

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

**Follow-up Report
on Financial
Accountability**

Report No. 61

June 1992

1990 - 91

Parliament of New South Wales

Public Accounts Committee

of the

Fiftieth Parliament

Follow-up Report

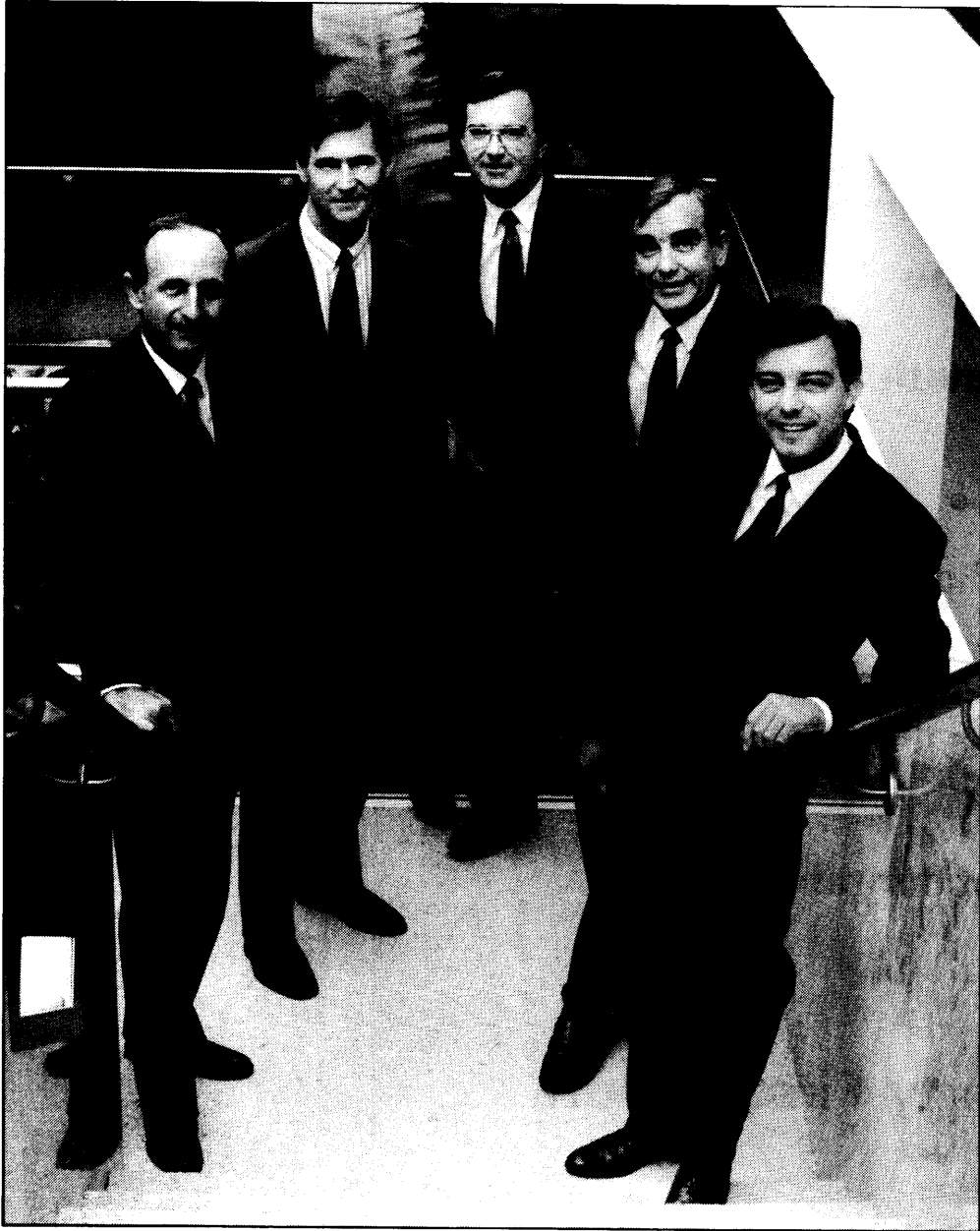
on Financial

Accountability

Sixty-First Report

Inquiry pursuant to Section 57(1) of the Public Finance and Audit Act 1983, concerning Financial Accountability.

(Minutes of Evidence are printed in a separate volume to this Report) June 1992



From left:

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Jim Longley was elected Liberal Member for Pittwater in May, 1986. Prior to entering Parliament he worked in the banking industry, he was a corporate analyst in Westpac's London office and Group Planning Manager in their Sydney head office. He served as a member of the Regulation Review Committee, the N.S.W. Parliamentary Library Committee and has chaired three Government Committees, including the Treasury Advisory Committee.

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Ray Chappell was elected National Party Member for Northern Tablelands in May 1987. He has worked in university administration and in the building and retail industries and he served four terms as an alderman on Armidale City Council. Ray Chappell was a member of the Regulation Review Committee and is the Legislative Assembly representative on the Board of Governors of the University of New England.

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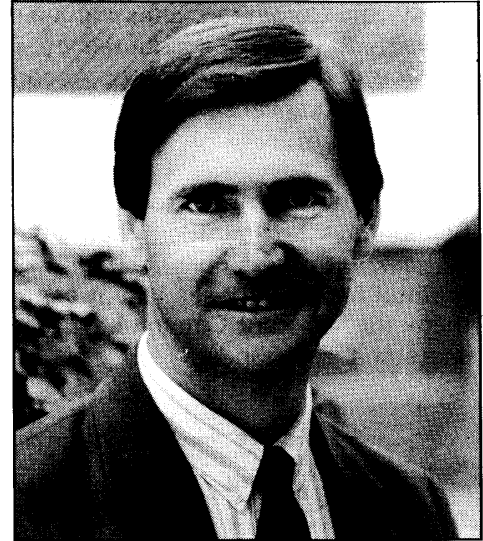
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CHAIRMAN'S FOREWORD

In late 1991, the PAC instituted a policy of following up on the implementation of the recommendations in its previous reports. The aim of this new policy was twofold: first, to determine what proportion of PAC recommendations have actually been adopted and second to make, if necessary, further recommendations on the matters under review. The present report is the first in this new series of follow-up studies. It groups a number of previous PAC reports which have, broadly, dealt with the general subject of public sector financial accountability.



It is gratifying to report that a large proportion of the Committee's earlier recommendations have indeed been implemented, particularly those made in Report No. 2: *Report On Year-End Spending (1986)*.

One matter the Committee wishes to continue pursuing, however, was a recommendation made in Report No. 43: *Report on Payments Without Parliamentary Appropriation (1989)*. This was that a second or subsequent Appropriations Bill(s) should be introduced during the course of the financial year. The Committee believed in 1989, and still believes, that a second or subsequent Appropriations Bill(s) would significantly enhance accountability to Parliament, and would reduce what the Committee saw as the overuse of S. 22 of the *Public Finance and Audit Act*, which allows payments to be made without any parliamentary sanction.

Concomitantly, the Committee has recommended that S. 22 be redrafted more tightly, so that any payments made without parliamentary sanction would be made only for unforeseeable events such as natural disasters.

If these two recommendations are implemented, the budget result for any financial year would be related to the amounts actually appropriated by the Parliament, and there would be a significant reduction in the use of Parliament as a rubber stamp for decisions taken elsewhere.

Another recommendation made by the Committee is that the staff of departments and statutory authorities receive thorough training in the new methods of financial management currently being introduced by Treasury.

Lastly, the Committee cites the need for SES Officers to adhere to all statutes concerning financial accountability, particularly the *Public Finance and Audit Act and the Annual Reports Acts*. Accordingly, the Committee recommends that such non-compliance be held to be performance below the standards of the responsible officer.

The Committee wishes to express its appreciation to the Consultant, Mr Robert Reimondo, who spent long hours preparing this report. Mr Reimondo carried out his task with the highest commitment and competence and the Committee is grateful for his very significant contribution. The Committee also wishes to thank its Assistant Committee Officer, Ms Caterina Sciara, for invaluable secretarial assistance.

J

Jim Longley, M Ec, F.C.P.A, Th C., M.P. Chairman

EXECUTIVE SUMMARY

This follow-up inquiry assesses the implementation of previous Committee recommendations that pertain to areas of public sector financial accountability. In particular, this report examines the impact of these past recommendations, comments on the adequacy of current Treasury procedures and suggests means by which to achieve a higher standard of accountability.

The Committee based its investigation on evidence taken at public hearings and an extensive review of submissions and correspondence received from involved New South Wales organisations and nearly all other Australian Parliaments. Testimony and submissions from other jurisdictions proved enlightening and provided the Committee with ideas for the further development of an efficient and accountable public sector in NSW.

Report No. 20: Report on Year-End Spending (1986)

The Committee has determined that substantial improvements have been made following Treasury's adoption of the recommendations of Report No. 20. Notwithstanding it is the Committee's opinion that these improvements could be enhanced with the development of a Financial Management Improvement Program by Treasury. This would ensure that public sector personnel are equipped with the necessary skills involved with the proper implementation of these accounting reforms.

Report No. 43: Report on Payments Without Parliamentary Appropriation (1989) Report Nos. 1 & 4: Expenditure Without Parliamentary Sanction or Appropriation (1981/82)

It has been a goal of this follow-up inquiry to explore methods of accountability to Parliament while at the same time maintaining financial efficiency in Treasury practices. The examination of actions taken in response to Report No. 43 has shed light on several budget related areas where accountability could be enhanced. Accountability problems associated with Parliament's approval as a rubber stamp in the annual appropriation process are identified and addressed in this inquiry. Consequently, some significant recommendations concerning the yearly budget process are reiterated. The adoption of second or subsequent Appropriation Bill(s) along with the tightening of Section 22 of the *Public Finance and Audit Act* will significantly increase public sector accountability by relating the yearly budget result to the amounts appropriated by Parliament. These changes, which are supported by the Auditor-General, are the key aspects of this inquiry.

Report No. 47: The Challenge of Accountability (1989)

The Committee has found that Treasury has made satisfactory progress concerning Report No. 47. This inquiry reveals that the previous recommendations of a financial nature have been largely addressed by Treasury reforms. However, no action appears to have been taken on Recommendation No. 10 of Report No. 47. This recommendation, which concerns the SES, states, "It is recommended that non-compliance with the *Public Finance and Audit Act* or the *Annual Reports Acts* be held to be performance below the expected level of the responsible officer." The Committee therefore reiterates its previous recommendation.

LIST OF RECOMMENDATIONS

1. The PAC recommends that a Financial Management Improvement Program be developed immediately as part of the financial management reform initiatives and implemented throughout the public sector under the auspices of Treasury.
2. The PAC recommends that the budget result for the year be related to the amounts appropriated by the Parliament.
3. The PAC recommends that the Parliament be presented with a second or subsequent Appropriation Bill(s) to enable the incorporation of foreseeable expenditures such as new government programs and initiatives and to enable Treasury to adjust the budget with Parliamentary consent.
4. The PAC recommends that the Section 22 facility be amended, to be re-drafted in such a way that it covers payments only for unforeseen and unforeseeable circumstances, for example, natural disasters.
5. It is recommended that non-compliance with the Public Finance and Audit Act or the Annual Reports Acts be held to be performance below the expected level of the responsible officer.

1. INTRODUCTION

A. Prologue

- 1.1 In its 1990-91 Annual Report, the Public Accounts Committee (PAC) undertook to review progress made in implementing the recommendations of five previous Committee inquiries. These inquiries were:

Report No. I - *Expenditure Without Parliamentary Sanction or Appropriation (Nov. 1981);*

Report No. 4 - *Expenditure Without Parliamentary Sanction or Appropriation (Sept. 1982);*

Report No. 20 - *Report on Year-End Spending in Government Department and Selected Author/ties (March 1986);*

Report No. 43 - *Report on Payments Without Parliamentary Appropriation (Feb. 1989);*

Report No. 47 - *The Challenge of Accountability (Nov. 1989).*

- 1.2 The common theme of all these reports was public sector financial accountability, and it is that principal aspect of each report that the present follow-up study addresses. In other words this follow-up does not aim to address any recommendations of the previous reports which may have dealt with matters unrelated to financial accountability.

B. Inquiry Objectives

1.3 The Committee set itself four main objectives. In particular to:

- (i) examine the impact of previous PAC recommendations relating to financial concerns;
- (ii) assess the implementation of these recommendations;
- (iii) consider and comment on the adequacy of the current procedures arising from or in relation to these recommendations, particularly in connection to the Treasury of New South Wales;
- (iv) explore possible means by which a future level of sustained financial accountability can be attained.

C. Method of Investigation

1.4 The Committee conducted this follow-up inquiry between January 1992 and May 1992, in accordance with measures designated in Section 57 of the *Public Finance and Audit Act 1983*. The method of investigation included:

- a study of the significance and relationship of the five previous inquiries;
- a review of submissions and correspondence received in response to Committee requests;
- public hearings.

D. Guide to Inquiry

- 1.5 This follow-up study divides into three parts the previous reports under consideration:
- Report No. 20;
 - Report No. 43 (including Report Nos I and 4 which deal with the same subject matter);
 - Report No. 47.
- 1.6 These sections will give a brief history of each inquiry, including the origins of the study, the terms of reference and the Committee recommendations.
- 1.7 Most importantly, under **Current Status**, the findings of this follow-up review and the basis for each new PAC recommendation will be established.

2. REPORT NO.20, REPORT ON YEAR-END SPENDING IN GOVERNMENT DEPARTMENTS AND SELECTED AUTHORITIES (MARCH 1986)

A. Background: Widespread Year-End "Spend-Ups"

i. Origins

- 2.1 A major objective of the Public Accounts Committee is to ensure that value for money is obtained from the New South Wales public sector. Under the *Public Finance and Audit Act*, it is the Committee's responsibility to bring to light any breaches of financial efficiency by government departments and authorities. This undertaking helps make the public sector accountable to Parliament and the public.
- 2.2 The Committee therefore concluded that this follow-up inquiry into financial accountability should include a formal review of action taken by the NSW Treasury in response to Report No. 20.

L Terms of Reference

2.3 The Terms of Reference established for the inquiry were'

- (i) to examine the patterns of expenditure of government departments and authorities that rely on annual budget appropriations to determine whether there is any evidence of unjustified year-end spending;
- (ii) to examine the implications of existing expenditure patterns on efficiency;

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- (iii) to recommend changes to improve efficiency and reduce wasteful spending within the context of existing government policy.¹

iii. Summary

- 2.4 In 1986 the Committee expressed concern that higher levels of spending at the end of the financial year might result in wasteful expenditure of government funds stemming from unwise purchases, and determined to undertake an investigation into the matter.
- 2.5 Through its investigation, the Committee established that " . . . the level of expenditure in the last two months of the financial year was disproportionately higher than for other periods." ² While this occurrence alone was not of particular concern, the Committee was greatly disturbed that these facts indicated that departments and authorities were not getting value for the taxpayer's dollar.
- 2.6 True to the indicators, the PAC found that low priority items constituted the majority of year-end spend-ups and that these purchases did not receive appropriately planned consideration. In the Committee's opinion, this unplanned expenditure invariably led to unnecessary waste.³

iv. Recommendations

- 2.7 Unlike later PAC Reports, Report No. 20 did not number its recommendations. Those relating to financial concerns were-
 - I Report No. 20, p. 13
 - Ibid, p. 1
 - Ibid, p. 45

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- that Treasury examine the introduction of procedures which would allow for large specific commitments to be formally acknowledged at year-end in order that departments may be satisfied that provision has been made in the following year's Budget Estimates for such commitments;
- Treasury investigate the introduction of a roll-over budget system;
- that current guidelines concerning flexibility be reviewed by Treasury during 1985-86.

B. Analysis: Substantial Progress

- 2.8 Treasury's corrective actions taken in response to Report No. 20 dealt with general procedures and overall methodology and did not necessarily address each individual recommendation. Therefore, this analysis section, unlike the following chapters, will set out the various measures introduced by Treasury and their implications since Report No. 20 was issued.
- 2.9 The NSW Treasury made substantial changes in response to Report No. 20. At the public hearings the Auditor-General expressed his satisfaction with these responses to Report No. 20. He pointed out several measures taken by Treasury:

The Treasury to their credit following Report No. 20 did take positive action. They issued circulars in relation to the practice of year-end spend-ups. They also made amendments to the Annual Reports Act which provide for graphs to be included in annual reports indicating monthly expenditures; they established a special deposits account where organisations were allowed to transfer money into that account, provided there had been a commitment made. After three months if that money had not been spent on that particular commitment it was returned to the Consolidated Fund.

- 2.10 The following section outlines some of the more substantial changes that have occurred in the management and accounting areas of the NSW Treasury system since Report No. 20.

i. Treasury Advances

2.11 In summary, the major Treasury changes were:

- 4 Minutes of Evidence, 6 April 1992, p. 3

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- early advice of budget allocations;
 - forward estimates;
 - inter-year transfers;
 - Section 23A transfers; and
 - capital program authorisation limits.
- 2.12 These changes are set out below in a detailed excerpt from a Treasury submission to this inquiry.

- **Early Advice of Budget Allocations**

One claim by departments during the PAC's inquiry was that late advice of recurrent and capital allocations by the Treasury delayed the ordering of stores, equipment etc, resulting in a "bunching" of expenditure in the latter part of the financial year.

For a number of years now, Treasury has aimed to issue both recurrent and capital allocations by the end of June. While in some instances there have been delays until early July, Ministers and their agencies now have advice of their allocations well in advance of the State Budget.

Adjustments to allocations may be made between the June letters being issued and the State budget being brought down. These are usually minor in nature and are advised orally to the senior finance officers of the department as they occur. Formal advice of these adjustments is given to agencies either before or after the Budget. 6

6 Treasury Submission, 25 March 1992, p. 1 8

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· Forward Estimates

The PAC's Report strongly supported the practice of making greater use of forward estimates in formulating the budget.

In late 1988, a major review of the State's budgetary procedures was undertaken. The main recommendation of that review was that a formalised system of forward estimates should be introduced and that this system be fully integrated with the recurrent budget process.

This recommendation was endorsed by the Government and introduced for the 1989-90 Budget cycle. The forward estimates system has proved to be a major advance, the most significant benefits being:

- *much greater capacity to control the overall budget aggregates (in particular total outlays and hence the budget result);*
- *much greater certainty for individual Ministers and line agencies as to the likely level of financial resources they will be allocated over a three year horizon; and*
- *removal of any suggestion or belief that underexpenditure of an agency's allocation would lead to an ongoing reduction in future allocations.*

The last two points have particular relevance to the issue of year-end spending. 6

e Treasury Submission, 25 March 1992, p. 2 9

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- **Inter-Year Transfers**

In association with the introduction of the forward estimates system, a facility has been introduced whereby an agency can 'transfer forward' to a following year, underexpenditure in the current year's allocation for its operating budget (generally Employee Related Payments and Maintenance and Working Expenses).

This facility is designed to assist in removing the temptation to 'spend-up' any uncommitted funds towards the end of the financial year.

While the facility is generally limited to 2 per cent of the operating budget allocation, this has proved to be ample in most cases. (The facility is symmetrical in that overexpenditures- other than in approved circumstances -have to be 'borrowed' from a future year's allocation.)⁷

- **Section 23A Transfers**

Section 23A of the Public Finance and Audit Act was inserted in 1988. This allows departments to transfer amounts from their Consolidated Fund recurrent or capital allocations to a suspense account where a commitment to purchase goods and services had been entered into with the expectation that the resulting payment would have been made by 30 June, but where such payment did not in fact occur by that date.

Prior to this provision, the realisation late in the financial year that a planned payment would not eventuate would

7 Treasury Submission²⁵ May 1992, p. 2

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presumably have encouraged an agency to attempt to find other ways to spend the cash by 30 June.

With the introduction of the inter-year transfer facility, the usefulness of this provision, at least in terms of recurrent allocations, is diminished. 8

• **Capital Program Author/sat/on Limits**

The establishment of the capital program author/sat/on limits system from 1 July 1989, following Ministerial Capital Works Committee approval, has allowed agencies increased flexibility in managing capital programs.

Under the author/sat/on limits system, forward commitments for major works (capital projects with an estimated total cost of \$500, 000 or more) and forward estimates for minor works are approved by the Capital Works Committee for each agency for the budget and following two financial years.

Agencies have the flexibility to introduce additional major works and to increase spending on minor works subject to the constraints of agency overall author/sat/on limits and other requirements of the capital Program process, for instance the application of economic appraisal and value management techniques. Proposals which would involve increasing author/sat/on limits require separate Capital/Works Committee consideration.

As with the recurrent forward estimates system, the significant benefits of the introduction of authorisation limits

8 Treasury Submission, 25 March 1992, p. 2-3 11

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lie in greater certainty for Ministers and agencies of likely capital program allocations over a three year horizon and removal of any belief that allocation underexpenditure would automatically lead to a reduction in future years' allocation?

2.13 The Committee is **gratified** to note the introduction of these changes which have **satisfactorily addressed the issues** related to year-end spend-ups.

2.14 At the public hearings, the Acting Secretary of the Treasury, Mr Michael Lambert, expanded on these advances in financial accountability and the future role of NSW Treasury in the pursuit of accountability.

They basically do mean that there is a basis on which there is an ability to have comprehensive financial accountability that wasn't fully in place before.

There are certainly still further refinements and developments to occur. We haven't reached an end. We still haven't completed the implementation of accrual accounting. There is still a lot of work to be done to improve the financial skills and accounting skills of agencies. It's all very well to have the framework in place but in our minds the next major initiative forward is to actually improve the actual expertise of agencies, and to improve the understanding of what financial management is all about.

We need to go from an emphasis in the past from the process - the Treasurer's direction very much emphasises the process - to an emphasis about appropriate approaches, appropriate methods of financial management. That needs to be developed and I think Treasury has to provide a degree of leadership in this respect to

. Treasury Submission, 25 March 1992, p. 3 12

encourage that cultural change as distinct from a process change. 10

ii. Financial Management Improvement

- 2.15 The Committee agrees with Mr Lambert that the NSW Treasury should take the initiative and provide the necessary leadership in enhancing the level of skill of accounting and finance officers in the public sector.
- 2.16 The PAC noted with interest that the Commonwealth Department of Finance has had a comprehensive Financial Management Improvement Program in place since 1984.

The Government's Financial Management Improvement Program (FMIP) is a comprehensive approach to improving resource management in the Australian Public Service.

The program covers a variety of measures that operate in three broad areas:

1. The environment

Streamlining the budget and regulatory processes to reduce the need for central controls and encourage efficient and efficient management practices in departments.

2. Management systems

Introducing techniques and systems that help departmental and agency managers focus on results.

10 Minutes of Evidence, 6 April 1992, p. 38

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3. Standards and practices

Changing administrative procedures and practices to give managers more incentive to manage and greater awareness of resource costs. 11

- 2.17 The Committee is of the view that the financial reforms currently underway in the New South Wales public sector will require a higher level of skill in accounting and financial management. As a consequence, it will be necessary to implement a continuing program of financial management training for department and statutory authorities.¹²

Recommendation 1 -

The PAC recommends that a Financial Management Improvement Program be developed immediately as part of the financial management reform initiatives and implemented throughout the public sector under the auspices

of Treasury.

11 Commonwealth Department of Finance, FMIP Report, December 1988, p. 5 12
Treasury Annual Report 1990-1991, p. 29

C. Conclusion

- 2.18 The first step in rectifying a problem is to bring it to light. This was the main value of Report No. 20. With the PAC as the catalyst, the mere exposure of the problem of year-end spending increased general awareness of the problem and allowed Treasury to find adequate solutions.
- 2.19 The Auditor-General cited disclosure as the major instrument for eliciting these Treasury advances toward increased financial accountability:

I think probably the most telling of all was the Public Accounts Committee report into year-end spend-ups. It highlighted what departments were doing and all the issues helped put the brakes

*13
on.*

It was the emphasis of a Parliamentary Committee. I mean, the Auditor-General had been talking about year-end spend-ups but it was because the PA C took the positive step and had the inquiry which had a big bearing on it. 14

- 2.20 The PAC is satisfied that the financial problems of year-end spending have been in large measure adequately dealt with by the NSW Treasury. Consequently, these financial reforms, coupled with the Committee's recommended officer training program, will achieve a higher degree of public sector financial accountability.

~3 Minutes of Evidence, 6 April 1992, p. 3

1, Ibid, p. 3

3. **REPORT NO. 43, REPORT ON PAYMENTS WITHOUT PARLIAMENTARY APPROPRIATION (FEBRUARY 1989)**
(REPORT NOS. 1 & 4. EXPENDITURE WITHOUT PARLIAMENTARY SANCTION OR APPROPRIATION. 1981/82)

A. Background: Parliament as a "Rubber Stamp"

i. Origins

- 3.1 One of the initial functions of the Public Accounts Committee was to inquire into government expenditure which had not been appropriated by Parliament. Section 16B of the *Audit Act 1902* determined that the Committee will be empowered to "Inquire into and report to the Legislative Assembly upon all expenditure by a Minister of the Crown made without Parliamentary appropriation".
- 3.2 This function, however, went largely neglected between 1902 and 1981 because of a general lack of government references. As a result, the Committee only met two to four times a year and exerted limited influence.
- 3.3 In 1981 and 1982, the Committee issued Report Nos. 1 and No. 4, both titled *Expenditure Without Parliamentary Sanction or Appropriation*. As indicated in Report No. 43, these previous inquiries were based on the examination of individual payments and were completed before 1983, when the *Audit Act* was replaced by the *Public Finance and Audit Act*.
- 3.4 The new Act greatly strengthened the PAC's powers and reaffirmed its function to inquire into expenditure" . . . without' Parliamentary sanction or appropriation", as outlined in Section 57(1)(g).
- 3.5 Ninety years after the *Audit Act* was enacted, the present Committee

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fulfils its original function by conducting this follow-up inquiry into financial accountability.

ii. Terms of Reference

- 3.6 The Terms of Reference of Report No. 43 were to examine and report on:
- (i) payments made under Section 22 of the *Public Finance and Audit Act*, during the 1986-87 Financial Year;
 - (ii) the appropriateness of the payments made;
 - (iii) the accountability and other issues involved in the payment process;
 - (iv) to examine the Report of the Auditor-General in relation to those payments; and
 - (v) any other matters arising out of the Committee's inquiries which impinge on the accountability of the NSW Public Sector.¹⁵

iii. Summary

3.7 There was considerable need for Report No. 43, published in February 1989. The Inquiry grew out of the Auditor-General's 1987 and 1988 Reports in which he expressed concern that the developing system of expenditure would merely confine parliamentary approval to a "rubber stamp" status.

3.8 In his 1986-87 Report, the Auditor-General in part stated:

The present system leaves Parliament little scope for anything more

15 Report No. 43, p. 3

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than formal endorsement of funding decisions made elsewhere. 16

- 3.9 Further, the PAC noted that these payments without parliamentary approval were increasing at an alarming rate. In fact, from 1986 to 1988 payments made under Section 22 of the *Public Finance and Audit Act* rose from \$281,525,000 to \$413,563,000.
- 3.10 Therefore, the main focus of Report No. 43 was the unintended use of Section 22. This Section states:

Expenditure for certain services or works

22. (1) Notwithstanding section 21, where, after an Act is passed in respect of a financial year appropriating money out of the Consolidated Fund to meet the requirements of that financial year, the exigencies of Government so require, the Treasurer may, with the approval of the Governor, determine that there shall be paid from the Consolidated Fund, in ant/c/pat/on of appropriation by Parliament, such additional sums as may be necessary in the public interest to provide for expenditure of a recurrent nature or for capital works and services. 17

- 3.11 In Report No. 43 the Committee investigated mechanisms which would impede Treasury's growing dependency on Section 22 and would increase parliamentary control over expenditure?

Auditor-General's 1986/87 Report to Parliament, p. 31

Public Finance and Audit Act 1983, Section 22, p. 15 Report No. 43, p. I

iv. Recommendations

3.12 The inquiry resulted in the following recommendations:

Recommendation 1 *The PAC recommends that the budget result for the year be related to the amounts appropriated by the Parliament.*

Recommendation 2 *That the adoption of accrual accounting by budget sector authorities commence immediately.*

Recommendation 3 *The PAC recommends that the Parliament be presented with a second or subsequent Appropriation Bill in the second half of the financial year to enable the Treasury to adjust the budget with Parliamentary consent.*

Recommendation 4 *The PAC recommends that Treasury introduce forward estimates to allow the Education Department and Public Works Department to undertake longer term planning and enter into longer term contracts.*

Recommendation 5 *The PAC recommends that for major works programs like school maintenance that control of the funds in Special Deposits Account at Treasury be transferred to the user department. The Education Department should control both funds allocated and work priorities.*

Recommendation 6 *The PAC recommends that no further transfers under Section 22 be made to the Fire Risks Account until:*

1. the overall Risk Management review by Treasury has been completed; and

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2. Treasury self-insurance activities are on a commercially cost effective basis.

Recommendation 7 -The PAC recommends that funds provided to acquire public sector assets including computers should be included in the normal Parliamentary appropriation process (see also Recommendation 8).

Recommendation 8 -The PAC recommends that the Section 22 facility be retained, to be used only for urgent and pressing necessities that require immediate act/on by government in the public interest, for example, relief from natural disasters. 19

- 3.13 The present Committee resolved under Section 57(1)(g) of the *Public Finance and Audit Act* to review the matter of expenditure without parliamentary appropriation in order to ensure that these recommendations were adequately addressed.
- 3.14 This follow-up inquiry assesses actions taken in response to each recommendation. Included in these sections will be a brief explanation of the reasons behind the original proposal, as well as details of the Committee's recent findings and researched opinions.

19 Report No. 43, pp. iv-v

B. Analysis: Mixed Review

Report No. 43: Recommendation I

The PAC recommends that the budget result for the year be related to the amounts appropriated by the Parliament.

- 3.15 Recommendation I laid the basis for the whole of Report No. 43. The recommendation sought to discourage the practice of exploiting the Section 22 facility with the sole purpose of balancing the budget.
- 3.16 Traditionally, the public has judged the efficiency of the government of the day according to its ability to achieve a balanced budget. On the cash accounting system, the yearly budget result was based solely on the total capital remaining in the State's Consolidated Fund. In certain years, surpluses could be substantial. This could lead to an accusation that State revenues were too high and that therefore, the State was overtaxing the public. To avoid this criticism the Government could balance the budget by transferring large fund surpluses of a positive year from the Consolidated Fund to Special Deposits Accounts using Section 22.
- 3.17 In Report No. 43, the Committee criticised Treasury for permitting Section 22 to be used as a "financial management tool" for balancing the budget.²⁰
- 3.18 The PAC concludes that on the balance of evidence presented the Section 22 payments have been repeatedly used to authorise transfers without parliamentary appropriation for the purposes of balancing the budget and not for any pressing urgency. This is considered by the PAC

²⁰ Report No. 43, p. 13

to be outside the original intent of the legislation.²¹

i. Revenue Equalisation Account

- 3.19 The introduction of the Revenue Equalisation Account in 1988 appeared to be a procedure that would alleviate Treasury's need to resort to Section 22 in order to balance the budget.
- 3.20 The Revenue Equalisation Account was a rational development which was supported by both sides of the Legislative Assembly. Its role " . . . is to transfer surplus funds in years of buoyant receipts and support the budget in years when revenue receipts fall below estimates." ²²
- 3.21 In the Minutes of Evidence taken before the previous PAC during the Report No. 43 inquiry, the Committee and the Secretary of the Treasury, Mr Percy Allan, had this exchange:

Committee: Does the Treasury need the Section 22 facility?

Mr Allan: If we make the distinction that the Auditor-General favours trying to distinguish between what is urgent and necessary on the one hand, and on the other hand what is needed to balance the budget, then the introduction of the new Revenue Equalisation Account should make it possible to balance the budget without continuous resort to Section 22.²³

²¹ Report No. 43, p. 49

²² Ibid, p. 31

²³ Minutes of Evidence, 14 June 1988, p. 3

Current Status

- 3.22 Since this statement the Committee has found that the Revenue Equalisation Account has had no substantial influence on the use of Section 22. The Acting Secretary of the Treasury pointed to the Account's limited use as the reason:

It was utilised in 1988-1989 when we had our last surplus and funds were transferred to that account. Subsequent to that the only transactions that have occurred in that account, in fact it's run down, as we have used the balance that was transferred in 1988-1989 to fund the deficits that have subsequently emerged.²⁴

- 3.23 Obviously, it is not Treasury's fault that the Revenue Equalisation Account has never had a substantial impact. However, the Auditor-General rightfully pointed out that Section 22 was still extensively used when there was a surplus enabling the utilisation of the Revenue Equalisation Account.²⁵
- 3.24 This suggests to the Committee that no reliable mechanism is in place to restrict the use of Section 22 to balance the budget, in positive or negative years.
- 3.25 Further testimony from Treasury once again substantiated claims of previous budget balancing. While discussing the merits of the Revenue Equalisation Account, Treasury indicated that under the cash accounting system of representing the yearly budget result it was possible to hide budget transactions using the Section 22 facility.

24 Minutes of Evidence, 6 April 1992, p. 29

25 Ibid, p. 10

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Mr Sendt: *I think the only real relevance of the Revenue Equal/sat/on Account with Section 22 is that it provides a more publicly identifiable and upfront means of taking money out of the Consolidated Fund when there is a surplus as opposed to hiding it away through various transactions that may not be immediately obvious. 26*

Committee: *Where you just conceded there that there was the capacity to hide figures more readily using other mechanisms, which mechanisms were you referring to?*

Mr Sendt: *Section 22.*

Committee: *You concede that Section 22 does have the capacity to conceal?*

Mr Lambert: *No, not now.*

Mr Sendt: *It certainly may have been used that way in the past*

27

3.26 The Committee considers any manipulation of Section 22, past or present, to "hide" budget figures in order to balance the budget to be unacceptable. This concern is supported by the Senior Advisings Solicitor for the Crown Solicitor:

It does not seem to me that payments to 'balance the budget' fit the description of expenditure of a recurrent nature or for capital

26 Minutes of Evidence, 6 April 1992, p. 45

27 lb/d, p. 46

*works and services.*²⁸

ii. Government Finance Statistics Approach

3.27 A major change introduced by Treasury in its accounting and management procedures was the Government Finance Statistics (GFS). Approach.

3.28 During the Committee's 6 April public hearings, Treasury explained the impact of the Government Finance Statistics approach on the yearly budget **result:**

We had been providing since 1988-1989, supplementary information on the budget on a Government Finance Statistics basis which is based on International standards but the budget for 1991-1992 actually is presented on a full GFS basis or almost a full GFS basis. It means that the budget reflects economic transactions not accounting transfers and is based on a total payments approach not on Consolidated Fund. It has to be and it is in accord with internationally accepted public finance conventions. 29

3.29 Treasury cites the 1991-92 adoption of the Government Finance Statistics approach as the cure to this past practice of budget balancing transfers. The Acting Secretary of the Treasury explained the GFS impact on Section 22 transfers to balance the budget:

That means in many ways that the basic encouragement of the past to transfer funds to Special Deposits Accounts no longer applies because they are not treated as expenditures, they are not even transactions, they are simply transfers, and therefore, to a

28 State Crown Solicitors Office Submission, 13 March 1992, p. 6

29 Minutes of Evidence, 6 April 1992, p. 36

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degree that there was some motivation in transferring funds to Special Deposits Accounts based on targeting the budget result and fiddling the budget to the degree that there was that motivation, it is no longer applicable. 30

- 3.30 Treasury's new budget methodology appears to ensure that Section 22 transfers will no longer have an impact on the yearly budget result. Therefore, in addressing Recommendation I where the payments are reflected as transfers, no further budget distortion is possible.
- 3.31 However, the PAC is concerned to note that Section 22 can still be used to make third party payments that are not within the design of the Section. An example of this would be \$54 million in Section 22 redundancy payments in 1989³¹. While important, it is the Committee's view that redundancy payments are foreseeable.
- 3.32 These types of third party payments will still be shown as external transactions exceeding the amounts originally appropriated by Parliament. Consequently, these payments could have the effect of balancing the budget. In the view of the Committee these sorts of payments illustrate the unintended use of the Section 22 facility.
- 3.33 On this basis, it is the PAC's opinion that Recommendation 1 has not been fully accepted and these foreseeable payments without parliamentary appropriation will most likely continue.

Recommendation 2

The PAC recommends that the budget result for the year be related to the amounts appropriated by the Parliament..

30 Minutes of Evidence, 6 April 1992, p. 36

31 Treasury Submission, 12 February 1992, p. 5

Report No. 43: Recommendation 2

That the adoption of accrual accounting by budget sector authorities commence immediately.

- 3.34 Recommendation 2 builds on the central PAC principle of correlating the budget result with the amounts appropriated by Parliament. The Committee perceived accrual accounting as the most accountable method for instituting accurate yearly budgeting.

iii. What is Accrual Accounting?

- 3.35 In his recent book *Managing State Finances*, Don Nicholls gives the following definition:

*Accrual accounting is the recognition of revenue and expenditure items as they are earned or incurred respectively (and not as money is received or paid) and included in the financial statements in the year to which they relate.*³²

- 3.36 For the public sector the introduction of accrual accounting means that non-cash transactions will be brought to account and reported in the year when the transaction occurs. By way of example'

Income'

Licence fees due and unpaid are brought to account as debtors.

Expenditure:

³² *Managing State Finance* by Don Nicholls, p. 311 27

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Depreciation, employees' long service leave entitlements due but not taken.

- 3.37 In addition to the recognition of income and expenditure the adoption of accrual accounting by an authority involves the recognition and financial disclosure of the value of all assets and liabilities. For example:

Assets:

Assets used in the business are brought to account on the basis of cost or future economic benefits.

Liabilities:

Liabilities are brought to account when the expense is incurred and not when a cash payment is required i.e. employees' long service entitlements are brought to account as the employees accrue their leave and not as long service leave is taken.

Cash Accounting - Shortcomings:

The shortcomings of cash accounting is that items of income and expenditure are not brought to account as they occur but when the physical transaction is processed.

Traditional cash accounting does not provide for the recording, accounting and disclosure for assets and liabilities held or controlled over one or more financial years.

In addition cash accounting does not provide an accounting mechanism to disclose the net worth or owners investment in a business.

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Accrual Accounting - Advantages:

The advantage of accrual accounting is that financial statements and management reports can be prepared to disclose the value of assets employed, liabilities incurred and the owners' or investors' equity in the business for an accounting period.

Accrual accounting can provide financial information that discloses the cost of operations and the value of the organisations assets, and assists in calculating the return on assets.

3.38 Accrual accounting will:

- Enable costs and revenue of activities or programs to be measured for the same period of time;
- Enable comparisons to be made between time periods without the financial data being distorted by variations in the timing differences of payments and receipts;
 - Measure the performance of government owned or controlled assets on the basis of reliable financial data;
 - Evaluate the opportunity cost of using and/or retaining public assets;
 - Measure operating costs and/or revenue against industry standards.³³

Current Status

3.39 Since Report No. 43, the Treasury has announced full support for

33 Accrual accounting information from the forthcoming PAC inquiry into financial reforms

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Recommendation 2, and accrual accounting is steadily being phased in over a number of years? Indeed, the conversion to full accrual accounting is currently being undertaken by budget sector authorities.

- 3.40 In his Financial Statement of 2 July 1991, the Premier disclosed this change in the budgeting direction for New South Wales:

... the Budget presentation in 1991-92 marks a transitional step to full implementation of accrual accounting for the Budget sector. By 1993-94 all agencies and the full Budget will be presented on an accrual basis with supplementary information on a cash basis.

The adoption of full accrual accounting and budgeting for the budget sector puts New South Wales in a leading position in the world in public finance. This approach will facilitate more effective financial and resource management. 36

- 3.41 As Recommendation 2 indicates, the PAC believed that accrual accounting be adopted "immediately". The Committee is pleased to note that the Treasury's 1990-91 Annual Report indicated that the 1989 target of a five year implementation period had been "shortened to 3 years in view of the significant progress achieved to date. All the medium-size departments are moving across to accrual accounting in 1991-92, to be followed by the large departments in 1992-93." 36

- 3.42 In evidence before the Committee, the Acting Secretary of the Treasury expanded on the benefits of accrual accounting integration:

... we have moved substantially towards the implementation of accrual accounting. Effectively that means the commitment to

Treasury Submission, 8 April 1992, p. 4

35 Financial Statement delivered by The Hon N. Greiner, MP on 2 July 1991, p. 52

36 NSW Treasury 1990-91 Annual Report, p. 29

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produce commercial accounting practises into the core budget sector and that approach also addresses many of the issues that are raised and were concerning previous reviews by the Public Accounts Committee.

Those types of accrual accounting won't displace our Government Finance Business presentation of the budget, because it is supplementary to and additional to. The combination of the two reporting systems, you have a comprehensive cash reporting system based on economic concepts, and accrual presentation or commercial accounting approach - a combination of those two -which means we have a very extensive and very comprehensive financial reporting system that will provide a true and fair position of the overall State finances. 37

- 3.43 The Auditor-General praised Treasury for its initiatives in the area of accrual accounting in his 1991 Report to the Parliament.³⁸ After consideration of the present findings the PAC concurs with this acknowledgment.
- 3.44 The Committee has no further proposals concerning Recommendation 2 of Report No.43.

Report No. 43: Recommendation 3

The PAC recommends that the Parliament be presented with a second or subsequent Appropriation Bill in the second half of the financial year to enable the Treasury to adjust the budget with Parliamentary consent.

3.45 The PAC based this recommendation on a study of other Australian

37 Minutes of Evidence, 6 April 1992, p. 37

38 Auditor-General's 1991 Report to the Parliament, vol. 2, p. 10

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Parliaments. Building on the former study, this inquiry also conducted a similar, albeit more substantial, investigation.

iv. Other Parliaments

- 3.46 The Committee obtained submissions from several other Australian Parliaments in order to compare existing mechanisms that deal with expenditure without parliamentary sanction or appropriation.

Commonwealth

- 3.47 The Commonwealth system does not allow for expenditure without parliamentary appropriation. To obtain a clearer understanding of existing Commonwealth procedures, the Committee requested Mr Maurice Kennedy (Assistant Secretary of the Accounting Policy Branch, Commonwealth Department of Finance) to testify.
- 3.48 Mr Kennedy explained that under Section 83 of the Commonwealth Constitution no expenditure from Treasury can be drawn unless there has been proper legislative appropriation.

For the annual appropriations we have, again because of constitutional imperative, two Bills introduced each time. Section 53 of the Constitution prohibits the Senate from amending proposed laws appropriating money for the ordinary annual services of Government. The term 'ordinary annual services of Government' is not defined in the Constitution or anywhere else. In fact, it is not a matter of law. It is a matter for the Parliament and in 1965 there was a compact reached between the Senate and the House of representatives that describes what should go in the non-amendable Appropriation Bill and what should go in the amendable Appropriation Bill.

We have two Bills introduced which are in common parlance called

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Bill 1 and Bill 2 which reflect that dichotomy. 39

- 3.49 In accordance with Commonwealth legislation subsequent Appropriation Bills are **forwarded** to meet unforeseen circumstances. Mr Kennedy explained:

Then in March of a financial year additional estimates are introduced. These are termed Bills 3 and 4. Bills 3 and 4 reflect the dichotomy of the 1 and 2 Bills that I explained earlier. They are for additional estimates. They are for expenditure requirements and, indeed, Government new policy initiatives that have emerged since the finalisation in drafting of Appropriation Bills 1 and 2.⁴⁰

- 3.50 The Committee was concerned about the inflexibility of continuously resorting to subsequent Appropriation Bills. Mr Kennedy made this response:

Yes, it does have a risk of cumbersomeness and delay but those risks are not insurmountable. I'm glad you mentioned that because I was going to come back to Appropriation Bill 5 which is a phenomenon which has occurred this year.⁴¹

After the Appropriation Bills 3 and 4 were introduced... We found to our alarm that there were three programs that had major calls on the Advance in prospect and that if we didn't meet those calls, that there would be likely to be hardship caused to the recipients of these grants and, moreover, there was insufficient funds left in the advance to the Minister for Finance to meet the total value of these three programs.

39 Minutes of Evidence, 6 April 1992, p. 19

40 Ibid, p. 21

41 Ibid, p. 26

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What the Government did was to hasten through the Parliamentary process Appropriation Bill 5 and that Appropriation Bill contained provision for those three programs only. Certainly not all sides of the House were terribly happy with this - and the Government was not happy in having to do - but it shows, in answer to your question, that there is adequate flexibility in responding to emergency situations when the need arises.⁴²

- 3.51 The Committee was interested to note that the Commonwealth's Bill 1 covers additional funding for existing programs, while new policy initiatives would fall under Bill 2 which is open to parliamentary debate. However, the Committee realises that this strategy is not appropriate for New South Wales because appropriations go directly to Ministers, whereas in the Commonwealth appropriations are made for specific works and purposes.
- 3.52 However, the PAC found relevance in the Commonwealth's testimony through its aspirations to *prospectively* debate all appropriations which are of a new policy nature, as opposed to the retrospective approach habitually used in New South Wales.
- 3.53 The Commonwealth also provides for an Advance to the Minister for Finance in Appropriation Bills 1 and 2. This is similar to the NSW Treasurer's Advance (see v. Treasurer's Advance). In order to maintain a level of accountability payments made from this Advance are subject to "... two main criteria: unforeseen and urgently required." ⁴³ Further, Mr Kennedy stated that expenditure through the Advance could also address urgent funding that "was erroneously omitted from" the initial Appropriation Bills. Finally the particulars of all payment under the Advance to the Minister are required to be submitted to Parliament in

4= Minutes of Evidence, 6 April 1992, p. 27

43 Ibid, p. 22

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monthly statements?

Victoria

- 3.54 Under Victorian legislation no Section 22 equivalent exists. The Parliament retains total control over expenditure from the public purse.
- 3.55 A provision for urgent necessities is in the form of a \$30 million facility available to the Victorian Treasurer. This facility is "subject to Parliamentary sanction" and the established limit significantly increases parliamentary control over expenditure and, thereby, ensures financial accountability.

3.56 In Report No. 43, the previous Committee praised the Victorian system:

*The accountability of the public sector to the Parliament is maintained and the Parliament is not placed in a position of rubber stamping spending decisions made elsewhere, at an earlier time.*⁴⁶

- 3.57 The current Committee concurs with this statement and regards "rubber stamping" as contrary to accountability.

Queensland

- 3.58 In Queensland, the appropriation arrangements are very similar to those of New South Wales. Only one Appropriation Act exists.
- 3.59 Expenditures without parliamentary appropriation are deemed "Unforeseen Expenditure" under Section 25 of the *Financial Administration and Audit Act*. Further, Section 25A states that the

Minutes of Evidence, 6 April 1992, p. 2246 Report No. 43, p. 17

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Treasurer must prepare a statement called "Statement of Unforeseen Expenditure to be Appropriated". This Statement must first be examined and certified by the Auditor-General, then laid before the Legislative Assembly as soon as practicable.

- 3.60 The PAC notes that this process not only ensures that over-expenditures are made in accordance to the law, it provides for a visible display of all such expenditures for closer parliamentary scrutiny.

Tasmania

- 3.61 The Tasmanian Parliament also has only one Appropriation Act. However, the Tasmanian Parliament maintains stricter control over "expenditure additional to appropriation". Quarterly reports to Parliament detail all orders that occur under the *Public Account Act* for which there was no original appropriation.⁴⁶

- 3.62 In addition to quarterly reporting, the legislation under which expenditure additional to appropriation can be made is much more specific than the New South Wales equivalent, Section 22. This includes legislation which outlines acceptable transfers, including across division transfers from Works and Services. The Committee notes that these sections negate confusion associated with interpretations.

- 3.63 In cases of emergency, the Treasurer, under Section 16 of the *Financial Management and Audit Act* may solicit the Governor's approval for additional expenditure. In seeking approval, the Treasurer is required to:

... provide the Governor with a report by the Auditor-General to the effect that the Governor's authority would be proper having regard to the circumstances of the emergency. ⁴⁷

4e Tasmanian Submission, p. 4

4? Tasmanian Submission, p. 4

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- 3.64 The Committee is in favour of the upfront Tasmanian approach to additional expenditure. Authorising the distinctive items and situations directly in the terminology of the *Public Account Act* accomplishes a high degree of clarity and, thereby, accountability.

South Australia

- 3.65 The South Australian Government has used legislation that permits for Supplementary estimates in addition to the initial Appropriation Act. This allows for parliamentary approval when the Government requires additional funding.
- 3.66 South Australia also provides a Section 22 equivalent which can be exercised in the case of urgent projects or initiatives. Unlike Section 22 this facility is limited to three per cent of the total budget appropriations.⁴⁸
- 3.67 While the PAC sees great merit in supplementary appropriations which allow for parliamentary debate and public scrutiny, it should be noted that three percent of the NSW Budget would be approximately \$570 million per annum. As a consequence, this would not be an improvement on present Section 22 usage.

Western Australia

- 3.68 The Section 22 equivalent in Western Australia is also written very broadly. Section 28 of the *Financial Administration and Audit Act* relies largely on the integrity of the Treasurer of the day.
- 3.69 In Western Australia, officials point to timing of their Appropriation Bill as a major reason for having exclusively one Bill.

The Appropriation Bills are not generally presented to the

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Parliament until/ate August and assented to until December, almost haft way through the fiscal period. Spending under Supply is restricted basically to the works, services and purposes for which appropriations were made by the Parliament in the preceding financial year and major new projects or initiatives must await the passing of the new Appropriation Bills.⁴⁹

- 3.70 The Committee notes the similarity to Mr Kennedy's testimony in that the Western Australian submission also dealt with the differences between "new projects or initiatives" and "ordinary annual services of Government" ?

Northern Territory

- 3.71 The Northern Territory passes two Appropriation Acts in a financial year. A Supply Act is passed before the financial year begins to ensure the smooth running of the Government until the main Appropriation Act is passed. Then the primary Appropriation Act is passed in the first half of the financial year to allocate funding for the year.
- 3.72 Legislation also provides for a Treasurer's Advance and Sections pertaining to the reallocation of appropriations and the provision of additional funding. These Sections specifically permit the transferring of surplus funds between divisions and subdivisions. However, these transfers by the Treasurer must be laid "... before the Legislative Assembly within 6 sitting days of making the direction."
- 3.73 The PAC notes that the NT legislation is much more specific than similar NSW legislation. Therefore, no holes exist that could create confusion as to the use of the Sections. Also, the PAC feels that the Northern Territory's early disclosure system encourages a high degree of financial

4. Western Australian Submission, p. 3

60 Ibid

accountability. Parliament can easily monitor all funding transfers.

v. Treasurer's Advance

- 3.74 All Australian Parliaments have some form of a Treasurer's Advance. This is a parliamentary allocation to the Treasurer which is available to meet expenses of an unforeseen nature. The Treasurer's authority in this regard usually derives from the annual Appropriation Act.
- 3.75 In New South Wales the fundamental difference between the Treasurer's Advance and the Section 22 facility lies in the fact that the Advance has been *prospectively* approved by Parliament. Also, the Treasurer's Advance has a limit (depending on the Appropriation Act) which usually varies from around \$60 million to \$100 million?

Current Status

- 3.76 A large portion of the total Section 22 payments last year consisted of a \$302.5 million contribution to the National Debt Sinking Fund (see Appendix 3). Treasury stated that, "The payment was unavoidable and necessarily incurred in the public interest and therefore was considered to have been properly made in terms of Section 22~~5~~2"
- 3.77 The Committee accepts that this payment was legitimate, however, this payment presents a sound argument in support of a subsequent Appropriation Bill. Elaborating on the \$302.5 million payment, Treasury alluded to this option:

Mr Sendt: *However, we chose to show it both as a receipt and a payment, and to show it as a payment obviously meant that we had to invoke the powers of Section*

s~ Minutes of Evidence, 6 April 1992, p. 12

62 Treasury Submission, 25 March 1992, p. 4

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22 to do so.

Committee: *What was the rationale for doing that?*

Mr Sendt: *Transparency generally. It was a major transaction, albeit, having no real effect on the balance sheet, if you like, of the State, but the decision was made that it should be shown in the Public Accounts.*

Committee: *Is there any reason why Section 22 in particular, would have been used for that transparency exercise?*

Mr Sendt: *Apart from bringing in a separate Appropriation Bill, I am not sure what other mechanism there may have been. It certainly was much too large to handle through Treasurer's Advance and, in any event, it was treated as a capita/transaction which Treasurer's Advance does not apply to.⁶³*

3.78 Since the PAC forwarded Recommendation 3, no changes in Treasury's yearly budget appropriations have occurred. Section 22 is still being used for what would be legitimate cases for subsequent Appropriation Bills.

3.79 The Auditor-General gives firm support to PAC recommendation 3:

I am st/I/of the opinion that there should be a second Appropriation Act which I think was one of the recommendations by the Public Accounts Committee report so nothing has really changed since the PAC report except for the economic climat⁶⁴

63 Minutes of Evidence, 6 April 1992, pp. 53-54

~4 Minutes of Evidence, 6 April 1992, p. 8

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The initial Appropriation Act has been subject to debate in the House and, therefore, I believe that any further expenditure that is necessary should be subject to the same form of debate whereas at the present time it is not. It is not until the next Appropriation Act comes down for the public Accounts that the matter is reported to Parliament. I mean, Parliament has the control as far as I am concerned and, therefore, any emergency expenditure or additional expenditure should be subject to proper Parliamentary appropriation.⁶⁶

- 3.80 Contrary to the Auditor-General's sentiments, evidence taken at the 6 April public hearings suggests that Treasury feels differently about how new programs should be initiated. The Acting Secretary of the Treasury cites one role of Section 22:

I think there is the intended appropriate purpose of taking account of within year unexpected variations that occur either in terms of existing programs or new programs - and that is legitimate.⁶⁶

- 3.81 The Committee is surprised that Treasury considers the role of Section 22 is partly to fund "new programs". This belief is at odds with the Committee and the Auditor-General's opinion that Parliament should have the opportunity to debate and authorise new government initiatives. This fundamental right derives from Parliament's role of ensuring full accountability for the public purse.

- 3.82 It is in the area of differentiating between old, previously debated services and new, non-debated projects that the present New South Wales appropriation system and, in turn, Section 22 appears to be flawed. Without subsequent Appropriation Acts allowing for debate over new Projects, Treasury is forced to rely on Section 22 in an unconventional

66 Ibid, pp. 9-10

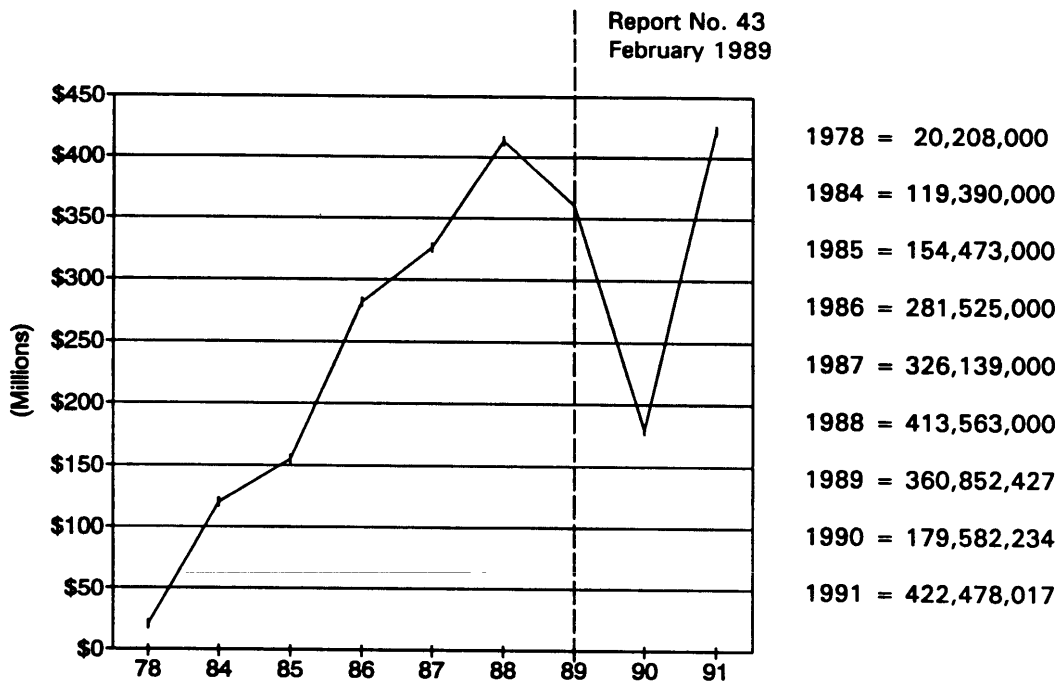
6e Ibid, p. 42

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manner.

- 3.83 After reviewing the yearly Section 22 payments (see graph) the PAC is firmly of the opinion that funding of predictable and foreseeable expenditure, such as new policy initiatives or increased funding to existing programs, should be subject to the parliamentary budget debate process. The PAC believes that this proposal coupled with the limitation of Section 22 (see Recommendation 8), will not restrict the Government of the day from responding to urgent and pressing necessities, for example natural disasters.

Yearly Usage of Section 22



Financial Years 42

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- 3.84 In the present Committee's view, Recommendation 3 of Report No. 43, which suggests the most substantial change to the Treasury budget process, is still of prime importance to public sector accountability. Implementing second or subsequent Appropriation Bills will greatly enhance parliamentary financial control and will virtually eliminate the over use of the Section 22 facility.

Recommendation :3

The PAC recommends that the Parliament be presented with a second or subsequent Appropriation Bill(s) to enable the incorporation of foreseeable expenditures such as new government programs and initiatives and to enable Treasury to adjust the budget with Parliamentary consent.

Report No. 43: Recommendations 4 & 5

The PAC recommends that Treasury introduce forward estimates to allow the

Education Department and Public Works Department to undertake longterm planning and enter into longer term contracts.

The PAC recommends that for major works programs like school maintenance that control of the funds in Special Deposits Account at Treasury be transferred

to the user department. The Education Department should control both funds allocated and work priorities.

- 3.85 In order to emphasise the problems associated with Section 22, Report No. 43 addressed several areas in detail. In particular, the PAC focused on problems arising in New South Wales school maintenance.
- 3.86 Among the many remarkable PAC findings was the fact that nearly " . . . 40% of the total funds provided for school maintenance was by Section

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22 transfer." 57 The PAC also noted the accumulation of large sums of available funding in Treasury Special Deposits Account while the needs of school maintenance went neglected?

Current Status

3.87 In the case of Recommendation 4, as indicated in Chapter 2 of this inquiry, Treasury has satisfied this PAC suggestion by embracing the forward estimates system which was introduced to budget management in 1989-90.

3.88 Inconsistencies and lack of communication between the Education Department and Treasury in association with the Special Deposits Account have also been dealt with. The implementation of Recommendation 5 was announced in a Treasury submission:

The particular special deposits account was closed in June '91.

All maintenance funds are now allocated to individual departments via the budget. Three year forward budget estimates provide the necessary flexibility to pre-plan, prioritise and execute maintenance works in an efficient manner.⁶⁹

3.89 These current Treasury procedures are satisfactory and regarded by the Committee to be in the best interest of accountability.

3.90 The Committee has no further proposals concerning Recommendations 4 & 5 in Report No. 43.

67 Report 43, p. 19

6. Ibid, p. 26

69 Treasury Submission, 8 April 1992, p. 2

Follow-up Report on Financial Accountability: Report No. 43

Report No. 43: Recommendation 6

*The PAC recommends that no further transfers under Section 22 be made **to the Fire Risks Account** until:*

- 1. the overall Risk Management review by Treasury has been completed; and*
- 2. Treasury self-insurance activities are on a commercially cost effective basis.*

3.91 Recommendation 6 is consistent with the PAC opinions pertaining to Section 22 transfers. The PAC found Treasury's use of these transfers in connection with the Fire Risks Account to be contradictory to accountability.

3.92 In particular, the PAC was concerned to identify \$25 million in Section 22 transfers in the 1986-87 financial year.⁶⁰ Evidence taken at the inquiry public hearings confirmed that these transfers had served no other reason except to achieve the desired budget result.⁶¹

3.93 Albeit legal, these transfers further illustrated Treasury's extremely liberal interpretation of Section 22, i.e. "the exigencies of Government" and "in the public interest".

Current Status

3.94 Since the PAC forwarded Recommendation 6 there have been substantial changes in Treasury's approach to the management of the Fire Risks Account.

All recommendations have been complied with. The Treasury

60 Report No. 43, p. 33

e, Report No. 43, Minutes of Evidence, 26 July 1988, p. 111

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Managed Fund was established on 1 July 1989 and has since been commercially operated by the GIO, which acts as Fund Manager, on a contract basis. The Fire Risks account which has operated since that date to settle the 'tail' of all pre-existing fire claims is to be closed on 30 June 1992. 62

vi. Treasury Managed Funds

- 3.95 For an explanation of Treasury Managed Funds in relation to the Treasury submission the PAC referred to comments in the NSW Treasury's 1990-91 Annual Report:

The scheme protects the insurable assets and exposures of the NSW Government. The Fund members comprise all the Consolidated Fund Departments, numerous Government Authorities and all Public Hospitals.

Members of the scheme are encouraged towards self insurance with the opportunity of attractive financial gains through the adoption of Risk Management practices. For their endeavours, Departments which embraced the scheme in its initial year were rewarded by a return of about \$ 13 million which represented the savings generated to 31 December 1990. 63

In its role as Fund Manager, GIO has aided in the process of educating a vast number of people in the public sector. This has been achieved through a program of seminars aimed at specific exposures as well as assisting members with in house training sessions. The Fund Manager continues to provide support to the Public Sector Risk Management Committee which elected a new committee and office bearers in February 1991. The Fund

62 Treasury Submission, 8 April 1992, p. 2

63 NSW Treasury's 1990-91 Annual Report, p. 72

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Manager was invited to fill two seats on the Committee. 64

- 3.96 The Committee concluded that the matters covered by Recommendation 6 have been satisfactorily resolved and has no further proposals concerning the Fire Fisks Account.

Report No. 43: Recommendation 7

The PAC recommends that funds provided to acquire public sector assets including computers should be included in the normal Parliamentary appropriation process (see also Recommendation 8).

- 3.97 Recommendation 7 was drafted following a detailed analysis of New South Wales computer funding procedures. The PAC found that between 1986 and 1988 \$105.8 million was transferred under Section 22 to a Special Deposits Account exclusively for the purchase of computers?
- 3.98 The PAC found alternative motives behind these computer purchases, which were assets with a long lead time. Treasury had been using the Section 22 facility to fund long term projects, i.e. computers, by transferring funds to the Special Deposits Account. The advantage of this method of funding was that departments avoided the lapsing of unspent funds at 30 June, the end of the financial year.
- 3.99 The PAC cited this as a misuse of Section 22 and " ... was unreasonable in the context of Parliamentary control of public funds." 66

NSW Treasury's 1990-91 Annual Report, p. 72 65 Report No. 43, p. 37

66 Ibid, p.39

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Current Status

- 3.100 Since the PAC identified the New South Wales computer problems Treasury has introduced significant advancements in order to eliminate the attraction of using Section 22 to protect unspent funding.

All assets for budget sector agencies are currently purchased either from funds allocated via the budget or their own funds under the 'Total Funds' approach.

The only exceptions would be in respect of assets purchased from borrowings obtained via the Capital Works Financing Corporation. This would include:

- *Department of Water Resources*
- *Property Services Group (for Homebush Bay development)*
- *Births, Deaths & Marriages- Computer equipment. 67*

vii. 'Total Funds' Approach

- 3.101 As explained to the PAC, Treasury's "Total Funds" approach represents the annual budget appropriation including both recurrent and capital items augmented by additional funds available to the agency from other sources e.g. user charges, funds retained from asset sales and proceeds **from** semi-commercial activities undertaken by authorities.
- 3.102 The PAC believes that the ability to misuse Section 22 for computer funding to be merely a symptom of a larger problem. That problem being the commitment of public funds to acquire assets without allowing proper parliamentary debate on the merits of the expenditure through the normal budget process. It appears to the Committee that the solution lies in an interpretation of Section 22 that offers more

67 Treasury Submission, 8 April 1992, p. 3

Follow-up Report on Financial Accountability: Report No. 43

specific terminology, coupled with a second or subsequent Appropriation Bill to cover these additional funds. This is dealt with in greater detail in the following recommendation.

- 3.103 The Committee has no further proposals concerning Recommendation 7 of Report No. 43.

Report No. 43: Recommendation 8

The PAC recommends that the Section 22 facility be retained, to be used only for urgent and pressing necessities that require immediate action by government in the public interest for example, relief from natural disasters.

- 3.104 The Committee's understanding of the intent of Section 22 is based on statements by the late The Hon. Ken Booth, MP, then State Treasurer, at the Second Reading Speech for the Public Finance and Audit bill:

There is a long history in New South Wales of government spending in anticipation of parliamentary appropriation. This goes back as far as the early days of self-government. Since the financial reports reflected in the Audit Act of 1902 all such expenditures have been subject to report by the Public Accounts Committee. The principal cause of the excess expenditure in the postwar period has been the effect of inflation on costs and the need to provide relief for victims of natural disasters.⁶⁸

- 3.105 Recommendation 8 resulted from PAC findings that Section 22 was being manipulated beyond the original intent of the legislation. The previous PAC concluded that it was " . . . obvious from this review by the PAC that... the Section 22 facility was used for purposes other

68 Hansard, Mr K. Booth, MP, 10 November 1983, p. 2955 49

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than 'inflation on costs' or 'relief for victims of natural disasters'⁶⁹

Current Status

3.106 The discussion between the PAC and the Auditor-General at the public hearing assured the Committee that the terminology of Section 22 must be crystallised if it is to remain accountable. The following is one such exchange:

Committee: *There does seem to be considerable confusion concerning the proper usage of the Section 22 facility. Would you agree that Section 22 leaves too much room for broad and often unintended interpretations?*

Auditor-General: Yes.

Committee: *Why would you think that?*

Auditor-General: *Well, I don't know how we can define, I think the words in the Act are, '... to meet exigencies of Government... in the public interest' Now I would like too see a definition of what is 'in the public interest'. There is no definition in the Public Finance and Audit Act. I think it is far too broad and that has been one of the problems... in*
70
previous years.

3.107 In addition, the Auditor-General had many other noteworthy comments concerning Section 22:

69 Report No. 43, p. 6

70 Minutes of Evidence, 6 April 1992, pp. 9-10

Follow-up Report on Financial Accountability: Report No. 43

I am a firm believer that Section 22 payments should be restricted. 71

I still hold to the belief payments made under Section 22 should only be for emergency issues... 72

With Section 22s, I would still like to see it tidied up. 73

It was too loosely worded, the Section 22, and it may not have been fully thought through but that is what I said, I do have difficulty with the way it has been applied and interpreted. 74

I think it should be tightened up, which wording used, it would have to be given deep consideration but I do think it is too open at the present time. 76

- 3.108 On the other hand, Mr Lambert stated that Treasury could see no problems with Section 22 terminology.

We don't believe there are significant problems with Section 22. 76

- 3.109 However, the Committee agrees with the Auditor-General that the "loosely worded" Section 22 does in fact present problems. Principally it enables the arbitrary payments to be made which are outside the original intent of the facility. Large fluctuations in the use of Section 22

Minutes of Evidence, 6 April 1992, p. 6 Ibid, p. 8 Ibid, p. 13 Ibid, p. 13 Ibid, p. 16 Ibid, p. 63

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can thus result. Table I illustrates the significant increase in Section 22 payments in the last two financial years.

Financial Years	Section 22 payments
1990	\$179,582,234
1991	\$422,578,017
TOTAL	\$602,160,251

C. Conclusion

3.1 10 It is the Committee's opinion that the implementation of Recommendation 8 in Report No. 43 is directly linked with the implementation of Recommendations 1 and 3 of that Report.

3.1 1 1 The introduction of second or subsequent Appropriation Bill(s) will provide Treasury a funding outlet for new government initiatives and/or extra funding for existing programs with Parliament's approval **before** the fact. This, thereby, would allow Section 22 to be tightened to meet truly urgent and pressing necessities of an unforeseen nature. Consequently, Recommendation 1 which calls for the yearly budget result to be related to the amounts appropriated by Parliament could then be adequately satisfied.

3.1 1 2 The Auditor-General's reaction to Report No. 43 indicates the importance of these three recommendations:

In particular, I support three specific recommendations for the reasons noted below and I look forward to their incorporation into the financial structure of the State. Parliamentary control and improved accountability will be the winners.

One recommendation supports the notion that the Budget result for the year be related to the amounts appropriated by the Parliament. Another suggests that a second or subsequent Appropriation Bill be utilised during the financial year, to allow the payments Budget to be adjusted to take into account receipts accumulating over forecast levels, if deemed necessary. I also support attempts to restrain usage of section 22 payments to 'urgent and pressing necessities that require immediate action by government in the

77 Auditor-General's 1989 Report to Parliament, p. 127 53

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public interest' 78

3.1 13 This statement fully supports the Committee's cause for financial accountability as presented in this formal review of actions taken by the NSW Treasury in response to Report No. 43. It is the Committee's opinion that the recommendations stated in this follow-up inquiry should be implemented for the public sector to progress towards a sustained level of financial accountability to the Parliament and the public.

78 Auditor-General's 1989 Report to Parliament, p. 128 54

4. REPORT NO. 47, THE CHALLENGE OF ACCOUNTABILITY

A. Background: Accountability Through Financial Disclosure

i. Origins

- 4.1 As suggested in Chapter 2, financial disclosure plays a significant role in public sector accountability. For government departments and statutory authorities financial disclosure takes the form of annual reports. Included in each of these mandatory reports is the authorities' yearly financial performance, activities and objectives.
- 4.2 The Auditor-General's Office conducts independent audits of all government authorities. This process requires the prompt and accurate submission of all relevant financial information.
- 4.3 Report No. 47 forms part of the Committee's on-going investigations into public sector financial management and accountability. Along with the Auditor-General, the PAC reviews the financial reports of all State authorities. This involvement encourages the improvement of public sector financial reporting and overall level of accountability.
- 4.4 As part of this process, the Committee determined to include Report No. 47 into this follow-up inquiry in order to obtain a complete picture of the NSW Treasury's present position on these past PAC recommendations.

ii. Terms of Reference

4.5 The Terms of Reference of Report No. 47 were to examine selected aspects of the accounts of authorities of New South Wales, with particular reference to:

- (i) the non-lodgement and/or late lodgement of financial statements;
- (ii) applications by statutory authorities for extensions of time for the lodgement of financial statements;
- (iii) the circumstances by which the Auditor-General returned financial statements for adjustment;
- (iv) the qualified audit certificates issued by the Auditor-General and the reasons for such qualifications;
- (v) the accountability of subsidiary companies, related companies, partnerships, trusts, joint ventures, or other such associations; and
 - (vi) any other matter relating to the accountability of authorities of the State and their subsidiaries and related bodies.⁷⁹

iii. Summary

4.6 Entitled *The Challenge of Accountability*, Report No. 47 addressed growing concerns that New South Wales Government departments and authorities were not complying with State legislation dealing with financial accounting and reporting standards.

4.7 The main thrust of Report No. 47 was that government organisations should submit accurate and comprehensive financial information. In

⁷⁹ Report No. 47, p. 4

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particular, the Committee focused on financial disclosure, external audit and annual reporting?

- 4.8 The inquiry uncovered disturbing evidence that government organisations were not adhering to basic financial reporting requirements. For example, the Committee noted that, "Approximately one in five organisations... failed to submit their financial statements on time." 81 It was further cited that the majority of these tardy organisations did not apply to the Treasurer for an extension.
- 4.9 The PAC Chairman concluded that, "Without appropriate and up to date financial and performance monitoring of government departments and authorities, and without such monitoring being adequately, and in a timely fashion, reported to Parliament, a fundamental pillar of democracy is compromised." 82

iv. Recommendations

- 4.10 This follow-up review addresses only those recommendations pertaining specifically to financial concerns in relation to the NSW Treasury. Of the sixteen PAC recommendations in Report No. 47, twelve were relevant to this study:

Recommendation I - *It is recommended that the Treasurer, after consulting with the Auditor-General, resolve the confusion which exists over what is meant by "submit" financial statements w/thin six weeks and what is meant by date of lodgement and clarify for Department Heads and statutory*

Report No. 47, p. iii Report No. 47, p. ii Report No. 47, p. i

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bodies the deadline for preparation of financial statements.

Recommendation 2- *It is recommended that the Treasurer liaise with the Auditor-General to eliminate any discrepancies between the Annual Exemptions Reporting Register and the applications for extensions of time to submit financial statements as shown in the Auditor-General's Report.*

Recommendation 3 - *It is recommended that Section 41A of the Public Finance and Audit Act be amended to require the presentation of draft financial statements within six weeks.*

It is recommended that the Treasurer consult with the Auditor-General/and other interested parties and determine the most appropriate period within which the signed and audited statements must be completed, and that the Public Finance and Audit Act be amended accordingly.

Recommendation 4 - *It is recommended that it be mandatory for a letter of transmittal to be included in an annual report prepared by a Department Head or statutory body.*

It is recommended that the letter of transmittal include a statement signed by the Department Head, or, in the case of a statutory body, two

Board Members stating:

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- (a) *that the annual report is submitted to the responsible Minister for presentation to the Parliament;*
- (b) *that the annual report has been prepared in accordance with the provisions of the appropriate legislation (to be listed in each case);*
- (c) *where the Treasurer has granted an extension of the period within which the report was to be completed and submitted to the Minister, the particulars of that extension; and*
- (d) *where a report was not prepared and submitted to the Minister within the statutory period and no extension was sought:-*
 - (i) *why no application for an extension was made; and*
 - (ii) *setting out the reasons for the report not having been submitted within the required period.*

Recommendation 9 - *It is recommended that in future, the Treasury's Annual Report fully disclose action taken to:-*

- (a) *monitor compliance with the Annual Reports Acts;*
- (b) *follow up with individual authorities instances of non-compliance with those Acts;*

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- (c) *improve the level of compliance*

with those Acts;
- (d) *update and improve accounting systems and procedures; and*

 - (e) *administer the Public Finance and Audit Act generally.*

Recommendation 10 - *It is recommended that non-compliance with the Public Finance and Audit Act or the Annual Reports Acts be held to be performance below the expected level of the responsible officer.*

Recommendation 11 - *It is recommended that the Treasurer, the responsible Minister and, where appropriate, the Auditor-General continue the practice or rigorously examining applications for exemption from current reporting requirements and of granting exemptions in special circumstances only. It is recommended that the organisation's annual report describe any exemptions.*

Recommendation 12 - *It is recommended that the Treasurer review whether the public sector should adopt disclosure requirements relating to "a material right or investment in a business undertaking" similar to those set down under Schedule 7 (Clause 33) of the Companies (NSW) Regulations.*

Recommendation 13 - *It is recommended that exemptions or extensions relating to the appointment of the Auditor-General as external auditor of*

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subsidiaries of statutory bodies be granted only in exceptional circumstances.

It is recommended that the reasons for such exemptions be fully reported.

Recommendation 4 - *It is recommended that the Treasurer precisely define the "particulars as to the existence of, arrangements with the operations of subsidiaries, partnerships, joint ventures and other associations..." (Section 4(1)(n), Annual Reports Regulation 1985) which must be included in the annual report of each statutory body.*

Recommendation 5 - *It is recommended, following precise definition by the Treasurer of the "particulars" to be required under Section 4(1)(?) of the Annual Reports (Statutory Bodies) Regulations 1985, that:-*

- (a) resources be allocated within Treasury to monitor the level of compliance; and*
- (b) the Treasurer report the results to Parliament.*

Recommendation 6 - *It is recommended that where subsidiaries are established by budget sector Government departments and jointly by departments and statutory bodies that legislative amendment require the subsidiaries to be brought within the Public Finance and Audit Act 1983.*

B. Analysis: Satisfactory Progress

Report No. 47: Recommendation I

It is recommended that the Treasurer, after consulting with the Auditor-General, resolve the confusion which exists over what is meant by 'submit' financial statements within six weeks and what is meant by date of lodgement and clarify for Department Heads and statutory bodies the deadline for preparation of financial statements.

- 4.1 1 During the inquiry, the PAC found that there was considerable confusion among government organisations as to what the financial reporting deadline actually was. The *Public Finance and Audit Act* states that a statutory body or department head "... shall, within the period of six weeks after the end of each financial year... prepare and submit... financial statements for the financial year then ended." ⁸³ The confusion revolved around the question of whether the date on which reports were "submitted" was the date on which reports were sent, or the date on which they were received.
- 4.12 Since the preparation and submission of complete and accurate financial statements is of prime importance to financial accountability, the PAC forwarded this recommendation in an effort to clarify any ambiguity about the reporting deadline.⁸⁴

Current Status

- 4.13 Treasury explained the improvements initiated by the Auditor-General's Office in this area of financial disclosure:

⁸³ Public Finance and Audit Act 1983, Sections 41A and 45D Report No. 47, p. 13

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The Auditor-General's Office has advised agencies that the financial statements must be posted prior to the expiration of the six week period. The existing pressure on agencies to finalise the statements within the six weeks of balance date will be reduced by the amendments to the Public Finance and Audit Act referred to under Recommendation 3.⁸⁵

- 4.14 The Committee has concluded that any ambiguity in financial reporting has been resolved and has no further proposals concerning that issue.

Report No. 47: Recommendation 2

It is recommended that the Treasurer liaise with the Auditor-General to eliminate any discrepancies between the Annual Exemptions Reporting Register and the applications for extensions of time to submit financial statements as shown in the Auditor-General's Report.

- 4.15 This recommendation resulted from findings that identified differences between Treasury's List of Authorities an Exemptions Register and the Auditor-General's Report to Parliament. The PAC noted that organisation applying for financial submission extensions were listed in the Auditor-General's Report but not by Treasury? The PAC considers that when dealing with financial statements, the compiling of accurate information is essential to efficiency.

Current Status

- 4.16 Treasury explained the arrangements resulting from Recommendation 2 that will increase accurate reporting by both Treasury and the Auditor-General's Office:

85 Treasury Submission, 25 February 1992, p. 1 "e Report No. 47, p. 20

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The Treasurer is required by the Public Finance and Audit Act to seek the Auditor-General's opinion prior to making a decision on an application for extension of time to submit financial statements to the Auditor-General. Details of all extensions of time granted by the Treasurer are now provided to the Auditor-General's Office for information. Arrangement has also been made for the Treasury to review the accuracy of the information disclosed in the Auditor-General's report regarding extensions of time granted prior to publication.⁸⁷

- 4.17 The Committee is of the opinion that continuous communication between the Treasurer and the Auditor-General promotes efficiency and accountability. Consequently, the Committee encourages a lasting relationship between Treasury and the Auditor-General's Office.
- 4.18 The Committee has no further proposals concerning Recommendation 2 of Report No. 47.

Report No. 47: Recommendation 3

It is recommended that Section 41A of the Public Finance and Audit Act be amended to require the presentation of draft financial statements within six weeks.

It is recommended that the Treasurer consult with the Auditor-General and other interested parties and determine the most appropriate period within which the signed and audited statements must be completed, and that the Public Finance and Audit Act be amended accordingly.

- 4.19 The Committee found evidence during its inquiry that suggested that smaller authorities with limited resources could not adhere to the**

⁸⁷ Treasury Submission, 25 February 1992, p. 1 64

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established requirements for financial reporting. It was acknowledged that statutory authority boards were diverse in size and experience and, that therefore, "... it may be appropriate to provide differential time-frames in recognition of this diversity." 88

- 4.20 Accordingly, the PAC proposed a two-part recommendation {No. 3) in order to determine an acceptable time period by which authorities could submit draft and, later, signed financial statements while maintaining accountability.

Current Status

- 4.21 Treasury's position on financial reporting deadlines has been substantially modified to ensure appropriate timeframes exist for all statutory authorities.

Following consultation with the Auditor-General and other interested parties (including the Premier's Department and a number of major agencies), it was decided that:-

- (a) *the financial statements for both statutory bodies and departments should be submitted in draft form to the Minister and to the Auditor-General within six weeks of balance date;*
- (b) *an audit opinion should be issued within' ten weeks of the receipt of the draft financial statements; and*
- (c) *a statement signed by the Department Head or two members of a statutory body certifying as to the truth and fairness of the financial statements should be provided to the Auditor-General prior to the issue of the audit opinion.*

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The above timeframes are broadly consistent with the maximum period of 4 1/2 months allowed for public companies in the private sector under the Corporations Law in relation to the completion of signed audited financial statements. The requirement to submit financial statements in draft form only means that they can be changed, if necessary, any time during the ten week period while they are with the Auditor-General.

The required amendments to effect the change for statutory bodies have already been included in the Public Finance and Audit (Auditor-General) Amendment Act which is presently awaiting proclamation to commence on 1 March 1992. The other amendments for departments are included in the Public Finance and Audit (Amendment) Bill 1992 and it will be introduced into Parliament during the current Autumn Session.⁸⁹

- 4.22 The PAC notes that *Public Finance and Audit (Auditor-General) Amendment Act* was passed in December 1991. Treasury's progress in the area of financial reporting is accepted by the Committee and there are no further proposals concerning Recommendation 3 of Report No. 47.

89 Treasury Submission, 25 February 1992, p. 2 66

Report No. 47: Recommendation 4

It is recommended that It be mandatory for a letter of transmittal to be included in an annual report prepared by a Department Head or statutory body.

It is recommended that the letter of transmittal include a statement signed by the pertinent, or, in the case of a statutory, two Board Members stating:

- (a) that the annual report is submitted to the responsible Minister for presentation to the Parliament;*
- (b) that the annual report has been prepared in accordance with the provisions of the appropriate legislation (to be listed in each case);*
- (c) where the Treasurer has granted an extension of the period within which the report was to be completed and submitted to the Minister, the particulars of that extension; and*
- (d) where a report was not prepared and submitted to the Minister within the statutory period and no extension was **sought-***
 - (i) why no apse for an extension was made; and*
 - (ii) setting out the reasons for the report not having been submitted within the required period.*

4.23 This recommendation concerning letters of transmittal resulted from inquiry findings that revealed department heads were not properly explaining reasons for late annual reports, if at all? This is in spite of the fact that Section 13 of the *Annual Reports (Statutory Bodies) Act*

1984 states that "... the statutory body shall include in the Annual Report in respect of which the extension is granted particulars of the extension."

90 Report No. 47, p. 45

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Current Status

- 4.24 Treasury has indicated that through the 1989 Treasurer's Direction these changes in the content of the letter of transmittal have been adopted.

The necessary legislative amendments are now included in the Annual Reports Legislation (Amendment) Bill 1992 which will be introduced into Parliament during the current Autumn Session, 91

- 4.25 The Committee is satisfied that Recommendation 4 has been adequately addressed and has no further proposals concerning the issue of annual reporting letters of transmittal.

Report No. 47: Recommendation 9

*It is recommended that in future. the Treasury's Annual Report fully disclosure
taken to:-*

- (a) monitor compliance with the Annual Reports Acts;***
- follow up with individual authorises instances of non-compliance with those Acts;*
- (c) improve the level of compliance with those Acts;***
- (d) update and improve accounting systems and procedures; and***
- (e) administer the Public Finance and Audit Act generally.***

- 4.26 It is the Committee's opinion that in the case of government organisations Treasury plays a central role in the promotion of public sector financial accountability. This responsibility requires Treasury to properly address the financial disclosure of all government organisations in its Annual Report.

^{'''} Treasury Submission, 25 February 1992, p. 3 68

Current Status

- 4.27 In response to this recommendation, Treasury has once again taken dramatic steps towards accountability:

In respect of this particular recommendation concerning more effective administration of the Annual Reports Acts and the Public Finance and Audit Act, the following additional strategies have been implemented by the Treasury:-

- (a) *The Auditor-General's Office has now been appointed as an agent to assist the Treasury in the review of annual reports. Under the arrangement, the staff of the Auditor-General's Office are to conduct detailed examination of the reports to check compliance and to follow up with individual agencies on instances of non-compliance with legislation.*

All significant breaches are pursued directly by the Treasury. One important feature of this program is that the auditor responsible for the audit is also involved in the examination process so as to take advantage of his or her intimate knowledge of the operations of the agency.

- (b) *From March 1992 onward, the Treasury plans to issue, from time to time, circulars to agencies drawing their attention to common problem areas identified by the annual reports review program. This is seen as part of the Treasury's on-going educational role.*
- (c) *In order to improve agencies' accounting systems and procedures the Treasury now regularly publishes new policy statements and amendments to Treasurer's Directions. For example, in July 1991, a new Cod of Practice entitled "Financial Reporting Code under Accrual Accounting for*

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Inner budget Sector Entities" was issued with the approval of the Premier and Treasurer following an extensive process of consultation. The Code sets out the policies and procedures to be followed by those departments which have converted from cash to accrual accounting. The adoption of accrual accounting by departments is one of the Government's current financial management reform initiatives.

- (d) *At the beginning of the 1991/92 financial year, a series of performance indicators in respect of the administration of the legislation were developed. This necessitated changes to the Treasury's computer database. As indicated in last year's annual report, full details of the performance indicators will be disclosed in the annual report for the year ending 30 June 1992. The key areas to be covered will include the review of annual reports and Auditor-General's reports as well as the exercise of exemption powers by the Treasurer.⁹²*

4.28 The PAC has no further proposals concerning Recommendation 9 of Report No. 47.

Report No. 47: Recommendation 10

It is recommended that non-compliance with the Public Finance and Audit Act or the Annual Reports Acts be held to be performance below the expected level of the responsible office.

4.29 Recommendation 10 provides further means of reinforcing the basic intent of Report No. 47, i.e. that of public sector accountability. Clearly if an organisation is to be financially accountable, its leadership must set

92 Treasury Submission, 25 February 1992, p. 3-4

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the tone. The Senior Executive Service (SES) would be obliged by this recommendation to ensure, and be seen to ensure, that all the requirements of the *Public Finance and Audit Act* and the *Annual Reports Act* are strictly adhered to.

Current Status

4.30 The Committee inquired what had been done about implementing this recommendation in other words, whether non-compliance of the *Public Finance and Audit Act* and *Annual Reports Act* were now considered "... performance below the accepted level of the responsible officer."

4.31 The Premier's Department responded with this statement on the Senior Executive Service:

The SES is a critical component of the NSW Government's public sector reform program. Through its implementation, senior executive are now being held more accountable for the rigorous management of financial and human resources and delivery of services to the community than ever before.

*In order to contribute towards the effective management of public resources through exemplary professional behaviour, senior executives are expected to become familiar with all relevant legislation/association with their position, including the *Public Sector Finance and Audit Act* and the *Annual Reports Act*.*

This is clearly outlined in Section 2.2(v) of the SES Code of Conduct (Office of Public Management, Senior Executive Service, 1989, page 1.2.). Non-compliance with the Code of Conduct represents a breach of the SES Contract and may be grounds for contract termination. A copy of the standard contract and Code of Conduct are attached.

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Additionally senior executives are required to comply with statutory requirements within the context of performing their official duties as defined in individual performance agreements. Senior executives enter into a specific performance agreement with their Chief Executive or supervisor. Performance agreements consist of a set of key accountabilities which are derived from and are consistent with the executive's position description, the agency's corporate and budgetary planning processes and individual position statutory responsibilities. There is no central collection of these documents however, the large majority would be expected to include their responsibilities under the Public Finance and Audit Act, either generally or specifically.

Executive performance against this set of key accountabilities is reviewed at least annually, as part of a formal SES performance management process. Any failure to achieve the agreed level of performance required in any one key accountability (including non-compliance with statutory requirements) would be judged to be unacceptable and ultimately would be sanctioned. In cases of sustained poor performance an executive's contract can be terminated.

The role of the Premier's Department in relation to SES performance agreements is to review and accredit the performance management system of the department or authority. This provides an opportunity to ensure that the organisation's approach to performance management is consistent with sector wide standards and government expectations. 93

- 4.32 In the Committee's view this reply is clearly unsatisfactory. For one thing, it does not actually answer the question. For another, even on its own terms, it seems ambiguous and unclear.

93 Premier's Department Submission, 8 April 1992, p. 172

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- 4.33 Perhaps it is merely making the unexceptionable statement that SES Officers need to comply with all statutes, including the *Public Finance and Audit Act* and the *Annual Reports Acts*.
- 4.34 But the *Public Finance and Audit Act* and the *Annual Reports Act* have a special status where financial accountability is concerned, for it is they which compel Government organisations to expose to Parliamentary and public scrutiny all their financial operations in considerable and occasionally uncomfortable detail. The Committee considers it clearly worthwhile to give separate mention to these two Acts in SES contracts.
- 4.35 Since nothing appears to have been done to implement this recommendation, the Committee simply reiterates it here. The Committee would urge that special mention be made in the SES Contract of Employment of the need to adhere to the *Public Finance and Audit Act* and the *Annual Reports Acts*.

Recommendation 5

It is recommended that non-corn

annual Reports Acts be held robe performance below:the
Act or the
expected level of the
:!

Report No. 47: Recommendation 11

It is recommended that the Treasurer, the responsible Minister and, where appropriate, the Auditor-General continue the practice of rigorously examining applications for exemption from current reporting requirements and of granting exemptions in special circumstances only. It is recommended that the organisation's annual report describe any exemptions.

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- 4.36 This recommendation essentially serves to enforce financial reporting deadlines by severely restricting any exemptions from the obligation to produce a financial statement on time. Clearly the obligation to submit financial statements must be subject to a deadline to promote accountability.

Currant Status

- 4.37 On the issue of financial reporting deadlines and extensions the Committee received this response from Treasury:

During the year ended 30 June 1991, the Treasury granted only 13 extensions of time to submit financial statements to the Auditor-General and the Minister of which 7 related to the one group (i.e. the Aboriginal Land Council Group). Apart from this, 2 agencies were given dispensation to provide a budget outline for one year and another very small statutory body was allowed to prepare its accounts on a cash basis.

Under the Public Finance and Audit Regulations and the Annual Reports Regulations, details of all exemptions granted and the reasons therefor are required to be disclosed in the financial statements or the annual report, as the case may be. The Public Finance and Audit (Amendment) Bill 1992, referred to under Recommendation 3, also contains a requirement to disclose in the financial statements details of all exemptions from or modifications to existing reporting provisions granted by the Treasurer under the Public Finance and Audit Act.⁹⁴

- 4.38 Table 2 sets out the financial reporting extensions granted by Treasury to statutory bodies for the year ended 30 June 1991. Treasury indicates that a total of 5 extensions were granted, not six as previously advised. Excluded from this table are the seven late Aboriginal Land Council

94 Treasury Submission, 20 February 1992, p. 4 74

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Groups. This is due to the fact that the Government is currently considering legislative proposals to change the accounting and financial reporting requirements for these bodies.

Statutory Bodies	Year Ended	Extended Due Date for Accounts	Period of Extension Granted (Weeks)	Date Accounts received by Auditor-General
Fish Marketing Authority	31.3.91	27.5.91	2	27.8.91 *
NSW Commercial Fishing Advisory Council	30.6.91	6.9.91	4	25.11.91
Royal Botanic Gardens and Domain Trust	30.6.91	19.8.91	1	16.8.91
Rural Assistance Authority	30.6.91	30.8.91	2 1/2	13.9.91
University of NSW Foundation Ltd	31.3.91	27.5.91	2	24.5.91

On 15 May 1991, the Fish Marketing Authority was granted a two week extension in the period allowed for preparation and submission of the financial statements to the Auditor-General and to the Minister.

Financial statements for the year ended 31 March 1991 were initially received by the Auditor-General on 28 May 1991. On 5 August 1991, the Authority officially withdrew the statements advising that additional information, not available to the Authority at the

Public Accounts Committee

time of preparation of the financial statements had been supplied by the New South Wales Treasury Corporation.

Revised statements were subsequently prepared and re-signed by Authority members on 21 August 1991. These statements were received by the Auditor-General on 27 August 1991.

. * Written explanations have been obtained from the NSW Commercial Fishing Advisory Council and the Rural Assistance Authority for breaching the extended time period?

- 4.39 The Committee has found that Treasury has acted responsibly as far as financial reporting extensions are concerned. However, the Committee reaffirms its opinion that Treasury, as well as the Auditor-General, should continue to rigorously monitor agencies' compliance with financial deadlines.

Subsidiary Recommendations

- 4.40 Chapter 7 of Report No. 47, entitled *Accountability of Subsidiaries and Related Organisations*, resulted in Recommendation Nos. 1 2-16, as discussed below. The basic purpose behind this group of recommendations is to expose the increasing number of subsidiaries in New South Wales to the same scrutiny as the parent organisation with respect to their financial statements. This group of recommendations suggests a number of ways of strengthening the financial accountability of public sector subsidiaries.

Report No. 47: Recommendation 12

It is recommended that the Treasurer review whether the public sector should adopt disclosure requirements relating to a 'a material right or investment in a

Treasury Submission, 12 May 1992, p. 2

Follow-up Report on Financial Accountability: Report No. 47

undertaking similar to those set down under Schedule 7 (Clause 33) of the Companies (NSW) Regulations.

Report No. 47: Recommendation 13

It is recommended that exemptions or extensions relating to the appointment of the Auditor-General as external auditor of subsidiaries of statutory bodies be granted only in exceptional circumstances.

It is recommended that the reasons for such exemptions be fully reported.

Report No. 47: Recommendation 14

It is recommended that the Treasurer precisely define the 'particulars as to the existence of arrangements with the operations of subsidiaries, partnerships, joint ventures and other associations ...' (Section 4(1)(n), Annual Reports Regulation 1985) which must be included in the annual report of each statutory body.

Report No. 47: Recommendation 15

It is recommended, following precise definition by the Treasurer of 'particulars' to be required under Section 4(1)(n) of the Annual Reports (Statutory Bodies) Regulations 1985, that:-

- (a) resources be allocated within Treasury to monitor the level of compliance; and*
- (b) the Treasurer report the results to Parliament.*

Public Accounts Committee

Report No. 47: Recommendation 16

It is recommended that where subsidiaries are established by budget sector

Government departments and jointly by departments and statutory bodies that legislative amendments require the subsidiaries to be brought within the Public Finance and Audit Act 1983.

Current Status

4.41 Treasury has made many notable advancements concerning subsidiary financial accountability. Specifically, Memorandum No. 91-2 issued in January 1991 by the Premier and Treasurer, entitled *Guidelines for the Formation and Operation of Subsidiary Companies by Departments and Statutory Authorities*, dealt very satisfactorily with most of these recommendations. (see Appendix 4)

4.42 The following excerpts are just some of Treasury's solutions to the problem of increasing financial accountability among subsidiaries.

4.43 In addressing Recommendation 12, the Memorandum:

... requires agencies to include in their annual reports a description of the nature and extent of any involvement in business undertakings which may be in the form of companies, joint ventures, partnerships, trusts or other such associations. The Treasury plans to prescribe this requirement in the Public Finance and Audit Regulations following the enactment of the Public Finance and Audit (Amendment) Bill 1996.

4.44 Further, as indicated by the Memorandum, and later expanded on by Treasury, Recommendation 14 was addressed by requiring:

96 Treasury Submission, 20 February 1992, p. 5 78

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.. the individual accounts of all subsidiary companies, joint ventures, partnerships and trusts controlled by a department or statutory body to be included in the annual report of the department or statutory body. Further, the annual report is to include a detailed statement of the objectives, activities and operations of each "controlled entity" and its performance targets and measures.

There is an amendment in the Public Finance and Audit (Amendment) Bill 1992 expanding the definition of a "subsidiary" to include other unincorporated "controlled entities" to reflect the recent changes to the Corporations Law. This amendment is designed to bring all "controlled entities" (whether they are incorporated or not) within the scope of the consolidated accounts for the group. There is a further amendment in the Bill requiring the inclusion of the accounts of each controlled entity in the annual report.

The specific non-financial disclosures set out in the Memorandum will be prescribed in the Annual Reports Regulations following the enactment of the Public Finance and Audit (Amendment) Bill.

Given the new reporting regime which is now in place, the requirement set out in Clause 4(1)(n) of the Annual Reports (Statutory Bodies) Regulations can be deleted.⁹⁷

- 4.45 The implementation of Recommendation 15 required Treasury to monitor and report on the level of compliance of departments and statutory authorities through financial disclosure. Treasury notified the Committee of progress in this area:

The nature and extent of the disclosures regarding entities established and controlled by departments and statutory bodies are

97 Treasury Submission 20 February 1992, p. 5 79

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being monitored by the Treasury in the context of the Annual Reports Review Program undertaken jointly with the Auditor-General's Office. The results of the review will be disclosed in the Treasury's annual reports to Parliament in respect of the 1991-92 and subsequent years.⁹⁸

- 4.46 The PAC is satisfied that all subsidiary related recommendations have been complied with through the Premier and Treasurer's January 1991 Memorandum to Government Ministers or are currently being satisfied by the NSW Treasury.

98 Treasury Submission, 20 February 1992, p. 6 80

D. Conclusion

- 4.47 In general terms, the fundamental intent of Report 47, that is, increased accountability by departments and statutory authorities on financial matters, appears to have been effectively carried out. Taken severally, its recommendations have largely, with one notable exception, been implemented.

5. APPENDICES

1. Section 22 Payments 1989-90
2. Section 22 Payments 1990-91
3. Section 22 Payments 1991-92
4. Memorandum (No. 91-2) Guidelines for the Formation and Operation of Subsidiary Companies by Departments and Statutory Authorities
5. List of Witnesses

Appropriation 1989

SCHEDULE 2 - PAYMENTS MADE DURING 1989-90 UNDER SECTION 22
OF THE PUBLIC FINANCE AND AUDIT ACT 1983

ITEM	AMOUNT	\$
PAYMENTS FOR RECURRENT SERVICES		
A. PREMIER, TREASURER AND MINISTER FOR ETHNIC AFFAIRS PREMIER'S OFFICE		
1.5	Oversight of Public Sector Management Performance	
	Maintenance and working expenses - further sum	420,144.53
	Other services -	
	Senior Executive Service	323,170.45
2.2	Co-ordination of State Government Bicentennial Activities, Australia Day Celebrations and Nomination of Sydney as 1996 Olympic Games Host	
	Other services -	
	Homebush Bay Strategy Committee	1,612,768.51
2.3	Policy and Advisory Services on Aboriginal Affairs	
	Other services -	
	Aboriginal Land Rights Act 1983 - land purchases, administrative and other costs - further sum	1,355,606.60
3.1	Administrative Support Services Grants and Subsidies -	
	Red Cross Society	50,000.00
	Salvation Army Red Shield Appeal	100,000.00
	Bangladesh Flood Appeal	50,000.00
	Armenian Earthquake Appeal	100,000.00
	Other services -	
	Royal Commission into Aboriginal Deaths in Custody 654,992.50 Royal Commission into Chelmsford Hospital and Mental Health Services	3,197,485.95
	TOTAL, PREMIER'S OFFICE	7,864,168.54

Appropriation 1989

SCHEDULE 2 - PAYMENTS MADE DURING 1989-90 UNDER SECTION 22 OF THE
PUBLIC FINANCE AND AUDIT ACT 1983

ITEM	AMOUNT	\$
PAYMENTS FOR RECURRENT SERVICES - continued		
A. PREMIER TREASURER AND MINISTER FOR ETHNIC AFFAIRS - continued		
ETHNIC AFFAIRS COMMISSION		
1.1 Services for Ethnic Communities		
Grants and subsidies - Special grants for Community projects		150,000.00
TOTAL, ETHNIC AFFAIRS COMMISSION		150,000.00
INDEPENDENT COMMISSION AGAINST CORRUPTION		
1.1 Investigation of Allegations of Corruption		
Other services - Building Word- Redfern		941,719.94
TOTAL, INDEPENDENT COMMISSION AGAINST CORRUPTION		941,719.94
TREASURY		
3.3 Land Tax Collection		
Maintenance and working expenses - further sum		1,625,395.23
5.2 Insurance and Compensation Payments		
Other services - Darling Harbour Casino		38,000,000.00
Employment Compensation Payments		54,000,000.00

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SCHEDULE 2 - PAYMENTS MADE DURING 1989-90 UNDER SECTION 22 OF THE
PUBLIC FINANCE AND AUDIT ACT 1983

ITEM
AMOUNT

\$

PAYMENTS FOR RECURRENT SERVICES - continued

A. PREMIER, TREASURER AND MINISTER FOR ETHNIC AFFAIRS -continued

TREASURY - continued

6.1	Assistance to Authorities and Other Bodies Grants and subsidies - Subsidies - loans for other than Electricity Works	348,389.45
7.5	Service Wide Payments and Services Other services - Water Board Rates	31,700,000.00
	TOTAL, TREASURY	125,673,784.68
	TOTAL - PREMIER, TREASURER AND MINISTER FOR ETHNIC AFFAIRS	134,629,673.16

B. MINISTER FOR AGRICULTURE AND RURAL AFFAIRS

AGRICULTURE AND FISHERIES SERVICES

1.3	Animal Health Service Grants and subsidies - Wild Dog Destruction	50,886.62
	TOTAL, DEPARTMENT OF AGRICULTURE AND FISHERIES	50,886.62
	TOTAL - MINISTER FOR AGRICULTURE AND RURAL AFFAIRS	50,886.62

Appropriation 1989

SCHEDULE 2 - PAYMENTS MADE DURING 1989-90 UNDER SECTION 22
OF THE PUBLIC FINANCE AND AUDIT ACT 1983

	ITEM AMOUNT	\$
PAYMENTS FOR RECURRENT SERVICES - continued C.		
ATTORNEY GENERAL		
JUDICIAL COMMISSION		
1.1	Judicial Commission of New South Wales Other services - Complaints	9,148.30
	TOTAL, JUDICIAL COMMISSION	9,148.30
	TOTAL - ATTORNEY GENERAL	9,148.30

Appropriation 1989

SCHEDULE 2 - PAYMENTS MADE DURING 1989-90 UNDER SECTION 22
OF THE PUBLIC FINANCE AND AUDIT ACT 1983

ITEM		
AMOUNT		\$
PAYMENTS FOR RECURRENT SERVICES - continued		
D. MINISTER FOR BUSINESS AND CONSUMER AFFAIRS		
BUSINESS AND CONSUMER AFFAIRS		
1.1	Business Support	
	Plant and equipment -	
	Other major plant and equipment	25,676.00
	Other services -	
	Indemnity Payments	5,297.68
	Administrative Cost associated with assets retained following sale of Investment Corporation	112,616.75
1.2	Compliance	
	Other services -	
	Legal and witness expenses	32,492.31
1.5	Management Support Services	
	Plant and equipment -	
	Purchase of computers and related payments - further sum	2,633,465.83
	TOTAL, BUSINESS AND CONSUMER AFFAIRS	2,809,548.57
	TOTAL - MINISTER FOR BUSINESS AND CONSUMER AFFAIRS	2,809,548.57

Appropriation 1989

SCHEDULE 2 - PAYMENTS MADE DURING 1989-90 UNDER SECTION 22
OF THE PUBLIC FINANCE AND AUDIT ACT 1983

	ITEM AMOUNT	\$
PAYMENTS FOR RECURRENT SERVICES - continued		
E.	CHIEF SECRETARY AND MINISTER FOR TOURISM TOURISM COMMISSION	
	1.3 Promotion of Tourism	
	Other services -	
	Overseas Tourism Promotion - further sum	29,557.90
	TOTAL, TOURISM COMMISSION	29,557.90
	TOTAL - CHIEF SECRETARY AND MINISTER FOR TOURISM	29,557.90
F.	MINISTER FOR CORRECTIVE SERVICES DEPARTMENT OF CORRECTIVE SERVICES	
	2.1 Containment of Prisoners	
	Employee related payments - further sum	1,239,398.96
	2.3 Development and Education Services for Prisoners	
	Employee related payments - further sum	1,411,454.69
	4.2 Internal Management Services	
	Other services -	
	Settlement of claim; for damages	370,000.00
	TOTAL, DEPARTMENT OF CORRECTIVE SERVICES	3,020,853.65
	TOTAL - MINISTER FOR CORRECTIVE SERVICES	3,020,853.65

Appropriation 1989

SCHEDULE 2 - PAYMENTS MADE DURING 1989-90 UNDER SECTION 22
OF THE PUBLIC FINANCE AND AUDIT ACT 1983

ITEM	AMOUNT	\$
PAYMENTS FOR RECURRENT SERVICES - continued		
G. MINISTER OF EDUCATION AND YOUTH AFFAIRS		
MINISTRY OF EDUCATION AND YOUTH AFFAIRS		
1.1 Policy and Administrative Support		
Other services -		
Skillmax	537,571.97	
1.6 Adult Migrant English Education		
Employee related payments - further sum	2,980,936.82	
TOTAL, MINISTRY OF EDUCATION AND YOUTH AFFAIRS	3,518,508.79	
DEPARTMENT OF EDUCATION		
1.1 General Primary Education in Government Schools		
Employee related payments - further sum	18,082,819.59	
1.3 Pre-School Education in Government Schools		
Plant and equipment-		
Purchase of Motor Vehicles	315.19	
2.1 General Secondary Education in Government Schools		
Employee related payments - further sum	10,800,979.92	
TOTAL, DEPARTMENT OF EDUCATION	28,884,114.70	
TOTAL - MINISTER OF EDUCATION AND YOUTH AFFAIRS	32,402,623.49	

Appropriation 1989

SCHEDULE 2 - PAYMENTS MADE DURING 1989-90 UNDER SECTION 22
OF THE PUBLIC FINANCE AND AUDIT ACT 1983

ITEM	AMOUNT	\$
PAYMENTS FOR RECURRENT SERVICES - continued		
H. MINISTER FOR THE ENVIRONMENT NATIONAL PARKS AND WILDLIFE		
SERVICE Conservation of Natural and Cultural Resources		
1.1 Wildlife conservation		
Employee related payments - further sum		334,600.00
1.2 Natural Environment Conservation		
Employee related payments - further sum		1,084,400.00
Maintenance and working expenses - further sum		371,700.00
1.3 Conservation of Aboriginal Sites, Places and Artefacts		
Employee related payments - further sum		160,000.00
1.4 Historic Sites Conservation		
Employee related payments - further sum		182,200.00
1.5 Recreation Area Management		
Employee related payments - further sum		2,279,800.00
Grants and subsidies -		
State Recreation Area Trusts - further sum		500,000.00
1.6 Administrative Support Services		
Employee related payments - further sum		473,300.00
Maintenance and working expenses - further sum		606,000.00
2.2 Royal Botanic Gardens		
Employee related payments- - further sum		128,108.05
Maintenance and working expenses - further sum		122,325.79
Plant and equipment -		
Other major plant and equipment - further sum		11,487.72

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SCHEDULE 2 - PAYMENTS MADE DURING 1989-90 UNDER SECTION 22
OF THE PUBLIC FINANCE AND AUDIT ACT 1983

ITEM		
AMOUNT		
		\$
PAYMENTS FOR RECURRENT SERVICES - continued		
H. MINISTER FOR THE ENVIRONMENT - continued		
NATIONAL PARKS AND WILDLIFE SERVICE - continued		
2.3	Centennial Park	
	Employee related payments - further sum	29,131.58
	Maintenance and working expenses - further sum	6,784.33
	TOTAL, NATIONAL PARKS AND WILDLIFE SERVICES	6,289,837.47
OFFICE OF THE MINISTER FOR THE ENVIRONMENT		
2.1	Rate Rebates for Pensioners	
	Grants and subsidies -	
	Subsidies to Metropolitan and Hunter	
	Water Boards for rate rebates for	
	pensioners - further sum	10,940,088.62
	TOTAL, OFFICE OF THE MINISTER FOR THE ENVIRONMENT	10,940,088.62
STATE POLLUTION CONTROL COMMISSION		
1.1	Air Pollution Control	
	Employee related payments - further sum	22,866.54
1.2	Water Pollution Control and Resource Management	
	Employee related payments - further sum	24,997.64
1.3	Noise Control	
	Employee related payments - further sum	9,397.94

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SCHEDULE 2 - PAYMENTS MADE DURING 1989-90 UNDER SECTION 22
OF THE PUBLIC FINANCE AND AUDIT ACT 1983

ITEM
AMOUNT

\$

PAYMENTS FOR RECURRENT SERVICES - continued

H. MINISTER FOR THE ENVIRONMENT - continued

1.4	Chemicals Management	
	Employee related payments - further sum	3,542.38
	Other services - Collection of unwanted pesticides	6,363.37

STATE POLLUTION CONTROL COMMISSION

1.6	Administrative Support Services	
	Employee related payments - further sum	83,535.47
	Maintenance and working expenses - further sum	108,840.00
	Other services	
	Overseas visits - further sum	35,848.00

TOTAL, STATE POLLUTION CONTROL COMMISSION 295,391.34

TOTAL - MINISTER FOR ENVIRONMENT 17,525,317.43

Appropriation 1989

SCHEDULE 2 - PAYMENTS MADE DURING 1989-90 UNDER SECTION 22
OF THE PUBLIC FINANCE AND AUDIT ACT 1983

ITEM	AMOUNT	\$
PAYMENTS FOR RECURRENT SERVICES - continued		
I. MINISTER FOR FAMILY AND COMMUNITY SERVICES		
DEPARTMENT OF FAMILY AND COMMUNITY SERVICES		
2.2 Supported Accommodation		
Grants and subsidies -		
St Vincent De Paul Crisis Centre, Lewisham	610,319.00	
TOTAL, DEPARTMENT OF FAMILY AND COMMUNITY SERVICES	610,319.00	
TOTAL - MINISTER FOR FAMILY AND COMMUNITY SERVICES	610,319.00	

Appropriation 1989

SCHEDULE 2 - PAYMENTS MADE DURING 1989-90 UNDER SECTION 22
OF THE PUBLIC FINANCE AND AUDIT ACT 1983

ITEM		\$
AMOUNT		
PAYMENTS FOR RECURRENT SERVICES - continued		
J. MINISTER FOR HEALTH AND MINISTER FOR THE ARTS		
DEPARTMENT OF HEALTH		
1.1	Public Health Regulatory Services	
	Maintenance and working expenses - further sum	1,468,559.49
2.1	Health Transport	
	Employee related payments - further sum	355,502.09
	Maintenance and working expenses - further sum	28,378.88
	Plant and equipment - Purchase of motor vehicles - further sum	424,561.64
	Purchase of replacement ambulances - further sum	26,951.10
	Other services -	
	Air Ambulance Service operating costs - further sum	486,318.80
2.2	Services Specifically for Drug and Alcohol Dependent Persons	
	Other services -	
	Payments towards area health services and public hospitals' operating costs - further sum	381,952.48
2.3	Support for Area Health Services and Public Hospitals	
	Other services -	
	Payments towards area health services and public hospitals' operating costs - further sum	102,680,842.68

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SCHEDULE 2 - PAYMENTS MADE DURING 1989-90 UNDER SECTION 22
OF THE PUBLIC FINANCE AND AUDIT ACT 1983

ITEM	AMOUNT	\$
PAYMENTS OR RECURRENT SERVICES - continued		
J. MINISTER FOR HEALTH AND MINISTER FOR THE ARTS - continued		
DEPARTMENT OF HEALTH - continued		
2.4	External Health Services	
	Grants and subsidies -	
	Royal Flying Doctor Service - further sum	103,058.00
	Other services -	
	Isolated Patients Travel and Accommodation	
	Assistance Scheme - further sum	322,454.27
2.5	Support for the United Dental Hospital and	
	Remote Dental Services	
	Other services -	
	Payments towards area health services and	
	public hospitals' operating costs - further sum	480,388.05
2.6	Services Specifically for Aborigines	
	Employee related payments - further sum	78,321.56
	Maintenance and working expenses - further sum	35,549.82
	TOTAL, DEPARTMENT OF HEALTH	106,872,838.86

Appropriation 1989

SCHEDULE 2 - PAYMENTS MADE DURING 1989-90 UNDER SECTION 22 OF THE
PUBLIC FINANCE AND AUDIT ACT 1983

	ITEM AMOUNT	\$
PAYMENTS FOR RECURRENT SERVICES - continued		
MINISTRY FOR THE ARTS		
1.1	Policy Co-ordination and Support of Cultural Activities	
	Other services -	
	Government Guarantee - Nimrod Theatre	240,509.83
	TOTAL, MINISTRY FOR THE ARTS	240,509.83
	TOTAL - MINISTER FOR HEALTH AND MINISTER FOR THE ARTS	107,113,348.69
K. MINISTER FOR HOUSING		
DEPARTMENT OF HOUSING		
1.1	Public and Community Housing	
	Other services -	
	Other Expenses - further sum	1,635,926.84
	TOTAL, DEPARTMENT OF HOUSING	1,635,926.84
	TOTAL - MINISTER FOR HOUSING	1,635,926.84

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SCHEDULE 2 - PAYMENTS MADE DURING 1989-90 UNDER SECTION 22
OF THE PUBLIC FINANCE AND AUDIT ACT 1983

ITEM		
AMOUNT		\$
PAYMENTS FOR RECURRENT SERVICES - continued		
L. MINISTER FOR INDUSTRIAL RELATIONS AND EMPLOYMENT		
DEPARTMENT OF INDUSTRIAL RELATIONS AND EMPLOYMENT		
1.1 Regulation of Employment and Industry		
Other services -		
Overseas visits		11,744.49
Inquiry into the Fiduciary Duties of officials of Trade Union and Employer Organisations		23,000.00
1.4 Occupational Health and Safety		
Other services -		
Overseas visits		8,106.00
New South Wales Labour Council Occupational Health and Safety Training Programme		135,000.00

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SCHEDULE 2 - PAYMENTS MADE DURING 1989-90 UNDER SECTION 22 OF THE
PUBLIC FINANCE AND AUDIT ACT 1983

	ITEM AMOUNT	\$
PAYMENTS FOR RECURRENT SERVICES - continued		
L. MINISTER FOR INDUSTRIAL RELATIONS AND EMPLOYMENT - continued		
DEPARTMENT OF INDUSTRIAL RELATIONS AND EMPLOYMENT - continued		
1.7	Special Schemes to Promote Youth Employment and Employment Generally Plant and equipment - Purchase of computers and related payments - further sum	25,905.94
	TOTAL, DEPARTMENT OF INDUSTRIAL RELATIONS AND EMPLOYMENT	203,756.43
	TOTAL - MINISTER FOR INDUSTRIAL RELATIONS AND EMPLOYMENT	203,756.43
M. MINISTER FOR LOCAL GOVERNMENT AND MINISTER FOR PLANNING		
1.1	Darling Harbour Authority Other services - Darling Harbour Debt Charges Contribution to First State '88 Exhibition - further sum	767,089.74 3,889,000.00
	TOTAL, DARLING HARBOUR AUTHORITY	4,656,089.74
	TOTAL - MINISTER FOR LOCAL GOVERNMENT AND MINISTER FOR PLANNING	4,656,089.74

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SCHEDULE 2 - PAYMENTS MADE DURING 1989-90 UNDER SECTION 22
OF THE PUBLIC FINANCE AND AUDIT ACT 1983

ITEM		
AMOUNT		\$
PAYMENTS FOR RECURRENT SERVICES - continued		
N. MINISTER FOR NATURAL RESOURCES		
DEPARTMENT OF WATER RESOURCES		
2.1	Water Resource Development	
	Other services -	
	Debt charges - further sum	764,401.31
2.2	Rural Water Supply and Associated Services	
	Maintenance and working expenses	366,359.84
	Other services -	
	Debt charges - further sum	150,260.83
2.3	River Channel and Flood plain Protection	
	Other services -	
	Debt charges - further sum	599,315.50
3.1	Subsidies to other Water Supply Organisations	
	Other services -	
	Cobar water supply subsidies - further sum	38,246.48
TOTAL, DEPARTMENT OF WATER RESOURCES		1,918,583.96
TOTAL - MINISTER FOR NATURAL RESOURCES		1,918,583.96

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SCHEDULE 2 - PAYMENTS MADE DURING 1989-90 UNDER SECTION 22 OF THE
PUBLIC FINANCE AND AUDIT ACT 1983

ITEM
AMOUNT

\$

PAYMENTS FOR RECURRENT SERVICES - continued

O. MINISTER FOR POLICE AND EMERGENCY SERVICES

POLICE DEPARTMENT

1.3 Crimes of Vice	
Other services -	
Firearms compensation payments	273,499.06
1.4 Maintaining Public Order	
Employee related payments - further sum	9,847,032.93
Plant and equipment -	
Other major plant and equipment	100,893.11
1.5 Traffic Supervision and Control	
Plant and equipment -	
Other major plant and equipment	21,022.00
TOTAL, POLICE DEPARTMENT	10,242,447.10
BOARD OF FIRE COMMISSIONERS	
1.4 Management and Administration	
Employee related payments - further sum	2,824.56
TOTAL, BOARD OF FIRE COMMISSIONERS	2,824.56
TOTAL - MINISTER FOR POLICE AND EMERGENCY SERVICES	10,245,271.66

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SCHEDULE 2 - PAYMENTS MADE DURING 1989-90 UNDER SECTION 22
OF THE PUBLIC FINANCE AND AUDIT ACT 1983

ITEM		
AMOUNT		\$
PAYMENTS FOR RECURRENT SERVICES - continued		
P. MINISTER FOR TRANSPORT		
MINISTRY OF TRANSPORT		
2.1	Co-ordination, Development and Implementation of Transport Policy	
	Other services -	
	Operating costs - Grain Handling Authority	16,000,000.00
	TOTAL, MINISTRY OF TRANSPORT	16,000,000.00
DEPARTMENT OF MOTOR TRANSPORT		
3.1	Regulation of Private Transport Services and the Administration of Subsidy Payments for Travel Concessions	
	Other services -	
	Distribution of omnibus tax and service licence fees	3,391,357.15
	TOTAL, DEPARTMENT OF MOTOR TRANSPORT	3,391,357.15
	TOTAL- MINISTER FOR TRANSPORT	19,391,357.15
	TOTAL PAYMENTS FOR RECURRENT SERVICES	336,252,262.59

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SCHEDULE 2 - PAYMENTS MADE DURING 1989-90 UNDER SECTION 22
OF THE PUBLIC FINANCE AND AUDIT ACT 1983

ITEM		
AMOUNT		\$
PAYMENTS FOR CAPITAL WORKS AND SERVICES		
A. MINISTER FOR ADMINISTRATIVE SERVICES		
DEPARTMENT OF ADMINSTRATIVE.SERVICES		
3.2	Office Accommodation	
	Circular Quay West	495,742.07
TOTAL, DEPARTMENT OF ADMINISTRATIVE SERVICES		495,742.07
TOTAL - MINISTER FOR ADMINISTRATIVE SERVICES		495,742.07
B. MINISTER FOR AGRICULTURE AND RURAL AFFAIRS		
SOIL CONSERVATION SERVICE		
1.1	Management of Catchment Areas	
	Building Works	48,982.20
	Erosion Control Measures	909,730.36
1.2	Management of Arid and Semi-Arid Lands	
	Erosion Control Measures	242,025.98
1.4	Soil Conservation Management for Resource and Infrastructure Development	
	Catchment Area Protection	45,708.50
1.5	Administrative Support Services	
	Other Soil Conservation Works	99,015.70
	Research Centre - Minor Works	3,573.00
TOTAL, SOIL CONSERVATION SERVICE		1,349,035.74
MINISTER FOR AGRICULTURE AND RURAL AFFAIRS		<u>1,349,035.74</u>
		TOTAL -

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SCHEDULE 2 - PAYMENTS MADE DURING 1989-90 UNDER SECTION 22 OF THE
PUBLIC FINANCE AND AUDIT ACT 1983

ITEM
AMOUNT

\$

PAYMENTS FOR CAPITAL WORKS AND SERVICES - continued

C. ATTORNEY GENERAL

ATTORNEY GENERAL'S DEPARTMENT

3.3 Land and Environment Court Services	
Court Building Works	14,758.00
TOTAL, ATTORNEY GENERAL'S DEPARTMENT	14,758.00
TOTAL - ATTORNEY GENERAL	14,758.00

CHIEF SECRETARY AND MINISTER FOR TOURISM

TOURISM COMMISSION

1.3 Promotion of Tourism	
Land Acquisition-	
Kingscliff	4,000,000.00
Brooklyn Marina	68,750.00
TOTAL, TOURISM COMMISSION	4,068,750.00
TOTAL - CHIEF SECRETARY AND MINISTER FOR TOURISM	4,068,750.00

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SCHEDULE 2 - PAYMENTS MADE DURING 1989-90 UNDER SECTION 22 OF THE
PUBLIC FINANCE AND AUDIT ACT 1983

	ITEM AMOUNT	\$
PAYMENTS FOR CAPITAL WORKS AND SERVICES - continued		
D. MINISTER FOR CORRECTIVE SERVICES		
DEPARTMENT OF CORRECTIVE SERVICES		
4.1	Policy Advice and Co-ordination	
	Prison Buildings	25.19
TOTAL, DEPARTMENT OF CORRECTIVE SERVICES		25.19
TOTAL - MINISTER FOR CORRECTIVE SERVICES		25.19
E. MINISTER FOR EDUCATION AND YOUTH AFFAIRS		
MINISTRY OF EDUCATION AND YOUTH AFFAIRS		
1.1	Policy and Administrative Support	
	Purchase of land at Werrington for Western Sydney University	9,000,000.00
TOTAL, MINISTRY OF EDUCATION AND YOUTH AFFAIRS'		9,000,000.00
TOTAL - MINISTER FOR EDUCATION AND YOUTH AFFAIRS		9,000,000.00

Appropriation 1989

SCHEDULE 2 - PAYMENTS MADE DURING 1989-90 UNDER SECTION 22
OF THE PUBLIC FINANCE AND AUDIT ACT 1983

ITEM
AMOUNT

\$

PAYMENTS FOR CAPITAL WORKS AND SERVICES - continued

F. MINISTER FOR THE ENVIRONMENT

OFFICE OF THE MINISTER FOR THE ENVIRONMENT

1.1	Policy Co-ordination and Support of Environmental Activity Zoological Parks Board - Athol Bay Marine Life Sanctuary	55,000.00
	TOTAL, OFFICE OF THE MINISTER FOR ENVIRONMENT	55,000.00
	TOTAL - MINISTER FOR THE ENVIRONMENT	55,000.00

G. MINISTER FOR HEALTH AND MINISTER FOR THE ARTS
DEPARTMENT OF HEALTH

1.2	Analytical, Clinical and Scientific Services	1,126,614.65
	TOTAL, DEPARTMENT OF HEALTH	1,126,614.65

Appropriation 1989

SCHEDULE 2 - PAYMENTS MADE DURING 1989-90 UNDER SECTION 22
OF THE PUBLIC FINANCE AND AUDIT ACT 1983

ITEM
AMOUNT

\$

PAYMENTS FOR CAPITAL WORKS AND SERVICES - continued

G. MINISTER FOR HEALTH AND MINISTER FOR THE ARTS
- continued

MINISTER FOR THE ARTS

1.1 Policy Co-ordination and Support of Cultural Activities Building works	240,000.00
1.6 Preservation and Management of Government Records Kingswood - New Service Block	59,648.01
TOTAL, MINISTRY FOR THE ARTS	299,648.01
TOTAL - MINISTER FOR HEALTH AND MINISTER FOR THE ARTS	1,426,262.66

H. MINISTER FOR NATURAL RESOURCES

DEPARTMENT OF LANDS

2.1 Mapping Replacement of a PABX facility in the Land information Centre at Bathurst	123,000.00
2.2 Control Surveys Replacement of a PABX facility in the Land Information Centre at Bathurst	37,000.00
3.1 Administrative and Financial Support Services Capital Contribution to Forestry Commission	<u>1,725,897.38</u>
TOTAL, DEPARTMENT OF LANDS	<u>1,885,897.38</u>

Appropriation 1989

SCHEDULE 2 - PAYMENTS MADE DURING 1989-90 UNDER SECTION 22 OF THE
PUBLIC FINANCE AND AUDIT ACT 1983

	ITEM AMOUNT	\$
PAYMENTS FOR CAPITAL WORKS AND SERVICES - continued		
H. MINISTER FOR NATURAL RESOURCES - continued		
DEPARTMENT OF WATER RESOURCES		
1.1	Water Resource Management General Works and Services	2,000,000.00
	TOTAL, DEPARTMENT OF WATER RESOURCES	2,000,000.00
	TOTAL - MINISTER FOR NATURAL RESOURCES	3,885,897.38

Appropriation 1989

SCHEDULE 2 - PAYMENTS MADE DURING 1989-90 UNDER SECTION 22
OF THE PUBLIC FINANCE AND AUDIT ACT 1983

ITEM		
AMOUNT		\$
PAYMENTS FOR CAPITAL WORKS AND SERVICES - continued		
I. MINISTER FOR POLICE AND EMERGENCY SERVICES		
POLICE DEPARTMENT		
1.1	Crimes Against the Person Equipment and Services	119,003.71
1.2	Crimes Against Property Equipment and Services	251,410.56
1.4	Maintaining Public Order Equipment and Services	196,660.74
2.1	Personnel, Development and Education Equipment and Services	88,545.00
2.2	Review Equipment and Services	101,149.00
2.3	Corporate Services Equipment and Services	622,180.00
TOTAL, POLICE DEPARTMENT		1,378,949.01

Appropriation 1989

SCHEDULE 2 - PAYMENTS MADE DURING 1989-90 UNDER SECTION 22 OF THE
PUBLIC FINANCE AND AUDIT ACT 1983

	ITEM	AMOUNT	\$
	PAYMENTS FOR CAPITAL WORKS AND SERVICES - continued		
I.	MINISTER FOR POLICE AND EMERGENCY SERVICES - continued		
	BOARD OF FIRE COMMISSIONERS		
1.1	Operation and Maintenance of Brigade and Special Services Building Works		2,400,000.00
	TOTAL, BOARD OF FIRE COMMISSIONERS		2,400,000.00
	TOTAL - MINISTER FOR POLICE AND EMERGENCY SERVICES		3,778,949.01

Appropriation 1989

SCHEDULE 2 - PAYMENTS MADE DURING 1989-90 UNDER SECTION 22
OF THE PUBLIC FINANCE AND AUDIT ACT 1983

ITEM
AMOUNT

\$

PAYMENTS FOR CAPITAL WORKS AND SERVICES - continued

J. MINISTER FOR STATE DEVELOPMENT AND
MINISTER FOR PUBLIC WORKS

DEPARTMENT OF PUBLIC WORKS

1.5 NSW Waterways	
Marine development	63,000.00
Mini port development	36,000.00
Boat launching ramp development	155,742.00
Waterways improvement	122,000.00
Public wharf development	149,000.00
TOTAL, DEPARTMENT OF PUBLIC WORKS	525,742.00
TOTAL - MINISTER FOR STATE DEVELOPMENT AND MINISTER FOR PUBLIC WORKS	525,742.00
TOTAL - CAPITAL WORKS AND SERVICES	24,600,162.05
TOTAL - CONSOLIDATED FUND	360,852,424.64

Appropriation 1990

SCHEDULE 2 - PAYMENTS MADE DURING 1989-90 UNDER SECTION 22
OF THE PUBLIC FINANCE AND AUDIT ACT 1983

	ITEM	AMOUNT	\$
PAYMENTS FOR RECURRENT SERVICES			
A. PREMIER, TREASURER AND MINISTER FOR ETHNIC AFFAIRS			
TREASURY			
7.1	Liability for Commonwealth Purpose Loans		
	Other services -		
	Interest payments to Commonwealth		
	- further sum		7,440,051.07
7.3	Liability for Debt Charges on Departmental Works Programs		
	Other services -		
	Interest payments to Treasury Corporation - further sum		12,812,347.27
8.1	Natural Disasters Relief		
	Other services -		
	Provision of relief measures associated with natural disasters - further sum		19,568,591.67
	TOTAL, TREASURY		39,820,990.01
	TOTAL - PREMIER, TREASURER AND MINISTER FOR ETHNIC AFFAIRS		39,820,990.01

Appropriation 1990

SCHEDULE 2 - PAYMENTS MADE DURING 1989-90 UNDER SECTION 22
OF THE PUBLIC FINANCE AND AUDIT ACT 1983

ITEM	AMOUNT	\$
PAYMENTS FOR RECURRENT SERVICES - continued		
B, MINISTER FOR POLICE AND EMERGENCY SERVICES		
NEW SOUTH WALES FIRE BRIGADES		
- Operation and Maintenance of Brigades and Special Services		
Employee related payments	56,521,735.82	
Maintenance and working expenses	12,376,871.20	
Other services -		
Transfer to Special Deposits Account in terms of s. 62 (3) of Fire Brigades Act 1989	1,748,072.75	
- Brigade Training and Development		
Employee related payments	1,377,117.63	
Maintenance and working expenses	1,184,636.80	
Other services-		
Transfer to Special Services Account in terms of s. 62 (3) of Fire Brigades Act 1989	63,794.64	
- Investigations, Research and Advisory Services		
Employee related payments	1,150,063.40	
Maintenance and working expenses	365,028.56	
Other services-		
Transfer to Special Services Account in terms of s. 62 (3) of Fire Brigades Act 1989	36,906.19	

Appropriation 1990

SCHEDULE 2 - PAYMENTS MADE DURING 1989-90 UNDER SECTION 22
OF THE PUBLIC FINANCE AND AUDIT ACT 1983

ITEM	AMOUNT	\$
PAYMENTS FOR RECURRENT SERVICES - continued		
B. MINISTER FOR POLICE AND EMERGENCY SERVICES - continued		
NEW SOUTH WALES FIRE BRIGADES - continued		
- Management and Administration		
Employee related payments	2,331,029.36	
Maintenance and working expenses	2,444,079.07	
Other services -		
Transfer to Special Deposits Account in terms of s. 62 (3) of Fire Brigades Act 1989	88,664.58	
TOTAL, NEW SOUTH WALES FIRE BRIGADES	79,688,000.00	
TOTAL - MINISTER FOR POLICE AND EMERGENCY SERVICES	79,688,000.00	
TOTAL - PAYMENTS FOR RECURRENT SERVICES	119,508,990.01	

Appropriation 1990

SCHEDULE 2 - PAYMENTS MADE DURING 1989-90 UNDER SECTION 22 OF THE
PUBLIC FINANCE AND AUDIT ACT 1983

ITEM
AMOUNT

\$

PAYMENTS FOR CAPITAL WORKS AND SERVICES

A. PREMIER, TREASURER AND MINISTER FOR ETHNIC AFFAIRS

PREMIER'S DEPARTMENT

1.4 Oversight of Public Sector Management Performance	19,159.00
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TOTAL, PREMIER'S DEPARTMENT	19,159.00
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TREASURY

1.2 Financial Accounting and Funds Management	168,096.25
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TOTAL, TREASURY	168,096.25
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TOTAL - PREMIER, TREASURER AND MINISTER FOR ETHNIC AFFAIRS	187,255.25
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Appropriation 1990

SCHEDULE 2 - PAYMENTS MADE DURING 1989-90 UNDER SECTION 22 OF THE
PUBLIC FINANCE AND AUDIT ACT 1983

		ITEM	
		AMOUNT	\$
PAYMENTS FOR CAPITAL WORKS AND SERVICES (continued) B. ATTORNEY GENERAL			
ATTORNEY GENERAL'S DEPARTMENT			
2.1	Legal Advice and Representation on behalf of the Crown (other than Criminal Prosecution)		20,893.00
2.2	Drafting of Government Legislation		422,997.39
3.2	Industrial Commission Services		13,004.00
TOTAL, ATTORNEY GENERAL'S DEPARTMENT			456,894.39
TOTAL - ATTORNEY GENERAL			456,894.39

Appropriation 1990

SCHEDULE 2 - PAYMENTS MADE DURING 1989-90 UNDER SECTION 22 OF THE
PUBLIC FINANCE AND AUDIT ACT 1983

ITEM	AMOUNT	\$
PAYMENTS FOR CAPITAL WORKS AND SERVICES (continued)		
B. CHIEF SECRETARY AND MINISTER FOR TOURISM		
CHIEF SECRETARY'S DEPARTMENT		
1.1 Licensing and Control of Poker Machines, Certain Amusement Devices and Premises Supplying and Serving Liquor	341,051.00	
TOTAL, CHIEF SECRETARY'S DEPARTMENT	341,051.00	
TOTAL- CHIEF SECRETARY AND MINISTER FOR TOURISM	341,051.00	
D. MINISTER FOR CORRECTIVE SERVICES		
DEPARTMENT OF CORRECTIVE SERVICES		
2.2 Care and Welfare Services for Prisoners	90,731.00	
4.1 Policy Advice and Co-ordination	82,122.00	
4.2 Internal Management Services	302,995.00	
TOTAL, DEPARTMENT OF CORRECTIVE SERVICES	475,848.00	
TOTAL - MINISTER FOR CORRECTIVE SERVICES	475,848.00	

Appropriation 1990

SCHEDULE 2 - PAYMENTS MADE DURING 1989-90 UNDER SECTION 22
OF THE PUBLIC FINANCE AND AUDIT ACT 1983

ITEM		
AMOUNT		\$
PAYMENTS FOR CAPITAL WORKS AND SERVICES - continued		
E. MINISTER FOR FAMILY AND COMMUNITY SERVICES		
DEPARTMENT OF FAMILY AND COMMUNITY SERVICES		
1.1	Protection of Children	83,719.79
2.1	Services for Disadvantaged Groups and Communities	170,397.70
2.2	Supported Accommodation	3,040.34
2.4	Youth Services	7,520.65
3.1	Organisation and Administrative Support Services	1,374,591.27
TOTAL, DEPARTMENT OF FAMILY AND COMMUNITY SERVICES		1,639,269.75
TOTAL - MINISTER FOR FAMILY AND COMMUNITY SERVICES		1,639,269.75

Appropriation 1990

SCHEDULE 2 - PAYMENTS MADE DURING 1989-90 UNDER SECTION 22 OF THE
PUBLIC FINANCE AND AUDIT ACT 1983

	ITEM AMOUNT	\$
PAYMENTS FOR CAPITAL WORKS AND SERVICES - continued		
F.	MINISTER FOR LOCAL GOVERNMENT AND MINISTER FOR PLANNING	
DEPARTMENT OF LOCAL GOVERNMENT		
1.1	Development, Oversight of and Assistance to Local Government	54,525.00
TOTAL, DEPARTMENT OF LOCAL GOVERNMENT		54,525.00
DARLING HARBOUR AUTHORITY		
1.1	Management of Tourism and Recreational Facilities	54,796,000.00
TOTAL, DARLING HARBOUR AUTHORITY		54,796,000.00
TOTAL - MINISTER FOR LOCAL GOVERNMENT AND MINISTER FOR PLANNING		54,850,525.00

Appropriation **1990**

SCHEDULE 2 - PAYMENTS MADE DURING 1989-90 UNDER SECTION 22 OF THE
PUBLIC FINANCE AND AUDIT ACT 1983

ITEM
AMOUNT

\$

PAYMENTS FOR CAPITAL WORKS AND SERVICES - continued

G. MINISTER FOR NATURAL RESOURCES

DEPARTMENT OF WATER RESOURCES

2.1 Water Resource Development 1,617,890.38

TOTAL, DEPARTMENT OF WATER RESOURCES 1,617,890.38

TOTAL - MINISTER FOR NATURAL RESOURCES 1,617,890.38

H. MINISTER FOR POLICE AND EMERGENCY SERVICES

NEW SOUTH WALES FIRE BRIGADES

- Brigade Training and Development 154,951.03

- Investigations, Research and Advisory Services 75,331.46

- Management and Administration 274,227.38

TOTAL, NEW SOUTH WALES FIRE BRIGADES 504,509.87

TOTAL - MINISTER FOR POLICE AND EMERGENCY SERVICES 504,509.87

TOTAL - PAYMENTS FOR CAPITAL WORKS AND SERVICES 60,073,243.64

TOTAL - CONSOLIDATED FUND 179,582,233.65

Appropriation 1991

SCHEDULE 2 - PAYMENTS MADE DURING 1990-91 UNDER SECTION 22
OF THE PUBLIC FINANCE AND AUDIT ACT 1983

ITEM
AMOUNT

\$

PAYMENTS FOR RECURRENT SERVICES

A. PREMIER, TREASURER AND MINISTER FOR ETHNIC AFFAIRS

PREMIER'S DEPARTMENT

2.2	Co-ordination of Major Community Projects	
	Other services -	
	Special Community Projects	
	- further sum	2,000.00
2.3	Policy and Advisory Services on Aboriginal Affairs	
	Other services -	
	Aboriginal Land Rights Act 1983	
	- land purchases, administrative and other costs - further sum	5,181,385.64
	Aboriginal Community Infrastructure	2,250,000.00
3.1	Support Services	
	Grants and subsidies-	
	Salvation Army Red Shield Appeal	125,000.00
	Other services -	
	Royal Commission into former Chelmsford Private Hospital and Mental Health Services in New South Wales - further sum	602,451.73
	TOTAL, PREMIER'S DEPARTMENT	8,160,837.37

Appropriation 1991

SCHEDULE 2 - PAYMENTS MADE DURING 1990-91 UNDER SECTION 22
OF THE PUBLIC FINANCE AND AUDIT ACT 1983

ITEM	AMOUNT	\$
PAYMENTS FOR RECURRENT SERVICES - continued		
OMBUDSMAN'S OFFICE		
1.1 Investigation of Citizens' Complaints and Monitoring and Reporting on Telecommunications Interception Activities Maintenance and working expenses - further sum	99,361.91	
TOTAL, OMBUDSMAN'S OFFICE	99,361.91	
STATE ELECTORAL OFFICE		
1.1 Management and Administration of Parliamentary Elections Other services - General election - further sum Referendum Redistribution Local Government	14,500,459.11 803,365.04	
A. PREMIER, TREASURER AND MINISTER FOR ETHNIC AFFAIRS - continued		
1.2 Funding of Parliamentary Election Campaigns Other services - Payments to candidates, groups and parties - further sum	193,419.72	
TOTAL, STATE ELECTORAL OFFICE	15,497,243.87	

Appropriation 1991

SCHEDULE 2 - PAYMENTS MADE DURING 1990-91 UNDER SECTION 22
OF THE PUBLIC FINANCE AND AUDIT ACT 1983

	ITEM AMOUNT	\$
PAYMENTS FOR RECURRENT SERVICES - continued		
TREASURY		
7.1	Liability for Commonwealth General Purpose Loans Other services - Interest payments to Commonwealth - further sum	15,034,243.09
	TOTAL, TREASURY	15,034,243.09
	TOTAL - PREMIER, TREASURER AND MINISTER FOR ETHNIC AFFAIRS	38,791,686.24

Appropriation 1991

SCHEDULE 2 - PAYMENTS MADE DURING 1990-91 UNDER SECTION 22 OF THE
PUBLIC FINANCE AND AUDIT ACT 1983

	ITEM AMOUNT	\$
PAYMENTS FOR RECURRENT SERVICES - continued		
B.	MINISTER FOR BUSINESS AND CONSUMER AFFAIRS	
	BUSINESS AND CONSUMER AFFAIRS	
1.1	Business Support	
	Other services -	
	National Industry Extension	
	Service - further sum	2,814,233.78
	TOTAL, BUSINESS AND CONSUMER AFFAIRS	2,814,233.87
	TOTAL - MINISTER FOR BUSINESS AND CONSUMER AFFAIRS	2,814,233.87

Appropriation 1991

SCHEDULE 2 - PAYMENTS MADE DURING 1990-91 UNDER SECTION 22
OF THE PUBLIC FINANCE AND AUDIT ACT 1983

ITEM		
AMOUNT		\$
PAYMENTS FOR RECURRENT SERVICES - continued		
C.	MINISTER FOR THE ENVIRONMENT	
1.1	Policy Co-ordination and Support of Environmental Activities Maintenance and working expenses - further sum	28,145.24
2.1	Rate rebates for Pensioners Grants and subsidies - Sydney and Hunter Water Boards - rate rebates for pensioners - further sum	1,136,809.17
3.1	Bicentennial Park Trust Employee related payments - further sum	347,753.66
3.3	Centennial Park Trust Maintenance and working expenses - further sum	415,000.00
TOTAL, MINISTRY FOR THE ENVIRONMENT		1,927,708.07
TOTAL - MINISTER FOR THE ENVIRONMENT		1,927,708.07

Appropriation 1991

SCHEDULE 2 - PAYMENTS MADE DURING 1990-91 UNDER SECTION 22 OF THE
PUBLIC FINANCE AND AUDIT ACT 1983

	ITEM AMOUNT	\$
PAYMENTS FOR RECURRENT SERVICES - continued		
D.	MINISTER FOR INDUSTRIAL RELATIONS AND MINISTER FOR FURTHER EDUCATION, TRAINING AND EMPLOYMENT	
NEW SOUTH WALES TECHNICAL AND FURTHER EDUCATION COMMISSION		
1.4	Courses in Commercial and General Studies Maintenance and working expenses - further sum	6,661,475.01
	TOTAL, NEW SOUTH WALES TECHNICAL AND FURTHER EDUCATION COMMISSION	6,661,475.01
	TOTAL - MINISTER FOR INDUSTRIAL RELATIONS AND MINISTER FOR FURTHER EDUCATION, TRAINING AND EMPLOYMENT	6,661,475.01

Appropriation 1991

SCHEDULE 2 - PAYMENTS MADE DURING 1990-91 UNDER SECTION 22
OF THE PUBLIC FINANCE AND AUDIT ACT 1983

	ITEM AMOUNT	\$
PAYMENTS FOR RECURRENT SERVICES- continued		
E.	MINISTER FOR LANDS AND FORESTS AND MINISTER FOR TOURISM	
TOURISM COMMISSION		
1.2	Promotion of Tourism	
	Other services -	
	Contribution to Tourism Development Fund - further sum	7,675,965.94
	TOTAL, TOURISM COMMISSION	7,675,965.94
	TOTAL - MINISTER FOR LANDS AND FORESTS AND MINISTER FOR TOURISM	7,675,965.94

Appropriation 1991

SCHEDULE 2 - PAYMENTS MADE DURING 1990-91 UNDER SECTION 22
OF THE PUBLIC FINANCE AND AUDIT ACT 1983

	ITEM AMOUNT	\$
PAYMENTS FOR RECURRENT SERVICES - continued		
F.	MINISTER FOR POLICE AND EMERGENCY SERVICES	
NEW SOUTH WALES FIRE BRIGADES		
1.1	Operation and Maintenance of Brigade and Special Services Other services - Transfer to Special Deposits Account in terms of s. 62(3) of Fire Brigades Act 1989	1,1 26,873.00
	TOTAL, NEW SOUTH WALES FIRE BRIGADES	1,126,873.00
	TOTAL - MINISTER FOR POLICE AND EMERGENCY SERVICES	1,126,873.00
	TOTAL - PAYMENTS FOR RECURRENT SERVICES	58,997,942.13

Appropriation 1991

SCHEDULE 2 - PAYMENTS MADE DURING 1990-91 UNDER SECTION 22 OF THE
PUBLIC FINANCE AND AUDIT ACT 1983

	ITEM AMOUNT	\$
PAYMENTS FOR CAPITAL WORKS AND SERVICES		
A. PREMIER, TREASURER AND MINISTER FOR ETHNIC AFFAIRS		
TREASURY		
7.1	Liability for Commonwealth General Purpose Loans	302,493,247.75
TOTAL, TREASURY		302,493,247.75
TOTAL - PREMIER, TREASURER AND MINISTER FOR ETHNIC AFFAIRS		302,493,247.75
B. MINISTER FOR AGRICULTURE AND RURAL AFFAIRS		
RURAL ASSISTANCE AUTHORITY		
1.1	Assistance to Farmers	13,692,922.31
TOTAL, RURAL ASSISTANCE AUTHORITY		13,692,922.31
DEPARTMENT OF AGRICULTURE AND FISHERIES		
1.5	Support Services	1,550,005.42
TOTAL, DEPARTMENT OF AGRICULTURE AND FISHERIES		1,550,005.42

Appropriation 1991

SCHEDULE 2 - PAYMENTS MADE DURING 1990-91 UNDER SECTION 22
OF THE PUBLIC FINANCE AND AUDIT ACT 1983

ITEM	AMOUNT	\$
PAYMENTS FOR CAPITAL WORKS AND SERVICES - continued		
SOIL CONSERVATION SERVICE		
1.3 Administrative Support Services	810,557.76	
TOTAL, SOIL CONSERVATION SERVICE	810,557.76	
TOTAL - MINISTER FOR AGRICULTURE AND RURAL AFFAIRS	16,053,485.49	

Appropriation 1991

SCHEDULE 2 - PAYMENTS MADE DURING 1990-91 UNDER SECTION 22 OF THE
PUBLIC FINANCE AND AUDIT ACT 1983

	ITEM AMOUNT	\$
PAYMENTS FOR CAPITAL WORKS AND SERVICES - continued		
C. MINISTER FOR HEALTH AND MINISTER FOR THE ARTS DEPARTMENT OF HEALTH		
2.6 Services Specifically for Aborigines		31,797.22
TOTAL, DEPARTMENT OF HEALTH		31,797.22
MINISTRY FOR THE ARTS		
1.5 Historic Houses Trust		279,735.97
TOTAL, MINISTRY FOR THE ARTS		279,735.97
TOTAL - MINISTER FOR HEALTH AND MINISTER FOR THE ARTS		311,533.19

Appropriation 1991

SCHEDULE 2 - PAYMENTS MADE DURING 1990-91 UNDER SECTION 22 OF THE
PUBLIC FINANCE AND AUDIT ACT 1983

	ITEM AMOUNT	\$
PAYMENTS FOR CAPITAL WORKS AND SERVICES - continued		
D.	MINISTER FOR PUBLIC WORKS AND MINISTER FOR ROADS	
	ROADS AND TRAFFIC AUTHORITY	
	1.2 Upkeep of Roads	44,721,809.16
	TOTAL, ROADS AND TRAFFIC AUTHORITY	44,721,809.1 6
	TOTAL - MINISTER FOR PUBLIC WORKS AND MINISTER FOR ROADS	44,721,809.1 6
	TOTAL - PAYMENTS FOR CAPITAL WORKS AND SERVICES	363,590,075.59
	TOTAL - CONSOLIDATED FUND	422,578,017.72

Premier of New South Wales

MEMORANDUM NO. 91 - 2

**GUIDELINES FOR THE FORMATION AND OPERATION OF
SUBSIDIARY COMPANIES BY DEPARTMENTS AND STATUTORY
AUTHORITIES**

(MEMORANDUM TO ALL ALL MINISTERS)

Recent trends have been for Government departments and statutory authorities to set up subsidiary companies. I am concerned about this trend and also the perception that the formation of a company by a public sector entity is necessarily a desirable thing. The main reasons given by public sector entities for the establishment of subsidiaries are:

- i: provides a means of clearly segregating an activity not forming part of an entity's mainstream operations;
- it allows for concentration of related activities;
- * it enables the subsidiary to project an independent and commercial image with customers and suppliers;
- it facilitates private sector equity participation through the placement of share capital;
- * it allows the negotiation of industrial awards that are competitive with the private sector;
- it facilitates participation in business opportunities with other investors e.g. joint ventures.

I wish to emphasise that, whilst some of these reasons for establishing subsidiaries may be valid, they are not the only factors to be taken into account when establishing a subsidiary company.

The Auditor General has indicated in recent reports that the main problem with the formation of subsidiaries is that public sector activities may become removed from the usual Parliamentary scrutiny and the accountability process.

In order to address the problem raised by the Auditor General the following guidelines are to apply to the establishment of subsidiary companies by all public sector entities (including Departments and Ministers) regardless of whether or not those entities are subject to Ministerial control. The guidelines are to apply, as far as possible, to existing subsidiaries. However, the guidelines are not to apply to the subsidiaries of State Owned Corporations.

The guidelines are administrative requirements which should be met in addition to any requirements spelt out in relevant legislation. For the purpose of the guidelines 'subsidiary' is to mean a company which, if the public entity were a corporation, would be a subsidiary of the public entity within the meaning of the Corporations Law. It should be noted that the definition in the Corporations Law is expansive and includes subsidiaries of subsidiaries.

The Government's guidelines are as follows:

- i. A public sector entity (including a subsidiary of such an entity) is not to acquire an interest in a company which would result in that company becoming a subsidiary, or dispose of such an interest, without the written approval of both the responsible Minister and the Treasurer. Such approval may be conditional upon limitations specified by the Minister or the Treasurer on the scope of the subsidiary's operations or on the imposition of specified controls.
2. It is anticipated that it will not be necessary for inner budget sector agencies (ie. those agencies which depend for more than half their operating income on the Consolidated Fund or other tax bases sources) to establish subsidiaries. Such agencies will need to demonstrate particularly good reasons if they wish to establish a subsidiary company. Such agencies should consider all available options, including the system of net appropriations, and demonstrate to the responsible Minister and the Treasurer that the establishment of a subsidiary company will create benefits which cannot be achieved in any other way. In some cases it may be necessary for such agencies to consider establishing a subsidiary company as a vehicle for entering into a joint venture arrangement. However, it should be emphasised that it will still be necessary for the agency to demonstrate to the responsible Minister and the Treasurer that the establishment of a subsidiary company will create benefits which cannot be achieved in any other way.
3. If it is considered appropriate for a public sector entity to establish subsidiaries, then the legislation governing the entity should provide explicitly the power for that entity to form or acquire subsidiaries. However, the power of the Crown itself to form or acquire subsidiaries (through its agents, namely Ministers and senior departmental officers) is not limited to those occasions on which it, or its agents, have explicit legislative authority.
4. The approval of the Minister and the Treasurer for the establishment of a subsidiary company will not normally be given unless the following are demonstrated:
 - ' the subsidiary will operate on a commercial basis;
 - * the subsidiary will operate on a level playing field and will not enjoy the benefit of cross- subsidisation from other operations of the parent body;

- the establishment of the subsidiary will result in clearly identified efficiencies and/or other benefits which cannot be obtained without recourse to such a structure; and
 - * the subsidiary will not pursue social objectives, except as an adjunct to its commercial objectives.
- 5. Subsidiary companies are not to take the form of exempt proprietary companies, companies limited by guarantee or incorporated associations. These types of entities have limited reporting requirements and, accordingly, are unsuitable for the public sector.
- 6. Subsidiary companies are not to enjoy the benefit of an implied government guarantee. The memorandum and articles of association of a subsidiary company should stipulate that the subsidiary does not enjoy the benefit of an implied government guarantee. The articles should provide that any guarantee is to be agreed in writing between the board, the shareholders and the Treasurer. subject to the subsidiary company paying to the Treasurer: a fee for the benefit of the agreed guarantee.
- 7. At the time of establishing a subsidiary company, consideration should be given to whether the subsidiary will ever act as an agent of the Crown. If it is proposed that the subsidiary will act as an agent of the Crown, then the circumstances of the subsidiary SO acting should be clearly spelt out in the articles. Otherwise, the articles should contain a clear statement that the subsidiary is not an agent of the Crown.
- 8. It should be noted that, by virtue of the Corporations Law, a subsidiary of a public sector entity would have unlimited powers, including the power to operate outside the State of New South Wales. Accordingly, a subsidiary company is to clearly state its objects in its memorandum of association. The articles of a subsidiary company should include express restrictions on the powers of the subsidiary so that its powers do not exceed the powers of the parent body unless expressly permitted by the legislation governing the parent body.
- 9. A subsidiary company should not have power to amend its memorandum and articles of association to extend its powers beyond the powers of the parent body. In cases where the parent body is subject to the direction and control of the Minister, the memorandum and articles should provide that all amendments to the memorandum and articles of association of a subsidiary are to be approved by the Minister. In all other cases the memorandum and articles should provide that amendments to the memorandum and articles of association of a subsidiary are to be approved in writing by the parent body.

Industrial relations issues are to be addressed prior to the establishment of a subsidiary company. The Minister for Industrial Relations should be consulted and any proposal to establish a subsidiary should detail the industrial relations issues together with a strategy for dealing with such issues.

11. At the time of establishing a subsidiary company, consideration should be given to the taxation status of the subsidiary. Section 23(d) of the Income Tax Assessment Act provides an exemption for a public authority constituted under a State Act. The Commissioner of Taxation has indicated, in relation to State Owned Corporations, that an 'incorporated' body operated on a commercial basis and with the intention of operating at a profit is not fatal to the exemption afforded by section 23(d). However, the Commissioner is of the view that it is probable that the privatisation of a State Owned Corporation by the sale of all or some of its shares to private individuals or private entities would preclude the State Owned Corporation being characterised as a public authority. It is possible that a wholly-owned subsidiary of a public sector entity would be treated by the Taxation Commissioner in the same way as a State Owned Corporation. However, a subsidiary which is not wholly-owned by a public sector entity may not be characterised as a public authority. Rulings should be sought from the Taxation Commissioner prior to the establishment of a subsidiary company.
12. In the case of those subsidiaries which are not required to pay Commonwealth income tax, the articles of association of the subsidiary should provide that the subsidiary is to pay to the Treasurer, for payment into the Consolidated Fund, the equivalent of the amounts that would be payable by the subsidiary if it were liable to pay Commonwealth income tax. The articles of a subsidiary should provide that the amount of the payment to the Consolidated Fund, in lieu of Commonwealth income tax; will be calculated by a person nominated by The Treasury.
13. At the time of establishing a subsidiary, the parent body should be aware that the subsidiary will be liable to pay all State and local taxes, duties and charges.
14. The shareholders of a subsidiary company will need to be nominated by the parent body. In the case of parent bodies which are legal entities e.g. statutory authorities, the shareholders should be the parent body itself and the holders of senior management positions within the parent body as nominees for the parent body. In other cases the shareholders should be the holders of senior management positions within the parent body as nominees for the Crown. The articles of association of a subsidiary company should provide:
 - * no person may become a shareholder without the approval of the Minister;

- * that the shareholders hold their shares in trust for the parent body or, where appropriate, the Crown;
- * that a shareholder who ceases to hold the senior management position in the parent body, and at any other time when directed by the parent body, should transfer the shares to any successor to that position, or such other person as nominated by the Minister and, pending such a transfer, the shareholder continues to hold the shares in trust for the parent body or the Crown;
- * that a shareholder may not sell or dispose of shares in the subsidiary to anyone other than the parent body or another office: of the parent body approved by the Minister.

In cases where the parent body is not subject to the direction and control of the Minister, the present *body* shall perform the instructions of the Minister outlined in this guideline.

15. The articles of association of a subsidiary company should set out the procedure for determination and payment of dividends. In relation to wholly-owned subsidiaries the procedure for payment of dividends should be similar to that applying to State Owned Corporations. The articles of association of a State Owned Corporation are to include an article requiring every dividend to be of such amount and paid at such times and in such instalments as may be agreed between the shareholders and the board. If no agreement is reached, the shareholders may by written notice to the board determine the matter and the board must act in conformity with the determination. The articles of a wholly-owned subsidiary should contain a similar article to that for State Owned Corporations. However, in cases where the parent body is subject to the direction and control of the Minister the articles should require the agreement of the Minister rather than the shareholders. In relation to subsidiaries which are not wholly-owned, the articles should set out a procedure which has been approved by the Treasurer, for determination and payment of dividends.
16. The articles of association of a subsidiary company should provide that the subsidiary may not sell or otherwise dispose of its main undertaking without the prior written approval of the parent body. Again, in cases where the parent body is subject to the direction and control of the Minister the articles should require the approval of the Minister rather than the parent body. The articles of a subsidiary should also include an article restricting the acquisition and disposal by the subsidiary of fixed assets which exceed 10% of the total value of assets without the prior approval of the parent body or, in cases where the parent body is subject to the direction and control of the Minister, the Minister. There may be cases where it would be appropriate for the Minister to waive this requirement such as a joint venture company.

17. The Minister responsible for the parent body is to cable before each House of Parliament the following:
- a copy of the memorandum and articles of association of each subsidiary within 14 sitting days of the formation or acquisition of the subsidiary;
- a copy of any change to the memorandum or articles of association of a subsidiary within 14 sitting days after the date of the change.
18. Each parent body is to keep a register of its interests in subsidiaries and associated companies. The register should also list interests in joint ventures, partnerships, associations etc. For the purposes of these guidelines associated company means a company in which the public sector entity holds 10% or more of any class of shares.
19. Each parent body is to provide a copy of its Register of subsidiaries, associated companies and other interests to the Treasury so that a central register of all subsidiaries may be maintained by the Treasury.
20. A parent body is to produce group accounts in the form of consolidated financial statements (where possible) in addition to separate accounts for each entity in the group. In addition to all other statutory requirements, the accounts should include key figures for each subsidiary (turnover, profit etc.) and their proportion to group totals. These group accounts and separate accounts are all to be included in the parent body's annual report.
21. The annual reports of parent bodies are to include a detailed statement of the objectives, activities and operations of each subsidiary company, the performance targets and measures for each subsidiary company and the accounts referred to above. The annual report should also contain a description of the nature and extent of any involvement in companies, joint ventures, partnerships, trusts or other such associations.
22. All subsidiaries are to be subject to audit by the Auditor General, or his nominated agent, for the purposes of the Public Finance and Audit Act and the Auditor General, or his nominated agent, must also be the auditor of the subsidiary for the purposes of the Corporations Law.

Nick Griner, M.P., Premier/and Treasurer.

Issued: 17 January 1991
Branch: Legal Branch

List of Witnesses

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