Cost of Government. He was formerly Director of the Office of Strategic Planning in The Cabinet Office. Over the past four years he has managed the Program Performance Statement project.

This project has sought to assist budget sector agencies to develop performance indicators for each of their key programs. By 1994, 32 agencies were included in the project with 210 programs, 800 outcomes and 1,350 outputs being measured. At this stage the project covers regulatory and service delivery programs. It has not yet been possible to extend the project to cover policy type programs. The authority for the project originally came from the Expenditure Review Committee of Cabinet. It now comes from the Budget Committee of Cabinet.<sup>49</sup>

The model used for the Program Performance Statements is known by the acronym "COOOEE". These letters stand for: clients; objectives; outcomes; outputs; expenditure; and employment. Mr Sen explained the philosophy behind the model to the Committee in the following terms:

The thought behind the acronym is that for any area of government - be it a program, an entire department, an activity, an initiative or a sub-program - there are a number of non-negotiable fundamental pieces of information that managers of those activities should be able to convey about their performance. Every activity or program has clients; we ask people to report on the clients of the programs. All programs have objectives; we ask people to report on the objectives. All programs have outcomes which we try to define as "The things you need to know to tell you whether the objectives are being achieved". That places an obligation on people to define the objectives in reasonably specific terms so they can be revisited on future occasions. In every area outputs are produced, or goods and services are produced, by government departments. Finally the "EE" of COOOEE is employment and expenditure. Traditionally, until very recently, these last two elements were the things that one could learn a lot about across government. They were in budget papers and annual reports. There was a lot of focus on inputs. It is only in recent years that governments have begun to systematically try to report more effectively on the clients, objectives, outcomes and outputs. That is the format of the program statements.

Not only is it expected that people report on programs under those headings, but as we have been undertaking this exercise for a few years now a certain amount of history has built up. In many cases it is possible to report not just on the most recent year but over the last three or four years - picking up the trends over time is considered to be an important part of this

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<sup>48</sup> *Evidence*, 22 August 1995, p. 59

<sup>49</sup> *Evidence*, 28 August 1995, p. 93



exercise. Another part of the exercise is not to let the information speak for itself. We are placing a strong imperative on agencies to accompany this material with a trend commentary, which explains in their words the significance of the information. To a certain extent, it minimises the risk of the information being misinterpreted; it highlights some of the major trends, achievements, obstacles and aspects of performance.<sup>50</sup>

Mr Sen has previously stated that Program Statements “report real results of interest to government and to the community, rather than the intermediate processes and activities which traditionally make up so much of public sector reporting”. He compared the information contained in Program Statements with the sorts of information traditionally included in annual reports and went on to provide some examples of the sort of information contained in Program Statements.

<b>Program Statements</b>	<b>Annual reports</b>
Outcomes - Outputs - Inputs explicitly linked on one page	No explicit link. Outputs and Outcomes at front, Inputs at back
Comprehensive reporting of Outputs and Outcomes for each program	Outcomes and Outputs anecdotal and selective
Standard four years of information (and expandable to more years as time goes by)	Sometimes one year, sometimes two and occasionally longer trend graphs for selected Outcomes/Outputs
Commentary focus on longer term trends	Focus of reporting on most recent years

School Education: trends in student learning outcomes as measured by basic skills tests and by the HSC.

Corrective Services: the non-escape rate as a measure of the success of the detention objective; the proportion of inmates participating in education and work programs as a means of lessening the prospects of re-offending.

Courts Administration: trends in court backlogs and average case times; the extent of use of court-based alternative dispute resolution as a means of providing speedier and more cost-effective court outcomes.

Police: trends in the incidence of various crimes and in the rate of reporting to police; community perceptions about safety and about service provided by police.

Consumer Affairs: the results of consumer complaints and of investigations; customer satisfaction with service provided by the Department.

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<sup>50</sup> Ibid., pp. 92-93

Mineral Resources: trends in exploration spending in NSW; industry safety record; trends in the type and amount of environmental management and rehabilitation.

Arts and Recreation: trends in the number and type of visits; extent to which institutions provide part of their own funding and extent of reliance on Confund.

Environment Protection Authority: trends in reducing waste volumes going to landfill; progress of pollution reduction programs in industry.<sup>51</sup>

Mr Sen acknowledged that the information reported to central agencies in the Program Statements was not published. He argued that this was not the purpose of the project and that the priority was getting the quality of the information right before it was published. However, he noted that some of the Program Performance Statement information would be published in the 1995-96 Budget Papers.

Until this year no emphasis was given to the publication of this material. We were breaking entirely new ground here as this sort of process had not been undertaken in the past, certainly not in this systematic and demanding way. The first of the two main priorities of the exercise was to get the quality of the material right. An ongoing effort is being made to improve the quality of the outcomes and outputs information. In going into this exercise we found that most departments did not have the right information base from which to produce the information. The first priority was to get the quality right, and we have been doing that. The second priority was not to make this an academic exercise, but to use the material for a number of purposes.

The stimulus for the exercise was not accountability as such, but to fulfil a number of management and strategic purposes across government. Until this year the result of this work was distributed internally within the central agencies, to the CEOs of relevant agencies, as well as to the Premier and relevant groups of Ministers. Under the previous administration this document would not have gone to Cabinet in its entirety; the documents would have been broken up into a series of portfolio booklets to be sent to the relevant Ministers operating within those broad portfolio areas. This year, for the first time, Treasury is planning to incorporate part of the material within Budget Paper No. 3; I am co-operating with Treasury to this end.<sup>52</sup>

However, Mr Sen did indicate that some agencies have indicated an intention to include their Program Statements either in whole or in part in their annual reports. He added that he would envisage that more agencies would publish more of their Program Statement information in their annual reports as they gained confidence in the quality and usefulness of the information.<sup>53</sup>

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<sup>51</sup> "Program Statements Project - the COOOEE Model", conference paper, February 1995, reproduced in *Submissions and Exhibits*, E6, pp. 4-5

<sup>52</sup> *Evidence*, 28 August 1995, pp. 93-94

<sup>53</sup> *Ibid.*, pp. 95-96, 103

As foreshadowed by Mr Sen, the 1995-96 budget papers included some information from the Program Performance Statements. This is a significant development, not only because it means that this performance information is being made public but also because it makes the performance information subject to parliamentary scrutiny through the estimates committee process.

Performance information was not provided in respect of all agencies. Furthermore, the degree of information provided varied greatly between agencies. Most of the information provided took the form of output measures. However, outcome measures were included for a small number of agencies. Outcome measures for the Department of Corrective Services included the number of escapees, assaults, deaths in custody and number of inmates involved in employment and education. Outcome measures for the Environment Protection Authority included quantities of waste in the Sydney area, reduction in the waste to landfill and successful prosecutions. Outcome measures for the Department of Health include the percentages of adult male and female smokers and adults engaged in adequate physical activity.<sup>54</sup>

The Program Performance Statements project does not cover government trading enterprises (GTEs). The performance of GTEs is subject to detailed monitoring in a separate initiative, under the auspices of the Treasury's GTE Monitoring Unit. The financial performance of GTEs are measured against a range of performance targets (such as rates of return on assets and equity and a financial distribution target) agreed between the Chief Executive of the GTE, the portfolio Minister and the Treasurer. A summary of efficiency, service and financial information for each of the twenty largest GTEs is published each year by the Treasury.<sup>55</sup>

In 1991 the Special Premiers' Conference established a Steering Committee on National Performance Monitoring. The Steering Committee includes representatives from all the States and Territories and the Commonwealth Government. The Industry Commission provides the Secretariat. The role of the Steering Committee is to establish a consistent set of performance indicators for GTEs and to publish these each year. Key financial ratios are published, together with a range of non-financial information relating to service quality, efficiency, pricing, safety etc. Performance information about ten NSW GTEs was published by the Steering Committee in April 1995.<sup>56</sup>

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<sup>54</sup> *Budget Estimates 1995-96: Budget Paper No. 3*, pp. 291-294, 402, 461.

<sup>55</sup> See for example *Performance of NSW Government Businesses*, undated

<sup>56</sup> Steering Committee on National Performance Monitoring of Government Trading Enterprises, *Government Trading Enterprises Performance Indicators 1989-90 to 1993-94*, in two volumes, April 1995

## Auditing of Performance Indicators

A key issue considered by the Committee in relation to performance information was the possibility of performance indicators being audited. The Committee identified this as an area of interest in the *Issues Paper* tabled in Parliament in June. The PAC was interested in the Western Australian model, where the Auditor-General has responsibility for providing an opinion on the relevance and appropriateness of performance indicators contained in annual reports. The Committee sought and was provided with considerable information from the Western Australian Auditor-General.

The Western Australian *Treasurer's Instruction 904* requires that all public sector agencies include in their annual reports key indicators of efficiency and effectiveness for each program. The Auditor-General is required to audit these performance indicators and form an opinion on whether the indicators are "relevant and appropriate having regard to their purpose and fairly represent the indicated performance". Prior to 1991 the Auditor-General did not consider that the performance indicators reported had reached the stage where it was possible to conduct the audit required by the legislation and instead provided assessments of performance indicators. By the end of 1994 the Auditor-General was able to report that the quality of performance indicators being reported had improved to the extent that from 1995-96 unqualified or qualified audit opinions would be issued.<sup>57</sup>

The Commission on Government has recently reviewed the role of the Western Australian Auditor-General in auditing performance indicators. The Commission recommended that the Auditor-General should have a continuing role in auditing performance indicators. The Commission noted that the Western Australian Auditor-General's Office is "widely considered to be at the forefront of developments [internationally] in the audit of performance indicators". It noted that the New Zealand Controller and Auditor-General has a similar responsibility and that the UK Auditor-General is considering whether performance indicators should be subject to audit. The issue was also under consideration in the United States and Canada.<sup>58</sup>

The PAC also noted with interest the fact that the Victorian Public Accounts and Estimates Committee had recently considered this issue. Noting the Western Australian model, the Victorian PAC recommended that performance measures be "audited by the Auditor-General, who should express an opinion on the performance indicators as to their relevance and appropriateness".<sup>59</sup>

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<sup>57</sup> Office of the Auditor-General Western Australia, *Public Sector Performance Indicators 1993-94: Special Report*, December 1994, pp. viii-x

<sup>58</sup> Commission on Government Western Australia, *Report No. 1*, August 1995, pp. 201-204

<sup>59</sup> Victorian Public Accounts and Estimates Committee, *Final Report on the 1993-94 Budget Estimates and Outcomes*, November 1994, p. 33

Associate Professor James Guthrie submitted to the Committee that performance information should be audited as a way of guaranteeing its quality. He referred the Committee to the fact that the Swedish Audit Office had recently been given responsibility for auditing performance information.<sup>60</sup>

The Auditor-General, Tony Harris, submitted that improving the reporting of performance indicators is “the single most important remaining means to improve accountability in the NSW Government” and that the auditing of performance indicators would help to moderate the resistance to such reporting by agencies.<sup>61</sup>

In evidence before the PAC Mr Harris elaborated on the importance he attaches to performance indicators. He added that it was his understanding that the auditing of performance indicators in Western Australia had led to improved reporting.

If I said clearly to the Parliament that 92% of my resources goes to signing a short-form audit report that says the financial statements are relatively accurate, you might think that was not even the beginning of accountability, because it is expected that financial statements are accurate. If it is expected that financial statements are accurate, the fact that I spend 92% of my resources confirming that is not really a big advance on accountability.

I would argue that the Department of Health ending up with a near zero balance on its operating statement is not really informative either. It would be informative if that were BHP, but most government agencies, most departments, are funded so they will come out with a near zero balance. I think Parliament would like to know - and I think the public would like to know - whether agencies are doing something useful with the money that ends up in a near-zero balance. Similarly, it is nice to know that there are \$32 billion worth of assets owned by the State. That is important, it is nice to know, but I think the public would also like to know: are you using those assets properly, are you managing them properly, are they producing something that is worthwhile? That stuff only comes out not through the bottom line but through performance indicators.

If that is accepted - that performance indicators are an important part of the accountability process, as important or more important than the financial statements - it follows that people who report on financial indicators should not mind being audited, one, as to their accuracy and, two, as to their relevance because performance indicators do not come out of thin air; they have to be developed and thought about, and you should have other indicators. This is probably why the Parliament of Western Australia has asked the Auditor-General there ... to write an audit opinion on their accuracy and relevance, just as I write an audit opinion on the financial statements.

According to my colleagues in Western Australia this has actually engendered the desire for

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<sup>60</sup> PAC Report No. 92, *Proceedings of the Seminar on Annual Reporting*, p. 46

<sup>61</sup> PAC Report No. 92, *Proceedings of the Seminar on Annual Reporting*, Appendix One, written paper from Auditor-General, p. 11

and improved reporting of performance indicators.<sup>62</sup>

The Treasury submitted that it would not be appropriate for the Auditor-General to be given a role in examining the relevance or appropriateness of performance indicators, as this was a matter to be determined between the Government, Ministers and the CEOs of agencies, and was “not part of the audit mandate”. However, the Treasury stated that it did not have any difficulty with “the proposition of having the Auditor-General giving some assurance as to the quality of the data and the compilation process”.<sup>63</sup>

## **Roles of Stakeholders in Determining Performance Indicators**

One of the issues which the Committee explored with witnesses was the question of who sets the performance indicators which are reported on by agencies. Mr Michael Mobbs, an environmental law and policy consultant, emphasised to the Committee the need for Ministers to negotiate clear performance indicators and targets with the CEOs of the agencies for which they are responsible.<sup>64</sup> Treasury officials expressed the view that it should not be left to agencies themselves to set their own performance indicators, that indicators and targets should be set by an external body.<sup>65</sup> Representatives of the Department of Land and Water Conservation acknowledged the role of outside stakeholders and said by way of example that they were in consultation with environmental interests in the development of “some meaningful performance indicators ... that might go some way to satisfying the environmental interest”.<sup>66</sup>

The PAC was very interested to hear from Mr Robin Sen about the process by which performance indicators are currently set. He described a process involving agencies and central agencies such as the Treasury, Cabinet Office and Council on the Cost of Government.

As people prepare their draft program statements they come into my office. I know a lot of people in budget offices, Treasury for instance, or in policy offices and the Cabinet Office and the program directors in the office of the Council on the Cost of Government who have actually worked on projects in those areas. They have an external view of those areas and can inject ideas into the process regarding indicators they would like to see or, indeed, improvements in the quality of the material. This has all worked in a non-confrontational way so far. Typically I call a meeting of finance and planning officers, sometimes the CEO

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<sup>62</sup> *Evidence*, 22 August 1995, pp. 48-49

<sup>63</sup> *Submissions and Exhibits*, S37, p. 14; see also *Evidence*, 22 August 1995, pp. 39-44 and 43-44.

<sup>64</sup> *Evidence*, 22 August 1995, p. 30

<sup>65</sup> *Ibid.*, p. 39

<sup>66</sup> *Ibid.*, 28 August 1995, p. 89

of the agency concerned, or relevant people from the central agencies and we look at draft program statements and voice our concerns or criticisms. We try to make them as constructive as possible. In a number of cases the agencies have picked up those ideas and responded to them. Where they have not, it is typically when they said: what you are asking us to do is impossible because it would cost too much to collect that sort of information. We have more successes than failures in injecting those ideas.<sup>67</sup>

Mr Sen was asked who should be involved in setting performance indicators. He said that it was not appropriate to solely rely upon agencies to set their own indicators. He said that Ministers should have a role and that there was scope for injecting views of outside stakeholders. He postulated a process involving Ministers, ministerial officers, members of the public and interest groups in consultative groups setting performance indicators for agencies.

COMMITTEE: I am interested in your input as to who should have input to the establishment of benchmarks both for annual reporting and program statements.

Mr SEN: What has happened in the past, because there were no mechanisms for introducing viewpoints external to the department and because there had been a tendency to let managers manage and rely on the expertise that existed within the departments, quite naturally most of the processes started with asking the departments: what are you doing, what are your performance indicators? That is largely the story, not only in this State but around Australia and probably around the world. That is probably the way it should start. You have to make a start somewhere and relying on the expertise of those you are paying to service your requirements in that policy area is not a bad way to start.

We are getting to the stage, particularly with program statements, where there is scope to inject into the process requirements from outsiders. I am not quite sure how one does that, whether through a consultative group made up of Ministers, ministerial officers, members of the public or interest groups. You would have to customise the approach to particular agencies or the type of program because they are so diverse. That is a good thing to do in the long run otherwise you would always get, in this process, what the bureaucracy chooses to report as its performance indicators. In a number of cases that would be synonymous with what outsiders of the bureaucracy also want to know about. There may be things that outsiders want to know about which the bureaucracy in some areas may feel itself incapable or unwilling to report on. That is a healthy development. I have not given a lot of thought as to how it could be engineered except that it has to be customised to the particular program. I am not sure that a blanket approach would work.

COMMITTEE: Who should set the performance indicators?

Mr SEN: I think Ministers should have a role in setting performance indicators or at least approving those and having the opportunity for injecting their own ideas. There is nothing to stop Ministers from doing that now, depending upon the Minister and his knowledge of the portfolio. I cannot say much more other than in the long run relying solely on agencies to set

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<sup>67</sup> Ibid., pp. 101-102

their own indicators is not the right way to go. The way I have tackled that within the area under my authority, in recent years, is at least in the process to inject some ideas from central agency officers.<sup>68</sup>

Mr Sen's reference to consultative groups "involving Ministers, ministerial officers, members of the public and interest groups" harkens back to an initiative of the Greiner Government in early 1992. In March 1992 the then Premier announced that all NSW government agencies would be required to establish customer councils or service planning teams by 30 June 1992. These teams would consist of agency and client representatives. Interestingly, one of the roles of the new customer councils would be the identification of appropriate performance indicators.

They will participate in the fundamental review of programs presently being conducted by government agencies, to ensure that the needs of customers are being recognised in the design of government programs. This will include assistance in the development of quality assurance procedures, the identification of appropriate performance indicators, ongoing performance assessment and research about the basic needs of local communities.<sup>69</sup>

The establishment of customer councils was to take place in the context of the development, by each agency, of a guarantee of service. Since 1 July 1992 agencies have been required to report on their guarantee of service in their annual reports. The Office of Public Management within the Premier's Department published guidelines on the guarantee of service in 1992. These guidelines emphasise that customer councils should be used in the development of service standards for agencies and that the guarantee of service should be closely integrated with agencies corporate planning processes.<sup>70</sup>

## **Findings and Recommendations**

The PAC notes the significant amount of performance information being provided to central agencies through the Program Performance Statements and the GTE monitoring unit. The PAC notes the initial publication of some performance information in the 1995-96 budget papers and recommends that performance information continue to be published in budget papers in future years, so that it will continue to be subject to parliamentary scrutiny through the estimates committee process.

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<sup>68</sup> Ibid., p. 101

<sup>69</sup> *New South Wales Facing the World*, Statement, 13 March 1992, pp. 47-48

<sup>70</sup> Office of Public Management, *Customer Service and Quality in the NSW Public Sector*, Guidelines, 1992



However, the PAC is concerned that the detailed performance information which has been reported to central agencies has not been provided to the Parliament before this year, and that even this year only the briefest information has been included in the budget papers. **The PAC reaffirms in the strongest of terms that the Parliament is the centre of the accountability of the public sector and that it is through its accountability to the Parliament that the public sector is ultimately accountable to the people of NSW. The PAC therefore recommends that the performance information contained in the Program Performance Statements and provided to the GTE monitoring unit must be regarded as the minimum level of performance information to be included in annual reports to Parliament.**

**The PAC is of the view that Ministers and the customers/stakeholders of agencies are the most appropriate people to be involved in setting the performance indicators which are to be used by agencies. The PAC recommends the establishment of Ministerial Customer Councils involving members of the public and representatives of key interest groups for each NSW government agency. The roles of these Ministerial Customer Councils, in respect of annual reports, would include advising the Minister on the performance indicators which should be set for each agency. Obviously, these Ministerial Customer Councils could be used by Ministers for other purposes in addition to those listed here in respect of annual reports.**

The PAC notes the important role played by the Western Australian Auditor-General in auditing performance indicators. **The PAC recommends that the NSW Auditor-General should be given a role slightly different to that played by the Western Australian Auditor-General in auditing performance indicators published in annual reports. The Auditor-General should attest to the accuracy of the information reported by agencies.**

**The Public Bodies Review Committee should, where it considers it appropriate, comment on the relevance and appropriateness of performance indicators published by agencies in their annual reports, so as to ensure that performance indicators reflect the public's real interests in those agencies' work.**

## **CHAPTER SEVEN**

### **PUBLIC SECTOR GOVERNANCE**

This chapter discusses a range of issues relating to the accountability of public sector agencies which the Committee believes should be reported upon in annual reports.

#### **Treasury proposals for improving reporting on public sector governance**

Much attention has been directed in recent years to the issue of “corporate governance”. Following the corporate collapses of the 1980s there has been considerable interest in the accountability of executive management in publicly listed companies to their boards of directors and the way directors exercise their responsibilities. The accountability mechanisms relating to public sector bodies, particularly those concerned with probity and the relationships between statutory bodies and their boards of management, have been characterised as “public sector governance”.

As outlined in Chapter five Treasury proposes to include as one of the general reporting obligations in the new legislation “the major features of public sector governance operating within the organisation”. The Treasury submission elaborated on this proposed requirement.

With regard to public sector governance disclosure referred to above, a statutory body, for example, is expected to provide information on such matters as the composition of the board; the accountability chain between the chief executive, the board and the Minister and their respective roles; and whether there are any sub-committees of the board such as audit committee, human resources committee etc. and, if so, their roles and objectives ...

It is proposed that the chief executive of a department and the chief executive and a board member of a statutory body be required to sign a statement, for inclusion in the annual report, indicating whether a system of internal control was in place and operated satisfactorily during the year. This is a further extension of the existing statutory requirement for an agency to maintain an adequate internal control system.

The Statement of Responsibility is designed to focus senior management’s attention on the importance of having an adequate system of internal control as part of the overall corporate governance framework. As internal control is now defined, under the new Treasury guidelines, to incorporate both financial and operational matters, the systems will at least ensure that the chief executives and governing boards are made aware of issues of importance through the internal management reporting processes.<sup>71</sup>

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<sup>71</sup> *Submission, S37, p. 7*

In the context of public sector governance Treasury officials stated in evidence to the PAC that the accountability of agencies would be enhanced by the inclusion of their responses to recommendations made in reports of the ICAC, Ombudsman and Public Accounts Committee. It was noted that the current reporting requirements refer to responses to recommendations made by the Auditor-General but not to those made by other key oversight bodies.<sup>72</sup>

## **ICAC's proposals for improving reporting on public sector governance**

In addition to Treasury's proposals a number of other suggestions for improving disclosure about public sector governance emerged during the course of the Committee's inquiry. The Independent Commission Against Corruption in its submission highlighted a number of areas in which reporting could be enhanced by the provision of more information about public accountability mechanisms. In addition to the inclusion of a response to ICAC reports (discussed above) and related party disclosure (discussed below), the ICAC called for the reporting of corruption prevention strategies, sponsorship arrangements and procedures to implement the *Protected Disclosures Act 1994*.

A logical extension of the current requirement for agencies to reproduce their Code of Conduct in annual reports would be a requirement to report any corruption prevention strategy in place, together with measures of its success. Documentation of cases of corrupt conduct detected and the steps taken to deal with them would illustrate agencies' anti-corruption stance and enhance their efforts to maintain ethical organisational cultures...

Agencies should be required to disclose any sponsorship arrangements entered into during the year, giving details of the benefits to the community, the benefits to the sponsor, and the cost to the government of entering into the arrangement ...

The *Protected Disclosures Act* commenced on 1 March 1995. This Act provides another opportunity for public sector agencies to reduce corruption, maladministration and waste in their operations. Agencies should be required to describe in their annual reports the procedures they have instituted to deal with protected disclosures and the mechanisms in place for providing protection for employees who make disclosures. Selected statistics on the use made of the Act during the reporting year should also be required. The reporting of this information will have two main benefits:

- employees of the agency will be informed of their rights under the legislation and the protection which is available to them should they wish to make a disclosure; and
- the Parliament and the community can monitor the effectiveness of the legislation

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<sup>72</sup> Evidence, 22 August 1995, p. 36

within the context of an agency's other corruption prevention strategies.<sup>73</sup>

## **Related Party Disclosure**

The *Corporations Law* and accounting standards require that the annual reports of private sector entities disclose details of the benefits received by directors, or companies with which they associated, from contracts with the reporting entity. This is known as related party disclosure. As outlined in Chapter three the public sector annual reporting requirements introduced in Victoria in 1994 include a requirement for related party disclosure. However, to date, related party disclosure has not been applied to public sector agencies in NSW.

The PAC's *Issues Paper* invited submissions on the question of the possible extension of related party disclosure to the public sector. Most submissions which addressed this issue were supportive of the inclusion of a requirement for related party disclosure.

The Auditor-General was strongly supportive of extending related party disclosure to public sector agencies with boards of management. The Audit Office submission referred to anecdotal evidence that boards of management tend to favour firms associated with board members.

Although Australian Accounting Standard AAS22, Related Party Disclosure, needs to be complied with by private sector reporting entities only, consideration could be given to extending its application to public sector agencies with boards of management. There is some anecdotal evidence to suggest that boards of management might - perhaps unintentionally - favour business relations with the firms associated with members of its board of management. Enhanced disclosure might evidence this or might help to ensure that even unintended favour is not provided to these firms.<sup>74</sup>

The Auditor-General was asked to elaborate on this issue when he gave evidence to the Committee. Although he was reluctant to provide specific examples where firms associated with directors had been favoured by statutory bodies, Mr Harris gave a general picture of the nature of the problem which is sought to be addressed by related party disclosure.

COMMITTEE: Your submission states that there is some anecdotal evidence to suggest that boards of management might, perhaps unintentionally, favour business relations with firms associated with members of its boards of management. Could you provide the Committee with further details about that?

Mr HARRIS: I am reasonably reluctant to, because of the anecdotal nature of the evidence. You would have to go much closer to find out the truth of it. I was looking today at draft

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<sup>73</sup> *Submission, S16, p. 3*

<sup>74</sup> *Submission, S6, p. 3*

financial statements of an entity which has a board member coming from the big six and they disclosed a very big contract with a firm. They had another board member who was a principal of a financial firm and they disclosed a much bigger contract between the entity and that financial firm. I actually contemplated doing a special audit ... where I would examine the degree to which contracts were awarded to companies associated with members of the board. The ICAC said it was going to do some work on it, so I pulled back. I think it would be a very interesting performance audit to do because I would be very uncomfortable if I was on a board and my firm was selected to provide services to that entity. I would personally feel uncomfortable but it does not seem to worry many people.<sup>75</sup>

The ICAC expressed strong support for related party disclosure. The ICAC's submission argued for related party disclosure on the grounds of ensuring that government trading enterprises are subject to the same disclosure requirements as private sector bodies with which they are competing.

The Commission strongly supports the inclusion of related party disclosure, where details are provided of any benefits which flow from the reporting agency to other bodies with which its directors are involved. With increasing commercialisation and corporatisation of government trading enterprises, these agencies should not be exempt from reporting requirements imposed on similar private sector organisations. Related party disclosure should be linked directly with a requirement for board directors and senior management to disclose (though not necessarily publish) pecuniary or other interests which conflict with their duties.<sup>76</sup>

Professor Bob Walker has recently been quoted as supporting the extension of related party disclosure to the public sector. He also linked this issue to the disclosure of the fees paid to directors and board members in the public sector.<sup>77</sup>

## **Directions from Ministers**

At the public seminar at Parliament House on 9 August the Auditor-General raised concerns about the lack of information required to be included in annual reports about ministerial directions issued to statutory bodies. Mr Harris drew attention to a recent amendment to the *State Owned Corporations Act* which requires the gazettal of directions issued to state owned corporations and argued that this requirement should be extended to other statutory bodies and that they should be required to include this information in their annual reports.

Statutory bodies are not creatures of the Government. Statutory authorities, unlike departments, are established by Parliament to do certain things that parliament has asked

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<sup>75</sup> *Evidence*, 22 August 1995, p. 53

<sup>76</sup> *Submission*, S18, p. 3

<sup>77</sup> "Call to declare perks", *Sydney Morning Herald*, 23 December 1995

them to do; accordingly, they have a particular reporting obligation to Parliament.

Now, in most statutory bodies legislation in NSW, the minister has a role in directing the agency. The difficulty for me, as an even interested observer let alone a casual observer, is that I cannot tell when an agency is acting in its own right and when an agency is acting because it has been directed to act. I have a better insight than most of you into most agencies because I see the minutes of the board, and they will say things like, "We do not want to do this, but we are legally bound because we have a direction from the minister", so they do legally what the minister directs them to do. I have no quarrel with that. The difficulty is that not very many people know when the agency is acting on its own motion and is thus accountable itself for what it does or when an agency is acting because it has been directed by the minister, in which case the minister is directing; the minister is accountable for those directions.

This Government introduced in the SOC Act ... a requirement that ministerial directions to those corporations be gazetted. Parliament accepted the Government's proposal. I think that is a move we should applaud. We should also require that other agencies, not departments, but other statutory authorities not bound by this requirement, put in their annual report when they are acting under their own motion and when they are acting under direction.

I distinguish the statutory authorities from departments because departments are part of government, constitutionally indistinguishable from government and therefore everything they do ought, in one way or the other, be at the direction of the minister.

We are starting to say to one very large agency, "look, I want you, this year, to put in your annual report all of the directions that you got from the minister in the last fiscal year. If you do not, I will. I will put it in my annual report", so that we can test the degree of accountability that is evident or not evident, because in no annual report that I reviewed for the purpose of this paper did I see one ministerial direction reported; yet I am confident, having access to the minutes, that there were many.<sup>78</sup>

## **Compliance Statement**

Associate Professor James Guthrie submitted to the PAC that a simple but effective means of improving the quality of annual reports would be a requirement that the key accountable officer sign a compliance statement to the effect that the annual report complies with all reporting requirements. In evidence to the Committee Dr Guthrie placed this suggestion in the wider context of directors duties and corporate governance.

I would really like to see some compliance statement. This seems to be very cost-effective. Now, with directors' duties being onerous and with the changes in the early 1990s concerning duties and executive officers' duties, public sector entities - their accountable officer or whatever you are going to call them - have a duty to make sure they comply with the legislation that Parliament lays down, whether it be in reporting or in relation to the

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<sup>78</sup> PAC Report No. 92, *Proceedings of the Seminar on Annual Reporting*, pp. 78-79

environment or whatever.

I would like to see some compliance statement put in the annual report where the key individual or chairman of the board ... or the accountable officer signs a statement to the effect that the annual report complies with the legislation. That will focus the key individuals on the point that this is a very important document, that they have mechanisms in place that make sure they comply with the legislation and regulations, and that they cannot just treat it as a public relations forum. It has to be seen to be something more important than just a public relations forum. That is why I would suggest that the compliance statement is important.<sup>79</sup>

## **Findings and Recommendations**

The PAC welcomes Treasury's proposal to include public sector governance as a key reporting obligation in the new legislation. Reporting of performance and public sector governance must be the two key aspects of annual reports to Parliament by public sector agencies. The PAC endorses Treasury's proposal to require that agencies report on:

- \* the composition of the board, the accountability chain between the chief executive, the board and the Minister and their respective roles; and whether there are any sub-committees of the board such as audit committee, human resources committee etc. and, if so, their roles and objectives;
- \* a statement signed by the CEO of a department and the CEO and a board member of a statutory body indicating whether a system of internal control was in place and operated satisfactorily during the year; and
- \* responses to recommendations made in reports of the ICAC, Ombudsman, and Public Accounts Committee, in addition to the Auditor-General.

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<sup>79</sup> *Evidence*, 22 August 1995, p. 67

However, the PAC believes that reporting of public sector governance could be further enhanced by the inclusion of other information suggested to the Committee during the course of its inquiry. **The PAC recommends that, in addition to the matters proposed to be included in annual reports by Treasury the following matters should also be reported under the broad heading of public sector governance:**

- \* **the inclusion of a compliance statement signed by the CEO of a department and CEO and chair of the board of a statutory body to the effect that the annual report complies with all reporting requirements;**
- \* **corruption prevention strategies;**
- \* **sponsorship arrangements entered into;**
- \* **procedures instituted to implement the Protected Disclosures Act 1994;**
- \* **related party disclosure (for agencies with boards of management);**
- \* **fees paid to directors and board members; and**
- \* **directions from ministers (to statutory bodies).**



## **CHAPTER EIGHT**

### **“PERIPHERAL” INFORMATION**

Following the discussion in the previous two chapters, and the conclusion that annual reports should focus on performance and public sector governance, a question which arises is what should be done with the other information currently required to be included in annual reports. That is the subject of this chapter.

#### **“Peripheral” information in annual reports**

It is undoubtedly the case that the annual reporting requirements applying to NSW public sector agencies are detailed and prescriptive. Furthermore, much of the information required to be reported is not directly related to either performance or public sector governance. Using the headings contained in the Treasury checklist of annual reporting requirements reproduced in appendix one the “peripheral” information required to be included in annual reports includes:

- funds granted to non-government community organisations;
- legal change;
- research and development;
- human resources;
- consultants;
- equal employment opportunity;
- land disposal;
- promotion;
- consumer response;
- payment of accounts;
- risk management and insurance activities;
- chief and senior executive officers;

- major assets;
- code of conduct; and
- inclusion of other reports and information (including freedom of information, recycling activities and implementation of recommendations of Royal Commission into Aboriginal Deaths in Custody).

## **Deletion of “peripheral” information from annual reports in other jurisdictions**

As outlined in chapter three “peripheral” information has recently been removed from annual reports in the Commonwealth and Victoria.

The reforms to annual reporting in the Commonwealth have been aimed at emphasising program performance by providing “sufficient information for the Parliament to make a fully informed judgment” on the performance of agencies “while avoiding excessive and extraneous detail”. The reforms have been “designed in recognition of, and so as not to exacerbate, the information overload placed on modern parliamentarians and their staff”.<sup>80</sup>

In the Commonwealth the approach taken has been that “extraneous” (non- performance related) information previously required to be reported is now required to be compiled and made available upon request to MPs and members of the public. The information must continue to be compiled to the same level of detail as previously contained in annual reports and the maximum time for the provision of this information is five working days from the date of the request. The categories information defined as peripheral include: portfolio bodies; social justice and equity matters; staffing matters; financial matters; internal and external scrutiny; privacy issues; environmental matters; and property usage.<sup>81</sup>

The new annual reporting framework in Victoria requires that agencies retain certain information to be made available to the relevant Minister, MPs and the public upon request. This information need no longer be published in annual reports. The categories of information required to be retained include: declarations of pecuniary interests; publications; changes in prices or fees charged by the agency; external reviews; research and development; occupational health and safety; industrial relations; and committees.

The PAC sees the regular production of specified information as essential in reminding Government agencies that they must continually be thinking of ways they can get information

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<sup>80</sup> Department of the Prime Minister and Cabinet, *Requirements for Departmental Annual Reports*, March 1994, p. 1

<sup>81</sup> For further details see Chapter three

out to citizens. Annual reports serve as a form of discipline in ensuring information is disseminated and it is unrealistic to expect that individuals will be able to extract such information directly from agencies, even assuming there is some way of letting the public know it is available. The regular production of information also serves in maintaining the corporate memory and merely expecting agencies to produce information but not to publish it may well be likely, without regular scrutiny or sanctions to result in it not being produced at all.

### **“Peripheral” information identified by Treasury for possible deletion**

A number of submissions received by the PAC from reporting agencies stated that there was considerable overlap between the annual reporting requirements and the reporting requirements of central agencies (The Cabinet Office, Premier’s Department and Treasury). When Treasury officials gave evidence before the Committee they were asked whether some of the “peripheral” information currently required to be reported to central agencies could be compiled and published by the relevant central agency and thereby be deleted from annual reports. The Treasury subsequently provided the PAC with detailed advice on this issue, identifying information required to be reported to central agencies and suggesting which information could either be published centrally or deleted altogether.<sup>82</sup>

The information identified as able to be deleted from annual reports and published by the relevant central agency included:

- freedom of information statistics; and
- implementation of recommendations from the Royal Commission on Aboriginal Deaths in Custody.

It was suggested that there may be some value in equal employment opportunity (EEO) statistics being compiled and published by the relevant central agency (the Office of the Director of Equal Opportunity in Public Employment). However, Treasury stated that it would still be necessary for this information to be included in agencies annual reports as EEO is “an important part of the management process and needs to be discussed in that context”.

“Peripheral” information identified as capable of being deleted from annual reports and not published by a central agency included:

- overseas trips;

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<sup>82</sup> Letter dated 22 September 1995

- disposal of surplus land;
- grants to community organisations;
- recycling services; and
- departures from the *Subordinate Legislation Act*.

## **Use of annual reports to prevent abuses in public administration**

The Treasury submission pointed out that over the last ten years there have been numerous additions to the annual reporting requirements applying to the NSW public sector. Many of these additional requirements were added in an attempt to correct possible abuses in particular areas of public administration through disclosure. By way of example when it was found that there were delays in the payment of accounts by government agencies mandatory disclosure of accounts payment performance was inserted into the annual reporting requirements. Similarly when malpractice relating to year end spending was identified mandatory disclosure of year end spending was introduced. When concerns were raised about the overuse of consultants mandatory disclosure of consultants was introduced.

In its submission Treasury posed the following question:

A fundamental question which the PAC would need to answer in this inquiry is whether it is also the role of annual reports to provide a deterrent against possible abuses in particular areas of public administration through mandatory disclosure. The answer to this question will have a direct bearing on the nature and scope of future reports. If the answer is in the affirmative, it would mean that, whenever an area of possible abuse is identified in the future, more disclosure requirements will be added to the annual reporting legislation.<sup>83</sup>

Many of the additions to annual reporting requirements which have sought to address abuses in areas of public administration have been introduced as a result of recommendations made by the PAC. The PAC has consistently supported the use of disclosure as a means of addressing concerns about abuses in particular areas of public administration. The PAC has found this to be an effective approach. Provided the recommendations concerning “information overload” outlined below are implemented, the PAC can see no reason why disclosure in annual reports should not continue to be used as a simple, effective means of addressing abuses in public administration.

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<sup>83</sup> *Submission, S37, p. 10*

## Preventing Information Overload

As outlined above the removal of “peripheral” information from Commonwealth public sector annual reports was justified on the grounds of addressing the “information overload” experienced by parliamentarians. This experience appeared to be borne out by the survey of Members of the NSW Parliament conducted by the PAC in 1994 which revealed strong support from respondents for the inclusion of executive summaries in annual reports.<sup>84</sup> During the course of the inquiry a number of options for dealing with the problem of information overload were put forward. These included: the use of short-form summary reports; ensuring key information is included in the first few pages of reports; and placing “peripheral” information in a separate part of the report or even in a separate volume.

As outlined in chapter three, under the provisions of the second *Corporations Law Simplification Bill* private sector entities will soon be able to issue concise summary reports to shareholders, with full financial statements and annual reports available upon request. The Treasury submission discussed the possible application of short form summary reports to the NSW public sector.

It has been suggested that the legislation should allow agencies to send a short-form annual report to a user, if requested. This proposal appears to have merit and is in fact being advanced in the second Corporate Law Simplification Bill 1995 for companies in the private sector.

Users will benefit because they will receive a report in a concise and more understandable form focusing on information relevant in evaluating performance and future prospects. The preparers will benefit from the reduced costs associated with printing and distribution.

To effectively implement this proposal, the legislation will need to specify, in broad terms, the key matters that are required to be covered by the short-term report. In addition, the report must also state that the information contained in it is consistent with the long-form report which should be required to be made available on request.<sup>85</sup>

Representatives of Annual Report Awards Australia Inc. were asked for their views about the possible application of short-form reports to the public sector when they gave evidence to the Committee. They indicated that although they supported the concept of summary reports they should not be compulsory.

COMMITTEE: [A]s parliamentarians we receive many reports and it is impossible to read every one of them - no one expects us to do so ... Do you see the introduction of the short-form summary reports being applicable to the NSW public sector?

Mr PROSSER: ... We support the idea of a summary, whether it be in the first few pages of

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<sup>84</sup> PAC Report No. 90, *Annual Reports - Issues Paper*, May 1995, p. 46

<sup>85</sup> *Submission*, S37, p. 10

the report or in a separate document. However, it should not be compulsory. The type of readership determines whether a short-form report is an efficient method of reporting. Short reports are efficient for large private sector organisations which have thousands of shareholders most of whom would be satisfied with a three-page document; however, 50 or 60 shareholders may require the full document. It is worthwhile economically for big companies to issue such reports. Not all public sector organisations are in a situation similar to the private companies and most do not have a clear constituency receiving the reports. Although we support the idea of short-form reports, they should not be compulsory - they should be encouraged where appropriate, but that is a decision for the organisation and its constituents.<sup>86</sup>

The Annual Report Awards seek to address the problem of information overload by ensuring that key information is included on the early pages of annual reports. The 1996 criteria published by the ARA states that an organisation's overview/objectives and highlights must all be included within the early pages of a report.

The early pages of a report must provide the reader with:

- A clear, meaningful mission, vision or values statement for the organisation.
- A clear indication of the organisation's objectives. The objectives must be relevant, measurable and linked to the mission etc.
- A summary of the organisation's strategies for achieving its stated objectives.
- A statement of the organisation's history, its profile and the services it provides. The statement should address the industry or area in which the organisation operates and its position in that industry or area.

The early pages of the report must contain a clear highlights/year at a glance section which provides reader-friendly summaries of:

- Progress towards achievement of the organisation's objectives in both operational and financial terms.
- Important events from the current year and the outlook for the following year. Include both positive and negative factors, both financial and non-financial.
- Performance indicators covering key financial and non-financial factors relevant to the organisation's operations. The information should cover a minimum of two years performance to provide an indication of percentage change in results.
- A summary of key shareholder and/or stakeholder information. Examples could include: dividends per share, pay-out ratios, earnings per share, share price vs indices, percentage return (after tax) on shareholders share holdings, special business

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<sup>86</sup> *Evidence*, 22 August 1995, p. 19

at the AGM, community involvement, volunteer activities, fundraising results.<sup>87</sup>

The Secretary of the ARA elaborated on this aspect of the criteria when he gave evidence before the Committee.

Mr PROSSER: One of the main premises on which we base our criteria is that readers are unlikely to read more than a dozen pages of the report unless the report catches the readers' imagination. We require that the report contain information in the first six to ten pages to indicate what the organisation is about, why it exists, its history, what it is trying to do, what it achieved in financial and non-financial terms, who it employs, what skills and experience those people bring to the organisation, and an executive summary of the organisation in the relevant year.<sup>88</sup>

The other suggestion for addressing the information overload problem was set out in the Treasury submission. It was simply suggested that "peripheral" information required to be reported under the regulations should be "placed in the latter part of an agency's annual report so as not to detract from the main focus of performance reporting".<sup>89</sup> This information could take the form of a compliance report. It could even be included in a second volume. If a second compliance volume is published, it would need to be made clear in the first volume that the compliance volume was available upon request. It could be expected that fewer copies of the second volume would need to be printed, as most readers would be interested in the first volume, thus reducing printing costs. The second compliance volume would not require the same degree of design and production attention as the first volume, further reducing the cost.

## **Specific "peripheral" information discussed during inquiry**

A number of submissions received by the Committee addressed specific forms of "peripheral" information required to be disclosed in annual reports. A number of witnesses to appear before the Committee also raised concerns about particular categories of information which they believe could be better reported. Each of these is discussed briefly below.

### **Equal Employment Opportunity (EEO)**

In 1991 the annual reporting regulations were amended to include a requirement for agencies to report on equal employment opportunity (EEO) in their annual reports. The information to be included took the form of statistics and a one paragraph commentary outlining major EEO achievements for the reporting period and key strategies developed for the following year.

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<sup>87</sup> Annual Report Awards Australia Inc., *1996 Criteria Booklet*, p. 6

<sup>88</sup> *Evidence*, 22 August 1995, p. 19

<sup>89</sup> *Submission*, S37, p. 8

The statistical information was to take the form of two tables, one setting out the representation and recruitment of aboriginal employees and employees with a physical disability and the other representation of EEO target groups within salary levels. (EEO target groups are women, persons with a physical disability, persons with a non-English speaking background, and aboriginal persons.)

The PAC received a submission and evidence from the Public Service Association which was critical of the fact that the Office of the Director of Equal Opportunity in Public Employment (ODEOPE) had not published an annual report of its own operations since 1991. It was also pointed out that there had been inadequate compliance by agencies with the EEO and human resource reporting requirements for annual reports. The fact that detailed EEO information was reported by agencies to ODEOPE but that this information was not published had led to the “internalisation of information about public sector EEO trends”.

The PSA also criticised what it saw as a lack of adequate reporting on the implementation of sector-wide personnel policy, either centrally or by agencies in their annual reports and the lack of quantitative data supplied on public sector employment issues. Reference was made to the fact that, whilst training was a devolved human resource responsibility, there was no requirement for agencies to report on the proportion their budgets devoted to training or the employee groups targeted for training. It was stated that “the current narrative rendition found in many annual reports as to the organisation’s training/EEO initiatives is reduced to meaningless rhetoric”.<sup>90</sup>

Representatives from the PSA gave evidence to the Committee on 22 August 1995. They were asked about the coincidence between the addition of the EEO reporting requirement for annual reports and the diminution in whole of government reporting on personnel issues. The major problem was identified as the absence of consistent human resources management information systems throughout the public sector which made it impossible to obtain consistent data on EEO and other human resource issues.<sup>91</sup> The Committee’s attention was also drawn to the lack of quality control on the EEO information contained in annual reports. It was said that a large agency identified persons with a non-English speaking background by going through the names of employees and picking out those with non-Anglo Saxon names.<sup>92</sup>

ODEOPE was given an opportunity to respond to the PSA’s evidence and submission. ODEOPE argued that the inclusion of EEO information in agencies annual reports was valuable as it focussed agencies on the objectives of the EEO program and provided more information than ODEOPE’s (unpublished) annual report.

I would point out that the inclusion of EEO data in the parliamentary annual report is a most

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<sup>90</sup> *Submission*, S28, p. 2

<sup>91</sup> *Exhibit*, E2, pp. 3-5

<sup>92</sup> *Evidence*, 22 August 1995, p. 71



beneficial aspect of the overall program and requires agencies to consider the EEO program as a fundamental government cultural change activity, and should be available for public viewing on an agency-by-agency basis. It also provides a more detailed statement from each agency on their staffing profile and actions than is able to be included in this office's annual report on the public sector program covering some 155 agencies. I strongly support the retention of the EEO data in the parliamentary annual report.<sup>93</sup>

As noted above, the Treasury has indicated that it would be reluctant to see EEO information removed from annual reports due to the nature of EEO as an essential part of the management process.

## **Freedom of Information**

As outlined in chapter two, section 68 of the *Freedom of Information Act* requires that each agency prepare an annual report on its obligations under the Act. The Freedom of Information Procedure Manual provides that agencies should include the FOI annual report in their annual reports and that Ministers' Offices should forward their FOI annual reports to the Premier's Department for inclusion in the Premier's Department annual report. The procedure manual sets out over six pages statistical data which is required to be kept and included in FOI annual reports. These statistics cover: numbers of new FOI requests; what happened to completed requests; ministerial certificates; formal consultations; amendment of personal records; reasons for declining requests; costs of requests and discounts allowed; processing time; and appeals/reviews.

Annual reporting on freedom of information was criticised in a submission the Committee received from Bruce Smith. Mr Smith is a Sydney lawyer who contributes regularly to the *Freedom of Information Review*. His submission included copies of a number of articles he had written on annual reports and freedom of information in the NSW public sector. Mr Smith's submission highlighted "the poor level of compliance with FOI annual reporting requirements". Over a number of articles Mr Smith has reported the results of FOI reporting compliance in the annual reports of 83 agencies in 1992/93 and 20 agencies in 1993/94. In addition he examined the FOI record of 15 agency in relation to the handling of FOI requests as revealed in their annual reports over the four year period 1989/90 to 1992/93, a total of 60 reports. In an article published in the *Freedom of Information Review* in April 1995 Mr Smith reviewed the annual reports of a sample of 20 public sector agencies. The article noted a failure to comply with the statistical requirements for FOI information.

The 20 agencies reported 401 requests (230 of which were to the RTA and SRA) but only seven agencies presented the information, more or less, in the required manner ...

[I]n brief there were three problems with the annual reports: no processing details were given

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<sup>93</sup> Letter from Ms Carol Davies, Director of Equal Opportunity in Public Employment, 29 December 1995

at all; a single description was used (for example, 90% of applications were dealt with in 21 days - Pacific Power); or tables were used which were not uniform between agencies. In fact ten agencies used six different tables to record "days to process" applications.

The *FOI Procedure Manual* requires days to process to be shown broken down as "0-30 days", "31-45 days" and "over 45 days" but only two of the agencies (Legal Aid Commission and RTA) used this breakdown. Other tables used were ...

Whatever these tables may tell you about adherence to the spirit of reporting, it makes any external analysis impossible. According to FOI Regulation No. 26 - 1993, the "0-33 days" etc. reporting regime is to be used to record the information but the Premier's Department does not even follow the requirement nor does the Treasury's Office of Financial Management (which scrutinises annual reports under other legislation).<sup>94</sup>

In the same article Mr Smith called for the Ombudsman to join with the Auditor-General in reviewing annual reports with particular reference to freedom of information. He also called for the Ombudsman to publish more comprehensive data on the numbers of FOI requests received by each agency and for the Ombudsman to investigate the actions of the Premier's Department in scrutinising compliance with the annual reporting requirements under section 68 of the *Freedom of Information Act*.<sup>95</sup> In his submission Mr Smith called for better co-ordination between the various accountability and oversight bodies (Ombudsman and Auditor-General specifically) and various parliamentary committees with oversight responsibilities for these bodies.

## **Environmental Reporting**

Environmental reporting was discussed in three submissions received by the Committee. Associate Professor James Guthrie called for new reporting requirements concerning environmental disclosure. He suggested that information should be required to be disclosed concerning compliance with EPA regulations; an environmental policy statement; environmental performance against targets, internal and external environmental audit disclosure, and environmental committees.<sup>96</sup>

When he gave evidence to the Committee Dr Guthrie described research that he had recently completed which reviewed the environmental disclosures in the annual reports of 25 NSW public sector agencies and 50 large private sector organisations. He tabled a draft paper which he had written on the review. In the paper Dr Guthrie points out that there is already a requirement for public sector bodies to report on environmental information where

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<sup>94</sup> Submission, S1; "FOI in NSW: the continuing saga", *Freedom of Information Review*, April 1995, p. 63

<sup>95</sup> Ibid., p. 64

<sup>96</sup> Submission, S16, p. 10

environmental objectives are included in their objectives. He called for additional environmental reporting requirements to be included in the new legislation.

There is already in place a mechanism for requiring NSW public sector organisations to report environmental matters in a systematic and consistent way. Environmental information is required to be reported if stated in objectives. The environmental performance information should be linked with the agency's objectives. In addition, comparisons of actual results with targets and past years as well as targets and strategies for the following year should be disclosed. He argues that the following requirements could be placed in the annual reporting legislation and regulations for NSW statutory authorities and departments:

- disclosure of environmental policies;
- descriptions of accounting policies associated with environmental costs and benefits;
- environmental performance information provided must contain comparisons of actual results, with targets and past years as well as targets and strategies for the following year;
- the number and type of internal and external environmental audit practices and policies; and
- research and development associated with environmental matters.

These requirements are not onerous, when compared with international trends and should be viewed as a first step for the improvement of environmental disclosures in Australian annual reports.<sup>97</sup>

The Environment Protection Authority (EPA) submission outlined a survey of environmental reporting by NSW public sector agencies. The survey found that environmental reporting was very much in its infancy and that it was therefore inappropriate to prescribe detailed environmental reporting requirements at this stage. The EPA suggested that agencies be required to report upon "environmental management performance" and indicated that it was working to develop a document to guide agencies in environmental reporting.

An environmental reporting survey was circulated to statutory agencies in March 1995 ... In general the results show that the majority of organisations have yet to establish environmental objectives and few of those which have objectives have developed performance indicators. In view of this situation, it appears premature to formulate a complex system for environmental reporting. A more effective initial approach may be to require agencies to report on the presence or absence of a number of environmental management system elements.

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<sup>97</sup> "Recent environmental disclosures in annual reports of Australian public and private sector organisations", draft paper provided to PAC by Dr James Guthrie; since published as "*How green are Australian public and private sector annual reports?*" Accounting Forum 19/3 (1995); pp. 19-35

The checklist of annual reporting requirements ... allows agencies to report on their environmental objectives and measures and indicators of environmental performance. However, the Committee may wish to consider changing the requirement of “performance of recycling activities” to a slightly broader requirement such as “environmental management performance”.

The EPA is preparing a guidance document on Environmental Performance Evaluation and Reporting in Public Agencies which will be circulated in the next six months.<sup>98</sup>

Mr Michael Mobbs, an environmental law and policy consultant, also discussed environmental reporting in his submission and evidence. He was particularly critical of the lack of quantifiable outcomes and measurable trends being reported by agencies with resource management or environmental protection responsibilities. He called for agencies such as the Department of Planning and the EPA to set more specific goals that are capable of being measured.<sup>99</sup>

## **Findings and Recommendations**

The PAC notes that “peripheral” information has recently been removed from annual reports in Victoria and the Commonwealth. The PAC has carefully considered the arguments put forward in favour of such a change, in terms of addressing the “information overload” and focussing reports upon essential performance information. **However, the PAC is not prepared to recommend any changes to the annual reporting requirements which would lead to a diminution of public accountability.**

**The PAC recommends that so-called “peripheral” information should continue to be required to be published in annual reports.** Much of this information is of considerable interest to particular groups of readers. Some of this information has previously been added to the reporting requirements so as to address abuses in particular areas of public administration. Over the last ten years mandatory disclosure in annual reports has proven to be an effective means of addressing such abuses.

**Any proposals to delete reporting requirements contained in the annual reporting regulations must continue to be referred to the PAC for advice.** The PAC signals its intention to rigorously examine any such proposals.

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<sup>98</sup> *Submission*, S32

<sup>99</sup> *Submission*, S35; *Evidence*, 22 August 1995, pp. 25-34

The PAC recognises the problem of “information overload” and recommends that the following steps be taken to address this issue:

- (i) agencies should be encouraged to include “peripheral” information in a separate part of the annual report from key performance information, perhaps in a basic second volume “compliance” report;
- (ii) agencies should be encouraged to comply with the Annual Report Awards criteria, particularly the requirement to clearly and concisely report the overview/objectives and highlights on the early pages; and
- (iii) further consideration should be given to the possible use of short form annual reports, with full reports and financial statements available upon request.

Evidence received by the Committee suggests that there has been inadequate compliance with equal employment opportunity (EEO) and human resources reporting requirements and that there is a lack of quantitative data published on public sector employment issues. **The PAC recommends that the Office of the Director of Equal Opportunity in Public Employment (ODEOPE) more actively monitor compliance with EEO reporting requirements and that ODEOPE and the Treasury review the EEO and human resource reporting requirements, with a view to ensuring that more meaningful quantitative data is reported. The PAC also recommends that the Anti-Discrimination Act be amended to require ODEOPE to publish both an annual report on its own operations and its annual report on EEO across the entire public sector.**

Evidence received by the Committee suggests that there has been inadequate compliance with the freedom of information (FOI) reporting requirements. **The PAC recommends that the Ombudsman more actively monitor compliance with the freedom of information reporting requirements and that the Ombudsman and the Treasury review the freedom of information reporting requirements to ensure their effectiveness.**

The PAC notes that environmental reporting is an area which is receiving increasing attention both in the public and private sectors. The PAC welcomes the work being done by the EPA to provide guidance to agencies on environmental performance evaluation and reporting. **The PAC recommends that the current reporting requirement relating to “performance of recycling activities” be expanded to cover environmental performance more generally. The PAC recommends that the EPA and the Treasury develop more detailed environmental reporting requirements.**

## CHAPTER NINE

# COMPLIANCE MONITORING AND PARLIAMENTARY SCRUTINY

Mechanisms to monitor compliance with the annual reporting requirements and measures to increase the level of parliamentary scrutiny of annual reports were each raised as key issues in the PAC's *Issues Paper* on annual reports released in May 1995. These two issues are dealt with together in this chapter. The fact that this chapter is brief is in no way indicative of a lack of importance accorded to these issues. On the contrary, it was evident during the course of the inquiry that continued active monitoring of compliance and increased parliamentary scrutiny are both essential to an effective annual reporting regime.

### **Audit Office compliance review**

As discussed in chapter two, in 1989 the PAC recommended that the Treasury more actively monitor compliance with the annual reporting requirements. In response to that recommendation the Treasury in 1991 engaged the Audit Office to review a selection of annual reports on its behalf. Each year a sample selection of annual reports is agreed upon between Treasury and the Audit Office. 87 reports were reviewed in 1992. 30 reports were reviewed in 1994. Treasury has expressed an intention to review the reports of all agencies over a three to four-year period. The reports of larger agencies are reviewed more frequently.

The Audit Office examines the selected annual reports for compliance with the annual reporting requirements. The Audit Office is also concerned to establish whether agencies accurately reproduce their financial statements and audit report, and whether other information contained in the reports is consistent with the financial statements.

Any issues arising from the examination are initially discussed with the person responsible for the preparation of the report. Any apparent breaches of the reporting requirements are referred to in correspondence with the agency head. In subsequent years, agencies which have had breaches identified are required to provide a covering letter with their report referring to how the previous breaches have been addressed.

Significant instances of non-compliance are dealt with by the Treasury. The Treasury may raise such matters with the relevant minister. As referred to in Chapter four, the Auditor-General discusses major areas of non-compliance in his reports to Parliament. The Treasury has issued circulars to agencies drawing their attention to areas of inadequate compliance and the annual reporting guide published in March 1994 also drew upon the lessons learnt from the Audit Office compliance reviews.

The Treasury submission stated that the compliance review program was unique in Australia.

It was also suggested that the “interactive approach” used by the Audit Office was effective in correcting instances of non-compliance in future reports.

The review program is unique in Australia in that none of the other jurisdictions has a compliance checking process similar to it ... Apart from written communication with the relevant agencies, considerable time is also spent in discussing matters with the officers involved in preparing the annual reports. Often, examples from other annual reports are provided to assist agencies with the preparation of their future reports. This interactive approach has proved to be quite effective in gaining commitments from agencies to correct instances of non-compliance in the future.<sup>100</sup>

Most submissions received by the Committee were supportive of the Audit Office’s compliance monitoring program. It was generally suggested that the role played by the Audit Office was beneficial and should continue.

A contrary view was expressed by Associate Professor James Guthrie. He submitted that the current arrangements regarding compliance were inadequate “in that the NSW Treasury has not taken a leading role in annual reporting and accountability to Parliament”. As discussed in Chapter seven, he argued that a compliance statement should be included in each annual report and that these compliance statements should then be verified. He also suggested that the Treasury establish a unit similar to its GTE monitoring unit to monitor compliance with the annual reporting requirements.<sup>101</sup>

The role of the Audit Office was criticised by a representative of the Annual Report Awards in evidence before the Committee as being a mechanical process with inadequate consideration given to the quality of information being reported.

Mr HORDER: My experience is that the Auditor-General’s Office has got into an almost tick and flick mode. It has taken the Annual Reports Act and gone through the checklist. It then says, “this department has not put in its EEO statistics” or “this department put down that it had \$500,000 worth of contractors but it did not say whether there was one contractor or ten contractors”. It has been a mechanical process, with due respect to the Auditor-General’s staff. It has not been a value judgment of the worth of the organisation or what the report is achieving overall.

I think someone at arms length - such as this Committee or another structure set up by the Parliament - would be a more appropriate body to make value judgments about an organisation and what it has done. The Auditor-General’s Office has got pedantic, in my view. It has written letters to organisations about what they have omitted to put in their annual reports. The Office has purely looked at the legislation and ticked things off; it has

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<sup>100</sup> *Submission, S37, p. 11*

<sup>101</sup> *Submission, S16, pp. 11-12*



not looked at what value was added by the organisation.<sup>102</sup>

The Audit Office responded to Mr Horder's criticism by pointing out that it was obliged to conduct "a purely compliance review" and that there was no scope for the Audit Office to assess the quality of the information contained in annual reports.

In our capacity as Treasury's agent, the Audit Office conducts a purely compliance review - that is, to assess whether agencies have complied with the specific provisions of the annual reporting legislation, and to report any instances of non-compliance. There is no provision within the terms and conditions of the engagement agreement, and indeed within the constraints of the fee being paid by Treasury, for the Audit Office to assess the quality of information contained in annual reports.<sup>103</sup>

## **Public Bodies Review Committee**

The PAC's *Issues Paper* on annual reports noted that the ALP policy on "Reviewing and Improving Public Administration in NSW", launched prior to the March 1995 election, had stated that Labor would establish a Public Bodies Review Committee. One of the functions of the Committee would be to review annual reports, to "act as an Estimates Committee for annual reports".

On 30 May 1995 the Legislative Assembly passed a motion to establish the Public Bodies Review Committee. The Public Bodies Review Committee (PBRC) consists of five members of the Legislative Assembly, three government and two non-government members. The terms of reference for the PBRC are as follows:

to examine the annual reports of all public bodies and to enquire into and report on:

- (a) the adequacy and accuracy of all financial and operational information;
- (b) any matter arising from the annual report concerning the efficient and effective achievement of the agency's objectives; and
- (c) any other matter referred to it by a minister or the Legislative Assembly.<sup>104</sup>

The Treasurer outlined what he envisaged to be the role of the PBRC when he opened the PAC's public seminar at Parliament House on 9 August 1995. He said the prospect of an agency being called before the Committee would have a salutary effect upon public sector agencies.

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<sup>102</sup> *Evidence*, 22 August 1995, p. 14

<sup>103</sup> Letter to Committee from the Deputy Auditor-General, 13 December 1995

<sup>104</sup> *Parliamentary Debates (Hansard)*, Legislative Assembly, 30 May 1995, p. 364

I thought it was important that the [Public Bodies Review] Committee has one task, and one task alone, and that was to review each and every annual report produced by every department or statutory authority.

Given the vast number of agencies, clearly no single parliamentary committee would be able to review to any degree of satisfaction every annual report. But what will happen is that every department, every statutory authority, will know each year that its report will be going off to a parliamentary committee which will be charged with the job of determining whether the financial and operational information in that report is valid for the purposes of performance evaluation, whether it is accurate and whether it is adequate. But no agency, no department or authority, will know until it gets before the Committee whether it is going to be a half-hour review or a two month review so each agency will know that at some time in the next five or six years it will get the real treatment, but it will never know whether it is going to be this year, next year or whenever.

So even though it will be impossible for a detailed review of each annual report, at least every authority, every agency, will know that at some stage in the next four or five years it will be subject to that detailed review and will therefore always have to be on guard.<sup>105</sup>

It is understood that the PBRC has consulted with a wide range of experts in the field of annual reporting as well as all the relevant public sector oversight bodies, in an effort to determine in a considered way exactly what role it will play. The Committee has sought the views of a range of experts on the sort of guidelines that should be available to agencies in preparing annual reports and the sort of benchmarks that should be used in evaluating annual reports.

It is important to note that the PBRC has been established as a Standing Committee of the Legislative Assembly, created by a resolution of the current House. This means that unlike the PAC which is a Statutory Committee established under NSW legislation, there is no guarantee that the PBRC would be re-established in a future Parliament.

## **Public Accounts Committee**

The history of the PAC's interest and involvement in annual reporting has been discussed in Chapter two. The PAC has been the driving force behind the enactment of annual reporting legislation in NSW and has been responsible for many of the additional reporting requirements over the last ten years. The compliance review conducted by the Audit Office is also a result of recommendations made by the PAC.

In addition to the various PAC inquiries which have dealt with annual reporting the Committee has a statutory function to consider proposed amendments to the annual reporting regulations. This function was most recently exercised during the course of this inquiry,

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<sup>105</sup> PAC Report No. 92, *Proceedings of the Seminar on Annual Reporting*, August 1995, p. 8

when the annual reporting regulations were remade by Treasury in accordance with the provisions of the *Subordinate Legislation Act*. The PAC reviewed the revised regulations and advised Treasury on several matters such as the inclusion of details on both disclosure of payment performance and non-salary expenditure. These matters are now to be included in a subsequent Treasury review of such regulations.

## **Estimates Committees**

Estimates Committees have been a recent addition to the parliamentary process in NSW. They are an evolving accountability mechanism. During the 1995 budget session estimates committees were established by the Legislative Council alone. (In previous years the estimates committees had been joint committees involving members of both houses.) During 1995 the powers of the estimates committees were widened to enable members to ask questions about an agency's annual report, in addition to the budget estimates. Whilst the utilisation of this new power was somewhat limited there were a number of questions asked arising from annual reports.<sup>106</sup>

## **Legislative Council Standing Committees**

In recent years the Legislative Council has established a committee system that includes three standing committees with responsibility for broad areas of public policy. They are the committees on Law and Justice, Social Issues and State Development. In the main these committees conduct inquiries into policy issues referred to them by Ministers or by the Legislative Council. However the committees also have a further power in respect of annual reports.

[A] Standing Committee ... may inquire into and report to the House on any annual report or petition relevant to the functions of the Committee which is referred to the Committee ...

All annual reports and petitions laid upon the Table of the Legislative Council, stand referred without any question being put, to the Standing Committees for consideration and, if necessary, report.<sup>107</sup>

It is understood that none of the Standing Committees have yet exercised their powers in respect of annual reports. The experience of the committees has been that they have generally been required to conduct concurrent inquiries into references from Ministers and

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<sup>106</sup> See for example the Hansard record of Estimates Committee No. 3 which dealt with resource management and conservation agencies, amongst others.

<sup>107</sup> Legislative Council, 1st Session 51st Parliament, *Resolutions and Ministerial Responsibility*, pp. 8-9

the Legislative Council and that they must accord priority to these references.

As noted in Chapter three the Senate committee system was reformed in 1994. Each of the standing committees was divided into a references committee and a legislation committee. The legislation committees have a function of reviewing annual reports. The exercise of this function by the Senate committees might provide some lessons for the Legislative Council Standing Committees in the exercise of their function in respect of annual reports.

## **Findings and Recommendations**

**The PAC recommends that the Treasury continue to engage the Audit Office to conduct compliance review of annual reports on its behalf.** There may be some scope for the Audit Office to work together with other agencies such as the Ombudsman and ODEOPE in reviewing compliance with particular reporting requirements such as freedom of information and equal employment opportunity.

Parliamentary scrutiny of annual reports must focus on the quality of the information being reported. It is an addition to, and can operate in conjunction with, the Audit Office's compliance review of annual reports.

The PAC notes the role that has been given to the Public Bodies Review Committee in examining annual reports. The PAC will co-operate with the PBRC in whatever way it can to assist the PBRC in the exercise of this important function. However, the PAC is concerned that the PBRC is not established by legislation and that there is no guarantee that it will be re-established in future parliaments. **The PAC therefore believes that it is essential that it continue to have a role in relation to annual reporting. The PAC must continue to have a statutory role of advising on proposed changes to annual reporting regulations under the new legislation. However, the PAC should be able to consult with the PBRC in the exercise of this function.**

**The PAC recommends that future estimates committees continue the practice established in 1995 of enabling members to ask questions arising from annual reports.** The PAC notes that an increasing number of agencies are off budget and that their annual reports are therefore not able to be scrutinised during the Estimates Committee process. The Parliament may wish to consider how these agencies may be brought within the Estimates Committee process.

Whilst recognising that it is up to the PBRC and the Legislative Council Standing Committees to determine how they will scrutinise annual reports, the PAC draws attention to the proposal that annual reports be sent out by the Parliament to interest groups and interested individuals for comment and feedback.

## CHAPTER TEN

### LEGAL OBLIGATIONS OF MINISTERS AND CEOs

This chapter draws heavily on a late submission the PAC received in November 1995 from Peter Wilmshurst, a Lecturer in Law at Macquarie University. Mr Wilmshurst's submission identified the legal obligations of Ministers and CEOs as a key issue at the heart of the PAC's desire to see better quality annual reports. He argued that a proper understanding of these legal obligations would lead to more honest reporting, including reporting of "bad news", by public sector agencies.

#### Bad News and "Real politic"

The PAC's *Issues Paper* identified "major problems and issues" as one of the reporting requirements with which there was inadequate compliance. As noted in chapter four, in 1993 the current Treasurer, the Hon. Michael Egan MLC, identified a lack of reporting of failures or bad news as a major problem in public sector annual reporting.

Perhaps it is not surprising that discussions with officers responsible for the preparation of annual reports have revealed that one of the key reasons for a lack of disclosure of bad news is a reluctance to report matters which an agency's Minister would prefer to remain unreported. This issue was touched upon in a small number of submissions received from agencies. For example, the Ministry for Police and Emergency Services noted that:

Some of the difficulties of linking inputs, outputs and outcomes for performance measurement in the public service are intractable and will remain so because of ministerial accountability. In simple terms, this ministry may perform admirably, but the Minister may still lose her/his parliamentary seat or ministry. All agencies may improve their technical and financial performance but the Government may still lose an election. Increases in the frequency, complexity or rigour of reporting will not change this situation. Major problems are not reported comprehensively for most agencies for the reasons outlined above.<sup>108</sup>

The submission from the Department of Corrective Services expressed concern about a suggestion that agencies should be required to respond to political debate in an annual report because "political debate is a reflection of the actions and activities of specific stakeholders".<sup>109</sup>

Participants in the public seminar at Parliament House on 9 August 1995 were asked to fill

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<sup>108</sup> *Submission*, S23

<sup>109</sup> *Submission*, S24, p. 5

out a survey at the close of proceedings. One of the questions asked participants whether their agency's annual report included bad news. If not, they were asked why not and what could be done to ensure that bad news was reported. A number of participants indicated that bad news was either not reported or was glossed over. It was suggested that management did not encourage the reporting of bad news and that there would need to be a culture change in some agencies in order to see bad news reported. One participant succinctly pointed out that bad news was excluded because it was seen as reflecting upon the Minister.

Agency bad news is the Minister's bad news and Ministers don't like admitting to shortcomings.

This issue was touched upon by the Director-General of the Premier's Department, Ken Baxter, in his address to the public seminar at Parliament House on 9 August 1995. He referred to a CEO in Victoria who included some critical comments in an annual report which drew a sharp response from the relevant Minister. He said that this raised questions about the accountability of a CEO and the preparedness of Ministers to have honest assessments of agencies reported. He placed the issue in the context of the accountability relationships between the CEO, Minister and Parliament.

The usual model is for the chief executive of agencies to report to their Minister on the events and activities of the completed reported period and the Minister subsequently tables the report in Parliament. This seems to suggest that Parliament is the important area to which the chief executives really have to address their comments. It also seems to suggest that Parliament rather than the individual Minister is seen as the stakeholder, perhaps on part of the people ...

I raise this issue because one of the experiences I had in Victoria was that the Secretary of one of the departments was extremely honest about the health of the department to his Minister. In a three-page letter which he wrote to the Minister as the introduction to the report he not only criticised the management of the department but he also managed to criticise a fair few other people, including the Auditor-General in Victoria. Needless to say the report hit the front pages of *The Age* and it didn't elicit a very favourable response from the Minister about what the Secretary's letter to the Minister should actually be. I have to say in the next annual report the letter said, "Dear Minister, I herewith enclose our annual report for such and such a period".

Now this would seem to me to suggest that people such as myself are often put in a difficult position as to whom initially we might be accountable to and how prepared our masters might be to have us express some very honest opinions about the state of our organisations. This is not dissimilar to the private sector because I knew one chief executive in one company in Melbourne who went to write a similar report, although somewhat more tempered by the *Corporations Law*, about the health of the company for which he worked and the chairman took great offence because what the letter said was that the chairman was virtually incompetent and played no useful part and should be replaced and in fact it affected the health of the company quite considerably. So there are these sort of balances that have to

be taken into account.<sup>110</sup>

Peter Wilmshurst identified this issue as being of critical importance to the PAC's inquiry.

It is said one of the major reasons why annual reports do not contain accurate/honest information is that in the "real politic" world agency heads will not or cannot document such information because it will be embarrassing to a Minister or the Government as a whole.<sup>111</sup>

Mr Wilmshurst quoted from a survey of senior public officials in Western Australia which included their views on the role of ministerial advisers. One of the criticisms made by public officials related to the "censorship from annual reports" for which ministerial advisers were responsible.<sup>112</sup>

In looking at any views about the political context in which an annual report is prepared it should be not lost sight of the fact that since the inception of the legislation for both departments and statutory bodies it has been recognised that the annual reports are the reports of either the department head or the statutory body or its board, on their activities. They are not reports of the Minister or of the Government.

Again in the context of reports of both departments and statutory bodies they are reports to Parliament and it has long been recognised that the Minister responsible for tabling a report may make a statement about the report for incorporation in it or for issue separately. This view has been accepted by Treasurers from both sides of politics.<sup>113</sup>

As is made clear below those preparing annual reports have certain clear legal obligations on them and this too has been made clear to those responsible for preparing reports. In the case of members of statutory boards guidance material previously issued the Treasurer has drawn attention to the decision of the NSW Supreme Court in *Bennets v Board of Fire Commissioners & Ors* (1967) 87 WN (Pt 1) (NSW) 307 in relation to the duties owed by members of statutory bodies to the bodies themselves, rather than to outside interests.<sup>114</sup>

In 1988 the then Premier and Treasurer stated:

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<sup>110</sup> PAC Report No. 92, *Proceedings of the Seminar on Annual Reporting*, August 1955, pp. 59-60

<sup>111</sup> Late submission from Mr Peter Wilmshurst, 21 November 1995, p. 3

<sup>112</sup> A Peachment, "Ethical Behaviour and Senior Managers in Western Australia", in A Peachment (ed) *Westminster Inc: A Survey of Three States*, Federation Press, Sydney 1995, p. 135

<sup>113</sup> NSW Treasurer Annual Reporting by Statutory Bodies, July 1985, p6 and NSW Treasurer Annual; Reporting by Departments, 2nd Edition, August 1988, p4

<sup>114</sup> See the July 1985 Guide noted above at p8



The annual report is the clearest manifestation of a department's accountability to the Parliament, Government and the general public. I am firmly of the view that external accountability is a primary requirement for ensuring the efficient and effective operation of Government bodies. As is the case for statutory bodies, the Government will be closely monitoring future annual reports of departments to ensure they comply with the reporting and accounting requirements.

Simply put it is the PAC's view that CEO's and Ministers need to be in no doubt about the fact that annual reports must tell the truth and no one has ever suggested otherwise. To say some convention operates to excuse CEOs from complying with the statutory reporting requirements because it will mean the reporting of "bad news" is to misunderstand the very purpose of annual reports.

## **Legislative Provisions**

The *Annual Reports (Departments) Act* (ARDA) contains a number of legislative provisions concerning the respective roles of department heads and Ministers in the annual reporting process. The key provisions relating to department heads are summarised below:

- Section 10 requires the department head prepare a report of the department's operations within four months after the end of the financial year.
- Section 12 requires that the department head submit the department's annual report to the Minister and the Treasurer within four months of the end of the financial year.
- Section 16 provides for the department head to apply to the Treasurer for an extension of time in which to comply with the reporting requirements.
- Section 18 requires that the department head shall comply with a direction from the Minister or the Treasurer to include any additional information in the annual report or a separate report.

The key provisions relating to Ministers are summarised below:

- Section 13 sets out the requirements for the tabling of the annual report in Parliament by the Minister.
- Section 18 provides for the Minister (or the Treasurer) to be able to direct that a department head include additional information in an annual report or separate report.

The *Annual Reports (Statutory Bodies) Act* (ARSBA) includes equivalent provisions. However, instead of the department head, the ARSBA accords the equivalent responsibilities to the statutory body.

Commenting on these statutory provisions, Peter Wilmshurst submits that they make it clear that the role of the Minister is intended to be distinct from that of the department. He noted that the Minister's role is to be demanding of the department and to get information from the department into the public domain.

Obviously Parliament intended a Minister to be both independent and demanding of an agency under his or her control ...

The ARDA places the onus on a department head, not on a Minister, to make reports. It is in the Minister's interests to get an honest report.

In other words the Minister has an active role getting information into the public domain.<sup>115</sup>

## **Implications of some relevant judicial decisions**

Peter Wilmshurst points out in his submission that there has been no litigation under the annual reporting legislation. However, he examines a number of decisions of the High Court and the Federal Court which have clarified the duties of public officials who are required by legislation undertake certain tasks. The majority of cases considered refer to legislation involving the exercise of a discretion. The annual reporting legislation is more demanding of public officials in that it imposes obligations that are mandatory. He then draws a number of implications from these cases about the legal obligations of CEOs under the annual reporting legislation.

Not surprising there has been no litigation under the annual reports legislation and it is unlikely there ever would be unless significant sanctions were included in the legislation. What one can look at is the law applicable to the duty of those required under the legislation to do certain tasks. My comments here focus on the position of the person responsible for preparing an annual report and the extent to which they can take into account the Minister's wishes or government policy in the way they go about deciding on the contents of their reports.

Simply put an annual report must contain the material specified in the Act and Regulations or as required by the Minister or Treasurer. To what extent then can an agency head leave out required information from an annual report because it gives "bad news" or reflects badly on the agency, the Minister or the Government?<sup>116</sup>

The first case referred to was *Ansett Transport Industries (Operations) Pty Ltd v Commonwealth* [1977] 139 CLR 54 in which the High Court considered the way in which a public official had exercised his discretion in respect of the Commonwealth Government's airlines policy citing the comments of Murphy J at 87. Mr Wilmshurst drew the implication

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<sup>115</sup> Late submission from Peter Wilmshurst, p. 10

<sup>116</sup> Ibid., pp. 10-11

that a CEO could not lawfully ignore a statutory reporting requirement and a Minister could not lawfully direct an agency to ignore statutory reporting requirements.

In relation to annual reports Parliament has clearly directed public authorities to report certain matters in unambiguous language so it is consistent with the above views of Murphy J of the High Court that an agency head could not lawfully disregard the legislation and nor could a Minister direct an agency head to ignore the reporting requirements.<sup>117</sup>

The second case discussed was *The Queen v Anderson; Ex parte Ipec-Air Pty Ltd* [1965] 113 CLR 177 in which the decision of a department head was considered, particularly the question of whether the decision was based upon government policy rather than being made in accordance with the provisions of the relevant legislation. Mr Wilmshurst drew attention to the following observation of Kitto J at 189:

It is a general principle of law, applied many times in this Court and not questioned by anyone in the present case, that a discretion allowed by statute to the holder of an office is intended to be exercised according to the rules of reason and justice, not according to private opinion; according to law, and not humour, and within those limits within which an honest man, competent to discharge the duties of his office, ought to confine himself.

Mr Wilmshurst argues from this case that it would be unlawful for a CEO to leave information out of an annual report, that would otherwise be required by legislation to be reported on the basis that the Minister did not want it reported or the CEO thought the Minister would not want it reported.

Obviously an official making a decision based on what he or she hoped the Minister would tolerate would be contrary to the above views regarding the exercise of a discretion ...

Placing these comments in an annual reports legislation context one might ask if an agency head left out certain material or analysis because a Minister [or someone on the Minister's staff] said so or by second guessing what was required compliance with the Act and Regulations was deficient then given the High Court's view as expressed by Kitto J, the agency head would be acting contrary to law.

[By way of background my own direct experience in preparing annual reports over a number of years suggests it is the second - i.e. second guessing - situation that occurs in the majority of cases.]<sup>118</sup>

Mr Wilmshurst then briefly referred to the decision of the Federal Court in *Tickner v Bropho* (1993) 114 ALR 409 in which the need to interpret legislation in terms of its stated purpose

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<sup>117</sup> Ibid.

<sup>118</sup> Ibid., pp. 11-12

outside of wider political considerations was clearly stated. Citing Black *CJ* at 418 and 419 Mr Wilmshurst again applied this statement of the law to the annual reporting process.

For annual report purposes it is essential the agency head's duty to prepare a report containing the material specified cannot be overruled by considerations beyond those set out in the legislation itself.<sup>119</sup>

Finally, reference was made to the High Court's decision in *Australian Broadcasting Corporation v Redmore Pty Ltd* (1989) 84 ALR 199 in which it was clearly stated that legislative requirements were to be taken seriously by public officials and that a failure to comply with a legislative requirement could constitute misconduct. Mason *CJ*, Deane and Gaudron *JJ* were quoted as stating at 230 that certain statutory requirements were not to be merely given the "status of pious admonition - Failure to observe the directive of section 70 (1) would, depending on the circumstances, constitute misconduct ..."

In conclusion, Mr Wilmshurst said that an annual report which did not comply with the reporting requirements, or the content of which was influenced by political factors, could be declared a nullity. In this case a CEO could be required by Parliament to resubmit an annual report that did comply with the reporting requirements.

There seems little doubt failure to produce annual reports that comply with the legislation or whose content is influenced by factors outside the legislation could render the reports themselves being declared nullities, and would need to be done again.

It would not be beyond the power of Parliament to declare by voting that an annual report presented to it was in fact a nullity because of non-compliance with the legislation. This would require the agency head to resubmit a report that did comply.<sup>120</sup>

## Findings and Recommendations

The lack of reporting of bad news in agencies annual reports may be the result of a lack of appreciation in the public sector of the legal obligations of Ministers and CEOs in the annual reporting process. A CEO cannot lawfully ignore a statutory reporting requirement. It would be unlawful for a CEO to leave information out of an annual report, that would otherwise be required by legislation to be reported, on the basis the Minister did not want it reported or the CEO thought the Minister would not want it reported. A report which did not comply with statutory reporting requirements could be declared a nullity and Parliament could require that a CEO resubmit a report that complies with the reporting requirements. **The PAC recommends that the new legislation maintain and clearly state these legal obligations of Ministers and CEOs in the annual reporting process.**

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<sup>119</sup> Ibid., p. 13

<sup>120</sup> Ibid.

**The Treasury should actively promote a better understanding by Ministers, ministerial offices, CEOs and the public officials who prepare annual reports of the legal obligations of Ministers and CEOs in the annual reporting process.**

**The new legislation should maintain the legislative power for a Minister to direct a CEO to include additional information in an annual report or a separate report. Ministers should be made aware of this power and encouraged to take an independent and demanding role in relation to the annual reports of their agencies.**

**The PAC would like to put CEOs on notice that it will in the future be taking a more vigilant and aggressive approach to ensuring that the annual reports for which they are responsible accurately reflect their legal obligations and those of their Ministers.**

## CHAPTER ELEVEN

### REPORTING BY PARLIAMENT

The issue of annual reporting by the Parliament was raised during the PAC's inquiry by one of the speakers at the public seminar at Parliament House on 9 August 1995. Dr Russell Cope, retired Parliamentary Librarian, delivered a paper entitled "The Other Face of Accountability: Annual Reports from the NSW Parliament and its Organs". This paper raised a number of concerns about the accountability of the NSW Parliament and contained a critical review of the annual reports produced by departments within the Parliament.

#### **Parliamentary Accountability**

The Parliament is not subject to much of the legislation which provides the framework for public accountability. This is not in itself unusual. Parliaments are separate from and independent of the executive and must not be subject to the control by the executive government.

However, it is clear that the Parliament must be accountable for its own operations. For one thing the Parliament has considerable resources at its disposal. Its annual budget is almost \$60 million. It employs more than 600 people. Beyond this the Parliament is an important organisation with responsibility for making the law.

Dr Cope's paper quoted from the former Independent member for South Coast, John Hatton MP, questioning the record of the NSW Parliament in "accounting for its own internal operations, its administrative policies and its staff arrangements and salaries". Dr Cope went on to comment that the Parliament "would scarcely stand up to the same criteria of accountability as are required by parliaments of the public sector".<sup>121</sup> In speaking to his paper Dr Cope was even more forthright.

I believe ... that a great deal of scepticism is required about the way in which the Parliament runs itself. It expects other people to be accountable to an exceptional degree but is, in itself, not a good exemplar of accountability.<sup>122</sup>

Dr Cope drew attention to a number of aspects of the structure and nature of the parliamentary organisation which may have contributed to this lack of accountability. He referred to the dual nature of the Parliament as both a political and bureaucratic organisation

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<sup>121</sup> PAC Report No. 92, *Proceedings of the Seminar on Annual Reporting*, August 1995, appendix, p. 15

<sup>122</sup> *Ibid.*, p. 102

and the two Houses with their attendant bureaucracies.

At this point we must ask whether it is realistic to expect a 'corporate image' to come from such a complex body. Is Parliament an organisation in any established sense? It is a political body subject to all the vicissitudes of party politics and public rejection; it is also a large bureaucracy with a continuing identity, its own well established 'culture' and traditions. The way these two elements enmesh or are compatible leads some observers to see parallels between parliaments and the military establishment. Each has internally competing centres of influence, complex lines of authority, strange voids of accountability, personal rivalries for power bases with desirable access to patronage, and other variables ...

The Parliament of NSW consists of two independent Houses with separate staffs and separate administrative and political heads. The bureaucratic element is continuing whereas the political element may change as a result of elections. The bureaucratic and the political aspects are interwoven, but the political element is predominant in essential matters. Its control is unchallengeable.<sup>123</sup>

## **Annual Reports from the NSW Parliament**

Dr Cope suggests in his paper that there has been a "patchwork pattern" of annual reports from the NSW Parliament over the years. He points out that the Parliamentary Library produced annual reports between the 1920s and 1991. The Public Accounts Committee has produced annual reports from the mid-1980s. Two of the Standing Committees of the Legislative Council, the Social Issues Committee and the State Development Committee, have produced brief annual reports. Since 1990 the Departments of the Legislative Assembly and the Legislative Council have produced annual reports. However, prior to 1995 there was no thorough annual reporting of the activities of some of the joint service departments, which serve the needs of both Houses.

Dr Cope draws attention to some aspects of the Parliament which have not been publicly reported. These include: the extent of the subsidy provided to the food and beverage services; the facilities provided to the parliamentary press gallery; the Association of former Members; and the Commonwealth Parliamentary Association. Furthermore, Dr Cope points out that unlike the Victorian Parliament, there has never been a report by the Presiding Officers of the Parliament.

There is consequently no overall report issued by anyone concerning the Legislature of NSW in its entirety. At best we have valuable, but limited reports from some parts of the organisation. It is impossible for the citizen to get information on matters which in the public service are fully documented and open to comment.<sup>124</sup>

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<sup>123</sup> Ibid., appendix, pp. 15-16

<sup>124</sup> Ibid., p. 20

Dr Cope's paper then contains a brief critical review of the annual reports produced by the Legislative Assembly and Legislative Council in 1994. He points out that both reports were detailed and readable documents but draws attention to what he sees as a number of weaknesses or areas which could be improved. These include the information about senior management and staffing generally, electorate offices and electorate staff, and motor vehicles. Dr Cope's comments on the 1994 reports are set out in full below:

These two reports are well-produced lengthy documents with a number of individual strengths, but with some differences in each. The differences are not necessarily a bad thing and can indeed be a strength in line with the observation in Part One that there should be scope for novelty and creativity in annual reporting.

The Assembly report gives a very detailed and readable insight into the range of the Department's activities. The reader feels that the range must present problems of control for top management whose responsibilities in the running of the Legislative Assembly itself must absorb much time.

Management experts might be surprised at the number of small sections within the Assembly department. Senior management are shown in photos on p. 45, but without any details of formal qualifications. The Council annual report gives this information which is nowadays usually required under reporting guidelines. What neither report gives is an adequate picture of the salary levels and conditions of senior officers. Are there salary packages, for instance? Some officers have been said to have signed performance contracts, but this cannot be verified from the reports to hand. The details on staffing matters provided, for example, in the annual report of the Senate would be an excellent model to follow.

The Council annual report is as detailed and readable as the Assembly counterpart, but it contains a stronger degree of reflectiveness and comment on future developments (e.g. on corporate management, modern management concepts and leadership). It also seems stronger in its appreciation and discussion of technology. The Clerk's overview (pp.10-14) allows him to speak in his own voice and introduce a slightly personal note which is a welcome feature.

The Council annual report contains remarks about stress-related illness of staff and staff dissatisfaction with working conditions (p. 21) which make one wonder if the Assembly is as affected. There is an index (which is much in need of expansion); the Assembly report lacks an index, but has an excellent summary overview of contents which would satisfy many users seeking a quick orientation. The Council report might consider providing something similar. Each report would benefit from study of the indexes in the annual report of the House of Representatives.

Both reports contain the same material on the overall budget of the Parliament and its assets. An explanatory note (Assembly report, p. 58) on the Parliamentary Library contains a misleading statement that the majority of the Library's holdings have been received under copyright deposit (i.e. since 1958). The Library was founded in 1840 and has very extensive holdings, purchased and donated, from that time until now. Both reports have tables and some pictorial representations of information, but neither has any graphs where one would expect them. They are both visually attractive and professionally presented.



Neither report is fully adequate in its account of staff, but the Council report is more satisfactory than the Assembly one in this respect. There is a different approach to the information supplied in each report. There is, of course, quite a lot of data overall on staff, but it is necessary to piece it together since there is no comprehensive picture available in either report. If we are curious about staff morale, career opportunities, trends with staff turnover, the nature of performance assessment policies, to mention a few subjects which are topical nowadays, we will be baffled more often than not. Admittedly these are not matters in which public sector annual reports unambiguously shine either.

There is need for a review by the producers of these reports of the staffing details they should supply. As pointed out earlier, nothing is more inimical to good staff morale than suggestions that there can be differing procedures on employment in the one organisation. The Parliament generally is mindful of public sector practice; the reviewed reports showing that many procedures are followed, but a degree of staff dissatisfaction about instances of non-compliance, specifically in appointments to higher paid jobs, has been rumoured. This raises doubts which one would like to see resolved.

Whilst the public sector's somewhat tarnished Senior Executive Service system is not formally adopted at Parliament House, some of its benefits are enjoyed by senior parliamentary officers. The practice followed in the annual reports of the House of Representatives and the Senate which directly address the comparable situation in Canberra might be usefully followed in New South Wales.

The Assembly report gives some information on members' electorate offices, but little detail on the staffing of those offices. It is not possible to gain any coherent picture of the system and its problems which are not likely to be insignificant. In view of some recent cases about the problems which can develop in personal relations between parliamentarians and their staffers, one would expect that greater attention should be given to making the system more transparent to outsiders. Of course the conditions of employment should be made absolutely clear to the staff.

Recent press reports in Sydney mentioned that members had been unsuccessful in their bid to get automobiles provided for their parliamentary duties. The two annual reports of the parliamentary departments are silent on the use of automobiles by officers and for departmental needs. What are the numbers used for personal use and departmental purposes in the Legislature of New South Wales? There is no suggestion of impropriety by this question, but merely a belief that sunlight is the best guard against infection. The example of the Legislative Assembly of the Australian Capital Territory might perhaps be worth following: the annual report of the Assembly Secretariat lists details of the 15 vehicles it uses, how many are for Members' use and how many for staff and departmental use.

Despite these strictures, it must be said that the reports are basically sound documents, displaying a positive attitude to the provision of information. Such reporting has only recently begun and we can expect improvements as the producers gain more experience. One might, perhaps, ask whether it would not be possible for the two producers to consult about publishing the two reports separately but within the one publication. This would have cost benefits, would save the same information, at present common to both, being produced twice, and would hopefully encourage members from the one House to gain some idea of the

operations of the department of the other House.<sup>125</sup>

The Departments of the Legislative Assembly and Legislative Council again produced annual reports in 1995. In addition for the first time a Joint Services annual report was produced. (Of course, the Public Accounts Committee again produced an annual report.)

The Department of the Legislative Assembly 1995 report contained a number of interesting features. Some information was included in relation to members' salaries and entitlements, and fit-outs of electorate offices (pp. 7-8, 11). Brief information was included about industrial disputes which arose within electorate offices and the Parliament (p. 9). Brief information was also included about official visits and study tours undertaken by staff, including the cost of overseas travel (pp. 13, 27). The report also includes supplementary financial information which provides details of the expenditure during 1994-95 and budget during 1995-96 for different cost centres. This included information on the Commonwealth Parliamentary Association, overseas delegations (sent by the Legislative Assembly) and the Presiding Officers Conference (pp.69-70).

The Department of the Legislative Council 1995 report closely followed the structure of previous reports, with the Clerk's Overview providing a reflective discussion on the issues facing the organisation and the significant achievements of some staff.

The Joint Services 1995 report covers the following areas of the Parliament: Archives; Building Services; Education and Community Relations; Food and Beverage Services; Parliamentary Reporting Staff (Hansard); Information Technology Services; Printing Services; and Security Services. For each of these areas information is included under the following headings: charter; aims and objectives; review of operations; suggestions and feedback; and highlights. There is also an organisational chart for each area, together with financial information. There is about six pages of text for each area, together with two pages of financial information. Amongst the issues discussed is the Parliament's development of a new system of electricity cogeneration, which has received an award for "Excellence in Energy Management". Interestingly, the section on the Parliamentary Information Technology Services includes minimal reference to the Parliament's exposure to the collapse of Osborne Computers, despite media reports that the exposure was considerable.

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<sup>125</sup> Ibid., pp. 21-23

## **Findings and Recommendations**

The Parliament cannot expect the public sector to be accountable to it unless it is prepared to be accountable for its own operations. The PAC commends the decision of the Department of the Legislative Assembly and the Department of the Legislative Council in 1990 to produce annual reports. The PAC also commends the decision to commence producing a Joint Services annual report in 1995. As these are recent initiatives it is not surprising that there is some room for improvement in the level of disclosure. Improvements are already evident in the level of disclosure in the most recent reports. The PAC recommends that the Parliament seek to continually improve the level of disclosure in its annual reports. **One way in which this can be done is by entering the Annual Report Awards and receiving feedback from adjudicators. Another way is to study the annual reports produced by other Parliaments.**

**PART FOUR**

**FURTHER WORK**

## CHAPTER TWELVE

### MATTERS REQUIRING FURTHER INQUIRY

This report seeks to address each of the matters in the terms of reference for this inquiry and identified in the Committee's *Issues Paper* published in May 1995. A number of other issues have been raised with the Committee during the course of this inquiry. However, these additional matters have not been of central concern to the PAC and the Committee has not taken enough evidence in relation to them to be in a position to reach any conclusions. These matters include: opportunities for reporting electronically; integration of annual reporting with the budget process; agencies not required to produce annual reports; and reporting by Local Government. Each of these matters are briefly discussed in this chapter and recommendations are made aimed at ensuring that these matters receive full and proper attention from the appropriate body.

#### Reporting electronically/by Internet

This issue first came to the Committee's attention through a paper delivered by the then State Librarian, Alison Crook, at the Royal Institute of Public Administration in Australia (RIPAA) annual report awards in Canberra in 1993. Ms Crook questioned the amount of resources which now goes into the production of public sector annual reports and the limited readership which they enjoy. She suggested that a more cost effective approach to public sector accountability would be for the required information to be reported electronically and placed on a large database. This information would be able to be accessed on-line, from parliamentarian's offices and from public libraries.

Imagine, if you will, a large database. Into it is fed certain key data about each department under agreed fields. Things like objectives, strategies, key result areas, performance measures, and performance against those measures - at least annually. Departments may prefer to feed in and cumulate the data (from their in-house executive information systems) on a monthly basis. It would contain all those wonderful statistical tables and charts which are now required of us: human resources data; the accounts (from the day they are ready to the day they are finally cleared by the auditor); and so on. Large parts of it could be available on-line very soon after 30 June since it would consist of key data and would eliminate most of the carefully crafted verbiage (although some free text would be available for analysis). It would be available on-line, or by dial-up, from any parliamentarian's office, and, since this is information for the public, it would be available by dial-up from every public library. If we wanted to get really clever, and *brave*, we could provide software to calculate and provide trends, comparisons and various economic analyses. And even make available overseas data for comparison (if we could establish that comparisons were valid). Perhaps we could even provide an interactive facility to allow for questions to be asked and

answered.<sup>126</sup>

Ms Crook, now Director-General of the Department of State Development, spoke at the public seminar on annual reports at Parliament House on 9 August 1995. Ms Crook elaborated on this suggestion. She addressed the concern that members of the public would have difficulty in getting access to on-line information. She also emphasised the important role that public libraries could play in such a scheme and concluded that printed reports were no longer meeting the needs of accountability or the public's demand for information.

You might say, "Well, what about the difficulty of the public in having access to that on-line information"? My answer to that is: Yes, there is certainly a difficulty for many people these days in having access to and in coming to grips with using computers for information, but surely that is a problem that we must tackle in relation to a whole host of information right now if we really want to keep the public up-to-date with the areas of information that we want them to have access to and that they will need to have access to. That problem is not limited to annual reports. A public education campaign should be addressed on a major scale right now in order to ensure future access to all sorts of information. Across government at Federal and State level there are major activities under way now to consider how we can provide on-line access to government information readily through local access points ...

[P]ublic and other libraries Australia-wide are already well used by the public - by about 50% of the public on average now - open longer hours than any Government department and staffed by trained information professionals. The basic technology is already in place to provide a gateway from government databases to those libraries, and the technology is on the way to enable them to be accessible from the home or office, as we hear every day lately.

[I]n my view annual reports will never make "a good read", so we should stop spending time and money pretending that they can be. We should recognise that we are talking about the provision of sound information about the performance of organisations, to which the public is entitled to have access. When we see it in that light, we can then set about determining the most cost-effective way of providing that access. Print and paper, in my view, is no longer the answer.<sup>127</sup>

This issue was also raised by the retired Parliamentary Librarian, Dr Russell Cope. Dr Cope suggested that if information was reported electronically by agencies "the time is now here when reports need not be annual in the old sense at all. They can be progressive and periodic, with cumulations at any point during a given period." Printing costs would be removed and detailed indexes could be generated easily. Furthermore, he suggests that electronic data could be easily disseminated for comment.<sup>128</sup>

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<sup>126</sup> Alison Crook, "Annual Reports - How Many of them are Read?", *Canberra Bulletin of Public Administration*, No. 73, September 1993, p. 31

<sup>127</sup> PAC Report No. 92, *Proceedings of the Seminar on Annual Reporting*, August 1995, pp. 91-92

<sup>128</sup> *Ibid.*, appendix, pp. 11-12

The Director-General of the Premier's Department, Ken Baxter, also touched upon this issue when he addressed the public seminar. However, his emphasis was not so much on the preparation of electronic annual reports as on the need for external agencies concerned with accountability to be able to effectively monitor transactions which do not leave paper records.

One of my real concerns is that the notions of accountability and responsibility are not keeping pace with the change in technology. The speed with which the technologies associated with communication are developing and changing means that those concerned with accountability have to be better trained and have a far broader knowledge of the management information and organisational control systems.

I am seriously concerned that much of the work being done in accountability for the public sector is still in some way akin to some hat-shaded clerk trying to bear out the futures and derivatives transactions of Barings Bank. The rate of technological change and quite understandable difficulties in keeping pace with it probably means that a wide range of people associated with the preparation, audit and public consumption of annual reports are missing out on some of the key elements of an organisation's operations.<sup>129</sup>

The potential for new technology to be used in reporting was mentioned in two submissions from public sector agencies. The submission from the Department of Land and Water Conservation expressed support for Alison Crook's proposal for electronic reporting.<sup>130</sup> The submission from the Department of Public Works and Services indicated that the Department would be encouraging agencies to report electronically "and for information to be made available to Internet users and to the public through terminals at public libraries". It also suggested that the Government Information Service could "provide terminal access to Internet for agency and consolidated information".<sup>131</sup>

Associate Professor James Guthrie took a slightly different tack in relation to electronic reporting at the public seminar at Parliament House on 9 August 1995. He raised concerns about the usefulness of the current requirement for agencies to supply a copy of their report to Parliament on disk. He suggested that it would be more useful for the material to be placed on the Internet with access provided through the Parliamentary Library.

[T]here is a requirement at the moment that annual reports have to be submitted in electronic form. Being a naive academic, I thought, "Great, this will be easy to research. I will just get this electronic form, put it on my hard disk, search it and I can look for environmental disclosure or EEO reporting." So I went to Parliament House and I said, "Can I please have access to the electronic form for my research?" Everyone was very helpful. The Clerk was very helpful, and I was told, "Yes, you can. Go and see XYZ." So I went off to see XYZ. He said, "Yes, it is not a problem. No ones ever asked for this before. Here is the box."

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<sup>129</sup> *Ibid.*, p. 62

<sup>130</sup> *Submissions*, S14, p. 6

<sup>131</sup> *Submissions*, S20, p. 2

Unfortunately, the box was full of a lot of five-inch and three-and-a-quarter inch disks, magnetic tapes - a bit of hard disk was in there too - in different formats. The information was useless because there had been no prescription as to how the electronic form was to be provided. Most of us would know now that if that material was in a useable form, we could put it on the Web. We could access it through the Parliamentary Library, there would be no cost involved in it and we could review it to our heart's content to get the bits and pieces of information we want to use.<sup>132</sup>

When they appeared before the Committee on 22 August 1995 Treasury officials were asked for their response to the suggestion that electronic reporting should be promoted. They raised concerns about the cost burden that would be involved and questioned how many people would access annual reports on the Internet. They also indicated that steps had been taken to address the problems which Dr Guthrie had spoken about in relation to the provision of annual reports on computer disk.

Mr CHAN-SEW: I firstly comment on the point that the disks are next to useless: specific guidelines are issued by the Treasurer about the format of computer-readable disks, and so far we have not heard anything back from the computer people at Parliament House regarding a lack of compliance with that requirement. Now that I have heard that comment, I will follow it up with them to identify those offenders. Basically, that requirement was introduced with the aim of enabling parliamentarians to interrogate the information and do performance analysis. I do not know to what extent the disks have been put to use.

Regarding the proposition of taking advantage of computer technology by putting information on Internet, given the size of annual reports these days a cost burden would be involved. It may well be that if the Committee thinks it is a good idea, and the Government agrees, to allow agencies to produce short-form annual reports on disk, they may be put on the Internet outlining the key information rather than the long-form reports. That must be sorted out in relation to the costs involved. I understand that a number of parties in NSW are working on that project.

Ms MELLOR: ... I have doubts about the numbers of people who would avail themselves of such services. Whatever is decided, one must consider the questions of cost. At Treasury we must always look at cost. Would the cost justify placing the report on-line?<sup>133</sup>

Representatives of the Annual Report Awards were also asked for their response to the proposition that electronic reporting should be introduced. They expressed scepticism about the idea. They questioned the degree to which computer technology is available to the average shareholder who currently receives an annual report. They said that the ARA could not see printed reports being replaced by electronic reporting or reporting via the Internet.

Mr HORDER: I am dubious about the cost benefit of that. At this stage of development the cost of the average person to access Internet would be prohibitive. From a library and

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<sup>132</sup> PAC Report No. 92, *Proceedings of the Seminar on Annual Reporting*, August 1995, p. 47

<sup>133</sup> *Evidence*, 22 August 1995, pp. 41-42



research point of view, if reports were made available on the Internet, people could access them instantly. The ARA's position is that technology will not replace the hard copy annual report which is distributed to shareholders. One government organisation put out a disk containing its annual report, but this was ahead of its time and most people said, "I don't have a computer; I cannot load the disk!" The ARA could not see hard copy annual reports being replaced with reports via other technology.

COMMITTEE: Could the hard copy not be complemented by other technology?

Mr HORDER: Certainly, it could complement the hard copy and could improve access through public libraries. However, at this stage half of the shareholders in a public company do not have a home computer.

Mr PROSSER: In our marking we give marks, although not many, for innovative methods of disclosure, but we have not seen many examples of the use of new technology. We have seen a few disk versions. At one stage Film Australia Limited, I think it was, produced a video version of its annual report. One of the criticisms of many reports is that they are glossy public relations exercises and get away from the disclosure objective - they are good news documents. If video producers worked on these documents, it is possible that the disclosure objective may not be maintained and would be replaced by a number of favourable pictures. For example, an organisation with environmental concerns would provide wonderful pictures of photographs of regenerated forests and ignore the picture of open-cut mines. It is relevant to show the regeneration, but I doubt whether the other side of the story would be displayed. Whatever method is used, annual reports must not be only glossy videos resulting in less disclosure.

Mr HORDER: A serious financial analyst wants to pore over the figures to make his calculations for stock exchange purposes; he will consider the return on assets, the rate of stock turnover and other management aspects, and I hardly see video as an appropriate means of communicating such information. Maybe they could stop the video and print a hard copy!

COMMITTEE: Pie charts are a very effective way of communicating information. If a revenue pie chart were on disk, the mouse could be clicked on a certain type of revenue, and the information could be fed through very effectively.

Mr HORDER: It is a question of access. Do all shareholders, constituents or clients have the opportunity to access the information? May be in 10 or 20 years, when every home has a computer, and Mr Gates' new version of Windows is available to all, that may be the way to go. Nevertheless, I cannot see the new technology as a viable means of communicating the company's operation at this stage as the market penetration of the communication methods must be greater to make such reporting viable.<sup>134</sup>

The PAC understands that the technical issues and cost involved in agencies reporting via the Internet is being considered by a group of information technology experts from a number of agencies which are participating in an Internet pilot project. These agencies are all located in the central business district and include Parliament House, the Premier's Department,

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<sup>134</sup> Ibid., pp. 21-22

Treasury, Department of Public Works and Services, and Department of Urban Affairs and Planning.

## **Integrating the annual reporting and budget processes**

When Treasury officials appeared before the Committee they were asked about the timing of annual reports and the relationship between annual reporting and the budget processes. Specifically, the Committee was interested to ensure that annual reports were available during the Estimates Committees' consideration of budget estimates. This issue will be further complicated by the fact that in 1996 the NSW budget will be brought forward to May. The Treasury officials suggested that the problem may be able to be addressed through the adoption of the private sector model of half-yearly reporting, containing brief information about major events and financial information.

COMMITTEE: In practical terms what is the time within which agencies could possibly have their reports ready for presentation to Parliament - not when the reports are received by the Minister and tabled but when they are received? I ask the question because, earlier in evidence we were talking about the fact that quite often the reports are tabled too late to be of any benefit to members during the Estimates Committees hearings and the general budget debate process. Is there a good reason why we cannot get the reports earlier?

Mr CHAN-SEW: As you know, the present Government is looking at having an early budget from next year onwards and that is intended to be part of the overall planning process for agencies. Basically, the budget cycle will be from July to June, which is consistent with the financial statements cycle. Do you think that would help address some of your concerns?

COMMITTEE: I believe it would probably exacerbate the problem. The budget will be brought down in October of this year and it is quite likely that many more reports will be tabled in the Parliament than has been the case with in the past when budgets have traditionally been brought down in September or perhaps late August. It would probably exacerbate the problem. When members receive the report and look at the next year's budget, the information is twelve months old. I am not sure how that could be handled but I pose the question to you as to ways in which, in a practical sense, the problem could be overcome.

COMMITTEE: The requirement of the Act at the moment is that agencies have to table their annual reports in Parliament four months after balance day. We in Treasury have been toying with the idea of adopting the three-month maximum timing, which is the timing adopted in the Corporations Law. That would help. I agree with you that the change in the budget cycle would help that process. A new requirement in the provisions of the Act could be that when an agency has the equivalent of the director's report at the front of the report it has to look at the past and also the future - what it expects to achieve in the next twelve months and what plans it has; what strategies, objectives and priorities it has for the next twelve months. If the Committee received that report by the end of three months - in about September - it may help in the process of looking at the budget for next year. It would give you some idea about what the agency would like to achieve for the current year. You could

ask them in the estimates committees - before the budget; say in February or March - whether they have achieved what they set out to do as outlined in their annual report.

COMMITTEE: Would you see any application of the practice of the private sector to have six-monthly interim reports?

Mr CHAN-SEW: This is the continuous reporting regime to which you referred. This is something we have considered at the working party level for GTEs, but we have not come to a conclusion as yet. Another alternative is rather than having six-monthly reporting we impose an obligation on large agencies to report on significant events on a case-by-case basis. Maybe the way to look at it is something which came up during the seminar from some of the speakers - that is, the preparation of the annual report should be regarded as a continuing process, and hence the importance of providing trend information and future projections. People reading the report could follow the trends. They can see what the agency planned to do and what it has achieved. In other words, one should not rely on an annual report as a sole basis for raising questions about an agency in a particular year. The information should be on a time series basis and an ongoing basis.

Ms MELLOR: I refer to half-yearly reporting. We did consider that. You will find that Treasury started with that with the public accounts for December of last year. We started to produce half-yearly public accounts, but they are only financial. As John said, the working party has not come to any conclusion as to whether it is a desirable step to extend that requirement to the agencies. It may be because Treasury needed the information to do the half-yearly public accounts and the whole of the State consolidation. It would not be an onerous task for agencies to publish their own half-yearly reports. That is something we are still looking at. It is a question of how much detail there is half-yearly. It may be that, like in the private sector, there is a short-term report which just gives information on the major, significant items that happened in that six months. I think that is a feasible thing to do at this stage.<sup>135</sup>

## **Agencies not required to produce annual reports**

Reference has been made in previous chapters to the submission the Committee received from Bruce Smith, a Sydney lawyer who is a regular contributor to the *Freedom of Information Review*. It appears that Mr Smith's initial interest in annual reporting was sparked by his efforts to obtain copies of annual reports of the Victim's Compensation Tribunal.<sup>136</sup> In his submission to the Committee Mr Smith drew attention to a number of tribunals which are either not required to produce annual reports or for which there are no prescribed annual reporting requirements. Those identified as not required to produce annual reports include the Commercial Tribunal of NSW, the Consumer Claims Tribunal, the School

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<sup>135</sup> *Evidence*, 22 August 1995, pp. 36-37

<sup>136</sup> "The quest for the holy report", *Freedom of Information Review*, June 1992, pp. 28-29; "Indiana Smith and the Annual Report Treasure Trove", *Freedom of Information Review*, October 1992, pp. 57-59

Appeal Tribunal, Transport Appeal Board, Government and Related Employees Appeal Tribunal (GREAT) and Residential Tenancies Tribunal.

At the moment certain agencies are required to produce annual reports either because their creating statute requires it or the ARDA or ARSBA requires it.

The same requirement does not apply to a vast range of tribunals created for various purposes ...

There is a distinction to be made about those Tribunals required to produce an annual report, but without prescribed content (e.g. the Victims Compensation Tribunal) and those not required to produce one at all (e.g. the Consumer Claims Tribunals or the Commercial Tribunal).

One of the excellent examples other tribunals should aspire to (and which should be reflected in legislation) is the annual report of the Mental Health Review Tribunal. Section 261 of the *Mental Health Act 1990*, sets out certain contents of the annual report of the tribunal but the actual report of the President goes beyond the requirements of the Act ...

Particulars of claims to the Consumer Claims Tribunals as well as occasional discussion of broader policy issues once appeared in the annual reports of the Department of Consumer Affairs but even basic statistics have not been reported since 1992. The Tribunals are still under the Consumer Affairs portfolio so this is not the reason.

Clearly such a tribunal is in a position to provide highly valuable material about marketplace problems as well as details about the effectiveness of existing mechanisms available to enforce the orders made by the tribunals ...

#### **Commercial Tribunal of NSW**

The Tribunal has never produced an annual report yet it is responsible for licensing of credit providers, disciplinary action against such people as credit providers, builders, travel agents and motor dealers, and it handles a wide range of cases under the *Credit Act 1984*.

It has been operating since 1984 and yet it is not possible to find out how many cases it has handled, how it has carried out its various responsibilities, what lessons have been learnt about the regulation of the industries it supervises or what it costs.

Its actual decisions remain a mystery to this day, unless one wants to wade through court records. A recent article about the tribunal in the *University of NSW Law Journal* (Vol. 17, No. 2, 1994) makes clear the need for annual accountability disclosure requirements about the philosophy, directions and results achieved by the tribunal.

#### **School Appeal Tribunal /Transport Appeal Board/GREAT**

Each of these bodies are set up under specific legislation but other than occasional statistics in annual reports of parent departments we have no regular analysis of their activities along the lines of the Mental Health Review Tribunal.

### Residential Tenancies Tribunal

The annual reports of the Tenancy Commissioner (whose own report is highly deficient in its superficiality) and the Department of Housing include some statistics but again we do not get any qualitative analysis of issues arising out of the landlord tenant relationship or the effectiveness of the Tribunal in terms of access to justice criteria. Certainly much has been written about the RTT in terms of areas for enhancement of its operations (e.g. *Alternative Law Journal*, April 1995, pp. 81-83).

In interests of rationalisation a report could be made by a Minister on the efficiency and effectiveness of all Tribunal and adjudication bodies under his or her control.<sup>137</sup>

In subsequent correspondence with the Committee Mr Smith referred to the importance of the courts providing information about their functions and operations.

Until its recent abolition the Department of Courts Administration produced an annual report about its administrative activities and the annual reports of the Attorney General's Department contained some other statistics and commentary, but neither went to the heart of matters to do with the operation and functions of the courts.

The Chief Justice has produced a number of Annual Reviews of the Supreme Court (they are not produced under statute) and I understand he has in recent times sought similar reviews from the Chief Judge of the District Court and the Chief Magistrate of the Local Court. The effort could extend to all Courts/Tribunals within the State and it would be desirable to go beyond mere throughput statistics and deal with other issues. Perhaps legislation is the way to achieve this and I could expand on my ideas. A vast amount of sociological and criminological data resides within the numerous Courts and Tribunals and it simply does not find its way into the public arena.<sup>138</sup>

As mentioned in Chapter eight the Public Service Association drew the Committee's attention to the fact the Office of the Director of Equal Opportunity in Public Employment (ODEOPE) had not produced an annual report on its operations since 1991.<sup>139</sup>

### Annual reporting by Local Government

Annual reporting by Local Government was discussed in the submission the Committee received from the Department of Local Government. The submission outlined the statutory reporting framework contained in the *Local Government Act 1993*. It also referred to the

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<sup>137</sup> *Submissions*, S1, pp. 5-7

<sup>138</sup> Letter from Bruce Smith, 15 November 1995

<sup>139</sup> *Submissions*, S28, pp. 6-8

work done by the Department in monitoring compliance with these reporting requirements.<sup>140</sup>

Local Government reporting was briefly referred to in the submission received from the Annual Report Awards. Representatives of the ARA were asked to elaborate on this issue when they appeared before the Committee on 22 August 1995. They said that the quality of reporting by Local Government was poor and that steps needed to be taken to address this situation.

COMMITTEE: Doug Chapman's submission raised some concerns about the standard of reporting by local government. I am keen to know how the standard of local government reporting can be improved.

Mr PROSSER: Local government reporting is very poor. There are a few extreme examples that go against that trend, but it is near impossible to understand what has happened in the council area during the year. I think part of the problem is the fact that they do not have the same stringent requirements that the public sector reports have. They have their own legislation which does not require them to put in a lot of information that the public sector organisations are required to do. I think you have to increase the stringency of their requirements; force them to do it. In an ideal world we would like to have the organisations doing it themselves without any persuasion.

We attempted to increase the quality of the local government reports by providing a separate local government division within our award. We did it seven or eight years ago. The standard has not improved - there are a few exceptions. The overall standard is fairly poor. One of the problems we have, which was alluded to earlier, is that a lot of organisations enter, are not successful and decide that it was not worth their time and they do not enter again. Local government has been a good example of that. Over the last four years we would have had 60 or 70 local government authorities enter, but I suspect that only half a dozen of them have entered more than once. A lot of them are unsuccessful because their report is not up to standard and they do not enter again. They should be compelled to improve the standard of their reports.

Mr BRIDGES: A simple answer might be that they all be listed as State authorities and be made to report under the State authority legislation.

COMMITTEE: When you say that the standard of reporting is poor, do you relate that to the standard of transparency or the quality of the report? Which factor is most prominent?

Mr PROSSER: The problem is with communication.

Mr BRIDGES: Simply, it relates to what the report discloses. The reports do very little more than present financial information.

Mr PROSSER: They are basically public relations exercises.

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<sup>140</sup> *Submissions*, S12, pp. 4-6

Mr BRIDGES: It is difficult to find out the organisation's objectives, programs, outcomes and staff.

Mr PROSSER: It is difficult to determine the cost of the service.

COMMITTEE: Is that as a result of political influences, inadequate qualification of the people preparing the report, or poor legislative directions?

Mr HORDER: It is a combination of all those factors.

Mr BRIDGES: It is tradition.

COMMITTEE: It is a tradition of poor reporting!<sup>141</sup>

The Committee sought the response of both the Department of Local Government and the Local Government and Shires Associations to this criticism of Local Government reporting. In its response the Department of Local Government agreed that the standard of reporting by Local Government in the past had generally been poor. However, it was pointed out that the reports to be produced for the 1994-95 financial year would be the first covering an entire year of operations under the provisions of the new *Local Government Act*. It was said that the reporting provisions contained in the new legislation were framed so as to address some of the deficiencies which had been evident in Local Government annual reports. The Department provided the Committee with a copy of a circular it had issued to councils which provided advice about reporting requirements and guidance as to how criteria should be addressed in reports. The Department also indicated that, in a further effort to improve the quality of Local Government reporting, it would be happy to promote the Annual Report Awards in its publications to councils.<sup>142</sup>

## **Findings and Recommendations**

A number of issues have arisen during the course of the Committee's inquiry which were not of central concern to the PAC and on which the PAC has not taken enough evidence to be in a position to reach any definite conclusions. However, the PAC recognises that each of these issues are significant and should be the subject of further inquiry.

**The opportunities for reporting electronically/by Internet should be initially investigated by the Treasury and Department of Public Works and Services.**

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<sup>141</sup> *Evidence*, 22 August 1995, pp. 18-19

<sup>142</sup> Letter from Director-General, Department of Local Government, 28 September 1995

**The annual reporting and budget processes need to be properly integrated. Members of Parliament must have access to up-to-date information about the performance of agencies during the Estimates Committee process.**

**The PAC is concerned that there are a number of agencies which have important roles and functions but which are not required to produce annual reports. The PAC recommends that the Treasury undertake an investigation to identify all tribunals and other agencies which are not required to produce annual reports. The Treasury should present the findings of this investigation to both the PAC and PBRC. The Treasury should develop reporting requirements for these tribunals and agencies. These reporting requirements should be presented to both the PAC and PBRC for comment.**

The PAC commends the recent work of the Department of Local Government in monitoring compliance with the reporting requirements in the new Local Government Act and providing guidance to councils about how to address reporting requirements. **The PAC recommends that, in a further effort to encourage better reporting by councils, the Department of Local Government promote the Annual Report Awards and encourage councils to enter the awards.**



# **APPENDICES**

## **APPENDIX ONE**

Checklist of Annual Reporting Requirements reproduced from NSW Treasury, *Excellence in Financial Management: annual Reports - A Guide for the NSW Public Sector* March 1994, pages 24-32

# ***I. CHECKLIST OF ANNUAL REPORTING REQUIREMENTS***

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The annual reporting legislation specifically requires the following information to be included in the annual reports of departments and statutory bodies.

	<b>Statutory Bodies</b>	<b>Departments</b>
	Reference*	Reference*
<b>BUDGETS</b>		
<ul style="list-style-type: none"> <li>● detailed budget for the year reported on</li> </ul>	s7(1)(a)(iii) ARSBA	
<ul style="list-style-type: none"> <li>● outline budget for next year</li> </ul>	s7(1)(a)(iii) ARSBA	
<ul style="list-style-type: none"> <li>● particulars of material adjustments to detailed budget for the year reported on</li> </ul>	c3(a)&(b) ARSBR	
<b>REPORT OF OPERATIONS</b>		
<b>Nature of Report of Operations</b>	s7(1)(a)(iv) ARSBA	s9(1)(c) ARDA
<b>Charter</b>	s9 ARSBA	s11 ARDA
<ul style="list-style-type: none"> <li>● manner of establishment &amp; purpose of organisation</li> <li>● principal legislation administered/ operating under</li> </ul>	s9(1)(a) ARSBA/ c4(1)(a) ARSBR	s11(1)(a) ARDA/ c3(a) ARDR
<b>Aims &amp; Objectives</b>	s9(1)(b) ARSBA/ c4(1)(b) ARSBR	s11(1)(b) ARDA/ c3(b) ARDR
<ul style="list-style-type: none"> <li>● objectives of the organisation</li> <li>● range of services provided</li> <li>● clientele/community served</li> </ul>		
<b>Access</b>	s9(1)(c) ARSBA/ c4(1)(c) ARSBR	s11(1)(c) ARDA/ c3(c) ARDR
<ul style="list-style-type: none"> <li>● address of principal office/s</li> <li>● telephone number of principal office/s</li> <li>● business &amp; service hours</li> </ul>		

	<b>Statutory Bodies</b>	<b>Departments</b>
<b>Management &amp; Structure</b>	s9(1)(d) ARSBA/ c4(1)(d) ARSBR	s11(1)(d) ARDA/ c3(d) ARDR
• names & qualifications of board members	c4(1)(d)(i) ARSBR	
• method & term of appointment of board members	c4(1)(d)(i) ARSBR	
• frequency of meetings & members' attendance at meetings	c4(1)(d)(i) ARSBR	
• names & positions of officers as members of significant statutory bodies & significant inter-departmental committees		c3(d)(i) ARDR
• significant committees of the body or department & names of committee members	c4(1)(d)(i) ARSBR	c3(d)(i) ARDR
• titles & names of senior/principal officers & their qualifications	c4(1)(d)(i) ARSBR	c3(d)(i) ARDR
• organisation chart indicating functional responsibilities	c4(1)(d)(ii) ARSBR	c3(d)(ii) ARDR
• details of significant committees established/abolished	c4(1)(d)(ia) ARSBR	c3(d)(iii) ARDR
<b>Summary Review of Operations</b>	s9(1)(e) ARSBA/ c4(1)(e) ARSBR	s11(1)(e) ARDA/ c3(e) ARDR
• narrative summary of significant operations	c4(1)(e)(i) ARSBR	c3(e)(i) ARDR
• program/operation information	c4(1)(e)(ii) ARSBR	c3(e)(ii) ARDR
• monetary amount of recreation leave & long service leave entitlements		c3(e)(iii) ARDR
<b>Funds Granted to Non-Government Community Organisations</b>		
• name of recipient	c4(1)(e1)(i) ARSBR	c3(e1)(i) ARDR
• amount	c4(1)(e1)(ii) ARSBR	c3(e1)(ii) ARDR
• program area as per Budget paper	c4(1)(e1)(iii) ARSBR	c3(e1)(iii) ARDR
• program as per Budget paper	c4(1)(e1)(iv) ARSBR	c3(e1)(iv) ARDR
• additional details as prescribed i.e. nature & purpose of the project	c4(1)(e1)(v) ARSBR PM 91-34	c3(e1)(v) ARDR PM 91-34

	<b>Statutory Bodies</b>	<b>Departments</b>
<b>Legal Change</b>	s9(1)(f) ARSBA/ c4(1)(f) ARSBR	s11(1)(f) ARDA/ c3(f) ARDR
<ul style="list-style-type: none"> <li>• changes in Acts &amp; subordinate legislation</li> <li>• significant judicial decisions</li> </ul>		
<b>Economic/Other Factors Affecting Achievement of Operational Objectives</b>	c4(1)(g) ARSBR	c3(g) ARDR
<b>Management &amp; Activities</b>		
<ul style="list-style-type: none"> <li>• nature &amp; range of activities</li> <li>• measures &amp; indicators of performance</li> <li>• internal &amp; external performance reviews conducted</li> <li>• benefits from management &amp; strategy reviews</li> <li>• management improvement plans &amp; achievements</li> <li>• major problems &amp; issues</li> <li>• major works in progress, cost to date, estimated dates of completion &amp; cost overruns</li> <li>• reasons for significant delays etc. to major works or programs</li> </ul>	c4(1)(h)(i) ARSBR c4(1)(h)(ia) ARSBR c4(1)(h)(ib) ARSBR c4(1)(h)(ic) ARSBR c4(1)(h)(id) ARSBR c4(1)(h)(ii) ARSBR c4(1)(h)(iii) ARSBR c4(1)(h)(iv) ARSBR	c3(h)(i) ARDR c3(h)(ii) ARDR c3(h)(iii) ARDR c3(h)(iv) ARDR c3(h)(v) ARDR c3(h)(vi) ARDR c3(h)(vii) ARDR c3(h)(viii) ARDR
<b>Research &amp; Development</b>	c4(1)(i) ARSBR	c3(i) ARDR
<ul style="list-style-type: none"> <li>• completed research including resources allocated</li> <li>• continuing research including resources allocated</li> <li>• developmental activities including resources allocated</li> </ul>		
<b>Human Resources</b>		
<ul style="list-style-type: none"> <li>• number of employees by category &amp; comparison to prior three years</li> <li>• exceptional movements in employee wages, salaries or allowances</li> <li>• personnel policies &amp; practices</li> </ul>	c4(1)(j)(i) ARSBR c4(1)(j)(ii) ARSBR c4(1)(j)(iii) ARSBR	c3(j)(i) ARDR c3(j)(ii) ARDR c3(j)(iii) ARDR

	<b>Statutory Bodies</b>	<b>Departments</b>
<b>Human Resources (cont.)</b>		
<ul style="list-style-type: none"> <li>industrial relations policies &amp; practices</li> </ul>	c4(1)(j)(iv) ARSBR	c3(j)(iv) ARDR
<ul style="list-style-type: none"> <li>overseas visits with the main purposes highlighted</li> </ul>		c3(j)(vi) ARDR
<b>Consultants</b>		
<ul style="list-style-type: none"> <li>for each engagement costing greater than \$30,000 <ul style="list-style-type: none"> <li>- name of consultant</li> <li>- title of project</li> <li>- actual cost</li> </ul> </li> </ul>	c4(1)(j1)(i) ARSBR	c3(j1)(i) ARDR
<ul style="list-style-type: none"> <li>for engagements costing less than \$30,000 <ul style="list-style-type: none"> <li>- total number of engagements</li> <li>- total cost</li> </ul> </li> </ul>	c4(1)(j1)(ii) ARSBR	c3(j1)(ii) ARDR
<ul style="list-style-type: none"> <li>if applicable, a statement that no consultants were engaged</li> </ul>	c4(1)(j1)(iii) ARSBR	c3(j1)(iii) ARDR
<b>Equal Employment Opportunity</b>		
<ul style="list-style-type: none"> <li>achievements &amp; strategies</li> </ul>	c4(1)(j2)(i) ARSBR	c3(j2)(i) ARDR
<ul style="list-style-type: none"> <li>statistical information as prescribed by the Treasurer</li> </ul>	c4(1)(j2)(ii) ARSBR TC G1991/18	c3(j2)(ii) ARDR TC G1991/18
<b>Land Disposal</b>		
<ul style="list-style-type: none"> <li>properties disposed of during the year <ul style="list-style-type: none"> <li>- total number</li> <li>- total value</li> </ul> </li> </ul>	c4(1)(j3)(i) ARSBR	c3(j3)(i) ARDR
<ul style="list-style-type: none"> <li>if value greater than \$5,000,000 &amp; not by public auction or tender <ul style="list-style-type: none"> <li>- list of properties</li> <li>- for each case, name of person who acquired the property &amp; proceeds from the disposal</li> </ul> </li> </ul>	c4(1)(j3)(ii) ARSBR	c3(j3)(ii) ARDR
<ul style="list-style-type: none"> <li>details of family or business connections between the purchaser &amp; the person responsible for approving the disposal</li> </ul>	c4(1)(j3)(iii) ARSBR	c3(j3)(iii) ARDR
<ul style="list-style-type: none"> <li>statement giving reasons for the disposal</li> </ul>	c4(1)(j3)(iv) ARSBR	c3(j3)(iv) ARDR
<ul style="list-style-type: none"> <li>purpose/s for which proceeds were used</li> </ul>	c4(1)(j3)(v) ARSBR	c3(j3)(v) ARDR
<ul style="list-style-type: none"> <li>statement indicating that access to the documents relating to the disposal can be obtained under the Freedom of Information Act</li> </ul>	c4(1)(j3)(vi) ARSBR	c3(j3)(vi) ARDR

	<b>Statutory Bodies</b>	<b>Departments</b>
<b>Promotion</b>		
<ul style="list-style-type: none"> <li>publications/other information available indicating those published during the year</li> </ul>	c4(1)(k)(i) ARSBR	c3(k) ARDR
<ul style="list-style-type: none"> <li>overseas visits with the main purposes highlighted</li> </ul>	c4(1)(k)(ii) ARSBR	
<b>Consumer Response</b>		
	c4(1)(l) ARSBR	c3(l) ARDR
<ul style="list-style-type: none"> <li>extent &amp; main features of complaints</li> <li>services improved/changed in response to complaints/suggestions</li> </ul>		
<b>Guarantee of Service</b>		
	c4(1)(m) ARSBR	c3(m) ARDR
<ul style="list-style-type: none"> <li>standard for provision of services</li> <li>comment on any variances or changes made to standard</li> </ul>		
<b>Late Payment of Accounts</b>		
	c4(1)(m1) ARSBR	c3(n) ARDR
<ul style="list-style-type: none"> <li>reasons for late payments</li> <li>interest paid due to late payments</li> </ul>		
<b>Payment of Accounts</b>		
	c4(1)(m2) ARSBR TC G1992/12	c3(o) ARDR TC G1992/12
<ul style="list-style-type: none"> <li>performance indicators for 1991/92, 1992/93 &amp; 1993/94 as per Treasury Circular</li> <li>details of action taken to improve performance</li> </ul>		
<b>Report on Risk Management &amp; Insurance Activities</b>		
	c4(1)(n) ARSBR	c3(p) ARDR
<b>Disclosure of Controlled Entities</b>		
	c4(1)(o) ARSBR PM 91-2	c3(q) ARDR PM 91-2
<ul style="list-style-type: none"> <li>names of controlled entities</li> <li>details of objectives, operations &amp; activities of controlled entities</li> <li>measures of performance</li> </ul>		
<b>Investment Management Performance</b>		
	c4A ARSBR TC G1991/5	

	<b>Statutory Bodies</b>	<b>Departments</b>
<b>Liability Management Performance</b>	c4B ARSBR TC G1991/5	
<b>Chief and Senior Executive Officers</b>	c4C ARSBR PM 92/4	c3A ARDR PM 92/4
<ul style="list-style-type: none"> <li>total number of executive positions at each level for current &amp; prior reporting years</li> </ul>	c4C(1)(a) ARSBR	c3A(1)(a) ARDR
<ul style="list-style-type: none"> <li>number of female executive officers for current &amp; prior reporting years</li> </ul>	c4C(1)(b) ARSBR	c3A(1)(b) ARDR
<ul style="list-style-type: none"> <li>for each executive officer of or above level 5: <ul style="list-style-type: none"> <li>- name, position &amp; level</li> <li>- period in position</li> <li>- statement of performance</li> </ul> </li> </ul>	c4C(1)(c) ARSBR PM 92/4 c4C(2) ARSBR	c3A(1)(c) ARDR PM 92/4 c3A(2) ARDR
<ul style="list-style-type: none"> <li>information on Chief Executive Officer not holding an executive position</li> </ul>	c4C(3) ARSBR	c3A(3) ARDR
<b>Major Assets</b>		
<ul style="list-style-type: none"> <li>list of assets (other than landholdings) &amp; highlighting major acquisitions during the year</li> </ul>		c4(a) ARDR
<b>Code of Conduct</b>	c5(2) ARSBR	c4(c) ARDR
<ul style="list-style-type: none"> <li>inclusion of details of amendments</li> <li>inclusion of replacement code</li> </ul>		
<b>Unaudited Financial Information Distinguished</b>	c3B ARSBR	c2A ARDR
<b>Identification of Audited Financial Information</b>	c3C ARSBR	c2B ARDR
<b>Inclusion of Financial Statements as part of Annual Report</b>	s7(1)(a)(i) ARSBA	s9(1)(a) ARDA
<b>Inclusion of Financial Statements of Controlled Entities</b>	s7(1)(a)(ia) ARSBA	
<b>Financial Statement Format</b>	s41B(1) PF&AA	s45E(1) PF&AA
<b>Audit Opinion</b>	s7(1)(a)(ii) ARSBA	s9(1)(b) ARDA



	<b>Statutory Bodies</b>	<b>Departments</b>
<b>After Balance Date Events Having a Significant Effect in the Succeeding Year on:</b>		
• financial operations	c5(1)(a) ARSBR	c4(e) ARDR
• other operations	c5(1)(b) ARSBR	c4(e) ARDR
• clientele/community served	c5(1)(c) ARSBR	c4(e) ARDR
 <b>OTHER PRESCRIBED REQUIREMENTS</b>		
<b>Particulars of Extensions of Time Granted for:</b>		
• preparation & submission of annual report/financial statements	s13(5) ARSBA	s16(5) ARDA
<b>Disclosure of Approved Exemptions including Reasons (NB. under Separate Headings)</b>	c9(4) ARSBR	c8(4) ARDR
<b>Response to Matters Raised by Auditor-General in Outgoing Audit Reports</b>	s7(1)(a)(iia) ARSBA	s9(1)(b1) ARDA
<b>Letter of Submission to Minister stating:</b>	s9A ARSBA	s11A ARDA
• report submitted to Minister for presentation to Parliament	s9A(a) ARSBA	s11A(a) ARDA
• provisions under which report is prepared	s9A(b) ARSBA	s11A(b) ARDA
• if applicable, length of lateness in submitting report and reasons	s9A(c) ARSBA	s11A(c) ARDA
• if no application for extension of time, reasons for lateness and no application	s9A (d) ARSBA	s11A(d) ARDA
(Letter to be signed by two board members or Department Head)	s9A(e) ARSBA	s11A(e) ARDA
<b>Submission of Annual Report to Minister &amp; Treasurer</b> (not later than <u>four</u> months after year end)	s10 ARSBA	s12 ARDA
<b>Submission of Annual Report to Parliament</b> (within <u>one</u> month after receipt by Minister)	s11(1) ARSBA	s13(1) ARDA
• if late, statement by Minister	s11(1A) ARSBA	s13(1A) ARDA

	<b>Statutory Bodies</b>	<b>Departments</b>
<b>Form of Annual Reports</b>		
• material information reported	c6(1)(a) ARSBR	c5(1)(a) ARDR
• index & table of contents	c6(2) ARSBR	c5(2) ARDR
• logical sequence	c6(1)(c) ARSBR	c5(1)(c) ARDR
• appropriate layout	c6(1)(d) ARSBR	c5(1)(d) ARDR
• legibility	c6(1)(e) ARSBR	c5(1)(e) ARDR
• appropriate captions for charts, diagrams, etc.	c6(1)(f) ARSBR	c5(1)(f) ARDR
<b>Size - ISO A4</b>	c7(1)(a) ARSBR	c6(1)(a) ARDR
<b>Printing Requirements</b>		
• total number of copies of annual report printed	c5(2) ARSBR	c4(f) ARDR
• average cost per copy printed	c5(2) ARSBR	c4(f) ARDR
• computer readable form (for Parliament)	c7(3) ARSBR	c6(3) ARDR
<b>Inclusion of Other Reports &amp; Information</b>		
• report to Parliament on administration of Freedom of Information Act	s5A(2) ARSBA/ s68 FOIA	s6(2) ARDA/ s68 FOIA
• implementation of Price Determinations	s18(4) GPTA	s18(4) GPTA
• performance of recycling activities	MR 27/3/1990	MR 27/3/1990
• listing requirements for all NSW Government publications	PM 91-27	PM 91-27
• program evaluation results	PM 91-3	PM 91-3
• implementation of recommendations of Royal Commission into Aboriginal Deaths in Custody	PL5/8/1992	PL5/8/1992

**Key**

- ARDA - Annual Reports (Departments) Act 1985
- ARDR - Annual Reports (Departments) Regulation 1986
- ARSBA - Annual Reports (Statutory Bodies) Act 1984
- ARSBR - Annual Reports (Statutory Bodies) Regulation 1985
- FOIA - Freedom of Information Act 1989
- GPTA - Government Pricing Tribunal Act 1992
- MR - Joint Media Release by the Premier, the Minister for Administrative Services and the Minister for the Environment dated 27 March 1990
- PF&AA - Public Finance & Audit Act 1983
- PL - Premier's Letter dated 5 August 1992
- PM - Premier's Memorandum
- TC - Treasury Circular
- TD - Treasurer's Directions
- TM - Treasurer's Memorandum

## **APPENDIX TWO**

### **SUBMISSIONS AND EXHIBITS**

<b>NO</b>	<b>DATE RECE'D</b>	<b>NAME, POSITION</b>	<b>ORGANISATION</b>
S 1	20.6.95	Bruce Smith	GPO Box 2143 Sydney 2001
S 2	20.6.95	Professor Ray Anderson	Department of Accountancy and Law Faculty of Business PO Box 14428 MMC Melbourne 3000 Ph: 03 688 4641 Fx: 03 688 4901
S3	27.6.95	T. W. Jones, General Manager	Darling Harbour Authority Ph: 286 0100 Fx: 286 0199
S4	20.7.95	G. E. Maslen, Chief Executive	NSW Rural Assistance Authority Ph: 248 6900 Fx: 248 6998
S5	20.7.95	D G Croft Chief Executive	TransGrid Ph: 284 3000 Fx: 284 3456
S6	25.7.95	A. Harris, Auditor-General	Audit Office of NSW Ph: 285 0155 Fx: 285 0100
S7	28.7.95	N.R. Benjamin, Secretary	Meat Industry Authority Ph: 412 3311 Fx: 411 4597

S8	28.7.95	Ken Barker, General Manager, Finance and Assets Management	NSW Health Department Ph: 391 9000 Fx: 391 9101
S9	31.7.95	Doug Chapman	Sutherland Shire Council Ph: 710 0367 Fx: 710 0265
S10	31.7.95	Fiona Carrick Public Relations Officer	Department of Energy Ph: 901 8888 Fx: 901 8600
S11	31.7.95	Ian A Coffey Managing Director	Sydney Market Authority Ph: 325 6299 Fx: 325 6300
S12	31.7.95	Garry Payne Director General	Department of Local Government & Co- operatives Ph: 793 0793 Fx: 793 0799
S13	31.7.95	Max Moore- Wilton Chief Executive	RTA Ph: 218 6888
S14	2.8.95	Col Gellatly Director-General	Department of Conservation and Land Management Ph: 228 6168 Fx: 228 6168
S15	2.8.95	W. Middleton Chief Executive Officer	Internal Audit Bureau (IAB) Ph: 261 1090 Fx 267 9325
S16	2.8.95	Dr James Guthrie Associate Professor in Management	Macquarie University Graduate School of Management Ph: 850 9016 Fx: 850 9019
S17	2.8.95	W M Gole Chief Executive	NSW Financial Institutions Commission (FINCOM) Ph: 247 2100 Fx: 247 6767
S18	2.8.95	The Hon. B S J O'Keefe AMQC Commissioner	ICAC

S19	2.8.95	The Hon. C Scully MP	Minister for Small business and Regional Development Minister for Ports Assistant Minister for State Development Assistant Minister for Energy Ph: 228 4455 Fx: 228 4633
S20	2.8.95	R. D. Christie Director-General	Department of Public Works and Services Ph: 372 8700 Fx: 372 8722
S21	3.8.95	Morris Iemma MP	Parliamentary Secretary Ph: 266 8418 Fx: 266 8669
S22	2.8.95	The Hon. J. Aquilina MP	Minister for Education and Training Ph: 561 8100 Fx: 561 8185
S23	3.8.95	The Hon. Paul Whelan MP	Minister for Police Ph: 380 0500 Fx: 380 0555
S24	4.8.95	N. R. Smethurst Commissioner	Department of Corrective Services Ph: 289 1333 Fx: 289 1010
S26	7.8.95	The Hon. Gabrielle Harrison MP	Minister for Sport and Recreation
S27	7.8.95	H. Drielsma Managing Director	State Forests of NSW Ph: 980 4350 Fx: 484 3976
S28	8.8.95	J. Good General Secretary	Public Service Association of NSW Ph: 290 1555 Fx: 262 1623

S29	8.8.95	The Hon Graig Knowles MP	Minister for Urban Affairs and Planning Minister for Housing Ph: 228 4499 Fx: 228 3716
S30	10.8.95	R. M. Bunyon Chief Executive	Pacific Power Ph: 268 8602 Fx: 268 8612
S31	11.8.95	Mary Christopher Secretary	Police Board of NSW Ph: 339 0699 Fx: 339 5829
S32	18.8.95	Neil Shepherd Director-General	Environment Protection Authority Ph: 795 5000 Fx: 325 5678
S33	23.8.95	Bruce Buchanan Executive Director	Office of State Revenue Ph: 689 6232 Fx: 689 6464
S34	24.8.95	Alex Walker Chief Executive	Prospect Electricity Ph: 131 003 Fx: 672 6000
S35	24.8.95	Michael Mobbs Environmental law and policy consultant	Ph: 310 2930 Fx: 310 1893
S36	30.8.95	J. Richard Face MP	Minister for Gaming and Racing Ph: 237 2555 Fx: 237 2500
S37	7.9.95	M. Lambert, Secretary	Treasury Ph: 221 7029 Fx: 228 4567

S38      22.9.95      Carl Scully MP      Minister for Small  
business and Regional  
Development  
Minister for Ports  
Assistant Minister for  
State Development  
Assistance Minister for  
Energy  
Ph:228 4455  
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Late submission: Peter Wilmshurst, Lecturer, School of Law, Macquarie University  
21 November 1995

## **EXHIBITS**

- 22.8.95      TONY HARRIS, NSW AUDITOR-GENERAL
1.      List of agencies' annual reports reviewed for 1993-94
- GWENDA HAPP, PUBLIC SERVICE ASSOCIATION
2.      Answers to questions proposed by the Committee
- 28.8.95      A. BOLLARD & S NORTH, DEPARTMENT OF CONSERVATION &  
LAND MANAGEMENT
3.      Corporate vision 1995-2005
  4.      Program Statements 1995
- R.SEN, COUNCIL ON THE COST OF GOVERNMENT
5.      Program Statements 1995 participating agencies
  6.      Program Statements Project-the COOEE Model
  7.      Examples of program statements
- J SMYRIK, SIGMA MANAGEMENT SCIENCE PTY LTD
8.      Performance indicators for state agencies



## **APPENDIX THREE**

### **WITNESSES**

JOHN TALBOT HORDER, Manager, Corporate Services, WorkCover Authority of New South Wales

ALAN BRIDGES, Public Accountant

MICHAEL THOMAS MOBBS, environmental law and policy consultant

MONG THUY MELLOR, Executive Director, Accounting and Financial Policy, New South Wales

JOHN RONALD CHAN-SEW, Senior Director, Policy Development, Accounting and Finance Division, New South Wales Treasury

ANTHONY CLEMENT HARRIS, Auditor-General

TERRENCE PATRICK HOGAN, Audit Manager

JAMES REGINALD MITCHELL, Deputy Auditor-General

JAMES GUTHRIE, Associate Professor in Management, Macquarie University Graduate School of Management and Director, Sector Research Pty Ltd

LOUISE ANDERSON, Women's Industrial Officer, Public Service Association of New South Wales

GWENDA HAPP, Industrial Officer, Public Service Association of New South Wales

ANGELA BOLLARD, Acting Director, Strategic Management and Review, Department of Land and Water Conservation

SUSAN MARGARET NORTH, Senior Media and Publishing Officer, Department of Land and Water Conservation

ROBIN SEN, Consultant, Office of the Council on the Cost of Government

JOHN ROWLAND SMYRK, Principal, Sigma Management Science Proprietary Limited

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