

1984

PARLIAMENT OF NEW SOUTH WALES

PUBLIC ACCOUNTS COMMITTEE

OF THE

FORTY-EIGHTH PARLIAMENT

TWELFTH REPORT

Matters examined by the Committee in relation to the 1982-83 Report of the Auditor-General of New South Wales pursuant to Section 57 of the Public Finance and Audit Act, 1983.

Members of the Public Accounts Committee

The members of the Public Accounts Committee as appointed by the Forty-eighth Parliament on 10 May, 1984 following the March, 1984 State election were:

Mr. Bob Carr, M.P., Chairman

Bob Carr was elected Member for Maroubra in a by-election in October, 1983. A writer in Industrial Relations with *The Bulletin* for five years, Bob Carr was a former Education Officer with the N.S.W. Labor Council (1972-78) and reporter on A.B.C. Current Affairs (1969-1972).

Mr. John Aquilina, M.P., Vice-Chairman

John Aquilina was elected Member for Blacktown in September, 1981. A high school teacher by profession, John Aquilina was a Commissioner of the Ethnic Affairs Commission for two years and the Mayor of Blacktown for four years before entering Parliament.

Mr. Peter Collins, M.P.

Peter Collins was elected Member for Willoughby in September, 1981. A former A.B.C. TV. journalist and practicing barrister, Peter Collins also served as Research and Public Relations Manager for the N.S.W. Liberal Party. Since entering Parliament, Mr. Collins has held the shadow portfolios of Consumer Affairs, Planning & Environment and currently Industrial Relations, Employment and the Arts.

Mr. Colin Fisher, M.P.

Colin Fisher was elected Member for Upper Hunter in February 1970. Former Minister for Local Government (1975) and Minister for Lands and Forests (1976), in opposition Colin Fisher has served as National Party Spokesman on Local Government; on Planning and Environment and on Energy.

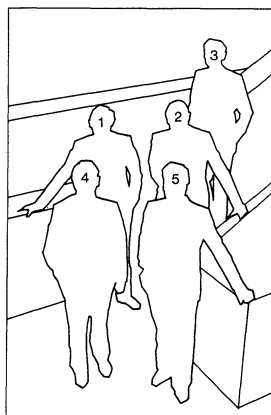
Mr. John Murray, M.P.

John Murray, formerly a teacher, was elected Member for Drummoyne in April 1982. An Alderman on Drummoyne Council for three terms, John Murray was Mayor of the Council for five years, the longest time ever served continuously by a Mayor of Drummoyne. Mr Murray is also a member of the Prostitution Committee and the House Committee.

Mr. Collins resigned from the Public Accounts Committee on Tuesday, August 14, 1984. He was replaced by Mr. Phillip Smiles who was appointed to the Committee by the Legislative Assembly on Thursday, August 16, 1984.

Mr. Phillip Smiles, M.P.

Phillip Smiles was elected member for Mosman in March, 1984. A management and marketing consultant since 1974, Phillip Smiles has been involved with entrepreneurial business activities since his teens. Since entering Parliament he has been actively interested in the areas of emergency services, welfare and financial analysis.



- 1 Bob Carr
- 2 Colin Fisher
- 3 John Aquilina
- 4 John Murray
- 5 Peter Collins



Secretariat

Frank Sartor, B.E., B. Comm. (Hons.), Director

Ruth Tait, B.A. (Hons.), M.A., Deputy Director

Paul Grant, A.A.S.A., Advisor (on secondment from the
Auditor-General's Office)

Robin Long, Committee Stenographer

Sandra Vine, Typist

N.S.W. Public Accounts Committee

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Explanatory Notes

1. Many of the responses from the organisations to the Committee's inquiries included annexures. The annexures have not been included in this report where they have been of a voluminous nature or were already published documents, such as annual reports.
2. After a preliminary examination of the 1982-83 Auditor-General's Report, the Committee sought information from a number of organisations concerning their investments. Upon reviewing the responses from the various organisations the Committee sought further information from twelve authorities and requested investment information from two others not previously examined. Reference to the Committee's further requests on investment information and the responses have not been included in this report as the Committee's Inquiry into Investment Practices or Statutory Authorities is currently in progress and it is expected that a separate report will be published when the Inquiry is finalised.

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CHAIRMAN'S FOREWORD

The Public Accounts Committee relies on the Auditor-General's Annual Report to identify and direct its attention to problems in government administration. Indeed, unless Public Accounts Committee inquiries have been the result of a reference from a Minister, the Auditor-General or the Legislative Assembly, they often have had as their source the Auditor-General's Report.

I believe that the Public Accounts Committee's examination of the Auditor-General's Report each year and the resulting inquiries of government organisations has very positive effects, not only in ensuring the investigation of particular problems but also in promoting a recognition in each organisation that its operations might next be investigated by the Public Accounts Committee. This recognition necessarily heightens consciousness of efficiency and effectiveness issues in these organisations.

The Public Accounts Committee's examination of the Auditor-General's 1982-83 Report is the second time that the powers now embodied in S.57(1)(d) of the Public Finance and Audit Act, 1983 have been exercised by the Public Accounts Committee. Under this legislation, the Public Accounts Committee is empowered to examine the Auditor-General's Reports to the Legislative Assembly and to report to the Assembly on any item in, or any circumstances connected with, those reports.

Although examination of the Auditor-General's 1982-83 Report commenced on 6 October, 1983, owing to the state election of 24 March, 1984, the inquiry was delayed as the Public Accounts Committee was dissolved for two and a half months.

In its examinations, the Committee initially wrote sixty-five letters to various organisations, seeking information about anomalies or deficiencies revealed in their accounts or about criticisms or comments made in the Auditor-General's Report.

Arising from the answers to the Committee's queries, three subsidiary inquiries were launched into :

- . Uncollected parking and traffic fines
- . Investment Practices of Statutory Authorities
- . Review of aspects of the operations of the Department of Environment and Planning, Land Commission of New South Wales and Macarthur Growth Area in respect of Land Aquisition and Development.

With regard to the above inquiries, evidence was heard from:

- | | |
|--|---|
| Uncollected parking
and traffic fines | . Police Department
. Department of the Attorney-General
and of Justice
. Department of Motor Transport
. Department of Corrective Services |
| Review of Government
Organisations involved
in Land Acquisition
and Development | . Department of Environment and
Planning
. Macarthur Development Board
. Land Commission of NSW. |

The matters examined in these three inquiries have not been canvassed in this report, but will be the subject of separate reports in the near future.

As a result of further questions raised by the answers of organisations to the Committee's initial concerns, the following bodies were also called to give evidence:

- . Maritime Services Board
- . The University of Sydney

The present report contains a summary of the issues raised with each organisation, the organisation's response and the result of the Committee's deliberations. Where the Committee has either decided that the response requires no further action, or that the matter should be deferred and reconsidered when the 1983-84 Auditor-General's Report is examined, the response of the organisation is provided. Where the matter is still under active examination by the Committee, the summary generally stands alone, although in some cases the organisation's response has been included.

On behalf of the Committee, I would like to thank the Director of the Committee, Frank Sartor and the Deputy Director, Ruth Tait for their valuable advice throughout the inquiry, and particularly, to thank Paul Grant, the Committee's Advisor from the Auditor-General's Office, for his excellent contribution in the last three months in advising on the report and Robin Long, for her hard work in typing it.



Bob Carr
Chairman

ALBURY-WODONGA (NEW SOUTH WALES) CORPORATION

Auditor-General's Report Reference: Part II, Page 248.

Issues examined by the Committee:

- * Independent valuations of land holdings and recognition of market values in the accounts.
- * Whether the new agreement between the Commonwealth and State Governments had been ratified and the implications of this agreement for reducing capital debt.
- * Accumulated deficiency at 30 June, 1983, \$52 million. Operating loss 1982-83 \$10 million. What measures are being taken to ensure the future viability of the Corporation?

Corporation's Response:

The Corporation's response commences on the next page.

In summary - main reason for accumulated deficiency and operating losses is the interest owed to the Commonwealth. Ratification of the new agreement would reduce accumulated deficiency from \$52,438,759 to \$41,807 by removal of the interest debt to the Commonwealth of \$52,396,952.

Result of the Committee's Deliberations:

No further action required in respect of the 1982-83 operations.

**ALBURY-
WODONGA
DEVELOPMENT
CORPORATION**



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our ref 78/99
your ref L:AG 83/46

23 December 1983

Mr M Egan, BA, MP
Chairman
Public Accounts Committee
Parliament House
SYDNEY NSW 2000

Dear Mr Egan

In response to your letter of 14 December 1983 addressed to Mr Craig who is on leave, I offer the following comments on the matters raised.

1 Land Valuation

Section 8(b) of the Albury-Wodonga Development Act 1974 states that the New South Wales Corporation shall comply with any directions given to it by the Ministerial Council. The present policy in relation to land valuations, namely to use historical values and explanatory notes, was determined by the Ministerial Council responsible for Albury-Wodonga at its meeting on 7 August 1980 and that policy was reiterated at its last meeting held on 31 August 1983.

The Auditor-General has decided to attempt to add quantitative evidence to his qualification in respect of assets by requesting the NSW Valuer-General to value a representative sample of NSW Corporation real estate holdings.

The Corporation will await the result of this valuation before raising the matter again with the Ministerial Council and, if necessary, seeking a variation to the present policy.

2 Financial Agreements

The proposed new financial agreement has not been ratified because we understand that it is still awaiting acceptance by the New South Wales Government.

The Ministerial Council has reaffirmed its agreement with the principle of the new agreement and at its meeting of 31 August 1983 the New South Wales Minister, the Hon Don Day, indicated his intention to take the matter to his Cabinet with a view to securing his Government's confirmation of the acceptability of the arrangement and intention to sign the new agreement.

.../2

Mr M Egan
Public Accounts Committee

23 December 1983

ALBURY-WODONGA DEVELOPMENT CORPORATION

The implications of the agreement are that upon its ratification the interest debt to the Commonwealth would be cancelled as explained in the next answer.

3 Financial Viability of the New South Wales Corporation

It should be noted that the figures printed in the Auditor-General's report were preliminary and that subsequent adjustment of \$113,535 was made to the deficiency for the year. The figures quoted below reflect this adjustment.

There are two main factors to be considered when assessing the future viability of the Albury-Wodonga (NSW) Corporation.

Firstly the ratification of the proposed new financial agreement will reduce the accumulated deficiency from \$52,438,759 to \$41,807 by removal of the interest debt to the Commonwealth of \$52,396,952. If Commonwealth Government interest charges are disregarded the financial results for the last two financial years have shown surpluses of \$764,506 and \$815,136 respectively, therefore, in the absence of accounting changes, the Corporation would certainly be "in the black" by June 1984. It should be mentioned that the ratification of the agreement will possibly lead to re-examination of several accounting policies including the treatment of fixed assets and the ultimate result of such reappraisals could not be accurately forecast. Nevertheless the removal of the past and continuing interest debt to the Commonwealth would place the Corporation in a position of reasonably assured future viability.

Secondly the apparent problem at the moment relates almost entirely to the accruing debt to the Commonwealth. So long as the Commonwealth does not demand payment, and to some extent Clause 12 of the Albury-Wodonga Area Development Agreement may preclude it from such an action, there is no real threat to the future viability of the New South Wales Corporation.

4 Objectives

Section 9 of the Albury-Wodonga Development Act of 1974 sets out in detail the General Powers of the NSW Corporation which are summarised in sub-section (1) as under:

"9(1) Subject to this Act, the Corporation is charged with the responsibility of acquiring and managing land for the purposes of the growth complex and encouraging and assisting development in the designated areas."

In pursuit of these objectives, the NSW Corporation, using the staff of the Commonwealth Albury-Wodonga Development Corporation, has amongst other things, in New South Wales,

- a) acquired and managed 9336 ha of land;

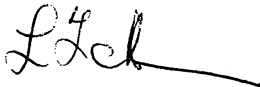
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23 December 1983

- b) serviced and constructed 963 lots of residential land and 47 ha of industrial land;
- c) constructed, leased and managed 290 estate houses, and 3400 m² of unit factories;
- d) constructed and managed an extensive plant nursery and a comprehensive water monitoring laboratory;
- e) constructed municipal type infrastructure to service Corporation estates and in particular the Australian Newsprint Mill project;
- f) constructed community facilities in Corporation estates including an 18 hole golf course at Thurgoona.

I trust that the above explanation will assist your Committee in its consideration of the 1982/83 Report of the New South Wales Auditor-General.

Yours sincerely



L T MUIR
Deputy Chairman(NSW)

ATTORNEY GENERAL

Auditor-General's Report Reference: Part I, Pages 116
and 117.

- * Variation of statute - Public Trustee Act, 1913.
- * Variation of statute - Workers Compensation (Dust Diseases) Act, 1942. Research grants totalling \$50,000 and \$20,000 were made to the Prince of Wales Hospital and the University of Sydney, respectively, although the Act makes no provision for such a contribution.

Attorney General's Response:

The Attorney General's response in regard to the Public Trustee Act is on the next page and in regard to the Workers Compensation (Dust Diseases) Act on the page thereafter.

In summary: Both Acts have now been amended to accord with current practice.

Result of Committee's Deliberations:

No further action is required.



83/10709
RML 1633

SYDNEY

23 JUL 1984

R. J. Carr, Esquire,
Chairman,
Public Accounts Committee,
Parliament House,
SYDNEY 2000 00

Dear Mr. Carr,

I refer to the former Chairman's letter of 28th February, 1984 concerning amendments to the Public Trustee Act, 1913, and Workers' Compensation (Dust Diseases) Act, 1942.

Having regard to the statements made in the 1982/83 Report of the Auditor General, the Public Trustee Act was amended in the last Parliamentary Session to ensure that all unclaimed balances of intestate estates held pursuant to section 53 of the Act will be treated in the same way as monies passing to Consolidated Revenue pursuant to the Unclaimed Monies Act.

A copy of the Public Trustee (Amendment) Act, 1984 is enclosed for your information and I will write to you again concerning the position with respect to Workers' Compensation (Dust Diseases) Act, 1942.

Yours faithfully,

(PAUL LANDA)
Attorney General



83/1102
RML 1633

R.J. Carr, Esq., B.A., M.P.
Chairman
Public Accounts Committee
Parliament House
Macquarie Street
SYDNEY 2000 00

Dear Mr Carr,

I refer to a letter dated 28 February 1984 from Mr M. Egan, B.A., M.P., former Chairman of the Public Accounts Committee concerning the amendment of the Workers' Compensation (Dust Diseases) Act, 1942 to provide for the making of certain grants for medical research.

On 31 December 1983 the Workers' Compensation (Dust Diseases) Amendment Act, 1983 was assented to. Under that Act, inter alia, a new section 6(2A) is inserted in the Workers' Compensation (Dust Diseases) Act, 1942, under which the Dust Diseases Board is authorised to make approved grants from the Workers' Compensation (Dust Diseases) Fund, for the purpose of clinical or research work relating to dust diseases. Clause 3, Schedule 3 of the amending Act validates certain past acts of the Board, including the making of research grants to the Thoracic Unit, Prince Henry Hospital and the School of Public Health and Tropical Medicine, University of Sydney.

Yours faithfully,

(PAUL LANDA)
Attorney General

AUDITOR-GENERAL'S OFFICE

Auditor-General's Report Reference: Part I, Page 12.

Issue examined by the Committee:

- * To what extent the comprehensive auditing approach is being used in the auditing of New South Wales departments and statutory authorities.

Auditor-General's Response:

The Auditor-General's response commences on the next page.

Result of Committee's Deliberations:

No further action required.



A683/15

BOX 12, G.P.O.
SYDNEY, N.S.W. 2001

25th October, 1983

Mr Michael Egan, B.A., M.P.,
Chairman,
Public Accounts Committee,
Parliament House,
Macquarie Street,
SYDNEY. 2000

Dear Mr Egan,

COMPREHENSIVE AUDITING

Thank you for your letter of 10th October, 1983 in which you expressed the Committee's interest in Comprehensive Auditing. The brief reference to the subject in my Report for 1982-83 was designed to signal the developmental changes which are taking place in the operating methods of my Office, and which are being further encouraged by the draft Public Finance and Audit Act.

After the planning phase, the field work for audits starts with an examination of financial transactions including the management systems and the accounting statements which are end products. The comprehensive auditing approach, as the words imply, takes an all inclusive view of the operations which give rise to the transactions and the effectiveness of the systems and controls; then proceeds to an analysis and report on the results, successes, failures and implications of those operations.

The role of an Auditor-General is to provide Parliament and Government with truly independent reports on public sector operations and assurances that they are reflected fairly in accounting statements and reports issued by management. Effective accountability rests on information being available to a Parliament and a Government to enable them to assess how well or badly resources have been used and to what extent objectives have been achieved. A Public Accounts Committee is the epitome of parliamentary examination - the use of a small body to concentrate on issues which cannot be dealt with easily in plenary session. It is in this context and the world-wide revival of interest and concern in accountability and the getting of value for money that the comprehensive auditing approach has evolved. Your Committee would have noted the success in the "mother of Parliaments" of a new National Audit Act with particular emphasis on value for money auditing and a strong and effective Public Accounts Commission.

The auditing process has developed over the ages from one on one checking, through technical, financial or regulatory audits based on transaction checks, to a more economic way of gaining assurance by applying systems based approaches and auditing by objectives. Lately there has been clearer perception of the real needs of the accountability chain which requires the wide ranging comprehensive approach.

Comprehensive auditing is much more constructive than financial compliance or regulatory auditing. It also has a focus which is different from the so called efficiency "audits" which are conducted by and for specific management improvement purposes.

Mere knowledge that the bookkeeping was in accordance with the rules is no help in gaining assurance that there has been the best use of resources and that objectives are being achieved. The rules were never designed with those purposes in mind. Similarly, an efficiency review designed to solve a particular management problem can conflict with the independent appraisal which is essential to an effective audit function. An auditor who becomes too involved in solving a problem becomes part of the solution and cannot reappraise its effectiveness later on. So in the accountability process, comprehensive auditing looks to provide reports which will direct attention to problem areas and to actual or potential failures - as well as giving assurances that reported achievements are real.

Canada has established a Comprehensive Auditing Foundation to further develop techniques and the spread of knowledge. The Foundation has provided the following definition:

A comprehensive audit is an examination that provides an objective and constructive assessment of the extent to which:

- . financial, human and physical resources are managed with due regard to economy, efficiency and effectiveness; and
- . accountability relationships are reasonably served.

The comprehensive audit examines both financial and management controls, including information systems and reporting practices, and recommends improvement where appropriate.

In looking for illustrative examples probably the easiest to identify is the recent review of Police and Corrective Services overtime payments. That started some years back with audit reports or suspected roster manipulation at one jail. It soon became evident that the problem was widespread. Reference to the size and rate of growth of expenditure also showed that the total of sums involved was substantial. The nature of the underlying causes and the industrial implications showed that a normal audit process of inquiry and possibly surcharge would not be appropriate. Moreover, normal Treasury control methods of arbitrary ceilings on expenditure could easily be defeated by commonly used management and industrial counter measures. Examination of conditions in the Police Service (where the total sums involved showed a similar growth pattern) established that the basic elements of the problem were common to both organisations.

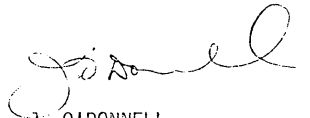
A review directed to the causes of the problems instead of querying payments to individual officers was obviously more likely to succeed. The Public Accounts Committee had already demonstrated its capacity for this type of inquiry through its action on reference by the Minister for Health. Moreover, that action had shown the effectiveness of using non-partisan Parliamentary solidarity to counter entrenched sectional opposition. The savings now being achieved in overtime expenditure are evidence of success.

A second example of taking a comprehensive view is the studies which were made in my Office of unfunded liabilities for superannuation and to a lesser extent long service leave payments. Normal financial or regulatory audits would have reported merely that provisions being made by each individual body were in accordance with current law and Treasury practice. The wider ranging review of the implications of superannuation funding showed the need for raising it as a major problem area requiring attention by Government and Parliament.

All recent changes to Audit Acts in Australia have incorporated a call for efficiency or value for money auditing. Reporting powers in New South Wales audit legislation are sufficient to support comprehensive auditing processes without need for further changes. Policy planning is therefore being undertaken by my officers to increase progressively the incidence of the comprehensive auditing approach.

The appointment power under Section 43(1) of the proposed Public Finance and Audit Act is quite broad and I envisage probable recourse to it in the setting up of comprehensive audit teams. I have the qualified staff available to handle most of the financial and management aspects of comprehensive audits. However it is still necessary to call on the Valuer-General and the Government Actuary for their particular skills. I therefore must expect that it will from time to time be necessary to employ experts in other disciplines, such as engineering, architecture, marketing, medicine and so on. In addition, I would take notice of indications from the Public Accounts Committee of areas of public sector operations requiring review. My view is that the bringing down of the new legislation will signal an era of stronger and very effective co-operation between the Office of Auditor-General and the Public Accounts Committee.

Yours faithfully,



J. O'DONNELL,
AUDITOR-GENERAL

NOTE:

In view of recent developments the Auditor-General is strongly of the opinion that auditing is auditing and that the emphasis should be placed on comprehensive reporting.

AUDITOR-GENERAL'S OFFICE
in respect of **COLLEGES OF ADVANCED EDUCATION**

Issues examined by the Committee:

- * Accounting treatment of grants received in advance.
- * Full accrual accounting for colleges of advanced education.

Auditor-General's Response:

The Auditor-General's response commences on the next page.

In summary: The underlying accounting treatment of grants received in advance is the same in all colleges. All except Newcastle and Armidale colleges received in December 1982 part of their recurrent grants for 1983. The modified accrual accounting system brings to account in a year all material and income and expenditure relating to that year. An extension of the system to one involving full commercial accrual accounting would not provide any material benefits and would increase the administrative work-load and complicate and delay the preparation of year-end amounts.

Result of Committee's Deliberations:

No further action required.



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New South Wales

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Telephone: 238 0555

Extension: 7083

Our reference: 7302

Your reference:

Mr Michael Egan, B.A., M.P.,
Chairman,
Public Accounts Committee,
Parliament House,
SYDNEY, 2000

6th January, 1984

Dear Mr Egan,

As requested in your letter of 14th December, 1983 (Reference: AG83/38) the following comments are offered regarding the accounting procedures of colleges of advanced education.

1. Grants in Advance

Of the thirteen (13) corporate colleges subject to my audit, all except Newcastle and Armidale received in December, 1982, the January and February instalments of their recurrent grants for 1983. (The Newcastle and Armidale Colleges did not receive advance grants as it seemed likely at the time that they would be amalgamated with the Universities in those cities.)

In the certified accounts for the colleges which received advance grants, the advances were excluded from the Recurrent Funds Statement of Financial Operations (as they did not relate to 1982), but were included in Creditors and Accruals in the Financial Position Statements. Specific reference to the advances was made in Notes to the Accounts.

Although each College's accounting for the accrual was the same, in my Report to Parliament the advance grant was shown separately in the Financial Position Statement for Nepean College (folio 193). The reason for doing so is now not apparent. However, it seems clear that this may have given a wrong impression that there was a difference in the underlying accounting treatment.

2. Accrual Accounting

The forecast of compulsory standardisation and modified accrual accounting (page 320 of the 1981-82 Report to Parliament) has been achieved. All colleges' published accounts for 1982 were cast in the same mould.

The "modified accruals system" brings to account in a year all material income and expenditure relating to that year and should allow ready assessment of the extent to which a college has lived within grant and other income. Salaries and associated charges account for approximately 80 per cent of recurrent costs. Under the "modified accruals approach", accrued salaries, etc. are brought to account for the year to which the services relate, as are prepaid grants and any other significant accruals and prepayments. Accounting for capital and special purposes funds continued on the simple receipts and payments basis, because the key consideration lies not in measurement of "costs of operation" for the year but in showing the quantum of funds available and the extent to which they have been applied.

Notes to the Accounts, include references to colleges' accrued liabilities for long service leave and deferred superannuation contributions and the extent to which these liabilities are unfunded. Comment is also included for extraordinary or abnormal items in the accounts and to any contingent liabilities.

A full commercial-type accruals system would require allowance for a variety of minor income and expense items which, in aggregate, would not have a material impact on the financial operations or financial position of a college.

Strictly speaking, it would also involve accounting for depreciation and stocktaking to allow the attribution to particular accounting periods of the costs of stores and materials used. This data would seem to be neither relevant nor appropriate as the main objects of college accounts are to show:

- . the sources of funds and the purposes to which they were applied;
- . whether a college has operated within the limits of its grants and other income for the year; and
- . whether funds held at the close of the year were adequate to meet amounts owed at that date.


It might also be mentioned that as the Commonwealth provides separate capital funds, its recurrent grants are not available towards meeting depreciation. Thus there would seem to be little practical purpose in capitalising the cost of equipment purchased from recurrent funds or for providing depreciation on college assets.

In my opinion, an extension of the existing recurrent funds accounting system to one involving full commercial accrual accounting would not provide any material benefits. On the contrary, I believe it would increase the administrative work load and complicate and delay the preparation of year-end accounts.

As mentioned earlier, capital and special purposes funds continue to be brought to account on a receipts and payments basis. It should be noted, however, that reference is included in the accounts to outstanding capital commitments at year-end.

As special purposes funds are comprised mainly of trust moneys, suspense and working accounts and funds held for specific purposes, the retention of a simple cash flow accounting system for these funds seems appropriate.

Yours sincerely,


J. O'DONNELL,
AUDITOR-GENERAL

AUDITOR-GENERAL'S OFFICE
in respect of **HOME BUSH ABATTOIR CORPORATION**

Auditor-General's Report Reference: Part II, Page 261.

Issue examined by the Committee:

- * Whether the 1982-83 audit of the Corporation had been completed and the result of that audit.

Auditor-General's Response:

The Auditor-General's response commences on the next page.

In summary: The 1982-83 audit was completed and the accounts certified on 4 January, 1984. The result of the audit was satisfactory.

Result of Committee's Deliberations:

No further action required in respect of the Corporation's 1982-83 operations or audit.



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New South Wales

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Telephone: 238 0555
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Mr M. Egan, B.A., M.P.,
Chairman,
Public Accounts Committee,
Parliament House,
Macquarie Street,
SYDNEY, 2000 00

Our reference: **305B**

Your reference: **AG.83/50**

4th January, 1984

Dear Mr Egan,

HOME BUSH ABATTOIR CORPORATION

I forward herewith for the Committee's information a copy of my report to the Minister for Agriculture and Fisheries on the accounts of the Homebush Abattoir Corporation for the years ended 30th June, 1982 and 1983.

The Corporation's financial statements for the year ended 30th June, 1983, certified by me, have been returned to the General Manager today.

Yours faithfully,

A handwritten signature in cursive script, appearing to read 'G. H. Hall'.

AUDITOR-GENERAL
OF NEW SOUTH WALES



BOX 12, G.P.O.
SYDNEY, 2001

4th January, 1984

The Honourable
The Minister for Agriculture and Fisheries.

Accounts of the Homebush Abattoir Corporation
for the years ended 30th June, 1982 and 1983.

The accounts of the Homebush Abattoir Corporation for the years ended 30th June, 1982 and 1983, have been audited as required by Section 62 of the Meat Industry Act, 1978. The result of each audit was satisfactory.

Enclosed is a copy of the accounts of the Corporation for the years ended 30th June, 1982 and 1983, endorsed with my certificates in accordance with Section 61(5) of the Meat Industry Act, 1978.

In view of the interest displayed by the Public Accounts Committee in my published Report on the finances of the Corporation, I am sending a copy of this Report to the Committee for information.

A review of the Corporation's financial operations for 1981-82 and 1982-83 are given at pages 261-264 of Part II of my Report to Parliament for 1982-83. A copy of the review is attached. The 1981-82 figures in the Balance Sheet are those under the heading 'Previous Year'.

Since publishing that review, the audits have been completed and, for 1982-83, some changes are required to the figures quoted therein. These resulted mainly from adjustments of internal transfers for revenue and costs, and are as follows:

	1982-83 Previously Published \$'000	Audited Final Figures \$'000
INCOME -		
Abattoir and By-Products	11,393	10,752
Trading Activities	9,416	10,802
Meat Market	2,032	1,881
Rents and Property Services	2,220	2,952
Miscellaneous	<u>968</u>	<u>331</u>
	26,029	26,718
Less - Cost of Sales etc. -		
Purchases - Trading Stock etc.	8,238	8,100
Wages and Associated Costs	14,291	15,168
Power, Water and Trade Waste	1,657	1,537
Miscellaneous	<u>1,155</u>	<u>1,130</u>
	25,341	25,935
Gross Profit	<u>688</u>	<u>783</u>
Less -		
Administration and General Costs	1,836	1,954
Interest Paid	2,222	2,222
Depreciation	<u>301</u>	<u>302</u>
	\$4,359	\$4,478
Operating Loss	<u>\$3,671</u>	<u>\$3,695</u>

Although material changes occurred in the line items of Income and Costs the Operating Loss increased by only \$23,983 to \$3,695,496.

The balance sheet at 30th June, 1982, shows the result of a careful and realistic re-appraisal of the financial position. The 1981 accounts included buildings, plant and equipment at figures which included the historical total of the many millions of dollars spent on them during the period 1972-73 to 1978-79. Re-appraising the worth to the Corporation of the assets (as they stood) showed that very substantial write-downs were needed to remove the now-ineffective capital expenditure from the disclosed asset values. These were of the order of \$6.5 million on buildings and fittings and \$9.2 million on plant.

In looking at the accounting treatment, the extent of the re-appraisal could notionally be regarded as equivalent to a liquidation through disposal to a new entity. It was therefore reasonable to take account of movement in other asset values (landholdings) and to rationalise the disclosed Reserves at the same time. The previous General Reserve of \$12 million (largely capital profits from earlier years' land sales) was transferred against the total accumulated deficiency (which included the write downs of capital).

The result of all these movements, as listed at page 264 of my Report to Parliament, was to bring the net accumulated deficiency up from \$28.4 million to \$42.5 million. A concurrent re-valuation of land produced a new capital Reserve of \$44.3 million.

Although the new capital Reserve was greater than the re-calculated accumulated deficiency at 30th June, 1982, it is not available to cancel out that deficiency until realised by actual disposal of the land.

In the meantime, the Corporation is planning for use of its land to generate income and thereby to aid future financial stability.



AUDITOR-GENERAL

**AUDITOR-GENERAL'S OFFICE AND
MINISTER FOR INDUSTRY AND DECENTRALISATION AND
MINISTER FOR SMALL BUSINESS in respect of
BATHURST-ORANGE DEVELOPMENT CORPORATION**

Auditor-General's Report Reference: Part II, Page 252.

Issues examined by the Committee:

- * The Committee questioned the Auditor-General about the Corporation's land valuation methods.
- * The Committee questioned the Minister for Industry and Decentralisation and Minister for Small Business and Technology about future plans for the Corporation.

Auditor-General's Response:

The Auditor-General's response is on the next page.

In summary: The Corporation's land is valued at the lower of cost and net realisable value. Current market values are also established each year.

Minister's Response:

The Minister's response follows the Auditor-General's response.

In summary: The State Cabinet decided not to make any changes to the Corporation's operations. In the future there will be a greater emphasis on the marketing and promotion of the growth centre as an attractive location for investment.

Result of Committee's Deliberations:

No further action is required in respect of 1982-83 operations.



Auditor-General's Office New South Wales

Goodsell Building
8-12 Chifley Square, Sydney
Box 12 G.P.O., Sydney N.S.W. 2001
Telephone: 238 0555

Extension: 7074

Our reference: 082A

Your reference:

Mr M. Egan, B.A., M.P.,
Chairman,
Public Accounts Committee,
Parliament House,
SYDNEY, 2000

29th December, 1983

Dear Mr Egan,

Bathurst-Orange Development Corporation
- Land Valuation
(Your Reference AG 83/47)

The reference to three land valuation bases is a consequence of my qualification of the Corporation's 1979 financial statements and the Corporation's request to the Valuer-General to give valuations for all its land holdings as at 30th June, 1980. The valuations were prepared on an en globo basis and revealed that in total the land holdings were over-valued by \$8.65 million. Subsequently, to adjust the Corporation's accounting records, an across the board write-down of 20.05 per cent was applied.

As shown in Note 10 to the Corporation's 1981-82 accounts and Note 12 to the 1982-83 accounts, economic conditions have produced successive reviews and some further individual write-downs.

Also, all real estate is now grouped in current assets. Australian Accounting Standards require that current assets be valued at the lower of cost and net realisable value. In complying with those standards it was necessary to acknowledge that some (parcels) of the landholdings are at a written-down value which is below both cost and most recent valuation estimates. (Writing-up would not be appropriate as this would anticipate profits which cannot be established until actual sale.)

It is essential that the current market value of the land be confirmed on an annual basis. In an endeavour to reduce costs to the Corporation, in-house valuations of all land holdings were performed (rather than complete independent valuations) and the Valuer-General was requested in 1982 and again this year to conduct tests on these in-house valuations. These tests have resulted satisfactorily and in terms of Section 26(2) of Growth Centres (Development Corporations) Act, 1974 I have been able to form the opinion that the total value of all assets has been in all cases fairly stated.

For these test valuations, the Valuer-General was requested to supply me with his estimate of the market value of the selected properties as at 30th June in each of the years, on a basis of value to the Corporation as a going concern. The Valuer-General was instructed that the Corporation was in a winding down phase but it was expected that disposals could be made in the ordinary course of business and would not be precipitately accelerated.

Yours faithfully,

AUDITOR-GENERAL



Minister for Industry and Decentralisation
Minister for Small Business and Technology

84/633

Mr. Bob Carr, M.P.,
Chairman,
Public Accounts Committee,
Parliament House,
SYDNEY. N.S.W. 2000. 00.

29 JUN 1984

Dear Mr. Carr,

In December last year the former Chairman of your Committee sought advice from the then Minister for Industrial Development and Decentralisation concerning the future of the Bathurst-Orange Development Corporation.

Mr. Egan's request coincided with the announcement that State Cabinet had decided against making any changes in the operation of the Corporation. A copy of the press statement issued by my predecessor is attached for your committee's information.

It will be noted that the former Minister had asked the Chairman of the Corporation to bring forward recommendations of the future scale of operation. These have now been provided and are being assessed by the Government. I will be pleased to let you know the outcome of that assessment when decisions have been taken by the Government.

Yours fraternally,


(ERIC BEDFORD)



NEW SOUTH WALES
MINISTER FOR INDUSTRIAL DEVELOPMENT
MINISTER FOR DECENTRALISATION

21 DEC 1983

PRESS STATEMENT

State cabinet has decided against making any changes in the operation of the Bathurst-Orange Development Corporation.

The Minister for Industrial Development and Decentralisation, Mr. Don Day, said it had been decided by cabinet not to proceed with the recommendations made by the committee which reviewed the Bathurst-Orange growth centre last year.

Mr. Day said it had been decided that the present structure of the corporation would be retained although economies would be effected wherever possible.

"I have also asked the chairman of the corporation to bring forward recommendations on the future scale of operation," Mr. Day said.

Mr. Day added that in future there would be a greater emphasis on marketing and promotion of the growth centre as an attractive location for investment.

BUILDERS LICENSING BOARD

Auditor-Generals Report Reference: Part II, Page 82.

Issues examined by the Committee:

- * Level of administration costs in 1982-83
- * High level of doubtful debts - General Insurance Fund.
- * Level of accumulated funds - General Insurance Fund.
- * Board's investment policies.
- * Special Insurance Fund - whether action will be taken to utilize this fund or whether the fund should be discontinued.

Board's Response:

Board's response commences next page.

Result of Committee's Deliberations:

Other than the Inquiry into Investment Practices of Statutory Authorities, no further action required in respect of 1982-83 operations.



Builders Licensing Board

New South Wales Government



B.L.B. House
55-61 Chandos Street
St Leonards

All communications should be addressed to:

The Secretary,
P.O. Box 667,
CROWS NEST,
N.S.W. 2065
DX9515 Crows Nest.
Telephone: 439 3199
Extension:

The Chairman,
Public Accounts Committee,
Parliament House,
SYDNEY. 2000 00

Our reference:

Your reference:

Office hours: 8.30 a.m. to 4.30 p.m.

Dear Sir,

I refer to your letter dated 30 November, 1983 concerning the Report of the New South Wales Auditor-General for 1982/83.

The following comments are submitted in respect of the matters raised in your letter:-

1. I enclose herewith copies of the Board's financial accounts for the year ended 30 June, 1983. The Revenue Statement for the General Insurance Fund itemises the charges comprising Administration Expenses.

The following comments are submitted with respect to the items in which substantial increases occurred:

Salaries and Associated Charges

	<u>1981-82</u>	<u>1982-83</u>	<u>Increase</u>
	\$	\$	% (-)
Salaries	430,238	499,538	16.1
Payroll Tax	22,703	26,896	18.5
Employer's Contribution to State Superannuation Fund	41,452	37,792	(8.8)
<u>TOTAL</u>	<u>\$494,393</u>	<u>\$564,226</u>	<u>14.1</u>

The increase in the Salaries and Payroll Tax charges were due to:

- (a) a salary award for Crown Employees and Crown Employees - Legal Officers of 4% was made effective from 5 November, 1982;
- (b) during 1982-83, an additional inspector was assigned to the investigation of insurance matters. As a result his salary, which amounted to \$26,226, was charged against the General Insurance Fund; and
- (c) a review of the 1981-82 charge disclosed that the salary for one position in the insurance area had been incorrectly charged against the General Fund. The amount of salary involved is \$18,998.

Action has been taken to correct the accounting records and to transfer \$18,998 from the General Insurance Fund to the General Fund.

The reduction in the charge for the Employer's Contribution to the State Superannuation Fund was due to a credit of \$7,012 being deducted from the 1982-83 charge. The credit represents the "deferred" portion of the employer's contribution which is refundable for resigned officers.

In 1981-82, the credit of the "deferred" portion was not sought and hence the higher charge in that year.

As indicated in the Notes To, and Forming Part of, the Accounts of the General Insurance Fund, Point 5.1 (ii), an adjustment of \$15,357 was effected during 1982-83 for the "deferred" portion recoverable for all officers who resigned prior to 1 July, 1982. During the current financial year, this amount was repaid to the Board by the Treasury by way of a deduction from the employer's liability payable for 1982-83.

Other Operating Costs

	<u>1981-82</u>	<u>1982-83</u>	<u>Increase</u>
	\$	\$	% (-)
Rent	24,563	42,213	71.9
Stores & Stationery	12,707	17,819	40.2
Depreciation	2,357	1,542	(34.6)
Telephone	4,587	2,805	(38.9)
Legal Costs	6,342	6,828	7.7
Light & Power	3,844	3,270	(14.9)
Insurance	847	1,042	23.0
Office Cleaning	2,211	1,781	(19.5)
Engineers' Fees	--	22,785	--
<u>TOTAL</u>	<u>\$57,458</u>	<u>\$100,085</u>	<u>74.19</u>

The substantial increase in this item was due, in the main, to increased expenditure for Rent (\$17,650), Engineers' Fees (\$22,785) and Stores and Stationery (\$5,112). The reasons for the increased expenditure are:

Rent - effective from 1 November, 1982, rent payable by the Board in respect of the area occupied by the Board's Head Office at 55-61 Chandos Street, St. Leonards was increased from \$163,494 per annum to \$353,900 per annum.

The Board originally owned this property, however, following the establishment of the Long Service Payments Corporation on 1 August, 1982 as a separate entity, ownership was transferred to the Corporation. The rental adjustment effected by the Long Service Corporation effectively increased the Board's rental for this premises to the current market level.

Engineers' Fees - in previous years, engineers' reports relating to claims made against the Board were required to be obtained by the claimant and/or builder. This arrangement was found to be unsatisfactory as conflicting reports tended to be submitted by both parties.

Accordingly, in 1982-83 the Board introduced the policy of engaging independent engineers.

Where a valid claim eventuates, the fee for the engineers report is incorporated as part of the cost of the claim and the appropriate percentage recovered from the reinsurers.

Action is now being taken to prepare a claim against the reinsurers for the amounts recoverable in respect of these payments.

Stores and Stationery - the additional expenditure is due to a combination of increased prices and larger quantities of stock being purchased.

During 1982-83, a new House Purchasers Agreement, with a revised scale of fees, was introduced from 1 January, 1983, making it necessary to obtain replacement forms and stationery.

Long Service Leave

	<u>1981-82</u>	<u>1982-83</u>	<u>Increase</u>
	\$	\$	% (-)
Annual Charge	5,660	47,418	737.8

The annual long service leave charge is assessed by calculating the accumulated entitlements at 30 June and deducting from that figure the existing balance in the Provision for Long Service Leave account.

As a result of changes to the personnel working in Insurance, as well as salary increases brought about by increments and payment of the new award, the accumulated entitlements for long service leave increased from \$42,529 at 30 June, 1982 to \$89,947 at 30 June, 1983. No long service leave payments were made during 1982-83 and hence the annual charge against Revenue amounted to \$47,418.

Audit Fees

	<u>1981-82</u>	<u>1982-83</u>	<u>Increase</u>
	\$	\$	% (-)
Annual Charge	9,900	18,350	85.4

The charge raised against the General Insurance Fund is based upon a dissection of the annual audit fee as advised by the Auditor-General's Department.

2. DOUBTFUL DEBTS

(a) Debtors - Claim Recoveries

Debts included in this category represent the Board's portion of claims paid under House Purchasers Agreements, which are recoverable from the responsible builders in terms of Section 34 (3) of the Builders Licensing Act, 1971.

Cover under the House Purchasers Agreement is provided for periods up to 7 years. In many cases, it has been found that, by the time a claim has been settled, the builder concerned has either left the industry and is no longer the holder of a current licence or is the subject of bankruptcy/liquidation proceedings.

The Board's experience has been that, where a builder is no longer the holder of a current licence or is the subject of bankruptcy/liquidation proceedings, recovery action, in most cases, extends over a lengthy period of time and usually there is little chance of receiving the full amount of the debt. Accordingly, the rates which have been set for the establishment of a Provision for Doubtful Debts are:

BUILDERS LICENSING BOARD

- 4 -

- | | |
|--|-----|
| (A) Where a current licence is held by the builder | 10% |
| (B) Where the builder is no longer the holder of a current licence | 70% |
| (C) Where the builder is the subject of bankruptcy/liquidation proceedings | 90% |

As at 30 June, 1983, the balances of outstanding debts in these categories were approximately \$132,000 (12.4%), \$477,000 (44.8%) and \$456,000 (42.8%) respectively.

A review is presently being undertaken of all Claim Recovery Debtors. Where it is considered that there is little chance of recovering any of the money due, approval will be sought to write the debts off.

- (b) The amount included for "Debtors - Miscellaneous" (\$160,078) represents:

	\$
Miscellaneous Debtors	31,318
Dishonoured Cheques	2,102
Debtors - Outstanding Insurance Premiums	96,254
Palmdale Limited - amount claimed against liquidator	30,404
	<u>\$160,078</u>

The provision for doubtful debts as at 30 June, 1983 of \$44,967 relates to:

- (i) Amount Claimed Against Liquidator for Palmdale Ltd. \$30,404

Palmdale Ltd., a reinsurer under the House Purchasers Agreement, went into liquidation on 30 November, 1979 and a claim was made against the receiver for the estimated value of claims which would originally have been payable by that company and which now will be borne by the Board.

Because it was considered unlikely that any dividend would be received, a provision for doubtful debts was created for the full amount of the claim. Enquiries are now being directed to the receiver to confirm whether or not any dividends will be paid. If advice is received that no dividend will be paid, approval will be sought to write the debt off.

- (ii) Debtors - Outstanding Insurance Premiums \$14,563

As at 30 June, 1983, the balance of debtor accounts for shortpaid insurance premiums stood at \$96,254 compared with \$22,838 at 30 June, 1982. During 1982-83, new accounts totalling \$80,542 were raised.

The majority of the new debts arose following the introduction of a new premium scale on 1 January, 1983. In many instances, premiums

paid as a prepayment before this date were made at the old rates. Following a contract being entered into or building work being commenced on or after 1 January, 1983, the increased premium became payable.

The charge raised in 1982-83 for the provision for doubtful debts (\$3,094) relates to shortpayments which occurred prior to 1982-83 and which were considered unlikely to be paid.

It is proposed during 1983-84 to review all outstanding debts in this category and, where recovery action has been unsuccessful, to seek approval to write-off such cases which do not warrant further action in terms of the Treasury Instructions and Guidelines.

<u>TOTAL</u>	<u><u>\$44,967</u></u>
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3. LEVEL OF ACCUMULATED FUNDS

The balance of Accumulated Funds in the General Insurance Fund since 30 June, 1980 is detailed following:

	<u>Accumulated Funds</u>
	\$ (000)
30 June, 1980	3,440
30 June, 1981	5,284
30 June, 1982	3,774
30 June, 1983	4,921

The main sources of income for this fund are from insurance premiums and interest earned on the investment of same.

Insurance cover provided by the Builders Licensing Act, 1971 is in respect of building work, including trade work, carried out by the holder of a licence, the cost of which exceeds \$1,000. The period of cover varies with the different categories of risk up to a maximum of 7 years. Hence, there exists a liability against the existing Accumulated Funds for claims which will be made during the next 7 years. Having regard to this potential liability, the present level of funds are not considered excessive.

The Board's portion of risk has been increased from 1 July, 1978 when it commenced at 10%, up to the present level of 35% which became effective from 1 January, 1983. The increases have been effected with a view to minimising the insurance cost to consumers.

House Purchasers Agreement 4 also came into operation from 1 January, 1983. Under this new Agreement, the amount of cover provided for the various classes of risk was increased (e.g. for major structural defects from \$12,500 to \$20,000) and a new scale of premiums became payable. The new scale of premiums was set following discussions with the Government Insurance Office and the other reinsurers.

In addition to claims, funds have been accumulated to meet the administrative costs associated with the operation of the insurance scheme. A major commitment for these funds in the next 18 months to 2 years is for a computerised insurance system. The need for this system was identified by the Public Service Board as a result of a review carried out to explore the potential for computerisation of this Board's systems. The cost of system has been estimated at \$250,000.

In view of the above, a reduction in the scale of fees is not considered appropriate.

4. BOARD'S INVESTMENT POLICIES

(a) Breakdown of Investments

The Board's investments, which have been classified as short-term deposits in the Auditor-General's report, consist of deposits lodged with the Treasury. As at 30 June, 1983, deposits on account of the General Insurance Fund, which stood at \$8,582,000, consisted of:

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Deposit</u>
	<u>Per Annum</u>	
	%	\$
8. 7.83	14.17	170,000
29. 7.83	14.24	2,503,000
5. 8.83	14.24	2,308,000
9. 8.83	14.17	1,705,000
9. 9.83	13.86	1,652,000
9.12.83	13.86	244,000
	<u>TOTAL</u>	<u>\$8,582,000</u>

Since 30 June, 1983, the Board has invested \$2 million with the State Second Mortgage Scheme. Advice was recently received that this Scheme is to be extended up to 1985 and the Board has notified the Treasury that it has agreed to contribute an additional \$1 million.

(b) Investment Policies

The Builders Licensing Act, 1971 only provides for the investment of General Insurance and Special Insurance Funds.

Section 41 (B) of the Act provides that the provisions of the Superannuation Act, 1916, with respect to the State Superannuation Fund, apply to this Board in respect of the investment of the General Insurance Fund and Special Insurance Fund.

Under an existing agreement, the Board is required to invest the insurance funds, other than funds invested in the State Second Mortgage Scheme, with the Treasury for periods in excess of 14 days. Interest is payable on these investments at the rate equal to the published Reserve Bank rates applying to deposits of \$50,000 and over, accepted or renewed.

These funds are invested, having regard to the Board's cash flow, in order to achieve the maximum rate of return. For some time now, the Board has been considering the purchase of a property for occupancy as its Head Office. Pending a final decision on this matter, it had been decided to limit the investment of the Board's cash reserves with the Treasury to periods not exceeding six months.

5. SPECIAL INSURANCE FUND

Cabinet recently approved the amendment of the Builders Licensing Act, 1971, to provide for the introduction of a Trades Indemnity Scheme. This Scheme will allow persons for whom defective work has been carried out by licensed tradespersons to claim compensation.

The draft amendment is currently with the Parliamentary Counsel and it is anticipated the Scheme will become operational during the current financial year.

I trust this information satisfactorily answers the Committee's enquiries.

Yours faithfully,



B. F. CAHILL,
CHAIRMAN

**BUILDING AND CONSTRUCTION INDUSTRY
LONG SERVICE LEAVE PAYMENTS CORPORATION**

Auditor-General's Report Reference: Part II, Page 87.

Issues examined by the Committee:

- * The large surpluses generated by the Corporation, (\$18.5 million in 1982-83) and whether contribution rates should be decreased.
- * The adequacy of accumulated funds (\$80.4 million at 30 June, 1983) and whether any actuarial assessment had been made to estimate the Corporation's future liabilities.
- * Breakdown of investments and investment policy.
- * A breakdown of expenditure incurred in 1982-83 excluding long service payments and provisions.

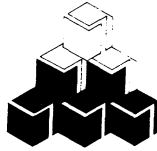
Corporation's Response:

The Corporation's responses commence on the next page.

In summary: The 'surpluses' in 1981-82 and 1982-83 are not in fact surpluses but represent funds required to meet future commitments of the Corporation. The actuarial review as at 30 June, 1982 indicated that the Long Service Payments Fund is on a sound basis. As a result of this review the Minister announced that contribution rates were to be reduced by 10%.

Result of Committee's Deliberations:

The Inquiry into the Investment Practices of Statutory Authorities is currently in progress and other matters deferred pending the Committee's review of the 1983-84 Auditor-General's report.



Building and
Construction Industry

LONG SERVICE PAYMENTS CORPORATION

Your reference: **AG83/23**
Our reference:
Telephone: (02) 439 3199
Extension:

Mr M. Egan, B.A., M.P.
Chairman
Public Accounts Committee
Parliament House
SYDNEY NSW 2000

22 DEC 1983

Dear Mr Egan,

I refer to your letter of 29th November, 1983, regarding the 1982/83 financial report of the Corporation.

Comments are provided hereunder on each of the matters raised in your letter.

- 1. The "large surpluses" for 1981/82 and 1982/83 are not, in fact, surpluses, but represent funds required to meet the future commitments of the Corporation in paying claims made by workers.*

As the scheme is based on 15 years service, and as it is only 8 years old at this time, it will be some years yet before a major number of claims will be made on the Fund.

The Act provides for an Actuarial Review each 3 years, and I have only recently received the review for the period up to 30th June, 1983.

The Actuary's report indicates that the Fund is on a sound basis, and that it will be possible to reduce the contribution rate under the Act whilst retaining the integrity of the Fund.

On 23rd November, 1983, the Minister announced a reduction of 10% in the contribution rate, from 2.5% to 2.25%.

- 2. As mentioned above, the Actuarial Review for the period up to 30th June, 1983, has recently been received, and this report has considered the assets of the Fund in relation to future commitments. The 10% reduction in the contribution rate resulted from the review.*

A copy of the Actuary's report is attached for your information.

- 3. The required breakdown of investments held at 30th June, 1983, is attached hereunder.*

... 2

Mr M. Egan, B.A., M.P.
Chairman
Public Accounts Committee

4. The Corporation has nominally followed the investment policy of the Builders Licensing Board, which controlled the scheme up to 31st July, 1982, but has been concerned that such policy was no longer appropriate.

The receipt of the Actuary's report and the amendments to the Corporation's investment powers contained in current legislative amendments have provided the opportunity to review investment policies.

To this end, an external review is presently being arranged. It is anticipated that the review will be completed by March, 1984.

A copy of the policy set by the Builders Licensing Board is attached hereunder.

5. A breakdown of expenditure incurred is attached for your information.

In assessing the variation in salary costs from 1981/82 to 1982/83, it is relevant to note that Joint Administration Expenses were essentially joint staff expense paid to the Builders Licensing Board, and not shown as salary. If the Joint Administration Expenses are included in salary calculations, the figures become \$1,896,884 for 1981/82 and \$2,306,339 for 1982/83, with the increase being 21.6%.

Yours faithfully,


J.M. RIORDAN
Under Secretary

CHICKEN MEAT INDUSTRY COMMITTEE

Auditor-General's Report Reference: Part II, Page 261.

Issue examined by the Committee:

- * Why the Chicken Meat Industry Committee had not prepared a Balance Sheet nor a statement regarding the movement of funds

Chicken Meat Industry Committee's Response:

The Committee provided a copy of its statement of receipts and expenditure for 1982-83.

The Committee's response commences on the next page.

Result of Committee's Deliberations:

No further action required in respect of 1982-83 operations.



Chicken Meat Industry Committee

Mr Michael Egan,
Chairman,
Public Accounts Committee,
Parliament House,
SYDNEY, N.S.W., 2000.

P.O. Box K220
Haymarket 2000

Our reference: A.P.80/367
GETL:CR

Your reference: AG 83/49

Telephone: 217 6666
Extension: 5252

9th January, 1984.


Dear Sir,

I refer to your letter of 14th December, 1983 - Reference: AG 83/49 and now advise that a financial statement in respect of the accounts of the Chicken Meat Industry Committee was prepared for the financial year 1982/83.

The abovementioned financial statement is at present held in the files of the N.S.W. Department of Agriculture and a copy of this statement has been forwarded to the Auditor-General's staff, attached to that department.

Attached is a copy of the Chicken Meat Industry Committee's financial statement for the financial year 1982/83, which is submitted for your information.

Yours faithfully,


G.E.T. Linnegar,
SECRETARY.



CHICKEN MEAT INDUSTRY COMMITTEE
STATEMENT OF RECEIPTS AND EXPENDITURE 1.7.82 to 30.6.83

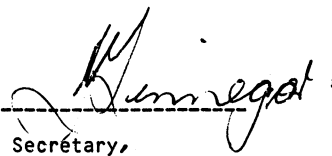
R E C E I P T S

E X P E N D I T U R E

Broiler Growing Agreement Fees -	\$15,060.00	PAID TO MEMBERS	
		Meeting fees	8,100.00
		Air travel	1,593.50
		Accommodation	30.00
		Motor vehicle expenses	1,898.05
		Parking fees	53.20
		Toll	23.80
		Taxi	92.05
		Fares	4.79
			11,795.39
		OTHER EXPENSES	
		Postage	50.91
		Other	57.32
		Meals	77.05
		Overseas visit W. Nowland	1,000.00
		Air fares	424.00
			1,609.28
TOTAL	\$15,060.00	TOTAL	13,404.67

Consolidated Fund Recurrent Payments Allocation 1982-83	-	\$ 14,000.00
Expenditure by Chicken Meat Industry Committee, 1982-83	-	\$ 13,404.67
Under-expenditure	-	\$ 595.33

In the above statement it should be noted that no expenditure in respect of salary costs of Secretary and Stenographer have been incurred for 1982-83, financial year. This action was taken in order to allow an advance payment of \$1,000 to the Chairman in respect of his official visit to Canada in July 1983. The abovementioned salary expenditure will be a debit against the Chicken Meat Industry Committee allocation for the 1983-84 financial year.



 Secretary,
 Chicken Meat Industry Committee

COAL AND OIL SHALE MINE WORKERS SUPERANNUATION TRIBUNAL

Auditor-General's Report Reference: Part II, Page 334.

Issues Examined by the Committee:

- * Breakdown of investments held at 30 June, 1983
- * Rate of return on investments held
- * Tribunal's investment policies

Tribunal's Response:

The Tribunal has supplied the investment information requested by the Committee but the response has not been included in this report as the Committee's Investments Inquiry is still in progress.

Result of Committee's Deliberations:

Inquiry into Investment Practices of Statutory Authorities is currently being conducted and will be the subject of a separate report when finalised.

COUNCIL OF AUCTIONEERS AND AGENTS

Auditor-General's Report Reference: Part II, Page 94.

Issues examined by the Committee:

- * Administration account expenditure and Compensation Fund administration expenses.
- * Whether the level of fees is too high given the amount of the Administration Account's accumulated funds.
- * The reason for accumulated funds of \$10.6 million in the Compensation Fund and whether the contribution rates are too high.
- * The purpose of the Special Account and reason for the balance of \$14.7 million in this account.
- * The purpose of the Statutory Interest Account and the reason for the balance of \$6.4 million in this account.
- * A breakdown of investments and the Council's investment policy.

Council's Response:

The Council's response commences on the next page.

Result of Committee's Deliberations:

The Inquiry into the Investment Practices of Statutory Authorities is currently in progress and action in regard to other matters is deferred pending the Committee's review of the Auditor-General's 1983-84 report.



The Council of Auctioneers and Agents

TELEPHONE: 267-2811

The Chairman,
Public Accounts Committee,
Parliament House,
SYDNEY. N.S.W. 2000.

IN YOUR REPLY PLEASE QUOTE

RJS:KF EXT 30

Dear Sir,

21st February, 1984

Re: AG8325 Council of Auctioneers and Agents

I refer to your letter of 30th November, 1983 and submit my comments in relation to the various matters raised in connection with the final Accounts of the Council of Auctioneers and Agents for the year ended 30th June, 1983.

Acting on advice from the Auditor General's Department and in accordance with modern reporting trends, expense accounts were condensed and rounded off for the final Accounts.

I have attached a copy of the Council's final Accounts for 1982-83 for the Committee's information.

1. Breakdown Expenditure Items:

(a) Salaries and Associated Costs:		\$	<u>674,000</u>
Salaries	\$ 581,382		
Superannuation Contributions	59,485		
Payroll Tax	<u>33,469</u>		674,336
(b) Administration Costs:		\$	<u>146,000</u>
Rent	\$ 56,567		
Postage	20,118		
Telephone	7,325		
Light and Power	5,969		
Insurances	2,799		
Data Processing	21,542		
Printing and Stationery	19,627		
Annual Report	<u>12,000</u>		<u>145,947</u>
(c) Members Fees and Travelling Expenses:		\$	<u>75,000</u>
Members Fees	27,582		
Travelling Expenses	<u>46,912</u>		<u>74,494</u>

The 16 Members of Council are entitled to fees and allowances as set by the Premier's Department for part time Members of Boards and Committees.

Section 14(1) of the Auctioneers and Agents Act, 1941 provides as follows:-

"A member other than the Chairman is entitled to be paid such remuneration and such travelling and subsistence allowance as the Minister may from time to time determine in respect of him."

The Chairman, Public Accounts Committee:

Council Members are entitled to be reimbursed for accommodation and travelling expenses and attending Council Meetings. Full Council meets once a month and Councillors usually attend at least one Sub-Committee Meeting a month. Members travel from Lismore, Armidale, Gunnedah, West Wyalong, Newcastle, Monteagle and Queanbeyan.

(d) Administration Costs - re Compensation Fund:

This is an interfund transfer from the Compensation Fund to the Administration Account which represents the proportion of administrative costs the Compensation Fund should bear. The calculation is based on the following formula approved by both the Council and Auditor General.

Registrar	10% salary	\$ 3,347
Deputy Registrar	20% salary	5,710
Claims Inspector	100% salary	18,097
Typist	25% salary	3,898
Inspectors	50% salary	91,827

ADD: 10% of Expenditure other than 100% salaries above 72,832 \$195,711

In the final Accounts, Note 2 draws attention to Regulation 68 (d) which provides that:- "There shall from time to time be paid out of the fund as required and in such order as the council deems proper the expenses involved in the administration of the fund."

2. Accumulation of funds of the Administration Account:

Income:

Funds of the Administration Account are derived from:-

- (a) License Fees
- (b) Transfer from Compensation Fund (on the basis of (d) above)
- (c) Transfer from the Statutory Interest Account (on the basis of)
- (d) Interest on funds invested
- (e) Sundry Receipts, e.g. Sale of Election Rolls, Sale of Assets, etc.

During 1982-83 funds from these sources were:

(a) Fees	\$ 1,096,791
(b) Compensation Fund transfer	195,711
(c) Statutory Interest transfer	64,177
(d) Interest of investments	67,985
(e) Sundry Receipts	4,184
	<u>\$ 1,168,958</u>

The following comments in respect of these items is considered relevant:-

The Chairman, Public Accounts Committee:

(a) Fees:

The License fee structure in the Auctioneers and Agents is as follows:-

	Total Cost	Admin. fee	Fidelity Contrib.	License fee
	\$	\$	\$	\$
Real Estate Agent	80.00	40.00	20.00	20.00
Auctioneers	80.00	40.00	20.00	20.00
Stock and Station Agent	80.00	40.00	20.00	20.00
Business Agent	80.00	40.00	20.00	20.00
Corporation	160.00	40.00	100.00	20.00
Salesman	12.00	10.00	20.00	2.00

Where a combination of Licenses is held e.g. Real Estate Agent, Auctioneer and Business Agent, only one contribution is required to the Compensation Fund, the total fee payable for those three Licenses would total \$200.00.

Fees were set at the current level on 1st July, 1981. During the interim the C.P.I. has risen by 23.3%. It might be noted that the New South Wales level of fees is substantially lower than license fees applying in other states, e.g.

Victoria	- Real Estate License	- \$100.00 per year
	- Corporation	- \$400 per year
	- Sub Agents License	- \$ 20 per year
Queensland	- Real Estate	- \$210 per year
	- Corporation	- \$130 per year

Expenditure:

Expenditure details are provided in the attached final Accounts. The main items of expenditure being detailed in Point 1 (a), (b) and (c). Substantial savings which have occurred during the year under review details of which include:-

(a) Salaries:

Council's establishment comprised 32 positions including a full time Chairman. During 1982/1983 constraints upon staff recruitment resulted in a monthly average of only 27 positions being occupied. The position of Chairman (salary \$40,865 + \$398 allowance) has been vacant since the 30th June, 1982. The Deputy Director of the Department of Consumer Affairs was appointed Chairman until the 31st December, 1982 on an unpaid basis and since that date, Council Members have elected a Chairman for Meetings in accordance with the provisions of Section 16(2) of the Act.

It is estimated that for the year ended 30th June, 1983, savings in the order of \$170,000 have accrued under this item.

The Chairman, Public Accounts Committee:

(b) Administration Costs:

Rent:

Rent on Council's accommodation was negotiated on a most favourable basis of \$7.00 per square foot per annum in March, 1981. The lessor has signified an intention to seek an increase of rent to \$15.00 per square foot per annum effective from March, 1984.

Data Processing:

In 1981 Council purchased a Burroughs B90 Computer and costs reflected in the final Accounts relate to service contracts and additional software requirements. The Computer has resulted in substantial administrative savings overall with a reduction in levels of typing and clerical work.

(c) Staff Travel:

Travelling costs and allowances paid to Council staff in accordance with the Public Service Act has been at a lower level than expected due to restrictions upon staff recruitment. Shortage of staff has severely limited itineraries for Council Inspectorate resulting in effective savings in this area.

Council is most concerned at the present lack of inspections in country areas.

In summary therefore, had the Council operated exclusively on the basis of license fee income (\$1,096,790 1982/1983) a net operating loss of \$41,872 would have accrued in the Administration Account.

Salary savings by virtue of vacant positions would have extended this loss by a further \$170,000. It might be emphasised that the balance of \$1,045,000 (not \$1,025,000 as stated in your letter) represents the accumulation of funds in the Administration Account since 1984. This represents an average of \$24,881 per annum.

Consideration is currently being given at the policy level to legislative amendments in relation to Council funding.

3. Accumulation of Funds - Compensation Fund:

Compensation Fund Balance Sheet funds of \$10,600,000 is again an accumulation since the Fund was commenced in 1941.

The Compensation Fund is designed to reimburse persons who suffer pecuniary loss through an Agent's failure to account. If the public is to be protected, it is essential for the Compensation Fund to be financially sound and in a position to meet substantial Claims which may occur at any time.

Prior to 1982 the provisions of the Act made it extremely difficult and protracted to sustain a Claim upon the Fund. Little publicity was given to the availability of this source of compensation to the persons who may suffer loss by virtue of their dealings with recalcitrant Licensees. Prior to 1980, annual payments from the Fund averaged approximately \$30,400. Following the amendments, the following payments have been made:-

The Chairman, Public Accounts Committee:

1981	\$ 72,425
1982	\$ 165,695
1983	\$ 240,977

As at 30th June, 1983 Claims totalling \$383,224 were pending.

The 1980 amendments to the Act expanded controls to cover Strata Managing Agents. Council's recent experience demonstrates a high potential for defalcations which could substantially increase both the volume and monetary value of future claims.

During 1982 the contribution to the Compensation Fund from licensing fees totalled \$254,076 while interest on invested funds (accumulated since 1941) generated \$1,053,585. Provision was made in the Accounts to transfer funds totalling \$1,900,000 from the Statutory Interest Account in accordance with the provisions of Section 63D of the Act.

The extent of accumulation of funds to this Account received impetus from amendments introduced by the then Government in 1973 which provided:-

- (a) 25% of the minimum daily balance of an Agent's Trust Account to be lodged into a Special Account to be invested on behalf of the Council (refer Section 36D).
- (b) The interest earned as a result of these investments is credited to the Auctioneers and Agents Statutory Interest Account.
- (c) 50% of the interest earned to be transferred to the Compensation Account (refer Section 63D of the Act).

Details of income and expenditure for the Compensation Fund Account appear in the attached Statements. It is relevant to note that in 1982/1983 income from license fees exceeded Claims by only \$13,098. This amount was far exceeded by administrative costs, legal fees, Receivership costs and sundry expenses totalling \$315,916.

The Committee's attention is drawn to the fact that the Act contains measures designed to circumvent Claims upon the Fund by appointing Receivers (where evidence exists of possible Claims on the Fund) and the cost of all legal action taken by Council in objecting to the renewal of an Agent's License or when lodging Complaints for Cancellation of an Agent's License (refer Section 68 and Section 83).

The initiatives taken by the New South Wales Government in 1973 by implementing the Auctioneers and Agents Special Account and the Statutory Interest Account have been followed recently by both Victoria and Queensland. In Victoria, the Agent is required to lodge 40% of the minimum balance of the trust account and Queensland requires the Agent to lodge two thirds of the minimum balance in excess of \$3,000.

In accordance with the provisions of Section 73 of the Auctioneers and Agents Act, 1941, meticulous care has been exercised in the investment of funds which has resulted in the accretion of \$1,053,585 interest during 1982/1983. As mentioned previously the question of funding is currently under consideration.

The Chairman, Public Accounts Committee.

4. Purpose of Special Account:

Reference was made earlier to the Auctioneers and Agents Special Account being a scheme whereby every Licensee under the Auctioneers and Agents Act, 1941 is required to lodge 25% of the minimum balance in his Trust Account with the Auctioneers and Agents Special Account at the Head Office of his particular Banker. This money is held in trust by Council for the licensees and is available at call if the funds are required by the licensees to settle trust transactions. It is pointed out that the \$14,722,426 referred to is a liability of the Council not an asset since funds belong to individual licensees who are issued with Letters of Credit by their individual bankers.

Funds in the Special Account are invested and the Council receives interest on these investments. Conversely, if the Special Accounts go into overdraft, as has been the case in recent times, interest is charged by the particular institution.

Deposits made by licensees under the Special Account provisions decreased from \$17,020,367 in 1982 to \$14,722,426 in 1983.

These latest developments reflect the decline in real estate sales and a new practice whereby Solicitors instruct Agents to place deposits in Interest Bearing Deposits, other than Trust Accounts or for the money to be held by the vendor's Solicitor.

5. Purpose of Statutory Interest Account:

Moneys in the Statutory Interest Account are applied as follows:-

- (a) Supplementation of the Compensation Fund.
- (b) The establishment and conduct by the Council of a scheme for the payment of the whole or part of the costs, charges and expenses
 - (i) Incurred by bodies or organisations in the provision of courses leading to examinations prescribed for the purposes of subsection (10A) of section 23;
 - (ii) involved in connection with educational meetings or lectures organised by or for the council for licensees;
- (c) investment in loans to building societies registered under the Co-operation Act, 1923, or the Permanent Building Societies Act, 1967.
- (d) payment to the credit of the Auctioneers and Agents Administration Account of the costs, charges and expenses of administering the Special Account and Statutory Interest Account provisions.

The figure of \$6,395,662 as at 30th June, 1983 represents accumulated profits since the scheme was introduced in 1973.

The Chairman, Public Accounts Committee.

6. A Breakdown of Investments shown in the Administration, Compensation, Special and Statutory Interest Accounts:

Administration Account:

National Australia Bank \$ 550,000

Compensation Fund:

National Australia Bank 3,880,000
State Bank 2,500,000

Bldg Soc: St. George \$ 500,000
NSW Permanent 500,000
United Permanent 500,000
Newcastle Permanent 500,000
Greater Newcastle 500,000
State 500,000 3,000,000
9,380,000

Special Account:

Interest Bearing Deposits (Agents funds \$ 14,755,000
Current Accounts invested) (32,574)
14,722,426

Commonwealth Trading Bank \$ 3,268,000
Bank of New Zealand 8,000
Westpac (N.S.W.) 3,433,000
National Australia (C.B.C.) 2,625,000
State Bank 757,000
Australia & New Zealand 2,246,000
National Australia (National) 283,000
Westpac (C.B. of A) 2,135,000
14,755,000

Current Accounts:

Commonwealth Trading Bank \$ (6,907.46)
Westpac 341 George St. (EX NSW) 30.09
State Bank 512.75
Australian & New Zealand 6,916.58
National Australia Bank (33,774.29)
Westpac 273 George St. (EX CBA) 648.00
Bank of New Zealand Nil (\$32,574.33)

Statutory Interest Account:

Fixed Bank Deposits 2,800,000
State Bank \$ 960,000
National Australia 1,840,000

The Chairman, Public Accounts Committee:

Building Society Investments:

State Building Society	\$	700,000	
St. George Building Society		700,000	
Greater Newcastle Permanent Building Society		700,000	
N.S.W. Permanent Building Society		700,000	
United Permanent Building Society		700,000	
Newcastle Permanent Building Society		700,000	4,200,000
			<u>\$ 7,000,000</u>

7. An Outline of Councils Investment Policy is as follows:-

ADMINISTRATION ACCOUNT:

The Administration Account Investments form a minor part of Councils Investment Portfolio. Surplus funds are only invested in Gilt-Edged Securities for short periods to ensure liquidity in the Account.

COMPENSATION FUND:

The investment policy in respect of the Compensation Fund is covered by the provisions of Section 73 of the Auctioneers and Agents Act which provides as follows:-

"Any moneys in the fund which are not immediately required for the purposes of the fund may be invested in any manner in which trustees are for the time being authorised to invest trust funds, or on deposit for such period as the council deems proper with any bank or corporation prescribed by the rules of court as a bank or corporation to which trust moneys may be paid under section 15 of the Trustee Act, 1925, or, to an extent involving the expenditure of not more than 60 per cent of the money at credit in the fund and with the consent of the Minister, in the purchase of shares in a permanent building society registered under the Permanent Building Societies Act, 1967."

STATUTORY INTEREST ACCOUNT:

The investment policy in respect of any surplus funds in the Statutory Interest Account is covered by the provisions of Section 63D(2) which provides as follows:-

"Without affecting the operation of paragraph (c) of subsection (1), any moneys to the credit of the Statutory Interest Account which are not immediately required for the purposes of the Statutory Interest Account may be invested in any manner in which trustees are for the time being authorised to invest trust funds, or on deposit for such period as the council deems proper with any bank or corporation prescribed by the rules of court as a bank or corporation to which trust moneys may be paid under section 15 of the Trustee Act, 1925."

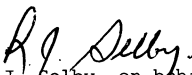
The Chairman, Public Accounts Committee:

SPECIAL ACCOUNT:

Investment of moneys in the Special Accounts are restricted to the particular bank where the funds are lodged. When funds in the Special Accounts were stable or increasing, such as a buoyant real estate market, the policy was to place funds on interest bearing deposit for twelve months. In recent times, there has been a constant exodus of funds from the Special Accounts resulting in overdraft situations being created on the Special Accounts. To combat these overdrafts Special Account Interest Bearing Deposits are now lodged for overlapping short periods.

In conclusion, it should be pointed out that the whole question of the Council's funds and funding is currently the subject of policy review and it is likely that legislative action will be taken to substantially vary the present arrangements.

Yours faithfully,


R. J. Selby, on behalf
of the Chairman.

CUMBERLAND COLLEGE OF HEALTH SCIENCES

Auditor-General's Report Reference: Part II, Page 177.

Issues examined by the Committee:

- * Donation to the Cumberland College Foundation Limited.
- * Investments.

College's Response:

The College's response commences on the next page.

In summary: Donation to the Foundation was to recoup moneys paid for salaries of College staff engaged on Australian Development Assistance Bureau Projects.

Details of investments and investment policy provided.

Result of Committee's Deliberations:

Other than the Inquiry into Investment Practices of Statutory Authorities, no further action required in respect of 1982 operations.



Cumberland College of Health Sciences

(P.O. Box 170), Lidcombe, New South Wales, Australia, 2141
East Street, Lidcombe, Telephone (02) 646-6444

5th January, 1983.

Mr. M. Egan B.A., M.P.,
Chairman,
Public Accounts Committee,
Parliament of New South Wales,
Legislative Assembly,
Parliament House,
SYDNEY. N.S.W. 2000.

Dear Mr. Egan,

I refer to your letter dated 5th December, 1983 reference AG 83/34 requesting comment on various matters raised by your Committee following their examination of the 1982/83 Report of the New South Wales Auditor General.

The following comments are provided in respect of these matters:

1. The donation of \$50,000 by the Council of the College to the Cumberland College Foundation Limited was to recoup moneys paid for salaries of College staff engaged on Australian Development Assistance Bureau Projects in South East Asia.

These project grants are only available to the Foundation as a recognised "non Government Organisation" which precludes the College receiving the grants direct from the Commonwealth Government.

The Council of the College has developed a clear policy on providing manpower assistance in the Allied Health Professions to these regions and has in fact entered into a number of inter institutional agreements with educational/health organisations within the countries concerned.

The sum recouped to the Foundation was provided from College money and not grant money legislated for "specified purposes".

The establishment of the Foundation in 1981 was viewed by the Council of the College as a means of furthering the objectives of the College as a mechanism to attract financial assistance which is not always available to Government funded organisations. The memorandum and Articles of Association of Foundation reflect the views of the College Council.

2. Term Deposits \$2,407,008
(NSW Permanent Building Society)

<u>Amount</u>	<u>Term</u>	<u>Rate</u>
203,221.92	43 days	8.25
203,785.75	34 "	8.25
200,000.00	17 "	8.20
150,000.00	19 "	8.20
50,000.00	24 "	8.20
50,000.00	31 "	8.20
150,000.00	33 "	8.20
50,000.00	45 "	8.20
150,000.00	47 "	8.20
50,000.00	52 "	8.20
50,000.00	59 "	8.20
750,000.00	59 "	8.40
150,000.00	61 "	8.20
200,000.00	66 "	8.20

Inscribed Stock \$400,000
(Electricity Commission of NSW)

400,000.00 4 years 10.4
(invested November, 1979)

Interest Bearing Deposits \$100,000
(National Australia Bank)

100,000.00 180 days 14.0

Australian Savings Bonds \$150,000

150,000.00 7 years 14.75
(invested October, 1982).

The reason that investment funds increased by 91.5% at December 31, 1982, was due to the fact that the initial distribution of 1982 recurrent funds (received December 23, 1981) could not be placed on the market before the end of 1981. The bank was asked to quote for this money but was not prepared to do so therefore the money

could only be placed in the College's bank account. The situation changed marginally at the end of 1982 in that the initial distribution of 1983 recurrent funds (received December 22, 1982) was received in sufficient time to place the funds outside the banking system.

3. The rates are included in point 2.

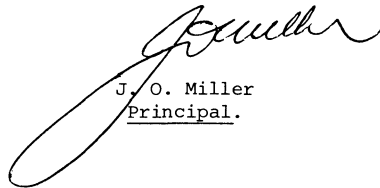
4. The Colleges primary concern is to ensure that any funds invested are available when required to meet its ongoing commitments. This means that the bulk of College investments are of a short term nature.

Where possible the College invests funds over a longer term to attract a better rate of interest. These longer term investments are funds provided for long service leave and special purpose funds.

As you are aware the College is restricted to 'trustee investments'. Within this framework the College's policy is to accept the best quote available at the time of investing.

I trust the foregoing provides sufficient information for the members of your Committee to the matters raised in your letter under reference.

Yours faithfully,



J. O. Miller
Principal.

DEPARTMENT OF CONSUMER AFFAIRS

Auditor-General's Report Reference: Part I, Page 117.

Issue examined by the Committee:

- * Variation of statute - Weights and Measures Act, 1915. The Department has not been fully complying with Section 31 which requires weights, measuring instruments, etc. to be reverified and stamped every two years.

Department's Response:

The Department's response commences on the next page.

In summary: The arrears in inspections have arisen due to constraints upon staff recruitments. Section 31 of the Act was amended in 1980 to enable the two-year reverification period to be varied by regulation. The regulations have not been implemented due to considerations, at the policy level, of a number of other issues.

Result of Committee's Deliberations:

Further action deferred pending the Committee's review of the 1983-84 Auditor-General's report.



Department of Consumer Affairs



Mr. M. Egan, B.A., M.P.,
Chairman,
Public Accounts Committee,
Parliament House,
SYDNEY ... 2000 00

1 Oxford Street
Darlinghurst
Box 468 P.O., Darlinghurst 2010

Our reference: RWH

Your reference: AG 83/14

Telephone: 266 8111
Extension: 8337

Dear Mr. Egan,

I refer to your letter of 16th November, 1983, seeking comment upon the mention in the Auditor-General's Report concerning a variation of the Weights and Measures Act, 1915.

The current situation has arisen because of constraints imposed upon the recruitment by virtue of Government Public Sector Manpower Strategies since 1978. It became necessary to substantially modify the duties of inspectors to cater for inspection functions under other legislation administered by the Department.

In 1980, Section 31 of the Act was amended to enable the two-year reverification period to be varied by regulation. Implementation of regulations has not proceeded, due to considerations, at the policy level, of a number of other significant issues. The Committee may be assured, however, that the situation which currently exists is a matter of concern.

By way of example, at the end of the 1982 financial year, the situation in respect of reverification arrears was critical because of demand upon other inspection areas. In the Department's Annual Report of that year, it was stated "... reduced manpower has been reflected in the statistics and in arrears evident in Weights and Measures reverification".

In the Annual Report for the year ended 30th June, 1983, it was stated "Serious arrears problems with weights and measures verification which were highlighted in last year's Annual Report have been alleviated by a concerted effort in this area which has resulted in improvements. Nonetheless, there is a constant demand for inspectors to assist in the investigation of trading practices generally."

"Given the limitations imposed on the recruitment of staff, it has not been possible to completely overcome the arrears and it is unlikely that there will be any significant improvement in the foreseeable future."

Problems of staffing resources have been exacerbated by the increasing complexity in verification and reverification procedures arising from technological change in the introduction of electronic weighing and measuring devices. Whilst fees for verification and reverification have been adjusted, it remains a fact that the time necessary to undertake these processes has substantially increased in comparison with the simple mechanical machines of the past. In a total sense, this materially influences both the volume of verifications which can be undertaken and, consequently, fee returns.

.../2

Since 1978, the need to service other statutory inspection requirements has resulted in an estimated 50% reduction in the effective manpower availability for weights and measures verification and reverification programmes.

At present, it is estimated that with a calculated current staff deployment of approximately 18 officers (as opposed to 37 in 1978), the arrears in the metropolitan area amount to approximately 36 months. The arrears situation in country areas varies between 6 and 12 months, although in a number of centres compliance with the two-year reverification programme has been achieved.

Yours faithfully,

Commissioner for
Consumer Affairs

DEPARTMENT OF EDUCATION

Auditor-General's Report Reference: Part I, Page 43.

Issues examined by the Committee:

- * Increase in payroll costs.
- * Increase in cost of conveyance of children to school.
- * Inconsistency of expenditure patterns amongst various items of capital expenditure on schools.

Department's Response:

The Department's response commences next page.

In summary: increased payroll costs are principally the result of salary increases over which the Department has no control e.g. Award and National wage increases.

Increase in cost of conveyance was due to the increase in passenger bus fares and charter bus rates averaging 10.33% from 1 November, 1981, and 13.73% from 13 September, 1982. Variations in expenditure explained in the response separately for each item.

Result of Committee's Deliberations:

No further action required in respect of 1982-83 operations.



Department of Education



Mr. M.R. Egan, B.A., M.P.,
Chairman,
Public Accounts Committee,
Parliament House,
SYDNEY. 2000. 00.

35 Bridge Street, Sydney
Please address all
communications to
N.S.W. Department of
Education
Box 33, G.P.O., Sydney, N.S.W. 2001

Our reference:

Your reference:

Telephone: 2 0584 Ext.
Telegrams: "Schools Sydney"
Telex: 24420

30 DEC 1983

Dear Mr. Egan,

I refer to your letter of the 30th November, 1983 which refers to particular matters mentioned in the Auditor-General's Report for 1982/83.

The following information is submitted in respect of those matters.

A. Increase in Payroll Costs

(1) Payroll Costs Comparisons - 1980/81 and 1982/83

It will be shown in the following section that the number of approved teaching positions overall increased by 0.06% as at June 1983, compared with June 1981 figures. Your letter points to an increase in payroll costs by 29.5% during the period 1980/81 to 1982/83.

Apart from other considerations, mentioned later in this report, the increased costs are principally the result of salary increases over which the Department has no control. The following table sets out salary increases approved during the period under review.

Reason	Percentage <u>Increase</u>	Effective <u>Date</u>	Date <u>Paid</u>
National Wage	4.2	18.7.80	14.8.80
Award (interim)	2.3969	7.11.80	29.1.81
National Wage	3.7	16.1.81	26.2.81
∅ Award (final)	5.7	7.11.80	18.6.81
National Wage Adjustment ∅ because of variation to base at 16.1.81	-	16.1.81	18.6.81
National Wage	2.6	8.5.81	2.7.81
Award (interim)	4.3	1.1.82	8.4.82
Award (final)	7 to 10	1.1.82	3.6.82
Award	4	5.11.82	27.1.83

In addition, a betterment in teaching conditions saw the introduction of a locality allowance payable in respect of designated areas of the State, effective from 2.2.82 with payments commencing on 17.6.82.

It will be appreciated that the various increases approved had a compounding effect during the period under review.

(2) Budgetary Provisions

In submitting draft estimates the Department is precluded from making any provision in anticipation of any decision that would cause increases in salaries in the ensuing year,

such as a national wage determination or an outstanding award or determination. Therefore, the value of salaries is estimated at rates current at 30th June each year.

On that basis the Treasurer in his letter of allocation for 1982/83 indicated preparedness to provide supplementation to salaries items to meet any increased costs resulting from determinations and the like during the financial year, from Treasurer's Advance Account.

In respect of 1982/83, the Primary and Secondary Salaries Items were supplemented by the Treasurer to the extent of \$37,454,917. Of the \$15M savings on Primary and Secondary Education Works, mentioned in the Auditor-General's Report, the sum of \$13,728,266 was applied to meet the shortfall in salaries, overall.

The financial allocations in Head Office, Primary and Secondary Salaries areas were calculated by the Department at the time of allocation to be far short of the sum necessary to maintain the approved staff numbers for Teaching Service Administration positions by approximately \$2.3M and significantly short in the provision of Casual Relief Teachers, Primary and Secondary, by approximately \$18M and for Ancillary Staff in Schools to the extent of \$3.8M. It therefore became necessary for the Department to review its priorities with a view to providing offsets in savings to support Teaching Service staff numbers determined by the Premier and to meet the expected costs of Casual Relief for which provision had not apparently been made.

A number of options were examined and considered by the Minister and a number of those were referred by him to the Premier and the Treasurer seeking reconsideration of the allocations provided in the areas of shortfall. I would also mention that independent of the Department's examination of possible options available, the Casual Teacher Relief provisions and their administration were subject to an efficiency audit by officers of the Public Service Board's Efficiency Audit Division.

A number of the options, if adopted by the Government, would have resulted in a change in teaching conditions which would have had serious industrial implications. In summary then, the Department was left in the position where it must strive to effect savings wherever possible in its overall allocation to meet the salary costs not provided for and without disturbing Teaching Service conditions. In his reply of 8th October, 1982, the Premier indicated among other things "the issue now becomes how best to contain costs within the allocation that has been determined". The options open to the Minister and the Department were taken but failed to produce sufficient savings. It was with this background that the Treasurer agreed to the reallocation of Capital funds to meet shortfalls in provisions for salaries items.

It should also be mentioned that the report of the Public Service Board's officers made it clear that the 1982/83 provisions for Casual Relief Teachers were inadequate and also that the incidence of sick leave for teachers was shown to be less than that for other public servants.

I have attached statements setting out details of the allocations and expenditures incurred in respect of the Salaries Items, Primary and Secondary and the manner in which the overexpenditures were met. They are Schedules 1 and 2.

(3) Relationship between Enrolments and Teacher Numbers

In regard to the relationship between enrolments and teacher numbers:-

The following table indicates the changes in pupil enrolments at the annual census for each of the years 1981 and 1983 (July). The percentage change in each category is indicated.

	<u>Pupil Enrolments</u>		
	<u>Primary</u>	<u>Secondary</u>	<u>Total</u>
July 1981	507,094	282,481	790,575
July 1983	477,813	300,893	778,606
	- 5.8%	+ 6.1%	- 1.5%

The following table indicates the total number of approved teaching positions in schools as at June 30th in each of the years 1981 and 1983.

The percentage change in each category is indicated.

	<u>No. of Approved Teaching Positions</u>		
	<u>Primary</u>	<u>Secondary</u>	<u>Total</u>
June 1981 - Overall	23,611	22,510	46,121
Classroom Ordinary	(18,854)	(18,498)	(37,352)
June 1983 Overall	22,913	23,240	46,153
Classroom Ordinary	(18,032)	(19,270CD)	(37,302)
Overall	- 3.0%	+ 3.2%	+ 0.06%
Classroom Ordinary	(- 4.4%)	(+ 4.2%)	(- 0.13%)

Thus whilst enrolments in primary and secondary education have decreased overall by 1.5% total teaching positions have remained almost constant.

It is evident that the above numbers are at variance with those stated in the report. The Auditor-General has quoted from actual payroll statistics for permanent and temporary teachers, on strength. He has indicated on page 45, paragraph 1, that "the figures quoted do not include staff temporarily off the payroll (if on maternity leave, or other approved leave without pay)." They do however, include teachers absent on paid leave, e.g. sick, long service.

To achieve a reconciliation between approved teaching positions and payroll numbers for June 1983, for example, the latter must be reduced by numbers of teachers on paid leave and increased by the number of casual teachers, supply or long term relief, appointed to fill the vacant positions. Those numbers are included in the number of 5,283 "Casual and relief (expressed as full time equivalent)", stated on page 44 of the report.

As indicated above, the number of teaching positions shown include those categorized as classroom ordinary and these are those most dependent on enrolments in relation to approved staffing formulae. Indeed classroom ordinary positions have decreased by 0.13% from 1981 to 1983.

It must also be realized that the correlation between enrolments and teaching positions is not perfect in that the number of teachers required to staff schools is not the result of dividing total enrolments by the approved maximum class size, primary or secondary. Instead, it is the result of the application of an approved staffing formula to the enrolment of individual schools. This takes into account such factors as geographical population trends, the relatively lower teacher/pupil ratio in smaller

schools (particularly one teacher schools) and approved decreases in class sizes. It was not until September 1981 that the final stage of the Government's plan for a maximum class size of 30 in primary schools was implemented.

The introduction of a program to reclassify primary schools, additional appointments in such areas as special education, libraries, migrant education, counsellors, remedial and resource teaching have all been government priority areas and have received betterments despite declining enrolments. These betterments have formed part of the approved staff numbers determined by the Premier.

Until 1980 there were large numbers of reserve teachers in schools as a result of the government's commitment to employ all priority students when it eliminated the teacher scholarship bonding requirement. For this reason the presence of reserve teachers in schools reduced the need to employ casual relief teachers. Principals were expected to absorb the absence of teachers by reserves or from within the release created by reserves before making casual relief appointments. Since 1981 the absence of resource teachers and the increased demand for relief for long service and maternity leave overall has generated a need for higher levels of casual relief employment.

B. Primary and Secondary Conveyance

The increase in the cost of transporting pupils to and from school in 1982/83 over 1981/82 can be attributed to a range of factors. They are as follows:

1. There was a cumulative effect in 1982/83 of increases in passenger bus fares and charter bus/handicapped pupils' services rates granted in that and the preceding year viz. averaging 10.33% from 1st November, 1981 and 13.73% from 13th September, 1982.

The full effect of the 10.33% increase did not manifest itself in 1981/82 but was felt in 1982/83, and the more recent average increase of 13.73%, of course, was only applicable to 1982/83. The total cumulative effect, other factors not being taken into account, would be an increase of about 21%.

2. In fact, passenger bus fares do not increase by the notional percentage figures referred to in (1) above but, rather, by a range of percentages. Hence, the effect on expenditure may be more or less than the notional average fare increase depending upon whether the greater frequency of fares paid involves increases greater than or less than the notional average increase.

The range of increases for 1981/82 and 1982/83 is not readily available but, in 1983/84, it was from 8.70% to 16.67%.

3. From 1981/82 to 1982/83, there was a movement of pupils from government to non-government schools which contributed to an increase of about 5.7% in non-government school enrolments by the end of 1982/83.

As non-government schools generally are more widely dispersed, individual pupil journeys are, on average, longer. This leads, in turn, to increased passenger bus expenditure through higher average fares and, to a lesser extent, increased charter bus expenditure due to increased running and the introduction of larger vehicles.

4. There have also been instances of population shift which have increased conveyance costs e.g. from the inner-Sydney area to new housing developments at Campbelltown and Penrith, and from Sydney and other parts of the State to the North Coast region.

The increased costs have come about because of a shift in mode of transport used from government bus and rail services, the costs of which have not been met by the Department of Education

since 1981, to private passenger bus services and, where use of private passenger bus services has continued, because of the higher average fares paid for longer journeys in the developing areas.

5. Additional expenditure will be incurred simply as a result of granting access to free or subsidised travel in terms of the Government's free pupil travel policy. This growth factor has been accentuated over recent years by the increasing availability of passenger and charter bus services in country areas and, to a lesser extent, by the trend to close the smaller, Class 4 schools and transport children to larger schools.

It must be emphasised that a number of steps have been taken in recent years in an endeavour to contain expenditure on pupil conveyance.

An in-depth review of the entire free travel scheme was carried out in 1981-1982 by officers of the Department of Education with the results being considered by an inter-departmental committee chaired by an officer of the Treasury. In addition, the 'Government Functions Task Force' also concerned itself, among other things, with potential savings which might be achieved. As a consequence of these investigations, a number of recommendations were submitted to and approved by Cabinet in August, 1982 with a view to effecting savings. These included reducing payments to a number of charter bus operators to the appropriate economic rate; the conversion of a number of passenger fare services to charter services and a substantial reduction in payments to passenger fare services to more appropriately reflect actual usage, rather than the value of passes issued. As a result of strong representations to Government by the Bus and Coach Association, Cabinet decided in February, 1982 to vary upwards the value of payments to passenger bus operators. The conversion program halted pending the outcome of the Independent Inquiry, referred to later. However, Cabinet's decision of August 1982 that sufficient funds be made available to the Minister for Education to meet the costs of the Government's school conveyance scheme was unaffected.

Later in 1982, an efficiency audit was conducted by the Public Service Board of the control of payments in relation to pupil conveyance, which confirmed many of the findings of the earlier investigations. Finally, in February, 1982, Cabinet decided to establish an Independent Inquiry into the pupil conveyance scheme which would report on and make recommendations concerning the efficient and economic operation of the scheme.

The Inquiry's report and an interdepartmental committee's assessment of its findings are currently being considered by the Ministers for Transport and Education with a view to the submission of appropriate recommendations to Cabinet as soon as possible.

Background data about pupil conveyance is contained in Schedules 3 and 4.

C. Capital Funds

Extreme difficulty has been experienced by the Department in reconciling active departmental expenditure dissections, of which there are 21, with the six dissections shown by the Auditor-General on page 46 of Part I of his Report - see schedule 5 attached. For example, "Stores and Services" and "Constructions and Additions", include a number of the Department's expenditure dissections and, in addition, the Auditor-General apparently includes on a formula basis unknown to this Department's officers a share of costs of professional, consulting and other services, provided by or through the Department of Public Works. It may be that the Auditor-General's officers can provide the Committee with precise details for these two items.

In the meantime, this submission addresses the matters you have raised according to information held in departmental records.

(1) Expenditure on Furniture

In 1981/82, the amount expended by the School Furniture Complex

On the provision of furniture and other services, which formed a charge against loan funds, totalled approximately \$11,011,000 which included direct materials, direct labour and all other associated overhead costs.

The expenditure shown on Page 46 of Part I of the Auditor-General's Report refers to that sum recouped from the Department of Education's loan allocation for 1981/82, approximately \$7,625,000, the extent to which the Department was able to meet its total commitment within that year. The balance, approximately \$3,386,000 was held within the School Furniture Complex Special Deposits Account and recovered from the loan allocation for 1982/83.

The cost of furniture for 1982/83, stated at \$10,427,889, therefore represents a reduction rather than an increase and is related to the downturn in the building program in respect of the provision of additional classrooms at new and developing schools.

(2) Stores and Services

The Department's records of expenditure on stores and services in recent years provides the following information in relation to the total of capital funds available.

<u>Year</u>	<u>Expenditure</u>	<u>Total Allocation</u>
1978/79	\$2,194,188	\$160m
1979/80	\$2,683,420	\$146m
1980/81	\$2,523,006	\$146m
1981/82	\$1,779,028	\$146m
1982/83	\$2,533,782	\$105m

With the exception of 1981/82 expenditure on this item has been fairly consistent. In 1981/82 there was a requirement to direct available finance to areas of greater need.

(3) Acquisition of Sites

In 1981/82 the embargo placed by Treasury on the acquisition of sites retarded conveyancing processes in regard to the purchase of identified sites. As a consequence, contracts which might otherwise have been concluded and costs met in 1981/82 were carried forward into the 1982/83 financial year. Those delays, in some cases, had the effect of increasing values as determined by the Valuer General's Department.

During 1982/83 certain land in which the Department had an interest in acquiring became available for purchase for school purposes. Owners who previously would not sell to the Department reversed their decisions, a not unusual circumstance when a prospective private buyer discovers that the Department has an interest in the land offered for sale.

It might also be noted that when councils identify land in a new Local Environmental Plan as "5A Special Uses School", the Department is obliged to purchase the site when requested by the owner to do so.

In 1982/83 some valuable contracts were negotiated and brought to a conclusion, the more expensive totalling \$1,500,000, \$800,000 and \$180,000 respectively.

Expenditures incurred from the years 1970-71 onwards in regard to the acquisition of sites are shown on Schedule 6.

It might be concluded that, although expenditure pattern overall was disrupted in the years 1980/81 and 1981/82 because of the decisions of Government, the situation stabilised in 1982/83.

(4) Construction and Additions - Capital Works

The figures quoted by the Auditor-General apparently include

expenditure on new buildings, demountables, minor works, Youth and Community Services, hostels, emergency accommodation, ground improvements, electrical installations, air cooling and appropriate oncost distributed on a formula basis, unknown to this Department's officers. It is difficult, therefore, to reconcile quoted figures with departmental records.

Expenditure recorded by the Department on new school buildings, primary and secondary in 1981/82 amounted to \$75,573,595 with \$44,778,520 being spent in 1982/83.

The two main reasons for reduced expenditure are:-

- . the total Capital Expenditure allocation in 1981/82 was \$146m compared with \$105m (revised from \$120m) in 1982/83.
- . the Treasury embargo on projects proceeding to contract in 1981/82 seriously affected the cash flow pattern on capital works in 1982/83. The embargo remained in force for some nine months and restricted attempts to forward commit for 1982/83.

I trust that the information now forwarded satisfies the Committee's inquiries.



D. Swan,
Director-General of Education.

Schedule 1

PRIMARY

	<u>Allocation</u>	<u>Expenditure</u>	<u>Difference</u>
	\$	\$	\$
A1 Salaries	581,460,000	603,722,198	22,262,198
A2 Retirement leave	4,700,000	6,664,656	1,964,656
A3 Overtime	15,000	23,829	8,829
	<u>586,175,000</u>	<u>610,410,683</u>	<u>24,235,683</u>

SECONDARY

A1 Salaries	599,319,000	624,375,212	25,056,212
A2 Retirement leave	4,000,000	5,900,117	1,900,117
A3 Overtime	160,000	149,437	(SAV 10,563)
	<u>603,479,000</u>	<u>630,424,766</u>	<u>26,945,766</u>

TOTAL OVERSPEND 51,181,449

=====

		<u>Primary</u>	<u>Secondary</u>	<u>Total</u>
Salaries	Supplement	16,223,348	17,366,796	33,590,144
	Offset	6,038,850	7,689,416	13,728,266
Retirement	Supplement	1,964,656	1,900,117	3,864,773
Overtime	Offset	8,829	(SAV 10,563)	(- 1,734)
		<u>24,235,683</u>	<u>26,945,766</u>	<u>51,181,449</u>

Schedule 2

A1 SALARIES: FUNDS ADJUSTMENTS ALLOWING FOR TREASURY
SUPPLEMENTATIONS

	Primary		Secondary		Total	
	<u>Under</u>	<u>Over</u>	<u>Under</u>	<u>Over</u>	<u>Under</u>	<u>Over</u>
Permanent and Temporary Teachers	1,637,509			2,531,360		893,851
Miscellaneous Staff		38,257	5,746			32,511
Ancillary Staff		2,096,606		1,255,687		3,352,293
Casual Teacher Supply		1,113,333	128,414			984,919
Casual Teacher Relief		4,428,870		4,171,150		8,600,020
Subsidised Teachers	707				707	
Kitchen Assistants			134,620		134,620	
	<u>1,638,216</u>	<u>7,677,066</u>	<u>268,780</u>	<u>7,958,197</u>	<u>135,327</u>	<u>13,863,594</u>
Nett		<u>6,038,850</u>		<u>7,689,417</u>		<u>13,728,267</u>

Miscellaneous Staff:

- Primary - Superintendent's Staff, Glenfield Park School.
Registrar and Staff, Correspondence School.
Transcription Service for Blind Students.
Specialist Staff for Handicapped Children.
- Secondary - Clerks and General Staff at Agricultural High
Schools and Hostels.
Caretakers and High Schools General Staff.

RESPONSE TO PUBLIC ACCOUNTS COMMITTEE
LETTER OF 30TH NOVEMBER, 1983 -
BACKGROUND DATA ON CONVEYANCE

A. EXPENDITURE

	<u>1981/82</u>	<u>1982/83</u>	<u>% Variation</u>
Passenger	56,290,036	65,311,269	+ 16.03%
Charter	37,109,378	40,313,207	+ 8.63%
Scale Rates	3,841,553	4,492,402	+ 16.99%
Handicapped	5,546,859	6,339,589	+ 14.29%
Intensive Language	*	57,332	-
	<u>\$102,787,826</u>	<u>\$116,513,799</u>	<u>+ 13.35%</u>

* Not specifically identified

B. INCREASES

	<u>1981/82</u>	<u>1982/83</u>
Passenger Fares)	10.33%	13.73%
Charter Payments)	from 1.11.81	from 13.9.82
Handicapped Rates)		
Scale Rates	10%	12%
	from 2.2.82	from 1.2.83

NB See Schedule 4C. ENROLMENTS

	<u>July, 81</u>	<u>July, 82</u>	<u>July, 83</u>
Government	790,575	782,284	778,604
Non-Government	237,853	245,007	251,506
Total	<u>1,028,428</u>	<u>1,027,291</u>	<u>1,030,110</u>
% variation year to year			
Government	-	- 1.05%	- 0.47%
Non-Government	-	+ 3.01%	+ 2.65%
Total	<u>-</u>	<u>- 0.11%</u>	<u>+ 0.27%</u>

D. RANGE OF PASSENGER BUS FARE INCREASES

Not available for 1981/82 or 1982/83.

However, for 1983/84, range was 8.7% to 16.67%.

EFFECT OF INCREASES IN FARES AND RATES1981/82

Fares, rates etc. increased by 10.33% from 1st November, 1981. The effect of this increase, which applied to portion of the year only, expressed in terms of total expenditure for the year, was an increase of 6.44% viz.

$$10.33\% \times \frac{126 \text{ school days left in year}}{202 \text{ notional school days in year}} = 6.44\%$$

Hence, if 1981/82 expenditure	=	\$102,787,826
Base expenditure (i.e. less the effect of the increase)	=	\$102,787,826 x $\frac{100}{106.44}$
	=	\$96,568,800
	say	\$96,569,000
Full effect of 10.33% increase on base	=	\$96,569,000 x $\frac{110.33}{100}$
	=	\$106,544,578
	say	\$106,545,000

Therefore, \$3,757,000 (\$106,545,000 - \$102,788,000) of the expenditure in 1982/83 is due to the full year effect of the 10.33% increase effective from 1.11.81.

1982/83

Fares, rates etc. increased by 13.73% from 13th September, 1982. The effect of this increase, which applied to portion of the year only, expressed in terms of total expenditure for the year was an increase of 10.94% viz.

$$13.73\% \times \frac{161 \text{ school days left in year}}{202 \text{ notional school days in year}} = 10.94\%$$

Hence, if 1982/83 expenditure	=	\$116,513,799
Base expenditure (i.e. less the 10.94% increase)	=	\$116,513,799 x $\frac{100}{110.94}$
	=	\$105,024,140
	say	\$105,024,000
Full effect of 13.73% increase on base	=	\$105,024,000 x $\frac{113.73}{100}$
	=	\$119,443,790
	say	\$119,444,000

SUMMARY

Difference between actual expenditure and theoretical effect of successive increases (about \$2,930,000) is due to effect of Cabinet decisions of August 1982 and February 1983.

SUBJECT:

Schedule 5 - Page 1

VERSION NO. 2

PAGE NO. 484

EXPENDITURE - GENERAL LOAN
ACCOUNT COMPARISON FIGURES
1976-77 - 1982/83

PREPARED BY: M. J. WILLS

DATE: 15TH JULY, 1982 FILE: VARIOUS

AUTHORISED BY: *(Signature)*

.../2

		1981/82	1982/83
NO	DESCRIPTION		
1	Buildings - Primary	\$ 42.808.453	\$ 18,693,623
2	Secondary	32.765.142	26,084,897
3	Demountables (S)	13.684.710	9,185,004
4	Demountables (T)	-	-
5	Minor Works	15.984.787	9,764,619
6	Furniture Workshop	-	-
7a	Residences	-	-
7b	T.H.A. Residences	500.000	1,000,000
8	Sites	4.341.818	9,122,394
9	Youth & Community Services	2.867	-
11	Furniture - (Workshop)	7.624.571	8,699,241
12	(Contract)		1,728,648
14	Sewerage & Septic	517.934	412,819
15	Stores & Services Schools	1.779.028	2,533,782
16	Architectural Services	700.509	1,392,138
17	On-Cost	12.159.920	8,344,241
18	Hostels	19.330	164
19	Emergency Accom. (Pr. & Sec.)	4.506.002	4,386,907
20	Ground Improvements	3.300.126	1,377,553

PROPERTIES DIVISION - STATISTICAL DATA BANK

INDEX: EXPENDITURE GENERAL LOAN ACCOUNT COMPARISON FIGURES

CROSS INDEXES:

TABLES AND FIGURES


1976/77 - 1981/82

SUBJECT: Schedule 5 - Page 2
 EXPENDITURE - GENERAL LOAN
 ACCOUNT COMPARISON FIGURES
 1976-77 - 1982/83

VERSION NO. 2 **PAGE NO.** 4/84

PREPARED BY: M. J. WILLS

DATE: 15 TH JULY. 1983 **FILE:** VARIOUS

AUTHORISED BY: 

		1981/82	1982/83
NO.	DESCRIPTION		
21	Electrical Install.	\$ 2,303,124	\$ 1,105,691
22	Heating Schools	-	-
24	Ceiling Fans	-	-
25	Conversions	-	-
26	Head Office Renovations	1,139,574	129,222
28	Primary Equipment (1972 Act)	-	-
29	Secondary " "	-	-
30	Pr. Equipment. State Grants	-	-
31	Sec. " (Acts 1973/74)	-	-
32	Public Works Advance	-	-
33	Attorney General Advance	-	-
34	Furniture Centre	95,000	305,000
35	Taronga Park	-	-
36	Prelim. Site Works	173,253	188,379
37	Air Cooling Programs	1,592,802	542,578
38	Development Application Fees	1,050	3,100
	ALLOCATION	\$146,000,000	\$105,000,000
	EXPENDITURE	\$146,000,000	\$105,000,000

INDEX: EXPENDITURE GENERAL LOAN ACCOUNT COMPARISON FIGURES
CROSS INDICES: - 78 -
PROPERTIES DIVISION - STATISTICAL DATA BANK

SUMMARY LOANS EXPENDITURE SCHOOL SITES FOR THE PERIOD 1970-1983

<u>YEAR</u>	<u>EXPENDITURE</u>
1970-71	\$5,750,461
1971-72	5,262,988
1972-73	7,541,490
1973-74	8,546,768
1974-75	5,073,704
1975-76	8,920,894
1976-77	11,044,288
1977-78	7,786,781
1978-79	9,008,136
1979-80	9,208,258
1980-81	2,333,891
1981-82	4,341,818
1982-83	9,122,394
	<u>\$94,031,871</u>

DEPARTMENT OF ENVIRONMENT AND PLANNING

Auditor-General's Report Reference: Part II, Page 240.

Issues examined by the Committee:

- * There are a number of issues being examined by the Committee in respect of the seven statutory funds administered by the Department and these include:
- developmental activities of the Sydney Region Development Fund
 - interfaces with other government organisations
 - Sydney Region Development Fund investments.

Department's Responses:

The Department's responses have not been included in this report as the Committee is currently reviewing aspects of the operations of the Department of Environment and Planning, Land Commission of New South Wales and Macarthur Growth Area in respect of land acquisition and development and it is expected that a separate report will be published when this review is completed.

Hearing 13 June, 1984:

Officers of the Department gave evidence before the Committee on 13 June, 1984.

Result of Committee's Deliberations:

The review of aspects of the Department's operations in respect of land acquisition and development and the Inquiry into Investment Practices of Statutory Authorities are currently in progress.

DEPARTMENT OF MAIN ROADS

Auditor-General's Report Reference: Part II, Page 368.

Issues Examined by the Committee:

- * Breakdown of investments held at 30 June, 1983
- * Rate of return on investments held
- * Department's investment policies

Department's Response:

The Department has supplied the investment information requested by the Committee but the response has not been included in this report as the Committee's Investment Inquiry is still in progress.

Result of Committee's Deliberations:

Inquiry into Investment Practices of Statutory Authorities is currently being conducted and will be the subject of a separate report when finalised.

DEPARTMENT OF MOTOR TRANSPORT

Auditor-General's Report Reference: Part II, Page 362.

Issue examined by the Committee:

- * Reason for payments for Police services by the Department increasing by 272.2% in 1982-83 to a total of \$43.3 million.

Department's Response:

The Department's response is on the next page.

In summary: Due to the Government's decision to increase Departmental fees by generally 50% from 1 March, 1982 the capacity of the Road Transport and Traffic Fund to contribute towards the cost of police services increased substantially in 1982-83. Also the Treasurer determined that the contribution to the Traffic Facilities Fund would be \$7 million less in 1982-83 compared to 1981-82 making more funds available to contribute to police services.

Result of Committee's Deliberations:

No further action is required in respect of 1982-83 operations.



80/M3/740.

50 ROTHSCHILD AVENUE
ROSEBERY N S W

17 JAN. 1984

Mr. M. Egan, B.A., M.P.,
Chairman,
Public Accounts Committee,
Parliament House,
SYDNEY. 2000.

Dear Mr. Egan,

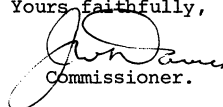
I refer to your letter of 19th December, 1983 concerning the increase in payment by the Department of Motor Transport towards the cost of Police services in 1982/83 (your reference AG 83/61).

Section 202 (2) (a) of the Transport Act provides that the Road Transport and Traffic Fund shall make a contribution, inter alia, towards the cost of police supervision and control of road transport and traffic. As the Fund has for many years been unable to meet the police supervision costs, it has been the practice to pay the balance of the Fund each year towards the cost of police services after meeting all other costs.

The contribution towards the cost of police services, assessed in 1981-82 at \$54,092,427, was \$11,676,425. Because of the Government's decision to increase Departmental fees by generally 50% with effect from the 1st March, 1982 - this was the first increase since November 1974 - the capacity of the Road Transport and Traffic Fund to contribute towards the cost of police services increased substantially in 1982-83. Revenue from licence and registration fees and miscellaneous charges rose in that year by \$30,870,110. In addition, the Treasurer determined that the contribution from the Road Transport and Traffic Fund to the Traffic Facilities Fund was to be reduced from \$20,138,000 paid in 1981-82 to \$13,100,000 for 1982-83, i.e. a reduction of \$7,038,000.

In summary, therefore, the principal reasons for the increase in the payment towards the cost of police supervision and control of road transport and traffic in 1982-83 were the effect, for a full year, of increased Departmental fees and charges and the reduction in the payment to the Traffic Facilities Fund.

Yours faithfully,


Commissioner.

DIRECTOR, MACARTHUR GROWTH AREA

Auditor-General's Report Reference: Part II, Page 246.

Issues examined by the Committee:

* There are a number of issues being examined by the Committee and these include:

- valuation of property holdings
- development and marketing activities
- investments

Director's Responses:

The Director's responses have not been included in this report as the Committee is currently reviewing aspects of the operations of the Department of Environment and Planning, Land Commission of New South Wales and Macarthur Growth Area in respect of land acquisition and development and it is expected that a separate report will be published when this review is completed.

Hearing 13 June, 1984:

Officers of the Macarthur Development Board and the Department of Industrial Development and Decentralisation gave evidence before the Committee on 13 June, 1984.

Result of Committee's Deliberations:

The review of aspects of Macarthur Growth Area's operations in respect of land acquisition and development and the Inquiry into Investment Practices of Statutory Authorities are currently in progress.

FORESTRY COMMISSION OF NEW SOUTH WALES

Auditor-General's Report Reference: Part II, Page 256.

Issues examined by the Committee:

- * 41.9% increase in forest operations overheads from \$7.2 million in 1981-82 to \$10.2 million in 1982-83.
- * \$6,160,000 held in cash and \$3,124,000 owed to the Commission by debtors as stated in the Balance Sheet.

Commission's Response:

The Commission's response commences on the next page.

In summary: To satisfy program budgeting requirements, the Commission conducted a census to allow overheads to be allocated more accurately resulting in a significant shift of overheads from non-commercial to commercial operations.

The \$6,160,000 is held in Special Deposits by Treasury and the \$3,124,000 represents the amount owed to the Commission for sawlogs, etc., cut and tallied in June, 1983, and shown in the accounts to comply with accrual accounting.

Result of Committee's Deliberations:

No further action required in respect of the 1982-83 operations.



95-99 YORK STREET
SYDNEY 2000

23rd December, 1983.

Mr. Michael Egan, B.A., M.P.,
Chairman,
Public Accounts Committee,
Legislative Assembly,
Parliament House,
Macquarie Street,
SYDNEY. N.S.W. 2000.

Dear Mr. Egan,

I refer to your letter of the 14th December, 1983,
regarding the Commission's accounts as reported by the New
South Wales Auditor General.

Explanations of the points you raise are:-

- (1) To satisfy the new program budgeting requirement, the Forestry Commission conducted an intensive census to allow its officer time component (i.e. salaries overheads) to be allocated accurately between its commercial and non-commercial operations. The results were not complete at balance date, but nevertheless were incorporated so far as was possible, resulting in a significant shift of overhead costs from the non-commercial to the commercial operations sector of the Commission's budgets. This shift, relative to 1981/82, has been the main reason for the increased overhead figure for commercial operations as shown in 1982/83.

In 1983/84 complete information will be available and will give an accurate dissection of secondary and tertiary overheads between commercial and non-commercial operations. In other words, 1983/84 will be a reliable base upon which to formulate comparative movements in overheads.

- (2) The amount of \$6,160,000 shown by the Auditor General as "Cash" is money held in Special Deposits at the Treasury, which has control of these Funds.

The amount of \$3,124,000 represents money owed to the Forestry Commission for sawlogs, etc., cut and tallied during June, 1983. The accrual basis of accounting, required of the Commission by the Auditor General, carries with it the obligation to account for all products cut during a particular financial year even though royalty has not yet been collected.

Some accounts would have been issued during June and some in July, 1983. The Commission allows 14 or 21 days to pay, depending on the frequency of account issue, and also holds guarantees against each client's operations sufficient to cover two months forest operations. As a result the Forestry Commission's bad debts are negligible. (See Auditor-General's 1982/83 Report at page 260, penultimate paragraph.)

Yours faithfully



(W. GENTLE),
Commissioner for Forests.

**FUND CREATED BY THE WHEAT MARKETING
(BARRING OF CLAIMS) ACT, 1929**

Auditor-General's Report Reference: Part II, Page 306.

Issues examined by the Committee:

- * A breakdown of investments.
- * The expenditure of \$3,236 on overseas travel in 1982-83 and the provision of \$3,000 set aside for overseas travel.
- * The justification for the continuing existence of the Fund in the light of the Auditor-General questioning the continued operations of this fund.

Department of Agriculture's Response:

The Department's response commences on the next page.

In summary: Investment information was provided by the Department. The expenditure on and provision for overseas travel was to assist officers of the Department attending conferences and workshops overseas. The income generated from the fund's investment allows the Department to support a great variety of projects which would not be undertaken without the flexibility of this type of funding.

Result of Committee's Deliberations:

The Committee is concerned that this fund is not subjected to normal budgeting processes and supports the Auditor-General in his efforts to have the Government re-examine the operations of this fund.



Department of Agriculture



McKell Building
Rawson Place
Sydney 2000
P.O. Box K220 Haymarket 2000

Chairman,
Public Accounts Committee,
Parliament House,
SYDNEY, 2000 00

Our reference: 81/457 MAK:RT

Your reference:

Telephone: 217 6666
Extension: 5311

23 JAN 1984

Dear Sir,

The following information is provided in response to your inquiries of the 14th December, 1983 regarding the operations of the Fund Created by the Wheat Marketing (Barring of Claims) Act, 1929.

1. Investment Breakdown

Interest earnings from Investments in 1982/83 are itemised on the attached schedule.

The annual return of income on investments of \$112,580 while relatively low by today's standards, is greatly influenced by the fact that many of the investments were taken out in the early 1960's at interest rates of around 5% per annum. Many of these investments are still to mature in the next 6 years and will progressively be reinvested at more favourable terms for shorter periods as the more recent investments made indicate on the schedule attached.

2. Overseas Travel Breakdown

The \$3,236 expenditure figure for 1982/83 on overseas travel was incurred for Departmental officers to participate in the following special projects.

(a) An amount of \$350 was approved to help defray the costs of Dr. Schicha's attendance at the 6th International Congress of Acarology. Dr. Schicha Special Entomologist of this Department's Biological and Chemical Research Institute was invited to attend and lecture at the Congress held at the University of Edinburgh, Scotland from 3rd to the 14th September, 1982.

Payment of \$350.30 was made to Dr. Schicha from the fund representing costs of accommodation, congress membership fee and return rail fare from London to Edinburgh.

The Premier also approved Dr. Schicha being granted 10 days special leave to attend the conference. All other travelling costs were met by Dr. Schicha.

(b) The remaining balance of \$2,886 represents part of the cost of fares and sustenance involved in an overseas visit for Mr. D.E. Weedman, Registrar of Pesticides. Though the actual payment of expenses for Mr. Weedman's overseas visit occurred in 1982/83 and totalled \$6,886, \$4,000 of this amount was committed in 1981/82 and treated as expenditure, an accounting treatment which is stipulated in the Wheat Marketing (Barring of Claims) Act, 1929.

...../2

Mr. Weedman's overseas visit was approved so he could represent the Department at the second FAO Government Consultation on the Harmonisation of Pesticide Registration Requirements held in Rome between 11th and 15th October, 1982. At meetings of the Standing Committee on Agriculture and the Australian Agricultural Council it was agreed that Australia should be represented by Pesticide Registrars from at least four States and that each organisation should fund its own representative.

It was considered most important to have New South Wales represented at the Consultation with the growing concern being expressed by the general public about the sale, supply, possession and use of pesticides in New South Wales and also because of the possible effects of pesticides on the Wheat Industry. With the Government's introduction of a new Pesticides Act, 1978, the provisions of which allowed for a gradual implementation at prescribed future dates, it was considered appropriate that Mr. Weedman, as Registrar of Pesticides and thus specifically responsible for administering this legislation, should attend the consultation.

In addition it was considered an opportune time for Mr. Weedman to personally inspect a number of overseas toxicological laboratories and to interview the professional staff employed by these laboratories. This enabled Mr. Weedman, by personal contact, to introduce safeguards for future presentation of data generated by individual laboratories.

(c) An amount of \$3,000 was also committed in 1982/83 for a visit by Dr. B.J. Ballantyne to the United States to attend an International Wheat Septoria Workshop in July, 1983. Dr. Ballantyne is Special Plant Pathologist at the Agricultural Research Institute, Wagga Wagga and was invited to present a paper, to 75 leading researchers attending, on speckled leaf blotch resistant varieties of wheat developed in New South Wales and on the possible breakdown of the resistance. Dr. Ballantyne has recently found indications that the speckled leaf blotch disease might overcome the resistance bred into the new varieties developed at considerable cost.

Some overseas researchers have reported variations in resistance factors that have been used in breeding wheats for Southern and Central New South Wales. Only by visiting the laboratories and researchers who have reported such variation findings, can an assessment be made of the accuracy and relevance of reported and unreported findings to the Wagga programme.

The Wheat Industry would directly benefit by the protection of crops from this serious disease. By obtaining the experience of overseas researchers, Dr. Ballantyne will be able to ensure that the resistance in the wheat breeds developed remains permanent.

The total cost of Dr. Ballantyne's overseas visit for 3 weeks from the 17th July, 1983 amounted to \$4,155 of which \$3,000 was provided by the Wheat Marketing (Barring of Claims) Fund and the balance was met by Dr. Ballantyne personally.

3. Justification for continuing Existence of the Fund


The Wheat Marketing (Barring of Claims) Act, 1929 which was assented to on 8th April, 1929 was enacted by the then New South Wales Government following changes in the State's involvement in Wheat Marketing operations.

The Act itself was introduced to bar any claims which might be made against the Government in respect of prior transactions concerning the Marketing of Wheat and to provide for the disposal of certain surplus unclaimed moneys arising from the Wheat transactions to be used as directed by the Minister for Agriculture in promoting research into diseases of Wheat and other agricultural problems.

...../3

The income generated from the investments under the Wheat Marketing (Barring of Claims) Act is seen by the Department as an important source of income which has allowed the Department to support a great variety of special projects of importance to both New South Wales and indeed the whole of Australia which could not have been undertaken without flexibility of this type of funding. In addition there is a Standing Ministerial approval for portion of investment income to be used each year to support the Farrer Memorial Research Scholarship which commemorates the life and work of that very distinguished Agricultural Scientist and Wheat Breeder, William James Farrer.

The comment made by the Auditor-General in his report regarding the cost of administering the fund, suggesting that the fund may no longer be warranted does not appear to recognise the importance of the fund to the Department as I have previously elaborated. Indeed the costs involved are negligible as administration of the fund would not occupy the time of one officer in the Department for more than 5 days each year.


G.H. KNOWLES,
Director-General.

FUND CREATED BY WHEAT MARKETING (BARRING OF CLAIMS)

ACT NO. 22 OF 1929

INVESTMENTS AT 30TH JUNE, 1983

	FACE VALUE	INTEREST RATES	DATE INVESTED	MATURITY DATE	DATE INTEREST PAYABLE ($\frac{1}{2}$ YEARLY)	INTEREST RECEIVED 1982/83	ACCRUED INTEREST	
	\$	%				\$	\$	
Commonwealth Inscribed Stock		Redeemed during year						
	2,700.00	5.0	7.9.62	15.9.85	Sept. & March	217.50		
	2,000.00	4.5	20.2.64	15.2.87	Aug. & Feb.	135.00	39.58	
	29,680.00	5.0	14.8.64	15.5.84	Nov. & May	90.00	33.29	
	2,500.00	5.25	20.2.67	15.7.88	July & Jan.	1,484.00	187.02	
	6,400.00	5.4	25.11.68	15.5.90	Nov. & May)	131.25	59.69	
	7,200.00	5.4	19.11.68	15.5.90	Nov. & May)	734.40	92.55	
	3,000.00	7.0	25.5.70	15.5.89	Nov. & May)	406.00	51.16	
	2,800.00	7.0	18.11.70	15.5.89	Nov. & May)	420.00	87.45	
	7,000.00	6.0	15.2.73	15.10.92	Oct. & April			
	* 3,000.00	Redeemed during year				35.20	-	
		10.0	19.1.76	1.7.83	July & Jan.	300.00	150.00	
Aust. Resources Development Bank (Series 35) "	4,800.00	10.8	23.4.76	31.3.86	Sept. & March	517.80	129.60	
" (Series 44) "	12,000.00	10.9	1.2.80	30.9.89	Sept. & March	1,308.00	327.00	
State Bank of New South Wales	10,000.00	15.0	7.5.82	7.5.86	Nov. & May	1,500.00	226.02	
	7,800.00	15.0	9.6.82	9.6.86	Dec. & June	1,170.00	70.52	
State Building Society	8,700.00	14.0	19.11.82	29.11.84	May & Nov.	600.66	143.49	
Premier State Bonds	* 3,000.00	15.6	Application submitted on 29/6/83 with \$3,000 to replace above *					
	112,580.00					9,049.81	1,597.37	

* As Premier State Bonds closed on 30/6/1983 application was made via savings account balance before actual receipt of redeemable C.I.S. stock maturing on 1/7/1983. Upon maturity the amount of \$3,000 will form part of operating funds.

INTEREST

Interest on Investments	\$9,049.81
Interest on Savings Account	223.03
Interest accrued 30th June 1983	1,597.37
Interest accrued Savings 30th June 1983	<u>19.41</u>
	10,889.62
Less Interest accrued 1st July, 1982	<u>1,571.47</u>
To Revenue	<u>\$ 9,318.15</u>

GOVERNMENT INSURANCE OFFICE

Auditor-General's Report Reference: Part II, Page 374.

Issues examined by the Committee:

- * The increase in fire insurance claims of \$4.8 million or 23.4%.
- * Breakdown of investments, rate of return and investment policy.

Office's Response:

The Office's response commences on the next page.

In summary: The increase in fire insurance claims stems from increases in the value of buildings, the number of claims and the extent of the damage. Investment information was provided by the Office.

Result of Committee's Deliberations:

Other than the Inquiry into Investment Practices of Statutory Authorities no further action is required in respect of the matter of fire insurance claims in 1982-83.



BIG, SAFE & FRIENDLY

60-70 ELIZABETH STREET, SYDNEY. Telephone (02) 268 3000 ext.
Please quote JF

17th January, 1984

Mr. M. Egan, B.A., M.P.,
Chairman,
Public Accounts Committee,
Parliament House,
SYDNEY, N.S.W. 2000

Dear Mr. Egan,

I refer to your letter of 14th December, 1983.

It is not clear to me why the Auditor General drew attention to the 23.4% increase in fire insurance claims. It is simply a matter of fact stemming from increases in the value of buildings, the number of claims and the extent of damage. In the operation of a commercial organisation such as GIO, such variations in individual components of the business are commonplace. What is material is that an underwriting profit of \$3.31M was made in respect of those parts of the business to which the increases in claims related.

The Committee has sought a detailed breakdown of investments held by General, Third Party and Life Insurance Divisions. This detailed information is set out in Notes 10, 11 and 12 to the Accounts, copies of which are attached. The principal source of this information is a 160 page computer print-out, which is used by the Auditor General's Department as a base for asset verification purposes. In addition, other detailed schedules of property assets and the home loan portfolio (some 6,500 loans) are maintained.

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Address all mail to: BOX 3999, G.P.O., SYDNEY 2001. Telegrams: GIO SYDNEY. Telex: GIO AA21127

The Committee has sought information about the rate of return on each investment. In common with most large investment organisations, GIO does not calculate the rate of return on each of the many thousands of investments held; the cost would be large and the benefits small. Rather, portfolio performance is measured, together with the results achieved in broad asset classes such as shares, real property and so on. Performance measurement is carried out systematically for all portfolios every month. In addition, the results achieved in the "investment-linked" life insurance division are published monthly and included in the Investment Measurement Services (IMS) quarterly report on portfolio managers.

The calculation of investment returns from data drawn from "historic costs" Accounts produces misleading results. This data does not reflect changes in the market value of assets which are not sold during the year, which in many instances represents a major part of the investment return. Published surveys of investment performance such as the IMS Report are all based on market values. The Auditor General's Report states that for the Life Division, investment income of \$26.7 million "when applied to the mean of the Fund opening and closing balances represented an earning rate of 11.8%". This is an unusual method of measuring investment performance even on an historical accounting basis. The formula required by the Life Insurance Act includes an adjustment to the closing balance to eliminate the yearly investment earnings. Using this formula, the return is 12.6%. By taking into account the market value of assets and allowing for the effects of unrealised capital gains, the same formula produces a return for 1982/83 of 25.0%. This return in the Life Division compares favourably with the results achieved by our competitors in the Life Insurance industry as reflected in the IMS Report for the year to June, 1983.

The application of this formula to the measurement of the investment performance of GIO's General and Third Party Divisions produces broadly comparable results. On a real, i.e. market value, basis the General Division's performance in 1982/83 was a gain of 21.3%, while the Third Party achieved a 24.2% return. The differences are explained by the different strategies pursued because of the liabilities of the Divisions. The nature of liabilities has a significant influence on the type of assets held. Over short periods, variations in market trends can have a major impact on the returns achieved by different portfolios.

The Committee has asked for a statement of GIO investment policy. In broad terms our policy is to maximise net returns in the context of the requirements and parameters which affect each Fund. In practice we have a series of policies based on the Funds' needs, such as term of liabilities, tax status, attitude to (and capacity to take) risk and non-commercial investment objectives. While these considerations form the basis of the philosophy behind investment policy, the strategy pursued depends to a large extent on our assessment of relative value as between different markets and securities.

As a commercial enterprise and one of Australia's leading institutional investors, it would be inappropriate to comment in detail on our current investment strategy. GIO's investment policy is subject to regular monthly review by the Investment Committee of the Board.

In broad terms, the Third Party Insurance Division has both commercial and social investment objectives. Much of the Fund is invested in loans to N.S.W. public sector authorities and in home loans. Over recent years, efforts have been made to improve returns by increasing the proportion of the fund held in private sector fixed interest securities. The extent of equity type investments is being increased to offset the impact of inflation. Uncertainty about the future of Third Party insurance dictates a cautious approach to long term non-negotiable investments. The General Insurance Division has a radically different mix of assets, based on the nature of its liabilities and tax status. The mean term of the fixed interest component of the portfolio is comparatively short, to match its liabilities. The Division's tax paying status affects both the type of fixed interest security held and results in a preference for shares over real estate in the equity area. While technical liabilities are broadly matched with similar term fixed interest stock, free reserves are invested in real assets. Solvency margin requirements argue for a substantial exposure to short dated (less volatile) fixed interest portfolio. The Life Division has a range of liabilities and each requires a separate investment policy. Apart from compliance with life insurance industry legislation, such as the 30/20 requirement investment policies for the Life division are influenced by tax considerations and the special nature of some insurance contracts. In respect of investment-linked business, policy is directly influenced by the investment choice exercised by unitholders. For traditional life insurance business, which is tending to decline, liabilities are expressed in fixed money terms and can be matched by fixed interest securities of appropriate term. The "free" reserves are invested with the objective of real growth and hence tend to be invested in equities, although at certain times fixed interest securities may also be appropriate.

If the Public Accounts Committee requires further detail on any aspect, the Managing Director, Mr. W.J. Jocelyn, would be pleased to supply it and if necessary of course appear before the Committee.

Yours sincerely,

A handwritten signature in cursive script, appearing to read "R.D. Somerville".

R.D. Somerville,
CHAIRMAN.

PUBACCCOM

HAWKESBURY AGRICULTURAL COLLEGE
RESEARCH AND DEVELOPMENT COMPANY LIMITED

Auditor-General's Report Reference: Part II, Page 183.

Issues examined by the Committee:

- * Source of \$18,975 donation.
- * Investments - Breakdown of investments.
 - Rate of return.
 - Investment policies.

Company's Response:

The Company's response commences on the next page.

In summary: The donation was received from Arthur Yates and Company Pty Limited in recognition of assistance provided by the company. Investment information was supplied by the Company.

Result of Committee's Deliberations:

Other than the Inquiry into Investment Practices of Statutory Authorities, no further action required in respect of the 1982 operations.

HAWKESBURY
AGRICULTURAL
COLLEGE
A COLLEGE
OF ADVANCED
EDUCATION

OFFICE OF THE BURSAR

HAC REF: 101/5/40

December 13, 1983

Mr M. Egan, B.A., M.P.
Chairman
Public Accounts Committee
Parliament House
SYDNEY NSW 2000

Dear Mr Egan,

The following information is supplied in response to your Committee's enquiry contained in your letter of 5 December, 1983 (Ref. AG 83/37).

1. Hawkesbury Agricultural College Research and Development Company Limited Accounts. The amount of \$18,975 shown in the Company's Accounts as Donation was received from Arthur Yates & Co Pty Limited. The College has a long-standing support association with Arthur Yates via its Horticultural Education programmes. The donation was given in recognition of assistance supplied to Arthur Yates by the College R & D Company in the area of seed trial assessments.

2. Detailed dissection of College Investment holdings as at 31 December 1982.

Prior to indicating individual investment line holdings and rates of return on each parcel we believe it appropriate to indicate to the Committee the "nature" of the main fund sources contributing to our holdings as at 31 December, 1983. These were:-

- * Advance payment, received in December 1982, of first three instalments of the 1983 Recurrent Grant - \$1,598,000
- * Provision balances as at 31 December, 1982 - \$737,000
(These cover Long Service Leave, Superannuation and Pension provisions, Enterprise Obsolescence Fund and Enterprise Stabilisation Fund provisions).
- * College Residential Halls Accumulated Fund holdings - \$190,000
- * College Accumulated Internal Funds (balances on Research Grants, consulting assignments, Short Courses, Clearing Accounts and Accumulated Interest Earnings - \$452,000

As requested by the Committee, listed below are the individual investment holdings as at 31 December 1982:-

SHORT TERM HOLDINGS (maturities due within first quarter 1983)

AMOUNT \$	INVESTMENT TYPE	ISSUED BY	YIELD %
1,200,000	Interest Bearing Deposit	Australian Bank	17.9
500,000	Interest Bearing Deposit	National Aust. Bank	16.8
20,000	Interest Bearing Deposit	National Aust. Bank	14.5
200,000	Commonwealth Bonds	Commonwealth Govt	13.75
6,000	Commonwealth Bonds	Commonwealth Govt	11.5
<u>1,926,000</u>			

MEDIUM TERM HOLDINGS (maturities due post April in 1983)

485,444	Landcom Notes	Land Commission	9.6(Note 1)
580	Interest Bearing Deposit	National Aust. Bank	13.0
1,158	Interest Bearing Deposit	National Aust. Bank	13.0
1,000,000	Interest Bearing Deposit	National Aust. Bank	11.0
22,472	Interest Bearing Deposit	National Aust. Bank	14.5

LONGER TERM HOLDINGS (maturing 30 November 1985)

100,000	Northern Territory Notes	Nthn Territory Govt	15.5
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3,535,654

NOTE 1. Landcom Notes investment was placed late in 1982 when interest rates were depressed. A maturity date of April 1983 was sought as this is the traditional "tight money" period where re-investment rates are high. The rate of 9.6% was the best rate available against Trustee lines with April 1983 maturity. Funds were re-invested upon maturity at 13.75%.

3. College Investment Policy

The following summarises the Investment Policy adopted by Hawkesbury Agricultural College:-

- a. The College restricts its investment holdings to Trustee investment lines as defined in the Trustee Act.
- b. Competitive quotes are obtained (a minimum of three quotes) for all placements. Quotation details are recorded on a quotations sheet for audit purposes.
- c. Maturity dates are determined based upon projected cash flow requirements coupled with consideration of yields available for alternative maturity periods.
- d. In recognition of client/banker relationship between College and National Australia Bank that bank is recontacted, following obtaining initial quotes, in circumstance where their quote is marginally below highest quotation, and given the opportunity to match top rate obtained in quotation.

National Australia Bank is only advised of rate they must match to obtain investment. Where bank agrees to match top rate investment is placed with them; where they decline to adjust rate, investment is placed with highest quotation source.

- e. Full details of investments are recorded in College investment register.

- f. Approvals to invest funds are covered by College Council delegation. For parcels under \$250,000 and for short duration College Accountant has authority to approve investment. For placements over \$250,000 approval of College Bursar or Assistant Principal is required. For any investment with a maturity in excess of six months the College Finance Committee approval must be obtained. All investment transactions are reported to Finance Committee of Council.

We trust the above information meets the Committee's requirements.

Yours faithfully,


B. LINDSAY
BURSAR

BL:V

HOUSING COMMISSION OF NEW SOUTH WALES

Auditor-General's Report Reference: Part II, Page 215.

Issues examined by the Committee:

- * The Wolloomoolloo Redevelopment Project
- * Debtors and Prepayments as shown in the Commission's Balance Sheet at 30 June, 1983.
- * Current liabilities as at 30 June, 1983.
- * The \$20 million advanced by the Land Commission of New South Wales for land acquisition from the Housing Commission, for which action to settlement did not proceed in respect of much of the land in question.

Commission's Responses:

After reviewing the Commission's initial response the Committee sought further information from the Commission. The Commission's initial response is on the next page and the second response follows.

Result of Committee's Deliberations:

No further action is required in respect of 1982-83 operations.



THE HOUSING COMMISSION OF NEW SOUTH WALES

MARK FOY'S BUILDING, 302 CASTLEREAGH STREET, SYDNEY, 2000
TELEGRAPHIC ADDRESS "HOMCO" SYDNEY
TELEPHONE: 266 0281 • TELEX: 24052

DATE:

Mr. M.E. Egan, B.A., M.P.,
Chairman,
Public Accounts Committee,
New South Wales Legislative Assembly,
Parliament House,
SYDNEY G.C.S.

Misc. 79/22790

Dear Mr. Egan,

I refer to your letter of 14th December 1983 (ref AG83/42) in which you sought provision of information to your Committee on a number of matters concerning the Housing Commission's financial operations in 1982/83. The responses hereunder accord with the points enumerated in your letter.

1. The 1982/83 Balance Sheet item "Debtors and Prepayments" consisted of :

	<u>\$'000</u>
Debtors -	
Rental Operations	3,068
Shops and Commercial Operations	24
General Debtors	<u>1,690</u>
	4,782
Prepayments	<u>12,893</u>
	<u><u>17,675</u></u>

The rental operations debtors figure reflects the full gross value of accounts in arrears, all credit balances being treated as Current Liabilities under "Payments in Advance".

Based on the total number of rental properties managed, the debtors figure represents an average arrears level per current account of some \$31.50, or less than 60% of the average gross weekly rent earned per dwelling in 1982/83.

The total rental debtors level of \$3.068m as at 30th June 1983 was approximately 1% of the year's gross rent earnings.

Prepayments consist almost entirely of property rates paid within the financial year for rating periods beyond the close of the accounting period.

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The level of the Provision for Doubtful Debts is established according to the following formula :-

10% of the debit balances of current tenants, plus
90% of the debit balances of vacated tenants.

This formula is applied to rental balances as at 30th June and, after allowing for net Bad Debts written-off during the year, a charge is made to the revenue operations sufficient to bring the Provision to the level indicated.

This method of determining the Provision required automatically makes allowance for contingencies such as rental movements, growth or reduction in rental arrears and fluctuations in the number and value of vacated accounts.

2. A dissection of Current Liabilities as at 30th June 1983, together with comparative figures for the previous financial period, is as follows.

<u>30.6.82</u> (\$'000)		<u>30.6.83</u> (\$'000)
	<u>Creditors</u>	
	Accrued Expenditure -	
3,003	Administration	2,053
2,530	Management Operations	806
33,470	Capital Operations	23,716
	Construction funds advanced by	
1,521	Other Departments/Authorities	8,378
<u>40,524</u>		<u>34,953</u>
	<u>Trust Funds</u>	
23,794	Advances for Land Acquisition	7,440
556	Miscellaneous Trust Funds	593
<u>24,350</u>		<u>8,033</u>
	<u>Payments in Advance</u>	
3,180	Rental and Sales Operations	3,495
431	Other Operations	504
<u>3,611</u>		<u>3,999</u>
<u>68,485</u>	<u>Total</u>	<u>46,985</u>

...../3

The principal movements affecting the creditors balance as at 30th June 1983 in comparison to the previous year's figure, were :-

- (a) Run-down of net Trust Funds to the extent of \$16.317m resulting principally from the return of \$16.5m to the Land Commission. These funds were part of \$20m advanced by that Commission in 1981/82 for land acquisition. Action to settlement did not proceed in respect of much of the land in question and a large proportion of the funds was duly returned in 1982/83.
 - (b) Reduction of \$12.428m in accrued expenditure, attributable mainly to the fact that the Commission's cash management strategy at the end of 1981/82 involved standing payments over until the early months of 1982/83, wherever reasonable and practicable. The reduction was offset to the extent of \$6.857m by an increase in construction funds held on behalf of other Departments and Instrumentalities.
3. In the Commission's formal Aggregate Income and Expenditure Account and Notes thereto, "Interest Earned" has been divided into its component sources - "Internal Investments" and "Other Activities". Total Interest Earned for 1982/83 is summarised as follows :-

<u>Internal Investments</u> -	<u>\$'000</u>
Sale of Dwellings Activities	4,061
Land Owners Housing Scheme/ Building Advances	183 *
Leases of Land and Other Activities	6,765 *
	<u>11,009</u>
 <u>Other Activities</u> -	
Sale of Dwellings on Terms	8,021
Land Owners Housing Scheme/ Building Advances	165 *
Leases of Land and Other Activities	322 *
	<u>8,508</u>
 <u>Total Interest Earned</u>	 <u><u>19,517</u></u>

Those amounts marked (*) constitute the total indicated in the Auditor-General's report as being Interest income for Leases of Land and Other Activities (\$7.435m).

...../4

Internal Investments relate to cash surpluses, derived from capital and revenue sources, which are re-invested by the Commission in revenue-producing assets - land, development, construction. The management activities benefiting from these investments are charged interest on the funds at rates equivalent to those which would be paid if such funds were derived from external sources. The interest so charged is taken into account as Interest Earned in "Leases of Land and Other Activities" (in the case of surpluses derived from rental operations) and in the "Sale of Dwellings" and "Land Owners Housing/Building Advances" operations according to the extent of surpluses contributed by each activity.

Interest earnings included under the title "Other Activities" relate to interest charges raised in respect of debtors for sales of dwellings on terms, building advances and similar debtor funding arrangements.

4. Details of the management operations result for the Woolloomooloo Redevelopment Project in the year to 30th June 1983 were :-

<u>Income From</u>	\$
Rent Earned	82,655
Sundry Income	-
<u>Total Income</u>	<u>\$82,655</u>
 <u>Expenditure</u>	
Administrative Expenses	14,441
Municipal and Water Rates	22,913
Repairs and Maintenance	31,211
Sundry Expenses	1
<u>Total Expenditure</u>	<u>\$68,566</u>
 <u>Net Surplus for Year</u>	 <u>\$14,089</u>

Due to the funding arrangements and transient nature of the Woolloomooloo Redevelopment Project, accounts for this activity are maintained on a cash basis.

Statements of Receipts and Payments for the year ended 30th June 1983 and Sources and Utilisation of Funds as at 30th June 1983 are included in the Commission's Annual Accounts, a copy of which I have enclosed for your information.

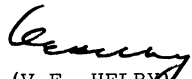
...../5

5. The financial statements depicted in the Auditor-General's Report are abridged versions of those formally presented by the Commission and it would not be reasonable for the Housing Commission to be asked to comment on the form and purpose of its Auditor's report. The Notes to the Accounts do not accompany the Auditor-General's Report, and make clear the position in respect of most of the questions you have asked. A copy of the Housing Commission's formal Accounts and accompanying Notes is attached.

In 1982/83, as in previous years, the Commission's capital and revenue operations have included elements of grant funds from Commonwealth and State sources. Those grants pertaining to revenue operations, such as interest and lease subsidies, have been accounted for through the Aggregate Income and Expenditure Account.

The remaining grants, being those referred to on page 218 of the Auditor-General's Report, are part of the Commission's capital funding in the same sense as loan moneys made available under, say, the Commonwealth-State Housing Agreement. These grants are not part of the Commission's revenue operations and it would therefore be inappropriate to bring them to account through the Income and Expenditure Account. Their treatment as a distinct element of the Commission's capital structure, as disclosed in the Balance Sheet, is in fact the only proper course.

Yours sincerely,



(V.E. HELBY)
Chief Executive



HOUSING COMMISSION OF NEW SOUTH WALES

MARK FOY'S BUILDING, 302 CASTLEREAGH STREET, SYDNEY, 2000
TELEGRAPHIC ADDRESS "HOMCO" SYDNEY
TELEPHONE: 266 0281 • TELEX: 24052

DATE:

The Chairman,
Public Accounts Committee,
Parliament House,
SYDNEY 2000

Dear Mr. Carr,

I refer to your letter of 29th May 1984 asking supplementary questions arising out of the Auditor General's 1982-83 Report.

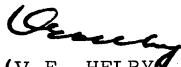
The delay in replying is regretted. Although response to the questions did not present any difficulty, the matter unfortunately went unattended while staff concerned concentrated on final accounts for 1983/84.

Concerning the refund of funds advanced by the Land Commission, the position is that the Housing Commission in October 1982 presented a case to the Minister for Housing that the Housing Commission should retain, for disposal at a later, more favourable time, the major part of the lands in respect of which the Land Commission had made an advance, against acquisition, of \$20m. The Minister for Housing on 31st October 1982 signified his approval of the Housing Commission's recommendations.

The Woolloomooloo Redevelopment Project accounts relate to that part of the land at Woolloomooloo, which is the subject of a tri-partite agreement between the Commonwealth, the State and the City of Sydney, which has not yet been disposed of under the terms of the tri-partite Agreement. Of the lands in question, 65% are intended for public housing and 35% for the private housing sector. As land is redeveloped or dwellings rehabilitated, the Commonwealth is reimbursed at pre-agreed rates for the land used in such redevelopment or rehabilitation, and the completed dwellings pass either into private ownership, or into the Housing Commission's normal rental housing accounts.

As all the land will eventually pass into one category or the other, the land not as yet thus disposed of is regarded as being part of a transient project. Operations on it (i.e. rental housing management) are accounted for on a cash basis because that is the basis understood to be preferred by the Commonwealth in its dealings with the State, in this particular matter.

Yours sincerely,


(V.E. HELBY)
Chief Executive

LAND COMMISSION OF NEW SOUTH WALES

Auditor-General's Report Reference: Part II, Page 223.

Issues examined by the Committee:

- * There are a number of issues being examined by the Committee and these include:
- the Commission's objectives and functions as interpreted by the Commission
 - the valuation of the Commission's land holdings
 - cost per lot incurred in 1982-83 in developing land
 - the Commission's land acquisition policies and strategies
 - the Commission's investments.

Commission's Responses:

The Commission's responses have not been included in this report as the Committee is currently reviewing aspects of the operations of the Department of Environment and Planning, Land Commission of New South Wales and Macarthur Growth Area in respect of land acquisition and development and it is expected that a separate report will be published when this review is completed.

Hearing 1 August, 1984:

Officers of the Commission gave evidence before the Committee on 1 August 1984.

Result of Committee's Deliberations:

The review of aspects of the Commission's operations in respect of land acquisition and development and the Inquiry into Investment Practices of Statutory Authorities are currently in progress.

LOCAL GOVERNMENT SUPERANNUATION BOARD

(Now part of the Public Authorities Superannuation Board)

Auditor-General's Report Reference: Part II, Page 320.

Issues examined by the Committee:

- * The breakdown of investments held as at 31 March, 1983.
- * The rate of return on investments held.
- * The Board's investment policy.

Board's Response:

The Board has provided the investment information but the Board's response is not included in this report as the Committee's Investments Inquiry is still in progress.

Result of Committee's Deliberations:

Inquiry into Investment Practices of Statutory Authorities is currently being conducted and will be the subject of a separate report when finalised.

LORD HOWE ISLAND BOARD

Auditor-General's Report Reference: Part II, Page 111.

Issues examined by the Committee:

- * The deterioration of the Board's financial performance in 1982-83.
- * Loss incurred as a result of the palm seedlings trading operations.
- * The nature of the Board's rating system and what this represents as a unit cost per ratepayer.
- * The nature of the lighterage operation and expected revenue in 1983-84.

Board's Response:

The Board's response commences on the next page.

In summary: There have been difficulties confronting the Board's main source of trading revenue, the Kentia palm seedling industry. There have been problems with poor seed quality, dry weather conditions, and high salinity level in the water available for use in the nursery. The Board's 'rates' increased from \$2 per acre to \$60 per hectare for 1984 and there is a garbage fee of \$10 to \$150 per annum depending on the type of occupancy. The Lighterage operation is the transfer of goods from ships to shore. The Board was considering proposals to increase lighterage fees at its December meeting.

Result of Committee's Deliberations:

Further action deferred pending the Committee's review of the 1983-84 Auditor-General's report.



AG 83/28

C/- LORD HOWE ISLAND BOARD
STATE OFFICE BLOCK, MACQUARIE STREET, SYDNEY, N.S.W. 2000

Premier's Department

The Chairman,
Public Accounts Committee,
Parliament House,
SYDNEY

25 NOV 1983

Dear Sir,

I refer to your letter dated 20th October, 1983, and addressed to the Secretary of the Lord Howe Island Board seeking the board's comments on its financial result for the the financial year ended 30th June, 1983.

Naturally the Board was most disappointed that the promising financial results which had characterised its more recent financial performances could not be extended into 1982/83, but the difficulties confronting the Board's main source of trading revenue, the Kentia Palm seedling industry, have been most perplexing and are the subject of continuing investigation.

The Kentia Palm, endemic to Lord Howe Island, is an elegant and decorative plant widely used by indoor decorators throughout the world. The Board became a commercial producer of seedlings only in 1981 after the collapse of the world palm seed market for reasons outside its control viz. increased cost of fuel oil for hot house heating in Europe and unfavourable movements in the \$A dollar exchange ratio.

There have been problems in establishment of the industry due to poor seed quality, a recent prolonged period of dry weather and a high salinity level in water available for use in the nursery.

Whilst it is anticipated by the Board that these difficulties have now been overcome, the seedling nursery is not expected to return to full production until 1984/85 when substantial profits of the magnitude of half a million dollars are a possibility.

Profit projections for 1983/84 are necessarily uncertain and range from a small loss to a possible profit of roundly \$100,000. The Board, however, is endeavouring to generate a positive cash flow in the short term by urgently investigating possible seed sales to the mainland (the basis for the industry in earlier years) and/or commissioning seedling production by independent growers under a royalty system.

Although it is appreciated the Public Accounts Committee has asked the Board for an assessment of its likely financial performance in 1983/84 presuming no increases in Government subsidies over those applied in 1982/83, this is a very difficult exercise in the face of the uncertainties confronting the short term profitability of the Kentia Palm seedling industry and having regard to the fact that the Board has recently received a \$75,000 grant towards its

"Public Administration" activities from the Local Government grants Commission, an entitlement for which the Board has only recently become eligible. However, on present projections and holding the total level of direct and indirect government subsidy at the 1982/83 level of \$690,000, instead of allowing for the anticipated subsidy level of roundly \$900,000, the Lord Howe Island Board could be expected to record another deficiency of between \$300,000 and \$500,000.

Relating again to the "Public Administration" facet of the Lord Howe Island Board's responsibilities, no rating system as applied by local government generally throughout New South Wales exists on Lord Howe Island. All land on the Island is Crown land and private occupancies are granted by the Board under leases which attract annual rentals. These rentals were recently increased from \$2 per acre or part thereof to \$60 per hectare for 1984 and are then subject to an annual increase of \$10 until a maximum of \$100 per hectare per annum is achieved for 1988. The next general rental review cannot occur until after 1993.

The Board has also recently increased the garbage fee from \$6 per household per annum to \$10 to \$150 per household depending upon the type of occupancy. Pensioners are charged \$10 per annum, ordinary householders \$20 and large guesthouses, \$150.

A business licence fee system which should realise an additional \$4,500 per annum awaits only the Governor's approval for appropriate Regulations. Regulations are also being prepared with relation to boat moorings which will also attract fees.

As there are presently 77 leaseholders on the Island, the 1982/83 revenue collections totalling \$15,534 represent a unit contribution of \$83.

The lighterage service is provided by the Board each time the cargo ship which delivers the majority of the supplies to the Island, requires unloading, ie. about 10 times per year. The Board supplies four steel lighters to transfer the goods from the ship, through the reef to the jetty where they are lifted by a 16 tonne crane onto trucks for delivery. Up to four of the Board's permanent staff and 15 casuals are employed on the operation. The charge made is currently \$35 per metric tonne, but the Board will be considering proposals for an increase of as much as 54% at its December meeting.

I trust that this information will assist the Public Accounts Committee in its consideration of the Board's operations and I would against emphasis that the future profitability of the Board's operations, and the level of the Island's reliance on government subsidy, continue to be closely aligned with the ultimate profitability of the Kentia Palm seedling industry.

Yours sincerely,



Chairman

MARITIME SERVICES BOARD OF NEW SOUTH WALES

Auditor-General's Report Reference: Part II, Page 344.

Issues examined by the Committee:

There are a number of issues being examined by the Committee and these include:

- * The Board's Waterways Management function and in particular Occupation License fees for small craft moorings
- * Land and buildings
- * Port charges
- * Investments

Board's Responses:

The Board's responses have not been included in this report as the Committee's inquiries are still continuing.

Hearing 17 August, 1984:

Officers of the Board gave evidence before the Committee on 17 August, 1984.

Result of Committee's Deliberations:

Through the Minister for Public Works and Ports the Committee has requested a copy of the consultant's report on Occupation Licenses. Further action deferred pending the Minister's response.

MINES RESCUE BOARD

Auditor-General's Report Reference: Part II, Page 78.

Issues examined by the Committee:

- * The reason for inspections of accounts of District Mines Rescue Committee's by Board officers being some years in arrears.

Board's Response:

The Board's response is on the next page.

In summary: The reasons for inspections being in arrears were that the position of Secretary being vacant, shortage of support staff, change of administering department and initial training period delays. All inspections to be current by 31 December, 1983.

Result of Committee's Deliberations:

No further action required in respect of 1982 operations.



Minister for Agriculture and Fisheries
New South Wales

25 JAN 1984

Mr. M. Egan, B.A., M.P.,
Chairman,
Public Accounts Committee,
Parliament House,
SYDNEY. N.S.W. 2000

Dear Mr. Egan,

I refer to your letter of 19th October, 1983 concerning proposed amendments to the Apiaries Act, 1916. You will be pleased to hear that Cabinet Minute No. 282/83, dated 5th October, 1983, has been submitted for Cabinet's consideration and approval. The proposals in the Cabinet minute include amendments to ensure that changes to the law relating to registration procedures accords with current practice.

Yours faithfully,

J.R. NALLAM, M.L.C.,
MINISTER FOR AGRICULTURE AND FISHERIES.

MINISTER FOR ENERGY AND MINISTER FOR FINANCE

Auditor-General's Report Reference: Part I, Page 112.

Issue Examined by the Committee:

- * \$21,203 expenditure which was not sanctioned and appropriated by Parliament.

Department of Finance's Response:

The Department's response is on the next page.

In summary: The expenditure was incurred as a result of the Ministerial changes which took place on and from 1 February, 1983, and related to expenditure incurred in the establishment of the new Department of Finance.

Result of Committee's Deliberations:

No further action required.



Department of Finance

M.R. Egan, Esq., B.A., M.P.,
Chairman,
New South Wales Public Accounts Committee,
Parliament House,
SYDNEY NSW 2000

Export House
7th Floor
22 Pitt Street
Sydney 2000
P.O. Box R201
Royal Exchange
Sydney, N.S.W. 2000

Our reference: 83/3229 TK:RF

Your reference:

25 October, 1983

240 0341
Telephone: ~~277 4286~~
~~277 961X~~

AG 83/3

Dear Mr. Egan,

Reference is made to your letter of 13 October, 1983 in which you requested on behalf of the New South Wales Public Accounts Committee my comments in regard to the item shown against the Minister for Energy and Finance mentioned in Appendix 2, page 112 of Part 1 of the Auditor General's 1982/83 Report.

The amount was incurred as a result of the Ministerial changes which took place on and from 1 February, 1983 and related to expenditure incurred in the establishment of the new Department of Finance.

As you will be aware there was no appropriation provided for the Minister for Finance in the 1982/83 Budget.

Yours sincerely,

D.A. Horton,
SECRETARY.

MINISTER FOR ENERGY AND MINISTER FOR FINANCE

Auditor-General's Report Reference: Part I,
Pages 115 - 117

Issues examined by the Committee:

- * Variation of statute - Land Tax Management Act, 1956.
- * Variation of statute - Stamp Duties Act, 1920.

Minister for Energy and Finance's Response:

The Minister's response follows on the next page.

In summary: The necessary amendment to the Land Tax Management Act is to be made. No amendments to the Stamp Duties Act were to be made in the then current sitting of Parliament.

Following the initial response from the Minister for Energy and Minister for Finance the Committee requested from that Minister the current position in relation to the Stamp Duties Act variations of statute. However, due to a change in Ministerial portfolios the Ministries of Energy and Finance were separated. Consequently the Committee's second request was responded to by the Minister for Finance.

Minister for Finance's Response:

The Minister's response follows that of the Minister for Energy and Finance.

Result of Committee's Deliberations:

Further action deferred pending the Committee's review of the 1983-84 Auditor-General's Report.



New South Wales

Minister for Energy

Minister for Finance

M. Egan, Esq., B.A., M.P.,
Chairman,
Public Accounts Committee,
Parliament House,
SYDNEY NSW 2000 00

Dear Mr. Egan,

I refer to your letter of 19 October, 1983 regarding comments of the Auditor General on variations from certain Acts under my administration.

The position in relation to amendments needed to regularise departmental practices sanctioned by me is as follows.

Land Tax Management Act 1956 (page 115)

It is expected that the necessary amendment in relation to land sold for unpaid rates will become law this year.

Stamp Duties Act 1920 (pages 116-117)

Unfortunately the Government has determined that there will be no amendment to this Act prior to the conclusion of the current sitting of Parliament, due to the pressure of other business.

However I might add that in relation to item 7 under this heading of your letter, my understanding was that Act No.134 of 1982 had rectified the position. I have asked the Secretary of the department to take the matter up with the Auditor General to ascertain if any problem remains.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Terry Sheahan".

TERRY SHEAHAN



MINISTER FOR FINANCE

NEW SOUTH WALES

Mr. R. Carr, B.A., M.P.,
Chairman,
Public Accounts Committee,
Parliament House,
SYDNEY. 2000

10 SEP 1984

Dear Mr. Carr,

On February 28, 1984 your predecessor Mr. Michael Egan wrote recommending that certain administrative practices within the Stamp Duties Office which appear to be currently contrary to statute be the subject of appropriate amendments to the Stamp Duties Act, 1920 as soon as practicable.

The present position in relation to validation of these practices is as follows:

1. Exemption of Powers of Attorney over debentures and inscribed stock of the Electricity Commission of N.S.W.

This practice has been validated by section 6 of the Public Authorities (Financial Accommodation) Act, 1981.

2. Exemption of cheques issued by Consular Officers.

It is proposed that this practice will be the subject of an amendment during the next session of Parliament.

3. Postponement of Death Duty.

It is considered that validation of this practice is not warranted since death duty has now been abolished.

4. Exemption of agreements in accordance with forms four, nine and eleven of the Schedule to the Marketable Securities Act, 1970.

I am presently considering introducing legislation to validate this practice.

5. Ad valorem stamp duty on credit insurance policies.

A problem arises in drafting appropriate legislation to validate the practice associated with this matter because of the difficulty in defining policies of this nature. A general review of stamp duty on policies of insurance, which will include attending to this item, is

2../

soon to be undertaken. In the meantime I consider it desirable to continue with the ministerial directive.

6. Policies of Insurance - new or substituted property.

The general review of stamp duty on policies of insurance will also include the practice associated with policies subject to this item.

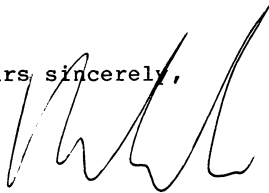
7. Short Term Debentures.

An amendment to the Stamp Duties Act, 1920, is to be undertaken during the budget session to remove the duty on debentures. Debentures subject to this item will be included in such amendment.

8. Section 122 Certificates.

It is considered that validation of this practice is not warranted since death duty has now been abolished.

Yours sincerely,



R.J. Debus,
MINISTER FOR FINANCE.

MINISTER FOR HEALTH

Auditor-General's Report Reference: Part I, Page 112.

Issues Examined by the Committee:

- * \$22,818,000 expenditure which had not been sanctioned and appropriated by Parliament.

Department of Health's Response:

The Department's response commences on the next page.

In summary: The main reason for the incurring of this expenditure was the termination of the Ambulance Contribution Scheme on 1 February, 1983, which was replaced with the ambulance component of the State levy on Health Insurance Funds. Only \$6.3 million was received through the Contributions Scheme instead of the budgeted \$24.3 million.

Result of Committee's Deliberations:

No further action is required.

Department of Health

Mr. M. Egan, B.A., M.P.,
Chairman,
Public Accounts Committee,
Parliament House,
SYDNEY. 2000.

AG 83/1

16 NOV 83

Dear Mr. Egan,

I refer to your letter of 11 October 1983 concerning an amount of \$22,818,000 reported as payments unauthorised in suspense in the Auditor-General's 1982/83 Report. This amount relates to expenditure incurred against the Department of Health, Administration item "C6. Ambulance Services Fund - Contribution" for which the 1982/83 budget provisions and actual results are detailed hereunder:-

	Budget Provision <u>1982/83</u>	Actual Result <u>1982/83</u>	Variance (Favourable/ Unfavourable) <u>1982/83</u>
	\$000	\$000	\$000
EXPENDITURE: Salaries & Wages	54,000	55,239	(U) 1,239
Repairs & Maintenance	1,100	1,172	(U) 72
Other	26,455	26,175	(F) 280
	<u>81,555</u>	<u>82,586</u>	(U) 1,031
<u>LESS:</u>			
REVENUE: Transport Fees	30,190	26,157	(U) 4,033
Contributions Scheme	24,298	6,289	(U) 18,009
Other	2,340	2,601	(F) 261
	<u>56,828</u>	<u>35,047</u>	(U) 21,781
<u>BALANCE TO BE FUNDED:</u>	<u>24,727</u>	<u>47,539</u>	(U) 22,812
<u>FUNDED BY:</u>			
Road Transport and Traffic Fund	750	750	Nil
Balance in Ambulance Fund	1,950	1,944	(F) 6
"C6. Ambulance Services Fund - Contribution"	22,027	44,845	(U) 22,818
	<u>24,727</u>	<u>47,539</u>	(U) 22,812

Dealing with each budget variance in turn the following information might be noted:

Salaries and Wages

The original budget provision of \$54M. included an amount of \$3.7M. to meet the costs of award increases occurring during 1982/83. Awards subsequently granted, however, totalled \$6.888M, being roundly \$3.188M. in excess of the budget amount.

Having regard to the stringent budgetary situation outlined in the Treasurer's 1982/83 allocation letter efforts were made to absorb these additional award costs by holding positions vacant wherever practicable and by limiting motor vehicle usage in order to decrease overtime and call out penalty payments. Savings achieved by these measures reduced the additional salaries and wages requirement to roundly \$1.239M.

Repairs and Maintenance

Additional expenditure of \$79,278 was necessarily incurred in relocating the Central Office Administration section of the Ambulance Service as part of the reorganisation of the Department of Health. This amount was partially offset by savings on other repairs and maintenance thus reducing overexpenditure to \$72,000.

Other Expenditure

Savings of \$280,000 were achieved primarily in the Service's Marketing Division (savings of \$247,000) following the abolition of the Contribution Scheme on 1 February 1983.

Transport Fees

Fees generated by ambulance transports fell short of the original budget provision by roundly \$4.033M. and were affected by the following matters:

- (a) Having regard to the operation of the Wage Pause and the proposed introduction of the State Levy on Health Insurance Funds the Government decided not to proceed with the 10 percent transport fee increase from 1 January 1983 provided for in the 1982/83 budget. The fees foregone amounted to \$950,000.
- (b) Following earlier recommendations of the Public Accounts Committee hospitals decreased their utilisation of ambulances for inter-hospital transfer of patients in 1982/83. The corresponding decrease in Ambulance transport fee revenue amounted to \$1,210,000.
- (c) With the introduction of the State Levy on Health Insurance Funds from 1 February 1983 persons who were not previously subscribers to the Ambulance Contribution Scheme, but were members of a health fund, became eligible for free transport. The resultant loss of transport fees is estimated at \$319,000.
- (d) In areas of high unemployment many more persons became entitled to free transport prior to the abolition of the Ambulance Contribution Scheme. The loss of transport fees is estimated at \$1,554,000.

Contributions Scheme

The Scheme was terminated on 1 February 1983 and replaced with the Ambulance Component of the State Levy on Health Insurance Funds. At that date subscriptions totalling \$15,846,159 had been paid. In line with undertakings given by the Government an amount of \$9,556,870, covering the paid-up proportion of annual subscriptions terminating after 1 February 1983, was refunded to contributors resulting in net subscription income of \$6,289,289 for the year.

It should be noted that State revenue derived from the Ambulance Component of the levy and paid direct into the Consolidated Fund during 1982/83 amounted to roundly \$18.099M.

.../3

Other Revenue

Other sundry income derived by the Ambulance Service, exceeded the budget provision by roundly \$261,000.

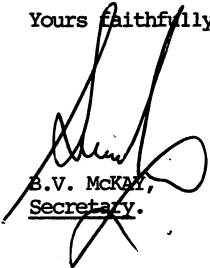
General

The overall effect of the above matters resulted in an additional funding requirement of \$22.812M. in 1982/83 which, as indicated above, was considerably less than the adverse effects of award increases and reductions in transport fees and Contribution Scheme revenues. Having regard to these adverse effects supplementation to the extent of \$23.65M. was approved by the Treasurer on the item "C6. Ambulance Services Fund - Contribution", comprising \$20.298M. on 7 April 1983 and \$3.352M. on 30 June 1983.

In the event, however, it was necessary to utilise only \$22.818M. from the approved supplementation and to limit the use of the Ambulance Fund balance to \$1.944M. in order to maintain the Service's operations. The balance remaining in the Fund at 30 June 1983 amounted to \$51,428.

I trust that this information will be of assistance to the Committee.

Yours faithfully,



B.V. McKay,
Secretary.

MINISTER FOR HOUSING AND CO-OPERATIVE SOCIETIES

Auditor-General's Report Reference: Part I, Page 112.

Issue Examined by the Committee:

- * \$679,456 expenditure incurred which had not been sanctioned and appropriated by Parliament.

Department of Co-operative Societies Response:

Department's response commences next page.

In summary: On 25 January, 1983, the portfolio of the Minister for Co-operative Societies was abolished with the administrative responsibility for this department being transferred to the Minister for Housing thus the expenditure of the Department of Co-operative Societies from 25 January to 30 June, 1983, became technically unauthorised.

Result of Committee's Deliberations:

No further action required.



Department of Co-operative Societies

Mr. M. Egan, B.A., M.P.,
Chairman,
Public Accounts Committee,
Parliament House,
SYDNEY. 2000 00

Macquarie House
161-169 Macquarie Street
(Cnr Smith Street)
Parramatta 2150
P.O. Box 972
Parramatta, N.S.W. 2150

Our reference: ADM:VL:MA

Your reference:

Telephone: 689 8111

8151

13.DEC.1983

Dear Mr. Egan,

With reference to your letter to Mr. V. Helby of the Housing Commission regarding payments unauthorised in suspense by the Minister for Housing of \$679,456, I am replying as the payments concerned relate to this Department.

Included in the 1982/83 appropriation to the Minister for Housing and Co-operative Societies was an amount of \$1,658,600 for the Department of Co-operative Societies. With supplementation granted for the cost of salary awards, the Department operated within this allocation.

At that time, administrative responsibility for the Department was under the co-operative societies portfolio of the Minister for Housing and Minister for Co-operative Societies. However, on 25 January, 1983 the portfolio of Minister for Co-operative Societies was abolished with the administrative responsibility for this Department being transferred to the Minister for Housing. As a consequence of this I have been informed by an officer of Treasury that the everyday expenditure of the Department from 25 January, 1983 to 30 June, 1983 became technically unauthorised.

This expenditure has now been appropriated by Section 42 of the Appropriation Act, 1983.

Yours sincerely,

R.R. Baker,
DIRECTOR

MINISTER FOR INDUSTRIAL RELATIONS

Auditor-General's Report Reference: Part I, Page 116.

Issue examined by the Committee:

- * Variation of statute - New South Wales Retirement Benefits Act, 1972. The Act required contributions by employers to be remitted to the N.S.W. Retirement Board within 14 days of the date of deduction and also provided for interest to be charged on moneys overdue for payment. The Board had neither charged nor waived the payment of interest.

Minister's Response:

The Minister's response is on the next page.

In summary: From 30 March, 1984, the N.S.W. Retirement Board commenced to apply penalty interest in accordance with the Act.

Result of Committee's Deliberation:

No further action is required.



S.O. 298

MINISTER FOR INDUSTRIAL RELATIONS
MINISTER FOR ROADS

Level 3
T & G Building
Cnr Park & Elizabeth Sts
SYDNEY NSW 2000

16 MAR 1984

Dear Mr. Egan

I refer to your letter of 24 February 1984 (ref. A.G. 83/11) regarding the procedure adopted by the New South Wales Retirement Board which varies from what is laid down in the New South Wales Retirement Benefits Act, 1972, as reported in Appendix 4, Page 116 of Part 1 of the Auditor General's 1982/83 Annual Report.

Your letter concerned the practice being adopted by the New South Wales Retirement Board in regard to interest charged on monies overdue for payment.

The Retirement Board has advised me that, arising from its meeting on 6 February 1984, it has notified all employing authorities who had failed to remit money on time during the last 12 months that in future it will be obliged to charge interest on payments more than 14 days in arrears. The Board advised these employing authorities that the rate of interest would be that which is being credited to the equity of contributors, presently in the vicinity of 13% p.a.

The Board is presently in close contact with these authorities and is streamlining remittance procedures to enable the money to reach it in time. From 30 March 1984 the Board will commence to apply penalty interest strictly in accordance with the New South Wales Retirement Benefits Act, 1972.

Yours faithfully

A handwritten signature in dark ink, appearing to read 'P. D. Hills', written in a cursive style.

P. D. HILLS
Minister for Industrial Relations

Mr. M. Egan, B.A., M.P.
Chairman
Public Accounts Committee
Parliament of New South Wales
Parliament House
SYDNEY NSW 2000

MINISTER FOR PLANNING AND ENVIRONMENT

Auditor-General's Report Reference: Part I, Page 115.

Issue Examined by the Committee:

- * Environment of Planning and Assessment Act, 1979, Variation of Statute. Contrary to Section 130(3) payments have been made from the Sydney Region's Development Fund for land acquired and for works and services outside the Sydney Region Development Area.

Minister's Response:

The Minister's response commences on the next page.

In summary: The Legislation if changed, would weaken the provision. The main cause of the variation of statute was funding arrangements for the land acquisition programme of the Coastal Land Protection Scheme. These arrangements are to be altered to eliminate infringement. The other cause of the variation will cease when separate funding arrangements for the new Illawarra Region Development Area are established.

Result of Committee's Deliberations:

No further action required in respect of 1982-83 operations.

AG 83/8-

Mr. M. Egan, B.A., M.P.,
Chairman,
Public Accounts Committee,
Legislative Assembly,
Parliament House,
SYDNEY, N.S.W., 2000.

23 NOV 1983

Reference: B7/1 Pt.8

Dear Mr. Egan,

I refer to your letter of the 19th October, dealing with the examination by the Public Accounts Committee of the Auditor General's Report to Parliament for 1982/83. I note the Committee has again considered particular references in that report to the Department of Environment and Planning concerning dealings which amount to variations of Section 130(3) of the Environmental Planning and Assessment Act, 1979. Section 130(3) prescribes the various purposes to which funds comprising Development Funds may be applied.

It is apparent from your letter that a full and satisfactory explanation of the practical considerations which lead to these variations was given to you last year by Mr. R.B. Smyth, Director of the Department, and that you are now concerned to see if the cause of the variations can be remedied.


Careful consideration has been given to your suggestion to change the provisions of Section 130(3) of the legislation. However, that section in effect places restrictions on the purposes to which payments from Developments Funds may be applied which are of critical importance to the proper financial management and security of the Development Funds; I refer particularly to geographic restrictions. I am therefore reluctant to weaken the provisions of the section in any way.

In his letter, Mr. Smyth described the main cause of the variations to statute, namely the funding arrangements for the land acquisition programme of the Coastal Land Protection Scheme. I am now advised by Department officers that changes to those arrangements agreed with the Department of Treasury will avoid temporary funding of coastal land purchases by Sydney Region Fund and thereby eliminate completely infringements from this main source.

.... /2

The remaining cause of variations, explained in Mr. Smyth's letter to you last year, arises from the Department's responsibility to acquire reserved land in the northern sector of the recently constituted Illawarra Region Development Area (formerly part of the Sydney Region Development Area). These variations will cease when separate funding arrangements for the new Development Area are established which is expected to take place in the near future.

Yours fraternally,


ERIC BEDFORD,
Minister for Planning
and Environment.

MINISTER FOR PUBLIC WORKS AND PORTS
in respect of the **STATE DOCKYARD** and the **STATE BRICKWORKS**

Auditor-General's Report References: Part I, Pages 115
and 117.

Issues examined by the Committee: ^

- * In respect of the State Dockyard the variation of Statute reported by the Auditor-General in regard to the New South Wales Government Engineering and Shipbuilding Act, 1943.
- * In respect of the State Brickworks the variation of Statute reported by the Auditor-General in regard to the State Brickworks Act, 1946.

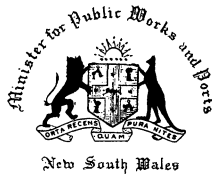
Minister's Response:

The Minister's response is on the next page.

In summary: The Treasury advised that it would not object to a proposal to discontinue the rate equivalent contributions by the State Dockyard and State Brickworks to it. Accordingly the Treasury was advised that these contributions will discontinue. Contribution to Blacktown Council by the State Brickworks for 1983-84 had been made, however, the question of future payments is still under consideration.

Result of Committee's Deliberations:

No further action is required in respect of 1982-83 operations.



18 APR 1984

The Secretary,
Public Accounts Committee,
Parliament House,
SYDNEY. 2000

Dear Sir,

I refer to a letter of 28th February 1984, from the then Chairman of the Committee, and earlier requests concerning rate equivalent payments made by the State Brickworks and the State Dockyard.

As the Committee was informed previously, my Department sought the advice of Treasury on the question of rate equivalent contributions being made to the Treasury by the State Brickworks and State Dockyard and to Blacktown Council by the State Brickworks. The Treasury has advised that, as the amounts involved in payments to it are relatively small, it would not object to a proposal to discontinue them. Accordingly, my Department has informed the Treasury that the State Dockyard and the State Brickworks will not make any further contributions of this type.

On the matter of payments by the State Brickworks to Blacktown Council, the Treasury has raised the more general question of whether there should be a requirement to pay rates to the Council in terms of Section 132 of the Local Government Act. This question raises issues which affect other undertakings and which will be further considered by my Department. The payment to Blacktown Council for 1983/84 has already been made and a review will be undertaken before any further payments are made.

Yours sincerely,

(L. J. Brereton)

MINISTER FOR TRANSPORT

Auditor-General's Report Reference: Part I. Page 117.

Issue Examined by the Committee:

- * Transport Act, 1930 - Variation of Statute. In one case the gratuity entitlement of a retired employee was paid otherwise than as provided for in Section 132 A(s).

Minister's Response:

The Minister's response is on the next page.

In summary: The necessary alteration to the Act will be made in conjunction with the next amendment of the relevant legislation.

Result of Committee's Deliberations:

No further action required in respect of the variation of statute in 1982-83.



SYDNEY

A683/13

Mr. M. R. Egan, B.A., M.P.,
Chairman,
Public Accounts Committee,
Parliament House,
S Y D N E Y. 2000.

Dear Mr. Egan,

Thank you for your letter of 20th October, 1983, about the provisions of the Transport Act, 1930, as mentioned in the Auditor General's Report 1981/82.

Your comments about the payment of gratuities have been carefully noted and you may be assured that the necessary alteration will be made in conjunction with the next amendment of the relevant legislation.

Yours faithfully,

PETER COX

MINISTER FOR WATER RESOURCES AND MINISTER FOR FORESTS

Auditor-General's Report Reference: Part I, Page 112.

Issue examined by the Committee:

- * Expenditure of \$13,990,549 which had not been sanctioned and appropriated by Parliament.

Responses:

In order commencing on the next page are responses from the Water Resources Commission, Energy Authority and the Forestry Commission.

In summary: \$4,741,900 relates to the contribution to the Energy Authority by the Water Resources Commission and \$9,248,649 relates to the Forestry Commission. This expenditure by these bodies became technically unauthorised upon the reallocation of ministerial portfolios on 1 February, 1983.

Result of Committee's Deliberations:

No further action is required in respect of the 1982-83 operations.



"Ibis House",
201-211 Miller Street,
NORTH SYDNEY. N.S.W. 2060.

-3.04.1983

Mr. M.R. Egan, B.A., M.P.,
Chairman,
Public Accounts Committee,
Parliament House,
SYDNEY.

AG 83/4

Dear Mr. Egan,

I refer to your letter of 13th October 1983 concerning items reported by the Auditor-General as being payments during 1982/1983 "Unauthorised in Suspense".

At the time Parliament considered the Consolidated Fund Estimates of Expenditure for Recurrent Services the responsibilities for the portfolios of Energy and Water Resources were administered by the Minister for Energy and Water Resources. The sum appropriated for 1982/83 was

\$29,784,700 for the activities of the Water Resources Commission
\$12,003,400 for Energy Authority Activities

\$41,788,100

Subsequent to the finalisation of the Budget, the Ministry was restructured effective from 1st February 1983, resulting in the Energy Authority being placed under the control of the Minister for Energy and Finance. It was in the Energy Authority's area of activities that the over-expenditure to which you refer occurred.

In 1982/83 the Water Resources Commission spent \$29,716,000, an under-expenditure against appropriation of \$68,700.

Yours faithfully,


(J.B. Cunneen),
Chief Commissioner.



ENERGY AUTHORITY
OF NEW SOUTH WALES
1 CASTLEREAGH STREET
SYDNEY 2000

Mr M Egan BA MP
Chairman
Public Accounts Committee
Parliament House
Macquarie Street
SYDNEY 2000

14. DEC. 1983

Dear Sir

I refer to your letter dated 28th November, 1983 regarding an amount of \$4,741,900 which was referred to in the Auditor-General's report for the financial year ended 30th June, 1983.

The amount represents that portion of the funds appropriated by Parliament to the then Minister for Energy and Minister for Water Resources for the year 1982/83, for the expenses of the Energy Authority. From 1st February, 1983, responsibility for the Energy Authority was assumed by the Minister for Energy and Minister for Finance.

I understand that in such instances the Treasury method of adjustment of the funds already appropriated is by transfer to the Expenditure Unauthorised in Suspense account.

Advice to this effect was received from the Treasury in a letter dated 25th October, 1983 (copy attached).

I would be pleased to furnish any further information you may require.

Yours faithfully

J A Dembecki
General Manager



The Treasury, New South Wales

The Secretary
Energy Authority of NSW
SYDNEY

27/10/83

State Office Block
Macquarie Street
Sydney, NSW 2000

Box 5285 G.P.O.
Sydney 2001
DX 22 Sydney

Contact Miss R Carey

Our reference: T82/2783

Your reference:

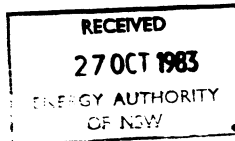
Telephone: 2 0576
Extension:

FINAL TRANSFERS IN CONNECTION WITH CONSOLIDATED FUND RECURRENT PAYMENTS FOR THE YEAR 1982/83

The Minister has approved of the expenditure in excess of Departmental Votes for the Consolidated Fund for 1982/83 being charged to ~~Treasurer's Advance Account and/or~~ Expenditure Suspense Account as detailed hereunder.

Where applicable, Sub-Departments may also be advised.

.. Energy



\$4,741,900.00

*Discussed with Miss Carey.
This ~~is~~ amount to suspense was as a
result of change in Minister from 1.2.83,
and the resultant appropriation adjustments
for 1982/83.*

E 31/10/83

Hart

Secretary and
Member of accounts



95-99 YORK STREET
SYDNEY. 2000

20th October, 1983

Mr. M. R. Egan, B.A., M.P.,
Chairman,
Public Accounts Committee,
Parliament House,
SYDNEY. N.S.W. 2000 00

AG 83/4

Dear Mr. Egan,

Reference is made to your letter of 13th October, 1983 regarding payments unauthorised in suspense as reported by the Auditor General. The explanation is straightforward and is set out below.

In the 1982/83 Budget Estimates the Minister for Local Government and Minister for Lands was allocated an amount to cover the Forestry Commission's Consolidated Fund (Recurrent) expenditure for that year. With the re-allocation of functions and responsibilities between various Ministerial portfolios from 1st February, 1983 the Forestry Commission became the responsibility of the Minister for Water Resources and Minister for Forests. Thus, expenditure from that date became "payments to be appropriated" because the reorganised ministerial portfolio had not been allocated funds specifically under parliamentary authority in the 1982/83 Budget.

On 9th September, 1983 the Treasurer informed the Minister for Water Resources and Minister for Forests of approval (copy attached) to the provision of funds from the Consolidated Fund Expenditure Suspense as follows :-

- (i) To meet expenditure for the period 1st February to 30th June, 1983.
- (ii) To meet expenditure from 1st July, 1983 pending passing of the 1983/84 Appropriation Bill on the understanding that provision for these costs will be made in the 1983/84 Estimates under the Minister for Water Resources and Forests.

I trust the above clarifies the transaction for your Committee.

Yours faithfully,

W. GENTLE,
Commissioner for Forests.

Encl:

**MINISTER FOR YOUTH AND COMMUNITY SERVICES,
MINISTER FOR ABORIGINAL AFFAIRS AND
MINISTER FOR HOUSING**

Auditor-General's Report Reference: Part I, Page 115.

Issues examined by the Committee:

- * Variation of statute in respect of the Child Welfare Act, 1939 as reported by the Auditor-General.
- * Variation of statute in respect of the Local Government Act, 1919 by the Housing Commission of New South Wales as reported by the Auditor-General.

Minister for Youth and Community Services' Response:

The Minister's response is on the next page.

Minister for Housing's Response:

The Minister's response follows that of the Minister for Youth and Community Services.

Minister for Local Government:

After reviewing the Minister for Housing's response the Committee wrote to the Minister for Local Government recommending that an appropriate amendment to the Local Government Act be made. The Minister's response follows that of the other Ministers.

Result of Committee's Deliberations:

No further action is required in respect of the Child Welfare Act variation of Statute.

The Committee is awaiting a further response from the Minister for Local Government as to the result of his consideration of the Committee's recommendation.



Minister for Youth and
Community Services

SYDNEY

Mr. M. Egan, B.A., M.P.,
Chairman,
Public Accounts Committee,
Parliament House,
SYDNEY N.S.W. 2000

Dear Mr. Egan,

I refer to your letter of 7th November, 1983, regarding the Auditor General's report.

With regard to the prescription of payments under Section 23 of the Child Welfare Act, 1939, I have under consideration a draft regulation which would prescribe fostering allowances, and overcome the problem which the Committee drew to my attention.

I hope to resolve the matter in the near future.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Frank Walker', written in a cursive style.

(FRANK WALKER)
Minister for Youth
and Community Services



NEW SOUTH WALES
MINISTER FOR HOUSING

Mr. M. E. Egan, B.A., M.P.,
Chairman,
Public Accounts Committee,
New South Wales Legislative Assembly,
Parliament House,
SYDNEY. 2000

34TH LEVEL
CAGA CENTRE
8 BENT STREET
SYDNEY 2000

Dear Mr. Egan,

I refer to your letter of 7th November, 1983, requesting my comments in relation to the Auditor-General's 1981/82 and 1982/83 Reports concerning variations or suspensions of the provisions of statutes concerning the Housing Commission of New South Wales.

Following your approach to the Commission's Chief Executive, Mr. V. E. Helby, concerning the variations or suspensions of the provisions of the Local Government Act, 1919, as reported on page 406 of the Auditor-General's 1981/82 Report, the Commission revised its policy for not claiming from rating authorities refunds of portions of rates paid on land acquired by the Commission that relate to the period after the acquisition of the land.

As indicated to you by the Commission's Chief Executive in his letter of 31st May, 1983, the Commission in adopting its previous policy as reported by the Auditor-General in his 1981/82 Report, took into account the amount of money involved, the administrative effort required by both the Housing Commission and rating authorities and existing Commission policy in relation to the increasing concern felt with regard to the adverse effects on the income of rating authorities in shires and municipalities in which it has acquired large areas of land for future development, by reason of the land becoming non ratable in consequence of the Commission's acquisition thereof.

The Commission revised its policy towards the end of 1982/83, where, having regard to the diseconomies in demanding refunds of relatively small amounts, and the fact that councils often needed considerable persuasion that the Housing Commission was entitled to a refund, decided to only recover amounts in excess of one hundred dollars (\$100.00) per transaction from rating authorities for refund of rates in respect of which the Commission has recouped from former owners, in all cases in which the land to which the rate recoupment relates is unleased.

Under the revised policy, the minimum level will be reviewed annually, with each property transaction being reviewed individually to determine whether a rate refund is justified in relation to the administrative effort involved.

This change in policy was first reported in the Auditor-General's Report for 1982/83 and not in the 1981/82 Report

.../2

as indicated in your letter. In his 1982/83 Report, the Auditor-General reported on Page 115 of Part 1, as follows:

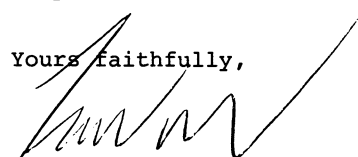
"Local Government Act, 1919

The Housing Commission of New South Wales has ceased to claim from rating authorities in terms of Section 139(9)(a) for refund of that portion (if any) of rates of less than \$100 paid on land acquired by the Commission that relates to the period after the date of acquisition of the land."

The Commission has continued to identify and record refundable rates of less than \$100.00 per transaction which are not recovered and this record is available for inspection by officers of the Auditor-General's Office.

Given the present circumstances and for reasons outlined above, I am satisfied that the current procedures adopted by the Commission are rational and most practical and should continue to apply.

Yours faithfully,


(FRANK WALKER)
Minister for Housing



NEW SOUTH WALES

MINISTER FOR LOCAL GOVERNMENT

SYDNEY

Dear Mr. Egan,

I have received your recent letter concerning the Public Accounts Committee's proposal that the Local Government Act, 1919 be amended to conform with a policy adopted by the Housing Commission of N.S.W. of not claiming from local councils rebates of portions of rates paid on land acquired by the Commission.

Careful consideration is being given to the matters you have raised and I will write to you again shortly.

Yours sincerely,

A handwritten signature in cursive script, reading "Kevin Stewart".

Minister for Local Government.

Mr. M.R. Egan, B.A., M.P.,
Chairman,
Public Accounts Committee,
Parliament House,
SYDNEY. 2000 00

**MOTOR VEHICLE REPAIR INDUSTRY COUNCIL
AND THE MOTOR VEHICLE REPAIR DISPUTES COMMITTEE**

Auditor-General's Report Reference: Part II, Page 92.

Issues Examined by the Committee: ^

- * In regard to 1983-84, does the organisation expect to generate a substantial operating surplus and what are the anticipated expenses for the year?
- * If a substantial operating surplus is expected, are fees charged too high?
- * Breakdown of investments and investment policy.

Council's Response:

The Council's response commences on the next page.

In summary: Council did not expect a surplus in 1983-84, rather a deficit of approximately \$100,000 and that deficit will occur each year until surplus is expired. Anticipated expenses in 1983-84 were \$1,538,965.

It was anticipated that there will be no fee increases prior to 1987.

Investment schedule and policy provided.

Result of Committee's Deliberations:

Other than the Inquiry into Investment Practices of Statutory Authorities, no further action is required in respect of the 1982-83 operations.



Motor Vehicle Repair Industry Council

10th Floor, H.C.F. House, 403 George Street, Sydney, N.S.W. 2000
P.O. Box C366, Clarence Street, Sydney, N.S.W. 2000. Telephone: 29 3537

Our ref. VPN:TC

Your ref.

•
Mr. M. Egan, B.A., M.P.,
Chairman,
Public Accounts Committee,
Parliament House,
SYDNEY NSW 2000.

AG 83/24

27th October, 1983.

Dear Mr. Egan,

I refer to your correspondence of 20th October, 1983, in which you required that I provide certain information related to the financial aspects of the Motor Vehicle Repair Industry Council, in particular, the surplus generated by the Council during the past three years.

The Motor Vehicle Repair Industry Council has been established since June 1980, however, it did not commence collection of revenue until early 1981. This resulted from the proclamation of the licensing and certification provisions of the legislation which became effective as from 31st March, 1981.

In answer to your specific questions, the following is submitted for consideration:-

1. It is anticipated that the Motor Vehicle Repair Industry Council's expenses for the 1983/1984 income year will be \$1,538,965. This is made up of:-

Operational costs (salaries, stores, etc.)	-	\$1,118,965
Fitout - relocation to Five Dock	-	\$300,000
Education/Research Programme	-	\$100,000
Contingency Fund payments	-	\$20,000
		<u>\$1,538,965</u>

2. It is not anticipated that Council will generate an operating surplus during this financial year. In fact, it is projected that there will be a deficit of approximately \$100,000 over income this financial year. Further, Council projects that a deficit will occur each year until such time as the surplus is expired.

...../2

3. Prior to the enactment of the legislation in 1980, consideration was given to the fees to be charged. This was done in conjunction with various industry representatives. It was considered better to charge a fee that was marginally higher than required so that in the short term, the fees charged could be retained at a reasonable level. The projection at that time was that there would be no increase in fees for a period of approximately five years from the time the licensing provisions of the Act were proclaimed. It is now anticipated that there will be no increase in fee prior to 1987.

4. Enclosed you will find a copy of our investment schedules as at 31st June, 1983. The Motor Vehicle Repair Industry Council is bound by Section 14 of the Trustee Act, 1925. The period of individual investments are determined by the need for availability of funds. The selection of the institution with which investments are lodged depends on the interest rate available. However, consideration is given to other factors including those related to public interest, for example; investments with Building Societies has been favoured to some degree since certain of these Societies were given trustee status. The Executive Officer invests on the instruction of the Council and all investments made are endorsed by the Council prior to an investment or shortly thereafter.

I hope that the above information is satisfactory and would be pleased to answer any further questions that you or your Committee requires.

Yours faithfully,



V.P. NASH,
Chairman.

Encl./

CURRENT INVESTMENTS AS AT 30TH JUNE, 1983

	<u>AMOUNT</u>	<u>DATE FROM</u>	<u>DATE TO</u>	<u>NO OF DAYS</u>	<u>INTEREST RATES</u>	<u>INTEREST PAYABLE</u>	<u>NATURE OF INVESTMENT</u>	<u>PACKAGE NO.</u>
ST. GEORGE BLG SOC	\$100,000.00	19.10.82	15.07.83	269	14.50%	10,686.30	IBD	46
ST. GEORGE BLG SOC	\$100,000.00	01.12.82	29.08.83	271	14.30%	10,617.26	IBD	49
N S W BLG SOC	\$100,000.00	02.02.83	01.08.83	180	12.60%	6,213.70	IBD	51
ST. GEORGE BLG SOC	\$464,535.62	14.06.83	14.07.83	30	15.40%	5,879.88	IBD	52B
ST. GEORGE BLG SOC	\$200,000.00	16.03.83	12.09.83	180	14.00%	13,808.22	IBD	53
ST. GEORGE BLG SOC	\$200,000.00	16.03.83	12.12.83	271	13.75%	20,417.81	IBD	54
ST. GEORGE BLG SOC	\$100,000.00	11.04.83	10.10.83	182	14.10%	7,030.68	IBD	57
N S W BLG BLG SOC	\$ 50,000.00	14.04.83	AT CALL		WKLY	PRIME RATE	TRUSTEE	55B
ST. GEORGE BLG SOC	\$200,000.00	29.04.83	02.08.83	95	12.50%	6,506.85	IBD	58
NATIONAL AUSTRALIA	\$200,000.00	31.05.83	02.09.83	94	13.05%	6,721.64	IBD	59
	<u>\$1,714,535.62</u>							

NEW SOUTH WALES FILM CORPORATION

Auditor-General's Report Response:

Part II, Page 123.

Issues examined by the Committee:

- * There are a number of issues being examined by the Committee and these include:
- The promotion of films internationally.
 - Investments in the film industry and the return on these investments.
 - Breakdown of the Corporation's term deposits.
 - The liquidity position of the Corporation.
 - The Corporation's entitlement to future earnings of scripts and projects where it has financed their development.
 - A breakdown of the loans receivable shown in the Corporation's balance sheet.

Corporation's Responses:

The Corporation's responses have not been included in this report as officers of the Corporation are to be called to give evidence before the Committee.

Result of Committee's Deliberations:

Further action deferred pending officers of the Corporation giving evidence before the Committee.

NEW SOUTH WALES INSTITUTE OF TECHNOLOGY

Auditor-General's Report Reference: Part II, Page 196.

Issues Examined by the Committee:

- * Expenditure exceeding income by \$1.3 million when Commonwealth grants had increased by 10.0% over the previous year.
- * Institute providing funds to Insearch Limited and Sydney Educational Broadcasting Limited.
- * Breakdown of investments, rate of return and investment policies.

Institute's Response:

The Institute's response commences on the next page.

In summary: The Institute's response is quite extensive and outlines various reasons for expenditure exceeding income including increased costs (e.g. salaries, electricity) and contracting recurrent fund granting in real terms.

Funds provided to Insearch and Sydney Educational Broadcasting Limited were to enable them to continue operations, and this is to continue until they reach self-sufficiency. Information requested on investments was provided.

Result of Committee's Deliberations:

Other than the Inquiry into Investment Practices of Statutory Authorities, no further action required in respect of the 1982 operations.



The New South Wales Institute of Technology

4 January 1983

Mr Michael Egan, BA, MP
Chairman
Public Accounts Committee
Parliament of NSW Legislative Assembly
Parliament House
SYDNEY 2000

Dear Mr Egan

Your letter of 13 December 1983 concerning the Institute's 1982 financial position is acknowledged. In view of the absence of the President and the Bursar, I have been asked to respond on their behalf.

The Public Accounts Committee's concern about the financial situation of the Institute is encouraging. The incurrance of deficits on recurrent operations is a direct consequence of the constrained funding arrangements for the whole tertiary education sector which were first introduced in 1975 and which have been increased since that date. Although such a policy affects the sector as a whole, it reacts particularly on institutions like NSWIT because of the high cost of the technological type courses which are offered by such organisations. The latter point appears to lack appreciation by the State co-ordinating body. The existance of deficits is not new nor is it the product of mismanagement at the Institute. It has been the policy of the Institute to report the true financial position which exists. Reference to the financial section of the Institute's annual reports of recent years demonstrates that point.


After identifying the funding problem which exists, it is hoped that issues such as participation in tertiary education, the level of grant funding, the distribution of scarce resources etc, will predominate during your Committee's deliberations. Set out in the enclosed material is information on the questions raised. Section 1 represents a commentary on the financial position of the Institute and the funding arrangements which prevail. Section 2 deals with the operation of Sydney Educational Broadcasting Ltd and Insearch Ltd, while the final section deals with the investment policies of the Institute.

From the comments contained in Section One, it should be apparent that the worsening financial situation is of vital concern. A partial solution to the undesirable financial situation which exists is readily available and your Committee is in an excellent position to assist. The granting of exemptions from payroll tax is a matter which has been raised on numerous occasions and would lower expenditure significantly. In respect of 1982, \$1,268,000 was expended on payroll tax, that figure equates the deficit incurred. By alleviating the burden of payroll tax, the education opportunities available in the State would be significantly enhanced.

PO Box 123 Broadway NSW2007 Telephone:20930

Should additional information be required on the questions raised, please do not hesitate to contact the undersigned on 218 9363.

Yours sincerely


G. STAPLES
ACTING BURSAR

SECTION ONE

1982 RECURRENT EXPENDITURE

The section of the 1982 report of the Auditor General which deals with the Institute's accounts indicates that the level of expenditure exceeded grant funding for that year. The magnitude of the over-expenditure needs to be assessed after fully appreciating the accounting treatment used. Background to the adjustment factors to be applied to the \$1,335,602 quoted in your letter is contained in a later part of this section.

The accounting approach employed in an organisation can directly influence the financial results of a specific period. For many years the Institute has reported its financial position internally using an accrual accounting approach. Externally, the Auditor-General prescribed a cash method up until 1982 and subsequently adopted a modified accrual approach. Performance reported internally has shown the Institute incurring a deficit on recurrent grant funding dating back to 1977. A graphic representation of the growth in deficits has been prepared for our 1983 annual report and is shown in Appendix A. Unfortunately, the full extent of the deficits incurred since 1977 has not been reflected in the audited accounts of the Institute due to the cash method of reporting used by the Auditor-General. In 1982 a partial catch up occurred when the Auditor-General changed his accounting approach, a move whole-heartedly supported by the Institute.

Operation of the Institute at a level which results in a level of expenditure in excess of recurrent grant funding has been of vital concern to the Council of the Institute. Our annual reports from 1978 onwards contain comments on the unsatisfactory financial environment within which the Institute has been forced to operate. Each year the deficits have been quantified using an accrual accounting approach. During the course of each year since 1977 expenditure has been closely monitored and the resultant deficits planned. The 1984 operating budget which was adopted by our Council in December 1983, unless modified will result in a projected deficit on grant funding of \$1,400,000. After adopting the budget such was the concern of Councillors about the overall financial situation that telegrams of concern were sent to Federal and State Ministers for Education.

Several fundamental questions arise from the financial situation within which the Institute operates. Why are deficits incurred, what has been done to reduce the rate of growth in expenditure, how manageable is the overall financial situation and what is the effect of contracting funding on academic programs?

The Institute is the only Institute of Technology in New South Wales. Courses available are in the technologies and Business Studies. The student population in 1982 was 8,488 which equates to 5583 equivalent full time students (EFTS) as at 30 April. The demand for courses offered has continued to grow. Some examples of entry levels for courses in 1983 illustrate the point; Computing Science 360 and BA Communications 380.

In recent years recurrent grant funding has not kept pace with cost movements nor student demand. On the surface the increase in the recurrent grant was material in 1982 relative to the previous year. In reality, the bulk of the increase was to compensate for the full year effect of salary increases granted in 1981. Further, under the cost supplementation mechanism employed, non-salary items, which account for some 18% of expenditure, were only supplemented for increased costs to December 1981. During the course of 1982, general cost movements were significant. Some specific examples are as follows:-

- (a) Support staff salaries increased by 16½%.
- (b) Higher salary cost flowed directly into higher on-costs, not to mention the effect of retention of the 1% surcharge on payroll tax beyond June.
- (c) Electricity charges increased by 82%.
- (d) Accommodation leased at Brickfield Hill was the subject of an 87% increase.

The cost spiral experienced in 1982 exemplified many of the inadequacies of the cost supplementation mechanisms used. The Institute has pursued a more realistic approach to cost supplementation for many years without success.

The deterioration of financial support for the Institute can be assessed in a number of ways. A common approach used is to adjust recurrent grants to a common cost level or year. Up until the advent of 'outturn pricing', grants could easily be adjusted to a base 1977 cost level. Using the fundamentals of that approach, grants can be extended forwards to yield amounts at a current cost level. It should be noted that the indices used are those prepared by the CTEC and are viewed as conservative relative to actual cost movements in New South Wales. Set out in Appendix B are details of grants at the common base of December 1982. The figures for respective years clearly illustrate the decline in funding in real terms which has occurred since 1977. When compared to the deficits incurred in the same period, it is self-evident that the Institute has taken significant action to reduce the cost of operations.

Compounding the problem of declining financial support in real terms is the fact that the Institute's funded student population is below the actual number. The Institute's funded student population is determined by the New South Wales Higher Education Board. The figure is inputted to the Board's Recurrent Funding Formula and recurrent grant derived. For example, in 1982 the funded student population was 5110 EFTS (5110 in 1981) compared to actual of 5583 EFTS (5380 in 1981) as at 30 April. In 1977 the Institute, at the request of the Higher Education Board, increased the student population in 1978 in the belief that increased funding would follow. The latter did not occur and the legacy of increased students carries on.

The Recurrent Funding Formula used by the HEB to distribute the State's Recurrent Grant has been the subject of concern since its development in 1979. Without going into detail, the academic component of the formula is based on a model of a single discipline college of 300 EFTS, compared to the technological, multi-discipline, 5000 EFTS Institute.

In other areas of funding, the Institute has been disappointed at the treatment received. An example of which was the distribution of the 1982 Temporary Development Grant, which was intended to stimulate participation in technological and business courses. The State's distribution is shown in Appendix C. Another illustration of where the Institute is not receiving the support believed appropriate is the current 1984 distribution of G3 supplements by the Board, details of which are shown in Appendix C. Many other examples exist and have been the subject of discussions with the HEB and CTEC.

The Council of the Institute is continually forced to equate the benefit of reducing quotas thereby reducing participation in tertiary education, the maintenance of reasonable academic standards and continued financial viability. A major problem encountered is what can be loosely termed the fixed cost of servicing a student population of 5200 EFTS.

The approach adopted has been to enhance educational opportunities. To achieve the latter the rate of growth in the cost of operations has been slowed and other revenue used to supplement inadequate grant funding.

A range of cost cutting initiatives have been implemented in the period since 1978. The support establishment has been reduced from 558 to 485 in the period to 1982, with a further reduction of 10 planned for 1984. The academic establishment has remained static. Expenditure on a wide range of items including direct teaching requisits have been pruned in successive years while others such as library acquisitions have dropped in real terms. The Institute is in the unfortunate position in that it cannot influence the rate of salaries paid to academic and support staff and has suffered from unavoidable cost increases such as electricity.

The adverse effects of the constrained financial situation has direct implications for academic programs. Every attempt has been made to minimise the effect on teaching, however, the student to staff ratio has deteriorated. A reduced number of support staff must cope with an increased work load and less teaching requisits are provided. Quantification of academic standards is difficult, however, it is apparent that a high standard has been preserved. Staff of the Institute have responded to the increased demands placed upon them, however, there is a limit to their capabilities.

Returning specifically to the interpretation of the accounting treatment employed by the Auditor-General, the deficit needs to be put in perspective. To gain appropriate insight to the financial position the published report of the Auditor-General should be read in conjunction with the 1982 audited accounts.

In 1982, the Auditor-General varied the accounting approach used from cash to modified accrual. The first year of the new approach contains anomalies which should be eliminated in future years. For example, the total cash payments for the year include accrued items from 1981. To that figure has been added certain accruals for 1982 giving an inflated expenditure figure. The items accrued have been limited in 1982 but presumably will be expanded in future years. The Institute's internal reporting involves the consistent accrual of appropriate items.

Another feature of the 1982 audited summary is separation of grants for the current year and those of past years. In 1982 monies were received which relate to prior years and were excluded from income for 1982. Supplementary monies received amounted to \$450,089 which were available for expenditure. The money related in part to accrued items from 1981 which were not separated in the expenditure figure shown.

The overall position can be summarised as follows:

Recurrent expenditure incurred		\$28,426,365
Less Commonwealth grants		
1982	\$26,856,000	
Prior years received in 1982	<u>450,089</u>	
		<u>\$27,306,089</u>
	DEFICIT ON RECURRENT GRANT	\$1,120,276
Less Other Revenue		
Miscellaneous Income	\$234,763	
Investment Earnings	<u>885,513</u>	
		<u>\$1,120,276</u>
	BALANCE OF RECURRENT PURPOSES ACCOUNT	NIL

The deficit on Recurrent Grant is not wholly attributable to 1982 in that it was derived after bringing to account expenditure relating to a prior year. With regard to the overall financial position the Institute has funded the shortfall in grant funding from investment earnings and miscellaneous income received in 1982. The net effect is a nil balance on recurrent purposes account as at 1st January 1983, a situation which the Institute should be commended for. The penalty incurred for using interest earnings to balance the budget is that funds are not available for enriching academic environment through research, improvement of a barren campus, purchase of equipment, finance of new initiatives, etc.

To summarise, the size of the deficit on Recurrent Grant Funding needs to be considered after appreciating the implications of the accounting treatment used by the Auditor-General. The true financial situation is one where the level of recurrent expenditure has been planned and managed in order that it remain within the total income for the year. Based upon information contained in the 1982 Auditor-General's report, it appears that other institutions in the sector have not experienced the same degree of financial stringency and/or have not been prepared to supplement recurrent operations from interest earnings in a similar fashion to that of the Institute. In a year when the Government has pursued increased participation in the Technologies and Business Studies, the student population at the Institute has continued to grow. The latter has occurred against a back-drop of contracting recurrent grant funding in real terms and spiralling costs.

SECTION TWO

FORMATION AND OPERATION OF SYDNEY EDUCATIONAL BROADCASTING LTD AND INSEARCH LTD

The Institute is the principal of Insearch Ltd and joint owner of Sydney Educational Broadcasting Ltd (SEB). The formation, objectives and performance of Insearch have been the subject of a range of reviews and examinations extending from the Minister of Education through to the Institute's Finance Committee. The operation of Insearch is rather complex, accordingly the position of the radio station will be dealt with first.

SYDNEY EDUCATIONAL BROADCASTING LTD

SEB is a company limited by guarantee which was formed as a joint venture between the Institute and Macquarie University. The station transmits in FM. Since transmission commenced in October 1979, the station has made excellent progress in the area of educational broadcasting, something acknowledged by the Australian Broadcasting Tribunal. In addition to the benefits accruing to the Institute from general broadcasting, staff and students have direct access and involvement in FM broadcasting. Students undertaking media studies as part of the BA Communications Degree have benefitted through the preparation of assignments which can be transmitted. Beyond the Institute, the community should have benefitted through the development of educational broadcasting.

A summary of the station's operations is set out in the Auditor-General's 1982 report. Included in the balance sheet of the company is an amount of \$127,555, representing advances from the Institute. The advances relate to prior years and their inclusion in the balance sheet is due mainly to the accounting treatment in respect of financial support provided in past years. The support provided has been made available through the Institute's accumulated reserves. The amount of the advance can be broken up into payments covering the years 1979 through to 1981. Set out in Table A are details of the advances. The money was provided as an advance, however, it could be more appropriately labelled as a payment for air time. Included in Table A is an indication of the amount of air time used by the Institute, together with the user pay rate which applies to external users of the station. It is clear from an extension of the user pay rate and the hours used that the advances are more than discharged. The figures exclude indirect promotional and teaching benefits which, although difficult to quantify, would be substantial.

TABLE 'A'

YEAR	AIR TIME hours	USER PAY RATE \$	TOTAL \$	ADVANCE \$
1979	216	80.00	17,280	33,315
1980	1248	100.00	124,800	44,240
1981	1300	120.00	156,000	50,000
			<u>\$298,080</u>	<u>\$127,555</u>

Since 1981 the concept of a payment for air time has been adopted in respect of continuing support of the station. That approach was suggested by the Auditor-General in his 1981 report on the accounts of the company. The Institute is in the process of aligning its pre-1981 approach with that employed currently. The net effect of the change will be to write out of the books of the station the financial support provided in 1979 through to 1981. By virtue of the Institute's ownership of the station, should the financial position of the station be such that surpluses were achieved, the funds could easily be returned to the parent institutions. It should be noted that the station operates on a meagre budget, with long term self-sufficiency predominating as opposed to the generation of profits.

INSEARCH LTD

A voluminous amount of material is available on the objectives and performance of Insearch during the short period within which it has operated. The material that follows has been limited to the more predominant issues relating to the question raised. In the main, the material has been taken from a report prepared by Mr R Parry, Chairman of the NSW Higher Education Board to Mr P Landa, the then Minister of Education. The report was prepared in April 1980 and has been updated for events of subsequent years.

Insearch Limited is a company limited by guarantee which was formed by the Institute in November 1976 to market consultancy and research services with a view to applying the profits therefrom to the academic processes of the Institute. The company has been modelled on similar companies in many Australian universities and colleges, its role parallels the highly successful Unisearch company formed by the University of New South Wales.

Insearch operates as a vehicle for mobilising professional skills which staff possess and co-ordinating their involvement in projects. The Institute is shielded from such activities, yet by virtue of the Directorships held by senior staff, an overview of work undertaken is maintained. A product of the involvement of staff in Insearch projects is that their knowledge and professionalism is enhanced, which in turn is of benefit to students. The intangible benefits of Insearch's operation should not be overlooked.

When the company was formed, it was done so without the provision of working capital, in the highly competitive sector in which it operates. It was always envisaged that it would take a number of years to become established. The company has sustained losses in years 1977 to 1981, set out in Table 'B' are details of respective years' losses. In order to allow the company to continue to operate, the Institute has kept the company liquid by providing advances from the Institute's accumulated reserves and not recurrent grant funds.

TABLE 'B'

Summary of (Losses)/Profits incurred by Insearch Ltd

1977	(\$11,480)	1980	(\$58,611)
1978	(\$68,252)	1981	(\$12,155)
1979	(93,960)	1982	\$2,274

Mr Parry's examination of the company included consultations with the Auditor-General who indicated that there was nothing technically improper about the establishment of Insearch and that the accounts of the company were subject to certification by his officers.

The major question to arise has always been the potential profitability of Insearch. It was originally estimated that a period of some 5 years would be needed for the company to become established. The decision which was taken following Mr Parry's review was that the company continue to operate and that further funds be made available to it. The decision to continue to support the company has been vindicated by its performance in a period from 1981. It should be noted that payments were made by the company of \$48,661 in 1982 and \$67,422 in 1981, to various Institute schools for equipment usage and other services provided. The outlook for 1983 is that surpluses of the order of \$3,000 will be achieved, the prospects for 1984 are brighter.

The existence and operation of Insearch Ltd has always been a sensitive area, accordingly its performance is the subject of regular reviews. The Board of the Company continually monitors performance and searches for improved returns. Regular reports are vetted by the Institute's Finance and Capital Works Committee and passed on to Council for consideration.

To summarise, Insearch is an integral part of the Institute. It provides important intangible benefits as well as the opportunity to generate income at a time when more dependence is being placed on self-help to supplement general operation.

SECTION THREE

INVESTMENTS

The inadequacy of Recurrent Grant Funding has been described in Section One. Flowing from that situation is a dependence on investment earnings to finance the Institute's current mode of operation. The investment policy of the Institute has varied slightly in recent years in response to changes in the magnitude and flow of funds, market conditions and legislative requirements. The introduction of the State's Financial Institution Duty has eroded short term returns and induced changes in the placement of funds. The overall aim has been to obtain a return on every dollar with minimal direct labour input.

The Institute's authority to invest funds which are surplus to day-to-day requirements is found in the Colleges of Advanced Education Act. Within that legislation there is a statement that funds may be invested,

- (a) for the time being authorised for the investment of trust funds; or
- (b) approved by the Governor upon the recommendation of the Treasurer either generally or in a particular case or a particular class of cases.

The range of possible investments covered by the first category are detailed in the Trustee Act of NSW, as amended. The effect of being restricted to Trustee investments has been to limit the scope of investments and constrain yields. On no occasion has an approach been made for the Governor's approval to undertake a specific course of investment.

Before commenting on the investment holdings of the Institute, it should be noted that 31 December each year represents a peak in liquidity and thus investments. The latter is due to the receipt of three-thirteenths of a future year's recurrent grant, together with advances for equipment and minor works during the last working week of December. The Institute's investment base fluctuates during the course of the year. The primary source of funds for investment is the recurrent grant which is paid bi-monthly. Funds are continuously turning over and in recent years the rate of turnover has increased.

The Institute's investments can be broken into two general categories - long term of which details are set out in Appendix 'D' and short term. It will be noted that the long term holdings were acquired several years ago and have not been significantly varied in recent years. The Institute's ability to enter into long term investments has diminished as financial stringency has grown. Part of the long term investments represent securities held for miscellaneous trust and prize funds, together with funds set aside for future long service leave commitments.

The predominant investments of the Institute are short term, that is, less than twelve months. As at 31 December 1982, short term investments amounted to some \$9.1 million. During the past two years funds have tended to be placed on interest bearing deposits, primarily with the State Bank, after obtaining quotations from other banks and building societies. From time to time quotations are received from other financial institutions. In addition

to IBD's, an arrangement has been entered into with the State Bank whereby the credit balance on the Institute's current account attracts interest on a daily basis. The placement of funds on a short term basis is subject to vagaries of the market, however, in 1982 returns were substantial. The outlook for 1984 is not as encouraging.

To summarise, the Institute is restricted in the scope of its investment activities and limited by the flow of funds available to it to the shorter term investments. The current approach to investing funds surplus to day-to-day requirements involves minimal labour input and yields a return on every dollar held.

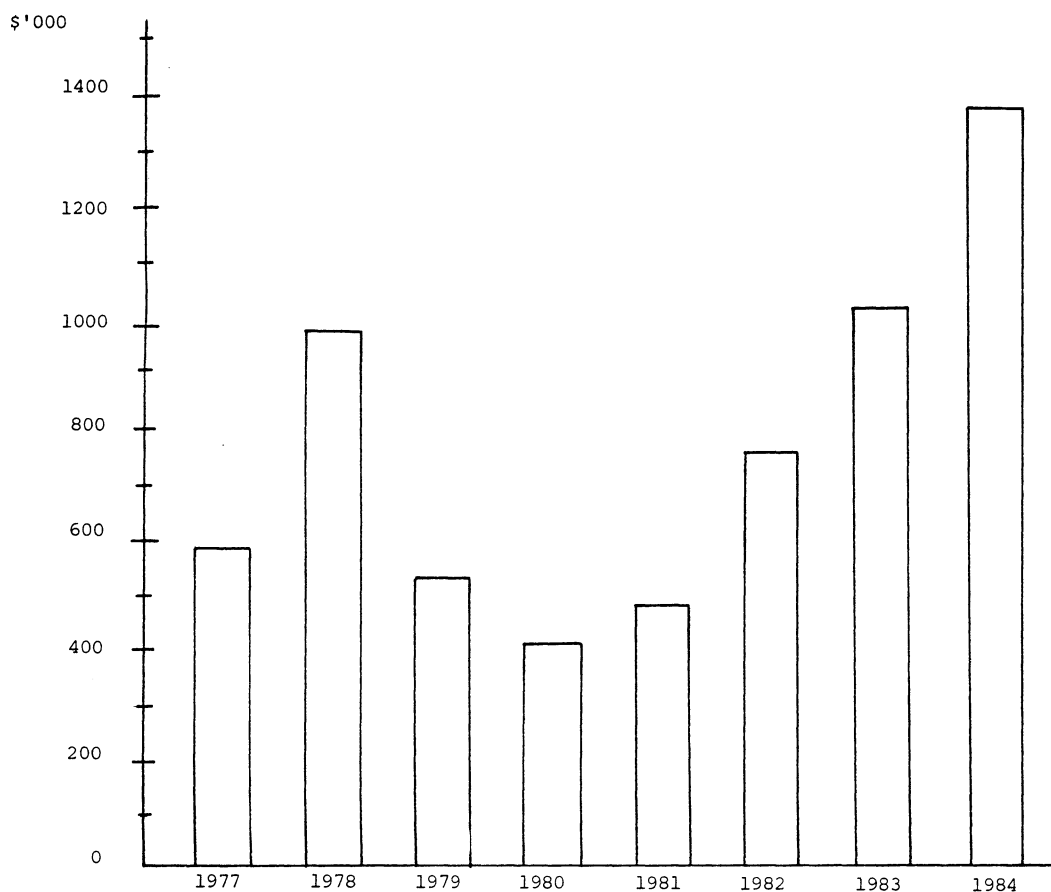
THE NEW SOUTH WALES INSTITUTE OF TECHNOLOGY

Summary of Deficits on Recurrent Grant funding during the period 1977 - 1984 based upon an accrual accounting approach used for internal reporting.

<u>YEAR</u>	<u>TOTAL EXPENDITURE</u>	<u>RECURRENT GRANT</u>	<u>DEFICIT ON GRANT</u>
	<u>\$'000</u>		
1977	16,591	16,001	590
1978	18,075	17,177	898
1979	19,456	18,922	534
1980 (1)	21,464	21,049	415
1981	24,894	24,408	486
1982	27,609	26,856	753
1983 (2)	29,928	28,908	1,020
1984 (3)	31,651	30,271	1,380

NOTES:

- (1) Grant adjusted for supplementation received fifteen months after the close of 1980, deficit reduced accordingly.
- (2) Figures based on interim results as at mid-December 1983.
- (3) Projected position as at December 1983.

THE NEW SOUTH WALES INSTITUTE OF TECHNOLOGYDEFICITS ON RECURRENT GRANT FUNDINGINCURRED IN THE PERIOD 1977 - 1984NOTES:

- (1) Definition of expenditure used includes cash payments and accrued amounts, which is then matched against the recurrent grant to yield the deficit.
- (2) The 1983 deficit is based on interim results as at mid-December 1983.
- (3) 1984 is a projection as at December 1983.

THE NEW SOUTH WALES INSTITUTE OF TECHNOLOGY
COMPARISON OF ADJUSTED RECURRENT GRANT INCOME 1977 - 1982
(USING 1977 TOTAL \$'E.F.T.S. AS BASE)

YEAR	FUNDED STUDENT NUMBERS	AVERAGE \$/EFTS	ADJUSTED \$/EFTS	DECLINE IN REAL FUNDING \$/EFTS	ADJUSTED GRANT \$'000	ACTUAL GRANT \$'000	AGGREGATE DECLINE IN REAL FUNDING \$'000
1977	4,260	3,756	-	-	16,001	16,001	-
1978	4,585	3,746	3,847	101	17,639	17,177	462
1979	4,930	3,838	4,100	262	20,213	18,922	1,291
1980	5,082	4,142	4,516	374	22,950	21,049	1,901
1981	5,110	4,777	5,224	447	26,695	24,408	2,287
1982	5,110	5,254	5,677	422	29,009	26,850	2,159

NOTES:

- (1) Adjustment factor used for respective years derived from CTEC indicies. The factor does not recognise state salary increases and only compensates non-salary items to December of the previous year, accordingly it is regarded as conservative.
- (2) The use of actual student numbers in respect of 1981 and 1982 would yield a further decline in support.

DISTRIBUTION OF 1982TEMPORARY DEVELOPMENT GRANT

	\$
Cumberland College of Health Sciences	101,000
Hawkesbury Agricultural College	92,000
Kuring-gai College of Advanced Education	87,000
Mitchell College of Advanced Education	188,000
Nepean College of Advanced Education	306,000
Northern Rivers College of Advanced Education	76,000
Orange Agricultural College	51,000
Riverina College of Advanced Education	107,000
Sydney College of the Arts	61,000
Milperra College of Advanced Education	87,000
The NSW Institute of Technology	138,000
	<hr/>
	\$1,294,000
	<hr/> <hr/>

1984 DISTRIBUTION OF G3 SUPPLEMENTS

Catholic College	112,000
Cumberland College of Health Sciences	-
Hawkesbury Agricultural College	35,000
Kuring-gai College of Advanced Education	147,000
MacArthur Institute of Higher Education	200,000
Mitchell College of Advanced Education	119,000
Nepean College of Advanced Education	200,000
NSW Cons	-
Northern Rivers College of Advanced Education	81,000
Orange Agricultural College	20,000
Riverina College of Advanced Education	260,000
Sydney College of Advanced Education	290,000
Sydney College of the Arts	-
NSW Institute of Technology	-
	<hr/>
	\$1,464,000
	<hr/> <hr/>

LONG TERM INVESTMENTS OF THE INSTITUTE AS AT 31 DECEMBER

					1982
					\$
(a)	Commonwealth Developments Bank of Australia - Transferable Deposits (face value \$400,000)				
	Purchased 2.4.79	Maturity 30.6.83	9.7%		416,696
(b)	Australian Resources Development Bank Ltd Transferable Deposits (face value \$1,000,000)				
	Purchased 18.9.78	Maturity 30.9.88	9.7%		996,557
(c)	Dept of Main Roads, NSW - Inscribed Stock				
	Purchased 29.9.81	Maturity 1.10.85	15.5%		150,000
(d)	Metropolitan Water Sewerage & Drainage Board - Inscribed Stock				
	Purchased	Maturity			
	\$10,000 16.1.78	1.10.92	10.9%		
	\$30,000 18.10.78	1.10.88	9.4%		47,500
	\$7,500 10.10.78	1.10.88	9.4%		
(e)	Electricity Commission of NSW - Inscribed Stock				
	Purchased 1.1.77	Maturity 1.11.90	10.4%		2,000
(f)	Commonwealth Government Bond -				
	Purchased 26.7.78	Maturity 15.9.85	5.0%		240
					<u>\$1,612,993</u>

NOTE: INFORMATION ADAPTED FROM THE 1982 AUDITED ACCOUNTS OF THE INSTITUTE

NEW SOUTH WALES RETIREMENT BOARD

(Now part of the Public Authorities Superannuation Board)

Auditor-General's Report Reference: Part II, Page 314.

Issues examined by the Committee:

- * A breakdown of investments held at 30 June, 1983.
- * Rate of return of investments held.
- * The Board's investment policy.

Board's Response:

The Board provided the investment information but the response has not been included in this report as the Committee's Investment Inquiry is still in progress.

Result of Committee's Deliberations:

Inquiry into Investment Practices of Statutory Authorities is currently being conducted and will be the subject of a separate report when finalised.

NEW SOUTH WALES STATE CANCER COUNCIL

Auditor-General's Report Reference: Part II, Page 105.

Issues examined by the Committee:

- * The Council's estimated expenditure for the year ended 30 June, 1984.
- * The anticipated operating result for the year ended 30 June, 1984.
- * Justification for giving research grants to the University of Sydney for cancer research when the University's Cancer Research Fund is generating an operating surplus.
- * A breakdown of the \$2 million in donations and bequests received in 1982-83.
- * Justification for continued State grants.
- * Details of all investments held at 30 June, 1983.
- * Employment of the Director of the Centenary Institute of Cancer Medicine and Cell Biology.

Council's Responses:

The Council's responses commence on the next page.

In summary: The estimated expenditure of the Council in 1983-84 was \$4,213,394 and an operating deficit was anticipated for 1983-84. Cancer research grants are given to individual researchers where the project has been judged scientifically meritorious. State grant in 1982-83 represented 7.26% of total income. This grant has remained unchanged for 5 years. Investment details were provided.

Result of Committee Deliberations:

Further action has been deferred pending the Committee's review of the 1983-84 Auditor-General's report. Inquiry into Investment Practices of Statutory Authorities is currently being conducted.

THE NEW SOUTH WALES STATE CANCER COUNCIL

Cancer Information, Welfare & Administrative Services

3rd Floor, Challis House
10 Martin Place, Sydney, 2000
GPO Box 7070, Sydney NSW 2001
Cables: Cancer Sydney
Telephone: (02) 233-2300

Special Unit for Investigation & Treatment

Prince of Wales Hospital
High Street, Randwick, N.S.W. 2031
Telephone: (02) 399 0111



14th December, 1983

Mr. Michael Egan, BA, MP,
Chairman,
Public Accounts Committee,
Parliament of New South Wales,
Legislative Assembly,
Parliament House,
SYDNEY, N.S.W. 2000

Dear Mr. Egan,

In reply to your letter of 20th October, 1983 the New South Wales State Cancer Council is pleased to supply the following information on its activities as requested:

1. Estimated expenditure for the year ending 30th June, 1984

Operating	\$3 689 144
Capital	<u>524 250</u>
	<u>\$4 213 394</u>

See Annexure "A" attached for details.

2. An operating deficit of \$728,351 is anticipated for the year ending 30th June, 1984 which is more than covered by unexpended bequests received by the Council during the year ended 30th June, 1983.

Further capital expenditure of \$524,250 is also planned making a total expenditure excess of \$1,252,601 above the estimated income which includes the annual Government grant of \$250,000.

One major undertaking the Cancer Council is committed to, both philosophically and financially, is the establishment of a cancer institute in New South Wales. This year, as your Committee is no doubt aware, the Federal and State Governments have jointly financed a feasibility study on the establishment of the Centenary Institute of Cancer Medicine and Cell Biology in the grounds of the University of Sydney. The Minister for Health has announced that funds for such an establishment should be channelled through the State Cancer Council and is looking to the Council to assist this project financially. To this end, and specifically to support the establishment of an epidemiological facility in the Institute by funding the

A major sponsor of the Australian Cancer Society.

recruitment costs of such a facility and by contributing \$500,000 to the building costs of the Institute, the Council has set up a Centenary Institute Support Fund and will transfer to that fund progressively the capital and recurrent costs earmarked for the support of the proposed epidemiological facility. From 1st July, 1984 and for a period of five years it will supplement such transfers by an additional \$150,000 per annum designed to fund the salary of the Director of the Institute during the first 5 years of the term of his appointment.

3. Research grant applications are called for in July each year for funding by the Council. Each application is reviewed by two external referees and further assessed by Council's Research Grants Committee which consists of eminent scientists and medical practitioners. A grant is awarded to an individual researcher where the project has been judged scientifically meritorious. The award is not made to an institution although the sum granted is in fact passed to the institution for administration of the grant - as is done by other granting bodies. The Cancer Council does not feel it is in a position to comment on the University of Sydney Cancer Research Fund's operating surplus.
4. Bequests received for the year ending
30th June, 1983 \$1 745 068
Donations and Memorial Wreaths 312 609
\$2 057 677
5. The Government grant and income from investments representing 7.26% and 30.03% respectively of total income for the year ending 30th June, 1983 are the only assured sources of income that Council has to assist implement its research, educational and welfare programmes.

It will be appreciated that bequests representing 50.56% of the 1983 total income are entirely unpredictable, both as to amount and time.

Having regard to the fact that the Council was established by an Act of the New South Wales Parliament and that in terms of that Act, which governs the Council's activities, all members of the Council are appointed by the Government it is felt that the Government's grant support for the work of the Council is relatively slight. Indeed, it has remained unchanged for the past 5 years and could, I believe, properly be increased substantially.

Every \$1 of revenue is of course vital to achieving the objectives of the Council.

6. See Annexure "B".
7. See Annexure "C".
8. It is the Council's view that it is essential to build a sound investment base in order to generate sufficient income to cover at least one-third of Council's annual requirements. Continuity in Council's research, educational and welfare programmes and services to at least this extent is considered a necessity.

The maintenance of strong liquid resources with additions from time to time to counter any erosion by inflation is considered prudent financial management. A reserve of this nature provides both a buffer against revenue downturn and the funding of unforeseen special projects which may need financing at short notice.

Estimated average monthly expenditure for the year ending 30th June, 1984 is covered by current liquid reserves 5.6 times. This is considered reasonably satisfactory and is a position we wish at least to maintain.

Kindly advise me if the Council's officers can be of further assistance to you.

Yours sincerely,



K.W. Steel, AC, OBE
Chairman



Mr. Bob Carr, M.P.,
Chairman,
Public Accounts Committee,
Parliament of New South Wales,
Legislative Assembly,
Parliament House,
SYDNEY, 2000.

June 5, 1984

Dear Mr. Carr,

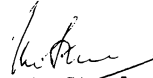
Re: Cancer Council Support for the Director of the
Proposed Centenary Institute of Cancer Medicine
and Cell Biology

The Cancer Council, in its deliberations on the type of support considered to be of paramount importance for the success of the Institute, agreed that the ability of the Institute to attract a Director of international standing was a fundamental requirement.

Accordingly, \$150,000 per annum for five years was allocated to cover the costs of the "office" of the Director. It represents the estimated amount for the actual salary and ancillary costs of the appointee, including possible relocation expenses and overheads, and also allows for the recruitment of an assistant. It cannot be anticipated what personnel support would be required at the moment, but it may be that the Director would wish to carry out personal research and for this would require the services of a research assistant; on the other hand, the Director may wish to employ a Personal Assistant.

As your Committee will appreciate, the prime objective in allocating such a sum was to build into the position flexibility to ensure that there would be no impediment to the appointment of a first-class Director.

Yours sincerely,


K. W. Steel
Chairman

Cancer Education, Information & Administrative Services.

3rd Floor, Challis House, 10 Martin Place, Sydney 2000. GPO Box 7070, Sydney, NSW 2001.

Cables: Cancer Sydney. Telex: 71036. Telephone: (02) 233 2300.

A major sponsor of the ¹⁰⁵ Allan Cancer Society.

PARLIAMENTARY CONTRIBUTORY SUPERANNUATION FUND

Auditor-General's Report Reference: Part II, Page 331.

Issues examined by the Committee:

- * The breakdown of investments held as at 31 March, 1983.
- * The rate of return on investments held.
- * The investment policy of the fund's trustees.

Custodian Trustee's Response:

The Custodian Trustee has provided the investment information but the response is not included in this report as the Committee's Investments Inquiry is still in progress.

Result of Committee's Deliberations:

Inquiry into Investment Practices of Statutory Authorities is currently being conducted and will be the subject of a separate report when finalised.

PREMIER'S DEPARTMENT

Auditor-General's Report Reference: Part I, Page 61.

Issues examined by the Committee:

- * In regard to expenditure on Special Assistance to Industries the basis for each of the payments made in 1982-83 and the policy framework within which they have arisen.

Department's Response:

The Department's response is on the next page.

Committee's further inquiries:

Following review of the Department's response the Committee sought information as to why specifically each company had qualified for assistance in 1982-83.

Department's Response:

The Department's second response follows its initial response.

In summary: The Department advised that decisions about such payments constitute development of government policy and are outside the Committee's jurisdiction.

Result of Committee's Deliberations:

As the Committee was not questioning government policy but rather asking what the policy was to ascertain how effectively the Department was implementing the policy and indeed whether the payments to companies in 1982-83 fell within the guidelines of government policy, the Committee was acting within its power in asking about the payments to companies in 1982-83. Further action deferred pending the Committee's review of the 1983-84 Auditor-General's report.



AG 83/20

STATE OFFICE BLOCK, MACQUARIE STREET, SYDNEY, N.S.W. 2000

Premier's Department

Dear Mr. Egan,

I refer to your letter of 20th October, 1983 in which the Public Accounts Committee seeks information with regard to Special Assistance to Industries payments made by this Department.

The details of these payments and their general rationale are shown in the Annual Report of the Auditor General.

Special assistance is provided only under exceptional circumstances and where no alternative form of government assistance is appropriate. Expenditure under this appropriation has been modest and in response to specific problems. Expenditure in recent years has been as follows:

1983-84	\$1,500,000 (estimate)
1982-83	\$ 291,258
1981-82	\$ 234,573
1980-81	\$2,694,632

Assistance is provided in the form of loans and grants to encourage the maintenance and expansion of industries in N.S.W. Key industries with important employment consequences have been recipients. Assistance is limited to those situations where special circumstances justify Government assistance but where the eligibility criteria for assistance under other government programmes are not satisfied.

I trust this information will assist the Public Accounts Committee in its considerations.

Yours faithfully,


Secretary

Mr. M. Egan, B.A., M.P.,
Chairman,
Public Accounts Committee,
Parliament of New South Wales,
Legislative Assembly,
Parliament House,
SYDNEY.



PREMIER'S DEPARTMENT

NEW SOUTH WALES

TELEPHONE: (02) 2 0576
TELEX: AA21269
TELEGRAPHIC ADDRESS: MANIPRETE

STATE OFFICE BLOCK
MACQUARIE STREET
SYDNEY, N.S.W. 2000

Dear Mr. Carr,

I refer to your further letter of 16 May, 1984, concerning payments by way of Special Assistance to Industries made by this Department.

I am advised that decisions about such payments constitute development of policy, and in the light of the Crown Solicitor's advice on the Committee's questionnaire to Departments, they are outside the Committee's jurisdiction.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'J. Carr', written over a horizontal line.

Secretary

Mr. B. Carr, M.P.,
Chairman,
Public Accounts Committee,
Parliament House,
Macquarie Street,
SYDNEY. N.S.W. 2000

PUBLIC TRUSTEE

Auditor-General's Report Reference: Part II, Page 102.

Issues Examined by the Committee:

- * Unclaimed moneys in intestate estates held by the Public Trustee.
- * Breakdown of investments and investment policy.

Public Trustee's Response:

The Public Trustee's response commences on the next page.

In summary: The practical consequence of current legislation is that all funds unclaimed after 6 years are payable to the Treasury, some to the Consolidated Fund and others to Special Deposits. A proposal for statutory amendments relating to unclaimed monies has been the subject of Ministerial correspondence between the Attorney-General and the Treasury.

Requested investment information was provided.

Result of Committee's Deliberations:

Other than the Inquiry into Investment Practices of Statutory Authorities, no further action required in respect of the 1982-83 operations.

Public Trust Office



19 O'Connell Street, Sydney

Postal Address:
Box 7, G.P.O., Sydney
N.S.W. 2001 DX.1367

In your reply please quote estate and

Our reference: WJD.CC

Your reference: AG 83/26.

Office Hours Telephone: 2 0523 or
9 am - 4 pm 2400750

13th December, 1983.

The Chairman,
Public Accounts Committee,
Parliament House,
SYDNEY. N.S.W. 2000

Dear Sir,

Your letter of 28th November, 1983 deals with two topics;

(a) Unclaimed Moneys

Any action about unclaimed moneys is not an initiative of this Office and I would respectfully point out that the Auditor-General does not refer to any failing of this Office in that area.

The proposal for statutory amendments relating to unclaimed money has been the subject of correspondence at Ministerial level between the Attorney-General and the Treasury.

The statutory obligations of this Office in dealing with unclaimed money are set out under the new Unclaimed Money Act 1982 and Section 53 of the Public Trustee Act.

For your convenience I have photocopied the relevant provisions and enclose them with this letter.

Under the Unclaimed Money Act any moneys unclaimed for 6 years must be paid to the Treasury, these moneys form part of Consolidated Fund.

Under Section 53, Public Trustee Act particular funds, that is, those relating to unclaimed intestate estate entitlements, are, after a set period, payable to the Treasury into a special deposit account.

The Unclaimed Money Act specifically retained provisions in other statutes that related to unclaimed money and did not release into Consolidated Fund the special deposit funds held by the Treasury under Section 53 of the Public Trustee Act.

The practical consequences of the two Section are that all funds unclaimed after 6 years are payable to the Treasury, some directly into Consolidated Fund, others into a special deposit account.

(b) Investments

All funds received by the Public Trustee in pursuance of his functions under the Public Trustee Act form part of the Common Fund created by that Act and the investment of those funds is regulated by law and limited to authorised trustee investments.

Those investments are in fixed mortgages on real estate in New South Wales, investment in Semi-government and Local Government bodies, Commonwealth Stock, transferable deposits in certain banks, interest bearing deposits with banks and certain building societies, public utilities which are Government guaranteed and in the short term money market.

... /2.

The proportion of funds in those investments varies with the interest rates which apply from time to time and opportunities to place funds, especially mortgage investments.

There has always been investment in Semi-government and Local Government loans and recently in New South Wales in the Treasury Corporation as a deliberate policy of support for those authorities of this State.

Mortgage investments are limited generally to 55% of an independent valuation, although the Trustee Act allows a limit up to 66 2/3% of such valuation. The mortgage is for a fixed term, and current policy sets that term at 3 years, although earlier investments have been over five year periods.

Funds awaiting investment or required for day to day cash commitments are placed on interest bearing deposits or the short term money market.

Income earned by the Common Fund is applied firstly in meeting any costs of running the Office and not covered by Office revenue, setting aside reserves and in allowing interest on Trust funds forming part of the Common Fund. The various categories of Trust funds are presently credited with interest at rates ranging from 17% p.a. to 11% p.a.

Common Fund investments at 30th June, 1983 were represented by:

Loans secured by mortgage	\$95,082,610
Semi-government/Local Government Loans)	\$85,357,325
Banks - Transferable Deposits)	
Commonwealth Stock	\$1,400,000
Short Term Investments	<u>\$11,800,000</u>
	<u>\$193,639,935</u>

The difference represents specific estate investments of \$6,200,000 and funds held on deposit at Treasury \$4,600,000.

I should mention that both the interest rate which is allowed on funds and the investments of the Common Fund moneys are regularly reviewed.

Yours faithfully,



W.J. Darwen
Public Trustee

RENTAL BOND BOARD

Auditor-General's Report Reference: Part II, Page 232.

Issues Examined by the Committee:

- * The Board's \$9.7 million surplus in 1982-83.
- * The Board's holding of \$2.9 million in cash at 30 June, 1983, an increase of 524.8%
- * Investment policy.

Board's Response:

The Board's response commences on the next page.

In summary: One of the Board's objectives is to generate funds from investment of rental bonds to cover expenses and provide funds (namely the surplus) for tenant services and housing. The surplus was applied to low interest housing for low income families.

The increase in cash holdings was due to \$1.4 million increase in house purchase deposits and also \$1.4 million trust fund investments which matured on 30 June, 1983 being held overnight.

Details of the Board's investment policy were provided.

Result of Committee's Deliberations:

Other than the Inquiry into Investment Practices of Statutory Authorities, no further action required in respect of the 1982-83 operations.



Rental Bond Board

The Chairman
Public Accounts Committee
Parliament House,
SYDNEY 2000 N.S.W.

12th Floor
1 Oxford Street
Darlinghurst 2010

Document Exchange No.:
Rental Bond DX22

Our reference: RGB/GT

Your reference:

Telephone: (02) 266 8299
266 8111

15th February, 1984

Dear Sir,

I refer to your letter of 14th December, 1983 seeking comments from the Board on the matters contained in the 1982-83 Report of the New South Wales Auditor General.

As discussed with Mr. Frank Sartor of the office of the Committee, the Board's Annual Report for the year ended 30th June, 1983 contains comprehensive information on the matters raised in your letter. In order to assist the Committee to fully understand the operations and objectives of the Board, a reply has been held pending delivery of the published Report from the printers. I have attached four copies of the Report. In addition, the following comments are provided on the matters raised in your letter.

1. 'The reason for the \$9,662,000 surplus as stated in the Board's Income and Expenditure Account on page 232.'

One of the objectives of the Rental Bond Board is to generate funds from the investment of rental bonds to cover its operating expenses and to apply funds (namely the surplus) for tenant services and housing. The surplus of \$9,662,000 for the year ended 30th June, 1983 was the amount applied to low interest housing loans for low income families. Details of the Board's housing programme are outlined on pp 17-19 of the Report. The application of these funds can be seen in the figures relating to the "Rental Bond Interest Account" on page 31.

2. 'The reason for the Board's holding \$2,863,000 in cash.'

The amount of \$2,863,000 represents a cash float held in the Board of \$2,000 and interest bearing current accounts with the State Bank.

The increased level of cash shown in the Balance Sheet at 30th June, 1983 compared to the amount at 30th June, 1982 was due to an increase of \$1.4 million in home purchase deposits held in trust by the Board. The deposits are held on current account due to the short term of the deposits and fluctuations in the balance of the account.

A further contributing factor was that \$1.4 million of trust funds were invested on 1st July, 1983. These funds arose from investments which had matured the previous day and were held overnight in the Rental Bond Interest Bearing Trust Account.

... 2

3. 'A statement of the investment policies being pursued by the Board and how investments are chosen within the parameters of the legislation.'

The Board's funds are mainly comprised of two accounts, namely 'The Rental Bond Account' (a trust account for bonds held) and 'Rental Bond Interest Account' (earnings on investments). Details of the investment portfolio for each account are contained on pp 30 and 31 of the Annual Report.

The Board has endeavoured to maximise its return on the Rental Bond Account to provide funds for the Rental Advisory Service and the Project Housing Scheme. It has also given preference to investments which could be housing related. e.g. water, sewerage, electricity and council roads. During 1982-83 emphasis was given to State Housing Schemes.

The Rental Bond Interest Account is used to cover the Board's operating expenses and the cost of administering the Rental Advisory Service (Refer to Revenue Account on page 33). The balance of the funds generated is, at the Government's direction, invested in low cost housing through co-operative housing societies or invested in short term securities pending settlement on approved housing.

Please do not hesitate to contact me if the Committee requires further information. However, I believe the Committee will find the Board's Annual Report both interesting and informative.



P.M. HOLT
CHAIRMAN

STATE BANK OF NEW SOUTH WALES
in respect of loans to statutory authorities

Issue examined by the Committee:

- * Outstanding loans to statutory authorities as at 30 June, 1983 and the borrowing rate applicable to each of these loans.

Bank's Response:

The Bank has provided the information requested but the Bank's response has not been included in this report as the information provided is being considered in conjunction with the Committee's Investment Inquiry.

Result of Committee's Deliberations:

Inquiry into Investment Practices of Statutory Authorities is currently being conducted and will be the subject of a separate report when finalised.

STATE SUPERANNUATION BOARD

Auditor-General's Report Reference: Part II, Page 311.

Issues examined by the Committee:

- * The breakdown of the current assets as shown in the Board's balance sheet.
- * The breakdown of the fixed assets of \$483,000 as shown in the Board's balance sheet.
- * The breakdown of the investments held by the Board and the rate of return on these investments.
- * The Board's investment policy.

Board's Response:

The Board's response commences on the next page.

In summary: The Board generally referred the Committee to its annual report which had been published after the Auditor-General's report and gave details of the information sought by the Committee.

Result of Committee's Deliberations:

Other than the Inquiry into Investment Practices of Statutory Authorities no further action is required in respect of the 1982-83 operations.



State Superannuation Board
37 York Street, Sydney

Telephone: 238 2555
Telegraphic address: TEAK
DX: 10152 Syd-Stock Exch.
Postal Address:
Box 4003, G.P.O. Sydney 2001

In your reply please quote

23rd December, 1983

M.R. Egan, Esq., B.A., M.P.,
Chairman,
Public Accounts Committee,
New South Wales Legislative Assembly,
Parliament House,
SYDNEY. N.S.W. 2000

Dear Mr. Egan,

I have your letter of 14th December, 1983 (reference Ag83/53), in which you seek further information in regard to the Board's accounts for the year ended 30th June, 1983, following your examination of the 1982/83 Report of the New South Wales Auditor General.

Most of the information now sought has been published in the Board's Annual Report, six copies of which are enclosed. As you will appreciate, the accounts of the Board as given in the Auditor General's Report to Parliament (Part II, page 311) were based on provisional figures with the result that two of the figures referenced in your letter varied to a minor degree from those appearing in the published accounts.

Your request for further information is dealt with specifically hereunder:

1. For a breakdown of the current assets shown in the Balance Sheet as at 30th June, 1983, refer to the Balance Sheet at page 6 of the Report and to Note 18 to the Accounts at page 10.

Individual debtor amounts, in total \$22,119,000, are itemised in Note 18.

Accrued investment income, in total \$36,546,000, is income accrued in respect of certain investments as at 30th June but not due for payment as at that date. These investments, principally, are debt investments in areas such as semi and local government loans, debentures, letters of credit, etc. The amount of \$36,546,000 is a net figure, gross accruals being \$42,048,000 with advance payments of interest not accruing until subsequent to 30th June amounting to \$5,502,000.

2. For a breakdown of the fixed assets of \$483,000, refer to Note 17 to the Accounts at page 10 of the Report.
3. For a detailed breakdown of the investments of the Board and the rates of return earned in each area of investment, refer to the Balance Sheet at page 6 of the Report and to Notes 8 to 16 to the Accounts at pages 8 and 9.

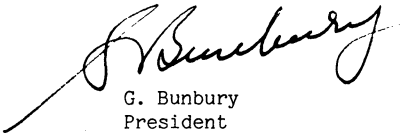
A ten-year graph, showing the long-term movement in the average earning rate of the Fund and of average earning rates in the major areas of the Board's investment, is shown at page 20 of the Report.

The actual income derived from each area of investment is stated in Note 2 to the Accounts at page 7 of the Report.

4. The Board's overall investment policy is to optimise the return on funds invested, consistent with sound investment practice and subject to such limitations on power as are imposed by the specific provisions of the Superannuation Act, 1916, which provide the authority for the investment of the Fund by the Board. Comment in regard to the Board's investment policy as reflected in current investment action occurs throughout pages 13 to 19 of the Report.

If you would like to have further copies of the Annual Report or other information in regard to the Board's financial operations, please let me know.

Yours sincerely,



G. Bunbury
President

SYDNEY COLLEGE OF ADVANCED EDUCATION

Auditor-General's Report Reference: Part II, Page 211.

Issues Examined by the Committee:

- * The \$5,751,440 owed as represented by creditors and accruals as shown in the Financial Position Statement.
- * Breakdown of investments, rate of return and investment policy.

College's Response:

The College's response commences on the next page.

In summary: The major item of the creditors and accruals was the Commonwealth Government 1983 Grant received in 1982 (\$5,343,000).

Information requested on investments was provided.

Result of Committee's Deliberations:

Other than the Inquiry into Investment Practices of Statutory Authorities, no further action is required in respect of the 1982 operations.



Sydney College of Advanced Education

11th January, 1984.

Mr. Michael Egan, B.A. M.P.,
Chairman,
Public Accounts Committee,
Parliament House,
SYDNEY. N.S.W. 2000

Dear Mr. Egan,

I refer to your letter dated 14th December, 1983 requesting information on the accounts of Sydney College of Advanced Education for the year ended 31st December, 1982.

The following information is supplied:-

1. Creditors and Accrued Expenses Consist of:-

	\$	\$
Commonwealth Government 1983 Grant Received 1982		5,343,000
<u>Accruals</u>		
1982 Salaries	78,774	
Employer Superannuation Contributions (Increase on Administrative and Clerical Agreement accrued paid January, 1983)	2,086	
Payroll Tax (Increase on Administrative and Clerical Agreement accrued paid January, 1983)	4,726	
Contract Cleaning	4,960	
Fees for Services Rendered	256	
Payments to Teachers for Practice Teaching	13,878	
Advertising	16,720	
Books, Periodicals etc.	66,540	
Building & Maintenance	95,911	
Freight & Cartage	684	
Heat & Lighting	27,700	
Minor Expenses	2,341	
Stores, Stationery etc.	69,546	
Suspense Collections	24,318	
		408,440
		<u>\$5,751,440</u>

2/...

Because of the modified accrual method of accounting adopted by the Auditor General, the 1982 financial position statement shows the 1983 Commonwealth Grant received in December, 1982 as a creditor. This ensures that the figures shown in the 1982 statement refer only to 1982.

2. Investments held as at 31st December, 1982.

<u>Institution</u>	<u>Type</u>	<u>Reference</u>	<u>Principal</u>	<u>Interest Rate</u>
National Australia Bank Ltd.	Interest Bearing Deposits	12080	400,000.00	13 25
		12340	700,000.00	13.50
		12357	77,750.00	13.50
		12450	200,000.00	13.60
		12284	200,000.00	13.50
		12324	120,000.00	13.50
			<u>\$1,697,750.00</u>	
St. George Building Society Ltd. (Note 1)	Term Deposits		500,000.00	9.00
			1,500,000.00	9.00
			1,000,000.00	8.00
			1,500,000.00	8.00
			1,000,000.00	8.00
			<u>\$5,500,000.00</u>	
St. George Building Society Ltd.	24 hour call	Flexi-Rate	\$ 137,000.00	13.30
Capel Court Securities Ltd.	11.00 a.m. call	Authorised Money Market	\$ 610,000.00	9.00
Commonwealth Government	Australian Savings Bonds	Series 8	200.00	5.40
		Series 4	160.00	5.40
			<u>\$ 360.00</u>	
National Australia Bank Ltd.	Savings Account	30065 1149	630.91	5.00
	Savings Investment Account	31223 7444	2,008.05	11.00
			\$ 2,638.96	
Westpac	Savings Account	12628	388.31	5.00
			\$ 388.31	

3/...

<u>Institution</u>	<u>Type</u>	<u>Reference</u>	<u>Principal</u>	<u>Interest Rate</u>
Commonwealth Savings Bank	Savings Account	5000489	7,216.40	11.00
	Investment Account	5471	2,805.43	5.00
			\$ 10,021.83	
National Australia Bank Ltd.	Interest Bearing Deposits	12471	200,000.00	13.50
		12502 (pt)	201,945.46	13.50
		12370	69,164.58	13.50
		12361	210,000.00	13.60
		12444	620,000.00	13.50
		11025	80,000.00	14.50
		11832	60,000.00	14.50
	12422	100,000.00	14.50	
			\$1,541,110.04	
St. George Building Society Ltd.	24 hour call	Flexi-Rate	\$ 171,139.94	13.30
Capel Court Securities Ltd.	11.00 a.m. call	Authorised Money Market	\$ 200,000.00	9.00
Commonwealth Government	In-scribed stock	15.02.87	400.00	10.40
		15.02.87	80.00	10.40
		15.02.87	400.00	10.40
		(Note 2) 15.02.82	Ø 200.00	5.30
		(Note 2) 15.02.82	Ø 100.00	5.30
		15.05.90	200.00	5.40
		15.10.84	200.00	5.00
		15.05.85	200.00	5.25
		15.11.87	200.00	5.25
		15.07.88	300.00	5.25
		15.05.90	400.00	5.40
		15.05.90	240.00	5.40
		15.05.90	120.00	5.40
		15.05.90	200.00	5.40
	15.07.05	80.00	6.00	
Public Trustee	In-scribed stock	15.05.84	300.00	
			\$ 3,620.00	
National Australia Bank Ltd.	Interest Bearing Deposits	12502 (pt)	597.00	13.50
		1121	450.00	11.25
		11900	168.42	11.00
			\$ 1,215.42	

<u>Institution</u>	<u>Type</u>	<u>Reference</u>	<u>Principal</u>	<u>Interest Rate</u>
National Australia Bank Ltd	Interest Bearing Deposits	12472 12443 12371 12379	185,000.00 445,330.81 5,700.00 54,489.00	14.00 13.75 13.50 13.25
			\$ 690,520.02	
Commonwealth Government	Australian Savings Bonds	Series 18 Series 15	15,500.00 18,000.00	11.50 9.25
			\$ 33,500.00	
Westpac	Interest Bearing Deposits	431605	\$ 31,750.00	12.50
	GRAND TOTAL -		\$10,631,014.52 *	

Note 1 - Funds received on 22nd December, 1982 - Interest rates obtained reflect seasonal market downturn.

Note 2 - Difficulty was experienced by the College in changing stockholder due to amalgamation. Redemption procedures under way as at 31.12.82.

* Note 3 - The increase in investments as at 31.12.82 of 33.4% over 1981 is for two reasons:

- (1) A larger amount of 1983 funds received in 1982 were invested on a shorter term basis (See Note 1)
- (2) A substantial amount of interest earned in 1982 was available for investment. The College finds it necessary to build up reserves of interest which it expects will be required to offset a deficit of recurrent funds in 1984/85.

3. Rate of Return is shown in above schedule.

4. Investment Policy.

- (1) To place funds obtained by the College in such a form that will:
 - (a) Maximise interest yield.
 - (b) Provide at all times funds to cover daily expenditure.
 - (c) Conform with the Auditor-General's requirements of investment falling within the definition of Section 14(2) of the Trustee Act.

(2) Maturing Investments

Generally, the College holds two types of Investments:

- (a) Investments made for a set period of time.
- (b) Investments held on daily call.

(3) Cash at Bank

The College maintains Bank Accounts with the National Commercial Banking Corporation of Australia Ltd., George Street Branch. Interest is receivable on the daily balance.

I hope that this information answers your queries. Please do not hesitate to contact me should you require further information.

yours sincerely



I C SMITH
Principal

SYDNEY COVE REDEVELOPMENT AUTHORITY

Auditor-General's Report Reference: Part II, Page 237.

Issues examined by the Committee:

- * What action the authority is taking to improve its capacity to service and repay outstanding debts.
- * The Authority's objectives - in order to form a view as to the effectiveness of the Authority's operations.

Authority's Response:

The Authority's response commences on the next page.

In summary: The Authority has had independent consultants review its financial structure and is determining the best way to implement the consultants' recommendations. Included in the Authority's objectives are the undertaking of worthwhile preservation and restoration and to make The Rocks a desirable place in which to live, work and play. At the Authority's request parts of the Authority's response have been deleted to preserve confidentiality in its leasing negotiations.

Result of Committee's Deliberations:

No further action is required in respect of 1982-83 operations.



Sydney Cove Redevelopment Authority



Mr. Michael Egan, B.A., M.P.,
Chairman,
Public Accounts Committee,
Parliament House,
SYDNEY, NSW, 2000 00.

80 George Street
The Rocks, Sydney
Address replies to: Secretary,
Box N408
Grosvenor Street, N.S.W.
Australia 2000

Our reference: A.128/A.2569

Telephone: 241 3462

12 January, 1984.

Dear Mr. Egan,

Thank you for your letter of 14 December, 1983 seeking information about this Authority's finances and objectives.

The Authority's debts have caused me the deepest personal concern as they have my Authority and thus I am very grateful for the opportunity to clarify what our problems are and how we are dealing with them.

Authority's Goals

In pursuit of the objectives of its Act the Authority set the following goals:

- . To undertake worthwhile preservation and restoration.
- . To make The Rocks a desirable place in which to live, work and play.
- . To create open spaces and landscape.
- . To undertake commercial development where appropriate and in harmony with existing architecture.
- . To continue to do this without cost to the public purse.

The above are set out in the Authority's Annual Report for 1983, a copy of which is attached (Annex A). There it will also be noted that the Authority has set objectives aimed at attaining the goals just stated as follows:

Immediate Objectives -

- . Completion of negotiations on a number of sites already offered publicly for lease.
- . Completion of the final phase of planning studies on portions of the Authority's Central and Southern Sections, with a view to offering further sites for public lease on a progressive basis geared to the market.
- . Continued review of financial strategies with a view to bringing the Authority to early overall profitability.

Longer Term Objectives -

- . To continue to take all appropriate steps to bring the Authority to independence from external borrowings as soon as possible.
- . To achieve maximum renovation and redevelopment in accordance with the Authority's stated goals, by the time of the Bicentennial, 1988.

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In order to make my answers as complete as possible I have attached two external reports which I commissioned in recent times - report by W.D. Scott & Co., March 1983, Annex B and report by Lloyds International Ltd., late 1983, Annex C. As some of the data in both these documents is of a confidential nature and if made public could disadvantage current negotiations by this Authority I would be grateful if you could treat them accordingly.

Whilst in the interests of completeness I have provided a considerable amount of background information a summary of the specific answers to the questions raised in your letter may be found at page 8 of this letter.

How the Authority's Debts Arose

The Authority's debts date from its inception, when it was started in 1970 with no liquid funds whatsoever and had to borrow even to establish itself. Indeed in the 14 years since it has received absolutely no funding other than what it has self-generated or borrowed.

The Rocks in 1970 was a derelict district, notable for aged and decaying structures, some unroofed and burnt out and others left unoccupied for many years. Large tracts were only occupied by stumps of departed buildings. An aging population had shrunk by one third in the previous decade (this situation is further described in the Authority's 1983 Annual Report on page 16 and in "The Rocks 1988 and Beyond" see Annex D on pages i-vi).

The difficulties caused by initial lack of funds and the derelict nature of the property taken over were immediately added to by two other items - resumption and work bans.

Resumption

Of the 21.5 hectares vested in the Authority 0.9 hectares were occupied by 14 private land owners. Advice from the Crown Solicitor was that it was implicit in the Sydney Cove Redevelopment Authority Act that these properties should be taken into Government ownership. With the further strong recommendation by the Valuer General the Authority recommended to the then Minister that resumption action should be taken and this then occurred. However, whilst preliminary advice from the Valuer General was that this cost would be \$7,650,000 the final figure, which the Authority ultimately had to pay, was \$23,482,000.

Work Bans

The rental situation in The Rocks in 1970 was quite anomalous when compared with the situation for the City at that time. Domestic rentals of \$2-\$3 per week were routine and indeed in only one of over 100 such tenancies did rent even cover rates, which were being paid by the Government. The situation in respect of commercial tenancies was worse. In one case a weekly tenant was renting some 900 square metres on George Street for a total net of 33¢ per month. Another tenant paying \$1,500 per year was sub-letting his premises for over \$160,000 per year. These few examples simply illustrate a pattern which permeated the entire area.

With such privilege abounding it is therefore small wonder that the Authority from the outset was fiercely resisted in every way possible by those in possession of premises and hence dedicated to the status quo.

Though the strife of those days is now commonly thought to have arisen from environmental matters this was not so. Perusal of newspapers of late December, 1971 onward will show that work bans introduced at that time by a small section of the trade union movement were entirely in support of demands for what was in effect key money. In one case the demand was for \$200,000, with many other lesser claims. When the Authority refused to pay there were riots in the area, a series of bomb threats and indeed threats to my own household necessitating police protection for an extended period.

Even though the Labour Council, having investigated the situation found there was no case and recommended that the restrictions be removed and in spite of endless negotiations on our part, the bans introduced in 1971 remained until well into 1975, by which time a building slump had hit Sydney and land values had fallen far below those of November, 1970. The result was that a whole series of new construction and restoration projects had to be abandoned. These would have made a tremendous contribution to the Authority's financial independence had they gone ahead.

At the same time the Authority came under severe pressure from Resident Action and academic groups to abandon any attempt to be self supporting, and to turn the area over to non profit activities.

Initiatives Adopted

The effect of these bans on the Authority's finances was savage, as I indicated in letters to the Sydney Morning Herald at that time.

Faced with this daunting situation the Authority struggled to find ways and means to remedy its position with "Jesuitical zeal" (SMH) and in consequence undertook a number of initiatives in attempts to overcome its mounting debt. Some of these included:

Tourism - With all development at a standstill because of bans we turned to tourism as a means of bringing The Rocks to life. It has been estimated that in the years 1972-73 some 30,000 people visited the area. Our plan introduced in 1973, immediately started to have an effect. In 1983 there were some 330,000 overseas visitors to The Rocks (Australian Tourist Commission figures) whilst literally millions of Australians visit the area annually.

Existing Property Rentals - Mere letting of existing buildings could not even go close to meeting interest charges or even the cost of maintaining and restoring the buildings themselves. Indeed it was this reality that was one of the prime reasons for the establishment of the Authority in the first place. Nonetheless the entire rental structure was repeatedly reviewed to the stage where all commercial tenants now pay market rentals. In the case of residential tenants who came to The Rocks

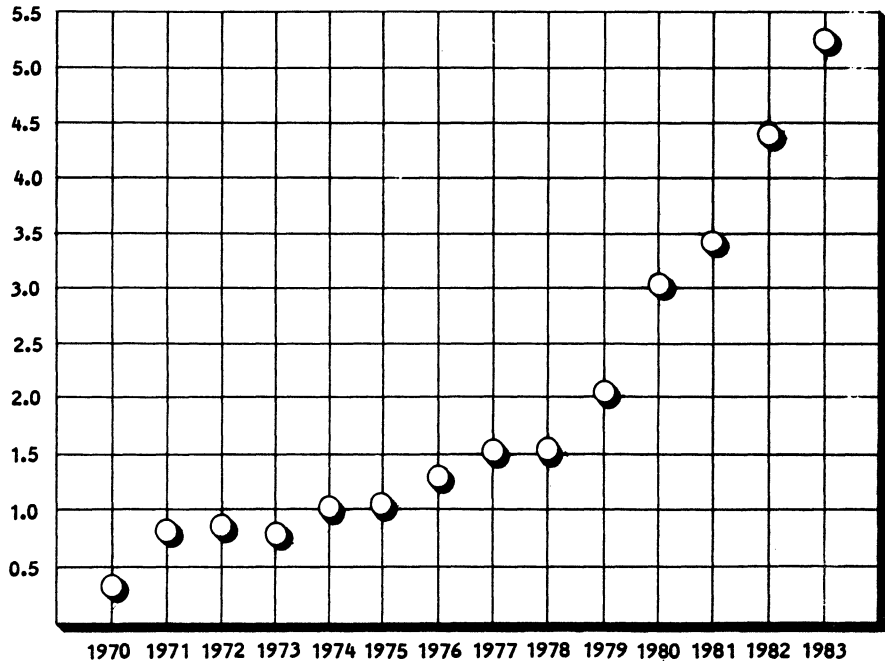
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after June 1972 they also pay market rentals. However, in the case of "old time tenants" here before the scheme began the Authority, in line with Government policy, requires them to pay 80% of market rental whilst for those of them who are old age pensioners or in necessitative circumstances the Authority allows concessions on the same scale as does the Housing Commission.

Renovations by SCRA - Renovations carried out by the Authority after thorough feasibility studies have created what is now perceived to be "The Rocks". These renovations have upgraded the area, raised the level of business activity and land values remarkably (market value up \$50 million in 1982) and hence helped to lift rental levels (see graph showing rental movements below).

RENTAL INCOME

Million
\$



Renovations to Existing Buildings by Tenants - These have mainly been to the interiors when the Authority has provided the main services and basic structure. Examples abound including many of the restaurants in the area.

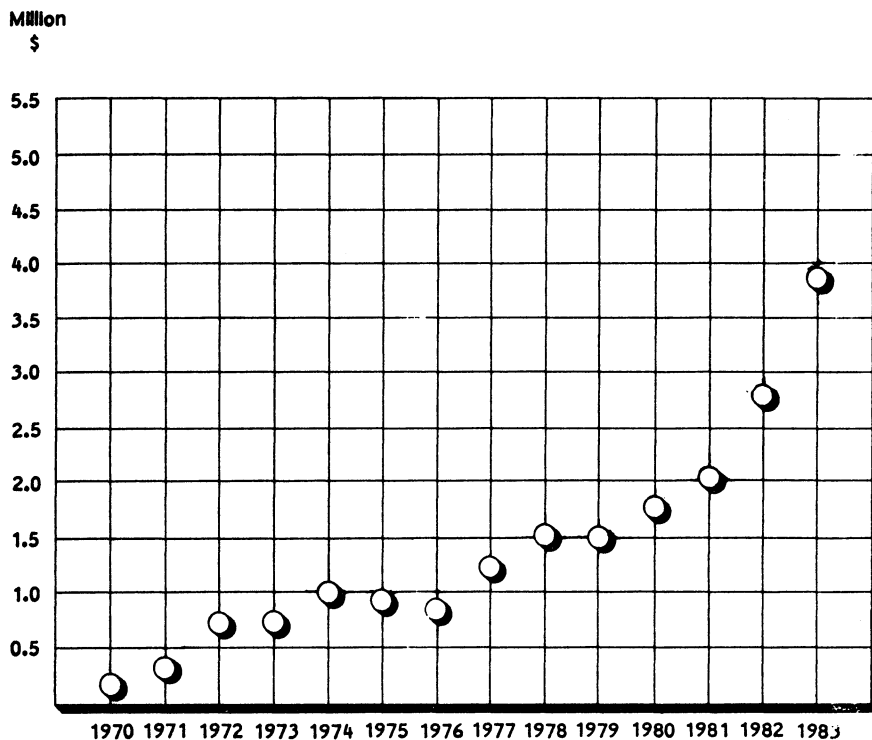
New Construction by SCRA - Examples include the State Archives building and The Rocks Square project, designed and built by the Authority and profitably leased.

New Construction by Tenants - Major examples are the Regent Hotel, Old Sydney Inn and the Grosvenor Place Project.

In all about \$120 million worth of work has so far been completed in The Rocks, including about \$10 million in new construction and \$10 million on infra structure and restoration by the Authority.

The effect upon the Authority's operating surplus of these activities is shown in the graph below.

OPERATING SURPLUS BEFORE INTEREST PAYMENTS



Current Initiatives

With an improving situation in city real estate the Authority has been able to greatly quicken its pace in the offer and development of sites.

Amending legislation enabling exchange of sites, short term leasing and sale of strata titles had been sought by the Authority for many years but was finally enacted recently under the sponsorship of Mr. Eric Bedford, the Minister in whose portfolio the Authority lies. This legislation has had the effect of freeing up sites and making them more attractive in the market place.

Currently projects valued to some \$380 million are either nearing completion, under construction or under final negotiation. The biggest of these of course is the Grosvenor Place project in which the Authority is an equity partner, our interest having been estimated as worth \$51 million.

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Two further sites are in mid negotiation with developers already selected and linked to us contractually.

Tenders are also being called for two renovation projects together worth approximately \$3.3 million and it is anticipated that work will commence on these early this year. Both were selected after studies indicated that they were projects which would be financially viable and would provide early returns to the Authority.

Reviews of Financial Structure

In addition to internal studies the Authority has commissioned a series of external reviews of its performance and financial situation. For instance, in November, 1981 I had an independent study undertaken by W.D. Scott & Co. The results of this study were subsequently referred to Cabinet by Mr. Bedford. These indicated that if the Authority pursued its then course it should be financially independent by about 1990.

I had that study updated in March last year (Annex B). This generally repeated the forecast made by the 1981 Scott's report but also introduced the idea of sale of some development sites as a quick way to financial independence. This idea was not new as I had canvassed it with Government in the past, but without success, there being objections to sale action in The Rocks. It should be understood here that the Authority's Act does not permit the sale but only the leasing of the land owned by the Authority.

At the same time we undertook a major planning study, with a view to amending the Authority's statutory scheme in accordance with Section 17 (1) of our Act. The results of this study are embodied in "The Rocks 1988 and Beyond" attached at Annex D. This ongoing study due to be completed about April this year has attracted wide attention in the media and with the exception of a few objections relating to its commercial theme the proposals put forward have been very well received. It is intended that the offer of sites made available in consequence of this review should commence during the next six months.

Some very valuable sites are involved and with their definition the town plan for The Rocks will be virtually finalised.

With these further valuable sites becoming available for lease it seemed that the time had arrived for a new financial strategy pursuing the idea of capitalising rentals by taking early large lump sums with later payments depending upon tenant profitability. My arguments for this course hang on the fact that whilst we owe a lot, in many cases the principal is not due to be paid for many years. Would it not be a proposition to buy back our debts, in some cases at a much lower figure than their face value by using cash obtained from upfront payments for leases?

Accordingly following receipt of the second report from W.D. Scott & Company Limited, I briefed Dr. A. Parkes and Mr. W. Jephcott of Lloyds International Limited to carry out studies on the Authority's financial position, to investigate a number of proposals to alleviate the Authority's debt burden, including some capitalisation measures, and to recommend

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what strategy should be adopted by the Authority to enable it to become financially self sufficient. A copy of their report is attached at Annex C.

The Lloyds' study found that depending on the time taken for major new developments to commence significant contributions to income, the Authority's net operating income would not be sufficient to cover interest and debt servicing obligations for a further six to nine years. During this period interest commitments would exceed net operating income by \$■ million to \$■ million. It was recommended that action be taken to raise sufficient funds to allow the retirement of a significant portion of the Authority's debt reducing the interest burden to a level which could be serviced by the Authority's current and projected net operating surplus. It was estimated that approximately \$■ million to \$■ million would be necessary to achieve this result. A detailed survey of the holders of the Authority's debt securities showed that it could expect to receive the co-operation of the seven lending institutions who held over 77% of the Authority's debt.

It has been recommended by Lloyds that the Authority should seek to raise \$■ million over a three year period from the receipt of front end payments of capitalised rentals on development sites to be released over the next couple of years. These are referred to in "The Rocks 1988 and Beyond". This sum would be sufficient after meeting the Authority's cash deficit to retire sufficient long term debt to place the Authority in a position where it would no longer be forced to borrow to meet its interest commitments. Under these circumstances, the deficit would cease to grow and surpluses generated on the operations would enable reductions in the size of the deficit to take place. The Authority would also be better placed to carry out the restoration of the existing historical buildings in The Rocks.

The Authority is presently making a detailed examination of the development sites that should become available as a result of the current review of its statutory plan, in order to determine how best the Lloyds' recommendations can be put into effect. The Authority is expected to make a decision in this respect at the earliest possible date.

Government Role

Because of the deep concern caused to the Authority by the problems described in this letter it has been at pains regularly since they first arose, to bring them to the Government's attention and in particular to -

- . Keep Government informed of its position.
- . Predict the way in which indebtedness would increase without assistance.
- . Seek such assistance.

This advice has repeatedly been associated with requests for bridging finance and other types of assistance to help us through our difficulties. The matter has in fact been examined by Cabinet and other committees on a number of occasions and in general the response to the Authority has been that we should continue to trade as at present. In other words to trade our way out of our financial difficulties.

The last time the matter was considered by Cabinet was in November, 1981 when Mr. Bedford made a submission in which he quoted the 1981 Scott's report as the basis of a decision to re-appoint the Authority for a further four years.

The Summarised Reply to Your Letter

In respect of the comments by the Auditor General to which you refer in your letter, it has to be said that the Authority's capital debt of \$12,496,136 and its debt to Treasury have remained unchanged for a number of years.

Section 30 of the Authority's Act provides for the Capital Debt of the Authority to be the improved capital value as determined by the Valuer General of all the government owned land vested in the Authority under Section 10 of the Act. This value upon certification by the Treasurer becomes the capital debt assumed by the Authority. It does not represent loans raised by the Authority but is the "capital" of the Authority contributed by the State in the form of land and buildings.

This Capital Debt stands at \$12,496,136 and has remained unchanged since the 1977-78 financial year when it was increased from \$12,436,136 to take account of the value of additional land vested in the Authority.

The Authority has received two cash advances from the Treasury, one of \$50,000 on 27 January, 1970 and the other of \$250,000 on 1 July, 1970. There have been no other advances received from the Treasury and the balance owing has remained unchanged since July, 1970.

The actions which the Authority is taking to improve its capacity to service and repay outstanding debts are as outlined elsewhere in this letter. Briefly put, if we follow the strategy which I prefer and as suggested by Lloyds International, financial independence could be achieved in perhaps three or four years.

The objectives of the Authority as adopted in 1970, are as set out earlier in this letter, as are our intermediate objectives. They are also restated in our 1982-83 Annual Report.

The progress so far achieved in our task of revitalising The Rocks area is as indicated in our 1982-83 Annual Report and in this regard the map on its Page 2, showing progress, is relevant. For your convenience I also attach a copy of our Act as amended, at Annex E.

I am to undergo an operation in hospital on 9 February, 1984 and this is expected to keep me away from work for three or four weeks. Accordingly I would be grateful for the opportunity to deal with any follow up that may arise from this letter before that date if that is convenient for you.

Yours faithfully,



(D.O. MAGEE),
Director.

c.c. The Hon. Eric Bedford, B.A., M.P.,
Minister for Planning and Environment.

SYDNEY EDUCATIONAL BROADCASTING LIMITED

Auditor-General's Report Reference: Part II, Page 202.

Issues examined by the Committee:

- * The sources of the \$102,000 received by way of grants.
- * Details of the "user pays" scheme which generated \$158,466 in income and whether this scheme can be expanded to cover other activities.

Company's response:

The Company's response commences on the next page.

In summary: Sources of the grants were the New South Wales Institute of Technology (\$51,000) and Macquarie University (\$51,000) and represent payment for supply of air time for educational broadcasting by the two institutions.

Under the "user pays" scheme "single issue" groups such as ethnic and religious organisations are charged for their broadcasting time. During 1984 the "user pays" scheme is to be expanded by means of programs broadcast in conjunction with continuing education.

Result of Committee's Deliberations:

No further action is required in respect of 1982 operations.



The New South Wales Institute of Technology

Office of the Vice-President

A.P. Mead, O.B.E., B.Sc., Ph.D.

17 January, 1984

Mr. M. Egan, B.A., M.P.,
Chairman,
Public Accounts Committee,
Parliament House,
SYDNEY N.S.W. 2000

Dear Mr. Egan,

I refer to the letter from the Public Accounts Committee of 19 December 1983 regarding the financial statements of 2SER-FM for the year ending 31st December 1982.

The delay in transmitting this reply is regretted. The letter was received at an inopportune time for staff contact due to annual leave and other commitments.

1. The sources of the funds categorised as grants on Page 202 were:-

New South Wales Institute of Technology	\$51,000
Macquarie University	\$51,000

These amounts were shown under the heading of "grants" for administrative convenience. In fact they represent payment for supply of air time for educational broadcasting by the two institutions. The funds actually represent institutional "User Pays" income for the station charged at a substantial rate of discount.

The two institutions actually used 1,800 hours of air time during the year. This, charged at the normal stations "User Pays" rate of \$140 per hour, would have cost \$252,000. The cost to the University and the Institute was, as you have noted, only \$102,000. Commercial rates would, of course, be far higher than either of these rates.

In addition both institutions derive substantial additional benefits from the general activities of the station as its radio magazine and other programs have considerable public relations and publicity value. The Station also provides substantial training and practical experience for students, particularly those enrolled in media courses.

2. 2SER-FM holds a public broadcasting licence to provide educational and community programs to the people of the Sydney Metropolitan area. A wide range of educational programs is presented and access is provided to a diversity of community groups to present their own views and information.

The Station broadcasts continuously. It has a small staff most of whom are engaged in administrative and coordinative duties. The Station relies on several hundred volunteers to produce and present most of its programs.

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PO Box 123 Broadway NSW 2007 Australia Cable: Instech Telephone: 20930

Current paying user groups include ethnic and religious organisations, the disabled, homosexuals, environmentalists and other "single issue" groups. An average of 42 hours per week of such programs were presented during the year under review.

Under the "User Pays" scheme such groups were charged a base rate of \$140 per hour, adjusted on the basis of whether they were broadcasting "live" or required studio time for pre-recording. Other factors are also taken into account in setting the rates such as whether a Station producer was required to operate the equipment or whether the group itself was recognised as competent enough to operate the facilities.

Thus the bulk of the income of the Station currently is derived from user payments from the University, the Institute or the User Groups described. In developing the range and quality of its programming the Company will continue to seek expansion of user payment income without detracting from its primary function of educational broadcasting. The proportion of possible outside user group income is not, therefore, unlimited but must conform to a level which does not compromise this fundamental educational purpose.

During 1984 the user paying scheme is to be expanded by means of programs broadcast in conjunction with continuing education. The University already has such programs in process and the Institute is actively discussing this development.

The Company has been successful in obtaining funds from the Office of Special Employment to engage production staff for training purposes on a short-term basis.

The Station Management Committee has other possible income earning projects under active review and further projects are being looked into with a view to approaching possible education funding sources.

The Station considers that its income could be increased and is actively considering ways of accomplishing this, especially to enable it to meet its current commitments in the face of continually rising costs. The Station also looks to expansion in its main functions of educational and community based broadcasting.

I trust that this information clarifies the points raised by you.

Yours sincerely,



A.P. Mead,
Vice-President,
Acting Chairman, Sydney Educational Broadcasting Ltd.

SYDNEY ENTERTAINMENT CENTRE

Auditor-General's Report Reference: Part II, Page 122.

Issues examined by the Committee:

- * The expected operating costs of the Centre in 1983-84.
- * Expected revenues for 1983-84 from Arena Management Pty Limited.
- * Level of State Government subsidies envisaged for 1983-84 and subsequent years.
- * How the Centre has arrived at projection of anticipated subsidies and whether such high subsidies had been foreseen from the outset of the project.

Centre's Responses:

There were two responses from the Centre and they commence on the next page.

In summary: Operating costs in 1983-84 were expected to be \$6,732,000 of which \$6,650,000 was for loan commitments.

The expected revenue from Arena Management Pty Limited was \$1.1 million.

The State Government subsidy was estimated to be \$5.48 million in 1983-84.

The Centre illustrated how the subsidy is calculated and explained that it was always envisaged that subsidies would be required from the government but, due to delays in construction and interest rises, subsidies are higher than first anticipated.

Result of the Committee's Deliberations:

No further action required in respect of 1982-83 operations.

Sydney Entertainment Centre

Sponsored by the Government of New South Wales

Harbour Street, Haymarket
P.O. Box 13
Railway Square, NSW 2000
Australia
Telephone (02) 211 2222

December 20, 1983.

Mr. M. Egan, B.A., M.P.,
Chairman,
Public Accounts Committee,
PARLIAMENT HOUSE SYDNEY

Dear Mr. Egan,

Your letter of 30th November, 1983, addressed to the General Manager, Sydney Entertainment Centre, was received by the Management Company at the Centre, and has only now been forwarded to me for reply. I apologise for the delay.

Firstly, I would like to set out for your information some background as to the operation of the financial arrangements entered into for the financing and construction of the Centre;

Sydney Entertainment Centre ("the SEC") was incorporated on 12th February, 1979 as a company listed by guarantee pursuant to the provisions of the N.S.W. Companies Act 1961. The principal object of the SEC as specified in its Memorandum of Association is "to promote and encourage all forms of music, art, science or literature, and without limiting the generality thereof in particular all forms of popular entertainment". In pursuant of its objects the SEC has leased from the N.S.W. Government (the "Head Lease") the property bounded by Harbour, Hay and Lackey Streets, in the Haymarket area of Sydney and has constructed thereon a community entertainment centre ("the Centre").

The Head Lease provided for the SEC to erect the centre pursuant to a Construction Agreement entered into between the SEC and John Holland (Const.) Pty. Ltd. The Head Lease is for a term of twenty (20) years commencing on completion of the construction of the Centre and contains options for renewal for a maximum of an additional twenty (20) years. The SEC has borrowed all of the funds required to finance the construction.

The Sub Lease with Arena Management Pty. Ltd. ("the Operator") provides for the Operator to pay to the SEC an annual "Supplementary Rent" to be determined, sufficient to enable the SEC to meet its annual commitments to lenders. This "Supplementary Rent" is assured in terms of a Subsidy Agreement entered into by the Operator and the N.S.W. Government where by Government will pay to the Operator by way of annual subsidy an amount equal to the annual "Supplementary Rent". Additionally, the Operator will pay to the SEC an annual "Basic Rent" which has been determined by commercial negotiations.

The "Basic Rent" is paid by SEC to the N.S.W. Government as rental under the terms of the Head Lease.

The "Supplementary Rent" is calculated and paid each half year during the term of the Sub Lease and is the sum which is sufficient

Chairman
Hon. Sir Asher Joel, KBE
Directors
Mr Gerald Gleeson
Mr Alan Gordon, OBE
Mr Terry Jackman
Mrs Kaye Loder
Mr Paul Toplis
Secretary
Mr R. G. Fairlie, FCA
Executive Officer
Mr Barry Flynn

to enable SEC to meet payments of interest, repayments of principal, other moneys borrowed by it for the planning and construction of the SEC.

Of course, there is a Deed of Irrevocable Direction from the Operator by which the moneys payable under the Deed of Subsidy are paid direct to SEC by the Crown.

With regard to the specific questions asked, I would advise as follows:

1. Expected Operating Costs of SEC for 1983/84

Loan Commitments:

\$10.8million Long Term - fixed rate:	\$1.5m
\$21million Debenture Trust, 2-6 year terms:	\$3.78m
\$10.2million Short Term borrowings (90-180 days):	\$1.22m
\$1million Overdraft:	\$0.15m
	<u>\$6.65m</u>

Operating Expenses:

Bank of N.S.W. Nominees, Agents Fee	\$10,000.00
Audit Fees	\$15,000.00
Legal Fees	\$20,000.00
Stationary	\$5,000.00
Secretarial Fees	\$2,000.00
Bank Charges including Overdraft interest	\$20,000.00
Head Lease Rent	\$10,000.00

2. Expected Revenue for 1983/84

Arena Management	\$1,100,000.00
McDonald's Properties	\$70,000.00
Cosmopolitan Plaza	\$95,000.00
	<u>\$1,265,000.00</u>

The above are the minimum receipts receivable under sub-leases.

Additional income may be received if the sub-lessees takings exceed the level from which additional rent is then payable as a percentage of gross takings.

3. Level of State Government subsidies envisaged for 1983/84 and subsequent years.

The actual amount of the subsidy is the difference between

the two figures Expenditure (including finance commitments and repayments on capital expenditure) and Revenue.

<u>Estimates:</u>	1983/84	-	\$5.48million
	1984/85	-	\$7.223million (includes a \$2.7million repayment of principal under the Debenture Trust)
	1985/86	-	\$6.371million (includes a \$2million repayment of principal under the Debenture Trust).

Should the Government decide to roll over Debentures as they fall due, the funds required each year will be reduced accordingly.

Yours faithfully,



Barry Flynn
Executive Officer.

Sydney Entertainment Centre

Sponsored by the Government of New South Wales

c/- 9th Floor,
State Office Block,
Macquarie Street,
Sydney, NSW 2000,
Australia
Telephone (02) 270 5236

August 17, 1984.

Mr. B. Carr, M.P.,
Chairman,
Public Accounts Committee,
Parliament House,
SYDNEY 2000

Dear Mr. Carr,

In response to your letter of May 16, 1984, reference AG 83/29 in which you seek further information about the finances of the Sydney Entertainment Centre, the following advice is provided.

1. Request for further information on how the Centre arrived at projections on anticipated subsidies?

The level of State Government subsidy is the difference between the Expenditure incurred and Revenue earned in each year.

The Expenditure of the Sydney Entertainment Centre can be dissected into 2 components. There are (A) Loan Commitments and (B) Operating Expenses.

(A) Loan Commitments:

In respect to servicing of Loan Commitments the following outgoings will occur:

	1983/84	1984/85	1985/86
\$10.8m Long Term Loans - payments of Principal and Interest	\$1.5m	\$1.59m	\$1.59m
\$21m Debenture Trust Deed			
2-6 years			
- Interest	\$3.78m	\$3.758m	\$3.65m
- Principal	-	\$2.7m	\$3.00m
\$10.2m Bill Facility (90-180 day) assuming 14% rate	\$1.22m	\$1.358m	\$1.358

Chairman
Mr. Gerald Gleeson

Directors
Mr. Alan Gordon, OBE
Mr. Terry Jackman
Mrs. Kaye Loder
Mr. Paul Toplis
Ms. Helen Halse-Rogers, OBE

Secretary
Mr. R. G. Fairlie, FCA

Executive Officer
Mr. Barry Flynn

.../2

	1983/84	1984/85	1985/86
\$1m overdraft	\$.15m	-	-
Total Payments	\$6.65m	\$9.406m	\$9.598m
i) Should the Government decide to roll over debentures falling due, the funds required each year will be altered.		ii) In 1984/85 the Debenture Trust Deed borrowings increased to \$23m, the Bill Facility reduced to \$9.7m and the overdraft facility reduced to \$½m.	
Likely amended amounts	No affect	\$6.99m	\$6.976m

(B) Operating Expenses:

These expenses related to the Sydney Entertainment Centre Company's obligations as owner of the Centre, oversighting the Sub-Lessees; servicing of loans and normal costs associated with running a public company. The operating expenses include:

Bank of N.S.W. Nominees, Agents fee; Audit Fees; some Insurance; Legal Fees; Stationary; Secretarial Fees; Bank Charges and Head Lease rent. In 1983/84 these amounted to \$134,000. In the absence of unforeseen events the expenditure in future years should be of this order.

The expected Revenue has been calculated in accordance with receipts receivable under sub-leases. The expected revenue from Arena Management, McDonald's Properties and Cosmopolitan Plaza is approximately \$1.3m.

Therefore the anticipated nett subsidies for the years in question will be

	<u>Without Rollover</u>	<u>With Rollover</u>
1983/84	\$5.48m	\$5.48m
1984/85	\$8.3m	\$5.82m
1985/86	\$8.50m	\$5.80m

2. Were the high subsidies foreseen from the outset of the project?

It was always envisaged that the Servicing of Loan Commitments would require subsidy from the Government

Of course with the Centres original cost estimate of \$22m the subsidy would be lower than the final capital cost of \$43.5m. The factors which caused the escalation of costs were unforeseen at the outset of the project and were largely unavoidable. These factors were:

- lengthy industrial delays which were common to the building industry in the Centre's construction period.
- increase in interest rates from the 11-12% to 18.25% level. Short term loans up to 22%.

- the delays in opening the Centre caused by industrial problems resulted in interest payments prior to opening being capitalised in the building costs. If the Centre had opened in 1981, these would have been met by Treasury under the Subsidy Agreement.

A further point to be considered in examining the subsidies is that basically the Government is only meeting the capital costs which it would normally do in the building of public facilities. The subsidy is not related to the operations of the Sydney Entertainment Centre as a venue. In fact the State Government receives over \$1.3m from the operations of the Centre. This obviously compares favourable with say the Sydney Opera House which, following full payment by the Government of the capital costs, receives a substantial annual subsidy for its operations.


3. Statement of Finances:

The Annual Accounts for the year ended 30th June, 1984 are currently being prepared and it is proposed to send you a copy as soon as they are available.

I feel I should point out that the Sydney Entertainment Centre company does not operate the Centre on a day to day basis. It is the vehicle for the construction and leasing of the building. The Centre is operated by an independent private company, Arena Management Pty. Limited.

Should you require any further information or clarification, I will be pleased to discuss the matter with you at your convenience.

Yours faithfully,


Barry Flynn,
Executive Officer.

TOTALIZATOR AGENCY BOARD

Auditor-General's Report Reference: Part II, Page 395.

Issues examined by the Committee:

- * In regard to the Board's selling outlets -
 - What is the reliable guideline as to turnover required to achieve a profitable operation?
 - How many selling outlets' turnover fall below this guideline?
 - On what basis does the Board decide to establish a selling outlet in a given location.
- * A breakdown of the Board's \$41 million in short term investments held at 30 June, 1983 and the Board's investment policy.

Board's Responses:

After reviewing the Board's initial response the Committee twice sought further information from the Board. The initial response commences on the next page with the second and third responses following.

In summary: A survey presented to the Board in February, 1984 showed that 33 agencies and 19 sub agencies were in loss situations before taking account of the revenue derived by the Treasury. If this revenue is taken into account only one sub agency was not providing a net benefit. Investment information was provided.

Result of Committee's Deliberations:

Further action deferred pending the Committee's review of the 1983-84 Auditor-General's report. Inquiry into Investment Practices of Statutory Authorities is currently being conducted.



**TOTALIZATOR
AGENCY BOARD
OF N.S.W.**

495 HARRIS STREET, ULTIMO. 2007
TELEPHONE 211 0188. TELEGRAMS: 'TABSVD'

Address all mail to:
BOX 4168, G.P.O., SYDNEY 2001

Our Reference

14th February, 1984.

Dear Sir,

I refer to your letter of 18th January 1984 (reference AG 83/66) and have to advise as follows:-

1. The Board has not attempted to cost out its operations each year on an individual branch, agency and sub-agency basis and this has not been sought by the Auditor General. Consequently the Board does not possess the information sought by your Committee.

In the first instance a major consideration in the decision to establish a selling outlet whether as a branch, agency or sub-agency is the extent of public demand, i.e. the Board has the responsibility of providing a legal off-course totalizator betting service throughout the State. The profitability or otherwise of a selling outlet in accountancy terms is of course a major consideration but this is not the sole factor. The provision of a service to the public is also considered to be important.

Other criteria adopted in considering whether a new selling outlet should be established in an area include an assessment of the likely additional weekly turnover to be gained, and hence the estimated revenue to the Board as well as an assessment of the estimated costs of establishment and operation.

The creation of a costing system to reflect the operating result of each individual selling outlet has not been considered to be the most suitable or economic on a continuous basis on account of other alternatives. In this regard the performance of each selling outlet is monitored by means of turnover or sales. In addition periodic assessments or costings are made of the results being achieved from the lower turnover selling outlets and from this the Board is able to establish a reliable guideline as to the turnover required to achieve a profitable operation.

By this means the Board has established a significant and successful performance indicator without needing to introduce a complex and arbitrary system of costing for each selling outlet.

I might add that the Board has established a long history of profitable operations with significant sums being distributed to the racing industry each year.

As the Committee will be aware, the Board's operations also provide substantial revenue to the Government and therefore the community as a whole. This revenue is mainly related directly to turnover and can be readily assessed without any need to maintain an ongoing cost system. For 1982/83 the amount involved was \$90.2 million. This revenue would need to be included in assessing the overall profitability of any selling outlet.

2. A breakdown of the short-term investments held by the Board at 30th June 1983 is set out in the attached schedule.
3. A statement of the Board's investment policy is attached.

Yours faithfully,



R.W. AUSWILD,
Chairman.

Mr. S. Neilly,
Acting Chairman,
Public Accounts Committee,
Parliament House,
SYDNEY, 2000.

Encl:

INVESTMENTS - CLOSE OF BUSINESS - 30th JUNE, 1983.

Date Invested	Invested With	Amount \$	Rate % p.a.	Due Date	Type of Investment
24. 6.83.	A.M.P. Discount Corp. Ltd.	500,000	13.00	At Call	
28. 6.83.	Capel Court Securities Ltd.	800,000	14.00	At Call	
1. 6.83.	A.N.Z. Banking Group Ltd.	2,000,000	11.75	1. 7.83.	I.B.D.
24. 2.83.	National Australia Bank Ltd.	1,000,000	15.90	1. 7.83.	I.B.D.
8. 3.83.	Westpac	1,000,000	15.25	1. 7.83.	I.B.D.
15. 3.83.	National Australia Bank Ltd.	1,000,000	13.80	1. 7.83.	I.B.D.
6. 6.83.	Westpac	2,000,000	13.30	1. 7.83.	I.B.D.
8. 6.83.	Banque Nationale de Paris	990,791	14.75	1. 7.83.	N.C.D.
1. 6.83.	State Bank of New South Wales	1,000,000	13.50	4. 7.83.	N.C.D.
6. 6.83.	A.N.Z. Banking Group Ltd.	1,000,000	13.45	4. 7.83.	I.B.D.
23. 6.83.	National Australia Bank Ltd.	1,000,000	16.30	7. 7.83.	I.B.D.
28. 2.83.	Commonwealth Inscribed Stock	700,000	16.50	8. 7.83.	
11. 1.83.	Elcom Notes	944,277	11.90	11. 7.83.	
2. 5.83.	Australian Bank Ltd.	1,000,000	12.70	13. 7.83.	C.C.D.
15. 6.83.	Commonwealth Trading Bank	987,314	16.75	13. 7.83.	N.C.D.
15. 6.83.	Westpac	1,000,000	16.77	13. 7.83.	I.B.D.
7. 3.83.	Commonwealth Inscribed Stock	540,000	17.50	15. 7.83.	
18. 4.83.	A.N.Z. Banking Group Ltd.	1,000,000	13.25	15. 7.83.	I.B.D.
27. 4.83.	National Australia Bank Ltd.	1,000,000	12.80	15. 7.83.	I.B.D.
21. 4.83.	A.N.Z. Banking Group Ltd.	1,000,000	13.10	20. 7.83.	I.B.D.
10. 6.83.	Westpac	1,000,000	15.90	20. 7.83.	I.B.D.
24. 2.83.	Commonwealth Trading Bank	469,591	15.55	26. 7.83.	I.B.D.
28. 2.83.	Commonwealth Inscribed Stock	1,232,000	16.50	29. 7.83.	
3. 2.83.	Bank of New Zealand	1,000,000	12.50	2. 8.83.	C.C.D.
26. 1.83.	State Bank of New South Wales	2,000,000	12.50	6. 9.83.	C.C.D.
21.12.82.	A.N.Z. Banking Group Ltd.	1,000,000	12.00	6. 9.83.	I.B.D.
3. 2.83.	State Bank of New South Wales	1,000,000	13.00	6. 9.83.	C.C.D.
8. 2.83.	Primary Industry Bank of Aust. Ltd.	500,000	14.00	6. 9.83.	C.C.D.
11. 2.83.	State Bank of New South Wales	1,851,427	14.15	6. 9.83.	N.C.D.
15. 2.83.	Commonwealth Inscribed Stock	450,000	14.30	6. 9.83.	
22. 2.83.	Australian Bank Ltd.	925,456	15.00	6. 9.83.	N.C.D.
17. 3.83.	Banque Nationale de Paris	935,279	14.60	6. 9.83.	N.C.D.
24. 9.83.	Commonwealth Trading Bank	870,162	15.65	7. 9.83.	N.C.D.
2. 2.83.	State Bank of New South Wales	1,301,818	12.40	7. 9.83.	N.C.D.
22. 3.83.	Elcom Power Notes	186,944	14.65	12. 9.83.	
21. 4.83.	State Bank of New South Wales	951,215	13.00	12. 9.83.	N.C.D.
30. 5.83.	State Bank of New South Wales	964,085	12.95	12. 9.83.	N.C.D.
21. 4.83.	A.N.Z. Banking Group Ltd.	1,000,000	13.00	13. 9.83.	I.B.D.
16. 6.83.	National Australia Bank Ltd.	1,000,000	15.65	13. 9.83.	I.B.D.
17. 6.83.	National Australia Bank Ltd.	1,000,000	15.40	13. 9.83.	I.B.D.
30. 3.83.	National Australia Bank Ltd.	931,253	15.85	16. 9.83.	N.C.D.
2. 3.79.	Primary Industry Bank of Aust. Ltd.	500,000	9.70	30. 9.83.	Deposit
		41,531,612			
		=====			

Investments reach their peak level at 30th June each year and are substantially reduced immediately thereafter as the Board's surplus is distributed.

INVESTMENT POLICY

1. Section 16A of the Totalizator (Off-course Betting) Act defines the Board's powers of investment. The Board has had long and successful experience in investing funds.
2. Funds available for investment fall into three categories:-
 - (a) Surplus funds arising from the Board's operations and held in trust until distributed pursuant to Section 14 (3)(c).
 - (b) Funds held on deposit by the Board in respect of telephone betting deposits, security deposits by agents, and unpaid dividends.
 - (c) Board Reserves and Provisions - Depreciation, Machine Replacement, Long Service Leave, etc. - held pending application to the purpose nominated.
3. Funds held in respect of categories 2(a) and 2(b) above are only invested in authorised trustee securities. As regards funds held in respect of category 2(c) above, investments are usually confined also to authorised trustee investments although the Treasurer has approved in terms of Section 16A(1)(b) of the Board making investments in commercial bills provided they are accepted and endorsed by major Trading Banks. As a matter of policy the Board has fixed the sum of \$1.5 million as the upper limit for investment in commercial bills at any one time.
4. For funds mentioned in 2(a) above, the term of investment is governed by the need to have funds available on dates defined by the Board's Scheme of Distribution. The term of investment for these funds is therefore short - in practice, 12 months or less.

The funds referred to in 2(b) and 2(c) are also usually invested for a short term because of their use in meeting the Board's commitments of a capital nature and also to repay depositors or pay dividends from time to time.

5. Investment policy operating within the Board can generally be divided into two areas:-
 - (a) Funds becoming available from day to day are placed with the Official Short Term Money Market "At Call". These funds are allowed to accumulate until - allowing for immediate commitments - they are lodged on term investments.

The Board invests with all dealers in the Official Market at one time or another. The placement of funds is based on competitive quotes, and offset costs such as Financial Institutions Duty.
 - (b) When funds are available for a term investment, the terms within the constraints previously mentioned are decided and quotes are obtained from Trading Banks, Official Dealers, Brokers and Merchant Banks.

* * * * *



**TOTALIZATOR
AGENCY BOARD
OF N.S.W.**

495 HARRIS STREET, ULTIMO. 2007
TELEPHONE 211 0188. TELEGRAMS: 'TABSYP'

Address all mail to:
BOX 4168, G.P.O., SYDNEY 2001

Our Reference 310/30

25th July, 1984.

Dear Sir,

I refer to your letter of 21st June 1984, reference AG.83/66, addressed to the Board's former Chairman and as requested comment on the questions asked by you as follows:-

1. Q. What is the reliable guideline as to turnover required to achieve a profitable operation?

A. A turnover of approximately \$12,000 per week for a full branch or agency. At around this level the Board is able to cover the direct costs of a branch or agency together with depreciation and interest on capital invested, subject to rental and communication costs being normal.

Approximately \$5,000 per week is required in respect of a sub-agency.

2. Q. How many selling outlets fall below this guideline?

A. The latest survey which was presented to the Board in February 1984 showed that 33 agencies and 19 sub-agencies were in a loss situation prior to taking account of the revenue derived by the Treasury (community) from T.A.B. investments at these selling points. After taking account of this revenue, all selling points were providing a net benefit with the exception of one sub-agency.

When reviewing the results of the survey the Board noted that it had a responsibility to continue to operate agencies of the size mentioned as a means of combatting S.P. betting in isolated areas.

3. Q. On what basis does the Board decide to establish a selling outlet in a given location?

A. An area survey is undertaken to provide statistical information which is then reviewed to determine whether a selling point ought to be established. Information is obtained on:-

(a) Anticipated population to be served. This is ascertained from a number of sources, including the Australian Bureau of Statistics, Australia Post, local council, tourist information, and authorities such as State Rail and the Department of Main Roads.

The adult population is calculated in order to ascertain the number of potential off-course investing patrons.

(b) The extent of commercial, industrial and residential development in the area and the growth potential of each.

(c) The location of existing and any new approved locations, their weekly sales figures and the possible effect on these should a selling point be established in the area under survey.

- (d) The location of liquor outlets, i.e. hotels, bottle shops and clubs in the survey area and the annual licence fee of each.
- (e) The location of schools, places of worship, and any community establishments which may raise an objection to the proximity of a T.A.B. selling outlet.
- (f) The location, leasing packages, and suitability of all vacant or potentially vacant shops within the survey area.
- (g) Ascertain the bet average of the adult population in the selling points closest to the area surveyed in order to obtain a guide as to the sales potential within the area surveyed.
- (h) The availability of communication facilities.
- (i) Consider any special factors such as remoteness of area and representations for the establishment of a T.A.B. from local residents and/or local commercial interests, etc.

When the abovementioned information has been assembled, it is reviewed and an analysis undertaken to establish the potential new business to be gained. A costing is then made to determine the potential level of profit or loss to the Board. However the Board places strong emphasis on the need to provide its services to all the community and it may open in an area even though immediate sales are not expected to produce a profitable result to the Board. This would be done in cases where there is an expectation of growth in the area and where failure to establish a selling outlet at the time could mean that suitable premises were not available at a later date. Moreover the Board is aware of its responsibility to provide suitable facilities as a means of assisting to combat illegal off-course betting activities.

- 4. Q. Why does the Board consider that assessing the profit (or loss) of a selling outlet is a "complex and arbitrary" process?
- A. Firstly the Board has a number of objectives to achieve and as set out in its Annual Report these are:-

Primary Objective

To provide an efficient and economical off-course totalizator betting service on galloping, trotting and greyhound racing events for the use of the public throughout New South Wales and to act as a representative of Australian Soccer Pools Pty. Ltd.

Secondary Objectives

- (i) To finance its operations and capital expansion and renewal programmes without cost to the community.
- (ii) To make a surplus or profit for distribution to racing clubs and controlling authorities in order to assist in financing their capital and operating costs.
- (iii) To collect on behalf of the State a statutory commission on off-course totalizator investments which is applied towards financing community services provided by the Government of New South Wales.

It is to be noted the maximising of its surplus or profit for distribution to the racing industry is not an objective as such. It is considered that the performance reviews now being undertaken within the Board enable it to achieve and monitor whether its

objectives are being attained in an economical and efficient manner. To attempt to ascertain the profit or loss of each of the Board's selling outlets which totalled 603 at 30th June 1983 would result in additional cost without enabling the Board to achieve its objectives in a better way. As such it would be less economical and less efficient than existing procedures for oversighting results.

Specifically a complex and arbitrary system of costing would need to be established in order to obtain the profit or loss of each selling point because so many of the Board's major costs are incurred in providing a common service to all or a number of selling outlets. Some of the major costs involved are computer systems operating costs, Telecom communication costs, radio broadcast costs, machine maintenance, as well as the general head office administrative costs.

The value of the results obtained from making arbitrary apportionments of the abovementioned costs is considered to be of far less use to the Board in gauging the effectiveness of its operations than is the case under its existing system. At the same time such results would be more costly to obtain.

Yours faithfully,



J.J. MAUNSELL,
Chairman.

Mr. R. Carr, M.P.,
Chairman,
Public Accounts Committee,
Parliament House,
SYDNEY, 2000



**TOTALIZATOR
AGENCY BOARD
OF N.S.W.**

495 HARRIS STREET, ULTIMO. 2007
TELEPHONE 211 0188. TELEGRAMS: 'TABSYP'

Address all mail to:
BOX 4168, G.P.O., SYDNEY 2001

Our Reference 310/30

10th August, 1984

Dear Mr. Carr,

In response to a telephone request for information on the various components which are taken into account in the costing of branches and agencies in the arrival of the cut-off points for reviewing viability, I have to advise that the cost components taken into account are -

1. Agency

- (a) Agents remuneration
- (b) Rental
- (c) Betting tickets, race lists, stores and stationery
- (d) Communications
- (e) Machine maintenance
- (f) Property maintenance
- (g) Security insurance
- (h) Bank charges
- (i) Depreciation and Interest on capital

2. Sub-Agency

As for an agency except no allowance is made for (b) Rental and (f) Property Maintenance, as any costs in respect of these items are met by the sub-agent.

All branches have a turnover well in excess of \$12,000 per week.

Typical examples of particular agencies covered by the last review made within the Board are -

Agency	<u>Cringila</u>	<u>Wallerawang</u>
	\$	\$
Average weekly turnover	12,512 =====	11,240 =====
Government's Income (approx. 8%)	1,001 =====	899 =====
Board's Income	1,009 =====	977 =====

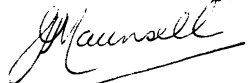
	<u>Cringila</u> \$	<u>Wallerawang</u> \$
Expenses -		
(a) Agents remuneration	641	555
(b) Rental	110	80
(c) Betting tickets, etc.	32	24
(d) Communications	49	54
(e) Machine maintenance	24	16
(f) Property maintenance	23	23
(g) Security insurance	11	11
(h) Bank charges	6	5
(i) Depreciation and interest on capital	136	142
	1,032	910
Result to Board	23 Loss	67 Profit

For sub-agencies, typical examples are -

	<u>Barradine</u> \$	<u>Alstonville</u> \$
Average weekly turnover	5,139 =====	4,986 =====
Government's Income (approx. 8%)	411 =====	399 =====
Board's Income	398 =====	388 =====
Expenses -		
(a) Agents remuneration	227	231
(c) Betting tickets, etc.	15	16
(d) Communications	126	43
(e) Machine maintenance	12	12
(g) Security insurance	6	6
(h) Bank charges	5	4
(i) Depreciation and interest on capital	30	30
	421	342
Result to Board	23 Loss	46 Profit

I trust this information will satisfy the Committee's requirements.

Yours sincerely,



J.J. MAUNSELL,
Chairman.

Mr. R. Carr, M.P.,
Chairman,
Public Accounts Committee,
Parliament House,
SYDNEY. 2000.

TRAFFIC AUTHORITY OF NEW SOUTH WALES

Auditor-General's Report Reference: Part II, Page 365.

Issue examined by the Committee:

- * The basis on which contributions from the Sydney Harbour Bridge Account, the Berowra to Calga Tollway and the Waterfall to Bulli Tollway are determined.

Authority's Response:

The Authority's response commences on the next page.

In summary: The contributions are limited by the relevant legislation to such amounts as are sufficient to recoup payments made for the provision of traffic and driver aid facilities such as signposting, lane change operations and breakdown services.

Result of Committee's Deliberations:

No further action is required in respect of the 1982-83 operations.



Traffic Authority of New South Wales

Rosebery Centre
Primrose Avenue, Rosebery
Box 110, P.O. Rosebery 2018

Our Reference **TA.40.045**

Telephone 663 8222
Extension

11. JAN. 1984

Mr. Michael Egan, B.A., M.P.,
Chairman,
Public Accounts Committee,
Parliament House,
SYDNEY. 2000

Dear Mr. Egan,

I refer to your letter dated 14th December, 1983 (reference AG 83/62) concerning Sydney Harbour Bridge revenue deposited in the Traffic Facilities Fund in 1982/83.

The contributions to the Traffic Facilities Fund from Sydney Harbour Bridge revenue are limited under the Sydney Harbour Bridge Administration Act (Clause 7(1)(ivf) and (Clause 23(d) of the Traffic Authority Act) to such amounts as are sufficient to recoup the payments made from the fund for the provision of traffic and driver aid facilities, such as signposting, lane change operations and breakdown services in respect of the Bridge and prescribed approaches.

In 1982/83 the cost of works carried out at Sydney Harbour Bridge amounted to \$2.105M.

Similarly the Main Roads Act (Section 31E) limits the use of tolls received at the Berowra to Calga and Waterfall to Bulli Pass Tollworks to the cost of works associated with each of those facilities.

In 1982/83 the cost of works carried out for the Berowra to Calga Tollwork amounted to \$0.444M. and for the Waterfall to Bulli Pass Tollwork \$0.213M. Traffic volume and therefore the need for services is less at these locations.

Yours faithfully,


Chairman.

TREASURER

Auditor-General's Report Reference: Part I, Page 112.

Issues examined by the Committee:

- * The \$65,869,754 expenditure which had not been sanctioned and appropriated by Parliament.

Treasurer's Response:

The entire Treasurer's response commences on the next page.

In summary: \$42.7 million of the \$65.9 million expenditure authorised in suspense relates to the new Department of Finance from 1 February, 1983, to 30 June, 1983. The other \$23.2 million relates to provision for relief measures associated with natural disasters.

Result of Committee's Deliberations:

No further action required.

The Treasury, New South Wales

Mr Michael Egan BA, MP
The Chairman
Public Accounts Committee

State Office Block Box 5285 G.P.O.
Macquarie Street Sydney 2001
Sydney, NSW 2000 DX 22 Sydney

Contact

Our reference:

Your reference:

Telephone: 2 0576

Extension:


17 DEC 1983

Dear Mr Egan

Reference is made to your letter of 11 October 1983 requesting written comments about the purpose and circumstances of payments unauthorised in suspense by the Treasurer in 1982/83 of \$65,869,754 as reported by the Auditor General.

Statements setting out the required information are attached. The delay in furnishing the advice is regretted.

Yours sincerely


Secretary and
Comptroller of Accounts

"Payments Unauthorised in Suspense" - 1982/83

Treasurer Item: Provision for Relief Measures associated with Natural Disasters

1. Total expenditure on the item was \$63,190,865, \$33,190,865 more than the Budget allocation of \$30,000,000. Of the additional expenditure, \$10,007,208 was provided from Treasurer's Advance Account and \$23,183,657 was accounted for as "Payments Unauthorised in Suspense".

2. As indicated on page 60 of the Auditor-General's Report, Part 1, the payments "were mainly in response to drought conditions and included \$39 million to the State Bank (compared with \$3,900,000 in 1981/82) as agent for the Government in making payments". Full details of the expenditure are set out below:-

	\$000
Payments to State Bank for repayable advances to primary producers under the special drought relief schemes and the cereal growers scheme	39,000 *
Expenditure by Department of Agriculture on -	
Road freight concessions for Livestock movements	7,526
Road freight concessions for Fodder movements	14,754
Water cartage subsidies	943
Stock slaughter scheme	111
State Rail Authority -	
Freight rebate on Livestock movements	148
" " " Fodder "	15
Payments to Water Resources Commission for purchase of 2 drilling rigs for the sinking of bores on properties	677
Other expenditure	<u>17</u>
	<u>63,191</u>

* Loans approved in 1982/83 amounted to \$44 million and actual expenditure was \$35.8 million. Not all primary producers take up approved loans either at all, or in full.

3. The Commonwealth provides financial assistance to the State for approved disaster relief measures. Because of the higher than anticipated level of expenditure on such measures in 1982/83 payments from the Commonwealth at \$32,557,000 were \$18,657,000 in excess of the Budget estimate of \$13,900,000.

4. The level of expenditure on relief measures fluctuates considerably from year to year as illustrated by the following table:-

<u>Year</u>	<u>Expenditure</u>
	\$000
1979/80	8,458
1980/81	67,769
1981/82	18,502
1982/83	63,191

5. Thus expenditure requirements for relief schemes can only be estimated within a wide margin of uncertainty. When the estimate of \$30 million for 1982/83 was prepared the severity of the drought conditions which ultimately developed during the year could not be foreseen. The course of the drought is illustrated in the following table which shows comparative monthly figures for Pastures Protection Districts drought declared (out of the total of 58 in the State):-

	<u>1981/82</u>	<u>1982/83</u>
August	30	38
September	22	51
October	22	52
November	14	52
December	6	52
January	8	53
February	11	51
March	16	52
April	11	52
May	12	48
June	22	23

6. In summary, the over-expenditure on the item was unavoidable in meeting commitments under approved relief schemes in the face of drought conditions of extreme severity.

Payments Unauthorised in Suspense - 1982/83

Treasurer: Various Items totalling \$42,686,097

1. A detailed listing of the amounts and relevant items totalling \$42,686,097 is attached. These relate to payments made by the Treasurer from the Treasury - Head Office Vote in respect of functions transferred to the Minister for Finance from 1st February, 1983, following the establishment of the Finance portfolio within the new Ministry introduced on that date.
2. The full range of functions transferred to the Minister for Finance comprised:-
 - (a) Land Tax Office.
 - (b) Stamp Duties Office.
 - (c) State Lotteries Office.
 - (d) Poker Machines Branch
 - (e) Charities Branch.
 - (f) Business Franchise Licences Branch.
 - (g) Related functions involving certain expenditure items within the Other Services Section of the Treasury - Head Office Vote.
3. (a), (b) and (c) were covered by separate expenditure Votes and in accordance with normal practice, expenditures following the transfer were covered with delegations between the Ministers and the full year expenditures were recorded in the Public Accounts for each unit under the Minister for Finance.

(d), (e), (f) and (g), on the other hand, were covered by a range of items within the Treasury Head Office Vote and the relevant full year expenditures were recorded in the Public Accounts against the original items in the Treasurer's Estimates. Such presentation in the Public Accounts was in conformity with provisions of the new Public Finance and Audit legislation which are designed to improve the clarity and readability of the document.
4. The expenditures in respect of (d), (e), (f) and (g) for the period 1 February to 30 June, 1983, needed to have been covered (to the extent of available appropriations) by Ministerial delegations or wholly accounted for as "Payments Unauthorised in Suspense". The latter approach was, in fact, adopted in the preparation of the Public Accounts and this treatment was accepted by the Auditor-General. While in the technical sense "Payments Unauthorised in Suspense" of \$42,686,097 were involved, the actual over-expenditures on the relevant items was \$11,950m.as listed below:-

...2

2.

	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
First Home Purchase - Stamp Duty	\$000	\$000	\$000
Deferred Payments Scheme	13,500	20,622	7,122
Remissions and Refunds - Death Duty	200	377	177
Remissions and Refunds - Licence Fees, Business Franchise Licences (Petroleum Products) Act	9,000	12,347	3,347
Remissions and Refunds - Land Tax	50	151	101
Remissions and Refunds - Licence Fees, Business Franchise Licences (Tobacco) Act	378	468	90
Transfers of proceeds of fees payable under Business Franchise Licences (Petroleum Products) Act for works on roads	29,000	30,113	1,113
	<u>52,128</u>	<u>64,078</u>	<u>11,950</u>

First Home Purchase - S.D.D.P.S. (\$7.122 million)

The over-expenditure relates to an increase in eligible applications for assistance not anticipated when the 1982/83 Estimates were framed. Expenditure on the item in previous years amounted to \$8.983 million in 1980/81 and \$13.122 million in 1981/82. The scope of the scheme was increased by raising the upper limit on the value of eligible homes from \$50,000 to \$75,000 in the 1981/82 Budget but no further change was made in the 1982/83 Budget.

Remissions and Refunds - Licence Fees - Petroleum Products
(\$3.347 million)

The item relates to the costs of the reduction of fees in border areas of the State. The tax was introduced in 1982/83 and it was somewhat difficult to estimate the cost of remissions in the first year of operation. In the event, the scheme required expenditure in excess of the appropriation.

Transfers of Fees for Roadworks (\$1.113 million)

The item relates to the transfer to accounts within Special Deposits Account of the revenue derived from licence fees on sales of automotive distillate to be used for road purposes. As 1982/83 was the year of introduction of the tax, there was only limited information on which to base estimates of the revenue yield and the amount of revenue to be set aside for roads. In the event, total revenue from licence fees exceeded the Budget estimate by \$7.6 million and the amount of \$1.113 million in excess of estimate was required to be transferred for roadworks.

Other Items (\$0.368 million)

The amount of over-expenditure on these items was relatively small and resulted from the extent of the concessions approved during the year. The nature of the items is such that precise estimates of expenditure are not practicable.

Department of Finance - Expenditure 1/2/83 to 30/6/83

Item	Amount \$
A1 Salaries Wages and Allowances	633,751.40
A2 Leave on Retirement, Resignation, etc.	9,419.99
A3 Overtime	<u>354.26</u>
Total A items	<u>643,525.65</u>
B1 Workers Compensation	1,545.02
Personal Accident Insurance etc.	7,124.05
Meal Allowances	1,214.04
B2 Rent	71,493.52
Rates	1,557.15
Maintenance Alterations Additions and Renewals	784.38
Insurance	42,385.01
B3 Travel	43,579.11
Motor Vehicles - Running Costsetc.	10,443.46
Freight Cartage & Packing	78.64
B4 Advertising and Publicity	2,541.33
Books Periodicals and Papers	26.81
Postal and Telephone Expenses	23,532.24
Gas & Electricity	17,286.10
Printing	12,951.68
Stores, Provisionsetc.	1,710.16
Fees for Services Rendered	62.00
Other Insurance	179.81
Minor Expenses N.E.I.	<u>247.85</u>
Total B items	<u>238,742.36</u>
C1 First Home Purchase - Stamp Duty Deferred Payments Scheme	10,736,424.63
C6 Remissions and Refunds, as Acts of Grace,- V.G's fees	729,016.26
C7 Acts of Grace - Death Duty	226,783.82
C8 " " " - Business Franchise Licences (Petroleum Products Act 1982)	12,191,658.35
C10 Acts of Grace - Land Tax	130,055.20
C44 " " " - Business Franchise Licences (Petroleum Act 1974)	557.84
C48 Acts of Grace - Business Franchise Licences (Tobacco) Act	214,938.59
(Transfers to Accounts within Special Deposits	
{ Account of the proceeds of fees payable under	
{ Business Franchise Licences	
{ (Petroleum Products) Act 1982	
{ for works on classified and unclassified	
{ roads	<u>17,574,394.55</u>
Total C items	<u>41,803,829.24</u>
Grand Total	<u>42,686,097.25</u>

THE TREASURY

Auditor-General's Report Reference: Part I,
Pages 9 - 10
and 13 - 16

Issues examined by the Committee:

- * Why various revenues received and specific purpose payments from the Commonwealth are subject to different treatments: some are paid into the Consolidated Fund, some direct to Special Deposits and others to Special Deposits via the Consolidated Fund.
- * Why tables in the Public Accounts are not indexed.

Treasury's Responses:

After reviewing the initial response from the Treasury the Committee sought further information. The initial response commences on the next page with the second response following.

In summary: The Treasury's treatment of various revenues complies with statute law or Government policy. The differences in accounting treatment of Commonwealth payments to the State is mainly due to the differences in the nature of the Commonwealth payments and the conditions attached to them. The 1983-84 Public Accounts will contain a comprehensive index.

Result of Committee's Deliberations:

Further action deferred pending the Committee's review of the 1983-84 Auditor-General's report and the Public Accounts.



The Treasury, New South Wales

Mr M Egan BA MP
Chairman
Public Accounts Committee
Parliament House
SYDNEY 2000

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Macquarie Street Sydney 2001
Sydney, NSW 2000 DX 22 Sydney

Contact

Our reference:

Your reference:

Telephone: 2 0576
Extension:

20 DEC 1983

Dear Mr Egan

Reference is made to your letter (AG 83/16) of 30 November, 1983, seeking my comments on certain matters arising from the Auditor-General's Report on the 1982-83 Public Accounts.

A short paper dealing with the particular issues mentioned is attached.

On the more general matter of improving the clarity of the Public Accounts in the future, I wish to advise that, in accordance with the practice followed in the past few years, I have set up a small committee of senior Treasury officers to study the further development of the State's financial documents. I anticipate that this committee will furnish detailed proposals to me within the next 2 to 3 months concerning changes in the format of the Public Accounts and the Budget Papers. In the circumstances but subject to the timetable for the Public Accounts Committee's review, I feel it would be preferable for me to submit my comments on improvements to the Public Accounts at a later stage.

Yours sincerely

Secretary and
Comptroller of Accounts

Encl

Treasury submission to the Public Accounts Committee

Issue 1

"Various revenues receive different treatment without any apparent reason. Some revenues are paid into the Consolidated Fund, others are paid directly into Special Deposits, whilst others are paid to Special Deposits via the Consolidated Fund."

Treasury Comment

The short answer is that the treatment of revenues is prescribed by law. If there is a failure to comply with the statutory requirements the Auditor-General reports the matter as a variation or suspension of the provisions of statutes (see the comment concerning the collections of the Department of Leisure, Sport and Tourism on page 115 of Part 1 of the 1982/83 Report).

The general requirement for the payment of all revenues of the Crown to the Consolidated Fund is contained in Section 39 of the Constitution Act, 1902. There is, however, a number of other statutes that prescribe different treatment for particular categories of revenue, e.g. the Gaming and Betting Act in respect of poker machine taxes, the Forestry Act in relation to timber royalties, the Transport Act in regard to motor vehicle registration and driver's licence fees, and so on.

The assignment or hypothecation of particular revenues for particular expenditure purposes (which requires different accounting treatment from general revenues) arises from Government policy decisions. These decisions might be viewed as generally desirable and necessary in gaining community acceptance for the implementation of policy and for other reasons. For example, the assignment of poker machine taxes for hospital subsidies and aged persons' housing would no doubt have been significant in relation to the community's perception of the merit of the policy of legalising poker machines. Other cases, of course, involve other kinds of policy considerations and objectives.

In summary, the Treasury treatment of various revenues complies with statute law and Government policy.

Issue 2

"Specific Purpose payments from the Commonwealth are subject to even more varied treatment. Some are paid into the Consolidated Fund and spent through the normal appropriation process or transferred to Special Deposits Accounts. Some are paid into Special Deposits Accounts to be spent, or transferred to other accounts, or even paid back, in part, to Consolidated Fund. Present Treasury accounting practice does not enable direct tracing in the State accounts of all money shown in Commonwealth budget papers as paid to the State for specific purposes. The degree of congruence in total of the two sets of published figures is measured in comments under 'Review of Finances' later in this report (A.G. p.10)". "A comparison with Commonwealth Budget Paper No. 7, Table 69, shows Commonwealth payments to and borrowings for New South Wales in 1982-83 as \$5,129.1 million. This is \$1,938.9 million more than the receipts into the Consolidated Fund shown above. One of the Commonwealth payments, its contribution of \$14.4 million to the National Debt Sinking Fund, is paid direct to that Fund and not received in cash by the State. The balance (\$1,924.5 million) presumably is the measure of Commonwealth moneys taken into Special Deposits Accounts." (A.G. p.14).

Treasury Comment

Information on the various Commonwealth payments to the State (including the accounting treatment) is contained in the N.S.W. Budget Paper No. 4 "Financial Arrangements Between the Commonwealth and New South Wales".

The differences in accounting treatment derive mainly from differences in the nature of the Commonwealth payments and in the conditions attached to them. For the purpose of explanation, the payments might be broadly categorised as follows:-

- (a) Block grants in support of services provided through Departments operating on the Consolidated Fund.
- (b) Grants or advances for specific programs provided through Departments operating on the Consolidated Fund.
- (c) Grants/advances for State authorities which (under statutory provisions) operate outside of the Consolidated Fund.
- (d) Payments for bodies outside of the Government financial sector.
- (e) Notional payments, not involving cash.

This is a simplified classification and in some cases specific purpose grants relate to more than one category.

Two simple examples under category (a) are the grants for Home Help Services and Pre-school Education. The former is provided on the basis of 50% of the subsidies paid by the State to support this service and the latter is a set annual amount for pre-school capital and recurrent requirements. Both Commonwealth payments are credited direct to the Consolidated Fund from which the higher State outlays on these services are met. A further example which follows the same pattern is the Mortgage and Rental Relief Scheme. In this case, however, the expenditure provision is transferred to Special Deposits Account from which the actual payments are made, the reasons being that more than one administration is involved in the scheme (Departments of Youth and Community Affairs and Consumer Affairs) and the need to match Commonwealth contributions in the year of receipt.

There is a number of grants schemes under category (b). The normal accounting in these cases is to credit Commonwealth advances to Special Deposits Account and make transfers therefrom to the Consolidated Fund as qualifying expenditure is incurred from that Fund. A simple example is the T.A.F.E. capital works program which includes Commonwealth funding for particular projects approved in detail by the Commonwealth authorities. Commonwealth recurrent grants for special State school programs are dealt with in a similar fashion.

Commonwealth assistance for the Water Resources Assessment Program involves allocation and disbursement over authorities under both category (b) and category (c). The accounting procedure is to hold Commonwealth advances in Special Deposits Account and then make disbursements appropriate to program expenditures by the Water Resources Commission (Consolidated Fund) and the Metropolitan and Hunter District Water Boards.

A significant proportion of the total sum provided in Commonwealth specific purpose payments falls under category (c), the main fields being roads and welfare housing. As the relevant statutes

provide for the funding of the Department of Main Roads and the Housing Commission outside of the Consolidated Fund, it would be incongruous to pass Commonwealth payments for these authorities through the Consolidated Fund. The procedure is to credit the payments to the relevant statutory accounts within Special Deposits Account.

The payments in category (d) are effected through the State for constitutional or Commonwealth policy reasons, the major programs being assistance for non-government schools, the financing of universities and colleges of advanced education, the tax-sharing scheme for local government, the coal mining industry long service leave scheme and the Commonwealth drought fodder subsidy scheme.

For most of these schemes the State simply acts as a "post office" for recording and distributing the funds immediately they are received from the Commonwealth in accordance with Commonwealth directions, although in the case of the fodder subsidy scheme the State had to assume responsibility for administration on the Commonwealth's behalf. Generally, the accounting procedures involve the recording of the receipts and payments through appropriately identified Special Deposits Accounts.

Over \$24 million was recorded in Commonwealth budget documents for 1982/83 under category (e) in respect of land acquisition and growth centres. The transactions are described by the Commonwealth as follows: "the capitalised interest provisions in the estimates represent, in effect, notional advances to the States which are offset by equivalent notional receipts from the States. The notional advances indicate the extent of the concession actually afforded the States by the deferment and capitalisation of interest payments". As the payments do not involve cash, nothing is recorded in the Consolidated Fund or Special Deposits Account.

The Commonwealth's "Identified Health Grant" is in a special category. This replaced from 1981/82 the grant formerly payable under the hospital cost sharing agreement. Although stated to be for general purposes (despite the nomenclature) the grant is required for the payment of hospital subsidies (in substitution for the grant it replaced) and hence the same accounting procedure has been maintained, involving the crediting of the Commonwealth assistance to the Hospital Fund in Special Deposits Account for payment together with State contributions of subsidies to hospitals. Later this year new Commonwealth payments in respect of the Medicare scheme will be received and the same accounting procedure will also be applied to these.

The foregoing, admittedly sketchy, outline of Commonwealth specific payments may suffice to illustrate the diversity in this field and consequently the need for varied accounting treatment.

In general the principle followed is to avoid inflating the receipts and expenditures of the Consolidated Fund by transacting through that Fund Commonwealth payments which are subject to terms and conditions that direct the assistance to authorities not generally financed through the Consolidated Fund. Such terms and conditions, of course, preclude any real power of appropriation over the sums involved by State Parliament. The payments that are passed through the Consolidated Fund are those which relate to parts of the services provided by the Departments which rely wholly or mainly on the Consolidated Fund for their general financing. By and large, the payments

that are recorded solely through Special Deposits Account are those that relate to bodies which by law operate under accounting arrangements separate from the Consolidated Fund or relate to special Commonwealth schemes for which the State has little more than an agency involvement. (The treatment of the Identified Health Grant is perhaps an exception, being a hybrid general purpose/specific purpose form of assistance.)

As previously mentioned, full details of Commonwealth payments to the State are contained in Budget Paper No. 4 "Financial Arrangements Between the Commonwealth and New South Wales". Such payments carried to the Consolidated Fund are detailed under the receipts of that Fund. The transactions through Special Deposits Account are shown in table 12 of the Public Accounts, while table 17 of the Accounts indicates the purpose and authority for each account. Budget Paper No. 2 "Supplementary Budget Information" shows the utilisation of Commonwealth payments within the State's overall capital works program.

Issue 3

"The use of Special Deposits Accounts made it difficult to obtain an overall perception of the total operations of government."
 "The Victorian Government has taken steps to make its public accounts easier to interpret - during 1982-83 it closed down 141 Trust Accounts and now has 165 of these accounts - by contrast N.S.W. had 267 of these accounts with non-zero balances as at 30 June, 1983."

Treasury Comment

The new document produced this year "Budget Estimates Classified by Program" shows "gross program" costs financed from the Consolidated Fund and other sources (including Special Deposits Account). Budget Paper No. 2 contains (at pages 100 to 102) an overview of the State public sector receipts and outlays based on national accounting concepts. The latter has, of course, wider coverage of "Government operations" but naturally less detail than the former presentation.

Because of the range and size of the statutory authorities which operate outside of the Treasury funds system, an overall perception of the total operations of government cannot be obtained through any conceivable changes in the use of Special Deposits Accounts. Such perception is possibly best achieved through the national accounting presentation in Budget Paper No. 2.

With regard to the number of accounts within Special Deposits Account, it has been the Treasury approach for some years now to avoid creating new accounts whenever possible. It is also accepted that there needs to be a periodical review, cull and re-organisation of the accounts and a Treasury committee will be undertaking such a review in the course of the current financial year.

Issue 4

"The Committee also noted that the lengthy tables which form the Public Accounts are not indexed and hence the process of locating a particular item is somewhat inefficient."

Treasury Comment

It is accepted that there are some editorial shortcomings in the Public Accounts presentation, such as lack of indexing. The Treasury will be seeking improvements in presentation for the future.



The Treasury, New South Wales

Mr. R. Carr M.P.
Chairman
Public Accounts Committee
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Box 5285 G.P.O.
Sydney 2001
DX 22 Sydney

Contact

Our reference:

Your reference:

Telephone: 2 0576

Extension:

Dear Mr. Carr

I refer to Mr. Aquilina's letter of 31st May, 1984 and my subsequent discussions with the Director in which it was agreed that a reply might be deferred until the Budget preparation was out of the way.

The revised format of the Public Accounts for the year ended 30th June, 1982, tabled by the Treasurer in September, 1982 contained a complete listing of Special Deposits Accounts indicating the authorisation for and purpose of each account.

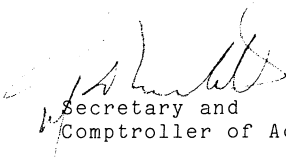
This listing was repeated in full in the 1982/83 Public Accounts and the 1983/84 Public Accounts will include a schedule of variations to the accounts. It is proposed to print a full listing every three years, but the 1982/83 Public Accounts should give the Committee the information sought. If there is any additional information needed Mr. D. Nicholls, Assistant Secretary and Deputy Comptroller of Accounts would be happy to assist.

With regard to your enquiry concerning the Committees of Treasury Officers, the Committee on the re-organisation of the Special Deposits Accounts has furnished its interim report and the Treasurer has agreed to proposals which will considerably reduce the number of individual accounts. Legislation will be needed in a number of cases and a Minute seeking Cabinet's approval to this has been prepared. The Committee is continuing its review and is currently looking at the treatment of Commonwealth payments.

The second Committee has devoted a lot of attention to modernising the procedures for preparation of the draft budget documents and public accounts. It also concentrated on the problems of integrating program budgeting with the line-item budget. The Appropriation Bill will also reflect the results of the Committee's suggestions. Additional information is to be provided in Budget Paper No. 3 and changes have been made to the form of the Receipts Statement.

You will be pleased to know that in response to the Public Accounts Committee's comments, the 1983/84 Public Accounts will contain a comprehensive index.

Yours sincerely


Secretary and
Comptroller of Accounts



The Treasury, New South Wales

Mr. R. Carr M.P.
Chairman
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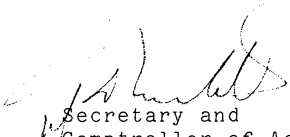
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Yours sincerely


Secretary and
Comptroller of Accounts

THE TREASURY
and the
DEPARTMENT OF MOTOR TRANSPORT

Auditor-General's Report Reference: Part I, Page 35.

Issues examined by the Committee:

In respect of consolidated fund receipts regarding services rendered by police in the supervision and control of traffic, issues examined by the Committee included:

- * How the costs of the police services are assessed and allocated to each user?
- * To which police services these charges apply?
- * Amount of revenue received from Councils in respect of police services in 1982/83.

Treasury's Response:

The Treasury's response commences on the next page.

Department of Motor Transport's Response:

After reviewing the Treasury's response the Committee wrote to the Department seeking clarification on a number of matters. The Department's response follows that of the Treasury.

Result of Committee's Deliberations:

The Committee is currently conducting a review into uncollected parking and traffic fines, to which the issues above are related, and it is expected that a separate report will emanate from that review.



The Treasury, New South Wales

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Chairman
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SYDNEY

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Sydney, NSW 2000 DX 22 Sydney

Contact

Our reference: T78/6821

Your reference:

Telephone: 2 0576

Extension:

20 DEC 1983

Dear Mr Egan

Reference is made to your letter of 30th November, 1983, concerning the Consolidated Fund receipt in respect of the Police supervision and control of traffic.

Attached is a statement setting out the background information sought by your Committee on this matter.

Yours faithfully

N. Dukes

Secretary and
Comptroller of Accounts

Encl

RECOUPMENT OF THE COST OF POLICE TRAFFIC SERVICES

BACKGROUND INFORMATION

1. Traffic services rendered by Police

In its role of controlling and supervising traffic on all roads in N.S.W. and enforcing the traffic laws, the Police Department renders the following services -

Highway Patrol - Main function is to enforce the traffic laws on highways and main roads while assistance is provided in other areas such as the escort of large or dangerous loads.

Parking Patrol - The Police Department is responsible for the supervision of parking restrictions. Infringement notices are issued by traffic and general duty Police and Parking Patrol Officers.

Breath Analysis Section - Carries out breath analyses in cases where roadside tests prove positive.

Traffic Signals Operations Section - Directly controls many intersections in the City area, with the ability to isolate and vary phases to suit conditions.

Safety Advisory Section - Activities include:

- visits to schools;
- displays and demonstrations;
- traffic laws observance discussions and lectures.

Adjudication Section - Adjudicates as to the proposed course of Police action on all breach reports, particularly those submitted in respect of accidents, and reviews unpaid infringement notices prior to the issue of court process. The staff also act in an advisory capacity for Police seeking guidance on traffic matters and prepare daily reports on fatal road accidents for the information of senior officers.

Permit Section - Issues permits for the movement and control of long and wide loads.

Civilian School Crossing Supervisors - 238 employed as at 30th June, 1983, with another 50 to be employed in 1983/84.

Court Process Section - Institutes court proceedings by way of summons.

Traffic Planning Section - Investigates all applications submitted in relation to traffic generating developments.

Divisional Traffic Sergeants - Within the metropolitan areas, there are usually two Sergeants attached to each Police Division to attend to local general traffic matters. Their duties include the investigation of complaints relating to traffic matters, the supervision of Parking Police Officers, school crossing supervisors and road accident investigations and attending Council Traffic Committees.

...2

Motor Registry Functions - Carried out by Police in smaller towns not in the vicinity of Motor Registries operated by the Department of Motor Transport.

2. Assessment and allocation of costs

Towards the end of each financial year a committee, comprising representatives of the Treasury, Department of Motor Transport and Police Department, assesses the cost of Police traffic services for that financial year. In this assessment regard is had to -

- (a) the salaries of Police on full-time and part-time traffic duties, Parking Patrol Officers, clerical staff of the Police Traffic Branch and School Crossing Supervisors; and
- (b) estimated other expenditure by the Police Department in relation to Traffic supervision and control computed on an appropriate basis (e.g. the proportion of Police Department staff involved in traffic duties).

Detailed assessments over the years indicated that the cost of Police traffic services was consistently of the order of 18% of total Police expenditure (see Schedule "A" attached). To reduce administrative effort the cost has, since 1980/81, been simply assessed on this basis with detailed assessments to be made only in the event of special circumstances (e.g. if full recoupment of the cost appears likely). The figure of 18% is to be reviewed from time to time to determine its appropriateness.

Payments in recoupment of the assessed cost are made from the Road Transport and Traffic (R.T. & T.) Fund which derives revenue chiefly from drivers' licence and motor vehicle registration fees and other charges under the Motor Traffic Act. Relevant local councils also contribute towards the cost of Police supervision of meter parking, with these contributions being paid initially into the R.T. & T. Fund.

3. Breakdown of 1982/83 figure of \$58.7 million

In assessing the cost for 1982/83, the Committee concluded that, notwithstanding certain factors affecting the Police budget (including the employment of additional Police and Parking Patrol Officers), a figure of 18% of total Police Department expenditure was still appropriate.

Details of the Department's expenditure for the year are shown in Schedule "B".

Contributions by local councils in respect of the supervision of meter parking are determined on the basis of direct salary cost involved (as estimated by the Police Department) with further allowance for pay-roll tax and workers' compensation. In 1982/83 council contributions amounted to about \$600,000.

...3

4. Department responsible for cost recovery

As indicated in 2. above, recoupment of the cost of Police traffic services is made from the R.T. & T. Fund to which motorists' fees and contributions by local councils are credited. The Fund is administered by the Department of Motor Transport.

5. Purpose in charging departments and councils for Police traffic services

Section 202(2) of the Transport Act provides that there may be paid out of the R.T. & T. Fund amounts agreed upon by the Commissioner for Motor Transport and Commissioner of Police in respect of Police supervision and control of traffic.

The purpose of such payments is to recover as far as possible the cost of Police traffic services from those benefiting directly from these services rather than the cost being met by the community as a whole through the Consolidated Fund.

In the case of motorists, it is thought appropriate that collections by the Department of Motor Transport from drivers' licence and motor vehicle registration fees, etc. be applied to this purpose. Contributions are sought from local councils towards the cost of Police supervision and enforcement of parking meters from which the councils derive revenue.

The position in relation to the Road Transport and Traffic Fund and the capacity to meet the cost of Police traffic services is reviewed by the Government in the preparation of each year's Budget.

SCHEDULE "A"

Year	Police Dept. Expenditure	Assessed Cost of Police Traffic Services	Assessed Cost as % of Police Expenditure	Actual Recoup for Police Services	Shortfall (Progressive)
	\$	\$	%	\$	\$
1973/74	80,519,740	16,855,411	20.93	15,430,104	5,632,765
1974/75	107,571,791	21,974,697	20.42	20,485,955	7,121,507
1975/76	131,364,596	25,384,748	19.32	24,726,473	7,779,782
1976/77	149,972,573	27,011,469	18.01	20,927,835	13,863,416
1977/78	166,462,636	30,913,861	18.57	19,751,198	25,026,079
1978/79	184,343,387	32,677,836	17.72	14,514,407	43,189,508
1979/80	225,642,573	40,288,960	17.86	4,942,738	78,535,730
1980/81	261,556,651	47,033,509*	*	6,374,447	119,194,792
1981/82	300,513,486	54,092,427*	*	11,676,425	161,610,794
1982/83	326,157,725	58,700,000*	*	44,000,000	176,310,794

* No detailed assessment made - "assessed" at 18%

SCHEDULE "B"

Summary of Police Department

Budget Expenditure as at 30 June 1983

<u>1982/83</u>	\$
Salaries, Wages and Allowances, etc.	248,269,680
Retirement Leave, etc.	7,623,873
Overtime	20,596,859
Workers' Compensation Insurance	338,932
Meal Allowances	22,753
Allowances to police on plainclothes duty, etc.	1,968,321
Rent, Rates, etc.	5,785,095
Maintenance, Alterations, Additions and Renewals	98,312
Travelling, Removal and Subsistence Expenses	4,917,654
Motor Vehicles, Launches, Aircraft, etc - Running Costs	13,788,765
Freight, etc.	77,154
Postal and Telephone Expenses	7,386,316
Advertising and Publicity	43,867
Books, Periodicals and Papers	125,989
Gas and Electricity	2,920,459
Fees for Services Rendered	1,446,782
Laundry Expenses	8,167
Stores, Provisions, etc.	8,848,550
Printing	1,031,669
Other Insurance	15,853
Minor Expenses	35,197
Other Services items "C"	<u>807,476</u>
TOTAL - Police Department	<u>\$326,157,725</u>
18% (assessment for Police Traffic Services)	<u>\$58,700,000</u>



83/M17/205

50 ROTHSCHILD AVENUE
ROSEBERY N S W

19 JUN 1984

Mr. J. Aquilina, M.P.,
Deputy Chairman,
Public Accounts Committee,
Parliament House,
SYDNEY. 2000.

Dear Mr. Aquilina,

Re: Road Transport and Traffic Fund.

I refer to your recent letter (reference AG83/17) seeking clarification as to the method of determining the contributions in respect of police supervision and control of traffic.

Section 202(2)(a) of the Transport Act provides that there shall be paid out of the Road Transport and Traffic Fund an amount agreed upon by the Commissioner for Motor Transport and the Commissioner of Police to meet the cost of police supervision and control of traffic.

The amount is assessed each year after consideration of the appropriate proportion of the total cost of police services by an Inter-Departmental Committee consisting of officers of the Department of Motor Transport, the Police Department and the Treasury. The amount for 1982-83, that is \$58.7 million, represents 18% of the total police cost.

As a separate matter, section 270N(1) of the Local Government Act provides that the Council for the area in which parking meters are installed shall be responsible for meeting the costs of police supervision and enforcement. Subsection (3)(a) requires that the amount to be paid shall be determined by the Commissioner for Motor Transport, the Commissioner of Police and the Council. At the present time action is in hand to review the formulas for assessing the amounts payable by the Councils concerned based on the number of hours of supervision. It is expected that the result of the review will depend principally on current negotiations with the Sydney City Council and in this regard the Treasurer is awaiting the response of the Council to a proposal formulated by an Inter-Departmental Committee.

The responses to the five specific questions set out in your minute are as follows -

1. During the financial year ending 1982-83, \$1,197,291 was received from Councils as their contribution towards the cost of police supervision of parking meters. Details of contributions from the respective Councils are set out in the Appendix.
2. The amount payable in (1) was shown under the heading "Councils contribution towards cost of Parking Meter Supervision" in the Statement of Receipts and Payments in the Department's Annual Report for 1982-83 and was also included under "Miscellaneous" in the statement relating to the Road Transport and Traffic Fund on page 363 of the Auditor-General's Report for 1982-83.

.../2

3. Section 270N(1) of the Local Government Act provides for Councils to meet the cost of parking meter supervision - see the fourth paragraph above.
4. The assessed cost of police services for 1982-83 in accordance with the third paragraph above was \$58.7 million. The actual payment was approximately \$44 million because this represented the balance in the Road Transport and Traffic Fund after meeting all other costs set out in s.202(2) of the Transport Act.
5. The Department is aware of the requirement pursuant to s.202(2)(a) of the Transport Act for the Road Transport and Traffic Fund to meet the cost of police supervision and control of traffic but the ability to meet that cost depends on the revenue into the Fund. The principal source of revenue is from fees paid by motorists in respect of registration of motor vehicles and licensing of drivers under the Motor Traffic Act. The last increase in fees was on 1st March, 1982 and, before that, in 1974. Recommendations are submitted from time to time whenever it is considered necessary to increase fees and a proposal has been forwarded for consideration by the Government for the annual adjustment of fees, similar to that applying to motor vehicles tax and third-party insurance premiums.

I would point out that the state of the Fund, with an accumulated deficit in respect of payments for police services of \$175.8 million at 30th June, 1983, has been brought to the attention of the Government and is set out in each annual report.

Yours faithfully,



Commissioner

DEPARTMENT OF MOTOR TRANSPORT
CONTRIBUTIONS RECEIVED FROM COUNCILS IN RESPECT OF
PARKING METER SUPERVISION FOR THE PERIOD ENDING 30TH JUNE, 1984

	1980	1981	1982	1983
Councils contributing towards the cost of Parking Supervision				528,742 (1982) 566,590 (1983)
Sydney City Council	385,635	472,995		1,095,332
North Sydney City Council	1,112	1,712	1,674	3,737
Newcastle City Council	32,422	48,875	39,467	95,509
Tamworth City Council	1,019	1,539	1,942	2,713
	420,188	525,121	43,083	1,197,291

TROTting AUTHORITY OF NEW SOUTH WALES

Auditor-General's Report Reference: Part II, Page 134.

Issues examined by the Committee:

- * Expenditure on Registration and revenue from registration fees.
- * Breakdown of the \$219,012 in administrative expenses incurred during 1982-83.
- * What action the Authority is taking to improve its financial position.

Authority's Response:

The Authority's response commences on the next page.

In summary: Surplus from registration fees was \$95,780 in 1982-83. The Authority provided a breakdown of administrative expenses with the major item being Salaries (\$136,489).

The Treasurer has approved of the conversion of its interest bearing advance to an interest free advance with effect from the commencement of the 1983-84 season and that interest previously accrued be now not repayable.

Result of Committee's Deliberations:

No further action required in respect of 1982-83 operations.



Trotting Authority of New South Wales



40 Raymond Street,
Bankstown.
Post Office Box 358,
Bankstown. 2200

Telex — 'Trots 25226'

Our reference: *AGM/GPE*

Your reference:

6th January, 1984.

Mr. M. Egan, B.A., M.P.,
Chairman,
Public Accounts Committee,
Parliament House,
SYDNEY. 2000.

Telephone: (02) 707-1399
Extension:

Dear Mr. Egan,

Your letter of 31st November, 1983, has been placed before the Authority and I have been asked to advise you in the following terms :

When the Authority was originally established, it was appointed in September, 1977, and at the specific request of the then Minister, the Hon. K.G. Booth, it proceeded to assume the responsibility for the control and supervision of the Trotting Industry from 1st January, 1978. It was therefore placed in the position of assuming the responsibility for the Trotting Industry at that period of the year when most of the revenue which would normally flow to the controlling body had already been collected (by the N.S.W. Trotting Club) for the financial year. It was in these circumstances that the approach was made to the Treasury in accordance with the provisions of the Trotting Authority Act to seek the advance of \$200,000.

At the time of the Authority's assumption of control, there was considerable opposition from the N.S.W. Trotting Club to the move and it was difficult for the Authority to obtain reliable information as to its operating expenses. The estimate of \$200,000 was hastily prepared on sketchy information and was aimed at providing sufficient working capital for the Authority until 30th June, 1978. Whilst from 1st July, 1978, the Authority was in receipt of the full range of income available to the controlling body of trotting, it was still under considerable difficulty in establishing with any degree of certainty its total operating expenses. It should also be borne in mind that the Authority has been faced with expenses which were additional to those experienced by the previous controlling body.

With regard to items (1) to (3) of your letter, the Authority has asked me to make the following comments :

- 1) With respect, this item appears to be in error. The accounts show income from registration at \$391,843 whilst expenditure was \$296,063 resulting in a surplus of \$95,780.
- 2) The attached list represents a breakdown of the \$219,012 in Administration expenses incurred during 1982/83.
- 3) One of the major recommendations of the Committee of Enquiry into the finances and future viability of the Trotting Industry in New South Wales was (Page 214, "The Treasury advance of \$200,000 and accrued interest outstanding at date of decision be written off by the Treasury as an establishment cost of the Authority").

As a result of this recommendation, the Treasurer has approved of the conversion of its interest bearing working capital advance to an interest free advance with effect from the commencement of the 1983/84 season, and also has given approval of the amount of interest previously accrued to be now not repayable.

This represents a significant improvement of the Authority's financial position as it relates specifically to that advance. Under the present method of funding the Authority's operations, by way of an administration charge being provided from the T.A.B. scheme of distribution, the Authority now submits its budgets to the Department of Leisure, Sport and Tourism, for subsequent approval by the Minister. The amount of the T.A.B. allocation is determined on the basis of meeting the short-fall of the Authority's funds based on its budgets for the forthcoming year. On this basis, the Authority operates on a break even point and is therefore unable to project any surplus from its operations.

The Authority is currently having further discussions with the Minister for Leisure, Sport and Tourism on the question of the Treasury advance and the related recommendations of the Committee of Enquiry. The final outcome of these discussions will have a big bearing on the future of the Authority's financial position.

Yours faithfully,


P.C. ROSE,
Secretary

ADMINISTRATION EXPENSES :

Advertising	168
Bank charges & Interest	5046
Cleaning	2169
Computer Study	5715
Depreciation & Amortisation	4472
Electricity	3182
Insurance	2788
Miscellaneous	856
Motor Vehicle Running Expenses	3077
Payroll Tax	6917
Postage & Telephone	5327
Printing & Stationery	5470
Rent	21083
Repairs & Maintenance	255
Salaries	136489
Security	2209
Subscriptions to Aust.Trotting Cncl.	8000
Superannuation - Employer Contributn.	1004
Travelling Expenses	4785

TOTAL ADMINISTRATIVE EXPENSES \$ 219012

**UNCOLLECTED PARKING AND TRAFFIC FINES
- POLICE DEPARTMENT, AND DEPARTMENTS OF MOTOR TRANSPORT,
CORRECTIVE SERVICES AND OF ATTORNEY GENERAL AND OF JUSTICE**

Auditor-General's Report Reference: Part I, Page 37.

Issue examined by the Committee:

The extent of uncollected parking and traffic fines which has led to the Police Department having a backlog of unexecuted warrants of commitment.

Department's Responses:

The responses from the various Departments have not been included in this report as the Committee's review is still in progress and it is expected a separate report will emanate from this review.

The various Departments have also given evidence before the Committee.

Result of Committee's Deliberations:

The Committee's review is in progress and it is expected a separate report will be published when the review is finalised.

Auditor-General's Report Reference: Part II, Page 141.

Issues examined by the Committee:

There were a number of issues examined by the Committee and these included:

- * The reason for the growth in the University's aggregate funds from \$82.7 million as at 31 December, 1981, to \$97.5 million as at 31 December, 1982.
- * A breakdown of the investments held by the University as at 31 December 1982 and the University's investment policy.

University's Response:

The University's response commences on the next page.

Hearing 1 August, 1984:

Following the Committee's review of the University's response, officers of the University were called to give evidence before the Committee on 1 August, 1984.

Issues examined in the hearing included the growth in the University's aggregate funds, the \$8 million held in suspense or discretionary accounts as reported by the Auditor-General and the value of the University's land and buildings.

Result of Committee's Deliberations:

Further action deferred pending the Committee's review of the 1983-84 Auditor-General's report.



The University of Sydney

N.S.W. 2006

FROM THE VICE-CHANCELLOR AND PRINCIPAL
PROFESSOR J.M. WARD, AO, MA, LLB, FAHA, FASSA, FRAHS

20 January 1984

Mr Michael Egan, BA, MP,
Chairman
Public Accounts Committee
Parliament House
SYDNEY NSW 2000

Dear Mr Egan,

I refer to your letter of 14 December 1983 in which you request the supply of answers to questions arising out of the 1982/83 Report of the New South Wales Auditor-General.

In his report, which covers numerous public bodies, the Auditor-General summarises the information contained in the published accounts of the bodies concerned. Pursuant to the provisions of the University and University Colleges Act, the University submits its accounts to the Minister who is required to submit them, audited by the Auditor-General, to the Legislative Council and the Legislative Assembly. The 1982 accounts were so submitted to the Minister and, indeed, have already been the subject of enquiries by your Committee.

Many of the answers sought by you are contained in these accounts. Some of your questions could be interpreted as requiring apparently a degree of detail that is hard to provide without being sure of your wishes.

I therefore enclose a copy of the 1982 accounts and will, in answers to your questions, refer to the page numbers in the attached copy of them. I would particularly refer you to my report (on page i) and to the notes on pages 11 and 12 which outline the nature of the various accounts maintained by the University and detail the accounting policies under which the financial statements have been drawn up. These notes are fundamental to reading our accounts.

1. The Aggregate Funds of the University as at 31 December 1982 (with comparative figures for 1981) shown by the Auditor-General in his report on page 144 and the subject of your query in the preamble to Question 1 (\$82,720,694 - 1981 not 1982 as wrongly given in your letter - and \$97,523,860 - 1982) appears to have been compiled by the Auditor-General by aggregating the balances as disclosed in the accounts, making a number of adjustments in the case of the Special Purposes Fund.

The surplus of Income over Expenditure in the University's annual accounts discloses how aggregate funds have increased and I refer you in the case of the General Account to page 2, in the case of the Special Purposes Account to pages 5 and 7 and in the case of the Private Foundations Account to page 9.

The movement in balances of Special Purpose Accounts is more fully detailed in Note B7 on page 16, while the movement in Capital and Accumulated Income of the Private Foundations Account is the subject of Note E12 on page 18. The Post-Graduate Fund in Medicine was incorporated within the Special Purposes Account (as was stated (Note A1) on page 11).

The Auditor-General appears to have calculated the figure of Aggregate Funds of the Special Purposes Account by making a number of adjustments. Perhaps you should confirm with the Auditor-General that the University correctly interprets his adjustments as being:

	1981 \$	1982 \$
(i) Special Purposes Account - Unexpended balances - see page 6 (less Post-Graduate Fund in Medicine which was incorporated in 1982 in Special Purposes Account)	48,783,623	53,943,766
	<u>66,349</u>	
	48,717,274	
(ii) Special Purposes Account - Pensions & Long Service Leave - see page 7		
- Pension Fund	4,654,622	6,168,129
- Long Service Leave Provision	4,479,230	5,374,611
Provisions made by the University		
(iii) - to meet the costs of property acquisition, road resumptions and closures	2,000,000	4,000,000
(iv) - for possible losses on mortgages	802,507	738,907
(v) - being undistributed capital gains accruing to participants in two share investment pools	219,737	274,293
(vi) - (in a number of particular instances) for possible future contingencies	25,835	40,608
	<u>60,899,205</u>	<u>70,540,314</u>
Auditor-General's figure	<u>\$60,899,000</u>	<u>\$70,540,000</u>

1(a). See Schedule B7 (on page 16)

1(b). The University of Sydney is one of the major recipients in this country of research grants, no doubt a reflection of the expertise and research capacity existing within the University. Most, but not all, research grants are received in advance and the funds are held in trust to meet commitments, particularly salaries and equipment purchases, as they emerge.

The University has seen the need to increase the support of the community and has therefore established a number of University Foundations. As you will observe from the table set out on page 16 of the accounts, significant funds have been attracted by the Foundations. In many cases, the funds are retained as "capital" to endow continuing research activities.

- 1(c). N.S.W. State Cancer Council grants are made in response to applications by staff members for support of specific programmes. In addition the University's Cancer Research Committee annually considers requests for support and makes allocations to individual projects considered worthy of support. The University's sponsorship of the proposal for the establishment of the Centenary Institute for Cancer Medicine and Cell Biology and its ability to contribute to its establishment results from the availability of the funds mentioned. It will enable systematic and cohesive effort in the field of Cancer Research rather than, as has occurred to date, fragmented research into isolated aspects.
- 1(d). The balance of \$30,059,307 comprises the three last mentioned items in the table on page 16. As the Auditor-General points out, \$8m of this sum is in "six suspense or discretionary accounts" which need to be viewed in "the light of the progressively emerging commitment" for the "unfunded liability for long service leave, professorial pensions and superannuation contributions". This \$8m is insignificant in the light of the liabilities totalling \$200m in respect of Long Service Leave (disclosed in Note C9 as \$14m), Professorial Superannuation (disclosed in Note C8 as \$20m) and State Superannuation (as you are aware, recently assessed by the Government Actuary at \$165m).

In addition to the building and equipment grants which have yet to be paid out - although commitments have been entered into - the funds comprise many hundreds of individual accounts held to support work in almost one hundred departments or areas of activity. Major balances totalling approximately \$7m include the bequests of Eleanor Sophia Wood, Frank G. Spurway, Dr E. E. Pittman, J. H. Challis, where decisions have been taken to retain "capital" and limit expenditure to within available income thereby perpetuating the benefits to future generations. Most of these bequests are invested in equities - shares and real estate - and the retention of these assets will be of continuing lasting benefit to the University. As the Auditor-General notes "An analysis by the University showed that shares recorded at \$11,314,676 had a market value approximately \$16.2 million". A more significant increase in value would apply in the case of Challis House. (Book value \$3,241,020 - Last valuation \$15m)

The fund also includes numerous balances of donations made to support the work of various departments. The list is extensive but includes such funds as:-

Warren Centre for Advanced Engineering	\$ 730,069
Raymond Purves Chair of Surgery in the field of Transplantation	401,608
The Marjorie Murray Bequest to support the work of the N.S.W. Association of University Women Graduates	151,113
Hong Kong Government Glide Path Study	149,666
N.S.W. Government Grant to Science Foundation for Physics for Solar Energy Research	84,834*
Friends of the Nicholson Museum	2,525
Department of Greek - Special Donations	57

* The statement submitted to the Energy Authority noted that, while funds in hand were as noted, commitments of \$91,309 exceeded these.

Regular accounting is supplied to most granting bodies and most University Foundations publish reports incorporating financial statements. (All have budget approval by Senate.) Such accountings to granting bodies - who need to be satisfied as to the use made of the grants - incorporate statements of commitments for future expenditure which the University has entered into and which almost always utilise the full grant as well as other available funds. Thus, the University sees nothing untoward in having unexpended research funds available to support continuing future activities.

- 1(e). The University was encouraged to acquire properties in the University Extension Area by regular grants for site purchases from the Australian Universities Commission (now the Commonwealth Tertiary Education Commission); indeed, the wording of Commission reports implied continued support until the two areas (35 and 9 acres respectively) had been acquired.

As the University acquires entire parcels of land, it becomes possible to secure the closure of roads passing through those parcels. The cost of acquiring these areas and the cost of the resumption of closed roads has been estimated at \$6m. Already funds to an amount of \$4m have been set aside to meet this cost.

- 1(f). The Auditor-General's report refers to "Provision for Mortgage Losses, etc \$1,053,179". Only \$738,907, as is disclosed in the accounts, relates to a Provision for Mortgage Losses. In this regard, the schedule of investments on pages 13 and 14 discloses that the continuing programme of investment in first mortgages had resulted in \$14,473,741 being outstanding on loans upon the security of first mortgages as at balance day. Not all income has been distributed but a part, \$738,907, has been retained to provide against possible losses. The amount is just over 5% of the amount outstanding and, although the University's experience with mortgage lending has been extremely satisfactory, the provision is considered to be wise, reasonable and proper.

2. See Schedule D3 (page 13)

3. The University's powers of investment of its own funds are set out in By-Law Chapter IV.12 - copy attached. Trust funds are subject to the provisions of the Trustee Act. The University's request for extended powers of investment is under consideration by the Government. The University seeks to have a balanced portfolio attracting reasonable income consistent with safety but endeavouring, by the retention of some equity investments, to protect the endowment from monetary depreciation.

The success of the University's efforts to improve investment policies and practices has been noted by the Senate which, over ten years ago, created an Investment Office to manage this aspect of the University's finances.

4. The figure of \$2,437,000 mentioned by the Auditor-General is the sum of:

\$1,289,672 - Unrecouped expenditure on freehold properties (page 4)
and
\$1,147,512 - Car Park (page 6)

which are the subjects of Notes 11 and 2(e) to the accounts.

As indicated above, the University has, for many years, acquired properties in the Darlington area for the extension of the campus. Funds for these acquisitions have been provided by regular grants from the Australian Universities Commission. With the acquiescence of the Commission, purchases were made in anticipation of the receipt of grants.

As is disclosed in the notes to the accounts, the University expects to be reimbursed for both these expenditures but has nevertheless, fully provided for the contingency that reimbursement will not be forthcoming.

5. This is the aggregate of Debtors and Prepayments listed in the separate accounts:-

General Account	\$1,084,290
Special Purposes Account	1,618,245
Private Foundations Account	<u>1,795,891</u>
	<u>\$4,498,426</u>

Apart from the normal debts due to the University in respect of services provided (e.g. by the Veterinary Hospital and Clinics, various consultancies, library fines and student loans) the amount includes prepaid salaries of staff on annual or study leave (\$560,000) and insurance claims (\$108,000). The large amount shown in respect to the Private Foundations account relates to the sale of a parcel of shares made shortly prior to balance day, the proceeds of which were received early in the new financial year.

Yours sincerely,



THE UNIVERSITY OF WOLLONGONG

Auditor-General's Report Reference: Part II, Page 169.

Issues examined by the Committee:

- * The University providing \$10,000 to the Friends of the University of Wollongong.
- * A breakdown of the \$4,462,678 increase in General Fund expenditure in 1982.
- * A breakdown of investments, rates of return and investment policy.

University's Response:

The University's response commences on the next page.

In summary: The \$10,000 provided to the Friends of the University of Wollongong was one of the initial grants to enable this Company to be formed and undertake operations. The main increases in General Fund expenditure were academic activities, \$3,035,705, and general university services, \$1,001,192. Reasons for the increases were increased activity due to an increasing number of students and the higher costs for goods and service. Investment information was provided by the University.

Result of Committee's Deliberations:

Other than the Inquiry into Investment Practices of Statutory Authorities no further action is required in respect of the 1982 operations.



THE UNIVERSITY OF WOLLONGONG

VICE CHANCELLOR DR. K. R. MCKINNON

6th January, 1984.

The Chairman,
Public Accounts Committee,
Parliament House,
SYDNEY. N.S.W. 2000.

Dear Sir,

In reply to your letter AG83/33 of 5th December, 1983, I believe it will be of help to your Committee to have an appreciation of the factors which influence the management of our University's financial resources.

I am assuming that the Committee has available, not only the report of the Auditor General for 82-83, but also the University of Wollongong Financial Statement for the year ended 31st December, 1982, as tabled in Parliament. The format of this statement has been developed in conjunction with the Auditor General.

These financial statements include only the value of the cash and invested securities, some of which represent funds invested to meet liabilities for Superannuation, Long Service Leave and other such items. The income earned on these investments is credited to the fund to meet expected liabilities. Payments made in respect of specific liabilities are debited to each fund as they are made. The extent to which the University is able each year to increase the provisions to cover forecast liabilities relates to the availability of resources. The University has sought to make sufficient provisions to cover anticipated payments while maintaining a capacity to perform its statutory functions.

In addition to the funds invested for specific liabilities, the University invests credit balances held in other accounts where there is a surplus. The income is credited to the fund concerned; e.g., income of investment of current balances of capital funds is credited to the General Development Fund; income from investment of current balances of general recurrent funds is credited to the Special Services Appropriation Account. Details of movements in these funds over the year are given in Annexure F to the Financial Statement for year ended 31st December, 1982. The Special Services Appropriation Accounts has been used as a supplementary source of income to the General Recurrent Fund to help to reduce the operating deficit necessitated by grant shortfalls in recent years.

Cont/2

P.O. BOX 1144 [NORTHFIELDS AVENUE], WOLLONGONG, N.S.W. 2500 AUSTRALIA

Phone: (042) 270555 Telex: 25022. Cable: UNIOFWOL

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Dealing with the specific matters you have raised -

- (1) Following a resolution of the Council of the University, The Friends of the University of Wollongong was incorporated as a Public Company in New South Wales on 1st December, 1980. Its objects which are summarised on page 172 of the Auditor General's Report are more fully stated in clause 2 of the Articles of Association. (A copy of the Memorandum and Articles of Association is enclosed.)

Before the Council of the University authorised the registration of this Company, the Vice-Chancellor consulted widely with community representatives on ways in which the University might best improve its 'service to the community'. A special advisory group was formed which included the then President of the A.C.T.U. Mr. R.J. Hawke, and the Managing Director of C.R.A., Sir Roderick Carnegie, and the formation of the Friends as presently constituted was the direct outcome of that advice.

To enable this Company to be formed and undertake initial operations which are planned to yield income which the University can use for purposes complementary to those for which government grants are provided, it was judged by the University Council a proper expenditure to provide initial grants. It is expected through this Company the University will gain returns in cash and also in community understanding of and support of its activities and functions.

This expenditure was authorised by the University Council pursuant to clause 25 of the University of Wollongong Act which provides for the Council to have

"the control and management of the affairs and concerns of the University."

- (2) The increase in General Fund Expenditure of \$4,462,678 is made up of the following components:

Academic Activities	\$3,035,705
Academic Services	427,004
Student Services	25,089
General University Services	1,001,192
Public Services	<u>-26,312</u>
	\$4,462,678

These figures are derived from the differences between the 1981 and 1982 expenditure figures in Annexure 'A' to the Financial Statement (copy appended). The breakdown of these differences is given in the Notes to the Financial Statements, Annexure H, page 10, 11 and 12.

The figures reflect the increase in activity of the University resulting from an increasing number of students (in part by incorporation of the activities of the former Wollongong Institute of Advanced Education) (see Note 12, page 13 of the Financial Statement). and to higher cost levels for goods and services resulting from inflation.

- (3) The detailed breakdown of investments at 31st December, 1982 is given in Statement 'A' appended.

Cont/3

The increase in the value of investments is attributable to several causes. The incorporation of the former Wollongong Institute of Advanced Education, for example, brought with it the Advanced Education Development Account with a balance at 31st December, 1982 of \$427,664. (See Annexure F to the Financial Statement.) There were significant increases in the level of "Provisions" \$918,351 -- see statement of Balances on page 1 of the Financial Statement, in particular, Long Service Leave increased by the \$504,695 (Note 11(ii) of Annexure H, page 13); and the State Superannuation Pension Subsidy also increased by \$326,214 (Note 11(iii) of Annexure H, page 13).

The Government Grant received in advance increased by \$793,000 -- see Statement of Balances on page 1 of the Financial Statement under Current Liabilities. See also Note 10 of Annexure H on page 13.

These changes all reflect a larger institution with a higher level of activity and the effects of inflation.

- (4) The rate of return on investments is also shown on Statement 'A' appended. The wide variations in the rate of return reflects the state of the market at the time when funds become available. For example, the very low return of 7%, on the \$5,800,000 advance for 1983 general recurrent grant, received just before Christmas, reflected the surfeit of investment funds in the period of the Christmas and New Year holidays. These funds were invested only until 18th January, 1983.
- (5) The investment policies being pursued by the University are:
- (a) To ensure the University has available at call or in short period investments, a sufficiency of cash to meet operating costs, thereby avoiding use of overdraft accommodation at high interest rates for operating expenses.
 - (b) To invest in trustee securities, reserve funds with varying dates of maturity so as to maximise investment income and provide a spread of risk and the ability to accommodate to the changes in interest rates available at the time of maturity.
 - (c) To invest in real property where there is an identified need for additional facilities for the functions of the University and adequate cash and investment reserves exist to meet foreseen requirements for more negotiable assets.

Finally, let me say that it is a matter of concern to the University that prior to any inquiry being addressed to the University, the Sydney Morning Herald of 19th November, 1983 carried a news item titled 'Probe into big Spending' which among other matters, referred to an expectation that the Committee would seek reasons for the University subsidising the Friends of the University.

Yours faithfully,



K.R. McKinnon
Vice-Chancellor.

Enclosed: Articles of Association
of Friends of the University of Wollongong Limited
and The University of Wollongong Financial Statement

STATEMENT 'A'

THE UNIVERSITY OF WOLLONGONG

INVESTMENTS AS AT 31st December, 1982

	% Interest Rate	Maturity Date	Face Value
<u>(1) FIXED INVESTMENTS</u>			
<u>Australian Resources Development Bank</u>			
No. 37	10.50	31.3.84	150,000
No. 42	9.60	30.9.83	200,000
No. 947T - Private	13.85	30.6.85	100,000
No. 944BL - Private	11.00	30.9.84	100,000
No. 946E - Private	12.45	30.9.85	50,000
			<u>\$600,000</u>
<u>Primary Industry Bank Australia</u>			
Private	13.25	31.3.85	200,000
Private	17.50	8.6.84	250,000
Private	17.50	30.6.84	500,000
			<u>\$950,000</u>
<u>M.W.S. & D. Board</u>			
No. 2100	10.40	1.7.83	<u>\$100,000</u>
<u>Electricity Commission of N.S.W.</u>			
No. 1100	12.20	1.3.85	<u>\$200,000</u>
<u>Main Roads Department of N.S.W.</u>			
No. 465	15.50	1.12.85	<u>\$500,000</u>
<u>Commonwealth Savings Bond</u>			
No. 23	13.75	1.3.90	<u>\$200,000</u>
			<u>TOTAL OF FIXED INVESTMENTS</u>
			<u>\$2,550,000</u>
<u>(2) INTEREST BEARING DEPOSITS</u>			
Westpac Banking Corporation	15.90	11.1.83	250,000
Commercial Banking Co. of Sydney	7.00	18.1.83	5,800,000
NCD (Capel Court) - State Bank	15.15	11.8.83	453,506
			<u>TOTAL OF IBD INVESTMENTS</u>
			<u>\$6,503,506</u>

Cont/2

Investments as at 31st December, 1982

	% Interest Rate	Maturity Date	Face Value
<u>(3) CALL INVESTMENTS</u>			
Capel Court Corporation	8.50	Call	650,000
First Federation Discount Co. Ltd.	9.50	Call	300,000
Illawarra Mutual Building Society	12.50	Call	<u>45,000</u>
TOTAL OF CALL INVESTMENTS			<u>\$995,000</u>
<u>TOTAL INVESTMENTS</u>			<u><u>\$10,048,506</u></u>

URBAN TRANSIT AUTHORITY OF NEW SOUTH WALES

Auditor-General's Report Reference: Part II, Page 358.

Issue examined by the Committee:

- * In regard to Assets-Workshop store discrepancies reported by the Auditor-General, what steps have been taken to ensure that physical control of stocks of omnibus parts is effective.

Authority's Responses:

After reviewing the Authority's initial response the Committee sought further information from the Authority. The initial response is on the next page and the second response follows.

Result of Committee's Deliberations:

Further action deferred pending the Committee's review of the 1983-84 Auditor-General's report.



802204

Managing Director

Urban Transit Authority
of New South Wales

11-31 York Street
Sydney NSW 2000

Box 5301 G.P.O.
Sydney NSW 2001

Mr. Michael Egan, B.A., M.P.,
Chairman,
Public Accounts Committee,
PARLIAMENT HOUSE, SYDNEY 2000

13th January, 1984


1982-83 Report of the New South Wales Auditor General
Part II p. 362: Assets - Workshop Stores Discrepancies.

I write in reply to your letter of 19th December, 1983 (reference AG 83/60) requesting advice on comments by the Auditor-General in his 1982-83 Annual Report relative to the effectiveness of physical control of omnibus parts at the Bus Workshop.

The Authority has recently built a bulk storage building to augment the storage facilities at Chullora Workshop. The movement of large bulk items from the Main Store into the bulk storage area will allow the layout of the main stock storage area to be reviewed. This review will include more restricted access to this area.

It is intended to upgrade and modernise the Authority's computer based stock control and reporting system, which is now many years old, as part of the present programme for generally updating E.D.P. systems. To this end finance has been allocated in the Capital Works Programme.

In the meantime arrangements have been made to ensure that selected readily marketable articles held in stock are given more frequent stock checking attention.


R. A. FORBES,
Acting Managing Director.



802204

Managing Director

Urban Transit Authority
of New South Wales

11-31 York Street
Sydney NSW 2000

Box 5301 G.P.O.
Sydney NSW 2001

8th August, 1984

Mr. R. Carr, M.P.,
Chairman,
Public Accounts Committee,
PARLIAMENT HOUSE.
SYDNEY. N.S.W. 2000

Dear Mr. Carr,

1982/83 Report of the New South Wales

Auditor General, Part II p. 362:

Assets - Workshop Stores Discrepancies

In response to the further question contained in your letter of 22nd June, 1984 relating to measures taken to ensure that physical control of omnibus parts is effective, the following information is offered.

1. The stockholding and issue area of the Chullora Main Store is to be fenced off to cause personnel entering the Store from the Workshop to pass the Supervising Storeman's Office.

The Delivery and Despatch Docks will also be fenced off to form a restricted access area.

2. A new computer facility (Info 6) has been introduced. This facility now allows more extensive information to be available concerning stock on hand at all Bus System Stores and will allow the production of up to date catalogues of stock held. Info 6 is the forerunner of the comprehensive upgrading of the Stores System previously advised. Study, report and implementation of a computer based stores system will take at least 2 years.
3. The Controlling Officer of the Stores Section now selects items at random for special stock checking. This procedure is being done at monthly intervals and physical stock of the selected items are checked against card information and computer balances.

I trust that this information will allow your Committee to complete its consideration of this matter.

Yours sincerely,

R. A. FORBES,
Acting Managing Director.

WILD DOG DESTRUCTION BOARD

Auditor-General's Report Reference: Part II, Page 308.

Issues examined by the Committee:

- * No repayments being made to the Treasury in 1982 on the Treasury advance of \$50,000 provided in 1980.
- * Justification for the rate imposed on land holdings for 1982 decreasing from 2 cents to 1.45 cents per hectare.

Board's Response:

The Board's response commences on the next page.

In summary: The Board has accepted a proposal that the Treasury loan be repaid with the first instalment of \$10,000 being paid before 1 January, 1984, and the balance of \$40,000 payable over 4 years at 8% per annum interest. The 1981 rate was set at 2 cents per hectare to help pay off a loan of \$330,000 for the purchase of 200 km of plastic-coated wire netting. The rate of 1.45 cents per hectare in 1982 was to meet normal operating expenses.

Result of Committee's Deliberations:

No further action is required in respect of 1982 operations.

Wild Dog Destruction Board

(FOR THE WESTERN DIVISION OF NEW SOUTH WALES)

Please address all communications to
The Secretary.

Postal Address:
P.O. Box 279
Telephone 3322

253 Argent Street.
BROKEN HILL.
N.S.W. 2880.

30th December, 1983

Mr. M. Egan, M.P.
Chairman
Parliament Accounts Committee
Parliament House
SYDNEY 2000

Dear Mr. Egan,

Thank you for bringing to my attention the extract from the report of the Auditor-General for 1983 (your reference AG 83/53).

The item in the Auditor-General's report made no reference to the fact that the 2¢ per hectare in 1981 was a "one-off" doubling of the 1¢ per hectare set in the previous year. The double rate was set, with appropriate explanations to the ratepayers, in an attempt to pay off, as quickly as possible, a loan of \$330,000 which had been entered into to purchase 200 km of plastic-coated wire netting. This purchase had the object of overcoming the rust problem in highly saline soils which necessitates replacement of galvanised foot-netting every 5 years or so.

It was explained to ratepayers that the rate would revert in 1982 to that needed to meet normal operational costs.

The effect of "one-off" increase in rates is shown in the attached diagram showing also, for comparison, the movement in the annual allocation from the State Government.

Legislation having the object of tying this to the previous year's rate income to overcome the lag in having the Wild Dog Destruction Act amended frequently has had to be deferred pending the tabling of the report of the Joint Parliamentary Select Committee of Enquiry into the Western Division. Consequently, the rate increase in recent years has been at a much higher rate than would have been the case had it been possible to maintain parity between rates income and annual allocation.

In respect of the repayment of the loan, the Board has accepted a proposal that the loan be repaid by paying the first instalment of \$10,000 before the 1st January, 1984, with the balance of \$40,000 payable over 4 years at 8% per annum interest.

Yours faithfully,


R.W. CONDON
WESTERN LANDS COMMISSIONER

