

LEGISLATIVE ASSEMBLY



Public Accounts Committee

ANNUAL REVIEW 2007-08

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Membership & Staff

Chair	Mr Paul McLeay MP, Member for Heathcote
Deputy Chair	Ms Jodi McKay MP, Member for Newcastle (until September 2008)
	The Hon Grant McBride MP, Member for the Entrance (from September, Deputy Chair from October 2008)
Members	Mr Peter Draper MP, Member for Tamworth (from September 2008)
	Mr Ninos Khoshaba MP, Member for Smithfield
	Mr Robert Oakeshott MP, Member for Port Macquarie (until August 2008)
	Mr Anthony Roberts MP, Member for Lane Cove
	Mr John Turner MP, Member for Myall Lakes
Staff	Russell Keith, Committee Manager
	Bjarne Nordin, Senior Committee Officer
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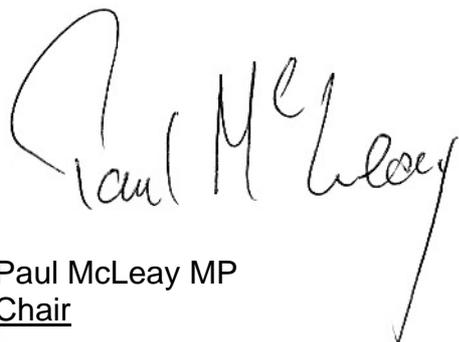
Chair's Foreword

During 2007-08, the Public Accounts Committee commenced a new approach to its examination of the Auditor-General's performance audits. Whereas the Committee once conducted general inquiries into one or two audits each year, the Committee now systematically reviews the responses of relevant government agencies 12 months after every audit. This new system was adopted in September and introduced gradually throughout the year starting from all performance audits tabled after 1 July 2006. Initially the Committee sought only written comments from responsible agencies and the Auditor-General on the response to the audit. For audits tabled since 12 December 2006, the Committee has also invited agencies to public hearings to clarify any questions arising from their submissions. This new approach improves agencies' public accountability for their response to the Auditor-General's recommendations and allows both the recommendations and the responses to be tested in a public forum. During the year, the Committee commenced an examination of the response to ten performance audits.

Another significant undertaking of the Committee over the last year has been its inquiry into State Plan Reporting. The State Plan is part of a significant shift in how public expenditure is managed in New South Wales. Central to that shift is setting explicit priorities and targets and reporting performance in achieving those targets. The Committee has examined the mechanisms for both reporting performance and reviewing the State Plan. At the end of the reporting period, the Committee was developing a range of recommendations to help improve the Government's accountability and responsiveness to the people of New South Wales when implementing and reviewing the Plan.

The year has been spent laying the foundations for the new Committee. In particular, the Committee's time has been spent developing and implementing the fundamental operational changes outlined above. It has also focussed on building relationships with the Auditor-General and other partners, such as CPA Australia (which I thank for its ongoing input), and familiarising itself with key issues in Government financial accountability. We now have the systems and procedures in place to produce a number of reports over the coming year. However, this foundational work, while resulting in significant activity, has not resulted in any substantive reports during the period of this review.

In conducting its work, the Committee has been greatly assisted by the agencies under examination, which have responded professionally to the Committee's requests for information. The Committee is also grateful for the assistance provided by the Auditor-General and his officers. I also thank the Members of the Committee for their diligent and bi-partisan approach to the work of the Committee, which has enabled the Committee to focus on improving the efficiency and effectiveness with which services are delivered to the people of New South Wales. I also thank the Committee's Secretariat for the support it has provided.



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* (the Act) to inquire into and report on the 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 the Legislative Assembly, Ministers, or the Auditor-General to undertake inquiries. Evidence is gathered primarily through submissions and public hearings.
- 1.4 The Committee consists of six members appointed from the Legislative Assembly.

General Functions

- 1.5 Section 57(1) of 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 in promoting 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 2007-08

REPORTS

2.1 In 2007-08, the Committee tabled its *Annual Review 2006-07*.

2.2 The Review is available on the Committee's website.

INQUIRIES COMMENCED

Examination of Performance Audits

2.3 The Committee significantly altered the way in which it follows up the Auditor-General's performance audits. In the past, the Committee conducted a standard, detailed committee inquiry into one or two performance audits each year. In September last year, however, the Committee undertook to examine every performance audit by:

- 12 months after an audit, seeking a submission from the concerned agency on action taken since the audit;
- referring the agency's submission to the Auditor-General for his response;
- holding a hearing with the agency, the Auditor-General and, where appropriate, other concerned parties;
- tabling a report with recommendations;
- debating the report in the Legislative Assembly; and
- receiving a response to the recommendations from the Government within 6 months of tabling the report.

2.4 The Committee introduced this process gradually. It sought information from agencies and comments from the Auditor-General for all audits tabled after 30 June 2006. It proceeded to public hearings for reports tabled after 12 December 2006. By the end of the review period, these audits were still under consideration. During 2007-08, the Committee commenced ten inquiries into performance audits. The subject matter of these inquiries is set out in Chapter Three.

Inquiry into State Plan Reporting

2.5 The Committee began a review into the reporting and review processes under the NSW Government's State Plan. This will be discussed in more detail in Chapter Three.

MEETINGS AND HEARINGS

2.6 Fifteen meetings were held in 2007-08.

2.7 The Committee held public hearings on State Plan Reporting; Attracting, Retaining and Managing Nurses in Hospitals; Distributing Legal Aid in NSW; and Addressing the Needs of Young Offenders. Twenty-five witnesses appeared before the Committee throughout these four hearings.

OTHER ACTIVITIES

Briefing Sessions for Members of Parliament

- 2.8 The Committee convenes briefings by the Auditor-General following the tabling of Audit Office reports in the Legislative Assembly when tabling occurs on a sitting day. Briefings are attended by interested Members of Parliament and their staff, and allow them to discuss the details of the reports and seek clarification on issues. Eight Audit Office briefing sessions were held in 2007-08.
- 2.9 Following the tabling of the first Budget in the Fifty-Fourth Parliament, the Committee organised a briefing for all Members of Parliament by the Secretary to the NSW Treasury on understanding the Budget Papers.

Discussions with the Auditor-General

- 2.10 As one of the functions of the Public Accounts Committee is to examine the reports of the Auditor-General, the Committee has an ongoing interest in the Auditor-General's work. Conversely, as the Parliament is the Auditor-General's principal client, the Auditor-General seeks input from the Committee on potential topics for audit and related matters. Consequently, in addition to the briefings the Auditor-General provides on his reports, the Committee meets with the Auditor-General and his officers to discuss future audits and related issues. Five such meetings were held during the reporting period.

Annual Reporting Awards

- 2.11 The Public Accounts Committee and the Public Bodies Review Committee jointly run the Public Sector Annual Reporting Awards.
- 2.12 The Public Sector Annual Reporting Awards are held to recognise excellence in agency reporting. In 2007, the Legal Aid Commission of NSW won the gold award, with the Chair of the Public Bodies Review Committee noting that "[the Commission's] annual report was comprehensive, easy to navigate and managed to present a large amount of information in a user-friendly format."¹ The silver and bronze awards went to the Audit Office of NSW and NSW Health respectively.

Australasian Council of Public Accounts Committees

- 2.13 The Australasian Council of Public Accounts Committees (ACPAC) is made up of the public accounts committees of 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.
- 2.14 From 28 – 30 May 2008, Committee delegates attended a mid term meeting in South Australia, with Mr McLeay, Mr Roberts and Mr Oakeshott representing the Public Accounts Committee of NSW. Among the topics explored at the meeting were the operational aspects of public accounts committees and the infrastructure of public governance.

¹ M Morris, *2007 Gold Award Winner – Legal Aid* (press release), Public Bodies Review Committee, NSW, 31 July 2007.

- 2.15 The NSW delegates also took the opportunity to meet with officers from South Australia's Department of the Premier and Cabinet to discuss the Committee's State Plan inquiry.

Increasing awareness of the work of the Committee

- 2.16 Whenever possible, members of the Committee meet visiting delegations to explain the Committee's operations and exchange information about parliamentary practices.
- 2.17 Mr McLeay gave presentations on the operation of the Committee to a delegation from the National Assembly of Vietnam in August 2007 and the China Australia Governance Program in September 2007. In February 2008, Mr Oakeshott met with international students from La Trobe University to speak about the important role the Committee plays in overseeing government expenditure in NSW.
- 2.18 Mr McLeay and Ms McKay met with representatives of CPA Australia to discuss the operation of the Committee in August 2007.

RESPONSES TO REPORTS

- 2.19 The Government has undertaken to respond to the Committee's reports within six months of tabling (see Premier's Memoranda 96-9 and 98-11).
- 2.20 There were no reports tabled in 2007-08 that required a response from the Government.
- 2.21 The table below identifies the responses that remained outstanding on 1 July 2007, responses subsequently received from the Government, and the number of recommendations accepted.

Table 1: Government Responses to Committee Reports

Report No	Title	Date Tabled	Response Due	Response Received	Recs	Recs Agreed
162	Managing Animal and Plant Diseases	23/11/06	23/05/07	Not received by 30/06/08	22	
163	Inquiry into Home and Community Care Program	12/01/07	12/07/07	18/07/07 and 24/09/07	40	35

OUTPUT INDICATORS

Meetings	15
Hearings	4
Witnesses	25
Reports	1

Chapter Three – Reports and Inquiries

REPORTS

3.1 The Committee tabled one report in 2007-08, its *Annual Review 2006-07*.

COMPLETED INQUIRIES

3.2 In 2006-07, the Committee did not complete an inquiry.

COMMENCED INQUIRIES

Examination of Performance Audits

3.3 As outlined above, the Committee commenced performance audit follow up inquiries into:

- Helping Older People Access A Residential Aged Care Facility;
- Educating Primary School Students with Disabilities;
- Major Infectious Disease Outbreaks: Readiness to Respond;
- Attracting, Retaining and Managing Nurses in Hospitals;
- Condition of State Roads;
- Distributing Legal Aid in NSW;
- Addressing the Needs of Young Offenders;
- Responding to Homelessness;
- Connecting with Public Transport; and
- Dealing with Household Burglaries.

3.4 For these examinations of performance audits, the Committee first asks for submissions from the responsible agencies. Upon receiving the submission, the Committee sends it to the Auditor-General requesting a response. After considering the Auditor-General's response, the Committee may or may not hold a public hearing.

Inquiry into State Plan Reporting

3.5 In 2007-08, the Committee undertook to review reporting and review processes under the NSW Government's State Plan. Developed in 2006, the State Plan identifies goals for the Government to work towards, and outlines priorities for Government action in order to achieve those goals. As budget allocations are now tied to the extent to which Ministers and agencies are delivering State Plan objectives, the Committee decided to examine the mechanisms for reporting results from expenditure as measured against the objectives of the State Plan. The Committee is also examining mechanisms for review of the Plan to ensure it remains in accordance with community priorities.

Reports and Inquiries

- 3.6 The Committee called for submissions in September 2008 and received 15 submissions in response. A delegation from the Committee attended the 'World Conference on the Development of Cities: Democratic Innovation and Social Transformation for Inclusive Cities in the 21st Century' in Porto Alegre, Brazil in February 2008 and met with leaders in community deliberation and state planning in Washington DC and New York, USA. The Committee held two days of public hearings in Sydney in April 2008, met with officials from the South Australian Department of the Premier and Cabinet in May 2008 and held a teleconference with Professor Janet Hartz-Karp from Curtin University of Technology in June 2008.
- 3.7 Details on the progress of inquiries during the reporting period are in Appendix Two.

Appendix One – Committee Reports

No	Title	Date
1/54	<i>Annual Review 2006-07</i>	Oct 2007

Appendix Two – Inquiry Status²

INQUIRY	COMMENCED	SUBMISSIONS REQUESTED	SUBMISSIONS SUBMITTED	A-G's RESPONSE	HEARING	REPORT
State Plan	26 September 2007	10 October 2007	Various	N/A	28 and 30 April 2008, teleconference 20 June 2008	
State Roads	26 September 2007	26 September 2007	5 November 2007	21 November 2007		
Primary School Students with Disabilities	26 September 2007	26 September 2007	31 October 2007	21 November 2007		
Major Infectious Disease Outbreaks	28 November 2007	28 November 2007	9 February 2008	19 March 2008		
Residential Aged Care Facility	28 November 2007	28 November 2007	5 March 2008	31 March 2008		
Nurses	28 November 2007	28 November 2007	8 February 2008	19 March 2008	11 June 2008	
Legal Aid	28 November 2007	28 November 2007	31 January 2008	19 March 2008	11 June 2008	
Young Offenders	3 April 2008	3 April 2008	12 May 2008	30 May 2008	11 June 2008	
Connecting with Public Transport	11 June 2008	11 June 2008				
Homelessness	11 June 2008	11 June 2008				
Household Burglaries	25 June 2008	25 June 2008				

² As at 30 June 2008.

Appendix Three – Meeting Attendance

DATE	McLEAY Chair	McKAY Vice-Chair	KHOSHABA	OAKESHOTT	ROBERTS	TURNER
02/08/07	✓	✓	✓	✓	✓	<i>Apology</i>
26/09/07	✓	✓	✓	✓	✓	✓
17/09/07	✓	✓	✓	✓	✓	✓
07/07/07	✓	✓	✓	✓	✓	✓
28/11/07	✓	✓	✓	✓	✓	✓
05/12/07	✓	✓	<i>Apology</i>	<i>Apology</i>	✓	✓
30/01/08	✓	<i>Apology</i>	✓	<i>Apology</i>	✓	✓
05/03/08	✓	✓	✓	✓	✓	✓
06/03/08	✓	✓	✓	✓	<i>Apology</i>	✓
03/04/08	✓	✓	✓	✓	✓	✓
28/04/08	✓	✓	✓	<i>Apology</i>	✓	✓
30/04/08	✓	✓	✓	<i>Apology</i>	✓	✓
14/05/08	✓	✓	<i>Apology</i>	✓	✓	✓
11/06/08	✓	✓	✓	✓	✓	✓
25/06/08	✓	✓	✓	✓	✓	✓

Appendix Four – 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 Chair of the Committee is entitled to an annual salary of office that is equivalent to 7% of his/her annual salary as a Member of Parliament, and an expense allowance of a further 7% in recognition of the responsibilities of the position. In 2007-08, the Committee Members, other than the Chair, received an allowance of \$3,910 per annum in recognition of their responsibilities.