

**Public Accounts
Committee
Parliament of New South Wales**

**Annual Report
Year Ended 30 June
1989**

Erratum

Paragraph 2 on page 31 (on right hand side of page) is incorrect and should therefore be ignored. The following is the full text of that paragraph.

"The expenditure by the Committee for stores and equipment purchases in 1988-1989 was \$11,027. In the interest of full disclosure the pattern for total expenditure is graphed below as well as monthly expenditure on stores and equipment."

The New South Wales Public Accounts Committee is composed of five members of the Legislative Assembly of the New South Wales Parliament. Its functions and powers are defined in the Public Finance and Audit Act and its role generally is to serve as a Parliamentary watchdog of government expenditure to ensure that government organisations are implementing government policy as efficiently and effectively as possible.

The Public Accounts Committee

Annual Report Year Ended 30 June 1989

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MEMBERS OF THE PUBLIC ACCOUNTS COMMITTEE

The members of the Public Accounts Committee of the Forty-Ninth Parliament are:

Mr Phillip Smiles, LL.B, B.Ec, MBA, Dip.Ed, MP, Chairman

Mr 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 small business, emergency services, welfare and financial analysis. He was appointed a Member of the Public Accounts Committee in 1984 and was elected Chairman in 1988.

Mr George Souris, B.Ec, Dip.Fin.Mangt, FAIM, FASA, CPA, MP, Vice-Chairman *

George Souris was elected Member for Upper Hunter in 1988. An Accountant in public practice for 12 years, George Souris also served as a Shire Councillor in Singleton for 7 years, 4 of which were as Deputy President. At University, he was a Rugby Blue, represented NSW Country, Aust. Universities and Australian Colts rugby teams. He is the NSW Parliament's appointed Member of the University of Newcastle Council. George Souris has experience in taxation and business management and an interest in financial analysis. He is a member of Rotary and other community organisations.

* Mr G. Souris, MP, Member for Upper Hunter was appointed to the Committee on 23rd February, 1989, and elected Vice-Chairman on 2nd March, 1989. Mr Souris replaced Ms W. Machin, MP, who was appointed to the position of Chairman of Committees, on 23 February, 1989

Mr John Murray, BA, MP

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 and served four years as Councillor on Sydney County Council. He has served as a member of the Prostitution Committee and the House Committee, and is a former Chairman of the Public Accounts Committee.

Mr Allan Walsh, BA(Hons), Dip.Ed, MP

Allan Walsh was elected Member for Maitland in September, 1981. Following eight years as a Mirage fighter pilot with the RAAF, he was involved in business management. Allan Walsh has also taught industrial relations, management and history at technical colleges.

Mr Terry Griffiths, MP

Terry Griffiths was elected Member for Georges River in 1988. Prior to being elected to Parliament he was the Chief Executive of the Scout Association of Australia. Before this he was an Army Officer. He is a graduate of the Officer Cadet School Portsea, a graduate of the School of Military Engineering and a Fellow of the Australian Institute of Management. He has been actively involved in Lions, Rotary and other community organisations.



From left:
Phillip Smiles (Chairman), George Souris (Vice Chairman), Allan Walsh, Terry Griffiths, John Murray

HIGHLIGHTS OF THE YEAR

Adoption of Corporate Plan for the Committee, *July 1988*

Annual Report Year Ended 30 June 1988, *tabled September 1988*

Inquiry into The Darling Harbour Authority, *commenced September 1988*

Seminar on "Improving Public Accountability", *Sydney, October 1988*

Report on The Management of Arson in the Public Sector, *tabled December 1988*

Report on Payments Without Parliamentary Appropriation, *tabled February 1989*

Report on The New South Wales Ambulance Service, *tabled February 1989*

Examination of Public Sector Accounting and Reporting, *commenced April 1989*

Sixth Biennial Conference of Public Accounts Committees, *Brisbane, May 1989*

Establishment of the Australasian Council of Public
Accounts Committees (ACPAC), *May 1989*

Report on Payments to Visiting Medical Officers, *tabled June 1989*

CHAIRMAN'S REVIEW



Phillip Smiles, M.P.,
CHAIRMAN

The growth of State Government spending in recent years and the increasing complexity of government activities mean that it is more important than ever to attain economy, efficiency and effectiveness in government operations and programmes. The Public Accounts Committee is striving to make a contribution to achieving that goal through its extensive inquiry programme and its search for new ways to more effectively carry out that work.

During the 1988/89 financial year, the Committee's investigations have covered a broad range of public sector issues, on occasions establishing new boundaries to what might be considered traditional areas of inquiry. Some have involved issues of financial management and control, and of economy and efficiency in management, such as the Reports on the Management of Arson in the Public Sector and the New South Wales Ambulance Service. I am pleased to report that the recommendations contained in these reports have been and are being, in various measures, addressed by the relevant Ministers.

Other reports have taken a wide view of value for money. The Report on Payments to Visiting Medical Officers (VMOs), which generated the most public, government and academic interest this year, reviewed the reasons for the large increase in payments to VMOs since 1982 and whether value for money was obtained by the increase.

In pursuance of the Committee's watchdog role and fulfilment of its statutory functions, we reported on Payments Without Parliamentary Appropriation. This report enabled the Committee to consider in detail the interaction between various Government Departments and the State Treasury.

The Committee also sought to strengthen the legislative accountability process through reviewing proposed reforms to the Public Finance and Audit Act.

Current activities include the Committee's most extensive investigation to date, the Darling Harbour Authority Inquiry. It is anticipated that the Committee will table its report before the end of this year.

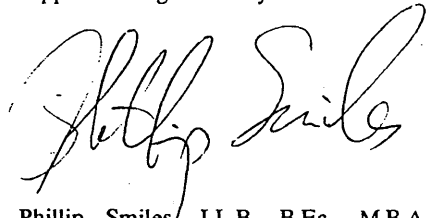
An examination of Public Sector Accounting and Reporting is also nearing completion. This examination addresses compliance with annual and financial reporting requirements for departments and statutory authorities - areas that the Committee was committed to follow up after findings in previous reports. It highlights the issue of financial disclosure and other reporting requirements and the general accountability of commercially oriented government enterprises.

Particular importance was placed, this year, on monitoring the impact of the Committee's investigations. The Committee will continue its follow-up program and will expect in future to be formally advised on what action has been taken in response to its findings and recommendations.

The Committee has also sought to increase the awareness of the public, Parliamentarians and the public sector of the objectives of the Committee through championing the formation of the Australasian Council of Public Accounts Committees in May this year, and convening a seminar on "*Improving Public Accountability*" in October last.

I would like to place on record the Committee's thanks to former Members and staff. Ms Wendy Machin became Chairman of Committees in February 1989 and we are indebted to her contribution to the Committee. Mr George Souris, M.P., Member for Upper Hunter, replaced Ms Machin and succeeded her as Vice-Chairman of the Committee. Mr John Horder, Clerk to the Committee, and Ms Bronwyn Richardson, Senior Project Officer, have moved to new areas

of employment. The Committee was greatly assisted by their high calibre work and dedicated service over the past years. Finally, I wish to commend all staff for their diligence and loyalty and to thank my Committee colleagues, Messrs Terry Griffiths, John Murray, George Souris and Allan Walsh for their dedication and support throughout the year.



Phillip Smiles, LL.B, B.Ec., M.B.A.,
Dip.Ed., M.P.,
CHAIRMAN.
PUBLIC ACCOUNTS COMMITTEE
PRESIDENT, AUSTRALASIAN
COUNCIL OF PUBLIC ACCOUNTS
COMMITTEES

MISSION STATEMENT, AIMS AND OBJECTIVES

MISSION STATEMENT

To serve the Parliament and thereby the taxpayer by:

- * acting as Parliamentary watchdog of Government expenditure;
- * ensuring Government organisations implement government policy as efficiently and effectively as possible;
- * promoting value for money in the public sector; and
- * ensuring greater accountability to Parliament and the public.

AIMS

- * to increase the efficiency and effectiveness with which Government policy is implemented;
- * to increase the public sector's awareness of the need to be efficient, effective and accountable for its operations; and
- * to increase the awareness and understanding of Parliamentarians and members of the public of the financial and related operations of government.

OBJECTIVES FOR 1989/90

- * to complete the Inquiry and report on the operations of the Darling Harbour Authority;
- * to complete an examination and report on public sector accounting and reporting;
- * to undertake an inquiry into the role and functions of the NSW Auditor-General's Office;

- * to undertake an inquiry into selected aspects of the administration of the New South Wales Legislative Assembly;
- * to undertake an inquiry into selected aspects of the management of national parks in NSW;
- * to undertake an inquiry into selected aspects of the State's administration and management of forests;
- * to undertake an inquiry into government motor vehicles with particular reference to fleet management;
- * to review the provision and administration of Government employee staff housing throughout the NSW public sector;
- * to examine the anomalies and deficiencies highlighted by the Auditor-General in his Report for 1989;
- * to conduct a seminar at Parliament House on public sector accountability;
- * to inquire and report on matters related to the accounts referred to the Committee by the Legislative Assembly, a Minister or the Auditor-General;
- * to examine payments in 1988/89 made in accordance with Section 22 of the Public Finance and Audit Act, 1983; and
- * to seek formal advice on what action has been taken in response to recent Committee inquiries, findings and recommendations.

CHARTER AND PROCEDURES

The Public Accounts Committee is a Committee of the Legislative Assembly of the New South Wales Parliament, established to exercise Parliament's review powers over the efficiency, effectiveness and accountability of the public sector.

As such, the Committee plays a vital role in our democratic system. Members of Parliament, as representatives of the people, are responsible to the public, as governments and their bureaucracies are responsible to Parliament.

The importance of this role has been recognised in recent years as government expenditure has increased, and demands on government for services have grown. Concomitant with these developments has been a growing public concern with ensuring that the taxpayer is receiving value for money in relation to expenditure in the public sector.

LEGISLATION

In recognition of these trends, the New South Wales Public Accounts Committee, originally established by the Audit Act 1902, received additional powers under the Audit (Public Accounts Committee) Amendment Act 1982. The latter legislation was replaced by the Public Finance and Audit Act 1983, which came into force on 6 January 1984 (Appendix 1).

A brief history of the evolution of the Public Accounts Committee is contained in Appendix 2.

Under the Public Finance and Audit Act 1983, the Committee is empowered:

- * to examine the Public Accounts;
- * to examine the accounts of Statutory Authorities;
- * to examine the Auditor-General's Report and related documents;
- * to report to the Legislative Assembly upon any items in, or circumstances connected with, these accounts, reports or documents;
- * to report to the Assembly on any alteration the Committee thinks desirable in the form of the accounts, or in the method of keeping accounts, or the receipt, expenditure or control of money;
- * to inquire into and report to the Assembly on questions relating to the accounts referred to it by the Legislative Assembly, a Minister or the Auditor-General; and
- * to inquire into and report on any expenditure by a Minister of the Crown made without Parliamentary sanction or appropriation or otherwise than in accordance with this Act or any other Act.

The Committee is permitted, under specific circumstances, to inquire into Government policy. While the Committee does not seek to question the adequacy of Government policy, it must inform itself about the nature of Government policy in order to determine whether policy is being adequately implemented.

The Committee, therefore, may question witnesses on matters relating to the implementation of Government policy, such as management decisions made by a departmental official administering policy.

The Committee also considers that a necessary part of its function is to inquire into present administrative policies and practices, in addition to past accounts.

The Committee is not subject to the Freedom of Information Act, 1989.

PROCEDURES

Public Accounts Committee inquiries may result from a reference from a Minister, the Auditor-General or the Legislative Assembly, or may be initiated by the Committee itself. Inquiries initiated by the Committee usually result from matters raised in the Auditor-General's Report or information received from members of the public.

Of the forty-five reports, which the Committee tabled to 30 June, 1989, 10 arose from references from a Minister, 5 from references from the Treasurer and 4 from references from the Auditor-General. Appendix 3 summarises the origin of Committee inquiries and reports.

INQUIRIES ARISING FROM A REFERENCE

Specific references from a Minister, the Legislative Assembly or the Auditor-General are an important source of Committee inquiries.

In these inquiries, once terms of reference are established, advertisements are placed in the press informing the public of the inquiry and seeking submissions from interested parties.

Letters or questionnaires may be written to Government organisations or private

bodies seeking information or submissions.

Information and submissions received by the Committee are analysed by the Committee. Organisations and interested parties may then be called to give evidence at a public hearing.

The Committee finds field inspections particularly useful in getting a first hand view of an organisation. The major inspections carried out by the Committee during 1988/89 are listed in Appendix 4.

Following the collection of all necessary information, a report is drafted and considered by the Committee in private meetings.

For a number of inquiries, the Committee sought information from other States in order to develop interstate comparisons. Details are included in Appendix 4.

EXAMINATION OF THE AUDITOR-GENERAL'S REPORT

The Committee examines the Auditor-General's Report for anomalies or deficiencies revealed by the Auditor-General or noted by Committee Members.

Matters which the Committee considers warrant further action are identified. The Chairman writes to the organisations seeking a response to the concerns raised by the Auditor-General or the Committee. On receiving a response, the Committee may decide that some matters require no further action or no action at present.

For other matters the Committee may consider that further evidence and investigations are needed. In these cases public hearings are held, after which the Committee decides on the form in which it will report the matter to Parliament.

- * improvements in Public Works Department building design practices and management information; and
- * development of a more co-ordinated and strategic approach to media relations.

REPORT ON PAYMENTS WITHOUT PARLIAMENTARY APPROPRIATION - Forty-Third Report, (February 1989)

The Committee reviews expenditure by a Minister of the Crown without Parliamentary Appropriation each year as part of its statutory functions. The Auditor-General's reports of 1986 and 1987 and the Committee's concern over the increasing level of "Section 22" expenditure led to the Inquiry, commencing mid-1988.

The Report detailed payments made without Parliamentary Appropriation for the Financial Years 1986/87 and 1987/88.

Findings of the Inquiry included:

- * in an endeavour to build up the State's cash reserves, the Treasury had adopted a "liberal" view of the emergency powers conferred by Section 22 of the Public Finance and Audit Act to make transfers to various Special Deposits Accounts;
- * most of these transfers were made beyond any reasonable interpretation of the emergency provisions of the Act;
- * many of the payments made remained "unspent" some 12 months after the transfer; and
- * payments were often made with a view to balancing the budget and not to meet an urgent need.

The Committee recommended that Section 22 payments be retained and their use restricted to urgent and essential works and services. To allow some flexibility, the Committee further recommended a second or subsequent Appropriation Bill being presented to the Parliament later in the Financial year, if necessary.

REPORT ON THE NEW SOUTH WALES AMBULANCE SERVICE - Forty-Fourth Report, (February 1989)

The Committee received a reference in August 1988 from the Minister for Health to conduct a wide ranging examination of the NSW Ambulance Service.

The Committee recommended:

- * a restructuring of the management of the Service, including the appointment of a five-member Board;
- * improvement of personnel management;
- * re-consideration of the use of private debt collection agencies and credit card payment facilities;
- * prompt introduction of a new communications system;
- * rationalisation of the vehicle fleet; and
- * development of differential transport fee structures.

REPORT ON PAYMENTS TO VISITING MEDICAL OFFICERS - Forty-Fifth Report, (June 1989)

In October 1988, the Minister for Health gave a reference to the Committee to inquire into payments to Visiting Medical Officers (VMOs) in NSW public hospitals. Payments to VMOs increased from \$46M in 1983/84 to an estimated \$204M in 1988/89.

The Committee's investigations revealed that a chief cause of the escalation in VMO payments was the sessional system of payment and the arbitration of sessional rates in 1985. It was found that the higher rates of sessional payment relative to other forms of remuneration, were followed by an increase in the number of sessional VMOs, the decline of the honorary system and the increasing cost of on-call rosters.

The management information system of the NSW Department of Health was found to be inadequate for collecting information on VMO payments, measuring doctor productivity and planning for future service requirements. Accountability for payments to VMOs was identified as a serious problem for hospital management.

Recommendations of the Committee included:

- * the present system of sessional remuneration to be abandoned;
- * the present system of fee-for-service remuneration to be improved;
- * the development of a new management information system for the NSW Department of Health;
- * a review of on-call rosters; and
- * the development of hospital internal control guidelines to ensure accountability for payments.

OTHER ACTIVITIES

REVIEW OF MATTERS RAISED IN THE AUDITOR-GENERAL'S 1987/88 REPORT

One of the Committee's objectives for 1988/89 was "to examine the anomalies and deficiencies highlighted by the Auditor-General in his 1987/88 Report". In line with this, the Committee undertook a comprehensive review of matters raised in the Report, and also met with the Auditor-General to consider what issues and specific problems required further examination.

The Committee resolved to investigate a number of matters raised by the Auditor-General.

On the question of Special Appropriations, the Committee wrote to the Premier and Treasurer requesting details of authorising statutes, purpose and basis of payments, and an explanation of the increase in Special Appropriations over the past five years. A comprehensive reply was received. It was resolved that no further action was necessary.

The Committee was concerned at the large number of organisations which did not meet the statutory time frame in transmitting financial statements to the Auditor-General. The Auditor-General's Report listed sixty-six organisations whose financial statements for the year ending 31 December 1987 or 30 June 1988 were received after the due date or had not yet been received. Letters were sent to Ministers requesting explanations from each of the organisations listed in the Auditor-General's Report. The Committee will examine the findings as part of its Report on Public Sector Accounting and Reporting.

The Auditor-General's Report also included particulars of qualified audit certificates issued during the year. Each of the organisations listed was asked by the Committee for their comment on the concerns expressed by the Auditor-General. They were also requested to advise what changes, if any, had been made to their accounting and/or reporting practices as a result of the Auditor-General's comments. The issues raised are being further considered in the Committee's examination of Public Sector Accounting and Reporting.

The question of the accountability of subsidiary companies, raised in the Auditor-General's reports over the past two years, is also being considered by the Committee. As part of its study on Public Sector Accounting and Reporting, in March 1989 the Committee held public hearings to examine certain matters relating to subsidiary companies controlled by four large statutory bodies - State Bank of NSW, Maritime Services Board, GIO, and the State Superannuation Board.

NSW EGG CORPORATION

In correspondence received from Mr A. Cruickshank, M.P., on 10th April, 1989, it was proposed that the Committee conduct an investigation into the financial affairs of the NSW Egg Corporation, and in particular, the operations of the egg processing plant at Lidcombe.

Investigations by the Committee, including a review of recent Auditor-General's Reports, Egg Corporation Annual Reports and a consultancy report commissioned by the Minister, revealed serious inefficiencies and a dramatic increase in operating losses in 1987/88.

Egg Corporation Losses

The Committee found that the Egg Corporation, since its inception in 1983, had incurred significant operating losses. The trend in losses had been downward since 1983/4, but this trend was reversed

in 1987/88 when the Corporation reported an operating loss of almost \$21M.

NSW Egg Corporation Operating Losses	
(\$'000)	
1983/84	(24,241)
1984/84	(13,559)
1985/86	(9,949)
1986/87	(8,562)
1987/88	(20,908)

The major sources of these losses are detailed below.

a) THE LIDCOMBE PLANT

The most significant item contributing to losses in 1987/88 was \$9,425,000 relating to the operation of the new plant. The costs are as follows:

- * Depreciation - \$3,603,000;
- * Interest on capitalised lease finance - \$1,597,000;
- * Interest on borrowings - \$1,225,000; and
- * Additional costs due to produce losses and delays in commissioning new plant estimated at \$3,000,000.

The analysis by the consultants was highly critical of the managerial decision to commission a plant of Lidcombe's size, capacity and cost. The consultants could not be provided with documentation outlining the growth assumptions behind the commissioning of the plant, formal assessments as to potential markets for the egg products to be produced at Lidcombe.

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b) EXPORT LOSSES

The loss from export operations in 1987/88 was \$7,017,000. The export market had been viewed by the Corporation as a "loss market" functioning to reduce the losses on eggs produced in excess of domestic demand - that is, it had generally been regarded as better to sell overseas at a loss, than to receive nothing at all for surplus eggs.

The consultant reported that no steps were taken to reduce export losses and potential risks, such as hedging on the futures market, swiftness in adjusting quotas and more accurate prediction of demand.

c) LOCAL LOSSES

Losses from the sale of egg produce locally resulted in a record loss in 1987/88 of \$8,180,000 due to high surplus and to high prices paid by the Corporation for eggs. Additional costs associated with the new Lidcombe plant also contributed to the size of both local and export trading losses.

During the Committee's preliminary investigations, the NSW Government announced its intention to deregulate the egg industry and sell the Lidcombe plant. Under these circumstances, the Committee considered it would not be appropriate to conduct an Inquiry.

AMENDMENTS TO THE PUBLIC FINANCE AND AUDIT ACT

The Committee has a clearly defined interest in monitoring proposed changes to public sector accounting requirements. The Treasury has, in addition to the requirements under Section 63A of the Public Finance and Audit Act ("*Reference of matters to the Public Accounts Committee*"), adopted a practice of referring to the Committee, for comment, any proposed amendments to the Act.

In 1988/89 the Treasurer forwarded to the Committee several proposed amendments to the Act. The Committee considered and supported the proposed changes, which were subsequently enacted by the Parliament in the Public Finance and Audit (Public Accounts) Amendment Act, 1989.

The proposals agreed to by the Committee were as follows:

- a) **The Public Accounts of the State to be tabled by the Treasurer as a separate document.**

Previously, the State's Public Accounts were tabled in Parliament as an appendage to the Auditor-General's Report. The Committee agreed with the proposal for the Treasurer to table the Public Accounts and auditors report as a separate document.

The Committee held the view that the proposal would enable the Treasurer of the day to be more publicly accountable for the accounts of the State.

- b) **Consolidated Fund receipts to be set out in summary form in the Public Accounts.**

Previously, the Public Accounts included the Consolidated Fund receipts in great detail covering many pages. The changes included in the amendment allows the Public Accounts to include a summary of Consolidated Fund receipts as audited by the Auditor-General.

The Committee agreed to the proposal on the basis that more concise summarised accounts assist the user compared with lengthy over-detailed accounts. The Committee noted that the Budget Papers will continue to show the detailed break-up of receipts.

- c) The Auditor-General being empowered to delegate certain functions relating to the certification of financial statements.

The Committee agreed to the proposal on the basis that the more routine certification matters could be handled by the Deputy Auditor-General or an Assistant Auditor-General.

This would free the Auditor-General to handle more complex audit matters including qualified audit reports.

SEMINAR ON IMPROVING PUBLIC ACCOUNTABILITY

In October 1988 the Public Accounts Committee hosted a Seminar on Public Accountability. Jointly organised by the Committee and the Commonwealth Joint Parliamentary Committee of Public Accounts, the seminar was well attended, including Members of Parliament and staff from a number of Public Accounts Committees in Australia and Auditors-General from four states and the Commonwealth.

Keynote speaker at the seminar was Mr Ken Dye, Canadian Auditor-General. Mr Dye provided an international and comparative perspective on the relationship between Auditors-General and Public Accounts Committees. The Seminar also looked at developments in public sector auditing.

SIXTH BIENNIAL CONFERENCE OF PUBLIC ACCOUNTS COMMITTEES

The Committee and two members of the Secretariat attended the Conference, held in Brisbane, May 17 - 19, 1989, and hosted by the recently established Queensland Parliamentary Committee of Public Accounts.

Delegates were drawn from the Queensland Committee, Commonwealth Joint Parliamentary Committee of Public Accounts, New South Wales Public Accounts Committee, Victorian Public Bodies Review Committee, Victorian Economic and Budget Review Committee, South Australian Public Accounts Committee, Western Australian Public Accounts and Expenditure Review Committee, Northern Territory Public Accounts Committee, Tasmanian Parliamentary Standing Committee of Public Accounts, and the Papua New Guinea Permanent Parliamentary Committee on Public Accounts. Observers included Auditors-General from the Commonwealth, Northern Territory, South Australia, Western Australia, New South Wales, and Tasmania; the Assistant Auditor-General from Queensland; and other senior public administrators and academics.

The Conference program was organised around a number of current issues. Six substantive papers were presented by leading practitioners and academics, reports were received from each Committee, and workshops were held to discuss common concerns, policies and future directions.

**AUSTRALASIAN COUNCIL OF
PUBLIC ACCOUNTS
COMMITTEES**

The New South Wales Committee's proposal to establish an Australian Council of Public Accounts Committees (ACPAC) was unanimously accepted by delegates to the Sixth Biennial Conference of Public Accounts Committees held in Brisbane in May 1989.

ACPAC aims to:

- * facilitate the exchange of information and opinion relating to Public Accounts Committees and to discuss matters of mutual concern;
- * improve the quality and performance of Public Accounts Committees to ensure that taxpayers are getting value for money;
- * work with Auditors-General so as to improve the effectiveness of both the Auditors and the Public Accounts Committees;
- * work with individuals and organisations knowledgeable about matters of concern to Public Accounts Committees; and
- * educate the elected Members, the media and the general public as to the purposes and activities of Public Accounts Committees.

Membership of the Council is open to all members of Parliamentary Public Accounts Committees in Australia or of similar legislative committees scrutinizing public spending.

Mr Phillip Smiles, M.P., Chairman of the New South Wales Public Accounts Committee, was elected foundation Chairman of ACPAC, and the Clerk of the Committee, Mr John Horder, elected Executive Secretary.

REVIEW OF PERFORMANCE 1988/89

In its annual report for the year ended 30th June 1988, the Committee identified a number of broad objectives and a number of specific plans or goals for the following year.

The first section of this performance review is organised around the three broad objectives; the second section measures achievements against the specific goals for 1988/89.

ACHIEVEMENT OF BROAD OBJECTIVES

The Committee's overall objective of increasing public sector value for money and accountability is expressed in terms of three subsidiary objectives:

1. To increase the efficiency and effectiveness with which government policy is implemented;
2. To increase the public sector's awareness of the need to be efficient and effective, and accountable for its operations; and
3. To increase the awareness and understanding of Parliamentarians and members of the public of the financial and related operations of government.

The nature of these objectives is such that performance is measured in qualitative rather than precise, quantitative terms.

The Committee is concerned to monitor the impact of its work, especially in terms of both the results of its major inquiries and reports and also its wider educative role and "*watching brief*" on public sector financial management and administration.

The Committee investigates, in particular, what action has been taken in response to its findings and recommendations, and where appropriate, may complete a full-scale follow-up inquiry and report. The Committee also relies on comments by external parties as an indicator of performance.

<p>1. To increase the efficiency and effectiveness with which government policy is implemented.</p>

The Committee believes it has been particularly successful in this area.

The Committee has over recent years helped to achieve significant improvements in management and policy implementation in government organisations and across the public sector generally.

As part of its follow-up programme during 1988/89, the Committee sought and received further information on two areas investigated previously: Overtime Payments to Corrective Services Officers (Reports No. 5 and 24); and the Ravensworth Coal Washery (Report No. 37).

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The Director-General of the Department of Corrective Services advised the Committee on efforts made to monitor and control overtime expenditure in 1988/89, including the establishment of Institutional Overtime Quotas and development of a long-term Action Plan with the objective of reducing overtime.

The Minister for Minerals and Energy, The Hon. N. Pickard, M.P., responded in June 1989, to follow-up inquiries from the Committee regarding the Ravensworth Coal Washery. In late 1987, the Committee tabled a report which concluded that the Electricity Commission of New South Wales inefficiently managed the Washery project and senior management failed to observe the appropriate lines of accountability and reporting within the organisation, and to the Minister.

The Minister advised that the Washery has been offered for sale or lease with tenders to close on 30th June, 1989. Meanwhile, independent "acceptance tests" were carried out to ascertain the full capacity of the Washery; senior management functions had been reviewed; a Ministerial Services Unit was set up within the Commission; and the general performance of the washery had improved, with washery of over 80% of the coal supplied to it in 1988/89.

In assessing its impact over the past year on public sector efficiency and effectiveness, the Committee noted action taken in response to its report on the Heritage Council of New South Wales (tabled in June 1988).

In a Ministerial statement of 18th April, 1989, The Hon. D. A. Hay, M.P., Minister for Local Government and Minister for Planning, reported on what actions were being instituted in response to the main findings and recommendations contained in the Public Accounts Committee Report on the Heritage Council.

The Minister described the Report as "both timely and useful", noting that it has:

"... provided the opportunity for a critical review of many aspects of the operation of both the Heritage Council and the Department of Planning. I am pleased that as a result of this review, a range of improved management practices have been and will be initiated. This will enable the Government, the Department of Planning and the Heritage Council to improve their administration and accountability in this significant area."

The Premier and Treasurer also advised that he had accepted the Committee's recommendations for improving the Heritage Council's reporting and performance review mechanisms, and directed that additional information be included in the Council's annual reports.

The Committee's following report (tabled in December 1988) focused on the Management of Arson in the Public Sector. Its Inquiry revealed that government departments and statutory authorities generally had dealt with arson in a fragmented and reactive manner and had failed to adopt cost effective arson control measures. The Committee Chairman remarked in the Foreword:

"I hope this report will contribute significantly to a greater awareness of the problems arising from and associated with arson, that it will demonstrate the need for accurate actuarial data and that it will lead to the adoption of a coherent strategy to combat rising arson costs throughout the public sector."

The Government has supported the Committee's recommendations and established policies and programmes designed to tackle the arson problem.

The Hon. W.T.J. Murray, M.P., Deputy Premier and Minister for Public Works, advised on 3rd April 1989, that in line with the Committee's recommendations:

- * the Department of Public Works, in conjunction with the Department of Education, had developed a project brief and received tenders for the review of the Schools Electronic Surveillance System;
- * Public Works is investigating ways to improve building design, fire safety and control measures, and replacement policies;
- * initiatives to establish improved arson management information systems are being considered; and
- * steps are being taken to develop a more coordinated and strategic approach to media relations with respect to arson.

In a statement issued on 16th May 1989, the Committee Chairman, Mr Phillip Smiles, M.P., welcomed the news that the State Rail Authority had responded to the Committee's concerns by announcing it would impose a ban on smoking in the underground system and improve staff training and emergency procedures.

In February 1989, the Committee tabled Report on Payments Without Parliamentary Appropriation, reflecting its longstanding commitment to continued improvement of public sector accountability.

Importantly for a bipartisan group such as the Public Accounts Committee, the Opposition as well as the Government responded favourably to the Report. The Opposition Leader, Mr R.J. Carr, M.P., "*commended*" the Committee on the thoroughness of its investigation, describing the report as "*timely*" and as having raised the important issue of the control by Parliament of expenditure.

The Premier and Treasurer, The Hon. N. F. Greiner, M.P., also indicated his support for the broad thrust of the

Report. The Premier advised on 7th March, 1989, that:

- * four of the eight recommendations had been or were being implemented - namely, that the budget result for the year be related to the amounts appropriated by the Parliament; that the adoption of accrual accounting by budget sector authorities commence immediately; that the Treasury introduce forward estimates to allow the Education Department and Public Works Department to undertake longer term planning and enter into longer term contracts; and that overall risk management be reviewed and Treasury self-insurance activities be commercially structured;
- * three recommendations were accepted and would be implemented - namely, that for major works programs, control of funds in Special Deposit Accounts at Treasury be transferred to the user Department; that funds to acquire public sector assets be included in the normal parliamentary appropriation process; that no further Section 22 transfers be effected unless of an urgent nature; and
- * one recommendation, that Parliament be presented with a second or subsequent Appropriation Bill in the second half of the financial year to enable Treasury to adjust the Budget with parliamentary consent, would be further investigated.

The Committee's forty-fourth report arose from a Ministerial reference to inquire into the New South Wales Ambulance Service, including its management and cost structure.

Although the Committee was very impressed with the dedication of Ambulance Officers at all levels, it strongly recommended a complete overhaul of Service management structures and practices.

PUBLIC ACCOUNTS COMMITTEE

In a letter of 29th June, 1989, the Minister for Health, The Hon. P. E. J. Collins, M.P., advised that consultants had been appointed to assist in the implementation of the Committee's Report.

The Committee's final Report for the year arose from a formal reference on 24th October, 1988, from the Minister for Health, to inquire into the rising cost of Payments to Visiting Medical Officers (VMOs) in NSW public hospitals.

The Committee's principal recommendations focused on a complete re-examination of VMO remuneration. Detailed proposals were also developed to improve the Department of Health administration, information management and financial control.

The Committee's work and final report on Payments to VMOs attracted a great deal of interest from the media, the general public, Parliamentarians, health administrators, and, of course, the medical profession. Committee Chairman, Mr Phillip Smiles, M.P., argued in his Chairman's Foreword, that:

"This Report presents a major challenge to the Government, the medical profession, the Department of Health, and hospital managers."

In its editorial of 9th June 1989, The Sydney Morning Herald commented:

"The AMA [Australian Medical Association] accuses it of "doctor bashing", but the Public Accounts Committee has merely exposed to the public's gaze the extravagance with which doctors are paid for treating public patients in the State's hospitals ...

"By exposing the flaws in the present system, the Public Accounts Committee has paved the way for major reform. However, Mr Greiner must do

more than simply overturn the Macken decision and end the wastefulness of the present system. He must also reform the Health Department which, on the evidence of the Public Accounts Committee, hardly knows what is going on in the public hospital system."

The Minister for Health "welcomed" the Report, saying that whilst it would be premature to endorse any specific recommendations, the Committee's findings had confirmed the need for the Government to address the rising payments for VMOs, which had increased from \$46M in the 1983/84 financial year to an estimated \$204M this year.

To that end, on 20th June, 1989, the Minister for Health announced the appointment by the State Government of a Special Team to begin discussions with medical groups on issues raised by the Committee's Report. The Minister explained:

"At the time of the release of the PAC Report, I made it quite clear there was a need for all interest groups to sit-down and discuss the recommendations."

The formation of this group shows a genuine willingness by the government to discuss these complex issues in a non-partisan manner."

Reflecting on the success of the Committee in achieving significant improvements in management and policy implementation across the public sector, Mr R. J. Carr, M.P., the Leader of the Opposition, said in a radio interview in August 1988:

"... the Public Accounts Committee has been the most successful attempt by the Parliament of NSW to give itself some say over what happens out there in the administration. In its Reports on Public Sector Superannuation, in its Reports on Hospital Budgets, on Police Overtime, on the Builders' Licensing Board, it's laid the basis for reform of public administration but most important, in doing that, it's had the support of both sides of the Parliament and where it's conducted these inquiries both sides have co-operated - it's one of the most remarkably successful things - activities - the Parliament has engaged in".

2. To increase the public sector's awareness of the need to be efficient and effective, and accountable for its operations.

The Committee seeks to maintain a high profile among public sector managers, emphasising the need for efficient and effective government services. The Committee also has a role in monitoring and working to improve performance and accountability in the public sector.

Members of the Committee and the Secretariat work to achieve this through involvement with professional associations, particularly in Accounting, and presentations at conferences and seminars. The Chairman of the Committee and the Clerk presented papers to such groups during the year, in Queensland and the Northern Territory as well as NSW.

In October 1988 the Committee hosted a Seminar on Public Accountability which brought together senior managers, members of Parliament, and staff from a number of Public Accounts Committees in Australia, and Auditors-General. Keynote speaker was Mr Ken Dye, Canadian Auditor-General.

The Committee works closely with the Auditor-General's office and followed up with individual departments and statutory authorities a number of concerns raised in the Auditor-General's 1988 Report. The Committee's current project on Public Sector Accounting and Reporting is again drawing to the attention of Ministers and senior officials the importance of comprehensive and timely annual reporting.

Columnist Mr P. P. McGuiness, writing in The Weekend Australian, March 11th - 12th 1989, observed that the NSW Public Accounts Committee had played and still plays a "valuable role" in "cleaning up public administration".

3. To increase the awareness and understanding of Parliamentarians and members of the public of the financial and related operations of government.

The Public Accounts Committee is, without question, a vehicle for public disclosure of the financial affairs of Government.

It seeks to publicise its work through notices in the press about its inquiries; inviting submissions; presentations by members of the Committee; its reports; and contact with the media.

The Committee's public image, appropriately, is that of a bipartisan Parliamentary group committed to asking "tough questions" about public sector financial management and administration; honestly reporting its findings; and assisting the Parliament to get value for money for the taxpayer's dollar.

The Public Accounts Committee is often referred to in the press as "a watchdog", with news reports, columns and editorials commenting not only on its role but also on the substantive issues raised by the Committee related to accountability and public administration.

PUBLIC ACCOUNTS COMMITTEE

Its activities attract not only the attention of the media but also the interest of the public and Members of Parliament other than its own members. In the past year, numerous submissions were received from Ministers and other parliamentarians during the inquiries into the NSW Ambulance Service and Payments to Visiting Medical Officers.

Members of the Committee and the Secretariat were pleased, as in past years, to assist Members of Parliament with any questions about the Public Accounts, accounts of authorities of State, or about the Committee's ongoing or possible future investigations. Highlighting this close relationship with Members, the Committee held a small function in October 1988 to launch the Annual Report and provide further information about its duties and activities; twenty four members, from both Houses, attended.

The Committee also enjoys good relations with Parliamentarians from outside NSW. In the past year, it has had contact with a number of interstate and overseas members of Parliament. The Committee was especially pleased to be able to assist Mr Hopate Sanft, Member of the Legislative Assembly in Tonga, who sought information and advice related to the possibility of establishing a Public Accounts Committee in Tonga. In June 1989, the Committee hosted a delegation from Sabah.

The Committee was also pleased to be able to assist the Queensland Parliament to establish its own Public Accounts Committee. The NSW Committee and Secretariat provided extensive advice on the charter, structure and roles of such Committees, a number of joint meetings were held, and the Queensland Committee observed one of the Committee's hearings firsthand.

Members of the Committee and the Secretariat later attended the Sixth Biennial Conference of Public Accounts Committees which was hosted by the newly-formed Queensland Parliamentary Committee of Public Accounts.

At that Conference, the NSW proposal to establish an Australasian Council of Public Accounts Committees was unanimously supported.

The Committee has also sought to contribute to public and professional discussion of the financial and related operations of government.

In the past year, the Chairman presented a number of papers to professional bodies and public sector conferences, including: a seminar on *"Recent Developments in Public Sector Reporting"* conducted jointly by the Institute of Chartered Accountants and the Australian Society of Accountants (ASA); a session in *"The Practice of Leadership"* Australian Society of Accountants (NSW) Congress; a speech to the Central Cumberland Division of the Master Builders Association of NSW; and a presentation at the Sydney Chamber of Commerce State Government Familiarisation Program. The Clerk to the Committee presented a paper to the ASA (Qld Div.) 1989 State Congress entitled *"Public Accounts Committees: Their Operation and Impact on Government Accounting"*.

An additional element of the Committee's communication with Parliamentarians and members of the public is the availability of its reports. Copies of reports produced by the Committee are sent to all Members of Parliament and circulated to libraries and other relevant organisations both in NSW and interstate. In addition, copies of reports are sold to members of the public through the NSW Government Information Service. During 1988/89, 397 copies of Committee reports were sold.

ACHIEVEMENT OF SPECIFIC OBJECTIVES FOR 1988/89

Eleven specific objectives for the year 1988/89 were established by the Committee, as set out in the previous Annual Report. Ten of these objectives were achieved. Details follow.

To complete the Inquiry into the Management of Arson in the Public Sector.

Inquiry completed, and report No. 42 tabled, December 1988.

To complete the Inquiry into Payments Without Parliamentary Appropriation.

Inquiry completed, and report No. 43 tabled, February 1989.

To undertake an Inquiry into The New South Wales Ambulance Service.

Inquiry completed, and report No. 44 tabled, February 1989.

To undertake an Inquiry into Payments to Visiting Medical Officers at Public Hospitals.

Inquiry completed, and report No. 45 tabled, June 1989.

To inquire and report on the operations of the Darling Harbour Authority.

The Committee has concluded hearings in relation to this Inquiry, and expects to table its Report in November 1989.

This Inquiry is one of the most complex ever undertaken by the Committee. Extensive investigations have been made into a wide range of issues related to the operations of the Authority, including project planning; design and tendering procedures; staffing and industrial relations; and financial management.

To conduct an examination of qualified accounts of government bodies.

The Committee is currently investigating qualified accounts of government bodies and authorities as part of its overall examination of Public Sector Accounting and Reporting.

To conduct a seminar at Parliament House on public accountability issues.

The Committee held a seminar in October 1988 entitled *"Improving Public Accountability"*. Keynote Speaker was Mr Ken Dye, Canadian Auditor-General.

To inquire and report on any matter related to the accounts referred to the Committee by the Legislative Assembly, a Minister or the Auditor-General.

The Committee is continuing its inquiry into the Darling Harbour Authority following the reference received from The Hon D. A. Hay, M.P., Minister for Local Government and Minister for Planning.

Inquiries were completed and reports tabled into the New South Wales Ambulance Service on a reference from The Hon. P. E. J. Collins, M.P., Minister for Health and on Payments to Visiting Medical Officers on a reference from the Minister for Health.

To examine the anomalies and deficiencies highlighted by the Auditor-General in his 1987/88 Report.

The Committee undertook a comprehensive review of matters raised in the Report, and also met with the Auditor-General to discuss specific problems highlighted by the Committee. A number of issues were further investigated, as summarised in the section of this Report entitled "*Other Activities*".

To examine payments in 1987/88 made in accordance with Section 22 of the Public Finance and Audit Act, 1983.

Following its Report on Payments Without Parliamentary Appropriation, tabled in February 1989, the Committee continued to examine payments made under Section 22, focussing this time on the 1987/88 Financial Year.

The Committee was satisfied with the payments made under Section 22.

To publish a regular newsletter on the activities of the Committee.

The Public Accounts Committee Newsletter, published bi-annually, outlines the Committee's role, activities and reports. It also addresses issues of interest to members of Parliament related to public sector expenditure, management and accountability.

CURRENT PROJECTS

DARLING HARBOUR AUTHORITY INQUIRY

The Committee received a reference on 10th August, 1988, from the Minister for Local Government and Minister for Planning to examine and report on the operations of the Darling Harbour Authority.

In particular, the Inquiry will report on:

- i) tendering procedures adopted by the Authority;
- ii) contractual arrangements and administration;
- iii) management of industrial relations issue;
- iv) costs management and reference to cost overruns;
- v) leasing arrangements;
- vi) the overall financial position of the Authority;
- vii) the use of consultants including guidelines for the engagement and management of consultants, and evaluation of consultancy projects; and
- viii) any other matters arising from the inquiry which impact upon the accountability, efficiency and effectiveness of the Authority.

This is one of the most complex and therefore lengthy inquiries ever undertaken by the Committee. The Committee has received co-operation from Board members and management although three complete changes in Board structure and administrative staff in the past 12 months have complicated the Inquiry. Extensive public hearings held in relation to this Inquiry have not been completed.

The Committee's Report will include an examination of; the concept of Darling Harbour; the enabling legislation; the structure of the Authority; project planning; design and tendering procedures; staffing and industrial relations; financial controls; the impact on the Authority of the time-frame for completion of the project; the management of the Complex; and the future of the Darling Harbour Authority. It is expected that the Committee will table its Report in November 1989.

PUBLIC SECTOR ACCOUNTING AND REPORTING

The Committee has had a long-standing interest in the improvement of public sector accounting and reporting. Its seventh report, tabled in 1983, on annual reporting by statutory authorities, was instrumental in developing accounting and reporting requirements designed to facilitate greater Parliamentary and public scrutiny of the activities, financial affairs and performance of statutory bodies.

PUBLIC ACCOUNTS COMMITTEE

In November 1984, the Committee was asked by the then Treasurer to comment on proposed regulations pursuant to Section 16(2) of the Annual Reports (Statutory Bodies) Act and Section 63A (3) of the Public Finance and Audit Act. Its Report strongly supported the need for comprehensive and punctual annual reporting to improve the accountability of public authorities to the Parliament and encourage greater efficiency and effectiveness.

In July 1986, the Committee produced a follow-up report on annual reporting by statutory authorities, noting some improvements but also expressing its dissatisfaction with the attitude adopted by many authorities towards the annual reporting regulations, and its concern at the extent of unauthorised non-compliance with the legislation. The Committee foreshadowed its intention to review these areas in the future, including the standard of annual reports and financial statements.

In examining the Auditor-General's Report for 1988, the Committee noted the large number of departments, authorities and subsidiaries which failed to comply with the accounting and reporting requirements of the Public Finance and Audit Act. The Committee also shared the Auditor-General's concern about parliamentary scrutiny of subsidiary companies.

The Committee therefore resolved, under Section 57 (1) (b) (c) (d) of the Public Finance and Audit Act, to examine the accounts of Authorities of State for the 1988 reporting year.

The examination is reviewing:

- i) the non-lodgement and/or late lodgement of financial statements;
- ii) the circumstances by which the Auditor-General returned financial statements for adjustment;

- iii) qualified audit certificates issued by the Auditor-General and the reasons for such qualification;
- iv) applications by Statutory Authorities for extensions of time for the lodgement of statements;
- v) the accountability of subsidiary companies, related companies, partnerships, trusts, joint ventures or other associations; and
- vi) any other matter relating to the accountability of Authorities of the State and their subsidiaries and related bodies.

It is expected that the Committee will table its Report entitled *The Challenge of Accountability* in October 1989.

SECRETARIAT

During most of 1988/89 the New South Wales Public Accounts Committee had a full-time secretariat of four - a Clerk, Senior Project Officer and two Secretary/Word Processor Operators. In addition, at various points during the year, officers from the Treasury and the Auditor-General's Office were seconded to the Committee on a full-time basis.

In May 1989, approval was given to alter the staffing profile by appointing an additional Senior Project Officer.

STAFF AT 30TH JUNE, 1989

Mr John Horder LL.B, AASA, CPA
Clerk to the Committee

Miss Amanda Bowden BA, Dip.Ed
Senior Project Officer

Dr Glenn Swafford BA(Hons), Ph.D.
Senior Project Officer

Ms Sandra Brien
Secretary/Word Processor Operator

Miss Maria Hagispiro
Secretary/Word Processor Operator

STAFF CHANGES

- * Ms Bronwyn Richardson, Senior Project Officer, left the Secretariat in February 1989 to take up a new position with the Victorian Economic and Budget Review Committee.

- * Mr John Lynas was seconded to the Secretariat from the Auditor-General's Office from March 1988 to March 1989.
- * Mr Chris Thompson was seconded to the Secretariat from the Treasury from March to November 1988.
- * Mr Tim Nieuwendyk was seconded to the Secretariat from the Treasury from January to June 1989.
- * Ms Norma Rice, temporary Secretary/Word Processor Operator, left in February 1989 upon the return of Ms Sandra Brien from extended leave.

CONSULTANTS

During 1988/89 the Committee engaged consultants as follows:

Inquiry into the Management of Arson in the Public Sector

Nicholas Clark and Associates (Economic and Management Consultants)

Inquiry into the Darling Harbour Authority

Mr Clive Monk A.M., F.T.S., A.S.T.C.(Hon.), F.I.E. AUST., M.AUS I.M.M. F.A.I.B., F.A.I.M., F.I.A.R.B.A., L.G.E.

PUBLIC ACCOUNTS COMMITTEE

STATEMENT BY APPOINTED MEMBERS

We state that:

- (a) The accompanying financial statement has been prepared in accordance with the provisions of the Public Finance and Audit Act 1983, the Public Finance and Audit (Departments) Regulation 1986, and the Treasurer's Directions to the extent that such Act, Regulations and Directions are applicable to the accounts of the Committee.
- (b) The statement presents a true and fair view of the payments relating to the Committee for the year ended 30 June 1989.
- (c) There are not any circumstances which would render any particulars included in the above Statement to be misleading or inaccurate



P. M. Smiles, M.P.,
CHAIRMAN
10 August, 1989



J. H. Murray, M.P.,
MEMBER
10 August, 1989

being members of the Public Accounts Committee appointed by the Committee by resolution of 10 August 1989, to sign the Statement of Payments approved by the Committee on that date.

Statement of Payments

For the Year Ended 30 June, 1989

Previous Year \$		1988/89 \$
116,997	Salaries, Wages, etc. (Secretariat)	150,579
35,710	Salaries, etc. (Seconded Staff) (Note 4)	51,327
34,248	Travelling and Subsistence	78,022
11,714	Advertising and Publicity	18,480
665	Books, Periodicals and Newspapers	1,213
8,140	Postal, Telephone and Courier Expenses	7,085
23,691	Fees for Services Rendered (including Consultants) (Note 7)	95,877
55,952	Printing and Stationery	47,212
66,330	Office Furniture, Equipment, Stores, Maintenance and Other Expenses	11,027
6,542	Gas and Electricity (Note 3)	6,886
<u>\$359,989</u>	TOTAL EXPENDITURE	<u>\$467,708</u>
=====		=====

Notes to the Statement of Payments

1. The Committee is neither a statutory body nor a government department. The Public Finance and Audit Act, 1983, the Annual Reports (Statutory Bodies) Act, 1984 and the Annual Reports (Departments) Act 1985, do not apply to the Committee. It shares an allocation for working expenses from the Consolidated Fund under the appropriation to the Legislature.

Budget appropriation to the Legislature for Parliamentary Committees: \$1,436,000.

Total payments by the Public Accounts Committee as determined by Presiding Officers of the Parliament: \$467,708.

2. The Statement has been prepared on a cash accounting basis except for the accrual of salaries unpaid at 30th June, 1989: \$2,948. No other amounts owed to or by the Public Accounts Committee at the close of the year are included in the Statement. Outstanding commitments as at 30 June, 1989: \$25,500.

3. Office occupancy costs are not charged to the Committee. However, in 1988/89 a pro-rata charge for gas and electricity was raised.

4. In the current year, the salaries of advisors seconded from the Auditor-General's Office were not fully met from the Committee's funds. The amount of subsidy received is estimated at \$4,600.

5. Current and deferred liability for staff superannuation costs are met by State Treasury.

6. Members of the Committee receive an allowance for their service on the Committee. The costs of these allowances is met direct by the Legislature and not from the Committee's funds. Currently the Chairman receives a salary of office of \$3,377 p.a. and an expense allowance of \$3,367 p.a. Other members receive a Committee allowance, currently \$1,657 p.a.

7. The substantial increase in fees for services rendered (consultants) relate to the consultants engaged by the Committee to advise on the highly detailed and complex issues involved in the inquiries into Darling Harbour and Arson.

This is the end of the audited financial statements.

Auditor-General's Certificate

The accounts of the Public Accounts Committee for the year ended 30th June, 1989 have been audited as required by Section 35 (2) of the Public Finance and Audit Act, 1983 and in accordance with Section 34 of that Act.

In my opinion, the accompanying statement of payments, read in conjunction with the notes thereto, exhibits a true and fair view of transactions for the year then ended.



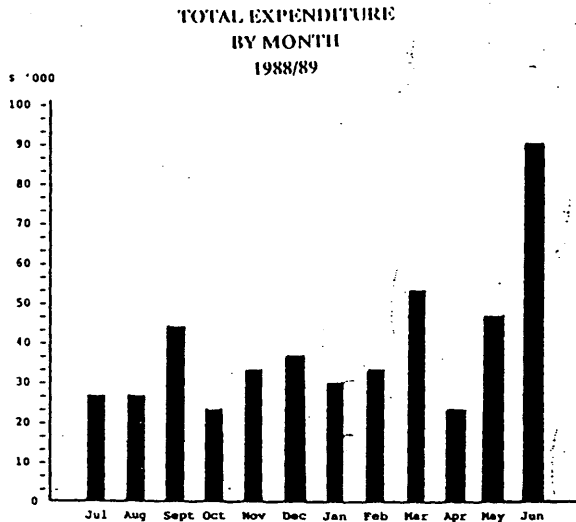
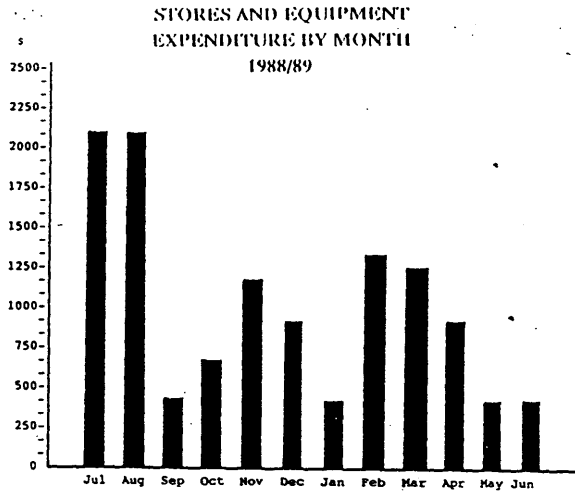
K. J. Robson, FASA, CPA,
Auditor-General of New South Wales

Sydney, 4 September, 1989

Expenditure by Month, 1988/89

The Committee's 20th Report on Year-End Spending recommended that annual reports provide, in graphical form, monthly spending for stores and equipment purchases. This recommendation has since been incorporated in the Annual Report (Departments) Regulations 1986 in Clause 4 (b).

The expenditure by the Committee for stores and equipment purchases in 1987/88 was \$60,543. In the interest of full disclosure the expenditure pattern for all non-salary items is included as well as total expenditure in the graphs below.



APPENDIX 1

FUNCTIONS OF THE PUBLIC ACCOUNTS COMMITTEE

Section 57 (1) to (3) of the Public Finance and Audit Act, 1983 sets out the functions of the Public Accounts Committee:

- 1) The functions of the Committee are:
 - a) to examine the Public Accounts transmitted to the Legislative Assembly by the Auditor-General;
 - b) to examine the accounts of authorities of the State, being accounts that have been -
 - i) audited by the Auditor-General or an auditor appointed under Section 47 (1); or
 - ii) laid before the Legislative Assembly by a Minister of the Crown,
 - c) to examine the reports of the Auditor-General transmitted with the Public Accounts or laid before the Legislative Assembly with the accounts of an authority of the State (including any documents annexed or appended to those reports);
 - d) to report to the Legislative Assembly from time to time upon any item in, or any circumstances connected with, those accounts, reports or documents which the Committee considers ought to be brought to the notice of the Legislative Assembly;
 - e) to report to the Legislative Assembly from time to time any alteration which the Committee thinks desirable in the form of those accounts or in the method of keeping them or in the method of receipt, expenditure or control of money relating to those accounts;
 - f) to inquire into, and report to the legislative Assembly upon, any question in connection with those accounts which is referred to it by the Legislative Assembly, a Minister of the Crown or the Auditor-General; and
 - g) to inquire into expenditure by a Minister of the Crown made without Parliamentary sanction or appropriation or otherwise than in accordance with the provisions of this Act or any other Act and report to the Legislative Assembly from time to time upon any matter connected with that expenditure which the Committee considers ought to be brought to the notice of the Legislative Assembly.
- 2) The functions of the Committee extend to an examination of, inquiry into or report upon a matter of government policy if and only if the matter has been specifically referred to the Committee under subsection (1) (f) by the Legislative Assembly or a Minister of the Crown.
 - 3) The functions of the Committee do not extend to an examination of, inquiry into or report upon the estimates of any proposed expenditure by the State of by an authority of the State.

APPENDIX 2

EVOLUTION OF THE PUBLIC ACCOUNTS COMMITTEE

1902

The New South Wales Public Accounts Committee was established by the Audit Act, 1902.

The Committee had two functions:

- 1) to inquire into matters relating to the Public Accounts referred to it by the Legislative Assembly, Minister or the Auditor-General; and
- 2) to inquire into expenditure by Ministers which had not been sanctioned and appropriated by Parliament.

1978

Report of the Select Committee of the Legislative Council on Public Accounts and Financial Accounts of Statutory Authorities chaired by The Hon. Lloyd Lange, M.L.C.

1980

Progress Report of the Joint Committee on Public Accounts and the Financial Accounts of Statutory Authorities, chaired by Mr Vince Durick, M.P.

1981

Final Report of the Joint Committee on Public Accounts and Financial Accounts of Statutory Authorities chaired by Mr Laurie Brereton, M.P.

Reference received on 11 November, 1981, from the Minister for Health to inquire into over-expenditure in public hospitals and the general accountability of the public hospital system. This was the first occasion on which the Committee had exercised its powers

under Section 16(a) of the Audit Act, 1902, to inquire into and report to the Legislative Assembly upon matters referred to it.

1982

The Committee held public hearings for the first time. The hearings were held pursuant to the Committee's Inquiry into the causes of expenditure over-runs in health funding to Schedule 2 and Schedule 3 hospitals and the accountability of these hospitals to the Parliament of New South Wales.

Audit (Public Accounts Committee) Amendment Act 1982.

This Act greatly expanded the powers of the Public Accounts Committee. In addition to its former functions, the Committee was empowered:

- * to examine the public accounts;
- * to examine the accounts of statutory authorities;
- * to examine the Auditor-General's report and related documents;
- * to report to the Legislative Assembly upon any items in or circumstances connected with those accounts, reports or documents;
- * to report to the Assembly on any alteration the Committee thinks desirable in the form of the accounts, or in the method of keeping accounts, or the receipt, expenditure or control of money.

1983

Audit Act 1902 replaced by the Public Finance and Audit Act, 1983.

Permanent Secretariat established.

APPENDIX 3

Origin of Committee Inquiries and Reports to 30 June 1989

Report No.	Report	Reference from			Initiated by PAC
		Minister	Treasurer	Auditor-General	
1	Expenditure Without Parliamentary Sanction				A*
2	Over-Expenditure in Health Funding to Hospitals	*			
3	Public Accountability in Public Hospitals	*			
4	Expenditure Without Parliamentary Sanction				A*
5	Overtime Payments to Police			*	
6	Overtime Payments to Corrective Service Officers			*	
7	Accountability of Statutory Authorities		*		
8	Grain Sorghum Marketing Board		*		
9	Matters examined in relation to Auditor-General's Report 1981/82				A*
10	Superannuation Liabilities of Statutory Authorities		*		
11	Annual Report 1983/84				*
12	Matters examined in relation to Auditor-General's Report 1982/83 (Statutory Bodies)				A*
13	Proposed Regulations to Annual Reports Act & P.F. & A. Act		*		
14	Investment Practices in NSW Statutory Authorities				*
15	Performance Review Practices				*

PUBLIC ACCOUNTS COMMITTEE

16	Brief Review of Macarthur Growth Area				A*
17	Brief Review of Statutory Funds of Department of Environment and Planning				A*
18	Brief Review of Land Commission of NSW				A*
19	Annual Report 1984/85				*
20	Report on Year End Spending				A*
21	Follow-Up Report on Inquiries into NSW Public Hospital System	F*			
22	Report on Recommended Changes to Public Accounts		*		
23	Proposed Regulations Accompanying the Annual Reports (Departments) Act 1985		*		
24	Follow-Up Report on Overtime Payments to Corrective Service Officers			F*	
25	Report on the Collection of Parking and Traffic Fines				A*
26	Follow-Up Report on Annual Reporting of Statutory Authorities				F*
27	Annual Report 1985/86				*
28	Follow-Up Report on Overtime, Sick Leave & Associated Issues in the NSW Police Force			F*	
29	Report on the NSW Builders Licensing Board		*		
30	Report on Brief Review of: The Sydney Opera House Trust; Harness Racing Authority of NSW; and NSW Cancer Council				A*
31	Report on the NSW Film Corporation				A*
32	Report on the Home Care Service of NSW		*		

ANNUAL REPORT 1989/90

33	Annual Report 1986/87				*
34	Supplementary Report 1986/87				*
35	Report on the Wine Grapes Marketing Board and Grain Sorghum Marketing Board				*
36	Report on the Biennial Conference of Public Accounts Committees, Sydney - May 1987				*
37	Report on the Ravensworth Coal Washery				A*
38	Report on the Proceedings of the Accrual Accounting Seminar				*
39	Report on the Purchasing Practices and the Allocation of Stores and Equipment Resources Within the Technical and Further Education System	*			
40	Report on the Heritage Council of NSW	*			
41	Annual Report 1987/88			.	*
42	Report on The Management of Arson in the Public Sector				.
43	Report on Payments Without Parliamentary Appropriation				.
44	Report on The New South Wales Ambulance Service	.			
45	Report on Payments to Visiting Medical Officers	.			
	TOTAL	10	5	4	26

A Matters raised in Auditor-General's Report
 F Follow-up Inquiries initiated by the Committee,
 but original inquiries referred by Minister,
 Auditor-General or Treasurer

APPENDIX 4

MEETINGS OF THE PUBLIC ACCOUNTS COMMITTEE 1ST JULY, 1988 - 30TH JUNE, 1989

Date	Subject	Organisation	Witnesses
26/7/88	Public Hearings: Inquiry into Payments Without Parliamentary Appropriation	Department of Education	Mr V Delany Mr J E Allsopp Mr K R Dixon
		NSW Treasury	Mr I W Neale
26/7/88	Deliberative Meeting		
26/7/88	Public Hearings: Inquiry into The Management of Arson in the Public Sector	NSW Treasury	Mr M G Lambert Mr P R English
		Department of Public Works	Ms S Tanner
		Department of Education	Mr J E Allsopp Mr J L Lambert Mr M J Wills
28/7/88	Inspection	Victorian Police, Arson Squad	
29/7/88	Inspection	Royal Children's Hospital, Melbourne	
29/7/88	Inspection	Department of Education, Melbourne	
29/7/88	Meeting:	Victorian Economic and Budget Review Committee	
1/8/88	Deliberative Meeting		
16/8/88	Public Hearings: Inquiry into Payments Without Parliamentary Appropriation	Department of Public Works	Mr R D Christie Mr R J Eagle Mr M N Clarke Mr D H Farrar Mr P D Scarlett
16/8/88	Deliberative Meeting		
18/8/88	Deliberative Meeting		

PUBLIC ACCOUNTS COMMITTEE

Date	Subject	Organisation	Witnesses
25/8/88	Deliberative Meeting		
25/7/88	Meeting:	Mr K J Robson, Auditor-General	
1/9/88	Meeting:	Alexander Stenhouse Ltd	
1/9/88	Deliberative Meeting		
6/9/88	Inspection	Police Department; Tactical Intelligence Section	
6/9/88	Inspection	Fire Brigade; Fire Investigation Unit	
6/9/88	Inspection	Shalvey High School	
6/9/88	Inspection	Baulkham Hills North Public School	
6/9/88	Inspection	North Rocks Public School	
6/9/88	Inspection	Pittwater Public School	
6/9/88	Inspection	Department of Education Security Centre - Blacktown Public School	
6/9/88	Meeting:	Mr A. Porter, NSW Standing Committee on Arson	
8/9/88	Public Hearings: Inquiry into The NSW Ambulance Service	NSW Ambulance Service	Mr K W F Graham Mr J K Bradford Mr J N Ryan Mr G R Webster Ms J R Noble
		Department of Health	Mr T Wootton Ms A Goodwin
9/9/88	Inspection	Ku-ring-gai High School	
15/9/88	Meeting:	Mr R Davies, Fire Protection Manager, State Rail Authority	
15/9/88	Deliberative Meeting		
22/9/88	Deliberative Meeting		

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Date	Subject	Organisation	Witnesses
27/9/88	Public Hearings: Inquiry into The NSW Ambulance Service	NSW Ambulance Service Department of Health	Mr J Hawkins Mr M A D Rosser Mr J B Kilkeary Mr A G St Flour Mr P J Bylsma
27/9/88	Meeting:	Det. Sgt. S Howell, Police Department	
27/9/88	Deliberative Meeting		
28/9/88	Public Hearings: Inquiry into The NSW Ambulance Service	NSW Ambulance Service	Mr J K Bradford
28/9/88	Deliberative Meeting		
29/9/88	Public Hearings: Inquiry into The NSW Ambulance Service	NSW Ambulance Service	Dr G A Ambrose
4/10/88	Inspection	Dubbo Ambulance Station	
4/10/88	Inspection	Orange Ambulance Station	
5/10/88	Inspection	Bathurst Ambulance Station	
13/10/88	Inspection	Dubbo North School	
13/10/88	Deliberative Meeting		
20/10/88	Deliberative Meeting		
25/10/88	Meeting:	Department of Health - Mr M Rosser, Ms M Foley, Dr S Morey, Dr J Stewart, Mr K Barker, Ms A Austin, Ms J McClelland, Mr T Clout	
25/10/88	Deliberative Meeting		
26/10/88	Public Hearings: Inquiry into Payments to Visiting Medical Officers	Chief Secretary's Department Ku-ring-gai Hospital Lismore Base Hospital	Mr R D McGregor Mr J F Markham Dr D H Campbell Dr R C Rogers Mr M B Mahaffey

PUBLIC ACCOUNTS COMMITTEE

Date	Subject	Organisation	Witnesses
26/10/88	Meeting:	Dr M Cohen, Doctors Reform Society	
27/10/88	Public Hearings: Inquiry into Payments to Visiting Medical Officers	NSW Branch of the Australian Medical Association	Dr M J Jensen Dr W A Stening Dr W H Patterson
10/11/88	Deliberative Meeting		
11/11/88	Public Hearings: Inquiry into The Darling Harbour Authority	Darling Harbour Authority Board	Mr A Carmichael Ms J McCallum Mr G Abignano Mr L Ferguson Mr J David Mr T Kennedy
11/11/88	Inspection	Darling Harbour Complex	
11/11/88	Deliberative Meeting		
22/11/88	Public Hearings: Inquiry into Payments to Visiting Medical Officers	Central Area Health Service	Dr D Horvath Dr G Brown Dr C Scarfe
		Northern Area Health Service	Mr R Tindale Dr R Boyd Dr S Spring
		Southern Sydney Area Health Service	Dr J D Campbell Dr D W King
		Eastern Sydney Area Health Service	Dr B R Skerman Dr D M Robinson Dr T J Smyth Mr W G Lawrence
22/11/88	Inspection	Ryde Hospital; Mona Vale Hospital; Manly Hospital	

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Date	Subject	Organisation	Witnesses
23/11/88	Public Hearings: Inquiry into Payments to Visiting Medical Officers	Repatriation Hospital, Concord	Dr O G Curteis
		Army Health Service	Col. D G Rossi
		Resident Medical Officers Association	Dr E A Elliot
		Medical Superintendents Association	Dr D I Lange Mr I L Rewell
		Orthopaedic Surgeons Association	Dr J S Scougall Dr J Harrison
23/11/88	Inspection	Royal North Shore Hospital; Chatswood Hospital	
24/11/88	Public Hearings: Inquiry into Payments to Visiting Medical Officers	Western Sydney Area Health Service	Dr R C Griffin Dr B Amos Dr R E Jones Dr L P Guanlao
		Department of Health	Ms M C Foley Mr K R Barker Mr T J Clout Mr R J J Stewart
24/11/88	Inspection	Auburn Hospital; Liverpool Hospital; St Vincent's Hospital	
28/11/88	Inspection	Belmont Ambulance Station	
28/11/88	Inspection	Hamilton Ambulance Station	
28/11/88	Inspection	Boolaroo Ambulance Station	
1/12/88	Deliberative Meeting		
21/12/88	Deliberative Meeting		
22/12/88	Deliberative Meeting		
24/12/88	Deliberative Meeting		
24/1/89	Public Hearings: Inquiry into Payments to Visiting Medical Officers		Dr B D Shepherd
		Department of Health	Mr M Rosser

PUBLIC ACCOUNTS COMMITTEE

Date	Subject	Organisation	Witnesses
25/1/89	Public Hearings: Inquiry into The Darling Harbour Authority	Valuer-General	Mr I Yates Mr I Beatty Mr P Cunningham
25/1/89	Public Hearings: Inquiry into Payments to Visiting Medical Officers		Mr M R Fearnside
9/2/89	Deliberative Meeting		
9/2/89	Meeting:	Mr D Humphry, Premiers Office Mr K Baxter, Office of Public Management	
14/2/89	Public Hearings: Inquiry into Payments to Visiting Medical Officers	Public Medical Officers' Association	Dr D L Cay Dr G D Duggin Mr T Muldoon
2/3/89	Deliberative Meeting		
7/3/89	Public Hearing - Inquiry into Public Sector Accounting and Reporting	Government Insurance Office State Bank of NSW Maritime Services Board State Authorities Superannuation Board	Mr W J Jocelyn Mr R W Turner Mr M D Ellis Mr A McDonald Mr D L Morton Mr J C Thomas Mr G E Andersen Mr G J W Bumbery Mr W H Barber Mr R I W Macleod
7/3/89	Meeting:	Queensland Parliamentary Committee of Public Accounts	
7/3/89	Deliberative Meeting		

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Date	Subject	Organisation	Witnesses
8/3/89	Public Hearings: Inquiry into The Darling Harbour Authority	Employers Federation Stowe Electric Pty Limited Matthew Hall Pty Limited	Mr G H Oakes Mr P Camden- Birmingham Mr D Madson Mr N G Argent Prof. R C King
8/3/89	Meeting:	Victorian Economic and Budget Review Committee	
8/3/89	Deliberative Meeting		
9/3/89	Public Hearing - Inquiry into The Darling Harbour Authority	Australian Federation of Construction Contractors	Mr J Cunningham Mr C G Sexton Mr W J Juric Mr H S Wells
9/3/89	Deliberative Meeting		
21/3/89	Public Hearings: Inquiry into The Darling Harbour Authority	Girvan Limited	Mr H Laan Mr R Egan
21/3/89	Deliberative Meeting		
29/3/89	Public Hearings: Inquiry into The Darling Harbour Authority	Boulderstone Hornibrook	Mr D Saxelby Mr R N Jones Prof. N Quarry
30/3/89	Deliberative Meeting		
5/4/89	Deliberative Meeting		
13/4/89	Deliberative Meeting		
20/4/89	Deliberative Meeting		
28/4/89	Public Hearings: Inquiry into The Darling Harbour Authority	Leighton Contractors	Mr A Spink