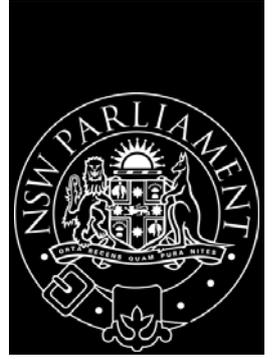


LEGISLATIVE ASSEMBLY



Public Accounts Committee

ANNUAL REVIEW 2006-07

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Membership & Staff

Committee of the 54th Parliament (appointed 21 June 2007)

Chair	Paul McLeay, Member for Heathcote
Vice-Chair	Jodi McKay, Member for Newcastle
Members	Ninos Khoshaba, Member for Smithfield
	Robert Oakeshott, Member for Port Macquarie
	Anthony Roberts, Member for Lane Cove
	John Turner MP, Member for Myall Lakes

Staff	Russell Keith, Committee Manager
	Bjarne Nordin, Senior Committee Officer
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	Alexis Steffen, Committee Officer
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Committee of the 53rd Parliament (until 2 March 2007)

Chair	Noreen Hay MP, Member for Wollongong
Vice-Chair	Steve Whan MP, Member for Monaro
Members	Greg Aplin MP, Member for Albury
	Kristina Keneally MP, Member for Heffron
	Richard Torbay MP, Member for Northern Tablelands
	John Turner MP, Member for Myall Lakes

Staff	Vicki Buchbach, Committee Manager
	Jackie Ohlin, Senior Committee Officer
	Simon Kennedy, Committee Officer
	Mohini Mehta, Assistant Committee Officer

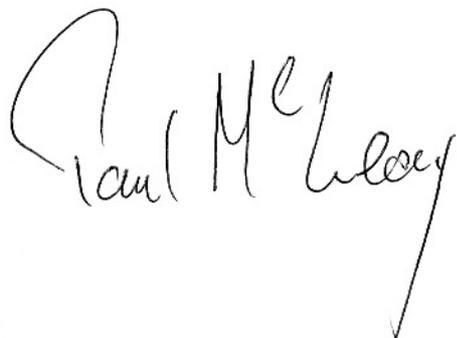
Chair's Foreword

I am pleased to present to the Parliament the Annual Review of the Public Accounts Committee for 2006-07.

This Annual Review substantially covers the work of the Public Accounts Committee of the 53rd Parliament. That committee was chaired by Ms Noreen Hay, MP until the expiry of the Parliament on 2 May 2007. The Committee for the 54th Parliament was appointed at the end of the review period on 21 June 2007.

During the review period, the former committee completed inquiries into Managing Animal and Plant Diseases and the Home and Community Care Program. It also tabled a Review of the Audit Office under section 48A of the *Public Finance and Audit Act 1983* and considered and accepted the Treasurer's nominee for Auditor-General, Mr Peter Achterstraat.

I would like to commend the work of the Committee and its membership in the 53rd Parliament and its valuable contribution to public sector governance. The Committee's reports and recommendations in 2006-07 continue a long tradition of constructive and bipartisan cooperation in scrutinising Government expenditure and this tradition is strongly endorsed by the newly established Committee in the current Parliament.

A handwritten signature in black ink that reads "Paul McLeay". The signature is written in a cursive style with a long, thin tail on the letter 'y'.

Paul McLeay MP
Chair

Chapter One – Functions of the Committee

- 1.1 The Public Accounts Committee has responsibilities under Part 4 of the *Public Finance and Audit Act 1983* to inquire into and report on activities of Government included in the Total State Sector Accounts and the accounts of the State's authorities.
- 1.2 The Committee, which was first established in 1902, scrutinises the actions of the Executive Branch of Government on behalf of the Legislative Assembly.
- 1.3 The Committee recommends improvements to the efficiency and effectiveness of government activities. A key part of the Committee's work is following up aspects of the Auditor-General's reports to Parliament. The Committee may also receive referrals from Ministers to undertake inquiries. Evidence is gathered primarily through public hearings and submissions.
- 1.4 The Committee consists of six members appointed from the Legislative Assembly.

General Functions

- 1.5 Section 57(1) of the *Public Finance and Audit Act 1983* (the Act) sets out the Committee's general functions. These functions are replicated for State owned corporations under section 28 of the *State Owned Corporations Act 1989*. The Committee's main functions are:
 - (1) To examine the Total State Sector Accounts transmitted to the Legislative Assembly by the Treasurer;
 - (2) To examine the accounts of authorities of the State, being accounts that have been audited by the Auditor-General or an auditor appointed under section 47(1) of the Act, or laid before the Legislative Assembly by a Minister of the Crown;
 - (3) To examine the opinion or any report of the Auditor-General transmitted with the Total State Sector Accounts or laid before the Legislative Assembly with the accounts of an authority of the State (including any documents annexed or appended to any such opinion or report);
 - (4) To examine any report of the Auditor-General laid before the Legislative Assembly; and
 - (5) To inquire into expenditure by a Minister of the Crown made without Parliamentary sanction which the Committee considers ought to be brought to the notice of the Legislative Assembly.
- 1.6 The Committee is able to report to the Legislative Assembly from time to time upon any of these issues as well as on any alteration which the Committee thinks desirable in the form of accounts or in the method of keeping them or in the method of receipt, expenditure or control of money relating to those accounts,
- 1.7 The Act enables the Committee to investigate any question in connection with those accounts that is referred to it by the Legislative Assembly, a Minister of the Crown or the Auditor-General.

Statutory Bodies

- 1.8 The Act also makes specific provision in relation to statutory bodies. These largely relate to the Treasurer making references to the Committee and requiring the Committee's comment on amendments to provisions relating to statutory bodies and the form of their financial statements.

Limits on Committee powers

- 1.9 The Act prevents the Committee from examining any matter of Government policy unless the Legislative Assembly or a Minister of the Crown specifically refers an issue to the Committee.
- 1.10 The functions of the Committee do not extend to an examination of, inquiry into or report upon the estimates of any proposed expenditure by the State or by an authority of the State.

Appointment of the Auditor-General

- 1.11 The Committee can veto any proposed appointment to the position of Auditor-General. It is not involved in selecting potential appointees, unlike equivalent Committees in some jurisdictions. The Treasurer is required to refer a proposal to appoint a person as Auditor-General to the Committee for its consideration. The Committee has 14 days in which to exercise this power of veto or up to a further 30 days if it provides notice that it requires more time to consider the matter.

Annual Reports

- 1.12 In recognition of the Committee's role to promote accountability, the legislation confers upon the Committee formal responsibility regarding annual reports for departments and statutory bodies. The Treasurer can refer to the Committee any matter relating to annual reports for examination. Any proposal to amend the relevant legislation and regulations must be referred to the Committee for investigation and report.

Review of the Auditor-General's Office

- 1.13 The Committee has statutory responsibility for managing a review of the Audit Office of New South Wales at least once every three years. The Act provides that the review examines the Audit Office's level of compliance with its auditing practices and standards.
- 1.14 The Committee appoints the reviewer and determines the terms and conditions under which the review will be conducted. While the reviewer is independent of the Committee and reports to the Auditor-General about the outcome of the review, the reviewer must comply with the Committee's directions. The reviewer's report is not public until tabled by the Committee in the Legislative Assembly.

Chapter Two – Highlights 2006-07

- 2.1 The Committee of the 53rd Parliament completed its program of inquiries before it expired on 2 March 2007, prior to the State election held on 24 March 2007. The Committee of the 54th Parliament was appointed on 21 June 2007.

REPORTS

- 2.2 Four Committee reports were tabled in 2006-07. Two of these reports related to inquiries:
- *Managing Animal and Plant Diseases* (November 2006); and
 - *Inquiry into the Home and Community Care Program* (January 2007).
- 2.3 In August 2006, the Committee tabled a *Review of the Audit Office under Section 48A of the Public Finance and Audit Act 1983* which was prepared by an independent reviewer. It also tabled its *Annual Review 2005-2006* in November 2006.
- 2.4 These reports are available on the Committee's website and are described in detail in Chapter Three.

MEETINGS AND HEARINGS

- 2.5 In the 53rd Parliament the Committee held 11 meetings, including five hearings at which 31 witnesses appeared.
- 2.6 Two meetings were held following the appointment of the Committee in the 54th Parliament.

OTHER ACTIVITIES

Audit Office Briefing Sessions

- 2.7 The Committee convened briefings by the Auditor-General following the tabling of Audit Office reports in the Legislative Assembly, on occasions when tabling occurred on a sitting day. The briefings were attended by interested Members of Parliament and allowed them to discuss the details of the reports with the Auditor-General and seek clarification of issues.
- 2.8 Five briefing sessions were held in 2006-07.

Appointment of Auditor-General

- 2.9 Under the *Public Finance and Audit Act 1983*, the Committee has power to veto the appointment of the Government's proposed candidate for the position of Auditor-General. Mr Bob Sendt's seven-year term as Auditor-General expired on 6 September 2006.
- 2.10 The Government nominated Mr Peter Achterstraat, then Chief Executive of the Office of State Revenue, for appointment to the position of Auditor-General. After meeting with the candidate, the Committee resolved not to exercise its power of veto, allowing Mr Achterstraat's appointment as Auditor-General on 25 September 2006.

Farewell to former Auditor-General

- 2.11 On 4 September 2006, the Committee hosted a farewell function at Parliament House for the retiring Auditor-General, Mr Bob Sendt. This was attended by a large group of parliamentarians, senior public servants, academics, past Auditors-General and key figures from the auditing and accounting professions. The keynote address was provided by journalist Mr Quentin Dempster and focussed on Mr Sendt's significant contribution during his seven-year term.

Annual Reporting Awards

- 2.12 In 2007, the second Public Sector Annual Reporting Awards were held to recognise excellence in agency reporting. Thirty-one departments and statutory authorities entered the awards, which were administered jointly by the Public Accounts Committee and the Public Bodies Review Committee. Annual reports were assessed against a comprehensive set of criteria by a culling committee and a judging committee.
- 2.13 The awards will be officially presented at the Premier's Public Sector Awards in November 2007. It is intended that these awards will be an annual event.

Australasian Council Of Public Accounts Committees

- 2.14 The Australasian Council of Public Accounts Committee (ACPAC) comprises all public accounts committees in Australia, New Zealand, Papua New Guinea and Fiji. It meets annually, with a biennial conference and a mid-term meeting in alternate years. ACPAC conferences provide opportunities for members to learn about committees in other jurisdictions and discuss important developments in public accountability.
- 2.15 The Committee of the 54th Parliament was not yet appointed when the most recent ACPAC conference was held in Canberra from 11 to 14 April 2007. Although no members attended, the Committee Manager represented the NSW Parliament at the Conference.

Visiting Delegations

- 2.16 Whenever possible, members of the Committee meet visiting delegations to explain the Committee's operations and exchange information about parliamentary practices. Secretariat staff members also are available to provide briefings.
- 2.17 On 24 July 2006, Mr Chris Havieta CMP MP, Acting Chair of the Papua New Guinean Public Accounts Committee, met the NSW Committee Chair, Ms Noreen Hay MP. They discussed the general operations of Public Accounts Committees throughout Australia, with specific reference to the processes of the NSW Committee.
- 2.18 On 21 February 2007, participants in La Trobe University's Workshop on Parliamentary Financial Scrutiny visited Parliament House. This week-long course, partially funded by the World Bank Institute, included committee members, Auditors-General and parliamentary staff from Asian, South Pacific and African nations. A presentation by the Committee Chair, Ms Noreen Hay MP, outlined the history of the NSW Committee and its current work, including a detailed study of processes followed during a recent Committee inquiry.

Restructure of Committee Secretariat

2.19 Following a review in 2006, the Legislative Assembly Committee Office was restructured for the 54th Parliament. This resulted in the secretariat for the Public Accounts Committee gaining the assistance of an additional Research Officer and also taking on responsibility for supporting another Committee (the Joint Standing Committee on Road Safety).

RESPONSES TO REPORTS

2.20 An important aspect of the Committee's work is to monitor the Government's implementation of recommendations made in Committee reports. The Government has facilitated this process by undertaking to respond to the Committee's reports within six months of tabling (see Premier's Memoranda 96-9 and 98-11).

2.21 The table below lists reports tabled in 2006-07 requiring Government response. It also indicates the number of relevant recommendations that were accepted by the Government. Details of the responses will be discussed in the next chapter.

Table 1: Government Responses to Committee Reports

Report No	Title	Date Tabled	Response Due	Response Received	Recs	Recs Agreed
159	Inquiry into Public Private Partnerships	08/06/06	08/12/06	11/12/06	26	26
162	Managing Animal and Plant Diseases	23/11/06	23/05/07	Not received by 30/6/07	22	
163	Inquiry into Home and Community Care Program	12/01/07	12/07/07	Not received by 30/6/07	40	

OUTPUT INDICATORS

53rd Parliament

Meetings	11
Hearings	5
Witnesses	31
Reports	4

54th Parliament

Meetings	2
Hearings	0
Witnesses	0
Reports	0

Chapter Three – Reports and Inquiries

- 3.1 The Committee tabled four reports in 2006-07, including two reports related to inquiries undertaken in the 53rd Parliament, a review of the Audit Office and a summary of Committee activities in 2005-06.

COMPLETED INQUIRIES

Inquiry into Managing Animal and Plant Diseases

- 3.2 On 29 March 2006, the Committee resolved to conduct an inquiry into the management of plant and animal diseases in New South Wales. The inquiry followed up recommendations of two performance audits by the Auditor-General, *Managing Animal Disease Emergencies* (2002) and *Implementing the Ovine Johne's Disease Program* (2003). These reports examined the overall efficiency and effectiveness of the State's biosecurity system.
- 3.3 The agricultural sector is significant to the NSW economy and outbreaks of diseases can be very costly to address, inflict irreparable harm to markets and, on occasions, even affect human health. Governments and industry have roles to play in preventing diseases and pests from spreading and minimising these threats.
- 3.4 The Committee received 15 responses to its call for submissions in April 2006. Public hearings were held at Parliament House on 8 and 9 August 2006. The Committee's Report was tabled on 23 November 2006.
- 3.5 The Committee found that the New South Wales Government had made considerable effort to prepare for emergency disease incursions. However, the Committee also identified gaps in some aspects of training and surveillance activities. For example, the Committee was concerned user charging for some tests could reduce producers' willingness to submit samples.
- 3.6 The report concluded that it was too soon after implementation to comprehensively assess the current Ovine Johne's Disease Program, although it appears more widely accepted than its much criticised predecessor.
- 3.7 The Committee made 22 recommendations to improve the management of animal and plant diseases. The Report stated that the Government should strengthen links with producers, particularly in the pig and poultry industries, and with small, non-professional producers who tended to be less informed about pest and disease risks.
- 3.8 The Government's response to this Report was due in May 2007 but had not been received during the 2006-07 reporting period.

Home and Community Care Program

- 3.9 The Home and Community Care (HACC) program is jointly funded by the Commonwealth and State Governments to provide services to the frail aged, disabled and their carers to help them reside in their own homes rather than be moved to institutions. The program funds 700 services across NSW in the areas of

personal care, food services, respite care, transport, home maintenance and modification, domestic assistance and social support.

- 3.10 On 11 May 2006, the Hon John Della Bosca MLC, the then Minister for Ageing and Disability Services, requested the Committee to consider and report on joint funding and planning arrangements for the HACC Program. The Committee agreed to this request and, on 7 June 2006, adopted terms of reference that incorporated these issues, as well as those raised in the Audit Office's Performance Audit, *Home Care Service*, tabled in October 2004.
- 3.11 In June 2006, the Committee called for submissions through public advertising and by writing to key stakeholders. It received 20 submissions from Government agencies, service providers and consumer organisations. Hearings were held in September and October 2006 and the Committee's report was tabled on 12 January 2007.
- 3.12 The Committee concluded that the HACC program provided valuable service to vulnerable members of our communities, but was confronted by challenges resulting from an ageing population and administrators dealing with community needs and expectations. The Committee recognised that the HACC program must be responsive to these challenges but that it also needs to be prudently managed and accountable for resources.
- 3.13 Regarding the Home Care Service of NSW, the Committee noted that the Department of Ageing, Disability and Home Care (DADHC) and the Home Care Service were subject to significant reforms at the time of the Auditor-General's performance audit, which have continued. However, not all recommendations made by the Auditor-General had been implemented. The Committee recommended that DADHC and the Home Care Service should focus on recommendations made by the Auditor-General and the Committee in order to improve accountability.
- 3.14 The report made 40 recommendations, including a range of measures to streamline funding approvals and improve program efficiency.
- 3.15 A Government response to this Report was due in July 2007.

OTHER REPORTS

Annual Review 2005-2006

- 3.16 This report summarised Committee activities in 2005-06, a period in which the Committee tabled five reports.

Review of the Audit Office

- 3.17 As described in Chapter One, the Committee is required at least once every three years to appoint an independent reviewer to examine the auditing practices and standards of the Auditor-General. The review process was due to be completed in 2006.
- 3.18 The review is conducted in strict secrecy. The Committee has considerable latitude in defining the scope of the review and establishing the terms of reference. From

that point, the Committee has no direct involvement and does not see any findings until the reviewer's final report is forwarded to the Committee for tabling.

- 3.19 The Committee's two priorities were to ensure the review focussed on the most important aspects of the Audit Office's operations and to have the review completed before September 2006, when the term of the previous Auditor-General expired. The Committee conducted a consultation process before developing terms of reference, which were adopted in November 2005.
- 3.20 In January 2006, the Committee called for tenders by public advertisement. Six tenders were received. In March 2006, a partnership between two auditing and accounting firms, Masters Le Mesurier and Pitchers Partners, was appointed to conduct the review. The Committee endorsed the firms' planned approach.
- 3.21 The reviewers examined audit working papers and interviewed Audit Office staff, key NSW officials and staff of Audit Offices in other jurisdictions. They presented their final report to the Auditor-General in late June 2006, which was subsequently published by the Committee in August 2006.
- 3.22 The review's overall finding was that the Audit Office delivers its services in accordance with the applicable professional and legal standards. There were some very minor instances of non-compliance with standards. The review made nine recommendations for improvement, all of which were agreed to by the Auditor-General.
- 3.23 Following the review's completion, the Committee wrote to the Treasurer suggesting amendments to its powers under the Act to simplify processes for future reviews.

Appendix One - Committee Reports

REPORTS FROM THE 53RD AND 54TH PARLIAMENTS (2003-2007)

No	Title	Date	Referred by			Initiated by PAC ¹
			Legislative Assembly	Minister	Auditor-General	
163	Inquiry into Home and Community Care Program	Jan 2007		T		A
162	Managing Animal and Plant Diseases	Nov 2006				A
161	Annual Review 2005-06	Nov 2006				
160	Review of the Audit Office under s48A of the <i>Public Finance and Audit Act 1983</i>	Aug 2006				
159	Inquiry into Public Private Partnerships	June 2006				
158	Sustainability in the NSW Public Sector	Nov 2005				
157	Annual Review 2004-05	Nov 2005				
156	Value for Money from NSW Correctional Centres	Sep 2005				A
155	Risk Management in the NSW Public Sector	Sep 2005				A
154	Review of Operations of Audit Committees	Apr 2005				A
153	Inquiry into the reporting and auditing requirements for small agencies	Dec 2004				
152	Annual Review 2003-04	Nov 2004				
151	Government (Open Market Competition Bill) 2003 and Visits of Inspections	Oct 2004				
150	Inquiry into Academics' Paid Outside Work	Sep 2004				A
149	Inquiry into Infringement Processing Bureau	Sep 2004		T		
148	Review of Fire Services Funding	Sep 2004		T		
147	Annual Review	Jun 2004				
146	Inquiry into NSW Ambulance Service: Readiness to Respond	Jun 2004				A
145	Review of the Audit Office under s48A of the <i>Public Finance and Audit Act 1983</i>	Nov 2003				
144	History of the Committee 1902-2002	Sep 2003				

¹ "A" denotes reports initiated in response to matters raised in an Auditor-General's Report.
"T" denotes referral from the Treasurer

Appendix Two - Meeting Attendance

Committee of the 53rd Parliament

DATE	HAY Chair	WHAN Vice-Chair	APLIN	KENEALLY	TORBAY	TURNER
08/08/2006	✓	✓	✓	✓	✓	✓
09/08/2006	✓	✓	Apology	✓	Apology	✓
30/09/2006	✓	✓	✓	✓	✓	✓
06/09/2006	✓	✓	✓	✓	✓	✓
22/09/2006	✓	✓	Apology	✓	✓	✓
25/09/2006	✓	✓	✓	✓	✓	✓
18/10/2006	✓	✓	✓	✓	Apology	✓
25/10/2006	✓	✓	✓	✓	✓	✓
15/11/2006	✓	✓	✓	✓	✓	✓
22/11/2006	✓	✓	✓	Apology	✓	✓
21/12/2006	✓	✓	Apology	✓	✓	Apology

Committee of the 54th Parliament

DATE	McLEAY Chair	McKAY Vice-Chair	KHOSHABA	OAKESHOTT	ROBERTS	TURNER
21/06/2007	✓	✓	✓	✓	✓	✓
27/6/2007	✓	✓	✓	✓	✓	✓

Appendix Three - Committee Expenses

Members of the Committee receive an allowance for their service directly from the Legislature. The amount is determined by the Parliamentary Remuneration Tribunal under the *Parliamentary Remuneration Act 1989*. The Committee does not contribute to the allowances.

The Chair of the Committee is entitled to a salary of office per annum equivalent to 7% of his/her annual salary and an expense allowance of a further 7% in recognition of the responsibilities of the position. In 2006-07, the Committee members, other than the Chair, received an allowance of \$3,660 per annum in recognition of their responsibilities.