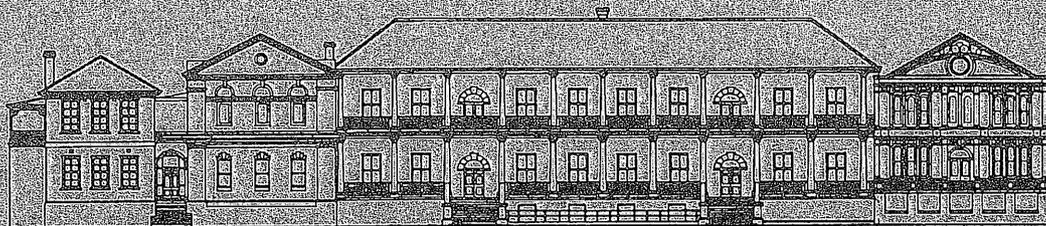




PUBLIC ACCOUNTS COMMITTEE

Annual Report 1994-95



Report No. 3/51
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November 1995

Who we are

The Public Accounts Committee (PAC) is made up of five members of the Legislative Assembly of the New South Wales Parliament. The Committee is established by Part 4 of the *Public Finance and Audit Act 1983*. The functions of the Committee are set out in Section 57.

The Committee serves as the Parliament's watchdog over government expenditure to ensure the efficiency, effectiveness and accountability of the NSW public sector.

Our Objectives

To date the PAC has interpreted its functions as providing for the following objectives:

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

Our Strategies

The Committee works towards achieving its objectives mainly by conducting inquiries and reporting its findings and recommendations to Parliament. Reports which recommend changes are followed up to ensure the Committee's recommendations are properly considered. The Committee reviews proposals to amend legislation on accountability issues and also participates in public education on these matters.

This Annual Report

This annual report seeks to provide Members of the NSW Parliament, staff in NSW public sector agencies and other interested readers with a ready source of information about the Public Accounts Committee. Most importantly, the report contains an account of the Committee's work during the 1994-95 financial year, and major activities during the period July - September 1995. The Committee's objectives for the 1995-96 financial year are also identified.

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Highlights 1994-95

Objective One

To increase the efficiency and effectiveness with which government policy is implemented.

- Comprehensive review of the NSW Rural Assistance Authority completed. Findings and recommendations endorsed and in the process of being implemented by the Minister for Agriculture
- Inquiry commenced into the overseas projects of NSW public sector agencies. Committee expected to report to Parliament during 1995 budget session.
- First externally appointed Peer Review of the Audit Office almost completed.
- Committee reported to Parliament on lessons to be learnt from experiences of Los Angeles and Montreal in the lead up to the 2000 Olympics.

Objective Two

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

- Following a reference from the Minister for Public Works and Services an inquiry into a business decision of the Darling Harbour Authority completed..
- Comprehensive review of annual reporting by NSW public sector agencies commenced. Committee expected to report to Parliament during 1995 budget session.
- Follow-up review of the response to previous PAC recommendations commenced. The Committee is liaising with the Council on the Cost of Government on this project.

Objective Three

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

- Following a reference from the former Treasurer, an inquiry completed (within 41 hours!) into the former Government's proposed State Debt (Balanced Budget) legislation..
- Two successful public seminars held examining public sector finance and accountability issues: *Accrual Accounting - the Scorecard to Date* (December 1994) and *Annual Reporting in the NSW Public Sector - The Best is Yet to Come* (August 1995).

Major Events

13 July 1994	PAC Chairman Andrew Tink MP resigns on his appointment as Parliamentary Secretary to the Premier.
22-30 July 1994	North American study tour to examine the experience of Los Angeles and Montreal with the Olympic Games.
14 September 1994	Legislative Assembly refers operations of Rural Assistance Authority to PAC for inquiry.
15 September 1994	Ian Glachan MP elected PAC Chairman.
19 October 1994	<i>Report no. 84, A Tale of Two Olympic Cities tabled.</i>
28 October 1994	<i>Report no. 85, 1993-94 Annual Report tabled.</i>
2-4 November 1994	Public meetings in 11 country towns as part of inquiry into the Rural Assistance Authority.
15 November 1994	First meeting of Panel of advisors on Peer Review of Auditor-General's Office.
29 November 1994	Reference from former Treasurer on State Debt (Balanced Budget) Bill.
1 December 1994	<i>Report no. 86, State Debt (Balanced Budget) Bill tabled.</i>
13 December 1994	Public seminar on <i>Accrual Accounting: the Scorecard to Date.</i>
21 December 1994	<i>Report no. 87, Overseas Projects - Issues Paper tabled.</i>
8 February 1995	Last meeting of Public Accounts Committee of 50th Parliament.
22 February 1995	<i>Report no. 88, Rural Assistance Authority tabled.</i>
24 February 1995	<i>Report no. 89, Proceedings of Seminar on Accrual Accounting: the Scorecard to Date tabled.</i>
25 March 1995	State election.
24 May 1995	Appointment of Public Accounts Committee of 51st Parliament, election of Terry Rumble as Chairman.
30 May 1995	Reference from Minister for Public Works and Services on Darling Harbour Sports Facilities.
1 June 1995	<i>Report no. 90, Annual Reports - Issues Paper tabled.</i>
20 June 1995	Appointment of consultants to conduct detailed work for Peer Review of Auditor-Generals Office.

Chairman's Review

March 1995 Election and appointment of new PAC

Clearly the most important event of the 1994-95 financial year was the March 1995 State election. Despite the long time lag between the cessation of the previous Committee and the appointment of the new Committee, I am pleased to report that the year was a remarkably productive one, with the completion of seven reports.

It is a great honour to have been elected Chairman of the Public Accounts Committee of the 51st Parliament of NSW. Of course, the new PAC is working in the bipartisan tradition which has been a hallmark of the Committee's work over the last twelve years.

I would like to welcome two new members onto the Committee. Pat Rogan and Joe Tripodi were both appointed in May and I look forward to their contributions. Two of my former colleagues on the last Public Accounts Committee, Ian Glachan and Peter Cochran, have been reappointed to the Committee. Already, the new PAC has been active, resolving to continue work on a number of important inquiries initiated by the previous Committee and pursuing new inquiries.

On behalf of the Committee I would like to thank two former members who served on the Committee during the 1994-95 year. Geoff Irwin resigned from Parliament in January this year, while Andrew Humpherson remains in Parliament and is serving on other parliamentary committees. The Committee, and the NSW Parliament, appreciates the contribution which they made - in Geoff Irwin's case a contribution that included four years service from May 1991.

Implementation of Committee Recommendations

The March election meant that there was no PAC in existence for a significant period of the year. Following the appointment of the former Chairman, Andrew Tink, as a Parliamentary Secretary in July last year, there was also a period of two months when the PAC was without a Chairman. This meant that for five months during the 1994-95 reporting year there was effectively no PAC. This obviously had an impact on the Committee's activities, such as on the number of meetings held and the reports tabled. However, the Committee has had one of its most effective years in terms of outcomes achieved, that is, in terms of adoption of Committee recommendations by government.

It has been pleasing that many of the Committee's significant recommendations over recent years were implemented by government during the last year. These include:

- **Internal Audit:** Recent Internal Audit guidelines issued by the Treasury have implemented many of the recommendations made by the PAC in its report no. 71, issued in June 1993. The new guidelines seek to accord greater status to the Internal Audit function.
- **Private Sector Provision of Public Infrastructure:** The Treasury has recently issued

projects which were based on the Committee's recommendations. As the Committee recommended, the Australian Accounting Research Foundation has begun work towards the development of new accounting standards to apply to such projects.

- **Public Defenders:** In June 1995 legislation was introduced into Parliament which implemented almost all the recommendations made by the Committee in its June 1994 report on the Public Defenders Office.
- **Rural Assistance:** The Minister for Agriculture has committed the government to implementation of the Committee's recommendations and has already acted to ensure the delivery of rural assistance is overhauled.

The Treasury has also accepted in principle the PAC's recommendation that, within six months of tabling of PAC report, the responsible Minister should inform the Parliament of action taken. I am pleased to report that the Treasury has undertaken to incorporate this measure in the new Public Finance and Audit Act.

References from Ministers and Parliament

A pleasing development over the last twelve months has been the number of references which the Committee has received from Ministers and from the Legislative Assembly. In some cases these references have required the Committee to complete detailed inquiries and report to Parliament within tight deadlines - 41 hours in the case of the State Debt Balanced Budget inquiry.

The Committee views the continued referral of issues by Ministers and the Parliament as a vote of confidence in its ability to effectively and impartially examine complex issues. A referral to the PAC is only one of a number of possible avenues of inquiry and it is pleasing that the PAC has been chosen ahead of other mechanisms in many cases. However, I would reiterate the comments of my predecessors as Chairman that it is inappropriate for matters to be referred to the PAC, which operates on a bipartisan basis, on which the major political parties have already taken fixed opposing positions.

Continuing Inquiries

During the 1994-95 the PAC initiated work on a number of significant inquiries. The Peer Review of the Auditor-General's Office, the inquiry into annual reporting by NSW public sector agencies, and the inquiry into the overseas projects of NSW government agencies are each significant projects. Two of these go to the heart of public sector accountability in NSW. The third has the potential to facilitate the State earning ten of millions of dollars in the next decade. The PAC will be reporting on each of these three important inquiries during 1995-96.



Terry Rumble MP
Chairman

Members of the Committee - 50th Parliament

Mr Andrew Tink, MP, Chairman (July 1995)

Before becoming Liberal Member for Eastwood in March 1988, Andrew Tink practised as a barrister in equity, commercial and shipping law. He served as Chairman of the Committee until his appointment as Parliamentary Secretary assisting the Premier in July 1994.

Mr Ian Glachan, MP, Chairman (September 1994 - February 1995)

The Liberal Member for Albury since 1988, Ian Glachan has had a varied background. He served five years at sea as a marine engineer, was a farmer for ten years, and operated a newsagency in Albury for 18 years. Mr Glachan is also a past president of the Albury-Hume Rotary Club and a Paul Harris Fellow, an active member of the Anglican Church, and was the Legislative Assembly member on the Board of Governors of Charles Sturt University. He is a former Chairman of the Public Accounts Committee.

Mr Peter Cochran, MP, Vice-Chairman (July 1994 - February 1995)

Following a background in farming, the Army, the Commonwealth Police, ASIO, and the Cooma-Monaro Shire Council, Peter Cochran won the seat of Monaro for the National Party in 1988. His other parliamentary responsibilities included the chairmanship of the Minister's Advisory Committee on Land and Water Conservation, deputy chairmanship of the Committee for Police and Emergency Services, and membership of the committee for the Environment and the Select Committee on Public Sector Superannuation. He was also the Premier's representative on the Anzac House Trust and the Anzac Memorial Trust. He is currently Secretary to Shadow Cabinet.

Mr Geoff Irwin, MBA, Prod EngCert, DipTech, DipEd, MP

Geoff Irwin was elected to Parliament in March 1984 as the Labor Member for Merrylands, and he was the Member for Fairfield since March 1988. Before entering Parliament he worked in industry as a planning and supply manager and taught business studies at TAFE. He served as a member of the Select Committee upon Small Business and as Opposition Spokesperson on Business and Consumer Affairs. Mr Irwin resigned from Parliament on 24 January 1995.

Mr Terry Rumble, FCPA, MP

Terry Rumble was elected Labor Member for Illawarra in March 1988. Before entering Parliament he qualified as an accountant and was employed in public practice and in the coal mining industry. He has served as a member of the Regulation Review Committee and is the Chairman of the Premier's Backbench Committee on Treasury, Arts and Ethnic Affairs. Mr Rumble was elected Chairman of the Committee on 24 May 1995.

Mr Andrew Humpherson, MP

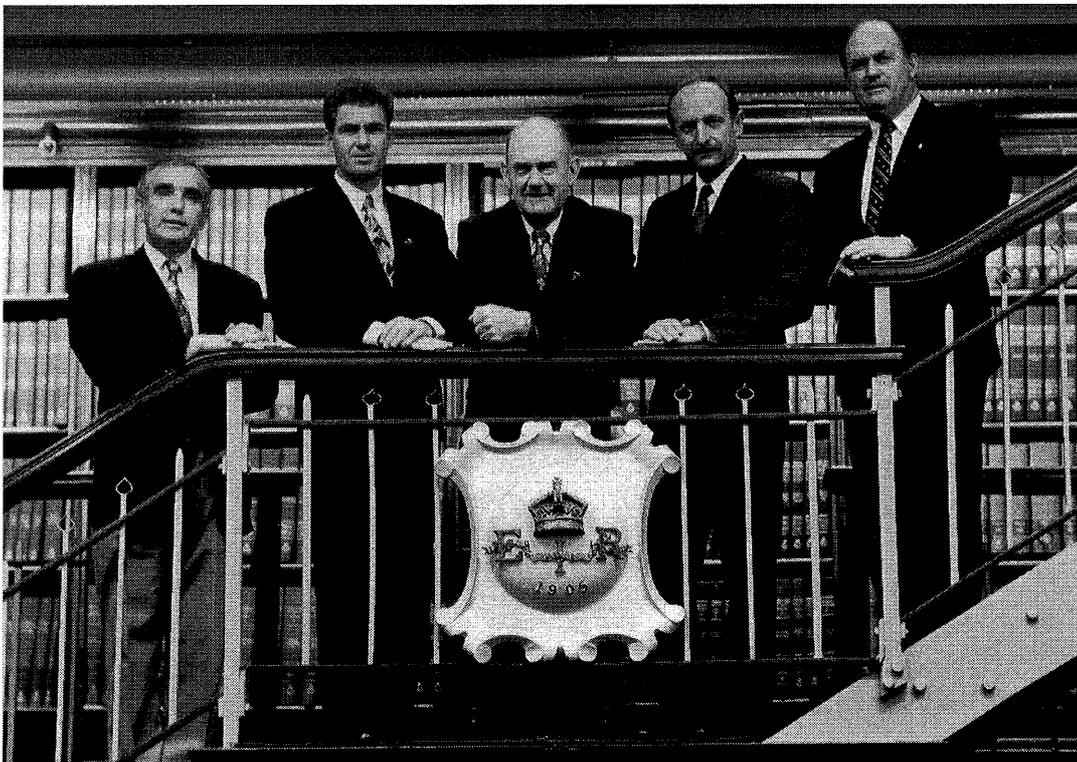
The Liberal Member for Davidson since May 1992. Andrew Humpherson was Deputy Shire President of Warringah Shire Council having served several terms on the Council. Mr Humpherson was an Area Manager for Shell. He holds a degree in Chemical Engineering from the University of New South Wales. His other parliamentary responsibilities have included the Chairmanship of the Select Committee on Motor Vehicle Emissions and Legislation

Committee upon the Endangered Species Bill. He has served as a Member of Select Committee into Water Board, State Owned Coal Mines, Bushfires, and the Joint Committee on the Office of the Ombudsman. Following the March 1995 election, Mr Humpherson was not one of the two Coalition Members appointed to the PAC and he now serves on the Public Works Committee.



The Past Public Accounts Committee (July 1994)

From left: Geoff Irwin, Ian Glachan, Andrew Tink, (Chairman), Terry Rumble, Peter Cochran (Vice-Chairman)



The Past Public Accounts Committee (Sep 1994-March 1995)

Left: Terry Rumble, Andrew Humpherson, Ian Glachan (Chairman), Geoff Irwin, Peter Cochran (Vice-Chairman)

Members of the Committee - 51st Parliament

Mr Terry Rumble, FCPA, MP, Chairman

Mr Pat Rogan, MP, Vice-Chairman

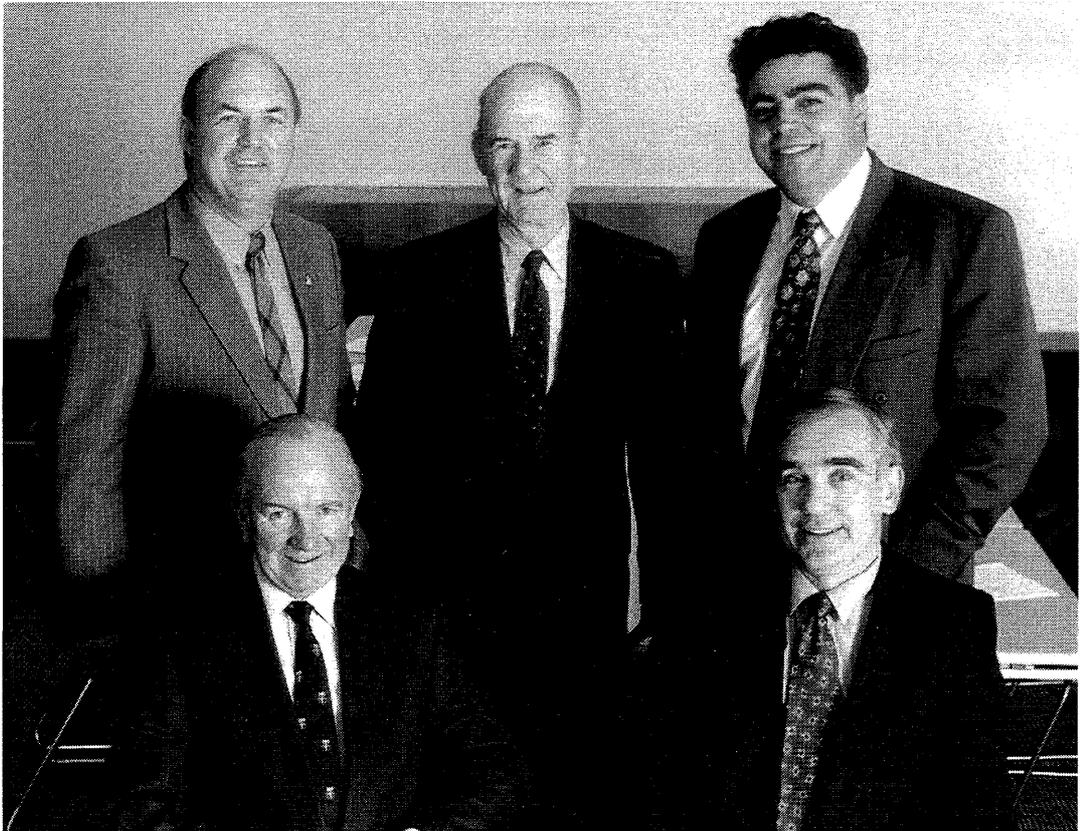
Pat Rogan has been member for East Hills since 1973. He has been active on numerous parliamentary committees in that time including the Joint Committee upon Public Accounts and Financial Accounts of Statutory Authorities. This was the Committee that reactivated a dormant Public Accounts Committee in 1983. Pat Rogan has also served as Shadow Minister for Minerals and Energy with a background as a senior sales engineer in automation.

Mr Joe Tripodi B.Ec (Hons), MP

Joe Tripodi was elected to Parliament in May, 1995 as the Labor Member for Fairfield. Before entering Parliament he worked as an economist with the Reserve Bank of Australia and as a union official with the Labor Council of NSW.

Mr Ian Glachan, MP

Mr Peter Cochran, MP



The Present Public Accounts Committee (May 1995-)
From left seated: Pat Rogan (Vice-Chairman), Terry Rumble (Chairman);
standing: Peter Cochran, Ian Glachan, Joe Tripodi

Committee Staff

The Public Accounts Committee is supported by a Secretariat of parliamentary staff. For some months the Secretariat was without its Senior Project Officer. In October 1994 the staff was supplemented by the secondment of a second Senior Project Officer from the Legislative Assembly parliamentary committee system and the Committee continued to have the services of that officer following the return of its own Senior Project Officer. The Committee continued to receive accounting and auditing advice from its advisor seconded from the Audit Office. The Committee staff comprises:

Patricia Azarias, MA *Princeton*, BA (Hons) *Oxon*, BA (Hons)
Director

Ian Thackery, BSurv, BA
Senior Project Officer

David Blunt, BA (Hons), MPhil
Senior Project Officer

Jozef Imrich, BA
Clerk to the Committee

Caterina Sciara
Assistant Committee Officer

Kendy McLean, BA
Assistant Committee Officer

John Lynas, FCPA
Accounting and Auditing Advisor, Audit Office

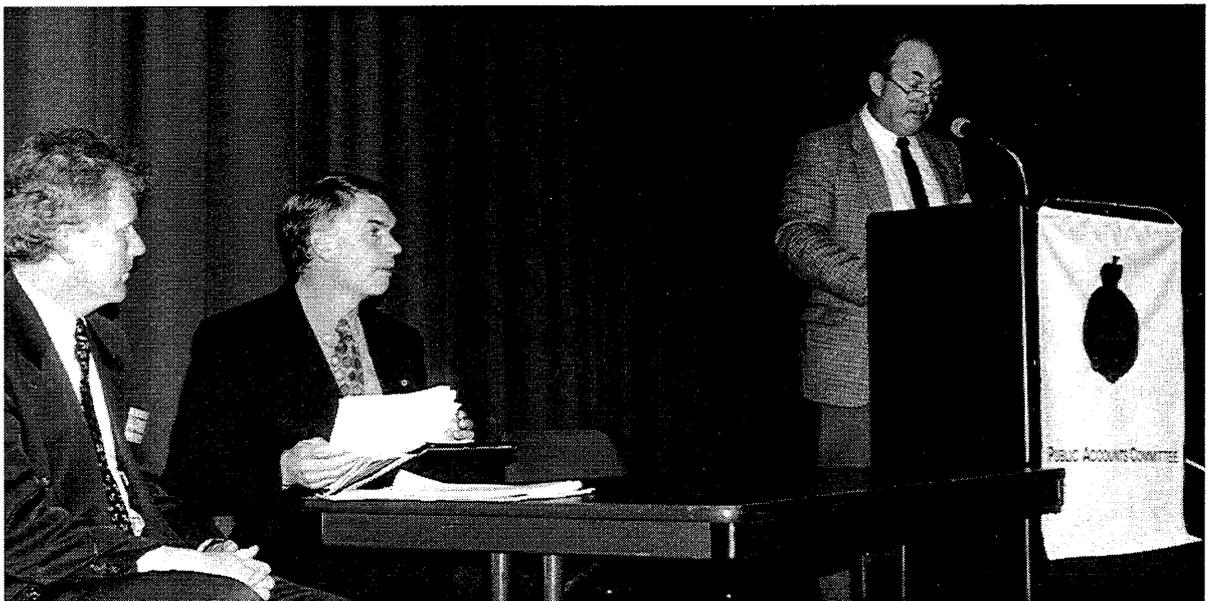
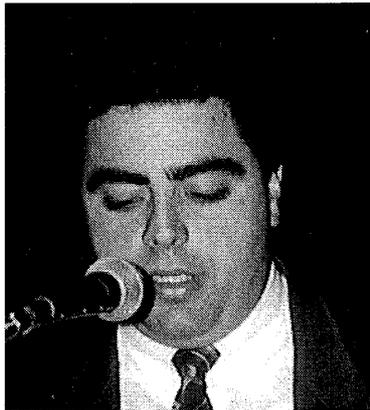
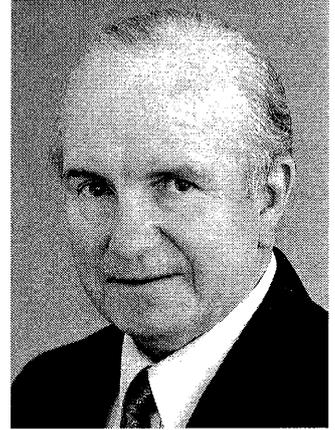
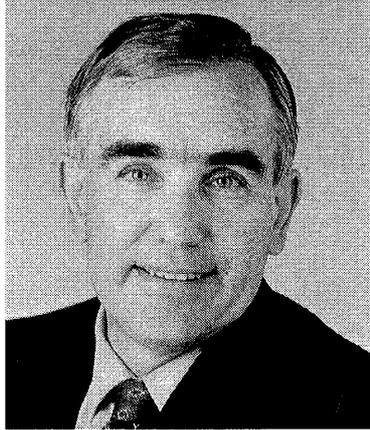
Consultants

During the 1994-95 year the Committee engaged a consultant to provide expert assistance in relation to the overseas projects inquiry, Mr Bob Hogarth. Since the end of the 1994-95 year the Committee has continued to be assisted by Mr Hogarth. The Committee has also engaged another consultant to provide further assistance with this inquiry, Mr Kevin Fennell.

Robert B Hogarth, Consultant (Former Director-General, Australian Overseas Projects Corporation)

Kevin Fennell, PSM BA FCPA, Public Sector Consultant (retired Deputy Auditor-General of NSW)

**REPORTS, INQUIRIES
AND SEMINARS DURING THE YEAR**



The Chairman and other Committee Members have been energetic in making themselves available to speak at conferences and seminars.

Sydney Olympics

Infrastructure Expertise

In February 1994 the Committee tabled the last of a series of six reports on the largest inquiry it has ever undertaken into the management and financing of infrastructure projects. The reaction to the Committee's work on infrastructure was overwhelming.

The Committee made over 100 recommendations, many of which are now being implemented both in NSW and other jurisdictions.

It was in the context of practical follow up to the infrastructure reports that the Committee determined to examine preparations for the 2000 Olympics. The Committee believed that the expertise it had developed in relation to private financing of infrastructure should be made available to those involved in preparing for the Sydney Olympics.

SOCOG under the PAC's jurisdiction

In 1993 the Sydney Organising Committee for the Olympic Games (SOCOG) was established as a statutory authority. The Sydney Organising Committee for the Olympic Games Act 1993 provided that SOCOG was a declared authority under the provisions of the Public Finance and Audit and as such SOCOG is subject to possible examination by the Public Accounts Committee. The PAC came to the view that it would be better placed to carry out its responsibilities in relation to SOCOG if it was apprised of the experiences, both good and bad, of other Olympic cities.

A Tale of Two Olympic Cities

In July 1994 a delegation from the PAC visited North America to learn at first-hand the experience of two cities which had held the Olympic Games - Los Angeles and Montreal. These cities were chosen for obvious reasons: the Montreal Olympics had left a large deficit while the Los Angeles games had been a great financial success.

The PAC reported to Parliament so as to share with other parliamentarians, officials concerned with the Sydney Games and the public the valuable information and insights acquired during the study tour. Some of key lessons set out in the Committee's report included:

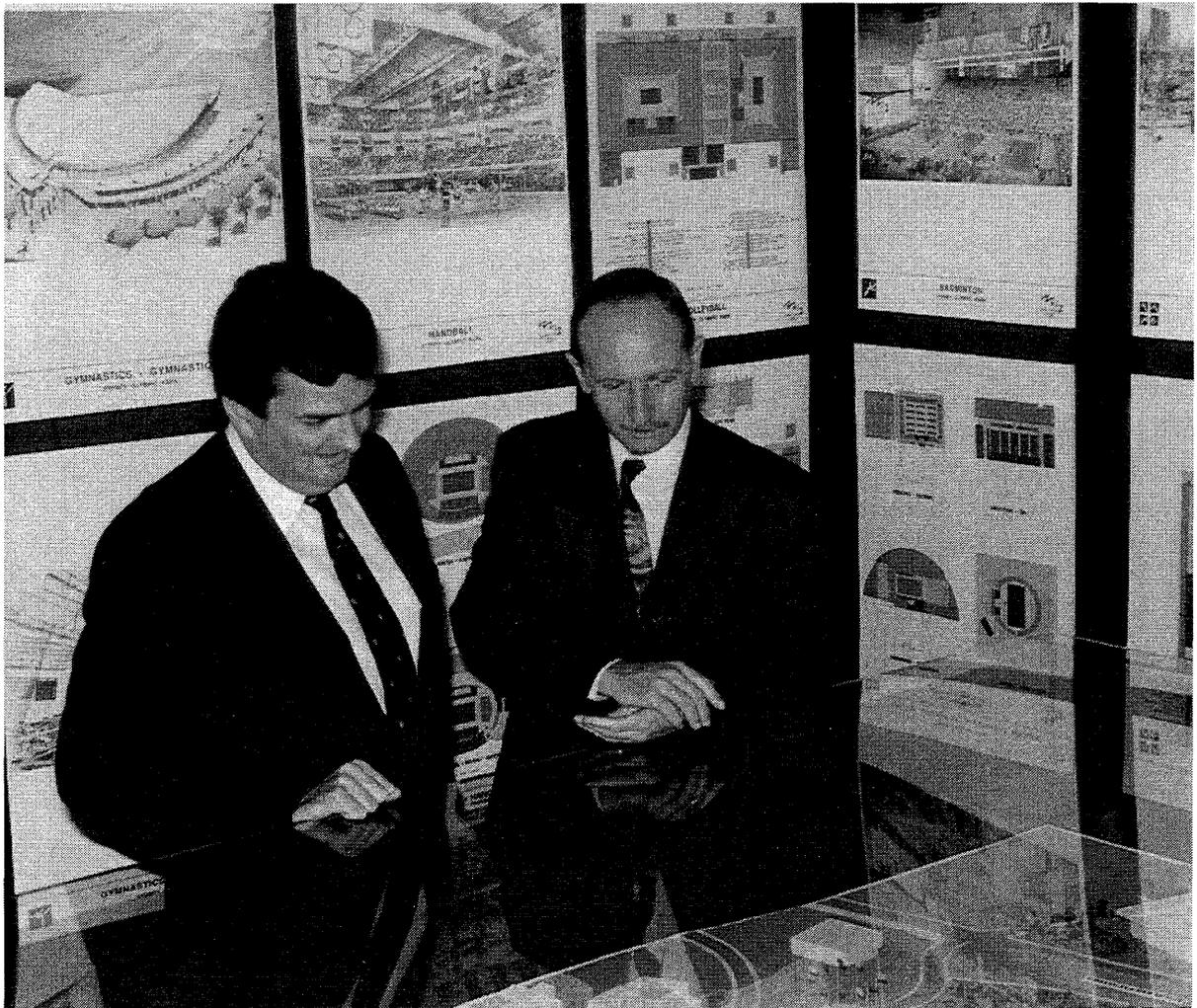
- details of the cost cutting steps put in place in Los Angeles ("no construction publicly funded", "lean and professional staff", "no freebies of any kind", "few test events", and "low overheads");
- details of the revenue raising strategies adopted in Los Angeles ("secure big sponsors early", "give sponsors exclusivity", "develop creative ways of raising money"); and

- reasons for the financial problems with the Montreal Olympics (basically due to the approach taken to construction - the Games themselves made a profit).

Following the publication of the PAC report the Committee's Director was invited by AUSTRADE to address a conference of German business leaders in Frankfurt on opportunities for investment in the 2000 Olympics.

Continued Monitoring

The PAC will continue to monitor the work of SOCOG and the preparations for the 2000 Olympics. The PAC will examine reports upon SOCOG by the Auditor-General and stands ready to carry out any inquiry in relation to SOCOG which may be referred to it by a Minister or the Legislative Assembly.



Andrew Tink (former Chairman) and Geoff Irwin inspect the Homebush Bay plans for the 2000 Olympics

State Debt Control (Balanced Budget) Bill

On 17 November 1994 the then Premier, the Hon. John Fahey MP, introduced the State Debt Control (Balanced Budget) Bill 1994 into Parliament. The Bill sought to amend the Constitution Act to require the Government to balance the State budget. If the bill was passed by Parliament it was then to be put to the people at a referendum held in conjunction with the March 1995 election.

The Bill covered the budget sector only and provided that the total budget for the budget sector be balanced. Some flexibility was provided for budget deficits due to exceptional circumstances and otherwise for deficits to be eliminated over a period of three years. The Bill became a contentious political issue and the major parties adopted fixed, opposing positions.

Reference from Treasurer

At 4.00 pm on Tuesday 29 November the PAC received a reference from the then Treasurer, the Hon Peter Collins QC MP, to "inquire whether the Bill ... will achieve the desired objective of requiring the Government of the day to balance the State Budget". The Committee was required to report to the Legislative Assembly as soon as possible, "but at any event by no later than 9.00 am on 1 December" - a turnaround time of some 41 hours.

The PAC's 41-hour inquiry

In the space of 41 hours the Committee had to organise hearings, deliberate and prepare its report, all during the course of an ordinary parliamentary sitting week.

The Committee was concerned that it was given a reference which required it to conduct an inquiry and report to Parliament on a matter which had already been the subject of debate in Parliament and on which one PAC member had already spoken.

"All members of the Committee have requested me to record our strong concern about the fact that members were required to reach a conclusion on a matter of policy on which the major parties had already taken clear public positions. The last factor, regrettably, made consensus impossible in a committee which has a strong tradition of bipartisanship". Ian Glachan MP, then PAC Chairman, in the foreword to the report.

The only course left open to the Committee was to obtain evidence from a wide and balanced range of expert witnesses (as wide and balanced as time would allow) and then to set out the arguments for and against the Bill in summarised form.

The Committee greatly appreciated the readiness of witnesses to give evidence on a few hours' notice. Professor Marc Robinson, from the Queensland University of Technology, travelled to Sydney on three hours' notice and Don Nicholls, formerly of the NSW Treasury, set out from Coffs Harbour only two hours after being requested to attend.

The PAC's report

The PAC's report summarised the arguments for and against the Bill. Ultimately the Committee had to divide over the final motion as to whether or not to support the legislation. It was noted that "this outcome is unusual for the PAC, which operates in a harmonious and bi-partisan manner". In order to fully inform the Parliament the report also included the full transcript of the Committee's hearing and a number of background documents. The report was tabled in Parliament on 1 December 1994.

Ultimately, following the Committee's report, the State Debt Control (Balanced Budget) Bill 1994 was not passed by Parliament and the referendum did not proceed.

Rural Assistance Authority

Each year more than \$50 million in rural assistance funds are provided to NSW farmers. The Rural Assistance Authority is the body which considers applications for assistance and administers the funding, much of which comes from the Commonwealth Government. The performance of the NSW Rural Assistance Authority became a political issue in 1994. Concern was expressed about the apparently low approval rates for applications for assistance of the NSW Authority in comparison to similar bodies in other States. In September 1994 the PAC received a reference from the Legislative Assembly to examine the performance of the Rural Assistance Authority.

Eleven towns in three days

The PAC was well equipped to handle such an inquiry, having three members from non-metropolitan areas, and two with a farming background.

The Committee conducted an extensive consultative program, with Committee members visiting Albury, Wagga Wagga, Griffith, Cobar, Comma, Yass, Grafton, Moree, Walgett, Gilgandra and Dubbo. In each town the Committee met with farmers, rural counsellors, accountants and bankers. In Dubbo a public hearing and open forum were held.

Committee members also visited rural assistance authorities in other States so as to be able to make comparisons with the NSW Authority's performance.



During the inquiry the Committee conducted Public Hearings and a Public Forum at Dubbo on 4 November 1994

The Committee's Report

The Committee's report was tabled in February 1995. It made twenty-nine recommendations. The major issues addressed included:

- changing the Authority's focus to the outcomes of rural assistance rather than merely processing applications;
- reforming the Authority's assessment procedures to provide more certainty and equity;
- improving the assistance provided to farmers who have to leave the industry; and
- adoption of a more flexible approach to the application of the Commonwealth Government's criteria for assistance.

Immediate implementation by Government

The Committee has been very pleased by the enthusiasm with which its recommendations have been implemented by the Government.

In May 1995 the Minister for Agriculture, the Hon Richard Amery MP, appointed Dr Don Saville, General Manager of the Department of Agriculture's Policy and Planning Unit, to review the Authority's implementation of the Committee's recommendations. Dr Saville reported to the Minister that there were a number of areas where the Authority's response had not been satisfactory, and he made suggestions as to how these recommendations could be implemented.

Dr Saville also examined the structure and reporting mechanisms for the Authority. He recommended that the Authority be restructured as a separate Authority within the Department of Agriculture, with the Director-General of Agriculture as the CEO. The Director-General would then appoint a General Manager of the Authority.

The Minister moved quickly to implement these recommendations. On 19 July the Minister also announced two further changes. The Authority would be relocated from Sydney to Orange and its board would increase from four to six, to enable the appointment of members with expertise in training and social policy development.

"I would like to thank your Committee for its thorough investigation into the Authority and the assistance provided to Dr Saville. As you would be aware the government has moved quickly to adopt the recommendation of these reports. I am sure that procedures now being put in place will overcome the criticisms that have been levelled at the Authority". The Hon Richard Amery, Minister for Agriculture, in a letter to the Committee dated 12 September 1995

Darling Harbour

Reference

Earlier this year there was considerable public concern expressed about the impending closure of the sports facilities that had been operating in Darling Harbour for some three years. The complex, which was to be replaced by a theme park, was popular with both city office workers during the week and youth on the weekend. The sports complex had been built on the Darling Walk site in Darling Harbour on a temporary basis as the result of a lease concluded between the Darling Harbour Authority and the developer of the site, Uras Holdings Pty Ltd.

The Minister responsible for the Darling Harbour Authority, Mr Michael Knight MP, asked the PAC to look at the circumstances and appropriateness of these 1991 contractual arrangements. The PAC received the reference on 30 May 1995, with the request that the inquiry be completed as soon as possible.

Inquiry

The Committee inspected the Sporting Facilities on 31 May and held hearings on 21 June.

The history of the site showed that, between 1986 and 1990, the Darling Harbour Authority had considerable problems in developing the Darling Walk site. In fact, the Authority told the Committee that it was the most difficult site within the Darling Harbour project and the fact that it has not yet been developed to its final form is evidence of that.

The Authority found itself with a difficult problem in 1990 when the developer, Uras, again failed to meet a construction deadline. It was a time of recession, the Authority had an undeveloped site which was impacting adversely on its other operations and the developer was having trouble organising the finance to complete the project. In an endeavour to resolve this long-standing problem, the Authority served notice, in October 1990, that Uras was in breach of its existing lease. Negotiations continued and a memorandum of understanding was signed. In July 1991, following these negotiations, a new lease was concluded with Uras Holdings Pty Ltd over the Darling Walk site. The lease gave Uras an option to further postpone development, for effectively 4 1/2 years, until finance could be arranged. In the meantime the site could be used on a temporary basis, with an interim development to be financed by the developer with a contribution which would not exceed \$5 million.

It was clear from the outset that the option to develop the entertainment complex would not be exercised immediately and that a temporary use of the site would occur. The sports complex was constructed on this temporary basis.

Committee Findings

The Committee appreciated that the failure to develop the Darling Walk site had been an on-going problem for the Darling Harbour Authority since 1986 and was exacerbated by the recession in 1990. It also acknowledged that the Authority's development of an interim solution for a troublesome site was an approach which has been adopted on other sites around the city. The Authority had, therefore, shown itself to be innovative in developing this arrangement. However, the problems were certainly in part due to the approach taken by successive Boards in not taking firm and decisive action as earlier deadlines for the site were

not met. In particular, from early 1988, there appeared to be a determination to facilitate and persevere with the involvement of Uras Holdings Pty Ltd as the developer of the site.

The innovative nature of the solution notwithstanding, the Committee certainly had some problems with several aspects of the deal. It made a number of findings including:

- ▶ The authority did not apply normal commercial practices in evaluating proposals for the sports facilities development. Although the initial projections for the sports complex indicated a return of \$2.5 million, the Authority ultimately incurred a loss of \$119,000
- ▶ No business plan for the operation of the sports facilities on the Darling Walk site was prepared
- ▶ The structure of the deal with Uras for the interim use of the site was poorly conceived because it encouraged the Authority to use the full amount of the developer's \$5 million contribution, while at the same time, discouraging the Authority from applying normal commercial standards to the development and operation of the facilities.
- ▶ The structure of the deal also meant that, even if Uras had eventually exercised its option to develop the site for an entertainment complex, the Authority would not have recovered any of the \$5 million contribution to the sports facilities development.
- ▶ Management of the Authority did not obtain Board approval for the \$238,000 extra expenditure on the gymnasium, even though the Board had made its position clear that the deal should involve no cost to the Authority.

General Application

These "small scale" specific inquiries are an important part of the Committee's work for they not only highlight areas where agencies can perform better, but they also provide an example for other agencies of how the Parliament expects them to perform.

Government Response

Shortly before the release of the PAC's report, the government announced its intention to appoint a new Darling Harbour Authority Board. Following the release of the Committee's report, Minister Knight announced that the report "reinforced the need for a change in direction at Darling Harbour". The Minister said that the government was committed to "reforming the management style of Darling Harbour to ensure that situations like this never happen again". In the future, the Authority would change its focus "from development and building to marketing and property management".

Peer Review of Auditor-General's Office

In 1991 a new section (48A) was included in the Public Finance and Audit Act 1983. This new section was based on recommendations made by the PAC in 1990 and required that the PAC appoint a reviewer of the Auditor-General's Office at least once every three years. The review is to "examine the auditing practices and standards of the Auditor-General and to determine whether the Auditor-General is complying with those practices and standards in the carrying out of the Auditor-General's functions under this Act". As section 48A took effect in March 1992, the latest date by which the PAC could appoint the first such reviewer was March 1995.

Preparation for Peer Review

As this was to be the first externally appointed peer review of the Auditor-General's Office, the Committee felt it was important to carefully lay the ground work for the review. The PAC reported to Parliament in June 1994 on its preparations for the peer review. The Committee recommended that the scope of the review should be broad, encompassing economy, efficiency and effectiveness. The PAC also recommended that the review should be carried out by a team comprising representatives of the private and public sectors, the professional accounting bodies and the academic community.

Panel of Advisors

In September 1994 the PAC appointed a panel of senior advisors to assist with this peer review. The function of the panel was to advise the committee on technical auditing issues and to supervise the conduct of the review. The Committee has been greatly assisted by the panel which is comprised of six leading practitioners from the private and public sectors and academia.

The panel was originally expected to meet a few times and to conclude its work within a few months. As events have transpired the panel has continued to meet for almost a year. These panel members, who have provided the NSW Parliament with advice and assistance of considerable excellence, largely on a voluntary basis, are listed below:

Tom Sheridan. A retired Auditor-General of South Australia, previously appointed by the Commonwealth Department of Finance to undertake a review of the Australian National Audit Office.

Stan Droder (Nominee of the Society of CPA's). Director, NSW Division of Australian Society of CPA; former Managing Director, Bradford Insulation- CSR Ltd. Member of the Council on the Cost of Government

John Spencer (Nominee of the Institute of Chartered Accountants). Executive Director Local Government Auditors Association. Partner, Felser Russell, chartered accounting firm with experience in auditing in local government and area health services.

Professor Allen Craswell. Professor of Accounting, University of Sydney. Member

of Auditing Standards Board.

Flav Belli. Group General Manager, Audit, ANZ Banking Group. Former Deputy Auditor-General of Victoria.

Jim Brophy. Management Consultant. Immediate past president of the NSW Division of Australian Society of CPA. Former Commissioner for Land Tax. Previously Secretary, Metropolitan Waste Disposal Authority.

Appointment of Reviewer

Due to the significance of the review task the PAC decided that it would not be appropriate to appoint consultants to carry out the detailed work on the review until after the election. However, the PAC met its statutory requirement to appoint the reviewer by March 1995 by appointing the panel of advisors and by appointing a Co-ordinator of the Review. The panel selected Tom Sheridan as the Co-ordinator of the Review and the Committee appointed him in December 1994.

The Panel divided the work into five segments:

1. Management of the Audit Function;
2. The Conduct of Financial Audits
3. Adequacy of Management of Technology
4. Management of Human Resources
5. Adequacy and Management of Client Service.

The calling and consideration of tenders for the detailed review work was conducted by the panel of advisors and PAC staff in February and April 1995. 12 firms submitted expressions of interest. Six were short listed and invited to present their bids to the new PAC in May 1995. In June 1995 the following firms were appointed to conduct aspects of the review:

- Ernst and Young : Conduct of Financial Audits, Computer Audit
- Coopers & Lybrand: Performance Audits
- Price Waterhouse: Management of the Audit Function, Management of Human Resources

In addition the Committee resolved to invite Professor John Glynn, from the University of Kent at Canterbury and widely regarded as a world expert on performance auditing, to provide assistance with the section of the review dealing with performance audits.

By the end of September 1995 each of the consultants had completed their initial, detailed work and the first draft of their reports had been submitted to the Auditor-General for response as required. Further work will be undertaken by the consultants and panel of advisors over the next few months and the Auditor-General will be given two months to respond to the final report before it is tabled.

Overseas Projects

Most State Governments in Australia operate overseas projects. The major source of funding for these projects is the Australian Aid budget. Many of the projects funded by Australian aid concern the sort of infrastructure and expertise which is the responsibility of State Governments - ranging from hospitals and community health to technical and school education to road building, water and sewerage and power infrastructure.

The benefits to the NSW Government from involvement in overseas projects include: the generation of millions of dollars in revenue; the creation of jobs for NSW and staff development for public servants; enabling NSW public sector agencies to measure their performance against international counterparts; assisting Australian business to gain access to new markets; and the generally increasing the linkages between NSW and the Asia/Pacific region. The risks of this activity include project failure, and the sizeable investment of funds, time and skills that is required.

NSW public sector agencies as diverse as the Department of Health, the Land Information Centre and Pacific Power have been involved in such overseas projects for many years. The revenue generated by NSW public sector agencies in overseas projects from 1992 to 1995 is approximately \$28.3 million. In that same period, Victoria generated \$80.3 million and South Australia \$80 million worth of revenue. One of the possible explanations for this difference is the method by which overseas projects are run. In NSW each agency operates separately in terms of marketing its services, bidding for projects carrying out the work concerned with its projects. In Victoria and South Australia, however, a government owned corporation co-ordinates the marketing and bidding for overseas projects by public sector agencies.

Government Policy - the establishment of an International Projects Corporation

The Committee notes that the Government has established a policy of commitment to an International Projects Corporation of NSW which would co-ordinate the marketing overseas of the services of the NSW public sector and the management of overseas projects.

One of the major aims of the Committee's inquiry is to assist the Government in setting the objectives, staffing and legal structure, and the operating parameters for the new Corporation. The Committee is conducting a thorough-going and detailed inquiry, entailing discussions with hundreds of individuals and organisations.

PAC inquiry

In December 1994 the PAC was asked by then Premier, the Hon. John Fahey MP, to inquire into the co-ordination of government inputs into overseas projects. The Committee immediately commenced work on this inquiry. A number of round table meetings were held, bringing together senior representatives from both the public and private sectors to discuss the issues. From these meetings an *Issues Paper* was prepared and tabled in Parliament.

Following the March 1995 election, the PAC received from the Treasurer a new reference for this inquiry, which expanded the scope of the original inquiry.

The Committee sent a survey questionnaire to all NSW public sector agencies involved in overseas projects. The survey sought details of overseas project work, including the overheads of NSW agencies, as well as views on the best ways of co-ordinating NSW overseas projects. During this part of the inquiry most Committee members visited both the Victorian and South Australian overseas projects corporations.

Action since the end of the financial year

Much activity in relation to this inquiry has taken place since the end of June. Early in July a delegation from the Committee conducted a two week study tour through the Asia / Pacific region, visiting both overseas projects in which NSW agencies are involved and potential funding sources. Projects were visited in Papua New Guinea, Indonesia and China. Discussions were held with representatives of the Asian Development Bank in Manila, the World Bank in Washington, and the Japanese Government in Tokyo. This study tour provided the Committee with a wealth of information, which will be reflected in the PAC's forthcoming report on this inquiry. There were two major lessons from the study tour:

1. There is a large amount of funding, so far largely untapped, for overseas projects in the Asia / Pacific region; and
2. With a few notable exceptions the efforts of NSW public sector agencies to date in bidding for overseas projects have been unprofessional and unco-ordinated.

For the sake of thoroughness, it was decided to conduct a comprehensive series of inspections of agencies to elicit the required information about involvement in overseas projects and overheads. The Committee engaged Mr Kevin Fennell, formerly the NSW Deputy Auditor-General, as a consultant to assist with this stage of the inquiry.

As at the end of September these inspections were still taking place and the PAC was about to hold a public hearing to gather further information from agencies. The Committee will be finalising its report to Parliament on this important inquiry during the 1995 budget session.

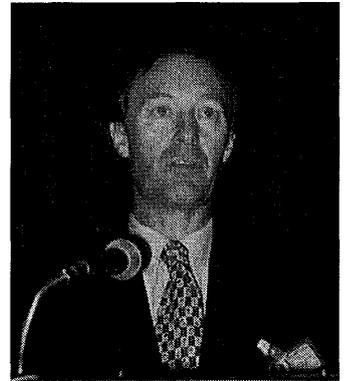
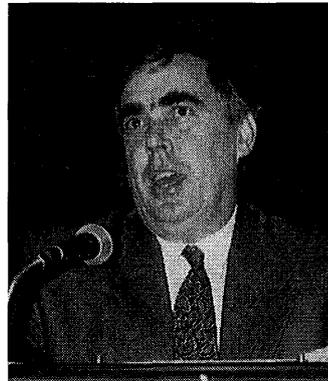
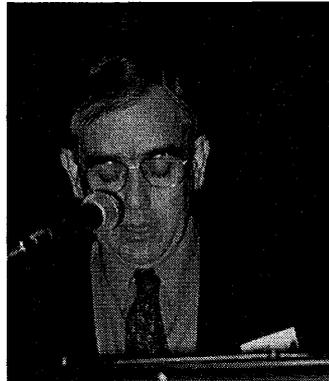
Annual Reporting

1983 Landmark Report

In 1983 the PAC, under the chairmanship of Michael Egan, produced a landmark report on *Accounting and Reporting Requirements for Statutory Authorities*. That report laid the groundwork for the annual reporting legislation passed by the NSW Parliament in 1984 and 1985. The PAC's report has been the basis of the annual reporting requirements for NSW public sector agencies for the last twelve years.

Over the years the PAC has continued to take an interest in annual reporting by government agencies. On a number of occasions the PAC has commented on various aspects of annual reporting, such as the timeliness of reports, the level of compliance with the legislative requirements and mechanisms for ensuring greater compliance.

Some time ago the NSW Treasury announced that it was to rewrite the financial and annual reporting legislation. The PAC came to the view that the time had come for a comprehensive review of the effectiveness of annual reporting by NSW public sector agencies. Such review would also provide an opportunity for extensive public discussion about what reporting requirements should be included in the new legislation, and also for the PAC's own views to be taken into account.



Speakers at the Annual Reporting Seminar. Left to right: Hon. Michael Egan, MLC, Terry Rumble, MP, Tony Harris, Michael Lambert.

Issues Paper

The Committee published an *Issues Paper* in May 1995. The paper identified key issues and posed a number of questions. Key concerns identified in the paper include:

- the effectiveness of annual reporting under the current reporting requirements;
- areas of consistent inadequate compliance with the legislative requirements;
- the form and content of the new reporting requirements;
- mechanisms for monitoring compliance with the reporting requirements; and
- measures to increase the level of parliamentary scrutiny of annual reports.

There was a good response to the *Issues Paper* with more than thirty submissions received, many containing detailed and thoughtful comments. Since the end of the 1994-95 year the PAC has held public hearings to provide the opportunity for organisations to expand on submissions.

Public seminar

On 9 August the PAC held a public seminar attended by over 170 people entitled *Annual Reporting in the NSW Public Sector - The Best is Yet to Come*, which was opened by the Treasurer. A distinguished range of experts spoke, including:

- Ken Baxter, Director-General of the Premier's Department;
- Professor Bob Walker, School of Accounting UNSW and Chairman, Council on the Cost of Government;
- Michael Lambert, Treasury Secretary;
- Tony Harris, Auditor-General;
- Associate Professor James Guthrie, Graduate School of Management Macquarie University;
- Chris Warrell, Senior Advisor Accounting, Australian Stock Exchange; and
- CEOs from a number of NSW Government agencies.

The seminar enabled a range of views about the state of public sector annual reporting to be aired and also allowed a variety of views about what should be contained in the new reporting requirements to be discussed.

"I was somewhat surprised when I walked in here this morning to see the number of people who were here because ten or so years ago when I was Chairman of the PAC if we were in those days to hold a seminar such as this on annual reports, I very much doubt there would be too much interest amongst the public sector in that topic..."

I welcome this seminar. I congratulate the PAC on its initiative in holding it..." The Hon Michael Egan MLC, Treasurer

"At the outset, I would like to congratulate the PAC for holding this conference today. I think it is a very well structured event. Obviously this view is reflected in the market place because we have almost a full house." Michael Lambert, Treasury Secretary

Forthcoming report

The Committee expects to report on this inquiry during the second half of 1995. The new financial and annual reporting legislation will then be introduced into Parliament during 1996. The PAC's report will contribute to establishing the ground rules for public sector annual reporting in NSW into the next century and, like the PAC's landmark report on this subject in 1983, will provide a model for other States to follow.

Accrual Accounting

Source of this inquiry

The introduction of accrual accounting has been one of the major financial reforms in the NSW public sector. In 1994 the Treasurer asked the Committee to carry out an inquiry into the implementation of accrual accounting in the budget sector.

What is accrual accounting?

The public sector has traditionally adopted a cash based accounting system, that essentially focussed on cash balances at balance dates. This system was developed to meet the requirements for accountability of public money which had been appropriated by a vote of the Parliament.

The private sector, however, has historically used an accounting system which has focussed not only on cash balances but also on assets and liabilities. This commercial accounting has also brought to account transactions as they occur rather than waiting for the actual payment or transfer of cash to take place. This is accrual accounting.

While accrual accounting has been used for many years by commercially oriented government trading enterprises, it is only in the last few years that governments have moved to introduce accrual accounting in the core budget sector. In NSW, accrual accounting was introduced to the budget sector over a four year period from 1989. The 1994 reference from the former Treasurer required that the Committee review this implementation process.

Overview of Reforms

The PAC has long been an advocate of public sector financial reform and was instrumental in NSW being one of the first states in Australia, and among the very few in the developed world, to have implemented accrual accounting for budget sector government agencies. In 1988 the Committee hosted a seminar to bring together the major players in financial management reform. The seminar can now be identified as a milestone in the path to financial reform in the NSW public sector. The Committee has continued to use its position of influence and the prestige of Parliament to promote matters of financial management and fiscal responsibility.

In December 1994 the PAC held a public seminar at Parliament House entitled *Accrual Accounting - the Scorecard to Date*. Speakers included senior Treasury officials, the Directors of Finance from the Departments of Health and Education, the Director of the Department of Sport and Recreation, the Auditor-General, Professor Bob Walker from the University of New South Wales and recently appointed Chair of the Council on the Cost of Government, and Professor Carrick Martin from Macquarie University. The seminar was very well attended and provided an opportunity for a number of concerns about the implementation of accrual accounting in NSW to be publicly aired and discussed. The proceedings of the seminar were later reported to Parliament.

Public Accounts Committee

Some of the key points to emerge from the seminar include:

- an acknowledgement by Treasury that the purpose of accrual accounting should have been better articulated and the linkage between accrual accounting and the budget better developed;
- the raising of concern about the cost of the implementation process, with some suggestions that the cost ran into hundreds of millions of dollars;
- the expression of concern about ongoing problems in the valuation of heritage and cultural assets;
- criticism of the slow development of accounting standards to deal with issues such as the ownership and valuation of infrastructure assets;
- the expression of concern that senior managers are not using accrual information for management purposes;
- the need for more consistency in the classification of government agencies and the application of accounting standards; and
- the need for whole of government accounts to receive greater prominence.

Due to the March 1995 election and the need to fulfil statutory obligations such as the Peer Review since the appointment of the new Committee in May, the PAC has not been able to give this its immediate attention. The Committee will, however, complete the inquiry by the end of 1995/96 financial year.



Open Forum Discussion

Follow-Up Review

The previous Committee resolved to commence a wide-ranging review of previous PAC reports, commencing with report No 40, which was tabled in 1988. The objective of this review was to determine the extent to which the recommendations contained in PAC reports have been implemented, or to determine reasons why implementation might not have occurred. The inquiry is important as a measure the Public Accounts Committee's effectiveness in achieving its objectives.

The new Committee resolved to continue with this inquiry and added the objective of determining, where possible, any savings that have been made by the Government by implementing the PAC recommendations.

To date, only preliminary and background research has taken place, due to the pressure of other Committee activities.

In accordance with its stated policy, the new Labor Government established a Council on the Cost of Government, one of the functions of which is to co-ordinate government action on recommendations from watch-dog bodies such as the PAC.

Accordingly, the PAC and the Chairman of the Council, Professor Bob Walker, have met with a view to assisting each other in achieving objectives relating to the PAC recommendations.



From Left: Prof Bob Walker, the Chairman of the Council on the Cost of Government; Ken Baxter, Director-General, NSW Premier's Department and a member of the Council, speaking at Committee seminars.

Australasian Council of Public Accounts Committees

Activities

The Australasian Council of Public Accounts Committees (ACPAC), consisting of all public accounts-type committees throughout Australia, New Zealand and New Guinea, meet annually. The Council operates on a two year cycle, with a biennial conference and a mid-term meeting each alternate year.

The last Mid-Term Meeting was held in Adelaide on 4 July 1994. The PAC was represented by members Andrew Tink MP (Chairman), Geoff Irwin MP and Terry Rumble MP and staff, Patricia Azarias and John Lynas. Some of the issues considered included:

- | | |
|---|---|
| <input type="checkbox"/> ACPAC structural and procedural issues | <input type="checkbox"/> Internal Audit |
| <input type="checkbox"/> Commonwealth Special Purpose Grants | <input type="checkbox"/> Auditors-General |

At that meeting NSW PAC proposed a motion expressing concern that CEOs around Australia were not placing enough emphasis on internal audit. The motion proposed that each PAC in Australia check the adequacy of public sector internal audit procedures in its State and report their findings back to the Council. The NSW resolution was carried out unanimously. This was the first time that PACs around the country have resolved to take common action about an Australia-wide accountability issue.

A Working Party Meeting was then held on 24 October 1994 to discuss general issues of accountability and matters relating to the forthcoming conference. NSW was represented by Ian Glachan MP (Chairman), Geoff Irwin MP and Patricia Azarias.

The biennial conference was held in Melbourne on 31 January and 1 February 1995. The Committee was represented by members Ian Glachan MP (Chairman) MP, Andrew Humpherson MP, and staff Patricia Azarias, John Lynas and Ian Thackeray.

As well as the various committees briefing the conference on current and recent activities, the following matters of general interest to the committees were discussed:

- | | |
|---|--|
| <input type="checkbox"/> Fiscal Responsibility Legislation in NZ | <input type="checkbox"/> State and Commonwealth Grants |
| <input type="checkbox"/> Accountability of Corporatised bodies | <input type="checkbox"/> Internal Audit Implementation |
| <input type="checkbox"/> Accrual Accounting and Whole of Government financial reporting | <input type="checkbox"/> Models of Public Accounts Committees and information packages |

Outcomes

While the issues dealt with by ACPAC at the conference are current and relevant, bearing on contemporary matters, there was a general feeling among the committees that there was a need to concentrate more on outcomes, to identify and recommend actions which ACPAC as an organisation could pursue on a nation-wide basis.

NSW Involvement

At the completion of the conference, responsibility for the next cycle of ACPAC passed to NSW. The New South Wales Public Accounts Committee will, therefore, be responsible for organising the 1996 Mid-Term Meeting and the 1997 Conference.

Government Action on Previous Reports

1994-95 has been one the most productive years ever for the PAC in terms of outcomes achieved. A large number of recommendations from previous PAC reports have been implemented, particularly since the March 1995 election.

Some of the more significant achievements include:

- **Internal Audit:** Recent Internal Audit guidelines issued by the Treasury have implemented many of the recommendations made by the PAC in its report no. 71, issued in June 1993. The new guidelines seek to accord greater status to the Internal Audit function.
- **Infrastructure:** The Treasury has recently issued new guidelines for the participation of the private sector in public infrastructure projects. These are largely based on PAC recommendations. In addition, the Australian Accounting Research Foundation has begun work towards the development of new accounting standards to apply to such projects.

Former PAC Chairman, Andrew Tink MP, has recently introduced a private member's bill that would require the publication of contract summaries for infrastructure projects in which the private sector participates. This was one of the key recommendations in the first volume of the Committee's report on infrastructure projects.

- **Public Defenders:** In May 1995 legislation was introduced into Parliament which implemented all but one of the recommendations made by the Committee in its June 1994 report on the Public Defenders Office. The legislation better defines the functions and responsibilities of public defenders and introduces mechanisms to ensue they are accountable for the efficient and effective performance of their duties.

"The Public Accounts Committee report was completed in June 1994, and made some 30 recommendations aimed at formalising accountability and management, whilst at the same time preserving the independence of Public Defenders in the performance of their work... The Government is grateful for the work of the Public Accounts Committee and its staff. The current bill largely follows the proposals in the Public Accounts Committee report." The Hon Jeff Shaw QC MLC, Attorney-General, second reading speech on Public Defenders Bill 1995, 30 May 1995

The one departure from the Committee's recommendations is that the new legislation does not create the Office of Public Defenders as a separate administrative office for the purposes of the *Public Finance and Audit Act 1983* and annual reporting legislation. This is on the basis that such a move would have imposed "significant administrative burdens" on the Office and that the Office's financial arrangements are already open to scrutiny within the accounts of the

Attorney General's Department.

- **Rural Assistance:** As mentioned on pages 15-16, the Minister for Agriculture has moved quickly to implement the recommendations contained in the Committee's February 1995 report on the Rural Assistance Authority.

Council on the Cost of Government

Legislation has recently passed through the Parliament amending the *Public Sector Management Act 1988* to establish the Council on the Cost of Government. The Council is comprised of four private sector members (Professor Bob Walker, Chairman, Tony Cole, Margaret Gibson, and Stan Droder) and the heads of the three central agencies (the Premier's Department, The Cabinet Office and The Treasury). The Council's goal is "to achieve a cost-effective and world-class public sector". It will review management and operational effectiveness and will advise the Government on reforms it considers necessary.

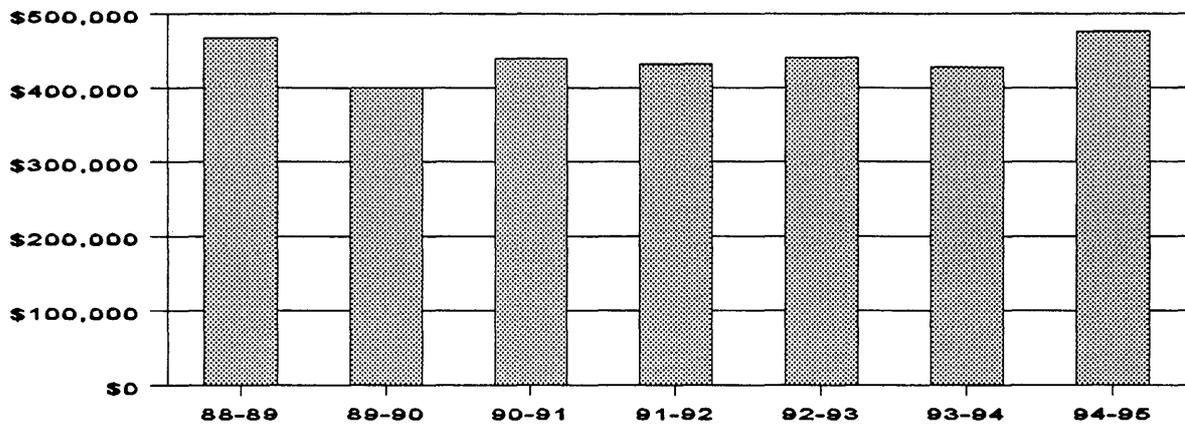
The Council has been given responsibility for advising the Government on recommendations made by the Auditor-General and the Public Accounts Committee and monitoring the implementation of such recommendations. The Committee has already met with Professor Walker and staff of the Council. The Committee will be liaising with the Council during the follow-up review of the response to the recommendations made in Committee reports between 1988 and 1994.

Statistical Summary

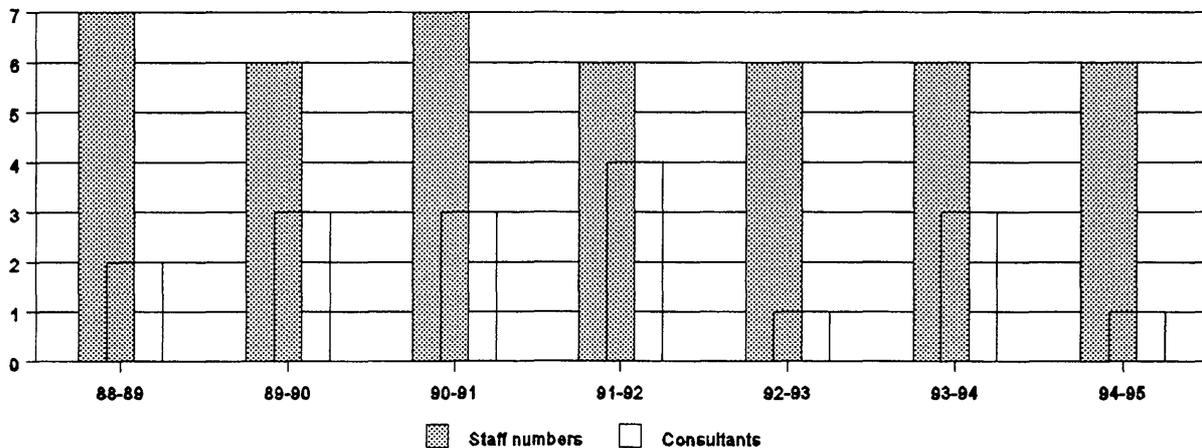
Set out below are some statistics on the PAC's inputs and outputs during 1994-95, and comparisons over a seven year period. The seven year period has been included because it includes two previous election years, 1988-89 and 1990-91. It is recognised that inputs and outputs are of only limited value in measuring the Committee's effectiveness. It is the Committee's intention to develop more sophisticated performance indicators which relate to outcomes and to include these in the 1995-96 annual report. For instance, during the follow-up review of the implementation of the Committee's recommendations between 1989 and 1994 the Committee will be seeking to quantify the savings achieved as a result of its recommendations.

Inputs

PAC expenditure 1988-89 to 1994-95

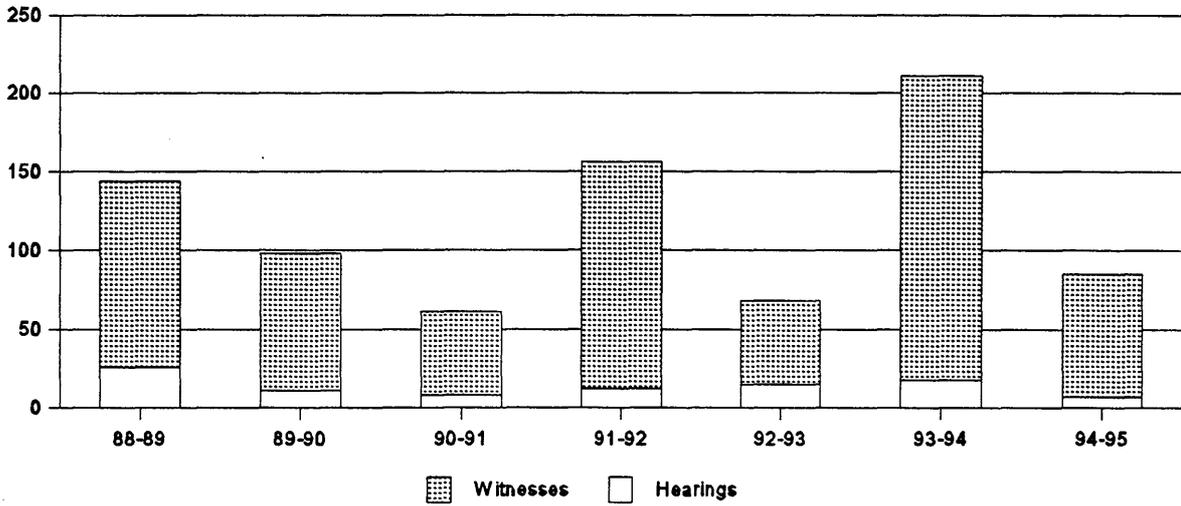


PAC staffing and consultants 1988-89 to 1994-95

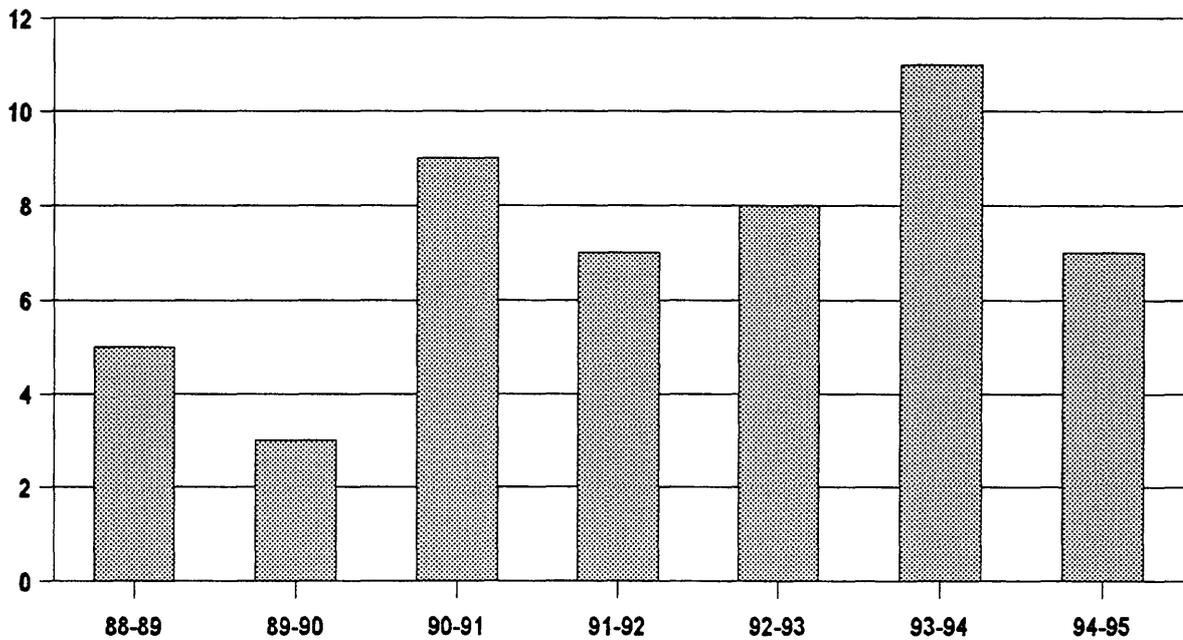


Outputs

Witnesses and hearings 1988-89 and 1994-95



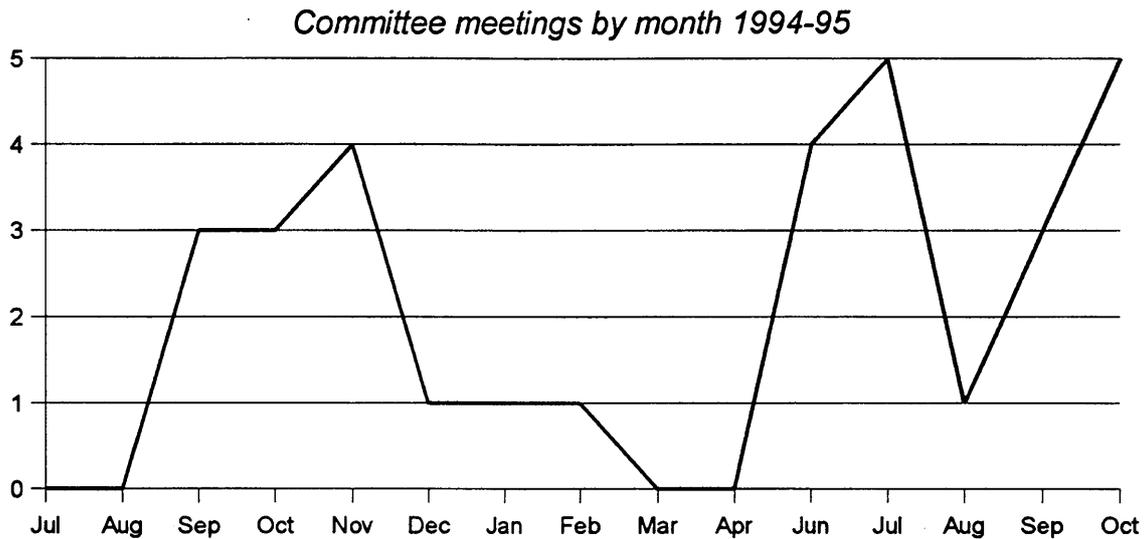
Reports tabled 1988-89 to 1994-95



Committee meetings 1994-95

Committee meetings by month

The table setting out the number of Committee meetings conducted each month 1994-95 is included to illustrate the effect which the March 1995 election had on the Committee's activity.



Members of the Committee at a meeting with Tom Sheridan (Co-ordinator of the Peer Review) and Jim Brophy (a member of the panel of advisors)

Public Accounts Committee

Attendance by Committee members

ATTENDANCE RECORD JULY 1994 - FEBRUARY 1995-Mr Ian Glachan, MP, Chairman

MEETING DATE	MEMBERS				
	COCHRAN	GLACHAN	HUMPHERSON	*IRWIN	RUMBLE
06/09/94	✓	✓	✓	✓	Apology
15/09/94	✓	✓	✓	✓	✓
22/09/94	✓	✓	✓	✓	✓
13/10/94	✓	✓	✓	Apology	✓
20/10/94	✓	✓	Apology	✓	✓
27/10/94	Apology	✓	✓	✓	✓
04/11/94	✓	✓	✓	✓	✓
14/11/94	✓	✓	✓	✓	✓
17/11/94	✓	✓	✓	✓	✓
21/11/94	✓	✓	✓	✓	✓
24/11/94	Apology	✓	✓	✓	✓
30/11/94	✓	✓	✓	✓	✓
22/12/94	✓	✓	✓	✓	✓
17/01/95	✓	✓	✓	*	✓
08/02/95	✓	✓	Apology	*	✓

* Geoff Irwin, MP resigned from Parliament in January 1995

ATTENDANCE RECORD MAY 1995 - JUNE 1995-Mr Terry Rumble, MP, Chairman

MEETING DATE	MEMBERS				
	COCHRAN	GLACHAN	ROGAN	RUMBLE	TRIPODI
24/05/95	✓	✓	✓	✓	✓
25/05/95	✓	✓	✓	✓	✓
30/05/95	✓	✓	✓	✓	✓
31/05/95	✓	✓	✓	✓	✓
06/06/95	✓	✓	✓	✓	✓
07/06/95	✓	✓	✓	✓	✓
15/06/95	✓	✓	✓	✓	✓
20/06/95	Apology	Apology	✓	✓	✓
21/06/95	Apology	✓	✓	✓	✓
29/06/95	✓	Apology	✓	✓	✓

Exception Report

The PAC has not achieved a number of the specific objectives which it had set for the 1994-95 year. There are two major reasons for this. Firstly, the March 1995 election meant that for three months there was no Committee, and for two months prior to this (January and February) it was very difficult for the Committee to meet. Secondly, more pressing priorities have emerged during the year which have required the Committee's attention. These include unforeseen references from Parliament and Ministers [Rural Assistance Authority, State Debt (Balanced Budget) Bill and Darling Harbour]. A number of ongoing inquiries and responsibilities have also proven to be more extensive and time-consuming than originally anticipated (Peer Review of Auditor-General's Office, Overseas Projects, Annual Reporting). Details are provided below on the specific objectives not achieved in 1994-95.

Complete the inquiry into accrual accounting: As outlined on pages 25-26, no further action has yet been taken on this inquiry since the public seminar in December 1994. This inquiry was accorded a lower priority than other work the Committee had underway, notably the Peer Review of the Auditor-General's Office which the Committee has a statutory obligation to carry out. However, the public seminar was a significant event and enabled a range of relevant issues to be discussed. The Committee intends to complete this inquiry when other more urgent work is completed - and certainly during 1995-96.

Conduct a review of action taken in response to Committee reports from 1988 to 1993: Initial desk based research has been completed. Discussions have been held with the Council on the Cost of Government about their interest in this project and the formal inquiry will be completed in 1995-96.

Hold seminar series on infrastructure financing: The PAC has not yet developed the anticipated seminar series for public officials with responsibility for infrastructure projects. However, Committee members and staff have addressed numerous conferences and there has been continued strong interest in the Committee's infrastructure reports.

Hold round table discussions on current issues on the Auditor-General's powers to conduct special audits: This issue has been subsumed into the Peer Review of the Auditor-General's Office.

In addition, the Committee will follow-up issues raised by the Auditor-General in his reports to Parliament: The PAC has not conducted any formal inquiry to follow-up issues raised in the Auditor-General's reports during 1994-95. This was due to the March election and the first externally appointed peer review of the Auditor-General's Office has required higher priority. The PAC is committed to maintaining a close working relationship with the Auditor-General and intends to conduct a more formalised follow-up of issues raised in Auditor-General's reports in 1995-96.

Objectives for 1995-96

The Public Accounts Committee has set the following objectives for the remainder of 1995-96:

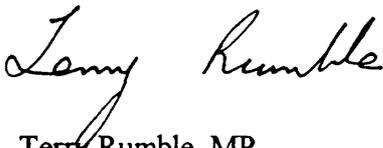
- Report to Parliament on the Peer Review of the Auditor-General's Office
- Report to Parliament on the inquiry into NSW public sector overseas projects
- Report to Parliament on the inquiry into annual reporting in the NSW public sector
- Report to Parliament on the inquiry into the implementation of accrual accounting in the budget sector
- Liaise with the Council on the Cost of Government on its review of the implementation of PAC recommendations
- Report to Parliament on the follow-up review of action taken in response to Committee reports from 1988-1994
- Conduct inquiries and report to Parliament on any reference from the Legislative Assembly, Treasurer, other Ministers or the Auditor-General
- Follow-up and report to Parliament on matters arising from the Auditor-General's 1995 reports to Parliament
- Conduct a brief follow-up inquiry and report to Parliament on the implementation of the PAC recommendations about the Rural Assistance Authority
- Host mid-term meeting of Australian Council of Public Accounts Committees
- Develop performance indicators, including where possible outcome measures, for the Public Accounts Committee for inclusion in future annual reports

**Public Accounts Committee
FINANCIAL STATEMENTS FOR 1994-95**

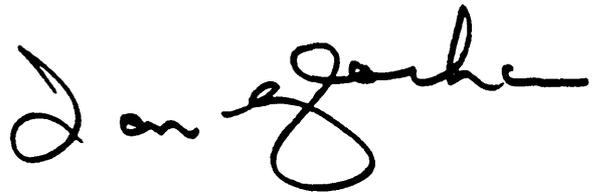
STATEMENT BY APPOINTED MEMBERS

In accordance with clause 8 of the Public Finance and Audit (Departments) Regulation 1986, we state that:

- a) the accompanying financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the Public Finance and Audit (Departments) Regulation 1986, *The Financial Reporting Code under Accrual Accounting for Inner Budget Sector Agencies*, and the Treasurer's Directions, to the extent that such Act, Regulation, Code and Directions are applicable to the accounts of the Committee;
- b) the statements present a true and fair view of the financial transactions of the Committee; and
- c) there are no circumstances which would render any particulars in the financial statements to be misleading or inaccurate.



Terry Rumble, MP
Chairman
18 October 1995



Ian Glachan, MP
Member
18 October 1995

INDEPENDENT AUDIT REPORT



BOX 12 GPO
SYDNEY NSW 2001

INDEPENDENT AUDIT REPORT

PUBLIC ACCOUNTS COMMITTEE

To Members of the New South Wales Parliament and the Public Accounts Committee

Scope

I have audited the accounts of the Public Accounts Committee for the year ended 30 June 1995. The preparation and presentation of the financial statements, consisting of the operating statement, together with the notes thereto, and the information contained therein is the responsibility of the Public Accounts Committee. My responsibility is to express an opinion on these statements to Members of the New South Wales Parliament and the Public Accounts Committee based on my audit. My responsibility does not extend here to an assessment of the assumptions used in formulating budget figures disclosed in the financial statements.

My audit has been conducted in accordance with the Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements agree with the books and records as maintained by the Legislature.

This audit opinion has been formed on the above basis.

Audit Opinion

In my opinion, the financial statements of the Public Accounts Committee agrees with the books and records as maintained by Legislature for the year ended 30 June 1995.

A.C. HARRIS

This is the start of the audited financial statements.

OPERATING STATEMENT FOR THE YEAR ENDING 30 JUNE 1995

	Notes	Actual 1994-95 \$	Budget 1994-95 \$	Actual 1993-94 \$
Expenses				
Operating Expenses				
Employee related	4 a)	278,624	291,952	283,983
Other Operating Expenses	4 b)	237,673	223,800	144,367
Total Expenses		516,297	515,752	428,350
Revenues				
Proceeds Conference	5	12,800	0	14,348
Other Income		13	0	0
Total Revenues		12,813	0	14,348
NET COST OF SERVICES		503,484	515,752	414,002
Government Contributions				
Consolidated Fund Recurrent Appropriation	2 c)	516,297	515,752	428,350
Surplus		12,813	0	14,348
Dividend paid	5	12,813	0	14,348
Operating Result for the Year		0	0	0

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. THE REPORTING ENTITY

The Public Accounts Committee is a statutory committee of the New South Wales Parliament, constituted by the *Public Finance and Audit Act 1983*.

The accounting and reporting requirements of the *Public Finance and Audit Act 1983* and the annual reporting legislation do not apply to the Committee. However, the Committee has reported annually to the Parliament on its operations since 1983-84 in a form that follows as faithfully as possible its own recommendations in its seventh report on the reporting requirements of statutory authorities.

The Committee is funded out of an allocation for recurrent services from the Consolidated Fund under appropriation to the Legislature. The Committee is a cost centre within the Legislature's Program 1.2.5—Special Services, but it does not own assets, nor does it incur liabilities in its own right. On this basis the net cost of services does not reflect the full cost of the Committee's operations as certain shared and otherwise unidentified costs are not included. Further financial details on the operation of Program 1.2.5 of the Legislature may be found in the *Annual Report of the Legislative Assembly for 1994–95*.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Committee's financial report has also been prepared in accordance with applicable Australian Accounting Standards, and the requirements of the *Public Finance and Audit Act 1983* and Regulations, and the NSW Treasury's *Financial Reporting Code under Accrual Accounting for Inner Budget Sector Entities*, except for the omission of Statement of Financial Position and Cash Flow Statements, which are not prepared because the Committee does not own assets nor incur liabilities.

All amounts in the Committee's financial report are rounded to the nearest dollar and are expressed in Australian currency. The accounting policies adopted are those formally adopted for the implementation of accrual accounting.

a) *Accounting Policy*

The current financial statement is prepared on accrual accounting basis. The Committee is not required to bear the cost of office space and office equipment. However a pro rata charge is included in the financial statements to cover the cost of gas, electricity and telephone.

b) *Employee related expenses*

The Public Accounts Committee is included in the Legislature's liabilities for long service leave and superannuation, which are assumed by the State. The amounts expected to be paid to employees for their pro-rata entitlement to recreation leave are accrued annually at current pay rates.

c) *Government allocations*

Monetary and non-monetary resources which are allocated to the Committee by the Legislature and which are controlled by the Committee are recognised as revenues of the financial period in which they are received. Non-monetary allocations are recognised at fair value with the exception of office space in Parliament House and use of office furniture and equipment.

3. BUDGET REVIEW

The net cost of services was fully met by the Legislature and the Committee carried out its functions within its budget allocation. Any savings on the Committee's expenditure have been re-allocated by the Legislature to other programs.

4. OPERATING EXPENSES

	1993-94		1994-95
(a)	\$	EMPLOYEE RELATED COSTS	\$
	178,952	Salaries and Wages	221,803
	449	Termination Pay	175
	797	Overtime	873
	611	Allowances	132
	85,969	Contract Staff & Temporary Assistance	41,515
	13,620	Payroll Tax & Fringe Benefits Tax	17,727
	2,785	Leave Entitlement Transfer	(5,501)
	800	Workers Compensation Insurance	1,900
	283,983		278,624
(b)		OTHER OPERATING EXPENSES	
	6,727	Accommodation Expenses	9,204
	4,910	Advertising & Photography	23,738
	11,858	Office (bank fees/ copier/ stationery/ stores/ minor expenses)	6,167
	18,173	Computer Costs	23,139
	2,940	Books, Periodicals & Papers	2,375
	5,084	Consultancy & Contract Fees	23,922
	1,7171	Post, Courier & Telephone	13,976
	1,924	Entertainment	6,715
	30,035	Printing	24,545
	4,095	Training & Development	9,253
	41,450	Travel	94,639
	144,367		237,673

5. REVENUES

The Committee, with a view to ensuring its recommendations are brought to the attention of a wide audience, followed its policy of providing its reports free of charge.

Contribution of \$12,800 was paid to the NSW Parliament following revenue received from a Seminar on Accrual Accounting.

6. MEMBERS' ALLOWANCES

Members of the Committee receive an allowance for their service on the Committee. The cost of these allowances is met directly by the Legislature and not from the Committee's budget. The Chairman receives a salary of office as well as an expense allowance, each of which was \$5,281 per annum at the 30 June 1995. Other Members received a Committee allowance of \$2,260 per annum.

7. ASSISTANCE PROVIDED TO THE COMMITTEE

(a) The Audit Office of NSW

The Secretariat of the Public Accounts Committee includes an advisor on secondment from the New South Wales Audit Office. The Audit Office has agreed to recoup only 50% of salary and related on-cost (to maximum of a grade 10 salary) from the Committee.

(b) The Legislature

Certain employee related costs which are not controlled by the Committee, are disclosed in the financial statements of the Legislature. These relate to staff superannuation (\$64,548) and long service leave (\$14,148). The liability for these items is assumed by the Treasury on behalf of the State.

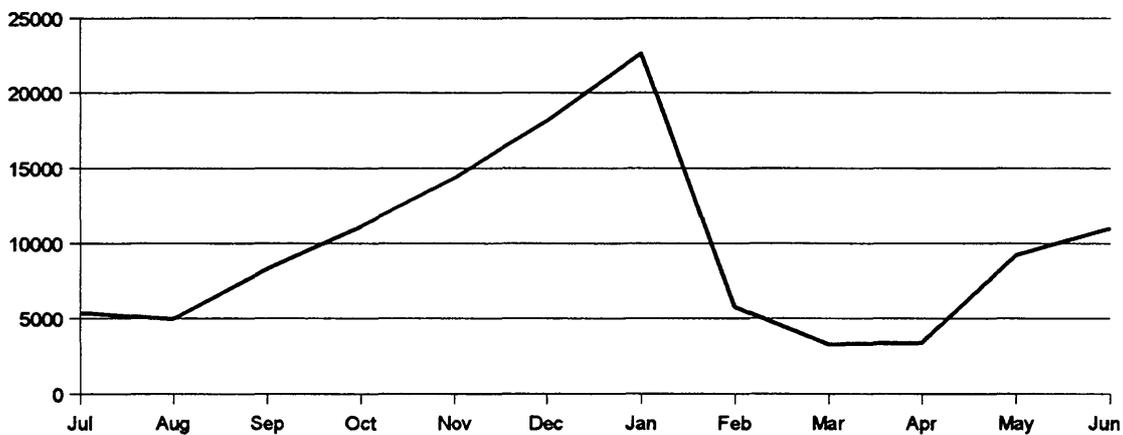
The Legislature provide personnel, accounting, security, cleaning etc. services at no cost to the Committee.

This is the end of the audited financial statements.

Expenditure by month

Clause 4(b) of the Annual Reports (Departments) Regulation 1986 required annual reports to graphically show spending on stores and equipment purchases. This arose from a recommendation of the Committee's Report No.20 on the year-end spending to discourage year-end spend-ups. This regulation has now expired. However, the Committee believes that this disclosure of spending patterns is a simple but effective accountability tool and has, therefore, written to Treasury to have the regulation reintroduced. Accordingly, the Committee continues to provide the information.

The graph illustrates this expenditure for 1994-95. Expenditure on stores and equipment comprising books, periodicals, stationery, furniture, computers and minor stores in 1994-954 totalled \$117,915



Consultants

Payments to consultants comprised:

Mr Tom Sheridan	Peer Review of the Auditor-General's Office	\$13,500
Mr Bob Hogarth	Overseas Project inquiry	\$5,000

Notes:

- Mr Tom Sheridan provided consulting services to the Committee inquiry into the Peer Review of the Auditor-General's Office, but the services were paid for separately by the Treasury.

Account payment performance

Recent amendments to annual reporting regulations require agencies to include particulars of their account payment performance in their annual report. Payment of all expenses incurred by the Public Accounts Committee is effected by the Legislative Assembly's Office of the Financial Controller. The Legislative Assembly's annual report should therefore be referred to for details of account payment performance.

APPENDIX 1

Activities during 1994-95

Summary of Activities

7 reports

16 deliberative meetings

7 days of hearings

78 witnesses appearing 81 times

Brief visits to Los Angeles, Montreal and Port Moresby,
with a total of 25 meetings

6 days of intrastate inspections

two workshops, one seminar

7 press releases



Following the successful seminar on the Annual Reporting, Chairman of the Committee Terry Rumble, MP (left) presents cheque of \$14,315 to the Speaker, Hon. John Murray, MP (right).

Hearings, meetings and inspections

DATE	SUBJECT	ORGANISATION	WITNESSES/ IN ATTENDANCE
22 July 1994	USA Study Tour	Visit to examine the experience of one city where the Olympics had been a great financial success - Los Angeles - and that of another where the Olympics had left a large deficit - Montreal	
24 July		Department of Transportation, California	Mr C. Williams
25 July		Los Angeles Olympics Organising Committee	Mr P. Ueberroth Mr J. Rubenstein Mr R. Perelman
26 July		Los Angeles Amateur Athletics Foundation	Mr C. Freund
27 July		Canadian Olympic Association	Mr P Shugart
28 July		Park Olympique	Mr P Bibeau Mr G. Leduc Mr Yves Morin
29 July		World Bank, Washington	Mr N. Roger Ms J. So Mr B. Shin Mr M. Kerf
6 Sept	Deliberate Meeting		
15 Sept	Deliberate Meeting		
22 Sept	Deliberate Meeting		
13 Oct	Deliberate Meeting		
20 Oct	Deliberate Meeting		
27 Oct	Deliberate Meeting		
4 Nov	Public Hearing	<i>Inquiry into Rural Assistance Authority</i>	
		Bogan Shire Council	Mr R. Butler
		Bogan Shire Council	Mrs E. McLaughlin
		Bogan Shire Council	Mr R.L. Donald
		Warren Shire Council	Mr M.J. Kershaw

Public Accounts Committee

		Gilgandra Shire Council	Mrs C. Stockham
		Gilgandra Shire Council	Mr P. Mann
		Australian Grain Harvesters Association Inc.	Mr R. Tomlinson
		Coonabarabran Shire Council	Mr P. Poole
		Australian Borrowers Association	Mrs P. Boyd
		Kassall & Associates Pty Ltd	Mr M. Egan
		Kassall & Associates Pty Ltd	Mr D. Duffy
		Macquarie Rural Advisory Services	Mr A. Tully
		NSW Association of Rural Counselling Groups	Mr B. Bashford
		NSW Association of Rural Counselling Groups	Mr B. Cavanagh
		NSW Association of Rural Counselling Groups	Mr G. White
		NSW Association of Rural Counselling Groups	Mr M. Ewing
		Dubbo Accountants Group	Mr A. Kennedy
		Dubbo Accountants Group	Mr R. Rich
		Brett Richardson & Co.	Mr B. Richardson
4 Nov	Open Forum	<i>Inquiry into Rural Assistance Authority</i>	
		Rural Lands Protection Board, Dubbo	Mr P. Palmer
		Rural Lands Protection Board, Condobolin	Mr J. Smith

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		Nyngan Rural Lands Protection Board	Mr D Lister
		Rural Lands Protection Board, Coonamble	Mr B. Glasson
		Macquarie Rural Advisory Service, Dubbo	Mr T. Stevenson
		Dubbo Rural Lands Protection Board and Counsellor, Dubbo City Council	Mr M. Duncan
		Farmer	Mrs Boyd;
		Farmer	Mrs Stockham
		Farmer	Mrs McLaughlin
		Farmer	Mrs Fuller
		Farmer	Mrs Poole
		Ivey ATP, Chartered Accountants, Wellington	Ms O'Brien
		Retired farmer	Mr Plummer
		Grazier	Mr Barton
14 Nov	Public Hearing	<i>Inquiry into Rural Assistance Authority</i>	
		Australia and New Zealand Banking Group Limited, North Sydney	Mr C. Bartrim
		Australia and New Zealand Banking Group Limited, Dubbo	Mr S. Dedman
		Bird Cameron Chartered Accountants	Mr T. Neve
		Primary Industry Bank of Australia Limited	Mr G. Dobbin
		NSW Farmers Association	Mr T. Ryan
		NSW Farmers Association	Ms L. Smith

Public Accounts Committee

15 Nov	1st Meeting of Peer Review Committee of the Auditor-General's Office	<i>Panel of Experts</i> Mr J. Spencer, Felser Russell Chartered Accountants Professor Allen Craswell, School of Accounting Mr F. Belli, Group General Manager, Audit ANZ Banking Group Mr J. Brophy, Brophy Management Services Mr S. Droder, Director, NSW Division Australian Society of CPA's Mr T. Sheridan, Retired Auditor-General of South Australia	
17 Nov	Deliberate Meeting		
21 Nov	Public Hearing	<i>Inquiry into Rural Assistance Authority</i>	
		NSW Dept. Of Agriculture	Mr J. Booth
		NSW Dept. Of Agriculture	Mr B. Roberts
		Farmer and Contractor	Mr P. Ware
		NSW Farmers Association	Mrs E. Ware
		T. L. Parker & Co	Mr A. Parker
		Professor of Agricultural Economics, University of New England, Armidale	Mr W. Musgrave
		Rural Development Centre, University of New England, Armidale	Mr R. Stayner
		David Nelson and Partners	Mr A. Taylor
23 Nov & 24 Nov	Inspection: Melbourne	<i>Inquiry into Rural Assistance Authority</i>	
		Rural Finance Corporation of Victoria (RFC)	Mr D. Graham Mr M. Smith Mr J. Hutton Mr P. Richmond
28 Nov	Inspection: Canberra	Senate Rural and Regional Affairs and Transport References Committee	Senator D. Brownhill Senator B. Burns Senator P. Calvert Senator J. Panizza Mr N. Bessell

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		Commonwealth Department of Primary Industries and Energy	Mr B. Wonder Mr D. Merrilees
	Inspection: Perth	Rural Adjustment and Finance Corporation of Western Australia (RAFCOR)	Mr R Donald Mr S Lee Mr S Barndon Mr C. Lester Mr B. Annen
	Inspection: Adelaide	Rural Finance and Development (RFD) division of the Department of Primary Industries of South Australia (PISA)	Mr K. Gent Mr M. Post
24 Nov	Deliberate Meeting		
30 Nov	Public Hearing	<i>State Debt Control (Balanced Budget) Inquiry</i>	
		New South Wales Treasury	Mr M. Lambert
		New South Wales Treasury	Mr I. Neal
		Associate Professor in Economics and Public Policy, Queensland University of Technology	Mr M. Robinson
		Private Citizen	Mr D. Nicholls
		Emeritus Professor at Law, University of Sydney	Mr P. Lane
		Mr P. McGuinness	Journalist
7 Dec	Meeting of Peer Review Committee of the Auditor-General's Office		
22 Dec	Public Hearing	<i>Inquiry into Rural Assistance Authority</i>	
		NSW Treasury	Mr B. Sendt
		NSW Treasury	Ms Cathy Skow
		Rural Assistance Authority	Mr G. Maslen,
		Rural Assistance Authority	Mr S. Griffith

Public Accounts Committee

		Rural Assistance Authority	Mrs F. Rowe
		Rural Assistance Authority	Mr B. Buffier
		Rural Assistance Authority	Mr J. White
17 Jan 1995	Meeting of Peer Review Committee of the Auditor-General's Office		
17 Jan	Deliberate Meeting		
8 Feb	Deliberate Meeting		
24 May	Deliberate Meeting		
25 May	Deliberate Meeting		
30 May	Inspection - Darling Harbour Authority Deliberate Meeting		
31 May	Deliberate Meeting		
6 June	Meeting of Peer Review Committee of the Auditor-General's Office		
7 June	Deliberate Meeting		
15 June	Inspection - Auditor's General's Office and Treasury Office		
20 June	Inspection - Melbourne	<i>Inquiry into overseas projects</i>	
21 June	8:30 am - meeting of Peer Review Committee of the Auditor-General's Office 9:30 am - Public hearing -	<i>Darling Harbour Sports Facilities Inquiry</i>	
		Darling Harbour Authority	Mr J. Graham
		Darling Harbour Authority	Mr T. Jones

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		Uras Holdings Pty Ltd	Mr T. Hayson
		Price Waterhouse	Mr J. Feely
		Gameplan Sports & Leisure Pty Ltd	Mr J. Curtis
		JACFUN Pty Ltd	Mr K. Bermeister
22-23 June	Inspection - Port Moresby	<i>Inquiry into overseas projects</i>	
29 June	Deliberate Meeting		
30 June	Meeting of Peer Review Committee of the Auditor-General's Office		

Press releases

DATE		TITLE: SUBJECT
1994	4 July	Australasian PACs Demand Action on Internal Audit (Mr A Tink, MP, Chairman)
	15 September	New Chairman for the Public Accounts Committee (Mr I Glachan, MP, Chairman)
	27 September	PAC to Review Rural Relief
1995	24 February	PAC tables report on Rural Assistance Authority
	24 May	New Public Accounts Committee (New Chairman: Mr T Rumble, MP)
	31 May	Darling Harbour: Sports Facilities
	1 June	Annual Reports: Issues Paper

Conferences, seminars, symposia

DATE	CONFERENCES/SEMINARS
4 July	Members of the Public Accounts Committee, Mr A. Tink MP, Chairman, Mr G. Irwin MP, Mr T. Rumble and staff from the Secretariat attended the mid term meeting of the Australasian Council of Public Accounts Committees (ACPAC) in Adelaide. The Chairman addressed the issue of <i>Internal Audit in the Public Sector</i> .
19 July	Mrs P. Azarias, Director, addressed the Sunset Seminar held by Turnbull Fox Phillips on <i>Managing the Risk and Return of Public Infrastructure Provision through Government/Private Sector Partnerships</i> .
21 July	Mrs Azarias addressed attendees at the Government and Parliamentary Information Colloquium, University of NSW - <i>Information, the Lifeblood of the Parliament: the role of Parliamentary Committees</i> .
25 July	IIR Conference on Directors' Duties and Liabilities in GBEs - On behalf of the Chairman, Mr J. Lynas presented an address on <i>Accountability Requirements of Directors to Parliament?</i>
1 Aug	Committee members attended an address given by Sir J. Bourn, Comptroller and Auditor-General, from the United Kingdom National Audit Office.
5 Aug	Committee members attended the Treasury Launch on <i>Training Package for Accounting and Non-accounting officers</i> .
9 Aug	Committee members attended the Internal Audit Steering Committee with representatives from the Premier's Department, Water Board and Price Waterhouse
13 Sept	Mr J. Lynas gave a presentation on <i>Is efficiency in the public sector compatible with accountability?</i> at the Executive Development Program conducted by the Department of Consumer Affairs.
20 Sept	Ms P. Azarias attended the discussion on <i>The Courts and Parliamentary Privilege</i> held by the Joint Patrons of the New South Wales Chapter of the Australasian Study of Parliament Group, Parliament House
17 Oct	Mr A. Tink MP, the former PAC Chairman, gave an address titled <i>Major Recommendations of the Public Accounts Committee Reports into Public and Private Sector Infrastructure</i> at an IIR Conference Forum for the public and private sectors
20 Oct	Mr J. Lynas gave a lecture on <i>Current Issues in Public Sector Accounting and Auditing</i> at University of Sydney.
24 Oct	Mr I. Glachan MP, Mr G. Irwin MP, Ms. P. Azarias and Mr J. Lynas attended the meeting of Australian Council of Public Accounts Committees Working Party to discuss the following discussion papers: <ul style="list-style-type: none"> • <i>Joint/Federal State Inquiries; and</i> • <i>Mid-Term Meetings</i>

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2 Nov	Mr A. Tink MP, former Chairman, participated and contributed at a CPA Seminar titled <i>Private Sector Accounting Standards: Are they really applicable to the Public Sector</i> held by the Australian Society of CPAs.
1 Dec	A roundtable breakfast Seminar on overseas projects, chaired by Mr I. Glachan, was held at Parliament House to discuss various issues.
8 Dec	Mr G Irwin MP gave an address at an IIR Conference on Performance Information and the Management Cycle titled <i>Political Accountability - Why Performance information is essential?</i>
12 Dec	Mr A. Tink MP, former Chairman and Ms Azarias met with 8 members of the South African National Assembly.
13 Dec	The Public Accounts Committee hosted the <i>Accrual Accounting Seminar - The Scorecard to Date</i> .
31 Jan	Committee members attended the ACPAC Biennial Conference held in Melbourne.
3 Feb	A second roundtable breakfast Seminar on overseas projects, chaired by Mr I. Glachan, was held at Parliament House.
14 March	Mr I. Thackeray gave an address on <i>How can Public and Private Sectors Work Best in a Partnership?</i> at an AIC Conference on Asset Management and Maintenance in the Public Sector.
16 March	Ms P. Azarias gave a presentation on <i>Sydney Olympics 2000 Opportunities and their Realisation</i> at an Infrastructure Seminar in Frankfurt.
23 March	Mr J. Lynas met with senior officers from the Health Department of Western Australian and representatives of the Office of the Auditor General to discuss infrastructure/accounting, financial matters.
4 April	Mr A. Tink MP, presented a paper titled <i>The Reports of the Public Accounts Committee of NSW Parliament into the Financing of Infrastructure Projects</i> at the Federal Sydney Convention 1995: <i>Delivering the Vision for the Next Century</i> .
20 April	Ms P. Azarias met with members of the Standing Committee on Industry Science and Technology to discuss Olympic Games issues related to PAC Report 84 - <i>Tale of Two Olympic Cities</i> .
13 June	Mr J. Lynas gave a talk on <i>reviewing the effectiveness of accrual accounting in the NSW budget sector</i> at an IIR Conference on Accrual Accounting and Reporting in the Public Sector
26 June	Mr J. Lynas attended a Seminar on Accessing Government conducted by the Royal Institute of Public Administration Australia and gave a talk at the workshop on <i>public accountability</i>

APPENDIX 2

Origin of Committee inquiries

No.	Report	Reference from			Initiated by
		Minister	Treasurer	Auditor-General	PAC
1	Expenditure without Parliamentary Sanction				A
2	Expenditure Over-Runs in Public Hospitals				
3	Accountability in Public Hospitals				
4	Expenditure without Parliamentary Sanction				
5	Overtime Payments to Police				
6	Overtime Payments to Corrective Service Officers				
7	Accountability of Statutory Authorities				
8	Report on the Grain Sorghum Marketing Board				
9	Matters Examined in Relation to Auditor-General's Report 1981-82				A
10	Superannuation Liabilities of Statutory Authorities				
11	Annual Report 1983-84				
12	Matters Examined in Relation to Auditor-General's Report 1982-83				A
13	Proposed Regulations Accompanying the Annual Reports (Statutory Bodies) Act and the Public Finance and Audit Act				
14	Investment Practices in NSW Statutory Authorities				A
15	Performance Review Practices				
16	Brief Review of Macarthur Growth Area				A
17	Brief Review of the Statutory Funds of the Department of Environment and Planning				A
18	Brief Review of the Land Commission of NSW				A
19	Annual Report 1984-85				
20	Report on Year-End Spending				A
21	Follow-up Report on Inquiries into the NSW Public Hospital System				F
22	Recommended Changes to the Public Accounts				
23	Proposed Regulations Accompanying the Annual Reports (Departments) Act 1985				
24	Follow-up Report on Overtime Payments to Corrective Services Officers				F
25	Report on the Collection of Parking and Traffic Fines				A
26	Follow-up Report on Annual Reporting of Statutory Authorities				F
27	Annual Report 1985-86				
28	Follow-up Report on Overtime, Sick Leave and Associated Issues in the NSW Police Force				F

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No.	Report	Reference from			Initiated by
		Minister	Treasurer	Auditor-General	PAC
29	Report on the NSW Builders Licensing Board				
30	Brief Review of the Sydney Opera House Trust; Harness Racing Authority of NSW; and NSW State Cancer Council				A
31	Report on the Film Corporation of NSW				A
32	Report on the Home Care Service of NSW				
33	Annual Report 1986-87				
34	Supplementary Report 1986-87				A, F
35	Report on the Wine Grapes Marketing Board and Grain Sorghum Marketing Board				
36	Report on the Biennial Conference of Public Accounts Committees, Sydney - May 1987				
37	Report on the Ravensworth Coal Washery				A
38	Proceedings of the Accrual Accounting Seminar Held 5 February 1988				
39	Report on Purchasing Practices, Stores and Equipment Resources in TAFE				
40	Report on the Heritage Council of NSW				
41	Annual Report 1987-88				
42	Report on the Management of Arson in the Public Sector				
43	Report on Payments Without Parliamentary Appropriation				
44	Report on the NSW Ambulance Service				
45	Report on Payments to Visiting Medical Officers				
46	Annual Report 1988-89				
47	The Challenge of Accountability				
48	Report on the Darling Harbour Authority				
49	Report on the Auditor-General's Office				
50	Report on the Lord Howe Island Board				A
51	Annual Report Year Ended 30 June 1990				
52	Report on the Forestry Commission				
53	Report on the Auditing of Local Government				
54	Examination of the Juvenile Transport Service of the Dept of Family and Community Services				A
55	Report on Payment Performance				
56	Parliamentary Scrutiny of Performance Seminar Held 9 November 1990				
57	Report on Legal Services Provided to Local Government				
58	Annual Report 1990-91				
59	Report on the National Parks and Wildlife Service				

Public Accounts Committee

No.	Report	Minister	Treasurer	Auditor-General	PAC
60	Report on Dividend Payments Made by Statutory Authorities to the Consolidated Fund				A
61	Follow-up Report on Financial Accountability				F
62	Phase One Report on the Public Accounts Special Committee Inquiry into the Port Macquarie Hospital Contract	LA			
63	Report of Proceedings of the Seminar to Review Progress of Financial Reform in the New South Wales Public Sector				
64	Report on Progress of Financial Reform in the New South Wales Public Sector				
65	Ninetieth Anniversary				
66	Annual Report 1991-92				
67	Inquiry into Financing of Urban Infrastructure—Report on European Inspection Tour				
68	Report on the School Student Transport Scheme				
69	Proceedings of the 90th Anniversary Seminar on Internal Control and Audit				
70	Review of Special Auditing Function of NSW Auditor-General's Office				F
71	Internal Audit in the New South Wales Public Sector				
72	Funding of Health Infrastructure and Services in New South Wales (Phase Two Report of the Public Accounts Special Committee)	LA			
73	Infrastructure Management and Financing in NSW Vol 1: From Concepts to Contract—Management of Infrastructure Projects				
74	Inquiry into Financing of Urban Infrastructure—Report on US Study Tour				
75	Annual Report 1992-93				
76	Financing of Infrastructure Projects—Discussion Paper				
77	Proceedings of the Conference on Risk & Return—Traditional & Innovative Financing of Infrastructure Projects				
78	Proceedings of the Seminar on Internal Audit—Implementation of Change				
79	Expansion of Hawkesbury District Health Services				
80	Infrastructure Management and Financing in NSW Vol 2: Public-Private Partnerships—Risk & Return in Infrastructure Financing				
81	Public Defenders	MU			
82	Matters Arising from the Auditor-General's Reports				A

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No.	Report	Minister	Treasurer	Auditor-General	PAC
83	Preparations for Peer Review of the Auditor-General's Office				
84	A Tale of Two Olympic Cities: Visit to Los Angeles and Montreal				
85	Annual Report 1993-94				
86	State Debt and Control Balanced Budget				
87	Co-ordination of Government Inputs into Overseas Projects—International Market Development Activities of NSW Marketing Boards. Issues Paper				
88	Rural Assistance Authority	LA			
89	Proceedings of the Seminar on Accrual Accounting—The Scorecard to Date				
90	Annual Reports. Issues Paper				F
Total		25	14	2	49

Public Accounts Committee inquiries may be initiated by a reference from a minister, the Legislative Assembly, the Auditor-General, or by the Committee itself. Indeed, about 40% of the reports have been self-referenced under Section 57 (1) of the *Public Finance and Audit Act*.

Key

A	=	Matters raised in the Auditor-General's Report
F	=	Follow-up inquiries by the Committee, but original inquiries may have been referred by a minister, the Auditor-General or the Treasurer
LA	=	Reference from the Legislative Assembly
MU	=	Reference from a minister following negotiations between the Independents, as a result of the Memorandum of Understanding

APPENDIX 3

Compliance checklist

As part of the legislature the Public Accounts Committee is not subject to the annual reporting legislation and is therefore not required to comply with the specific reporting criteria set out in the acts or regulations. Indeed the PAC is not required to produce an annual report at all. However, the PAC is committed to the objectives of public sector annual reporting - providing an account of its performance to its stakeholders, principally the Legislative Assembly - and therefore chooses to produce an annual report. Many of the specific reporting requirements set out in the annual reporting legislation are not relevant to the PAC. This compliance checklist indicates which of the reporting criteria are relevant and where they may be found in the report, and which of the criteria are not relevant. Where possible, advice is provided on where the required information may be found. This compliance checklist is based on the "Checklist of Annual Reporting Requirements" published by the Treasury in the document Excellence in Financial Management, Annual Reports: A Guide for the NSW Public Sector in March 1994.

BUDGETS

See the audited financial statements for the detailed budget for 1994-95 and particulars of material adjustments to the detailed budget. It has not been possible to provide an outline budget for 1995-96 as by the end of September the Legislative Assembly had not yet determined the breakdown of available funds between the various parliamentary committees for 1995-96. See the 1995-96 budget papers for the overall funds available to parliamentary committees.

REPORT OF OPERATIONS

Charter

See inside front cover for brief information on charter. For more detailed information on the PAC's charter see the 1993-94 annual report, pages 13-14.

Aims & Objectives

See inside front cover for brief information on aims and objectives. For more detailed information see the PAC's corporate plan in the 1993-94 annual report, pages 15-18

Access

See inside back cover for contact details.

Management and Structure

See pages 6-8 for details of Members of the Committee. See page 9 for information about

the PAC staff. See pages 33-34 for information about the frequency of Committee meetings and members' attendance at meetings. With such a small secretariat an organisational chart is not regarded as necessary and there are no internal committees.

Summary Review of Operations

See pages 2-3 for highlights 1994-95 and pages 4-5 for Chairman's Review. Recreation leave and long service leave entitlements are handled by the Legislative Assembly - see the Legislative Assembly annual report for information about the monetary amount of these entitlements.

Funds Granted to Non-Government Community Organisations

Not applicable.

Legal Change

There have been no changes to Part 4 of the Public Finance and Audit Act 1983 during 1994-95. (However, it is anticipated that new financial and annual reporting legislation will be introduced during 1995-96, providing the PAC with a new charter.) There have been no significant judicial decisions affecting the PAC during 1994-95.

Economic / Other Factors Affecting Achievement of Operations Objectives

See Chairman's Review on Pages 4-5 and Exception Report on page 35 for details about factors affecting the achievement of objectives. See also the comments on pages 13-14 about the reference on the State Debt (Balanced Budget) Bill.

Management & Activities

See pages 11-30 for details about the PAC's performance. See pages 44-53 for details of the PAC's activities during 1994-95.

See the statistical summary on pages 31-34 for basic measures and indicators of performance. It is acknowledged that these input and output measures are of limited value and the PAC has set an objective of developing more sophisticated performance indicators, including outcome measures, for inclusion in the 1995-96 annual report.

See the Chairman's Review on pages 4-5 and the Exception Report on page 35 for information on major problems and issues. See also the comments on pages 13-14 about the reference on the State Debt (Balanced budget) Bill. See the Exception Report on page 35 for reasons for significant delays in the completion of projects. No formal performance reviews, management and strategy reviews or management improvement plans were

undertaken during 1994-95.

Research & Development

See the Report on Performance for details about research undertaken by the PAC during its inquiry processes.

Human Resources

Personnel policies and practices, wages etc for the PAC staff are controlled by the Legislative Assembly. Therefore see the Legislative Assembly annual report for details on these issues.

Consultants

See pages 19-20 on the Peer Review of the Auditor-General's Office and pages 21-22 on Overseas Projects for information on the consultants engaged during 1994-95.

Equal Employment Opportunity

See the Legislative Assembly annual report for details about the Legislative Assembly's Equal Employment Opportunity policy, which applies to the PAC, and required statistical information.

Land Disposal

Not applicable.

Promotion

See the Report on Performance for details of PAC reports on inquiries tabled in Parliament during 1994-95. The PAC has recently published a brochure describing its functions and operations. The Legislative Assembly has also produced brochures which provide brief information about the operations of parliamentary committees, the preparation of submissions and Committee hearings. For information about previous publications of the PAC see the 1993-94 annual report. See the back inside cover for contact details.

For information on overseas visits see pages 11-12 on Olympics and Infrastructure and pages 21-22 on Overseas Projects.

Consumer Response and Guarantee of Service

Some positive consumer responses have been quoted in the Performance Report.

The PAC has not yet developed a guarantee of service or any formal mechanism for handling or recording complaints.

Payment of Accounts

PAC accounts are paid by the Legislative Assembly. See the Legislative Assembly annual report for information about the payment of accounts.

Report on Risk Management and Insurance Activities

The PAC does not carry insurance separate from the legislative Assembly. See the Legislative Assembly annual report for information about risk management and insurance activities.

Disclosure of Controlled Entities

Not applicable.

Investment Management Performance

Not applicable.

Liability Management Performance

See Legislative Assembly annual report for information on liability management performance.

Chief and Senior Executive Officers

Not applicable. (As part of the Legislative Assembly the PAC is not part of the Chief Executive or Senior Executive Service.)

Major Assets

As assets are owned by the Legislative Assembly, see Legislative Assembly annual report for details.

Code of Conduct

See pages 74-75 of the 1993-94 annual report for a copy of the PAC's code of conduct.

Audited Financial Statements

See pages 37 to 42.

After Balance Date Events Having a Significant Effect in the Succeeding Year

As mentioned in the section *This Annual Report* on the inside front cover, information is included in this report about major activities undertaken by the PAC during the period July - September 1995.

OTHER PRESCRIBED REQUIREMENTS

Particulars of Extensions of Time and Approved Exemptions

Not applicable.

Response to Matters Raised by Auditor-General in Outgoing Audit Reports

There were no critical comments made about the PAC in reports of the Auditor-General during 1994-95.

Letter of Submission to Minister

Not applicable.

Submission of Annual Report to Minister & Treasurer

Not applicable.

Submission of Annual Report to Parliament

This annual report was tabled in Parliament by the PAC Chairman in November 1995.

Form of Annual Reports

This annual report complies with all the requirements concerning the form of annual reports

(material information, index & table of contents, logical sequence, appropriate layout, legibility, captions for charts etc.).

Size - ISO A4

This annual report printed on ISO A4 paper.

Printing Requirements

1000 copies of this annual report were printed, at an average cost of \$4.50 per copy. The report and index was compiled and set by Jozef Imrich using *WordPerfect for Windows 6.1*. The report itself was printed by the Parliamentary Printing Service. The covers were printed by Clarendon Printing. This report is available in computer readable form. See contact details inside the back cover for information about how to obtain further copies of this report or a copy in computer readable form.

Inclusion of Other Reports & Information

See Legislative Assembly annual report for information about Freedom of Information and recycling activities.

Determinations of the Government Pricing Tribunal and recommendations of the Royal Commission into Aboriginal Deaths in Custody are not applicable to the PAC.

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Contact Information

How to contact the Public Accounts Committee

All correspondence, whether addressed to the Chairman or Director, should be sent to the PAC secretariat office:

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Room 1148
Parliament House
Macquarie Street
SYDNEY NSW 2000

Telephone: (02) 230 2631
Facsimile: (02) 230 2831
Internet Address: aimrich@ph.nsw.gov.au

Office hours: 9.00 am to 5.00 pm.

How to obtain recent PAC reports

Copies of recent PAC reports are available from:

Government Information Centre
Goodsell Building
Hunter Street
SYDNEY NSW 2000

Telephone: (02) 743 7200
Facsimile: (02) 743 7124

How to obtain older PAC reports

Older PAC reports are available on Inter-Library loan from:

State Library of NSW
Macquarie Street
SYDNEY NSW 2000

Telephone: (02) 230 1414
Facsimile: (02) 223 3369

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