



PUBLIC ACCOUNTS COMMITTEE

Annual Report

1993-94



Report No. 85

October 1994

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MEMBERS OF THE PUBLIC ACCOUNTS COMMITTEE

Members of the Public Accounts Committee of the 50th Parliament during 1993-94 were:

Mr Andrew Tink, BA, LLB, MP, Chairman

Before becoming Liberal Member for Eastwood in March 1988, Andrew Tink practised as a barrister in equity, commercial and shipping law. He has since served on numerous parliamentary and government committees, holding the position of Chairman of the Joint Committee on the Office of the Ombudsman prior to his appointment to the Public Accounts Committee. He was also an Acting Speaker in the Legislative Assembly and its representative on the Macquarie University Council, and a member of the Committee on the Independent Commission Against Corruption. He has served as Chairman of the Committee until his appointment as Parliamentary Secretary assisting the Premier on 13 July 1994.

Mr Peter Cochran, MP, Vice- Chairman

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 include 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 is also the Premier's representative on the Anzac House Trust and the Anzac Memorial Trust.

Mr Geoff Irwin, MBA, ProdEngCert, DipTech, DipEd, MP

Geoff Irwin was elected to Parliament in March 1984 as the Labor Member for Merrylands, and he has been 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 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 Leader of the Opposition's Backbench Committee which involves Treasury, arts and ethnic affairs.

Mr Ian Glachan, MP

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

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a past president of the Albury-Hume Rotary Club and a Paul Harris Fellow, an active member of the Anglican Church, and the Legislative Assembly member on the Board of Governors of Charles Sturt University. Other parliamentary responsibilities include chairmanship of the Minister's Advisory Committee on Health, and vice-chairmanship of the Minister's Advisory Committee on Roads and Transport. Mr Glachan was elected Chairman of the Committee on 15 September 1994.



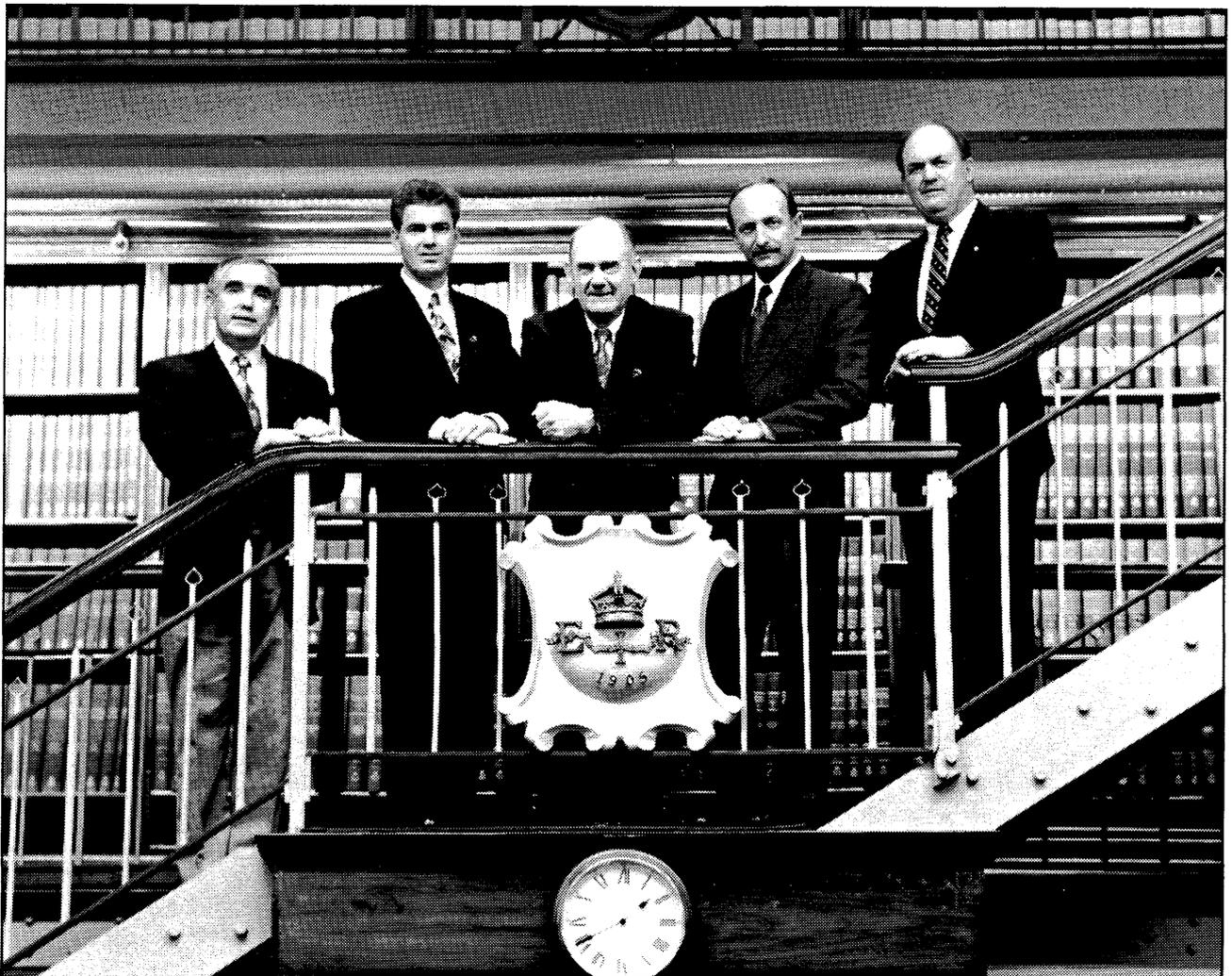
The Public Accounts Committee during 1993–94

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

The following Member was appointed to the Public Accounts Committee on 14 September 1994 in place of Andrew Tink.

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 has also worked as an Engineer for Repco and 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.



The Present Public Accounts Committee

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

CHAIRMAN'S REVIEW

1993-94

The past year has been the most productive one in the 92-year history of the Public Accounts Committee. Eleven reports were published, three public meetings were organised, including a sell-out conference at the Opera House attended by 250 people, thirty-seven speaking engagements were undertaken by members and staff, fifteen days of hearings were held, with eighty witnesses appearing, and there were twenty-six deliberative meetings throughout the year. Nevertheless, the Committee was able to remain about \$17,000 under budget for the year.

Press interest in the PAC's activities was also unprecedented, with 88 articles published on the PAC's work. In-depth coverage was provided by publications such as *Australian Financial Review*, *Business Review Weekly*, *Directions in Government*, *CPA News*, *Sydney Morning Herald*, *Australian*, *Australian SuperFunds*, *BOMA Magazine*, and *New Accountant*.

The landmarks of the year were the publication of five of the Committee's six volumes on the management and financing of infrastructure, and the issuing of the Reports on Public Defenders and the Expansion of Hawkesbury Health District Services.

The reports on infrastructure were the fruit of the longest and most complex of the PAC's inquiries. The Committee adopted four major principles in this inquiry: that there was nothing in principle to prevent infrastructure projects from being financed jointly by the private and public sectors, that governments should be able to demonstrate the public net benefit to the community of using private finance, that competition should prevail in the bidding process (unless exceptional circumstances were present), and that transparency should require the publication of contract summaries after contract signature.

The Committee's report was received with tremendous interest by the private sector and has generated considerable attention in other states, the Commonwealth and internationally.

One of the Committee's six infrastructure reports set out the proceedings of the Committee's sell-out conference on infrastructure financing held at the Opera House. Initially, the Committee had planned to hold the conference in the Parliament House theatre, but demand was so overwhelming that the venue had to be changed to larger premises. The Committee brought two American speakers to Australia for the Conference, Mr Bill Chew, Managing Director of Standard and Poor's, the New York-based ratings agency, and Mr Carl Williams, Assistant Director, Department of Transportation, California. The Conference was opened by the Premier, and Rod McGeoch, the leader of Sydney's successful Olympics bid, gave the luncheon address.

The Conference was a tremendous success for the Committee, and feedback was very favourable.

During the year, the PAC's landmark report on Internal Audit was acted on by the NSW Government, which commissioned new guidelines on internal audit largely according to the PAC's recommendations. A seminar on internal audit, *Implementation of Change*, was also held. The PAC's previous Chairman, Mr Andrew Tink, was energetic in putting the Committee's views on internal audit to a wide range of audiences, including other Public Accounts Committees at the mid-term meeting of the Australian Council of Public Accounts Committees (ACPAC), even travelling to other states for the purpose. I am pleased to report that ACPAC accepted the NSW PAC-sponsored resolution to carry out further studies Australia-wide on CEOs' responsibilities for internal audit.

The Committee's extensive report on Public Defenders was the outcome of a reference from the Attorney-General following negotiations with the Independents, the first such reference received by the PAC as a result of the *Memorandum of Understanding* of the Government with the Independents. With the aim of increasing the accountability of the Public Defenders, the PAC recommended the establishment of a statutory authority, to be called the Office of Public Defenders; most of its other recommendations were also aimed at improving accountability, as well as value for money.

During the year, the Committee, bearing in mind that the accounts of SOCOG, as a statutory authority, are subject to PAC examination, also investigated previous cities' financial experience in holding the Olympic Games.

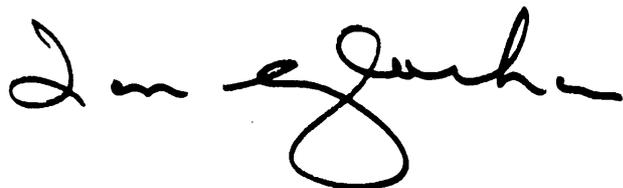
The PAC's job is to examine how economically, efficiently and effectively the public service runs its operations. The PAC itself aims to lead by example. Despite the Committee's record output, we came in \$17,000 under budget for the year. Indeed, we have actually paid a dividend to Parliament of approximately \$15,000, the surplus remaining after the Opera House Conference on Infrastructure Financing.

The small staff are remarkably productive. I would like to pay tribute to their hard work and commitment. The Director, Patricia Azarias, led the small team to new standards of productivity, programmed the conference and, particularly, wrote the lion's share of the work on infrastructure. Ian Clarke capably prepared the report on Public Defenders. The expertise of our advisor on accounting and auditing, John Lynas, was of tremendous assistance with the follow-up on the Committee's Internal Audit Report, and with very many other matters relating to accounting, auditing and the Auditor-General's Office. On behalf of the Committee, I would like to express our gratitude to the Auditor General for making Mr Lynas' services available. The unfailingly willing contribution of Jozef Imrich, particularly his expert dealings with the press, have been invaluable. The always ready and creative work of the Assistant Committee Officers, Caterina Sciara and Wendy Terlecki, has been greatly appreciated by the members. We were pleased to welcome Debbie Isted to the team at the end of the year.

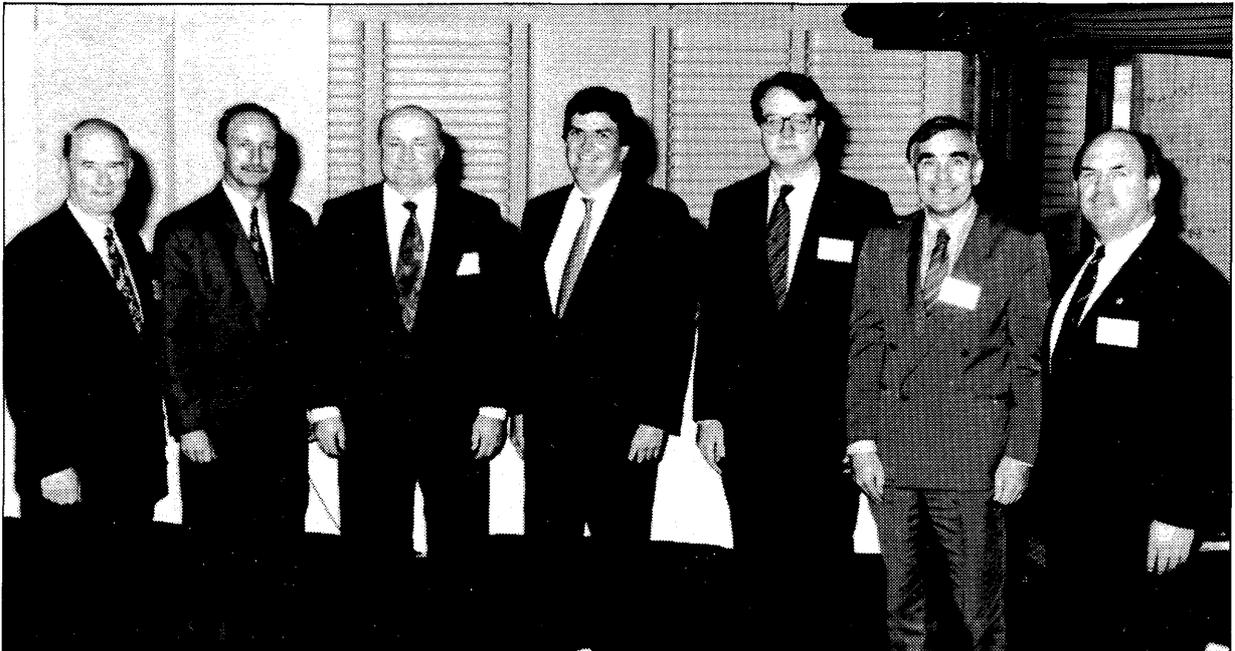
I have saved the Committee's most important tribute to last. This is to my predecessor, Mr Andrew Tink. Andrew Tink's leadership over the last two years has been greatly appreciated by the Committee. His intellectual command, and his fairness and balance in handling our small bipartisan body, have all created respect and affection within the

Committee's ranks, and, I know, among the staff. In the outside world, too, his energetic presentation of the Committee's views in scores of public appearances raised the profile and the standing of the Committee's to exceptional heights. We have admired his commitment and ability.

In conclusion, I would like to thank my fellow members— Geoff Irwin, Peter Cochran and Terry Rumble — for the unfailing bipartisan spirit they have shown during the year. The Committee's deliberations are always harmonious and focussed, and members must take the credit for the year's excellent results.

A handwritten signature in black ink, appearing to read 'Ian Glachan'. The signature is fluid and cursive, with a large loop under the 'a'.

Ian Glachan, MP
Chairman
25 October 1994



The Risk and Return: Traditional and Innovative Financing for Infrastructure Projects Conference, the Sydney Opera House on 7 December 1994.

Left to right: Ian Glachan, MP; Geoff Irwin, MP; Carl Williams, A/Director Department of Transportation, California; Andrew Tink, MP; William Chew, Managing Director, Standard and Poor's, New York; Terry Rumble, MP; Peter Cochran, MP.

HIGHLIGHTS OF THE YEAR

DATE		REPORTS TABLED
1993	14 July	Report No. 73: <i>Infrastructure Financing Vol 1</i>
	29 October	Report No. 74: <i>Infrastructure Financing Study Tour to US</i>
	13 November	Report No. 75: <i>Annual Report 1992-93</i>
	24 November	Report No. 76: <i>Financing of Infrastructure Projects: Discussion Paper</i>
1994	1 February	Report No. 77: <i>Proceedings of the Conference on Risk & Return</i>
	3 February	Report No. 78: <i>Proceedings of the Seminar on the Internal Audit —Implementation of Change</i>
	8 February	Report No. 79: <i>Expansion of the Hawkesbury District Health Services</i>
	28 February	Report No. 80: <i>Financing of Infrastructure Projects Vol 2</i>
	15 June	Report No. 81: <i>Public Defenders</i>
	30 June	Report No. 82: <i>Matters Arising from the Auditor General's Reports</i>
	30 June	Report No. 83: <i>Preparation for Peer Review of Auditor-General's Office</i>

DATE		OTHER SIGNIFICANT EVENTS
1993	20 August	Inspection Canberra as part of the inquiry into Infrastructure Financing the Committee met with representatives of the Loans Council and Australian Taxation Office.
	28 Aug - 5 Sept	US study tour for the inquiry into Infrastructure Financing
	12 November	Seminar held in Parliamentary Theatre on <i>Internal Audit: Implementation of Change</i> .

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	15 November	Inspection Canberra. Inquiry into Infrastructure Financing.
	6 December	Workshop on <i>Infrastructure Financing</i> - workshop held in Parliament House.
	6 December	Press conference held in Parliament House on US public/private partnership in Infrastructure Financing.
	6 December	Briefings for Cabinet and Shadow Cabinet.
	7 December	Conference held in The Sydney Opera House <i>Risk and Return in Infrastructure Financing</i>
1994	18 February	Mr Tink, MP, Chairman addressed visiting US organisation, the Institute for Fiduciary Education, at Parliament House.
	29 April	Launceston visit. The Committee met the Chairman of the Australasian Council of Public Accounts Committee, George Shaw MLC.
	27 May	Lismore inspection Inquiry into Public Defenders
	30 May	Andrew Tink, MP, Chairman met in Brisbane with Sir Edward Williams and Roy Harvey to discuss the private sector involvement of funding for the Commonwealth Games.

CHARTER

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

The Committee was established by the *Audit Act 1902*. However, until 1981 the Committee met only two to four times a year, each meeting lasting for only about half an hour. Committee reports during those years were a few pages long, confining themselves to instances of over-expenditure or financial impropriety and questions about procedures on contracts.

During those years and until December 1982 the Committee had only two functions:

- To inquire into matters relating to the Public Accounts referred to it by the Legislative Assembly, a minister or the Auditor-General;

- To inquire into expenditure by ministers which had not been sanctioned and appropriated by Parliament.

The first function was not exercised until November 1981, when the Committee received a reference to inquire into over-expenditure in public hospitals and the general accountability of the public hospital system.

The second function was performed only superficially until 1982, when public hearings were held and departmental witnesses examined for the first time about over-expenditures.

In commenting on the lack of references given to the Public Accounts Committee, the Joint Committee on Public Accounts and Financial Accounts of Statutory Authorities noted that this suggested:

“ . . . either a standard of efficiency in the financial administration of Departments stretching credulity to more than reasonable limits or alternatively—and more probably—a lack of understanding on the part of both the Legislature and the Executive of the need for vastly improved machinery for improvement in the control of public finance.”

The inactivity of the Public Accounts Committee was clearly the result of the latter—a lack of appreciation by successive governments of the need for a legislatively backed watchdog of public expenditure.

However, by the late 1970s there was a growing recognition in government of the need for enhanced accountability of the public sector to the Legislature.

Three successive reports from parliamentary committees appointed to examine the form of the Public Accounts and the accounts of statutory authorities recommended that:

- The Audit Act be amended to increase the functions of the Public Accounts Committee to allow it to initiate its own inquiries;

- The Public Accounts Committee be serviced by a permanent secretariat of parliamentary officers.

As a result of these recommendations, in December 1982 the *Audit (Public Accounts Committee) Amendment Bill 1982* was passed to expand considerably the powers of the Public Accounts

Committee. Thus, in addition to its two former functions, the Committee was empowered:

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

The Committee was precluded from inquiring into government policy unless it had received a reference from the Legislative Assembly or a minister.

The Audit Act of 1902 was replaced by the *Public Finance and Audit Act 1983* which retained the functions of the Committee acquired in December 1982.

A permanent secretariat was established in August 1983, thus strengthening the Committee's ability to independently exercise its new powers.

The strengthening of the Public Accounts Committee's statutory powers in 1982 received bipartisan support. Bipartisanship has underlain the way the Public Accounts Committee has investigated problems in public sector administration. The Committee has been supported by all political parties and Independents, as well as the media. Its work has involved a search for common ground, the sharing of ideas and

experience, and effective consultation and negotiation.

Inquiries by the reconstituted Public Accounts Committee have contributed to, and in many cases been entirely responsible for, restructuring of government agencies and systems. In the public health system, for example, the Committee has been behind the improvements in accountability of hospitals and in efficiency of the Home Care Service. In the public sector generally, the Committee has provided impetus to the adoption of annual reporting and accrual accounting, and strengthening of internal audit.

The Committee's achievement of its objectives through exercise of its powers is difficult to measure quantitatively. However, some assessments by external parties support the view that the Committee has been highly successful.

Over the last decade, a close working relationship has been forged between the Committee and the successive Auditors-General. The Auditor-General and Committee have complementary roles in which the Auditor-General identifies problems in government administration, and the Committee investigates the reasons behind the problems and works towards their rectification. Together, the Committee and the Auditor-General form a strong instrument of accountability to ensure that State finances are properly managed and reported.

CORPORATE PLAN

MISSION STATEMENT

The Public Accounts Committee serves the Parliament and thereby the community by:

- Acting as parliamentary watchdog of government expenditure;
- Promoting efficient and effective implementation of government policy;
- Ensuring greater accountability of the executive government to Parliament and the public.

OBJECTIVES

The objectives of the Public Accounts Committee are:

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

STRATEGIES

The Public Accounts Committee works towards achieving its objectives mainly by conducting inquiries and reporting its findings and recommendations. Those reports which recommend change are followed up to ensure that the Committee's recommendations are given serious consideration. The Committee also reviews proposals to amend

legislation and regulations on accountability issues, and participates in public education.

Initiating inquiries

Public Accounts Committee inquiries may result from a reference from a minister, the Legislative Assembly or the Auditor-General, or inquiries may be initiated by the Committee itself. Inquiries initiated by the Committee usually result from matters raised in reports of the Auditor-General, or they review action taken on recommendations in previous reports.

Of the 83 reports which the Committee tabled to 30 June 1994, 12 arose from references from the Treasurer, 23 arose from references from other ministers, two from a Legislative Assembly reference, and 2 from references from the Auditor-General. The table on page 55 shows the origin of Committee inquiries and reports.

Examining Auditor-General's reports

The Auditor-General reports to Parliament, currently three times each year, on the results of the audit of the Treasurer's Public Accounts and the accounts of government agencies. These three volumes may include results of "special" performance audits, or results of such audits may be reported separately.

The Committee examines the Auditor-General's reports for problems in financial management experienced by agencies. Such problems are often associated with a qualified audit opinion on the financial statements, late

submission of statements, or issue of management letters.

The Committee identifies matters in the Auditor-General's reports which it considers to warrant further investigation. The Chairman writes to the relevant agencies and ministers seeking a response to the concerns. On receiving a response, the Committee may decide that some matters require no further action. If necessary, the Committee may call officers of an agency to give formal evidence before it in a hearing. In some cases the Committee may consider that a further investigation is needed through a full inquiry.

Follow-up of recent Auditor-General's reports is presented in Report No. 82.

The examination of the Auditor-General's reports is an important part of the system of checks and balances in the Westminster style of government practised in New South Wales. This function of the Committee complements that of the Auditor-General and helps increase the accountability of the executive government.

The inquiry process

Once terms of reference are established, advertisements are placed in the press informing the public of the inquiry and seeking submissions from interested parties. Letters or questionnaires may be written to government agencies or private bodies seeking information or submissions. Organisations and interested parties may then be called to give evidence at a public hearing.

The Committee finds field inspections particularly useful in getting a first hand view of an agency. For a number of inquiries the Committee has also sought information from other States and

overseas in order to draw comparisons. The inspections carried out by the Committee during 1993-94 included a study tour to United States for the inquiry into urban infrastructure financing. Report No. 74 documents the observations of the study tour.

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

The completed report is tabled in Parliament and distributed to Members of Parliament, government agencies, libraries, witnesses, those who made submissions, and the Government Information Service.

Taking evidence

Witnesses are summoned to give evidence before the Committee by an order of the Committee, signed by the Chairman. In practice, witnesses are notified by telephone and in writing of the time, place and subject matter for the hearing, and the summons is handed to them before the hearing. Before giving evidence, witnesses must take an oath or make an affirmation.

Public hearings are often attended by members of the media. The Committee aims to ensure that its activities are as open and public as possible.

So far, the Committee has had the fullest co-operation of public officials in attending its hearings. It has never yet had to exercise its powers to compel a witness to attend through the issue of a warrant under the *Parliamentary Evidence Act 1901*.

Significantly, the Committee has found that deficiencies are often corrected during the investigation and before the

Committee reports, testifying to the constructive nature of the inquiry process itself.

The Public Finance and Audit Act provides that, with some exceptions, the Committee takes evidence in public hearings. However, if the Committee considers that evidence relates to a confidential matter, the Committee may decide to take evidence in private. A witness can request a hearing in private and the Committee may agree.

All hearings are recorded by Hansard. Minutes of evidence from public hearings are published and tabled in the Legislative Assembly.

A document can also be treated as confidential. Evidence taken in private at the request of a witness is not to be disclosed or published without the written consent of the witness. Evidence taken where the Committee has decided to take evidence in private can only be disclosed with the authority of the Committee.

Witnesses are protected under the Parliamentary Evidence Act against legal action for any evidence that may be construed as defamatory.

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

Following up

It is not the Committee's role to compel the Government to implement its recommendations, although it is important to ensure that recommendations are given serious consideration. The Committee understands that the Government will not always agree with its findings, and after further examination by the Government there may at times be practical or

political reasons why its recommendations cannot or should not be implemented. However, the Committee's reports are based on extensive research and involve gathering evidence from a wide range of expert witnesses. These reports therefore warrant due consideration by the Government, and the Parliament should be fully informed of action taken on recommendations.

Reports on its inquiries which recommend change are therefore followed up by the Committee. In the first instance, the Committee requests an initial response to a report from the appropriate minister. Secondly, the Committee monitors action taken in response to recommendations, and thirdly, a formal review may be undertaken with further submissions and hearings.

The Committee is currently pursuing an amendment to Standing Orders in the Legislative Assembly to strengthen the requirement of the Government to respond in Parliament to reports of parliamentary committees.

Review of legislation

The Public Accounts Committee has a responsibility under section 16(2) of the *Annual Reports (Statutory Bodies) Act 1984* and section 19(2) of the *Annual Reports (Departments) Act 1985* to review and report to the Treasurer on proposed amendments to these Acts and proposed regulations under these Acts. Section 63A(3) of the *Public Finance and Audit Act 1983* similarly provides that the Treasurer shall refer to the Committee any proposal to amend Division 3 of Part 3 (relating to auditing of statutory bodies) of that Act or make a regulation relating to the financial statements of a statutory body.

Public education

The Public Accounts Committee gives lectures at universities and other venues to increase the community's awareness and understanding of the financial and related operations of government. Additionally, all of the Committee's reports are written so that they are suitable for reading by the general community, as well as by parliamentarians and those in the public sector.

Selected speeches given by the Committee can be located in Appendix 2.1

- Undertake inquiry into cash management

- Undertake inquiry into Public Defenders

Most of these targets were met during the year, and these are reported as achievements on page 31. However, the Committee also responded to other developments in Parliament and in the public sector, and this meant that some targets had to be postponed. The Committee's exception report is presented on page 46.

Deliberative meetings

The Committee meets in closed sessions when it deliberates, receives briefings, or reviews draft reports. Meeting dates for 1993–94 are shown in the table on page 19.

TARGETS FOR 1993–94

For 1993–94 the Committee set the following targets:

- Complete the second volume of the report on infrastructure

- Conduct a review of action taken in response to Report No. 52 on the Forestry Commission and Report No.59 on the National Parks and Wildlife Service

- Produce a video on the role of parliamentary committees, provided external funding is obtained

- Complete the inquiry into debt write-offs

ACTIVITIES IN 1993-94

HEARINGS, MEETINGS AND INSPECTIONS

DATE	SUBJECT	ORGANISATION	WITNESSES/ IN ATTENDANCE
30 Jul	Deliberative Meeting		
11 Jul	Deliberative Meeting		
3 Aug	Deliberative Meeting		
4 Aug	Deliberative Meeting		
20 Aug	Inspection: Canberra	<i>Inquiry into Infrastructure Financing</i>	
28 Aug	US Study Tour	<i>Inquiry into Infrastructure Financing</i>	
30 Aug	New York	Milbank, Tweed, Hadley and McCloy	Mr Robert E Spring Mr Jamie Welch
		Financial Security Assurance, New York	Mr Roger K Taylor Mr Bryan Townsend Mr Adam Cohen
31 Aug	New York	Investment Bankers	Tamara Adler Goldman Sachs
		Simpson Thacher & Bartlett	Mr Martin D Jacobson Ms Marissa C Wesley
		Standard & Poor's Ratings Group	Mr William H Chew
		Lehman Brothers	Mr James T Taylor II Mr James F Henn
1 Sept	Washington DC	Infrastructure Finance Corporation, World Bank	Declan Duff Krishaw Sehgal Douglas Craig
		KMPG Peat Marwick	Dr Rudolph Penner
		Bear Stearns Fiduciary Services Inc	Francis X Lilley
		International Union of Operating Engineers	Tim James

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		Agenda Communications Inc	J Douglas Koelemay
2 Sept	Sacramento	State of California Dept of Transportation	Carl Williams Philip C Warriner
		California Public Employees Retirement System	DeWitt F Bowman D E Maxwell
		California State Treasury	Annette Porini
		Institute for Fiduciary Education	Marilyn Woods Susanne Burton
		California Trade and Commerce Agency	Julie Meier Wright
3 Sept	San Francisco	Bechtel	Ralph Stanley
		Fuji Bank Ltd San Francisco Agency	JA Endoso
4 Sept	San Diego	Visit to San Diego light rail system	
9 Sept	Deliberative Meeting		
16 Sept	Deliberative Meeting		
28 Sept	Deliberative Meeting		
28 Sept	Public Hearing	<i>Inquiry into financing Urban Infrastructure</i>	
		Pacific Infrastructure Corporation Pty Ltd	Mr Alastair Stone
6 Oct	Deliberative Meeting		
6 Oct	Public Hearing	<i>Inquiry into financing Urban Infrastructure</i>	
6 Oct		Standard & Poor's Rating Group	Mr Coughlin Mr A Tregilgas
7 Oct	Deliberative Meeting		
7 Oct	Public Hearing	<i>Inquiry into Financing Urban Infrastructure</i>	
		TW Crown Associates Pty	Mr M White
		Sydney Water Board	Ms R Goyal

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		RTA	Mr B Fisk
		RTA	Mr K Ford
		Asset Underwriting Pty Ltd	Mr P Wedgewood
		Fay Richwhite Australia	Mr P Dodd
		State Superannuation Investment and Management Corp	Ms E Bryan
		Macquarie University	Prof P Abelson
13 Oct	Deliberative Meeting		
14 Oct	Deliberative Meeting Public Hearing	<i>Inquiry into Financing Urban Infrastructure</i>	
		AIDC	Mr C Pienaar Mr N Palethorpe
		Development Capital of Australia Limited	Mr I Pollard
		NRMA	Mr A Finlay Mr P Steele
21 Oct	Deliberative Meeting		
28 Oct	Deliberative Meeting		
29 Oct	Public Hearing	<i>Inquiry into Public Defenders</i>	
		Attorney-General's Department	Mr L Glanfield
4 Nov	Deliberative Meeting		
9 Nov	Deliberative Meeting		
11 Nov	Deliberative Meeting		
12 Nov	Seminar	<i>On Internal Audit: Implementation of Change</i>	
15 Nov	Inspection	<i>Inquiry into Infrastructure Financing</i>	
17 Nov	Deliberative Meeting		
19 Nov	Public Hearing	<i>Inquiry into Public Defenders</i>	
		Public Defenders	Mr M Sides
		Law Society	Mr M Richardson

Public Accounts Committee

		Criminal Bar Association	Mr P Hidden QC
		Public Prosecutions	Mr Blanch QC
		Public Defenders	Mr M Lerace
25 Nov	Deliberative Meeting Public Hearing	<i>Inquiry into Public Defenders</i>	
		NSW Bar Association	Mr IM Barker QC
		Legal Aid Commission of NSW	Mr C Neave Mr T Murphy Mr D Humphries
6 Dec	Workshop	<i>On Infrastructure Financing</i>	
6 Dec	Press Conference	<i>On Public/Private partnership in Infrastructure Financing</i>	
6 Dec	Briefings	For Cabinet and Shadow Cabinet	
7 Dec	Conference	<i>At Sydney Opera House Risk and Return in Infrastructure Financing</i>	
9 Dec	Public Hearing	<i>Inquiry into financing of Urban Infrastructure</i>	
		RTA	Mr B Fisk
		Legal Services	Mr K Ford
17 Dec	Public Hearing	<i>Inquiry into the expansion of Hawkesbury District Health Services</i>	
		NSW Department of Health	Mr R Wright Mr W Jurd
		Wentworth Area Health Service	Mr T Hamilton Mr W Westcott
		Hawkesbury City Council	Ms W Sledge
		Hawkesbury Hospital Crisis Committee	Mr P Rogers
20 Dec	Public Hearing	Hawkesbury Hospital Steering Committee	Mr R Elmslie
		NSW Department of Health	Mr W Jurd

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		Wentworth Area Heath Service	Mr W Westcott
22 Dec	Public Hearing	Health and Research Employees Assoc, Hawkesbury Branch	Mr G Margetts
		NSW Nurses Association, Hawkesbury Branch	Ms M Moran
		Hawkesbury Hospital Defence Committee	Mr J Green Mr R Miller Mr B Calvert
		National Assoc of Nursing Homes & Private Hospitals	Ms L O'Connor Mr A Brotherhood
		Hawkesbury Hospital Crisis Committee	Mr P Rogers
		Hawkesbury Hospital Steering Committee	Mr R Elmslie
31 Jan	Deliberative Meeting		
3 Feb	Deliberative Meeting		
10 Feb	Public Hearing	<i>Inquiry into the Financing of Infrastructure</i>	
		Barclays de Zoete Wedd	Mr J McCarthy
		Project & Infrastructure Finance Westpac	Mr D Simonsen
14 Feb	Public Hearing	Office of Economic Development	Dr J Saunders
17 Feb	Deliberative Meeting		
18 Feb	Speech	Chairman addressed visit US organisation, the Institute for Fiduciary Education	
24 Feb	Deliberative Meeting		
14 Apr	Deliberative Meeting		
21 Apr	Deliberative Meeting		

Public Accounts Committee

29 Apr	Launceston visit	Committee meets with ACPAC Chairman, George Shaw MLC	
3 May	Deliberative Meeting		
5 May	Deliberative Meeting		
10 May	Public Hearing	<i>Inquiry into Public Defenders</i>	
		Legal Aid Commission of NSW	Mr T Murphy Mr C Neave Mr D Humphreys
11 May	Public Hearing	Attorney General's Department	Mr L Glanfield
27 May	Inspection	<i>Inquiry into Public Defenders</i>	
30 May	Brisbane Meeting	Chairman met with Sir Edward Williams and Roy Harvey to discuss the private sector involvement of funding for the Commonwealth Games.	

PRESS RELEASES ISSUED 1993/94 PERIOD

DATE		TITLE: SUBJECT
1993	14 July	PAC tables report on management of infrastructure projects
	23 July	PAC seeks new powers: Review of the Public Finance and Audit Act requested
	30 September	Dawkins PAC snub slammed: The PAC Informal access to the Federal Loan Council secretariat was denied by the Treasurer John Dawkins.
	7 October	PAC challenges Loan Council guidelines.
	25 October	Public Defenders: Reference received from the Minister.
	12 November	A "AAA" Olympics: The Managing Director of Standard and Poor's, New York, Mr Bill Chew accepted the Committee's invitation to address the forthcoming conference on <i>Risk and Return</i> .
	24 November	Conference to examine new approaches on private infrastructure.

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	26 November	PAC swamped: Due to overwhelming response the Committee was forced to change the venue from Parliament House to the Sydney Opera House.
1994	1 February	PAC pays handsome dividend: A donation of approximately \$10,000.00 was made to Parliament House from the PAC Committee.
	8 February	Hawkesbury Hospital: Report tabled.
	18 February	\$200 Billion sales pitch: IFE Conference - Andrew Tink, MP, Chairman spoke of the potential for private investment in public infrastructure investments in the state in particular reference to the Olympic Games.
	25 February	Press Conference: Launch of the Infrastructure Management and Financing in New South Wales - Vol 2 to be launched on 28 February.
	28 February	PAC promotes public-private partnership: Volume 2 Public-Private Partnerships- Risk & Return in Infrastructure Financing tabled.
	24 March	Internal auditors miss the mark: The Institute of Internal Auditors Australia should be more involved in the development of internal audit standards.
	28 March	Geoff Irwin MP: Mr Irwin's very important contribution to PAC reports acknowledged
	2 May	PM's Industry Statement: (White Paper) A boost for the Olympics:
	12 May	Accrual accounting review out of sight should not be out of mind: Reference received from the Minister.
	15 June	Public Defenders: Report tabled.

SUMMARY

11 reports

26 deliberative meetings

15 days of hearings

80 witnesses appearing 84 times

one overseas study tour comprising 19 meetings

three days of intrastate inspections

one conference, one workshop, one seminar

18 press releases



Following the sell-out success of the Conference on Infrastructure Financing, Chairman of the Committee Andrew Tink, MP (right) presents a cheque of almost \$15,000 to the Speaker, Hon. Kevin Rozzoli, MP (left).

CONFERENCES, SEMINARS, SYMPOSIA

The Committee and/or Secretariat was represented at the following external conferences and seminars:

DATE	CONFERENCES/SEMINARS
10 Aug	Chairman addressed Conference held by Deloitte Touche Tohmatsu on Internal Audit in the New South Wales Public Sector.
9 Sept	Director served as a member of the panel and answered questions on management of infrastructure projects in NSW at a French Chamber of Commerce and Industry in Australia corporate luncheon.
22 Sept	Chairman addressed the Royal Institute of Public Administration Conference on Parliamentary Committees and Public Accountability.
22 Sept	Chairman addressed the Annual Conference of the Institute of Internal Auditors on Defining the Needs of Top Management.
22 Sept	Chairman addressed the conference on Parliamentary Committees and Public Accountability which was jointly sponsored by the Australian Institute of Administrative Law and Royal Institute of Public Administration Australia.
23 Sept	Chairman addressed participants of the Macquarie University Financial Management Improvement Program.
5 Oct	Chairman addressed Australian Society of CPAs on Internal Audit - A State of Change
13 Oct	Director addressed attendees at the Executive Development Program for Women at the University of Sydney
15 Oct	Chairman spoke at a breakfast session concerning Internal Audit held by KPMG Peat Marwick.
20 Oct	Director addressed attendees at the Executive Development Program for Women at the University of Sydney
20 Oct	Director attended a discussion lunch at the AIDC concerning infrastructure management and financing
12 Nov	Director chaired the Joint Public Accounts Committee Treasury Seminar
12 Nov	The Public Accounts Committee held the Joint Public Accounts Committee/Treasury Seminar on Internal Audit - held in Parliament House.
15 Nov	Members of the Public Accounts Committee, Mr Tink, MP, Chairman, Mr Irwin, MP and Mr Cochran, MP attended the Conference of Commonwealth and State Public Works Committee at Parliament House, Canberra
16 Nov	Director presented <i>Panel Discussion: The Objectives of Controlling & Reporting Assets</i> , for the Australian Society of CPAs
16 Nov	The Director addressed the Australian Society of CPAs on <i>Managing and Reporting Assets in the Public Sector</i> .
18-19 Nov	Director addressed the Royal Institute of Public Administration Australia on <i>The Changing Ethos - Public Value as End and Means</i> .
19 Nov	Director spoke at the Royal Institute of Public Administration Australia National Conference on Parliamentary Committees and Accountability

Public Accounts Committee

3 Dec	Chairman addressed a NSW Government Accounting and Finance Officers' Group function on Public Accounts Committee review of Internal Audit in the NSW Public Sector.
6 Dec	Workshop on Infrastructure Financing. Chief Executives Officers from both the public and private sectors participated - held in Parliament House.
7 Dec	Public Accounts Committee held a conference on Risk and Return, Financing for Infrastructure Projects at the Sydney Opera House. Cost of the conference was \$300 and \$14,000 was made by the PAC. A cheque for this amount was presented to the Speaker of the House by the Chairman of the Committee. Drawcards for the conference were two US speakers Carl Williams and Bill Chew.
18 Jan	Chairman addressed the Cabinet Standing Committee on Economic Development regarding PAC's report on Management and Financing of Infrastructure.
15 Feb	Director participated in the Royal Institute of Public Administration Australia, Annual Reporting seminar.
15 Feb	Mr Tink, MP, Chairman and Mr Irwin, MP addressed the RIPAA Conference on Annual Reporting, An Accountability Tool
18 Feb	Mr Tink, MP, Chairman spoke at conference organised by the Californian Institute for Fiduciary Education at Parliament House. The executives of twenty of the biggest US pension funds were present.
18 Feb	Chairman addressed the members of the Macro-Engineering Council Limited, University of Sydney concerning the PAC's report on Infrastructure Management and Finance in NSW.
28 Feb	Chairman and Director attended lunchtime address by Director of Asia Business Development, AIDC.
28 Mar	Director addressed Honours students concerning the PAC's report on Infrastructure Management and Finance in NSW.
30 Mar	Director attended the launch of guidelines for Fraud Control, a joint project of the Audit Office of NSW and NSW Premier's Department.
30 Mar	Chairman addressed the IIR Conference on <i>Public Sector Accounting & Financial Management</i>
31 Mar	Chairman addressed the Annual Public Sector Accounting and Financial Management Conference
12 Apr	Chairman addressed the Australian Society of CPAs on Privatisation of Infrastructure Projects.
27 Apr	Director and Senior Project Officer attended an ICAC presentation to outline survey findings of public sector employees' understanding of corruption.
4 May	Chairman spoke at Conference on Clear Solutions
22-23 May	Mr Tink, Chairman, Mr Irwin and Mr Clarke visited Lismore District Court concerning Public Defenders Report
30-31 May	Mr Tink, Chairman visited Brisbane and met with Sir Edward Williams KCMG, former Chairman of the Commonwealth Games Foundation and Mr Roy Harvey, former Lord Mayor, in relation to the current PAC Inquiry into funding the Olympics

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2 Jun	Chairman addressed the Australian Society of CPAs on <i>The Audit Expectation Gap</i> .
2 Jun	Chairman addressed the Chamber of Commerce (NSW) concerning the PAC's report on Infrastructure Management and Finance in NSW.



Californian Carl Williams was one of the drawcards at the Financing of Infrastructure Conference.

ACHIEVEMENTS IN 1993-94

REPORTS TABLED

The Public Accounts Committee tabled eleven reports in 1993-94.

73. Infrastructure Management and Financing in New South Wales Volume 1: From Concept to Contract-Management of Infrastructure Projects (July 1993)

On 23 March, 1992 the Committee received a reference from the then Premier and Treasurer—the Hon. Nick Greiner, MP—to enquire into financing of urban infrastructure in New South Wales.

As the year 2000 approaches it is clear that the public infrastructure needs of the community will only be met if there is substantial private sector investment but this in turn will require strong public support.

Recent experience with the Sydney Harbour Tunnel, the Monorail, Port Macquarie Hospital and some tollways illustrate the immense political heat infrastructure projects such as these can generate.

The planning financing and co-ordination of such projects is very complex and the Committee's inquiry into urban infrastructure financing is one of the most difficult the Public Accounts Committee has ever undertaken, resulting in a two-volume report.

This volume attempts to chart the path of infrastructure projects from concept to execution, considers four case studies to illustrate problems and best practice, and studies special issues relating to the ICAC and to public disclosure of privately financed projects.

Comprehensive and integrated planning is at the heart of successful infrastructure development, and whilst such planning will always be difficult because of heated political debate over the respective merits of things like road, rail and urban consolidation, it must be attempted, constantly evolved and co-ordinated.

Effective co-ordination of integrated planning is crucial and the Department of Planning has a very important role to play. But at the end of the day, only the Premier has the necessary political authority to bring conflicting departments into line.

The replacement of State Development by the new Office of Economic Development in the Premier's Department is seen by the Public Accounts Committee as a major step forward, and the committee believes that the Office has a major role to play in effectively co-ordinating other departments the goal being an integrated infrastructure development plan which has a reasonable measure of public support.

Important steps that can be taken to encourage private sector participation in the public interest the PAC believes include the following:

- Development of best practice across departments based on discussion of successful experience through seminars co-ordinate through the Premier's Department. Lest this be seen as a simplistic motherhood statement, the Public Accounts Committee organised a very successful private/public sector workshop on contract confidentiality and was amazed to be told that nothing like it had been done before.

- An inter-agency BOOT group be organised through the Office of Economic Development to swap experience and develop best practice.

- Development of coherent policies indicating the various forms of co-operation between the public and private sectors' acceptance to the government and the sorts of risks in broad terms the government would assume itself.

- Departments should prepared shortened public versions of their capital works plans indicating projects which may be suitable for private investment but also containing a suitable disclaimer.

Many private sector participants expressed great frustration and anger at expense incurred by them in bidding for projects later deferred or cancelled, which can make it more difficult for the State to attract private investment.

Deferral and cancellation can be caused by deficiencies in policy, planning, co-ordination and/or finance which often relates to the Loan Council, and the Public Accounts Committee believes these issues should be settled before the private sector is invited to incur significant expense.

Examples of best practice considered in this report are the Bennelong Car Park and the Junee Prison; and examples where problems occurred are the Blue Mountains Tunnel and the SRA acquisition of 350 coal wagons, both of which to a significant extent relate to the Loan Council.

Protection of the public interest is a prime concern of the Public Accounts Committee which suggests the following safeguards:

- All capital works projects over \$5 million should be presented to the Capital Works Committee of Cabinet for approval at an early stage;

- EISs for privately financed projects should be financed and carried out by or on behalf of the government;

- Except in special circumstances which the government should outline to the public, privately financed projects should be subject to competitive bidding;

- The retainer of independent white knights to oversight projects and certify as to legal and technical matters should be encouraged but not seen as a substitute for oversight by ICAC, the Courts or the Auditor-General;

- Independent outside consultants be retained to assist in vetting the financial viability of proponents;

- The ICAC's Corruption Prevention Unit should develop a broad principles document covering the contract tendering process and liaise more closely with public and private sector participants to provide more focussed and timely advice.

Private infrastructure contract disclosure has been carefully considered by the Public Accounts Committee which believes that such disclosure should be more specific than presently occurs under the FOI Act and should be available to the public as a matter of course.

At the same time the Committee recognises as it did when considering the Port Macquarie Hospital contract that some sensitive commercial information may have to remain confidential and has made the following recommendations:

- For all privately-financed projects above \$5 million, the agency should, within 90 days after the contract is signed, prepare a summary of the main points of the contract, unless the contract has been disclosed in full in the meantime (No. 46).

- The Committee believes that the elements in the summaries should include:

- The full identity of the successful proponents, including details of cross ownership of relevant companies

- The duration of the contract, including details of future transfers of assets of significant value to government at no or nominal cost and details of the right to receive the asset and the date of the future transfer

- The identification of any assets transferred to the contractor by the public sector

- All maintenance provisions in the contract

- The price payable by the public

- The basis for changes in the price payable by the public

- Provisions for renegotiation

- The results of cost-benefit analyses

- The risk sharing in the construction and operation phases quantified in NPV terms (where possible) and specifying the major assumptions involved

- Significant guarantees or undertakings, including loans, entered into or agreed to be entered into, with an estimate of either the range, or the maximum amount, of any contingent liability

- Any protection in the contract against excessive profits

- Any other information required by statute to be disclosed to the Australian Securities Commission and made available to the public

- To the extent not covered above, the remaining key elements of the contractual arrangements.

The statements would not disclose:

- The private sector's cost structure or profit margins

- Matters having an intellectual property characteristic

- Any other matters where disclosure would substantially commercially disadvantage the contracting firms with its competition.

- This summary be vetted for accuracy by the Auditor-General or his nominee, and that these services be paid for by the public sector agency.

Overall the Public Accounts Committee believes that private investment in infrastructure should be encouraged in the public interest in a way that is in the public interest. Inherent in this is the proposition that the key public sector players must have delegated authority to strike a deal with private sector participants free from second guessing and review along the way by parliamentary committees and the like.

The response to the Committee's report has been overwhelming. Over 2000 copies of the report have been distributed, with many request also coming from interstate as well as overseas. It was well received the

mainstream press and professional journal.

74. *Inquiry into Financing of Urban Infrastructure - Report on United States Study Tour (October 1993)*

During the course of the Committee's inquiry into Infrastructure, it found that innovative mechanisms for infrastructure financing were being developed in the United States.

In particular, a recent report to President Clinton has proposed the setting up of an infrastructure corporation to help finance and insure infrastructure projects.

Whilst in the United States, the Committee followed up with a number of people who had been involved in the preparation of the report to talk about the pros and cons of such a corporation and other initiatives such as revolving funds, innovative rating methods for financing infrastructure projects and public/private partnerships.

As a result, the Committee brought back many new ideas which they considered in the context of our Volume 2 report on infrastructure financing.

The report was prepared in line with the Committee's very strongly held view that public sector accountability and transparency go hand in hand and that it is fundamental to such accountability for Parliamentary committees to produce comprehensive and timely reports of overseas study tours.

75. *Annual Report 1992-1993 (November 1993)*

Although the Public Accounts Committee is not required by legislation to produce an annual report, it has done so since the annual reporting legislation was

introduced for statutory authorities in 1984. The Committee has tried to follow as faithfully as possible the legislative requirements for annual reporting as an example of public sector accountability.

76. *The Financing of Infrastructure Projects Discussion Paper (November 1993)*

In the lead-up to the preparation of the Volume 2 report on *Infrastructure Management and Financing*, the Committee held a conference on the ways the public and the private sector can co-operate in infrastructure investing.

In order to stimulate this debate, the Committee prepared a discussion paper for distribution before the conference. The discussion paper set out three ideas for improving private participation in infrastructure provision:

- Government enhancement of commercial factors;
- Direct government participation in an Infrastructure Development Fund; and
- Improve administrative arrangements.

77. *Proceedings of the Conference on Risk & Return - Traditional & Innovative Financing for Infrastructure Projects (January 1994)*

The *Conference on Risk and Return - Traditional and Innovative Infrastructure Financing* (7 December 1993) was organised by the Public Accounts Committee as part of its inquiry into the management and financing of infrastructure. Over the course of the inquiry, the Committee found that newer, innovative forms of infrastructure financing are now beginning to emerge,

particularly those in which the public and private sectors share the financing and the risk. The Committee believed that there was considerable value in placing before a larger audience, in a conference setting, some of the points of view and the information on these newer financing methods which it had obtained in evidence and during its study tour of the United States.

A major aim of the conference was to be as comprehensive and relevant as possible in covering all the important aspects of infrastructure finance. To this end, the Committee invited a wide range of speakers from the public and private sectors. These included fund managers, bankers, finance experts, spokespersons from the NSW Treasury and important sectoral agencies, and presenters from overseas with new and relevant ideas.

The Committee believed that another part of the value of holding a conference lay in the debate which could be elicited from the audience.

The Committee was gratified that during the conference debate was indeed lively.

The Conference itself was a considerable success. The venue was spectacular - the Opera House is a dramatic and apposite backdrop for any conference on infrastructure; and the demand for places was more than double that which even the Opera House venue could accommodate. Indeed, it had originally been planned to hold the conference at Parliament House, but the rush for seats was so overwhelming that the Committee had to move "down the road" to the Opera House. The feedback from participants has also been very encouraging, with many calling or writing to the Committee's office with favourable comments, and further ideas for discussion!

This report presents the conference proceedings. The conference was audio recorded and transcribed by Computer Records Pty Ltd. Most of the speakers also distributed copies of their papers to conference participants, and electronic versions were provided to the Secretariat.

The proceedings were compiled from both the transcripts and the papers. In most cases where a paper was available, the paper has been incorporated into the proceedings rather than the transcribed presentation, and this has been noted in the proceedings. Minor editing has been conducted on the transcribed presentations to assist readability, and the papers have been edited to provide a consistent style throughout the report.

The conference was opened by the New South Wales Premier and Minister for Economic Development, the Hon. John Fahey, MP. The Committee is pleased that he expressed support for some significant recommendations in its *Volume 1* report, and that he so strongly endorsed the second stage in the Committee's inquiry by opening this conference.

Mike Perry from the Australian Council for Infrastructure Development outlined the objectives of his organisation and responded to many of the recommendations in the Committee's *Volume 1* report. Mr Perry's paper which was distributed at the conference is incorporated into the proceedings.

Carl Williams from the Californian Department of Transportation related his experience with infrastructure financing in his state. A cornerstone of his talk was an explanation of a new experimental statute that facilitates public-private partnerships, and gives his Department the authority to enter into such agreements on behalf of the state.

He illustrated his talk with State Route 91 - a novel type of tollroad built under the new legislation.

A discussion (also included in the proceedings) followed his delivery, and Mr Williams took the opportunity to expand upon some points of particular interest to the conference participants. Bernard Fisk, the Chief Executive of the Roads and Traffic Authority, then gave a widely discussed response to Mr William's presentation.

For the second phase of its inquiry into infrastructure financing, the Committee has received the professional assistance of Denis Pidcock from the NSW Treasury Corporation. Mr Pidcock was responsible for the foundation and management of a new division responsible for examining the introduction of private sector equity and debt finance into New South Wales public infrastructure. It is therefore most relevant that at the conference he presented a paper on public-private co-operation in infrastructure financing. The three main options for government initiatives to encourage private sector participation were addressed in some detail.

Mr Pidcock's paper is incorporated into the proceedings. It was also provided to the Australian Infrastructure Development Council prior to the conference, and this enabled Kerry Adby and Frank Matiussi of AIDC to prepare a comment paper on it. The Committee's proposal for an Infrastructure Development Fund received most of the attention in the AIDC's paper, and the example of AIDC's Telecommunications Fund, which was established to invest in Optus, is perhaps the best evidence that such a fund should work. The AIDC's paper, complete with illustrations used

during the presentation, is also incorporated in the proceedings.

At the lunch break, the conference enjoyed a talk by Rod McGeoch - Chief Executive of the successful Sydney 2000 Olympic Bid Committee. Mr McGeoch spoke on his own fresh and innovative ways of winning the 2000 Olympics for Sydney. Unfortunately, Mr McGeoch's talk was not able to be incorporated into the conference proceedings as the audio recording in the lunch venue was incomplete.

John Talbot, who is Head of Structured Financing in the Commonwealth, made a presentation on the need for long term capital funding for infrastructure and the need to examine the feasibility of a government insurance corporation for infrastructure projects. He distributed a paper at the conference, and this has been incorporated into the proceedings.

One of the likely sources of new capital for infrastructure is undoubtedly the growing superannuation funds. Peter Griffin of the Australian Investment Managers' Group addressed the conference on the factors considered by superannuation fund managers when investing. He pointed out that superannuation funds will treat infrastructure investments on their merits in competition with other types of investments, but he concluded by advocating establishment of a framework for marketable securities for infrastructure with an income stream and elimination of political risk. The proceedings incorporate Mr Griffin's paper.

The second of the Committee's overseas guests - Bill Chew from Standard and Poor's rating group in New York - elaborated to the conference on the merits of credit rating infrastructure

projects. His presentation covered two main types of credit models - pure project finance and revenue bond financing. He concluded that credit rating was essential to "provide the kind of certainty and fiduciary scrutiny for these types of credits."

In *Volume 1* the Committee alluded to the critical role played by the Loan Council in infrastructure financing decisions. The conference was fortunate to have Peter Dodd of Fay Richwhite explain the new Loan Council guidelines which he was instrumental in formulating in conjunction with Professor Bob Officer. Mr Dodd's paper was incorporated in the proceedings.

The Conference was wrapped up with a paper from the NSW Treasurer, the Hon. Peter Collins, QC, MP, giving the NSW Treasury perspective. Mr Collins' paper was presented by Paul Zammit, MP, Parliamentary Secretary to the Treasurer, and it has been incorporated into the proceedings.

78. *Proceedings of the Seminar on Internal Audit - Implementation of Change* (February 1994)

The speedy and comprehensive response by the Treasurer to the Committee's report on *Internal Audit in the New South Wales Public Sector* is proof indeed of the importance of internal audit and of the significance of the Committee's recommendations.

The implementation of the recommendations will go a long way to ensuring that the New South Wales public sector maintains its lead in internal control and audit so as to enable top management to control the state's resources for the benefit of all.

The winning of the 2000 Olympics for Sydney has posed major opportunities and challenges for all public sector management. The massive infrastructure projects to be completed in time for the Olympic games will involve the outlay of considerable funds. The implementation of strong systems of internal control including internal audit can be seen as a safeguard for the public interest. The Committee is pleased to note that the Sydney Organising Committee for the Olympic Games, the body established to co-ordinate the State's role in staging the games, is to be a statutory authority under the terms of the *Public Finance and Audit Act 1983* and therefore subject to the internal control and audit provisions of that Act.

This seminar was organised in conjunction with the NSW Treasury, and for this we are grateful. This close co-operation between the Public Accounts Committee as the review agency of the Parliament, and the NSW Treasury as a central agency of government, is again a major step in the implementation and maintenance of strong systems of internal control and audit in the State.

The Hon. Peter Collins, QC, MP, Treasurer of New South Wales and a former member for the Public Accounts Committee, opened the seminar and stated his support in very definite terms for the concept of internal audit, and indeed his support for *mandatory* and *effective* internal audit. The need for independence from line management functions for the internal auditor was also stressed by the Treasurer.

Bob Scullion, Assistant Secretary of the NSW Treasury and Chairman of the Internal Audit Bureau, gave an informative talk on how the Committee's recommendations are to be implemented. It is pleasing for the NSW Treasury to

indicate that some 95% of the Committee's recommendations are fully supported by the NSW Treasury, with the balance supported in general terms but requiring consultation with other agencies before implementation.

The Auditor-General, Tony Harris, indicated in his address the strong support of his Office for internal audit, and in a most practical way indicated that his Office was now making available relevant parts of its training package to internal auditors who had expressed interest in working more closely with their external auditors. This is a major achievement and is fully supported by the Committee.

A last minute addition to the programme was an excellent paper on public sector audit committees prepared and presented by James Guthrie from the School of Accounting of the University of New South Wales. James Guthrie's paper summarised a survey of public sector audit committees aimed at establishing "best practice" for public sector audit committees.

The Committee fully supports the academic study of internal audit and internal control. Not only does this add to the body of knowledge on the subject, but the active involvement of academics should ensure that their students, as managers of the future, should obtain and develop the skills and competencies needed if the thrust and aims of the report are to be maintained.

79. Expansion of Hawkesbury District Health Services (February 1994)

The Minister for Health, the Hon. Ron Phillips, MP, gave the Public Accounts Committee terms of reference to inquire into the expansion of Hawkesbury District Health Services.

The Committee advertised the terms of reference and subsequently conducted public hearings which focussed on the adequacy of the planning and consultation process and the appropriateness of the Tender Brief and Framework for the Draft Services Agreement. In considering these issues, the Committee has *not* sought to resolve whether or not the provision of public hospital services by a private hospital operator is appropriate.

It is plain that community consultation has been a top priority for the Wentworth Area Health Service from the beginning and that the Hawkesbury Hospital Crisis Committee, which has been actively campaigning for a new hospital for many years, is representative of community opinion.

It is equally plain that the Crisis committee and the community in general have a very strong preference for a new public hospital. However, the Crisis Committee acknowledged that the necessary funds will not be available, and that other options need to be considered. Of the remaining options, the community consultation process has resulted in a very strong preference for a not-for-profit operator.

The private for-profit hospital sector has vigorously objected to the shortlist excluding a for-profit operator, particularly when it was originally indicated that three proponents would be shortlisted. In considering this issue and the weight given to community opinion, the Committee believed that the shortlist was appropriate, and was surprised that the private for-profit sector would wish to continue to spend money pursuing a tender which it plainly could not win. This approach was in marked contrast to the Committee's experience with other infrastructure projects where private

sector proponents demanded to know at the earliest opportunity whether they were wasting their time and money.

80. *Infrastructure Management and Financing in New South Wales Volume 2: Public-Private Partnerships-Risk & Return in Infrastructure Financing* (February 1994)

This landmark report examined the ways the government and the private sector can co-operate in the financing of infrastructure projects. It was based on four principles:

- *a co-operative or partnership approach*

By this the Committee meant that a readiness to work together should replace suspicion and antagonism. It did not mean a return to questionable or illegal practices, or the building costly, valueless projects, or disguised borrowing arrangements by the government.

- *transparency*

The Committee stated that the essential elements of infrastructure contracts involving financing should be made public within three months of contract signature.

- *competition bidding*

The Committee set out its belief that competitive forces are essential to ensure the best deal for the public. However, the Committee considered that in very exceptional circumstances, which must be fully justified publicly, preferably with the support of an independent opinion, competitive bidding may be waived.

- *net benefit to the public*

The Committee said that if the government proceeds with a project involving private participation, it should demonstrate publicly that was more beneficial for the project to have been undertaken with private finance than without.

The Committee pointed out that there was a spectrum of responsibilities in infrastructure financing, from all-public at one end to all-private at the other. It stressed that it was a misconception that projects must be handled in their entirety either by the public or the private sector. It set out a number of possible ways the government might participate in mixed public-private arrangements: outright grants, loans, purchase of bonds, payment of shadow tolls, guarantees equity, offers of land for free or at concessionary rates, building of complementary infrastructure, and permission to capture value.

It also described a variety of concrete cases along various points of this spectrum.

Risk allocation is the key to all such arrangements. The assumption of risk involves costs. There are many different kinds of risk, of which the most significant are market, construction, operation and tax risk. The Committee drew attention to the several - sometimes mutually contradictory - principles commonly cited in risk allocation: risk should be commensurate with reward; the one who controls the risk should bear it; the private sector should take the commercial, and the private the non-commercial risks; the private sector should take most of the risk. The Committee pointed out that it considered

that rigid formulas on risk allocation were counterproductive.

There are many tools potentially available to the Government for attracting private finance to infrastructure: convectional bonds, inflation-indexed bonds, long-term bonds, zero-coupon bonds, revenue bonds, infrastructure bonds, loans, guarantees, grants contributions in kind, insurance, infrastructure development funds, value capture and shadow tolls.

The Committee proposed that the Government seriously examine setting up a NSW Infrastructure Development Fund, with very limited but strategic involvement by the government, to act as a catalyst to encourage new projects to get on the ground with private financing.

The report then covered some of the major obstacles currently preventing the effective use of private finance for infrastructure.

The first of these was the dearth of policy. The Committee stressed that the old (1991) Guidelines on Private Participation in Infrastructure Financing were outdated and sketchy, and made a long and detailed list of recommendations on the elements which should be included in the new Guidelines.

The second major obstacle was the lack of legislation on contract summaries, the role of the Co-ordinator General and compensation for the private sector when projects are abandoned by the Government after it has called bids.

The lack of an accounting standard to cover the new mixed public-private arrangements is a fundamental obstacle. The main illustration of the havoc which the lack of an accounting standard can

cause is the variety of views on the Harbour Tunnel.

The public sector itself provided an occasionally serious obstacle. Unfamiliar with these arrangements, it can become bogged down in process; fearful of the ICAC, it can do nothing; it may not understand the rate of return required by the private sector, or the reasons why the private sector would find it more interesting to own a long-term business than a short-term project.

The Committee proposed a number of solutions, including the establishment within Treasury Corporation of a Specialist Infrastructure Unit, and the convening by the Office of Economic Development of regular Public-Private Round Tables.

Some obstacles came from the private sector, notably the superannuation funds, which to date have been reluctant to invest in infrastructure.

The Committee also dealt with taxation. S. 51AD and Division 16D of the Income Tax Assessment Act, which are anti-avoidance provisions which have had a "draconian" effect on the supply of private finance, because they deny deductions where the private sector is not taking substantial risk or essentially controlling the asset. The Committee recommended the establishment of a states-based working group to discuss the matter and present the states' point of view to the Commonwealth.

Whilst it is inappropriate to include the recommended guidelines in legislation, there is nevertheless a need for legislation in three key areas:

- contract summaries to promote transparency;

- setting out the role of the Co-ordinator-General in the Office of Economic Development, reporting directly to the Premier;
- compensation for the private sector, where through the fault of the Government projects are abandoned, causing private sector losses.

In dealing with the private sector, public servants will frequently need guidance. The Committee recommends the creation of a Specialist Infrastructure Unit in the NSW Treasury Corporation to make available professional expertise in project analysis, financial structuring, risk analysis, financial markets and private sector finance in general.

These proposals should provide for smoother relationships between Government and the private sector, saving both taxpayers and private investors a lot of money.

Worldwide, there is a strong flow of investment dollars out of banks and into pension and superannuation funds, yet these funds have not shown much interest in infrastructure investing.

Despite this, the Committee strongly opposes calls for such funds to be forced by statute to invest in infrastructure.

What is needed is an innovative and forward thinking approach which broadens the range of investors in the infrastructure market.

Whilst it is plain that *One Nation* infrastructure bonds have not been a success because they have been pitched at individual taxpayers on high marginal rates of tax, who see things like film-making as a more attractive investment, bonds should not be dismissed out of hand.

Indeed, zero coupon bonds are ideally suited to the early high risk profiles of infrastructure investments but for the fact that the private sector buyer is deemed by the Tax Office to have received interest payments during the life of the bond even though no interest is received until maturity.

The Committee strongly believes that a fresh approach is called for and that it is about time such punishing tax disincentives were put under the microscope because bonds of various types provide an important opportunity to broaden and deepen the range of investors in private infrastructure.

It is in NSW's interest for its Treasury to take a lead with other States in pursuing infrastructure tax issues with the Commonwealth, because under the current system, cost shifting is occurring in infrastructure financing, which puts the States at a great disadvantage.

In recommending that the Government considers the possibility of participating in an infrastructure fund, the Committee recognises it will meet strong opposition from many players already in the infrastructure market place.

Nevertheless, the Committee believes that such a fund could provide an important opportunity for the Government to attract a broader range of institutional investors into the market, not least as an example of public/private co-operation.

Sydney may have won the Year 2000 Olympics, but it is clear that we will continue to compete with China for the funds to build the necessary infrastructure for them.

At the Committee's Conference last year, Standard & Poor's Managing Director

Bill Chew, estimated that by the year 2000, China's demand for power plant financing alone would be *\$1 trillion* which is more than the current global financial capacity to meet.

To stay in this race with China, New South Wales will need to be at the cutting edge of infrastructure management and financing and to that end the Committee makes no apology for wading into some areas which may cause controversy.

Our hope is that, whether they are accepted or rejected, our recommendations will provide a catalyst for world best practice in New South Wales.

81. *Public Defenders* (June 1994)

Clause 2 of the Memorandum of Understanding between the Government and the Independents relating to the reform of procedures of the Parliament had one key element, which suggested that there ought to be further refinement of the performance review committee system for the Legislature to scrutinise government departments, including statutory authorities.

This clause led to the inquiry into Public Defenders and it was referred to the Committee on 19 October 1993 by the Hon John Hannaford, MLC, Attorney General.

The ever increasing demand for legal aid means that the Government, now more than ever, needs to get full value for money from its legal aid dollars.

Strong evidence to the PAC's inquiry into Public Defenders has shown that in the area of criminal justice Public Defenders give very effective value for money.

Unfortunately, there are too few of them and seventy percent of legally aided criminal matters in the high courts are undertaken by the private Bar.

For some time it has been clear we need more Public Defenders. However, before more Public Defenders are appointed, a thorough examination is required of the legislation they work under, which is now 25 years old and has basic inadequacies in the modern context.

This was the origin of the Committee's inquiry.

The Public Defenders currently operate under the *Public Defenders Act 1969*. In 1969, the Act was a step forward, in that, for the first time, it gave Public Defenders a legislative basis and also improved their independence from government influence.

However in 1994, other issues such as accountability, which are not addressed in the 1969 Act, have come to the fore. It is now time to deal with them systematically and to consider whether the Act should be replaced to take them into account.

This entails striving for a balance between the early stress on independence, on the one hand, which is still as valid as it was in 1969, and the current focus on accountability on the other. Achieving this balance has been a major concern of the Committee throughout this report.

The main recommendations of this report were that a new Act be established setting up a statutory authority, to be called the Office of the Public Defenders, with all the accountability requirements which are expected of statutory authorities in the public sector.

The Committee recommended that the Senior Public Defender be responsible for leading the Office just as any CEO would, with the important exception that individual Public Defenders should still be free to manage their own cases.

The Committee's focus on accountability emerged in a number of its recommendations covering the Office's management structure and funding, the appointment and tenure of Public Defenders, recruitment of support staff, and performance monitoring and reporting.

In many ways, the Office of the Public Defenders, as recommended by the Committee, would be set up like a private legal practice. It should then be possible to make a direct comparison of the efficiency of Public Defenders and of the private Bar in providing legal aid.

82. *Matters Arising from the Auditor-General's Reports (June 1994)*

It is a major part of the duties of the Public Accounts Committee to follow up on matters raised by the Auditor-General in his reports to Parliament.

Often the Committee confines these follow-up activities to correspondence and informal meetings. This year, however, the Committee identified a number of matter which it felt warranted further investigation, mainly in the form of hearings. As a result, the Committee decided to issue a separate report on its follow-up activities rather than simply include them in its Annual Report, its practice in previous years.

The main matter the Committee felt deserved further attention related to the Public Trustee. The Auditor-General has expressed concern at the level of the surplus now held by the Public Trustee,

a concern which the Committee has shared. Because the surplus has now reached such a high level (over \$83m), and because - to the Committee's knowledge - there has been no publicly-available review of the Public Trustee since its inception in 1913, the Committee decided to recommend that a broad-based examination of the Public Trustee's operations be carried out and presented to the Parliament. The Committee stressed that this recommendation does not necessarily imply a criticism of the Public Trustee. Rather, the primary concern of the Committee was to strengthen accountability requirements and mechanisms in the public sector. The Public Trustee controls millions of dollars of the public's money, and the Committee believed that it was appropriate, and necessary, that the public now - for the first time ever - have available to it an extensive, professional and independent evaluation of the way he conducts his operations.

Other matters included the apparent falsification of Auditor-General's opinions in the annual reports of two authorities, which seems to have been done for reasons of expediency. The Committee could not condone such a practice, and has a duty to report on it when it occurs.

83. *Preparation for Peer Review of Auditor-General's Office (June 1994)*

This was the Committee's final report for the 1993-94 financial year, and it was fitting that it should look forward to what promised to be the first report for 1994-95, the Peer Review of the Auditor-General's Office.

The present report was evidence that the Committee took the task very seriously the task set it by the Public Finance and

Audit Act, of commissioning the first publicly-presented Peer Review of the Auditor General's office. The Committee decided to prepare the ground as thoroughly as it could before the actual peer review began, by airing a number of major issues, obtaining the views of senior members of the auditing profession, and thoroughly working out its own views.

These issues included what the scope of a peer review ought to be, whether it should be carried out by private or public sector auditors, or by a mixture, and the various ways of assuring quality control.

The NSW PAC has been one of the few parliamentary committees to set out these issues clearly and to determine in detail, before a peer review begins, what is scope ought to be and how it should be conducted.

Exception report

The targets set for 1993-94 by the Public Accounts Committee in its previous Annual Report were not all met. Funding was sought from the Law Foundation for the preparation of a video on the role of parliamentary committees, but this was not approved by the Foundation.

The Treasurer declined to provide a reference for the inquiry on cash management. The reference he provided instead was for an inquiry into the implementation of accrual accounting. This inquiry is currently under way.

It has been decided that instead of preparing a follow-up report merely on Reports nos. 52 and 59, the Committee will write a larger follow-up report on government response to all the reports

the Committee has issued in the 1989-94 period. This is one of the target for the 1994-95 year.

All the other targets were met. In addition, the Committee set itself a number of other targets during the year, and met them all. The results are outlined on page 11 of this report.

PUBLIC ACCOUNTS COMMITTEE
FINANCIAL STATEMENTS FOR 1993-94

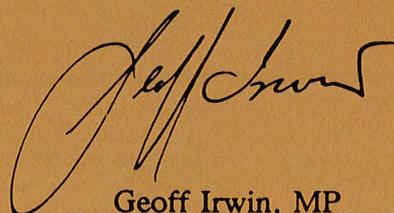
STATEMENT BY APPOINTED MEMBERS

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.



Ian Glachan, MP
Chairman
20 October 1994



Geoff Irwin, MP
Member
20 October 1994

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 1994. 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 agree with the books and records as maintained by Legislature for the year ended 30 June 1994.


J.R. MITCHELL
DEPUTY AUDITOR-GENERAL

This is the start of the audited financial statements.

**OPERATING STATEMENT FOR THE YEAR ENDING
30 JUNE 1994**

	Notes	Actual 1993-94 \$	Budget 1993-94 \$	Actual 1992-93 \$
Expenses				
Operating Expenses				
Employee related	4(a)	283,983	281,000	239,305
Other Operating Expenses	4(b)	144,367	150,000	201,900
Total Expenses		428,350	431,000	441,205
Revenues				
Sale of reports		0	0	131
Proceeds Conference	5	14,348	0	0
Total Revenues		14,348	0	131
NET COST OF SERVICES		414,002	431,000	441,074
Government Contributions				
Consolidated Fund Recurrent Appropriation	2(c)	428,350	431,000	441,074
Surplus		14,348	0	0
Dividend paid	5	14,348	0	0
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 1993-94*.

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

	1992-93		1993-94
(a)	\$	EMPLOYEE RELATED COSTS	\$
	153,671	Salaries and Wages	178,952
	491	Termination Pay	449
	969	Overtime	797
	1,255	Allowances	611
	70,666	Contract Staff & Temporary Assistance	85,969
	11,553	Payroll Tax & Fringe Benefits Tax	13,620
	0	Leave Entitlement Transfer	2,785
	700	Workers Compensation Insurance	800
	239,305		283,983
<hr/>			
(b)		OTHER OPERATING EXPENSES	
	6,157	Accommodation Expenses	6,727
	9,753	Advertising & Photography	4,910
	9,941	Office (bank fees/copier/ stationery/ stores/ minor expenses)	11,858
	274	Computer costs	18,173
	2,440	Books, Periodicals & Papers	2,940
	61,234	Consultancy & Contract Fees	5,084
	10,840	Post Courier & Telephone	17,171
	4,041	Entertainment	1,924
	12,472	Printing	30,035
	5,869	Training & Development	4,095
	78,693	Travel	41,450
	186	Additional Expenses	0
	201,900		144,367

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 \$14,348 was paid to the NSW Parliament following revenue received from a Conference on Infrastructure.

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 \$4,844 per annum at the 30 June 1994. Other Members received a Committee allowance of \$2,225 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.

The Committee inquiry into the Review of Special Auditing Function of NSW Auditor-General's Office was conducted during 1992-93. Arthur Andersen provided consulting services to the Committee. Arthur Andersen's fees were paid for separately by the Legislature and reimbursed by the Auditor-General, as agreed with the Auditor-General at the outset of the review. The total amount reimbursed during 1993-94 was approximately \$35,000.

(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 (\$24,845) and long service leave (\$3,867). The liability for these items is assumed by the Treasury on behalf of the State.

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

(c) Department of Health

KPMG Peat Marwick provided consulting services to the Committee inquiry into the Expansion of Hawkesbury District Health Services., but the services were paid for separately by the Department of Health.

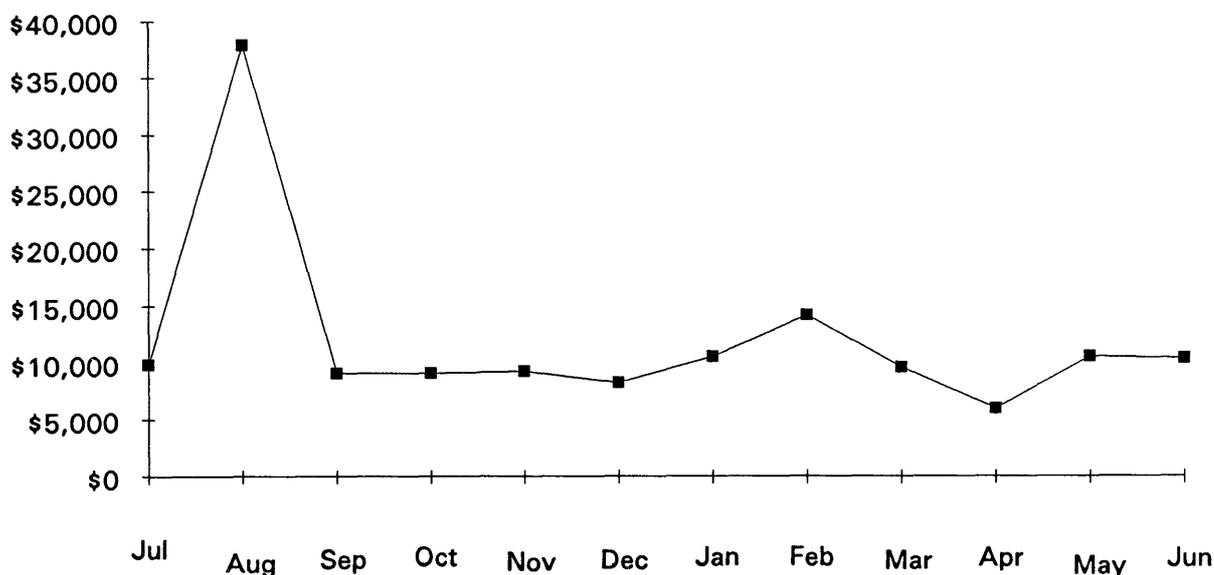
This is the end of the audited financial statements.

EXPENDITURE BY MONTH

Clause 4(b) of the Annual Reports (Departments) Regulation 1986 requires 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.

The graph illustrates this expenditure for 1993-94. Expenditure on stores and equipment comprising books, periodicals, stationery, furniture, computers and minor stores in 1993-94 totalled \$144,657.

Stores and equipment expenditure 1993/94



CONSULTANTS

Payments to consultants comprised:

- Notes:*
- KPMG Peat Marwick provided consulting services to the Public Accounts Committee inquiry into Expansion of Hawkesbury District Health Services, but these services were paid for separately by the Department of Health.

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.



Mr Tink, MP (left) and Geoff Irwin, MP (right) inspect the Homebush Bay plans for the 2000 Olympics.

TARGETS FOR 1994-95

The Public Accounts Committee has set the following targets for the remainder of 1994-95:

- Complete the inquiry into accrual accounting
- Hold a public seminar to review the implementation of accrual accounting in the budget sector
- Provide an account of the meetings, briefings and inspections conducted by the Committee on its study tour of two Olympic cities—Los Angeles and Montreal.
- Conduct a review of action taken in response to Committee reports from 1988 to 1993
- Conduct first externally-appointed peer review of the Auditor-General's Office, as mandated by the *Public Finance and Auditing Act* 1983
- Survey of Members of Parliament on their requirements from Annual Reports
- Examine the current state of internal audit and report to ACPAC Conference in January 1995
- Hold seminar series on infrastructure financing
- Hold round table discussions on the Auditor-General's powers to conduct special audits
- Hold round table discussions on current issues in public sector financial accounting
- Conduct an inquiry into the New South Wales Rural Assistance Authority
- Conduct an inquiry into the New South Wales public sector overseas projects

In addition, the Committee will follow-up issues raised by the Auditor-General in his reports to Parliament.

APPENDICES

APPENDIX 1

1. ORIGIN OF COMMITTEE INQUIRIES

No.	Report	Reference from			Initiated by PAC
		Minister	Treasurer	Auditor- General	
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

Public Accounts Committee

No.	Report	Reference from			Initiated by PAC
		Minister	Treasurer	Auditor-General	
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
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				

Annual Report for 1993-94

No.	Report	Reference from			Initiated by PAC
		Minister	Treasurer	Auditor- General	
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				
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				

Public Accounts Committee

No.	Report	Reference from			Initiated by
		Minister	Treasurer	Auditor-General	PAC
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
83	Preparations for Peer Review of the Auditor-General's Office				
Total		23	12	2	46

- 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 following a resolution from a minister
 - MU = Reference from a minister following negotiations between the Independents, as a result of the Memorandum of Understanding

2. PREVIOUS REPORTS

Prior to 30 June 1993, the Committee had tabled 72 reports. The following is a list of these reports.

1. *Expenditure Without Parliamentary Sanction or Appropriation* (November 1981)

The Committee investigated over-expenditure of \$162 million by ten ministers in 1980-81.

2. *Over-Expenditure in Health Funding to Hospitals* (February 1982)

The Minister for Health gave the Committee its first reference, which was to investigate budget over-runs of \$15.7 million by 37 public hospitals. The Committee concluded that the budget over-runs were attributable, not only to the budgetary process, but also to the failure of departmental and hospital officials to take budgets seriously.

3. *Public Accountability in Public and Other Subsidised Hospitals* (April 1982)

The Committee made 44 recommendations to improve the standard of accountability in hospitals.

4. *Expenditure Without Parliamentary Sanction or Appropriation* (September 1982)

The Committee investigated over-expenditure by 14 Ministers in 1981-82 amounting to a total of \$294 million. The Committee concluded that the explanations provided were satisfactory, with the qualification that the cost of the Government Cleaning Service warranted further investigation.

5. *Overtime Payments to Police* (November 1982)

A reference was given to the Committee by the Auditor-General regarding overtime payments to police officers. By 1980-81 police overtime payments amounted to \$21.5 million, a rise from \$8.7 million in 1976-77, despite an increase of 1000 police officers. The Committee concluded that: "a considerable amount of overtime is avoidable and arises from inappropriate policy, inefficient rostering and inefficient job organisation".

6. *Overtime Payments to Corrective Services Officers* (May 1983)

In another inquiry arising from a reference from the Auditor-General, it was found that more than half of the New South Wales prison officers had received overtime payments in excess of 50% of their normal salary, and 10% received more than 100% of their salary in overtime payments. In 1981-82 overtime payments had totalled almost \$14 million. The Committee noted that one of the major causes of overtime in both the Police Force and the Department of Corrective Services was the high level of sick leave.

7. *Accountability of Statutory Authorities* (June 1983)

This inquiry, following a reference from the Treasurer, was a response to concern about the need for greater information from statutory bodies. Most of the Committee's recommendations were incorporated in the *Annual Reports (Statutory Bodies) Act 1984* and the *Public Finance and Audit Act 1983*.

8. *Grain Sorghum Marketing Board* (November 1983)

On a reference from the Minister for Agriculture and Fisheries, the Committee investigated the \$3 million indebtedness of the Board. The precarious financial position of the Board was found to be largely due to producers (including all producer members of the Board) failing to deliver to the Board. The recommendations by the Committee were designed to apply to all marketing boards in NSW, and most were embodied in the *Marketing of Primary Products Act 1983*.

9. *Auditor-General's Report 1981-82* (December 1983)

This report covers investigation of matters in the Auditor-General's Report for 1981-82. The Committee published answers from 28 agencies in response to the Committee's concerns about comments by the Auditor-General. Where explanations were considered unsatisfactory, the Committee sought further information through public hearings.

10. *Superannuation Liabilities of Statutory Authorities* (August 1984)

This inquiry arose from a reference made by the Treasurer. The inquiry found that NSW statutory

authorities had unfunded superannuation liabilities in the order of \$2.5 billion. The Committee recommended full disclosure of accounting expenses in relation to superannuation costs, and full funding to meet deferred superannuation commitments. Non-budget sector agencies now have to provide for their superannuation liabilities, but this has led to difficulties in accounting for and reporting of superannuation costs; this was the subject of a NSW Treasury circular in August 1993. The Government's 1993-94 Budget strategy includes a program of providing for an increased level of funding superannuation liability, aimed at reducing its *budget sector* liability by the year 2004-05 by \$4.0 billion in real terms.

11. *Annual Report for Year Ended 30 June 1984* (August 1984)

This was the Committee's first annual report. It followed as closely as possible the Committee's own recommendations on the reporting requirements of statutory authorities.

12. *Matters Examined in Relation to the 1982-83 Report of the Auditor-General* (October 1984)

The Committee wrote to 65 organisations seeking information about matters raised in the Auditor-General's Report for 1982-83. The report summarised the issues raised, the organisations' responses, and the results of the Committee's deliberations.

13. *Proposed Regulations Accompanying the Annual Reports (Statutory Bodies) Act 1984 and the Public Finance and Audit Act 1983* (January 1985)

As required by the legislation itself, proposed regulations to these Acts were forwarded to the Committee for examination and report. 95% of the Committee's recommendations were gazetted on 14 June 1985.

14. *Investment Practices of New South Wales Statutory Authorities* (June 1985)

This inquiry arose from concern that the investments of NSW statutory authorities, worth at least \$11 billion, were being invested so as to maximise returns to the State. The Committee found that while investment performance was generally good, there were some strategies, policies and practices of authorities which could result, in the long term, in poor investment

returns. The Committee considered that the income earned by many authorities, particularly smaller ones, could be significantly increased.

15. *Performance Review Practices in Government Departments and Authorities* (June 1985)

This report examined the measures taken by heads of departments and statutory authorities to ensure efficiency, effectiveness and internal control of their agencies, as required by the *Public Finance and Audit Act 1983*. It recommended that agencies be required to publish their external objectives and key performance measures in annual reports.

16. *Brief Review of the Macarthur Growth Area* (July 1985)

This inquiry arose out of the Committee's examination of the report of the Auditor-General for 1982-83. The report recommended clarification of the role of the Macarthur Growth Area (MGA), establishment of clear and realistic objectives, and identification of performance measures.

17. *Brief Review of the Statutory Funds of the Department of Environment and Planning* (July 1985)

The main purpose of this short report was to review the operation and relevance of the seven statutory funds administered by the Department of Environment and Planning.

18. *Brief Review of the Land Commission of New South Wales* (July 1985)

The Committee reviewed the efficiency of Landcom's operations and project management. The report pointed out the lack of clear objectives for Landcom and underlying conflicts in roles and objectives.

19. *Annual Report for the Year Ended 30 June 1985* (September 1985)

20. *Report on Year-End Spending in Government Departments and Selected Authorities* (March 1986)

The inquiry into year-end spending in the public sector arose from a concern that the disproportionate amounts of expenditure traditionally made at the end of the financial year resulted in wasteful expenditure of public money.

The Committee confirmed those concerns, concluding that many of the items purchased at year-end were ordered and paid for in great haste in what appeared to be an unplanned manner. The introduction of accrual accounting and global budgeting should largely remove the incentive for this practice.

21. Follow-up Report on Inquiries (1982) into the New South Wales Public Hospital System (April 1986)

This report reviewed action taken following the Committee's Report No. 2 on expenditure overruns in health funding and Report No. 3 on accountability in public hospitals. The report criticised both the hospitals and the Health Department for the slow progress in reforming health administration in New South Wales. The Committee found that action taken following the earlier reports had been tardy and ineffective in a number of areas. The major unresolved problems concerned the delineation of hospital roles, the budgeting process, the provision of worthwhile incentives to hospitals, accountability, and performance measurement.

22. Report on Recommended Changes to the Public Accounts (May 1986)

This inquiry arose from a reference from the Treasurer to examine a NSW Treasury review of the format of the Public Accounts. The Committee supported proposals suggested in the review to reduce duplication in the Public Accounts. Where the amount of information available to the public would be reduced, however, the Committee did not support the change. The Committee's report made additional recommendations to improve the presentation of the Public Accounts. Action on these recommendations has since been overtaken by other financial reforms.

23. Report on Proposed Regulations Accompanying the Annual Reports (Departments) Act 1985 and Miscellaneous Amendments Concerning Annual Reporting (May 1986)

A reference was received from the Treasurer to review reporting requirements under the *Annual Reports (Departments) Act 1985* and the *Public Finance and Audit Act 1983*. The Committee supported the extension of many of the reporting requirements of statutory bodies and departments.

24. Follow-up Report on Overtime Payments to Corrective Services Officers (June 1986)

This report examined progress in implementing the recommendations of the Committee's Report No. 6. It was found that though the Department of Corrective Services had managed a significant reduction (and thereby significant savings) in overtime levels, overtime still remained high in relation to the rest of the public sector. One of the major contributing factors was the high level of annual sick leave, which had increased from an average 15 days in 1981-82 to 21 days in 1985-86. The Committee's recommendations included upgrading management training and increasing the accountability of prison superintendents.

25. Report on the Collection of Parking and Traffic Fines (July 1986)

This inquiry followed comment by the Auditor-General on the level of outstanding parking and traffic fines. The major recommendation of the Committee was that drivers failing to pay large fines or having outstanding fines for three or more infringements should have their licences cancelled rather than be imprisoned. This has since been implemented, but the Committee has since found that this has led to an increased number of unlicensed drivers. This aspect will be followed up in the inquiry into debt write-offs.

26. Follow-up Report on Annual Reporting of Statutory Authorities (July 1986)

This report reviewed action taken following the Committee's Reports Nos 7 and 13. The annual reporting legislation had implemented recommendations contained in the Committee's prior reports. However 78% of statutory bodies had received at least one exemption from the legislation, while others had not conformed with the legislation but had not applied for exemptions. The Committee reported its dissatisfaction with the approach of many authorities towards annual reporting regulations. Exemptions sought from the Treasurer were considered excessive.

27. Annual Report for Year Ended 30 June 1986 (August 1986)

28. Follow-up Report on Overtime, Sick Leave and Associated Issues in the New South Wales Police Force (November 1986)

This report monitored action taken following Report No. 5. The follow-up inquiry found overtime hours had been significantly reduced. However, the Committee noted that the collection and analysis of overtime data were still inadequate. It recommended urgent improvements in data collection and in the use of data to help determine changes in policy and procedures. The inquiry also examined use of police motor vehicles. The Minister subsequently implemented changes in sick leave, overtime and motor vehicles.

29. Report on the New South Wales Builders Licensing Board (December 1986)

The Committee's report identified community dissatisfaction with the Board, long delays in inspections, and a virtually unused insurance scheme with funds of \$8.7 million. Following the Committee's report, a Review Committee was formed, the Board was abolished, and a new body—the Building Services Corporation—was established. Most of the Committee's recommendations were adopted by the new Corporation, but the 1992 Royal Commission into the building industry in New South Wales recommended a fresh inquiry into the Building Services Corporation by the Public Accounts Committee. An independent commission of inquiry was carried out under the auspices of the Department of Consumer Affairs and reported in February 1993. That report recommended a major restructuring of the Corporation and ultimate privatisation of the insurance schemes. It also noted that the Corporation has accumulated large reserves of assets from its licensing fees and insurance premiums, which is excess to that required to support the insurance scheme. The Committee understands that the recommendations of that report are under consideration by the Government. Meanwhile, the Committee will re-examine relevant aspects of the Corporation in its inquiry into cash management.

30. Report on Brief Review of the Sydney Opera House Trust; Harness Racing Authority of New South Wales; and New South Wales Cancer Council (February 1987)

The Committee's report recommended that: the Park and Ride Service to the Sydney Opera House be conducted on a user-pays basis and that

the Trust's annual report incorporate performance measures; and that the Harness Racing Authority develop performance measures, examine its Benevolent Fund, and change its method of funding.

Issues raised in relation to the Cancer Council included the purchase and sale of office accommodation, a loan to the former medical director to purchase a home, termination payments to the medical director, and fund raising expenses.

31. Report on the Film Corporation of New South Wales (June 1987)

This report concluded that after a decade of operation, the Film Corporation's objectives and operations required redefinition. The report recommended structural changes to enable clearer lines of responsibility and accountability and more stringent financial controls. The Committee investigated projects which received script development funding from the Corporation, and expressed concern at the large sums channelled into projects which eventually lapsed. In 1988, the Corporation was abolished and an Office of Film and Television established.

32. Report on the Home Care Service of New South Wales (July 1987)

This inquiry arose from a reference from the Minister for Youth and Community Services. In July 1988 the Home Care Service was established as a statutory corporation under separate legislation to make it more accountable, in line with the Committee's recommendations.

33. Annual Report Year Ended 30 June 1987 (September 1987)

34. Supplementary Report Year Ended 30 June 1987 (September 1987)

During the year, the Committee undertook a number of inquiries on matters initiated by the Committee as well as follow-up of the Auditor-General's report.

35. Report on the Wine Grapes Marketing Board for the Shires of Leeton, Griffith, Carrathool and Murrumbidgee, and the Grain Sorghum Marketing Board (September 1987)

The Committee initiated preliminary inquiries into the Wine Grapes Marketing Board as part of

its follow-up of the Auditor-General's 1985-86 Report. Subsequently, the Committee received a reference from the Minister for Agriculture. The report recommended that the *Marketing of Primary Products Act 1983* be amended to assist the Board in improving security, and that the Board adopt a more positive approach to marketing.

This report included a review of Report No. 8. The Committee found that following the implementation of the Committee's earlier recommendations, grower participation had increased and the financial position of the Grain Sorghum Marketing Board had improved.

36. Report on the Biennial Conference of Public Accounts Committee - May 1987 (October 1987)

The Committee was host to this conference which provided a forum for Public Accounts Committees to present, consider and discuss issues in public sector administration. The theme of the Conference was *Government—A Big Business*, and the major issue discussed was accrual accounting for the public sector.

37. Report on the Ravensworth Coal Washery (October 1987)

This report followed examination of matters arising from the Auditor-General's 1985-86 report. It was concluded that the Electricity Commission of New South Wales had inefficiently managed the washery project and misled the responsible minister. The washery was closed on 22 May 1992 and later advertised for sale.

38. Report on the Proceedings of the Accrual Accounting Seminar (May 1988)

The seminar provided a forum to promote debate on accrual accounting in the public sector. Public Accounts Committees, parliamentarians, Auditors-General and senior managers from the public sector around Australia attended.

39. Report on the Purchasing Practices and the Allocation of Stores and Equipment Resources Within the Technical and Further Education System (February 1988)

During this examination, which followed a reference from the Minister for Education, the Committee found that the Department spent a great deal of time and effort in planning courses

and maintaining course relevance, but that management of equipment was given a low priority. The Committee concluded that the planning and evaluation of these resources could be improved by upgrading information systems and using performance indicators. The inquiry uncovered a "paper war" being waged between colleges, regions, heads of schools and head office, and found that lack of communication between schools often resulted in duplication of equipment within one college. The Committee recommended an "intercollegiate ownership" approach towards stores and equipment.

Since the report was tabled, restructuring of TAFE has established 11 institutes and increased devolution of authority to constituent colleges. A new financial management information system was implemented in 1991-92, but with significant teething problems. The Committee will continue to monitor the situation.

40. Report on the Heritage Council of New South Wales (June 1988)

The Committee received a reference for this inquiry from the Minister for Planning and Environment. The Heritage Council had operated for 10 years without a corporate plan and without a review of its role and procedures by an external agency. The inquiry revealed the absence of public accountability, inappropriate reporting, and confusion concerning responsibilities within the management structure. The report recommended greater accountability for grants, loans and assistance provided under the National Estates Program, and improved procedures for engaging consultants.

41. Annual Report for the Year Ended 30 June 1988 (September 1988)

42. Report on the Management of Arson in the Public Sector (December 1988)

This inquiry was initiated by the Committee to examine the cost and incidence of arson, which resulted in disruption of services and an estimated \$15 million loss in public assets annually. The Committee found that little actuarial detail on the financial costs of arson was kept, and that there was little consistency in calculating costs. The Committee recommended improvements in the collection and management of information on arson, in monitoring of arson control programs, and in fire brigade and police training. It also made recommendations relating to practices in

particular agencies, including Education, Public Works and the State Rail Authority.

43. Report on Payments Without Parliamentary Appropriation (February 1989)

In his 1986 and 1987 reports, the Auditor-General expressed concern at the weakening of parliamentary control over payments out of the Consolidated Fund made under section 22 of the Public Finance and Audit Act. Parliamentary approval had been granted, in many cases, after the payments had been made, but the justification of such payments was questionable. The Committee recommended that allowance continue to be made for payments under section 22, but that such payments be limited to fund urgent and essential works. The Committee also recommended that a second Appropriation Bill be presented to Parliament in the second half of the financial year to enable the NSW Treasury to adjust the Budget with parliamentary consent.

44. Report on the New South Wales Ambulance Service (February 1989)

The inquiry found that the Ambulance Service had a cumbersome, outdated management structure. The Committee also found that the Service lacked appropriate personnel management, which resulted in inadequate allocation of staff and low morale. The report recommended a more effective use of the Service's vehicles. The Committee also proposed differential ambulance transport fee structures to help alleviate the cost burdens of inter-hospital transfers.

The most fundamental response was the enacting of the *Ambulance Services Act 1990* to reconstitute the Ambulance Service and establish an Ambulance Service Board. However, the bulk of recommendations in the Committee's report covered a large number of complex issues, and formal responses to the Committee's requests for information lacked detail to support claims that issues have been seriously considered and reforms made. The Committee is pursuing greater accountability for the Ambulance Service to the Parliament by recommending firstly in its report on internal audit and secondly in its advice to the working party on the review the public financial accounting, auditing and reporting legislation, a legislative requirement for the Service to produce annual reports. Meanwhile, the collection of outstanding ambulance fees will be examined in the inquiry into debt write-offs.

45. Report on Payments to Visiting Medical Officers (June 1989)

The Minister for Health gave a reference to the Committee to inquire into the circumstances surrounding increases in payment to visiting medical officers, which had soared from \$46 million in 1983-84 to an estimated \$204 million in 1988-89. The inquiry found that the industrial determination by Justice Macken in 1985 was one of the chief causes of the increases in payments, and that further increases followed litigation initiated by the Australian Medical Association. The report highlighted lack of management control within the hospitals in relation to appointments and rostering, and a failure to verify claims for payment. The Department's management information system could not measure productivity of doctors nor project future service requirements.

The Committee recommended stricter internal control in all hospitals and better reporting procedures; the modification of fees-for-services remuneration; and abandonment of the system of sessional payments to visiting medical officers.

The most significant development since the report was a new ruling made by the Industrial Relations Commission on 25 March 1993 which substantially reduced rates of pay and introduced a requirement for contracts to specify in advance hours to be worked. A draft standard service contract has since been agreed between the doctors and the Department of Health, and this is currently before the Full Bench of the Commission for ratification.

46. Annual Report for the Year Ended 30 June 1989 (October 1989)

47. The Challenge of Accountability (November 1989)

In its examination of the Auditor-General's Report of 1988, the Committee found substantial non-compliance with the Public Finance and Audit Act and the annual reporting legislation. The Committee found that 20% of statutory bodies submitted their financial statements to the Auditor-General late, and the majority of these had not applied to the Treasurer for an extension. The number of qualified audit certificates had doubled since the previous year, and the majority of qualifications were due to a departure from accounting standards or uncertain financial information.

Two important recommendations in this report were that late tabling of an annual report require a ministerial explanation to Parliament, and that non-compliance with the Public Finance and Audit Act or the Annual Reports Acts be regarded as unsatisfactory performance by the responsible officer. The first one has been implemented in legislation, whereas the Committee continues to pursue the other.

48. Report on the Darling Harbour Authority
(December 1989)

This inquiry followed a reference from the Minister for Planning to review the Darling Harbour Authority's tendering procedures, leasing and contractual arrangements, administration, industrial relations management, and consultancy arrangements. The Committee found that the deadline set for the completion of the development, the volume of construction work required, and the complex industrial relations climate in the building industry at the time meant that early crucial decisions were rushed. Contract management was inadequate and contract variations and claims were badly handled. The Committee found that greater attention to public relations would have helped reduce the problems caused by negative publicity, and that insufficient attention was given to defining from the outset the market orientation of the development.

The Committee made 67 recommendations, including 14 to address marketing deficiencies and 18 designed to improve industrial relations and occupational health and safety for any such future projects.

49. Report on the New South Wales Auditor-General's Office (July 1990)

The three major reforms recommended in this report are that the Auditor-General be empowered to carry out comprehensive audits, that occupants of the position of Auditor-General be appointed for a non-renewable term of seven years, and that peer reviews be conducted of the Auditor-General's Office at three year intervals. The Committee also recommended that the Auditor-General be given the power to appoint his or her own staff, to establish conditions and terms of employment, and to determine the staffing profile of the Office to enable it to better respond to changes in modern public sector auditing. Most of the report's 40 recommendations have been

implemented as amendments to the Public Finance and Audit Act.

50. Report on the Lord Howe Island Board
(December 1990)

Following adverse comments in the Auditor-General's Reports of 1988 and 1989, the Committee resolved to examine the financial and administrative practices of the Lord Howe Island Board. The Committee found that transfers of the Board's accounts, combined with the lack of a qualified accountant on the island and an inadequate computerised accounting system, created major problems.

The Committee made 39 recommendations designed to improve the accountability of the Board's operations. These included: the preparation of a corporate plan and a tourism marketing plan; that the meetings of the Board and its committees be held in public; and that the regulations to the Lord Howe Island Act be reviewed and upgraded to more suitably empower the Board.

The then Minister for the Environment accepted the Committee's report, though a number of the recommendations awaited the appointment of a new Lord Howe Island Board to be constituted under new legislation. The proposed legislation was not proceeded with, but in 1992 the Board reported that three recommendations were not within its power to implement, eight have been fully implemented, and implementation of 23 was underway.

51. Annual Report for Year Ended 30 June 1990
(November 1990)

52. Report on the Forestry Commission
(December 1990)

This report generated the most public interest to date. On a reference from the Minister for Natural Resources, the Committee inquired into the accounting processes, operations and performance of the Commission. Many of the 78 recommendations in the report were implemented immediately, while others were on issues being considered in a separate review of the Commission for corporatisation. The Commission has recently re-organised, with a new corporate plan, management structure, and financial management information system. The Committee will review the progress and effectiveness of this re-organisation this financial year.

53. Report on the Auditing of Local Government (February 1991)

Under a reference from the Minister for Local Government, the Committee examined the appointment of local government auditors in NSW, the terms and conditions of their employment, the qualifications and experience required, the formulation of standards and a code of professional practice, the duties and rights of auditors, and the scope and objectives of the audit assignment. The Committee made 33 recommendations, the most important being those which would bring local government auditing closer into line with other government and commercial practice.

The Public Accounts Committee's report was used by the Department of Local Government and Co-operatives during the preparation of both a discussion paper on the reform of local government and the new *Local Government Act 1993*. Many of the issues raised during the inquiry were incorporated into chapter 13 of the Act.

54. Examination of the Juvenile Transport Service of the Department of Family and Community Services (April 1991)

The Juvenile Transport Service was the section of the Department of Family and Community Services responsible for the safe transport of juvenile offenders between courts, other appointments and detention centres. The Committee found that the Service was suffering many managerial and financial problems which included inadequate financial controls, reporting and accountability, low staff morale, duplication of services with police, and unauthorised and inappropriate use of vehicles.

The Committee recommended the development of a corporate plan, the implementation of an induction and training program, the development of a computer booking system to co-ordinate juvenile offender's movements and bed allocations, that the security features of its vehicles be upgraded, and that a minimum staff/offender ratio be set and adhered to. The Service has since been transferred to the Office of Juvenile Justice.

55. Report on Payment Performance of Major Statutory Authorities and Inner Budget Sector Departments (May 1991)

The inquiry, initiated by the Treasurer, revealed that many departments and authorities did not comply with the Treasurer's Direction on payment of accounts within 30 days. The Committee concluded that the most common reasons for non-compliance are deficient administrative of accounting systems, lack of financial expertise, and a low level of commitment to timely payment from senior staff. New regulations on payment performance have resulted from the Committee's report.

56. Parliamentary Scrutiny of Performance--Seminar Papers (May 1991)

Speakers included Professor Bill Russell of Monash University's Public Sector Management Institute who asked "can Parliament exercise leadership?", and Mr Russell Grove, Clerk of the Legislative Assembly who spoke about scrutiny in the day to day workings of the Parliament. Mr Ian Temby, QC, Commissioner of the Independent Commission Against Corruption, and the Ombudsman, Mr David Landa, discussed the roles of their organisations. Mr Adrian Cruickshank, MP, Chairman of Parliament's Regulation Review Committee, and Mr Phillip Smiles, MP, Chairman of the Public Accounts Committee, outlined the functions of those Committees. Mr Norm Oakes, former Secretary of the NSW Treasury, looked at parliamentary scrutiny from perspectives within the New South Wales bureaucracy.

57. Report on Legal Services Provided to Local Government (May 1991)

The Minister for Local Government and Planning requested the Public Accounts Committee to conduct an inquiry into the use of external legal services by local government, the terms of their engagement, the cost involved, the impact of relevant legislation, and the extent of use of legal service and of the Land and Environment Court in resolving local planning matters.

The report recommended new internal administrative arrangements for councils with a view to ensuring adequate and periodic reviews of legal services, in addition to minimising over-reliance on legal advice and representation. It also included suggestions to help the prevention and resolution of disputes early in the decision-

making process, with the emphasis on promoting a more client-oriented approach. The new Local Government Act requires costs of legal services to be disclosed in annual reports, which should encourage councils to adopt the Committee's suggestions for ways to reduce those costs.

58. *Annual Report for 1990-91* (October 1991)

59. *Report on the National Parks and Wildlife Service* (December 1991)

The role of self-generated funding in the National Parks and Wildlife Service was investigated by the Public Accounts Committee after receiving a reference from the Minister for the Environment. The Committee found that commercial revenue was limited in the Service because its commercial functions were not supported by sufficient appropriately skilled people, because there was no real incentive to increase revenue raising, and because in fact there were many powerful disincentives.

Recommendations were made to turn this situation around. Initial "seed money" to provide funds for an increased emphasis on commercial programs was recommended to be obtained from commercially charging for alien tenures by other government agencies, and surprise audits of leaseholders. This seed funding was subsequently approved, and the Committee will be following up on the result in the current financial year.

60. *Report on Dividend Payments Made by Statutory Authorities to the Consolidated Fund* (April 1992)

The Public Accounts Committee believed that it was time for parliamentary scrutiny of the principles and processes of dividend payment by statutory authorities, as dividends were growing in size and importance as contributions to Consolidated Fund revenue. One of the aims of this report was to explain some of the principles involved in the payment of dividends.

The Committee favoured a flexible, case-by-case approach to methods of calculating dividend payments—an approach that takes into account an authority's future capital needs and current operating requirements. The Committee concluded that there is a need for greater openness and transparency from the Treasury in its treatment of dividend payments. Clarification of which authorities are actually liable to pay dividends, greater consultation between the

Treasury and those authorities, and publication of the Treasury's general dividend policy were recommended in the Committee's report.

In August 1992 the NSW Treasury issued "A Financial Distribution Policy for NSW Government Trading Enterprises". The Committee had planned to follow-up its report, but subsequently decided to wait until the report of the Select Committee Upon the Water Board is available, as that report will address dividends as one of the terms of reference for the inquiry.

61. *Follow-up Report on Financial Accountability* (June 1992)

This report followed up on the implementation of recommendations concerning financial accountability in five previous reports, Nos 1, 4, 20, 47 and 43. It was gratifying to report that a large proportion of the Committee's earlier recommendations had indeed been implemented. However, the follow-up inquiry revealed that no action appeared to have been taken on the recommendation in Report No. 47 that non-compliance with the Public Finance and Audit Act or the annual reporting legislation be regarded as unsatisfactory performance of the responsible officer. This recommendation was reiterated in the follow-up report, and the Committee resolved to pursue its implementation.

The follow-up inquiry also re-examined section 22 of the Public Finance and Audit Act, which allows for money to be transferred without prior parliamentary approval from the Consolidated Fund for the "exigencies of government", that is, for unforeseen circumstances such as natural disasters. Report No. 43 revealed that a total of \$1.3 billion over five years had been transferred under this section, largely to balance the New South Wales Budget in those years up to 1989 when there were budget surpluses. The Auditor-General considered that this was beyond the intent of the section. That report recommended that a second or subsequent Appropriation Bill(s) should be introduced into Parliament during the course of the year to allow prior parliamentary scrutiny of all non-emergency expenditure from the Consolidated Fund.

62. *Phase One Report on the Public Accounts Special Committee Inquiry into the Port Macquarie Hospital Contract* (June 1992)

On 1 May 1992 Parliament resolved to establish a Public Accounts Special Committee as a select committee. The Special Committee was based on the Public Accounts Committee with Mr Longley, MP, as Chairman, but with the addition of a further representative from each of the Liberal, National and Labor parties, plus a non-aligned Independent. The Special Committee was to inquire firstly into the private sector proposal for a new Port Macquarie hospital, and secondly into the more general aspect of Commonwealth and State funding of health infrastructure and services.

The Committee studied the draft contract between the Department of Health and the private consortium proposing to build and operate the Port Macquarie hospital, and considered the relative benefits of the private sector proposal and a conventionally funded public hospital alternative. The Committee achieved agreement on recommendations designed to improve the contract if the project was to proceed, which indeed it did.

63. Report of Proceedings of the Seminar to Review Progress of Financial Reform in the New South Wales Public Sector (June 1992)

The Chairman—Jim Longley, MP—opened the seminar and reviewed the changes in public sector accounting and reporting that had been introduced in the 1980s. Percy Allan—Secretary of the NSW Treasury—spoke of the role and responsibility of his central agency for the administration of the Public Finance and Audit Act and the annual reporting legislation. Don Nicholls gave an insight into the reform process from his perspective as the recently retired Deputy Secretary of the NSW Treasury. A private sector perspective was given by Michael Sharpe, a partner with the accounting firm of Coopers & Lybrand, and Ken Barker—Executive Director of Finance and Administration, Department of Health—gave an implementer's view.

64. Report on Progress of Financial Reform in the New South Wales Public Sector (June 1992)

The Committee noted that the 1980s was the decade of change. The 1983 Public Finance and Audit Act brought the accounting, auditing and parliamentary review mechanisms up to a contemporary level. The New South Wales public sector within Australia, and indeed the world, is

now regarded as having one of the highest levels of financial accountability and reporting. As part of this project the Committee undertook five case studies into the implementation of these financial reforms, namely, the Royal Botanic Gardens, the Valuer-General's Department, the Roads and Traffic Authority, the Department of Health, and the Department of Corrective Services. Eight recommendations were made in the report, and the NSW Treasury responded favourably to all of them.

65. Ninetieth Anniversary (November 1992)

1992 was the 90th anniversary of the Public Accounts Committee, and the Committee celebrated the event with a seminar on internal control and audit to launch a new inquiry into internal audit. The seminar proceedings were reported later, but for the seminar the Committee produced a report which looked back at the evolution of the Committee and its achievements over 90 years, especially since the Committee was revamped in the early 1980s, and presented an outline of the current Committee and its functions. A review of some comments on the achievements of the Public Accounts Committee was included, as well as an indication of the new direction the Committee was taking in ensuring the success of financial management reform in the New South Wales public sector.

66. Annual Report for 1991-92 (November 1992)

67. Inquiry into Financing of Urban Infrastructure—Report on European Inspection Tour 30 October - 12 November 1992 (December 1992)

This report provides an account of the 32 meetings, briefings and inspections conducted by the Committee on its study tour of several capital cities of Europe. It is intended primarily as a reference and accountability document, and the Committee fervently believes that it should be used as a model for parliamentary committees which spend considerable amounts on overseas travel.

68. *Report on the School Student Transport Scheme (January 1993)*

The Committee received a reference from the Minister for Transport to inquire into the School Student Transport Scheme. This scheme was originally designed long ago to provide special assistance to students in rural and remote areas. However, the scheme's benefits have been extended to more and more urban students as the qualifying criteria were progressively made more generous. The cost of the scheme has been rising dramatically, and is now in the vicinity of \$300 million per year.

After considering many options, the Committee recommended that the cost overrun and inequity could both be redressed through a parental contribution of \$10 per student participating in the Scheme via public transport per term, subject to welfare and family allowance supplement exemptions. This works out at about \$1 per student per week. The Committee believed that the parental contribution would discourage occasional users (mostly in urban areas) from taking passes, and would therefore help significantly to focus the scheme for the benefit of the taxpayers who are currently paying for services which are not used.

This will also provide a fund which could be used to overcome the inequity that has developed for country students, through increasing private vehicle conveyance rates paid to such parents to reflect the costs actually incurred by them.

While changes in education policy have contributed significantly to the cost increases of the Scheme, it is impossible on the basis of available information to determine the precise impact of particular policies on the Scheme. Accordingly, the Committee believes that surveys should be conducted to better understand and plan for the transport impact of such policies.

Finally, the Committee believes that it is most important for the Government to spell out the objectives of the Scheme rather than to allow it to develop in an ad hoc fashion where performance is difficult to monitor.

The bipartisan support within the Committee was a cornerstone of the inquiry's success. However, following State Cabinet consideration of the Committee's recommendations in August 1993,

the Premier announced that in view of the negative financial impact of the Commonwealth Government's 1993-94 Budget on NSW families, the parental contribution would not be levied.

69. *Proceedings of the 90th Anniversary Seminar on Internal Control and Audit (January 1993)*

A panel of leading experts was brought together to focus the interest of a capacity audience of 200 participants at the Committee's seminar on internal control and audit. It is important to note that interest in the topic was so strong that numbers of representatives from agencies had to be limited so that as many agencies as possible could be represented.

Mr Ian Temby, QC—the Independent Commissioner Against Corruption—has been a long time proponent of internal audit.

Sir Harold Knight—a retired Governor of the Reserve Bank—shared his experiences of the importance of internal audit from the perspective of chairman of boards of directors of large businesses in both the public and private sectors.

Mr Jim Kropp—a partner with Price Waterhouse—has wide ranging experience in internal audit in both the public and private sectors.

Mr Tony Harris—the newly appointed New South Wales Auditor-General—spoke on the role of internal auditors as allies of the external auditors.

Mr Paddy McGuinness gave a refreshing overview from the perspective of a journalist trained as an economist who has had wide experience both in Australia and overseas.

70. *Review of Special Auditing Function of NSW Auditor-General's Office (June 1993)*

This report is a follow-up to part of Report No. 49 on the Auditor-General's Office.

The report on special auditing arises out of the Committee's further recommendation that the method and level of recurrent funding and progress achieved in moving towards comprehensive auditing be reviewed after two years.

To assist with this review, the Committee engaged the firm of Arthur Andersen as

consultant. The review found that notwithstanding the Auditor-General's written claim that he had "conducted 3 special audits in terms of the Act", this was not so, and was later conceded by him in evidence. The Committee believes that in particular, the Auditor-General needs to give much greater emphasis to the issue of effectiveness in such special audits, as required by the Act. Indeed, the Auditor-General should carry out special audits which specifically address effectiveness as a primary audit objective, as the importance of effectiveness is stressed in the Auditor-General's own manual.

The Committee recommended that the NSW Treasury provide \$1,000,000 to the Auditor-General for each of the next two years specifically for conducting special audits incorporating each of economy, efficiency and effectiveness, after which a further review should be carried out. This recommended funding was to be instead of the Auditor-General's request for \$6m further funding over four years. The Committee notes that the 1993-94 New South Wales Budget provides for a further funding of \$500,000 this year.

The Auditor-General has responded to the Committee's report in volume 2 of his report to Parliament for 1993. The Auditor-General has suggested changing the legislation so that his special audits can assess economy and/or efficiency and/or effectiveness, in line with professional guidelines. The Committee's view was that until the Auditor-General has conducted at least one special audit in terms of the Act as originally intended by Parliament, the Committee cannot support such legislative change. If necessary, the Auditor-General should change the conduct of his special audits so that they comply with Parliament's intention.

Since the Committee's review, the Auditor-General has tabled a report on the HomeFund program, which specifically addressed all of the issues of effectiveness, efficiency and economy, as well as the terms of reference given by the Legislative Assembly. This is therefore the first special audit conducted fully under the terms of the Act.

While the Committee did not form a concluded view on all of the issues raised by the Auditor-General regarding HomeFund, it found the way in which he had specifically addressed the three "e"s most useful, particularly in the Committee's inquiry into infrastructure financing, and

particularly about its concerns regarding Loan Council guidelines. In these circumstances, the Committee firmed to the view that audits which address the three "e"s as provided for by the Act were useful and should be persevered with. However, the Committee accepted that the Act—requiring as it did consideration of compliance with all relevant laws—is too onerous, and should be amended.

71. *Internal Audit in the New South Wales Public Sector* (June 1993)

On a reference from the Hon. George Souris, MP, then Minister for Finance and Assistant Treasurer, the Committee undertook a comprehensive inquiry into internal audit in this State's public sector. The resulting report was the largest to date produced by the Public Accounts Committee, and presented 45 recommendations to raise the profile of internal audit in government agencies.

The inquiry arose mostly out of a recognition that ineffective internal audit was a major factor in some significant corporate losses, including AWA, Tricontinental, and the Victorian Economic and Development Corporation. The Committee's studies of several NSW government agencies revealed a wide range of internal audit issues in which there is considerable room for improvement in practice.

The Committee proposed that chief executive officers must be and must be seen to be the focal point of effective internal audit. The Committee recommended that chief executive officers should:

- have their internal audit responsibilities written into their Senior Executive Service contracts;
- have internal audit report directly to them, not to a deputy;
- ensure that audit results for the past year and the program for the next year be published in the annual report to allow independent verification of effectiveness;
- ensure that internal audit has full access to all parts of the agency—no areas should be off-limits;

- ensure internal audit is deployed in a timely fashion—information technology auditors must be involved when information systems are being planned and developed, not when they have failed.

The Committee also proposed a much greater role for the NSW Treasury including:

- vetting internal audit exemption;
- oversighting internal audit reporting in annual reports;
- developing standards and guidelines on internal audit;
- encouraging the creation of audit committees and executive audit committees.

The Auditor-General has also published his strong support for the Committee's report in volume 2 of his report to Parliament for 1993.

The most satisfying response to the report came from the Treasurer, the Hon. Peter Collins, QC, MP, who addressed each recommendation on behalf of the Government. Most of the recommendations were considered to have merit and have been endorsed by the Government. In respect of a few of the recommendations, alternative approaches were devised taking into account the intent of the Committee. The Treasurer indicated that implementation of the recommendations will essentially involve the issue of new guidelines on internal audit in the form of Treasurer's Directions and the making of appropriate legislative amendments. The Committee was advised that preliminary work on the guidelines had already commenced, and the legislative amendments will be dealt with in the comprehensive legislative review currently being conducted by the NSW Treasury. Further consultation with the Auditor-General's Office, the Internal Audit Bureau and the Premier's Department was planned on a few of the recommendations relating to these bodies.

72. Funding of Health Infrastructure and Services in New South Wales (June 1993)

This is the second report of the Public Accounts Special Committee, which was set up by Parliament based on the Public Accounts Committee, and augmented by a member each

from the Liberal, National and Labor Parties, as well as a non-aligned Independent member. The first report examined the proposal for a new privately funded, built and operated hospital at Port Macquarie, and was tabled in June 1992.

The second report considered broader issues relating to State and Commonwealth funding for health infrastructure and services in NSW. The Committee came to the view that the community should have a greater role in determining the range of services to be provided within the limits set by Government for the overall level of funding of health care. The Committee saw a role for greater public participation in the strategic planning process and determination of priorities for health services. Issues papers on relevant topics should be developed and circulated widely, with comments sought from expert bodies and the general public.

The Committee also believed that area health boards and district health boards should be required to develop a dynamic working relationship with the community in developing policies and programs to service their communities, and that they report on their activities in their annual reports, including their structure and effectiveness.

By tabling its second report, the Public Accounts Special Committee completed its task and has ceased to exist.

3. SECRETARIAT

The staff of the Public Accounts Committee's Secretariat during the year was:

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

Ian Clarke, BSc *Syd.*, DipGeosc *Macq.*
Senior Project Officer

Jozef Imrich, BA *Deakin*
Clerk to the Committee

Caterina Sciara
Assistant Committee Officer

Wendy Terlecki
Assistant Committee Officer

Staff numbers in the Secretariat have remained small since the Secretariat was established in August 1983. Significant assistance for short term periods is provided by consultants, officers seconded from government agencies, and student interns.

During the year assistance to the Committee was provided by the following:

John Lynas, FCPA
Advisor from the Auditor-General's Office

Seminar on internal audit in the New South Wales public sector.

Joe Scuteri and Jim Hales of KPMG
Peats Marwick
Consultants
Expansion of Hawkesbury District
Health Services

Equal employment opportunity

The Secretariat of the Public Accounts Committee is bound by the Equal Employment Opportunity Policy of the Department of the Legislative Assembly. Although not listed in the *Anti-discrimination Act 1977*, the Department is committed to the principles of equal employment opportunity in the workplace.

Code of conduct

The Public Accounts Committee has adopted the following code of conduct for application to its staff, advisors, secondees and consultants.

Background: The Public Accounts Committee is constituted by the *Public Finance and Audit Act 1983*, and its operation is governed principally by that Act.

Conduct: All officers working for the Committee should fulfil their duties with professionalism and perform their duties efficiently and effectively. In their conduct, officers should act with integrity, honesty, fairness, conscientiousness, accuracy, completeness and compassion. Officers should also display respect towards their colleagues in the Legislature, public servants, members of the public, and all Members of the New South Wales Parliament.

Conflict of interest: To maintain the integrity of the Committee, personal interests (financial and otherwise), associations and activities must not conflict with official duties. Any potential conflict should be disclosed to the Chairman.

Impartiality: Bipartisanship is the cornerstone of the Committee's success. Officers working for the Committee must be politically impartial in the performance of their duties.

Confidentiality: Officers are obliged to comply with the provisions of s. 58 of the Public Finance and Audit Act concerning confidentiality of evidence and documents obtained by the Committee.

Gifts: Officers should not use the advantage of their official position for private purposes, or solicit or accept gifts, rewards or benefits which might compromise, or be seen to compromise, their integrity. Distinctions between token gifts of appreciation and gifts which can compromise the recipient are not easily defined. However, as an indication, a gift which could be seen by others as placing the recipient under an obligation to the donor should not be accepted.

4. ANNUAL REPORT PRINTING

The *Annual Report of the Public Accounts Committee for 1993-94* was compiled, designed and set by Jozef Imrich using *WordPerfect for Windows 5.2*. The cover was printed by Clarendon Printing Pty Ltd. Printing of the report body and binding were done by Parliamentary Printing Services.

1300 copies of the annual report were printed at an average cost of \$4 each.

5. CONTACT INFORMATION

Recent Committee reports are available from:

The Government Information Centre
Goodsell Building
Hunter Street
Sydney NSW 2000

Telephone: 02 743 7200
Facsimile: 02 743 7124

Office hours: 8.30 a.m. to 5.00 p.m.

Copies of older Committee reports are available on Inter-Library Loan from:

State Library of NSW
Macquarie Street
Sydney 2000

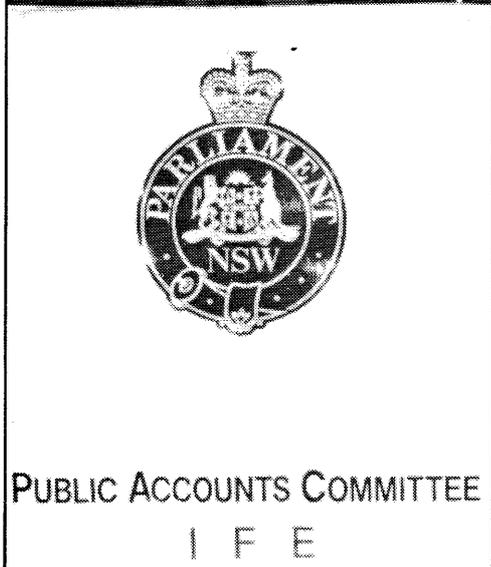
Telephone: 02 230 1414
Facsimile: 02 223 3369

Office hours: 9.00 a.m. to 9.00 p.m.
on weekend 11.00 a.m. to 5.00 p.m.

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Suite 1148
Parliament House
Macquarie Street
Sydney NSW 2000**

Telephone: 02 230 2631
Facsimile: 02 230 2831
Office hours: 9.00 a.m. to 5.00 p.m.



The Chairman as well as other Committee Members have been energetic in making themselves available, whenever invited, to preside conferences and speak at seminars.

APPENDIX 2

1. SELECTED SPEECHES

Watchdog, kangaroo or crocodile? Accountability and the parliamentary committee

by Patricia Azarias, Director, the Public Accounts Committee

Some of you may have read a long and anxious article in the Weekend Australian at the end of October, entitled "The Crisis of our Democracy". The thrust of the article was summed up by a quote in it from Samuel Jacobs Q.C., who wrote the report into the South Australian State Bank and its problems. He said, "The parliamentary process has changed. To a large extent we've got executive government, parliament is a sham....we talk glibly about the Westminster system but we don't practice it". The article itself ended: "people need to believe in the integrity of the democratic system - that their elected representatives and the bureaucracy are accountable and honest...but...the Parliament is largely neutered by the executive".

This reproach is not new. Ten years ago, the author of a standard text on Australian government, said "It is nowadays a commonplace in British countries that Parliament is in eclipse, a pale, even sickly pale, moon reflecting but a little of the shining sunlight of Executive power. Amongst British parliaments around the world the Australian has perhaps suffered a more substantial eclipse than most".

Back in 1938, John Curtin said:

Parliament as a sounding board for Federal cabinet. That is how I see the trend in present day parliamentary machinery. Sooner or later, unless the march towards that position is arrested, we shall see the Commonwealth Parliament merely a register for Cabinet's views and decisions to go out to the people through the Press and radio and then, in due time, to be given effect to (should the reaction be favourable) by legislative processes which, in themselves, are rapidly becoming mechanised .

Even Edward Gibbon, a hundred years earlier, in 1838, warned that "the principles of a free constitution are irrecoverably lost, when the legislative power is dominated by the executive" .

Clearly the question of executive dominance over the legislature is a hardy perennial. But is it always true? To those who are troubled and afraid, I would only answer, "Come to New South Wales"!

On 25 May 1991, the electorate in New South Wales returned a hung Parliament. In the Lower House, the government had 48 seats, the Opposition had 47, and there were four Independents, one of whom could be counted on to vote most of the time with the government. (Incidentally, one-tenth of these 99 are women). In the Upper House, there were 20 government members, 18 Opposition, 2 Australian Democrats and 2 Call to Australia.

It becomes immediately apparent that in these circumstances the government's rubber stamp is a paper tiger, so to speak. There is almost no chance that the government can drive legislation through a compliant Parliament. The forces lined up against it are too strong. In particular, the Independents hold the balance of power, as anybody who has tried to get legislation through the current Parliament will be acutely aware.

The argument has been made that it is the Independents who have tremendously enhanced and enriched the role of Parliament in New South Wales over the past 20 or so months. Holding the balance of power, the Independents have been able to strike a deal with the government¹ according to which they guarantee the government their support in return for a number of changes. These changes mostly have to do with the way Parliament operates, and many of them might be said to have improved the accountability of the executive to the legislature.

What are these changes?

- *legislation to be referred to legislation committees for consideration, scrutiny and report.*

This has already been done in some contentious cases. Legislation Committees are multiparty committees with backup staff and usually represent an increased measure of accountability of the executive to the Parliament. I'll be dealing with them in greater depth in a moment.

- *increased opportunities for members to debate bills*
- *an increase in the number of Private Members' days*
- *no gagging of debate until two hours of debate has taken place*
- *early publication of the Parliamentary agenda*
- *shorter answers to questions asked in question time, thereby allowing more questions to be asked.*

All of these have been implemented in the Lower House, with consequent improvements in liveliness of debate, involvement of backbenchers, and accountability of the executive.

¹ The Memorandum of Understanding, 1991.

- *financial, social and environmental impact statements to be tabled with bills;*

This has not been implemented, which I believe to be unfortunate. I believe that impact statements, while a nuisance for departments to prepare, would greatly improve the quality of Parliamentary debate and would also force departments to focus more rigorously on other possible ways of achieving their objectives. As an accountability measure, impact statement with bills must rank very high.

- *an independent Speakership.*

This has not been implemented. The independence would not, indeed could not, consist of not being chosen from the government party, but rather in being freed from the burden of re-election. The Speaker of the House of Commons is not opposed for re-election².

- *a fixed four-year term for the Parliament.*

This has been implemented. The *Constitution (Fixed-Term Parliaments) Special Provisions Act 1991* now provides for a fixed four-year term for the New South Wales parliament. The government now has far greater difficulty in capitalising on a momentary surge in popularity to secure office for a long period.

- *more sitting days, but rising not later than about 10.30 p.m.*

This has been implemented in the Lower House, but not in the Council.

All of these measures represent an increase in the accountability of the Executive to the parliament. In our context, perhaps the most significant of the changes emerging since the Memorandum of Understanding has been the tremendous increase in the number of committees in the NSW Parliament. Actually, legislation committees are not the only type of committee to have mushroomed in the last 20 months.

I'd like to talk a little about the various kinds of committee we are now seeing in the Parliament.

It is interesting that in the Weekend Australian article, the subject of Parliamentary committees was no more than touched on in passing. The article put forward the proposition that accountability of the executive to the Parliament was best ensured by extra-parliamentary Royal Commissions rather than committees of the Parliament. In some cases, of course, Royal Commissions may be justified. But apart from their vastly greater cost - some Royal Commissions can cost \$20m because of the fees charged by

² This is a contentious issue. For further discussion, see Philip Laundy, *The Office of Speaker in the Parliaments of the Commonwealth*, and Kevin Rozzoli, *A Seat Apart, Proposal: An independent, continuing Speakership for New South Wales*, in *The Parliamentarian*, July 1991.

barristers - they have one major problem which a parliamentary committee, working in a properly bipartisan manner, is more likely to avoid, namely that, as Sir Edward Woodward, one of the three Royal Commissioners inquiring into Tricontinental, was quoted as saying in the Weekend Australian, "if the government of the day doesn't like the answer, they are just as likely to attack royal commissions as they are to try and set right the defect that has been found". If a properly functioning bipartisan Parliamentary committee identifies a problem and possible solutions, it is harder for the government to sweep these aside for the simple reason that the government party is represented on the committee and often forms the majority.

Furthermore, excessive reliance on Royal commissions will effectively mean an abrogation by Parliament of its fundamental role of ensuring the accountability of the executive branch to the public.

I believe it is wrong to ignore or downplay as the weekend Australian article does, the very positive role that Parliamentary committees can play in ensuring accountability of the executive.

In New South Wales, we can see this proposition vividly illustrated. In the last 20 months or so, committees have flowered in the NSW Parliament: 9 Legislation Committees have been set up, 11 Select Committees, and 21 Estimates Committees. Whereas just before the 1991 elections, there were 8 Parliamentary committees³, now there are about 46⁴, with the number constantly changing as new issues arise and old ones are dispatched. In fact a new officer, the Clerk Assistant (Committees) has had to be appointed to cope with this tremendous increase in committee activity. The net effect of this proliferation of committees has been to ensure that Parliament has a far greater say in legislation and even policy than before.

The new Committees have been established for a number of reasons:

- the Parliament cannot agree on an issue and refers it to a Committee (e.g. the Port Macquarie Hospital Committee);
- Committees can carry out preliminary work to determine whether a matter should be referred to the Ombudsman or the ICAC;
- they receive less press attention than does the Floor of the House;

³ Public Accounts Committee, Regulation Review Committee, Committee on the ICAC, Committee on the Ombudsman, Staysafe Committee, Social Issues Committee, Committee on State Development, Committee on the Process and Funding of the Electoral System. Note the absence of select committees, estimates committees and legislation committees.

⁴ Four Statutory Committees, three Standing Committees, nine Legislation Committees, eleven Select Committees, twenty-one Estimates Committees.

- they are cost-effective;
- they are a safety-valve allowing concerns of the Independents to be aired and fully explored;
- they are often the only chance the government has of getting a measure through the current Parliament.

I'd like to give you now a brief rundown on Parliamentary committees in NSW.

There are no less than five types of committee in NSW:

Statutory Committees
Standing Committees
Legislation Committees
Select Committees
Estimates Committees

- **Statutory Committees**

There are four statutory committees in NSW:

- the Public Accounts Committee, the most senior (since 1902) and probably the most influential of all the Parliamentary committees, which is composed of five members, two Liberals, two Labour and one National, all from the Lower House. I'll deal at greater length later about the way the Public Accounts Committee helps ensure accountability of the executive to the Parliament.
- the Regulation Review Committee, which was formed in 1987 to ensure that Parliament was able to scrutinise what were formerly merely administrative decisions made by the Executive without Parliamentary review. The Regulation Review Committee is composed of nine members, from 3 parties, and both Houses of Parliament, 2 from the Upper House, 7 from the Lower. Until the formation of the Regulation Review Committee, departments and authorities could "legislate" simply by passing "shell Acts", which transferred the real legislative content of a bill to subsequent regulations, which in turn never received Parliamentary scrutiny. Or else even without the blatant device of a "shell Act", they could just slip into unreviewed regulations important measures affecting the public, interest groups, business and other sections of the community. The Regulation Review Committee, by forcing departments and authorities to submit new regulations to the Committee for review, represents a significant improvement in the accountability of the executive to the Parliament;

- the Committee on the Independent Commission Against Corruption. This was set up in 1989 following the Independent Commission Against Corruption Act 1988 to ensure that the Commission itself received Parliamentary scrutiny and to limit its ability to operate without Parliamentary approval. It has 9 members, from all Parties), 6 from the Lower House, 3 from the Upper House.
- the Committee on the Ombudsman, formed in 1991 following a 1990 amendment to the Ombudsman Act 1974 to carry out a similar function for the Ombudsman. It is composed of 9 members, 6 from the Lower House, and 3 from the Upper House.

- **Standing Committees**

These are not established by an Act, but by a resolution of one or two Houses. In NSW, there are three of these:

- the Staysafe Committee, now 11 years old, which is composed of 10 members, 3 from the Upper and 7 from the Lower House, from all parties. Its main function is to monitor, investigate and report on the road safety situation in NSW.
- the Social Issues Committee, now 5 years old, has 10 members, all drawn from the Legislative Council. Its function is to consider and report on any matter concerned with the social development of the people of NSW.
- the Committee on State Development is also an Upper House Committee. It has 7 members from all parties. Its role is to inquire into, consider and report on ways of ensuring "sound growth and wise development" in NSW.

- **Legislation Committees**

So far there have been 9 Legislation Committees in the current Parliament. Mostly they have dealt with contentious or complicated issues, for example the Local Government Bill, which was a massive and complex piece of legislation which needed a committee to study it at leisure; the Whistleblowers Protection Bill, obviously a sensitive issue; the National Parks and Wildlife (Aboriginal Ownership) Amendment Bill, which proposed vesting certain National Parks in Aboriginal Land Councils, and a number of natural resources, forests and related bills which are acutely sensitive in the current Parliament in NSW. These committees are generally small, usually five or six; they are always bipartisan, and come from the Lower House. They have mostly put forward unanimous

reports, with one or two exceptions. New South Wales has created a *Practical Handbook to Legislation Committees*.

- **Select Committees**

Select Committees in New South Wales are established to examine an issue rather than a specific piece of legislation.

Arguments for select committees were first voiced in Britain in the early years of the twentieth century and reiterated periodically through the 1960s and 1970s. They claimed essentially that the increasing complexity of governing was excluding the generalist backbencher, and that as a result, the Executive was becoming less and less accountable to the Parliament. The point was made succinctly in the mid-1960s:

though it is the business of the Government to govern, it is also their business to give a running account of their stewardship to the House of Commons which was elected to support them...to enable the House to arrive at a correct judgment on the working of administration and on the Government's conduct of affairs, some process of enquiry is needed. Specialist committees are needed to scrutinise the actions of government in their own fields:⁵

Select Committees have now become a feature of the Parliamentary landscape throughout the Westminster system. In NSW so far there have been 11 Select Committees. These have included the:

Legislation Committee upon the draft Local Government Bill and Cognate Bills

Legislation Committee upon the Defamation Bill 1992

Legislation Committee on the Government Publicity Control Bill

Legislation Committee upon the Natural Resources Management Council Bill 1992 and Cognate Bills

Legislation Committee upon the Whistleblowers Protection Bill

Legislation Committee upon the National Parks and Wildlife (Aboriginal Ownership) Amendment Bill

⁵ Study of Parliament Group, evidence to the 1964-5 Procedure Committee, as quoted in Priscilla Baines, *History and Rationale of 1979 Reforms*, in Gavin Drewry ed. *The New Select Committees*, Clarendon Paperbacks.

Public Accounts Committee

Legislation Committee upon the Forestry (Amendment) Bill 1992

Legislation Committee upon the South East Forests Protection Bill

Legislation Committee on the National Parks and Wildlife (State Conservation Parks) Amendment Bill 1992

Joint Select Committee upon Waste Management

Select Committee upon Homefund and FANMAC

Joint Select Committee upon the Sydney Water Board

- **Estimates Committees**

Estimates Committees are an opportunity for backbenchers from both the Upper and Lower Houses to scrutinize the budgets proposed by departments and authorities. The Estimates Committees so far established are those on:

Transport and Roads

Planning and Housing

Public Works and Ports

Chief Secretary and Minister for Administrative Services

Consumer Affairs

Multicultural and Ethnic Affairs

Agriculture and fisheries and Mines

Industrial Relations and Employment and Minister for Status of Women

Environment

Community Services and Aboriginal Affairs

Sport, Recreation and Racing

Small Business and Regional Development

Education, Training and Youth Affairs and Tourism

Police and Emergency Services

Premier and Minister for Economic Development

Treasurer and Arts

Legislature

Attorney General and Justice

Health

Energy and Local Government and Co-operatives

Land and Water Conservation

This is the third year of the operation of Estimates Committees. It is still early days to judge their success or otherwise. Within the constraints of the current time limits on questioning - each Minister may be questioned for a maximum of three hours - backbenchers have been reasonably vigorous in pursuing instances of delays and perceived mismanagement in department administration. Shadow ministers have been particularly active. In some cases, it is in Estimates Committees that a major problem is first raised. For example, the question of overexpenditure by the NSW Agent-General in London was first raised in an Estimates Committee, and this gave rise to the Auditor-General's report on the subject. Upper House members, with their greater time for research and deliberation, have been quick to use Ministers' replies to Estimates Committees as a basis for questioning in the Upper House.

* * *

At this point I'd like to go in slightly greater depth into the role of the Public Accounts Committee, the Committee I work for, which has acted as the main watchdog of the Parliament over the executive.

Inquiries by the Public Accounts Committee have contributed to, and in many cases been entirely responsible for, restructuring of government agencies and systems. In the public health system, for example, the Committee has been behind the improvements in accountability of hospitals and in efficiency of the Home Care Service. In the public sector generally, the Committee has provided impetus to the adoption of annual reporting and accrual accounting, and strengthening of internal audit.

Public Accounts Committee

Of the 75 reports which the Committee has tabled in Parliament to date, 8 have arisen from references from the Treasurer, 21 from references from other ministers, two from a Legislative Assembly reference, and 2 from references from the Auditor-General. The others have been referenced by the Committee itself.

It is not the Committee's role to compel the government to implement its recommendations, although it is important for the Committee to ensure that recommendations are given serious consideration. Reports on its inquiries which recommend change are therefore followed up by the Committee. In the first instance, the Committee requests an initial response to a report from the appropriate minister. Secondly, the Committee monitors action taken in response to recommendations, and thirdly, a formal review may be undertaken with further submissions and hearings.

The Committee is currently pursuing an amendment to Standing Orders in the Legislative Assembly to strengthen the requirement of government to respond in Parliament to reports of parliamentary committees. The Committee is also pursuing this requirement for government responses to reports of the Public Accounts Committee through a review of the Public Finance and Audit Act.

* * *

So when you add up all the Parliamentary committee activity that is going on in NSW at the moment, you might feel rather awkward making the claim that the Parliament is being bypassed by a rampant executive. You might actually prefer to say the opposite: that the proliferation of committees is actually holding up the governing of the state of NSW, that the government is paralysed by the hung Parliament, and that accountability of the executive to the Parliament and its committees has reached an absurd and exaggerated level.

This claim is often heard at present in NSW. We have too many committees, it is often asserted, too many bodies of review and inquiry. And in any case, the committees often divide down party lines just as the Parliament does and cannot achieve a true bipartisan spirit. Furthermore, it is conceptually wrong that small groups of people, "striking agreements in conclave and certainly beyond the public gaze, are now in a position to propose, and to demand action upon, policies which have never been presented in a coherent way to the New South Wales electorate"⁶.

Again, the complaint is not unique to the New South Wales of 1993. When he was Prime Minister, Harold Wilson was once being hounded by a dogged committee and his response was:

⁶ Graham Maddox, *Political Stability, Independents and the Two-Party System*, Current Affairs Bulletin, June 1992.

Watch it. Every dog is allowed one bite, but a different view is taken of a dog that goes on biting all the time. If there are doubts that the dog is biting not because of the dictates of conscience but because he is considered vicious, then things happen to that dog. He may not get his licence renewed when it falls due⁷.

There have probably been a few occasions when the government might have wished to cancel the licence of a number of committees formed in the present Parliament!

Watchdog or kangaroo? was the question The Economist asked early last year⁸ when evaluating select committees in the House of Commons. One government member accused the Social Services Committee of evolving towards a surrogate judicial process: "Select committees which turn themselves into 'when did you last see your father?' inquiries will end in tears", he claimed. The Economist agreed:

Parliamentary committees which act as the citizen's eyes and ears in Whitehall are liberating. Those that try to act as kangaroo courts ... are oppressive.

My own belief is that the parliamentary committee may not be the ideal tool for ensuring the accountability of the executive to the parliament, but it is one of the best we have. Yes, it has its drawbacks, the first being that it may turn into a kangaroo, or even a crocodile swallowing government measures whole.

A more deep-seated charge is that the committee wrongly usurps the role of the House. In that context, in proper bipartisan spirit, I must agree with both Enoch Powell and Michael Foot that:

everything which diminishes true debate on the Floor of the House of Commons strengthens the Executive and weakens Parliament... our expertise is as politicians and would-be Ministers facing other politicians and actual Ministers, to strike our finger on places where it hurts, or upon the places where the great clash of politics is going to take place, and fight it out. We can only do that through debate, we can only do that on the Floor of the Chamber⁹.

⁷ quoted in Richard Rose, *British MPs: More Bark than Bite?*, in *Parliaments and Parliamentarians in Democratic Action* by Ezra N. Suleiman ed. Holmes & Meier New York London 1986 p. 8

⁸ The Economist, 18 January 1992, p. 58.

⁹ quoted in Drewry, *op. cit.*, p. 17.

This does represent the ideal, there can be no doubt. But there will never be enough time, enough expertise, enough diligence in any Parliament to explore all issues in the depth they deserve. Some compromise has to be found, and in the battle to ensure accountability of the executive to the Parliament, the Parliamentary committee is the next best thing to a full and fully informed debate on the floor of the House. In any case, as we have seen above, there are issues that simply cannot be resolved in the current Parliament in NSW and have had to be referred to a committee as a result, not with much success, I might add.

A third argument against the increasing use of the Parliamentary committees is that they are based on American models which are inherently incompatible with a system where parliament exists to sustain the government in power. In 1959, RAB Butler rejected a proposal for a Select Committee on Colonial Affairs, arguing that "it smacks to me far more of Capitol Hill and the Palais Bourbon than of the Parliament in Westminster"¹⁰. In the US, the government is of course not in the legislature, and is chosen by the President, who has been elected quite separately from the legislature. As a result, the legislature does not exist to sustain the government in power, indeed, often it seems that it does just the opposite. In the legislature in the United States, because of its quite separate identity from the government, committees have achieved a level of power which we in the Westminster system can only dream about. In fact, in the Westminster system, it might be argued that it would be wrong for parliamentary committees to become involved in policy disputes which could ultimately diminish the authority of the executive.

In NSW, we have certainly seen committees becoming involved in policy matters. The legislation and select committees are cases in point, by definition.

A situation like this is obviously inconvenient for any government. If the committees are used as platforms for political point-scoring, they will not be productive in the parliamentary sense either. The best result is obtained when members work together with a will, and this is harder to achieve in ad hoc, special purpose committees than in statutory or standing committees whose members have known each other for a long time. It is also harder to achieve in a hung parliament, when both sides are especially eager to find points to score.

A fourth charge against the increase in the use of parliamentary committees is that they divide backbenchers into two classes, the first-class ones on committees, the second-class ones excluded. A corollary of this is that the privileged few are receiving all sorts of information from departments and authorities which the excluded others know nothing of. As a result, it has been argued that the few on committees run a great risk of being

¹⁰ quoted in Drewry, *op. cit.*, p. 35.

effectively "co-opted" by the government,¹¹ especially by particularly skilled and devious bureaucrats.

In NSW, this has not proved to be the case at all. First of all, there are so many committees that it is hard to find a backbencher who is not on at least two. Moreover, there are no signs at all of co-opting of members, who are often fractious and argumentative and have no hesitation in challenging government witnesses at hearings. (Maybe senior NSW bureaucrats are neither skilled nor devious). However, in principle, it could easily happen.

Balancing out the pros and cons, my own view would be that, while parliamentary committees have certainly slowed down the governing of NSW, the gains in accountability of the executive to the Parliament have been very considerable. Backbenchers have been involved, bureaucrats forced to justify themselves, and the voice of community groups has had a chance to be heard. With some reservations, the process appears to have worked.

Will this proliferation of committees die out in NSW after the May 1995 elections, assuming another hung Parliament is not elected? I think that their number will certainly decrease, simply because their role of safety-valve will no longer be needed. (Unless of course, backbenchers at the time insist on keeping their newly-won place in the sun!)

It would be a pity if the role of committees were to be cut back to the old level of the pre-hung parliament days, and the rubber stamp were to make a triumphant comeback. In May this year, Quentin Dempster wrote in the Sun Herald:

Parliamentarians are usually treated with disdain, even contempt, by bureaucrats. This is never face to face, of course. Up front they are the soul of discretion and obsequious attention to status. In having more experience in their proper function as public trustees, our parliamentarians are having to work together (some albeit resentfully) to nail down bureaucratic and political lies and propose practical solutions . . . there are . . . benefits from more effective parliamentary committee inquiries¹².

¹¹ see Drewry, *op. cit.* , p. 16.

¹² Sun-Herald, 16 May 1993.

I would have to agree with this last point. And I would hope that the benefits of parliamentary committees would be recognized and an attempt made to preserve them while avoiding the pitfalls.

As Director of the Public Accounts Committee of the NSW Parliament, I have had the good fortune to witness the operation of a genuinely bipartisan and harmonious committee in action, a committee which has made many recommendations the executive has found awkward and uncomfortable, and which has brought about substantial change in a number of government departments and authorities. In my experience there has been only one case where the Committee failed to achieve consensus, and that was the Port Macquarie Hospital Contract, when the Committee was augmented by four new members from outside its usually close-knit ranks, and when it was asked to resolve a matter of profound and passionately-held principle - the privatisation of health care in NSW - which the Parliament could not settle itself.

Apart from that single instance, the Committee has always worked together in a genuinely bipartisan way. Of course, there is not always unanimity, but there is always a true give and take. And of course, there are mistakes made, and limitations to be acknowledged, but I believe the Committee has lived up to the role envisaged for it by the drafters of the 1983 *Public Finance and Audit Act*, to act as the Parliament's most effective watchdog - not a kangaroo or a crocodile - and to ensure ensure accountability of the executive to the legislature.

**Information, the Lifeblood of the Parliament:
the Role of Parliamentary Committees**

By Geoff Irwin, MP, Member of the Public Accounts Committee

The old New South Wales Parliamentary Library, which is now the Jubilee Room, skylight embodies the Library motto "Knowledge is the mother of wisdom and virtue"

Abstract

The generation and maintenance of public support are among the most important functions ascribed to Parliament. In this paper we show how Parliament is the means through which the public is both informed of and exercises control over government activities. The paper first outlines the significant financial and administrative reforms which have contributed to disclosure of reliable information. It examines and maps flows of information: 1) Information provided by the Government directly to Parliament and the community; 2) Information on the Government provided to Parliament and the community by Officers of the Parliament; and 3) Information provided by the Parliamentary Committees to Parliament and the community. Then the paper turns to the Public Accounts Committee at work and its place in the organisation of parliamentary activity. It is suggested that reliable information is the life blood of Members of Parliamentary Committees. Finally, the Parliamentary work is never finished and there is a lot of room for further improvement in relation to the quality of information.

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Bacon's claim that knowledge is power, recognises information as one of the chief factors in legislative outcomes. Hence information is the name of the game in parliamentary sphere. Politics, to paraphrase Russell Cope, is a battleground of ideas. To quote Dr Cope on that point: "It is the realisation that knowledge and information are potentially political weapons that leads to a true understanding of the nature and place of a library in legislative framework."¹³ The best decisions are the ones that are based on the most knowledge in relation to the will of the people. The imperative on government to inform is a moral one, because the shareholders who provide the government's funds — the

¹³ As quoted by The Hon. E.P. Pickering, the then Minister for Police in a 'speech congratulating the Parliamentary Library on its 150th Anniversary', New South Wales Parliamentary Debates, Legislative Council, 1 March 1990

people of New South Wales — have invested not for financial profit, but in the trust that government bodies perform to their best, and are responsible with public monies.

President James Madison expressed this view very well : "Knowledge will forever govern ignorance, and people who mean to be their own governors must arm themselves with the power that knowledge gives them. A popular government without popular information or the means of acquiring it is but a prologue to farce, or tragedy, or perhaps both."¹⁴

Most people do not experience politics directly. Instead their perceptions of the political world are shaped largely by the news media's presentation. Yet because many significant events take place daily and news cannot cover all of these events, journalists are required to be selective. As a result of this selectivity, the news media shape, rather than mirror, the political landscape.

On account of this, the major challenge for Parliament and its Committees is to provide feedback to the community that reflect comprehensive mirror images, not just snapshots, of the political landscape. To paraphrase, the United Kingdom All Party Committee for Freedom of Information, secrecy within the administration, and *ignorance without*, breeds only suspicion, distrust and strife.

Ted Mack placed his finger on the spot when he stated:

The public's fears are always worse than reality. A lot of governments at all levels get themselves into trouble, not because of what they have done, but because of what people fear they are doing. The more we can dispel those fears, the better. In the end, openness is the only defence against corruption or the public perception of corruption which may or may not exist.¹⁵

An observation made by the Royal Commission into W A Inc. is worth quoting in full:

Our system of government rests upon two principles, which we have described as the *democratic principle* and the *trust principle* (my italics). The first affirms the people's right to determine their representatives, and hence their government. The second establishes the public interest as the touchstone of public power. A fundamental premise for each is the public's capacity to make informed choices and to reach considered judgments. Knowledge of our constitutional and administrative arrangements is a prerequisite for effective action within our democracy.¹⁶

¹⁴ As quoted by Senator Mark O Hartfield, 'Vietnam: Charted on a Distorted Map', *Saturday Review*, 1 July 1967, page 20

¹⁵ ICAC Committee, *Parliament of New South Wales, Pecuniary Interest Provisions for Members of Parliament and Senior Executives and Code of Ethics for Members of Parliament*, April 1994, page 42

¹⁶ *Western Australian Royal Commission into Commercial Activities of Government and Other Matters, Report, Part 2, page 53*

At the public interest level, a major objective of the parliamentary accountability process is to 'keep government honest'.¹⁷ Members of Parliament examine the work of the Government on behalf of the public. They do this by asking the government questions, by debate and through parliamentary committees of inquiry. Indeed, the provision of quality of information is the basis of our democracy. Moreover, a better informed community can mean more responsive government which in turn can mean improved electoral support.

Before considering the role that the Officers of Parliament and Parliamentary Committees, such as the Public Accounts Committee, play in acquiring and providing reliable information, I would like first to outline the significant financial and administrative reforms which have contributed to disclosure of more and better information.

1) Information provided by the Government directly to Parliament and the community

Clearly, the Parliament needs sufficient and relevant information on government policies and programs in order to make critical assessments of the effectiveness and worth of these programs. The activities of government in New South Wales can be evidenced in the mere size of government financial transactions. Public sector outlays in 1994/95 are estimated to total \$30 billion while receipts are projected to be around \$29 billion. New South Wales Inc. has a turnover of about \$35 billion; assets of somewhere between \$100 to \$250 billion; over 300,000 employees and about 100 chief executives running a wide range of businesses.

Control of government finances is the Parliament's most fundamental power. "If the price of liberty is eternal vigilance then the price of Parliamentary democracy is eternal scrutiny. And the ever-increasing extent, power and complexity of government requires that *scrutiny be more and better informed*". (my emphasis)¹⁸

Back in 1982 Wilenski described the New South Wales administration as 'a bastion of secrecy'.¹⁹ Public discontent with the way the political system worked prompted politicians and bureaucrats to come up with reforms to disclose information in order to restore public confidence.

¹⁷ *Mike Steketee, Party Interest Versus Constituency Interest: the NSW Experience*, Australasian Study of Parliament Group, October 1992

¹⁸ *Senator The Hon. Dame Margaret Guifoyle, Financial Information: the Role of Parliamentary Committees*, a paper presented to the Australian Society of Accountants, February 1985.

¹⁹ *Peter Wilenski, Review of New South Wales Government Administration, Unfinished Agenda*, Further Report, Government Printer, 1982, page 50; See also report by same author: *Review of NSW Administration, Direction for Change*, Interim Report, Government Printer, 1977.

By and large, pressures to remove that bastion of secrecy, the immense barriers that stood in the way for improved disclosure of information, came from the Public Accounts Committee and the Auditor-General as well as Treasury.²⁰ Since 1982, the New South Wales governments, both Labor and Liberal, have carried out a program of financial as well as administrative reforms. The program commenced with the introduction of program budgeting, the new *Public Finance and Audit Act 1983* and annual reporting legislation and has led into global budgeting, forward estimates, accrual accounting and consolidated financial statements.

2) Information on the Government provided to Parliament and the community by Officers of the Parliament

At this point, I would like to turn briefly to two major statutory watchdogs the Auditor-General and the Ombudsman. Perhaps by way of background, I should point out that I have been the Chairman of the Public Accounts Committee for two years. In general, my Committee acts as the primary points of contact and channels of information between the Auditor-General and Parliament. From 1991 to 1992 I chaired the Parliamentary Joint Committee on the Office of the Ombudsman. Since 1989 I have been a Member of the Parliamentary Joint Committee on the Independent Commission Against Corruption (ICAC).

The Auditor-General

The Auditor-General represents the most important accountability and review mechanism in Government. The principle of the independence of the Auditor-General is enshrined in the *Public Finance and Audit Act 1983* and over the years has been strengthened. Following recommendations in the Public Accounts Committee Report 49 into the Auditor-General's Office, the Government recently introduced legislation that gives the Auditor-General power and discretion to carry out what the committee termed as 'special audits', also known as 'value for money' or 'performance' audits. These audits are an examination of the efficiency, effectiveness and economy of a function, and not merely a measure of financial compliance.

²⁰ For further reading on 1980's administrative and financial reforms peruse the Public Accounts Committee's report on *Progress of Financial Reform in the NSW Public Sector, June 1992*; Another useful publication by the Committee is *Follow-up Report on Financial Accountability, June 1992*; The following monographs are especially valuable when the reader is seeking an authoritative overview of these changes: *Presentations by NSW Treasury to Financial Management Information Seminar, 23 August 1990, Parliament House Theatre*; Charles Curran, Chairman, *Focus on Reform: Report on the State's Finances*, NSW Commission of Audit, July 1988; Don Nicholls, *Managing State Finance*, NSW Treasury, July 1991; David Block, *Review of Structure of NSW Government Administration*, [NSW Premier's Department], 1988.

The only limitation placed on the Auditor-General by the new legislation is that such an audit cannot question the merit of government's policy objectives. The legislation makes it quite clear though, that the Auditor-General's power given to carry out special audits, means that the Auditor-General, and not the Government, has the discretion to select which audits will be performed.

In addition to the standard three volumes of the Auditor-General's Annual Report to Parliament, various special reports have been tabled in Parliament (e.g. the report on the Agent-General). The Auditor-General's Office is also accountable through reviews conducted by the Public Accounts Committee. One such review (of the performance [special] audit function) was conducted last year. Since the Committee's review, the Auditor-General has tabled a report on the HomeFund program, which specifically addressed all of the issues of effectiveness, efficiency and economy as well as the terms of reference given by the Legislative Assembly. This is therefore the first special audit conducted fully under the terms of the Act. Early next year the principle of external 'peer' review will be extended to the Office of the Auditor-General. The Office is also subject to investigation by the Ombudsman of any referred complaints.

Ombudsman

The Ombudsman's Office aim is to promote fairness, integrity and justice in public administration. It is constituted under *The Ombudsman Act 1974*. Its operations are governed principally by that Act and *The Police Service Act 1990*. The Ombudsman also has specific responsibilities under and *The Independent Commission Against Corruption Act 1988*. If the Government responds positively to the Report of the Legislation Committee on Whistleblower Protection, both the Auditor-General and the Ombudsman will perform additional watchdog functions, as this legislation would facilitate disclosure of maladministration and substantial waste in public sector.

The Ombudsman's primary function is to receive and investigate complaints about matters of maladministration and misconduct within the New South Wales Public Sector. The Ombudsman's jurisdiction encompasses:

- government departments
- statutory authorities
- prisons
- local government; and last but not least
- police

The Ombudsman's Office is accountable to the Joint Parliamentary Committee on the Office of the Ombudsman which oversees the general operation of the Office. In addition to the presentation of an Annual Report to Parliament, the Ombudsman office is periodically required to undertake and report Special Inquiries which are essentially large investigations involving a high level of public interest (e.g. Homefund Inquiry).

Reports on special investigations may be reported to Parliament — under section 27 of the principal Act he may report to Parliament on a public authority's or minister's failure to comply with his recommendations. It should be noted that recent amendments to the *Ombudsman Act 1974* require the responsible Minister to respond in Parliament to a non-compliance report by the Ombudsman within 12 sitting days.

3) Information provided by the Parliamentary Committees, especially Public Accounts Committee to Parliament and the community.

In order that a Parliament can influence, advise, criticise and scrutinise efficiently and effectively, it must be equipped with knowledge and information and its procedural arrangements must be such as to allow the full flow and exchange of views, ideas and information.²¹

The primary purpose of the Committee system is to create a body of knowledge and expertise within Parliament which can be brought to bear in scrutinising the day to day activities of government.²² The three main values of Committee system lie in the capacity of committees: first, to collect a wide range of oral and written evidence on matters of current concern; second, access is provided not only to officials but also to external interest groups, experts and individuals; and third, committees have always been in the business not only of gathering information and opinions that might otherwise remain concealed from view, but also making that information available to the public.²³

Over one hundred years ago Woodrow Wilson stated, "It is not far from the truth to say that [Parliament] in session is [Parliament] on public exhibition, whilst [Parliament] in its committee rooms is [Parliament] at work".²⁴

According to Quentin Dempster, most Parliamentary Committees in New South Wales have established relevance of parliamentary deliberation to the lives of ordinary citizens. Dempster has written that most Parliamentary Committees are not 'just a rubber

²¹ Parliament, House Of Representatives, *Development of a Committee System*, 1988, page 2

²² For further reading see article by the current President of the Legislative Council Hon. Max Willis, MLC, 'Committee Action: New South Wales strengthens the Parliamentary Process', *The Parliamentarian*, July 1990, pages 163- 167.

²³ Dr Ian Marsh, *Parliamentary Oversight of Public Service Performance: Australian Developments — U.K. and U.S. Perspectives*, Report by Marsh (Australian Graduate School of Management) for MAB-MIAC Task Force on Management Improvement, October 1992, pages 29-32

²⁴ Respectfully Quoted: A Dictionary of Quotations Requested from the Congressional Research Service, US Library of Congress, 1990, page 196

stamp for executive government'. Moreover he noted one other benefit from effective parliamentary committee inquiries that "... they are cheaper and quicker than royal commissions." ²⁵

In a recent article, Bronwyn Bishop pointed out that

The Parliamentary Committees provide the best forum for detailed questioning and, indeed, testing of information that comes from the back of the proverbial truck. Regarded by many bureaucrats as, at worst, interrogatory and, at best, an unnecessary distraction from normal business ... Committees are dangerous beasts. They provide the only formalised structure in our system of government where politicians other than ministers regularly confront the bureaucrats who run it...The bureaucrats, of course, know everything. You just have to ask the right questions.²⁶

Public Accounts Committee

It is part of the PAC's on-going program to investigate public sector financial management and accountability. The PAC has a considerable interest, and indeed a long-standing involvement, in reviewing and working to improve public sector accounting and reporting and the overall level of accountability to Parliament of authorities of State.

The Committee has been pivotal in the reform processes affecting the finances and administration of the New South Wales public sector. In New South Wales the progress of financial reform can be argued as being ahead of other States and indeed the Commonwealth.²⁷

For the benefit of those who are not familiar with the origins and development of the Committee up to recent times, it may be helpful to record a few basic historical facts.²⁸ The Committee was established in 1902 as part of the *Audit Act, 1902*, to exercise the Parliament's review powers over efficiency, effectiveness and accountability of the public sector. However, it began life as 'just a rubber stamp' and remained so for

²⁵ In his article Dempster also wrote that Parliament "...has the full resources of an excellent parliamentary library", article entitled as 'Important Lesson for Politician', *Sun Herald*, 16 May 1993, page 16. In a nutshell, the function of the Parliamentary Library, 'the engine room of a democracy', is to manipulate the library's principal commodity — information; For a broad outline of the history of the Library see article by Russell Cope, 'Stocktaking with Janus', *Australian Library Journal*, August 1990, pages 198-209; Greig Tillotson, *A study of the role of Australian State Parliamentaries as Information Sources for Members of Parliament*, Sydney, 1985.

²⁶ 'Watch Not: Waste Plenty' — The Role of Parliamentary Committees', *The Sydney Papers*, Spring/Summer 1991, page 65

²⁷ For summary of reports by the Public Accounts Committee since 1981 see *Annual Report of the Public Accounts Committee for 1992-93*.

²⁸ Fuller details can be found in the Public Accounts Committee report on its *Ninetieth Anniversary*, November 1992.

nearly 80 years. Until 1981 the Committee met only two to four times a year, each meeting lasting for approximately half an hour. Committee reports were a few pages long, confining themselves to instances of over-expenditure or financial impropriety and questions about procedures on contracts. During these years and until December 1982 the Committee had only two functions:

- to inquire into matters relating to the Public Accounts referred to it by the Legislative Assembly, a minister or the Auditor-General;
- to inquire into expenditure by ministers which had not been sanctioned and appropriated by Parliament.

In commenting on the lack of references given to the Public Accounts Committee, the Joint Committee on Public Accounts and Financial Accounts of Statutory Authorities noted that this suggested:

“. . . either a standard of efficiency in the financial administration of Departments stretching credulity to more than reasonable limits or alternatively—and more probably—a lack of understanding on the part of both the Legislature and the Executive of the need for vastly improved machinery for improvement in the control of public finance”.²⁹

The inactivity of the Public Accounts Committee was clearly the result of the latter—a lack of appreciation by successive governments of the need for a legislatively backed watchdog of public expenditure.

In December 1982, *The Audit (Public Accounts Committee) Act*³⁰ was passed to greatly expand the powers of the Committee. Thus, in addition to its two former functions, the Committee was empowered:

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

²⁹ *ibid.*, page 5.

³⁰ *The Audit Act of 1902* was replaced by *the Public Finance and Audit Act, 1983* which retained the functions of the Committee acquired in December 1982.

The Committee was precluded from inquiring into government policy unless it had received a reference from the Legislative Assembly or a minister.

You might have noted the last dot point above. This is probably the Committee's greatest weapon. It is its ability to give references to itself. In fact, over half of the Committee's 80 reports so far have been on inquiries the Committee has initiated by itself.

This Act brought a new strategy. Its political relevance shifts, it now becomes an active parliamentary watchdog, no longer a paper tiger, over the executive. As a result, a permanent secretariat was established in August 1983, thus strengthening the Committee's ability to exercise its new powers.

The Public Finance and Audit Act charges the Committee with the responsibility:

- to act as parliamentary watchdog of government expenditure;
- to promote efficient and effective implementation of government policy;
- to ensure greater accountability of the executive government to Parliament and the public.

Its objectives are:

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

The strengthening of the Public Accounts Committee's statutory powers in 1982 received *bipartisan* support. Bipartisanship has underlain the way the Public Accounts Committee has investigated problems in public sector administration. The Committee has been supported by all political parties and Independents, as well as the media. Its work has involved a search for common ground, the sharing of ideas and experience, and effective consultation and negotiation.

Inquiries by the reconstituted Public Accounts Committee have contributed to, and in many cases been entirely responsible for, restructuring of government agencies and systems. In the public health system, for example, the Committee has been behind the improvements in accountability of hospitals and in efficiency of the Home Care Service. In the public sector generally, the Committee has provided impetus to the adoption of annual reporting and accrual accounting, and strengthening of internal audit. The Committee, in line with the broadening of the concept of auditing to include efficiency

audits, has become interested in ensuring not only accountability in public expenditure, but also the achievement of real value for money.

Of the 83 reports which the Committee has tabled in Parliament to date, 8 have arisen from references from the Treasurer, 24 from references from other ministers, two from a Legislative Assembly reference, and 2 from references from the Auditor-General. The others have been referenced by the Committee itself.

Two or three recent investigations may put some flesh on the Committee's activities. In October 1993 the inquiry into Public Defenders was referred to the Committee by the Hon. John Hannaford, MLC, Attorney General. It is significant that this inquiry arose from *the Memorandum of Understanding*. Section 2 of the Memorandum relates to reform of the procedures of Parliament, one of the elements of which is:

Further refinement of a Performance Review Committee system for the Legislature to scrutinise Government departments including statutory bodies.

The Chairman's forward stated that

In 1969, [the Public Defenders Act] was a step forward, in that, for the first time, it gave Public Defenders a legislative basis and also improved their independence from government influence. However, in 1994, other issues such as accountability, which are not addressed in the 1969 Act, have come to the fore. It is now time to deal with them systematically and to consider whether the Act should be replaced to take them into account.³¹

Back in 1992 the Committee sought terms of reference from the Finance Minister to examine the issues of internal audit because it believed that ineffective internal audit has been a major factor in some of the biggest corporate losses of recent years, including AWA, Tricontinental and the Victorian Economic Development Corporation.³²

The Committee inquiry and studies revealed a wide range of internal control and audit issues:

- Water Resources - tabled in Parliament an annual report which totally omitted six heavily qualified Auditor-General's opinions and financial statements
- Health - failed in the Central Sydney Area Health Service to develop sound internal controls contributing to a \$7,000,000 budget blow-out.

³¹ Public Accounts Committee, *Public Defenders*, June 1994, page v

³² Public Accounts Committee, *Internal Audit in the New South Wales Public Sector*, June 1993; 'Beef up Internal Audit in the Public Service', *CPA News*, 1 July 1993; 'Major Accounting Bodies Need to Consider Internal Audit Urgently and Seriously', *CPA News*; 12 June 1994; Christopher Jay, 'More Teeth Likely Soon for Public Authority Auditors', *Australian Financial Review*, 15 June 1994, page 45

- Police - gave low priority to auditing policy complaints and reported through an Assistant Commissioner subsequently stood aside amid allegations that some policy complaints had not been properly reported.

It is also striking how the Committee has become increasingly concerned with human resources area. The need for reform at internal agency function level is critical as it is recognised that the business of government is now far more complex, and requires greater degree of expertise. The Committee found that the existing legislative requirement that the Chief Executive Office (CEO) shall establish an effective internal audit organisation wherever practicable is just not good enough - it should be mandatory with very limited exemptions and should be expanded to cover fraud control.

If CEOs take internal audit seriously, then their agencies will also. In the Committee's view CEOs must be, and must be seen to be, the focal point of effective internal audit. The Committee therefore recommended that CEOs internal responsibilities be written into their Senior Executive Service contracts and that CEOs must have internal audit report directly to them, not to their deputy. CEOs performance agreements and assessments are contracts and tools (respectively) which are used to assess an individual's performance.³³

Although from time to time public sector managers are heard to talk of the accountability overload,³⁴ there is little evidence that the executives are actively seeking to increase their own accountability to parliament. For instance a recent review of 52 separate public sector annual reports for 1993 showed non-compliance with audit requirements in all 52, with one showing 19 separate examples of non-compliance.³⁵

The largest task ever undertaken by the Committee was to report on infrastructure management and financing. In the Committee's view, public-private partnerships are in most cases the only way to meet infrastructure need over the next six years. Preparations for the Olympics will involve a massive investment in infrastructure development across a broad range of government agencies, and the Committee's report has stressed the need for

³³ Clear and concise description of the role of CEOs can be found in the extract from address given by Robert Webster, What Makes a Chief Executive Officer, *Directions in Government*, February 1994, page 6.

³⁴ This subject is beyond the scope of this paper; see address by Gary L Sturgess to RIPAA on *Parliamentary Committee and Public Accountability*, Sydney, 22 September 1993; Mark Coultan, 'Watchdogs' Bark Has a Bite, Warns Bureaucrat' [The head of the Premier's Department, Dick Humphry claimed that the public sector could become hamstrung if it is held too accountable], *Sydney Morning Herald*, 16 March 1993, page 5.

³⁵ The Public Accounts Committee had hearings on 8 June 1994 with one entity which omitted from its annual report the audit opinion on its financial statement.

maximum transparency in public-private contracts. The greater the risk to public funds, the more exacting must be the scrutiny, and the more widespread competition.³⁶

It is not the Committee's role to compel the government to implement its recommendations, although it is important for the Committee to ensure that recommendations are given serious consideration. Reports on its inquiries which recommend change are therefore followed up by the Committee. In the first instance, the Committee requests an initial response to a report from the appropriate minister. Secondly, the Committee monitors action taken in response to recommendations, and thirdly, a formal review may be undertaken with further submissions and hearings.

The Committee is currently pursuing an amendment to Standing Orders in the Legislative Assembly to strengthen the requirement of government to respond in Parliament to reports of parliamentary committees. The Committee is also pursuing this requirement for government responses to reports of the Public Accounts Committee through a review of the Public Finance and Audit Act.

In several ways the Public Accounts Committee tries to ensure that the public is aware and understands the essential financial, administrative and related operations of government:

- it produces Annual Reports
- it fosters and maintains good media relations
- by speaking engagements to various groups, such as this
- by presentation of papers to various conferences
- by liaising with public authorities in order to develop an awareness within these organisations

As stated earlier, most parliamentary committees do play a fundamental role in democratic system, which Winston Churchill described as the worst of all possible systems, except for any other system he could think of. Our system beats all the other systems. Having said that you should also bear in mind the following observation :

³⁶ Public Accounts Committee, *Infrastructure Management and Financing in New South Wales: Volume 1 & 2*, July 1993 & February 1994; Mark Coultan, 'ALP Finds a Two-Edged Sword', *Sydney Morning Herald*, 6 May 1994, page 7; An excellent article by Christopher Jay, 'Private Infrastructure Scene Gets Serious...', *Building Owner and Manager Journal*, May 1994, pages 16-22

No single agency or measure alone can ensure a society sufficiently informed about its civic institutions. It is in the character of a democratic community that many should be expected to contribute to this task. There are roles for our schools, universities, and professional and public interest groups, to say nothing of the critical responsibility of the media.³⁷

³⁷ Western Australian Royal Commission into Commercial Activities of Government and Other Matters, *Report*, Part 2, page 53

Accountability Requirements of Directors to Parliament?

By Ian Glachan, MP, Chairman of Public Accounts Committee

In 1978, Peter Wilenski described the NSW public sector as "a bastion of secrecy". Since then, the picture has changed dramatically. The accountability of the NSW public sector is now at an all-time high. The process of reform has been a continuing agenda item that has been undertaken by both Labor and Coalition governments.

- *Annual reports must now conform to a standard format;*

Currently there are three Acts governing the annual reporting obligations of public sector bodies. *The Annual Reports (Departments) Act 1985*, and its associated Regulations require the traditional government department structure to report according to a standard format, revealing, among other things, how they have met performance objectives. *The Annual Reports (Statutory Bodies) Act 1984* imposes a similar standard reporting format for statutory bodies, including GBEs, which is more in line with private sector reporting requirements. GBEs which have been incorporated under *The Corporations Law* have dual reporting obligations: in the first place, they must comply with the annual reports legislation, but in addition, they have reporting obligations under *The Corporations Law* to the Australian Securities Commission.

All annual reports prepared in conformity with the NSW annual reporting legislation must be presented to Parliament and then become publicly available.

- *The Public Finance and Audit Act 1983 standardised financial disclosure requirements across all agencies of government;*

These requirements are stringent, and now require, among others, the disclosure of any unfunded superannuation liabilities, debts, and future commitments under lease agreements.

- *The Auditor-General's powers, particularly with special audits, have been expanded;*

Following an inquiry by the PAC, the Government enacted legislation expanding the Auditor-General's mandate to go beyond simple financial compliance audits. The Auditor-General now has the authority to undertake special audit "economy, efficiency and effectiveness".

- *The Treasury has set up a GTE Monitoring Unit;*

The Commercial Sector Division has the following functions in monitoring GTEs

forecasting and monitoring dividend and tax equivalent payments from GTEs and State Owned Corporations (SOC);

monitoring and advising on approaches to improving the economic performance of public authorities in the Non Budget Sector including advice on the reform of GTEs and assistance in their review;

advising the shareholding Ministers on the financial performance of GTEs and SOCs;

developing an appropriate financial policy framework for GTEs and SOCs; and

preparing and monitoring the Non Budget Sector Capital Program.

- *The Premier's Department has also established a GTE Reform Unit; and*

The GTE Reform Unit within the Office of Public Management has the role of evaluating GTEs for the following

establishment of clear management objectives;

providing managerial autonomy;

ensuring rigorous performance monitoring;

implementing an effective system of rewards and sanctions; and

ensuring competitive neutrality.

- *Special-purpose review agencies like the ICAC and the Ombudsman have taken over some of the functions formerly exercised by Ministers (who are ultimately responsible to the Parliament).*

How did we get there?

In New South Wales the change in government in 1988 brought about a fundamental review of organisational culture and the way government conducted its business operations. The New South Wales Commission of Audit¹ set up by the incoming Greiner government undertook a comprehensive review of the way the government had operated. The Commission concluded that the State had been living beyond its means. The study gave the following as an indication of the causes:

- ◆ Excessive spending;
- ◆ Losses from government business operations;
- ◆ Poor management of the states assets;
- ◆ Failure to pay for all operating expenses as they are incurred; and
- ◆ Increasing reliance on debt.

The Commission recommended some significant changes that included an immediate move to corporatism Government operations, in order to improve returns from these operations and prepare the way for privatisation of the business operations of appropriate operations.

The Government responded to these recommendations by implementing a strategy that required all government activities to be critically appraised and evaluated so tha true cost of the activity could be ascertained.

It is interesting to note that these changes took place at about the same time when accrual accounting was being implemented.²

Taken together these two major initiatives resulted in a fundamental change in the way public sector provided goods and services and reported to Parliament and the taxpayer on the cost their operations.

New structures had to be developed for government functions operating under this new environment. New regulatory and monitoring arrangements were set in place to oversight these bodies that generally operated without direct

¹ *Focus on Reform: Report on State's Finances*, Sydney: NSW Commission of Audit, 1988.

² For further discussion on implementation of accrual accounting in government see Public Account Committee, Parliament of New South Wales, Report number 38, *Proceeding of the Accrual Accounting Seminar*, 5 February 1988.

ministerial involvement. In many ways these businesses operated in the market place exposed to market forces and yet were still owned and controlled by the government. As pointed out by James Guthrie

They have one foot in the government sector, where measurement of performance includes non-market factors and strict accountability requirements, and have the other foot in the private sector, where common measurement of performance is limited to financial market ratios (e.g. liquidity, leverage, operating, etc.).³

The traditional methods by which they reported their operations to Parliament were no longer appropriate. *The Public Sector Management Act* 1988 abolished previously rigid structure of departments and statutory authorities and introduced a more flexible management framework for government, however Ministers still exercised direct control.⁴

The State Owned Corporations Act 1989 provided for a new structure more in line with the private sector where control was exercised through the ownership of shares and not by direct Ministerial intervention.⁵

The accounting and annual reporting requirements for government business public sector business undertakings.⁶

Accountability to Central Agencies vs Accountability to Parliament

In all the developments which have occurred over the last fifteen to twenty years, one trend appears clear: the primary stress — at least up till the last couple of years — has been on the accountability of agencies to the central agencies of government, rather than to the Parliament. It could be said that the Parliament is being sidelined.

This emphasis is clear from several factors:

-
- ³ 'Measuring the Financial and Non-financial Performance of Public Business Enterprises', *IIR 1994 Annual Public Sector Accounting and Financial Management Conference*, 30 & 31 March 1994, Sydney, 1994
 - ⁴ See Functions of the Minister, Section 43 of the Act.
 - ⁵ 'Eligible Ministers' in relation to a State Owned Corporation means "...The Treasurer and 4 or more other Ministers for the time being nominated by the Premier as being eligible to hold shares in the corporation".
 - ⁶ Australian Society of Certified Practising Accountants, 'Introductory Statement on Applicability of Statements of Accounting Standards to Public Sector Business Undertakings', *Members Handbook, vol. 1*, As at June 1994.

- The tremendous growth of quasi-independent business undertakings by government with unclear lines of accountability;
- The lack of resources given to Parliament for its GBE monitoring role relative to those allocated to central agencies for this task; and
- The considerably proactive, hands-on role taken by the Treasury's GTE Monitoring Unit in the review of GTEs.

Growth of GBEs

The list of GBEs is continually growing. The latest figures available to the PAC show a total of 32 so-called "public trading enterprises", two "public financial enterprises", 22 "government trading enterprises" which pay dividends, and two "state-owned companies". The definitions appear to be a movable feast, and there is some overlap between the two lists [see Appendix 1], but the central fact is that government agencies which conduct business relatively independently of central control are mushrooming.

Before this proliferation gathered steam, accountability relationships of government bodies to the parliament were clear and simple. As a leading Australian academic has said:

Orthodox Westminster principle[s] had produced a linear, or two-way relationship between the parliament and the government of the day – the government being made up of ministers unambiguously heading departments. Now the new statutory corporation sector furnished a triangular three-way relationship among parliament, government and corporations.⁷

and, more importantly,

...there is uncertainty as to whether the corporation is reporting primarily to the Minister or primarily to parliament.⁸

This uncertainty has led to considerable confusion, not only in Australia but in other jurisdictions like Canada purporting to follow the Westminster system. Two leading Canadian scholars have highlighted the "confusion about

⁷ Professor Roger Wettenhall, 'Corporatised Bodies Old and New: Is Parliament Missing Out?', *Verbatim Report*, July 1993, p. 119.

⁸ *ibid.*

accountability relationships" where GBEs are concerned.⁹

In NSW, the Parliament, conscious that it risks being sidelined, has taken some steps to stem the tide. It has instituted a system of Estimates Committees composed of backbenchers, which critically examine budget bids by budget sector departments.

However, the scope of these Estimates Committees is limited, because their charter is to review the government's budget proposals submitted to the Parliament. They thus examine mainly the inner budget sector departments in detail, and can review only those GBEs which have a significant impact on the budget.

As a result, the Parliament's scrutiny of GBEs is heavily circumscribed.

The lack of resources given to Parliament for its GBE monitoring role relative to those allocated to central agencies for this task

The Parliament's GBE monitoring role is carried out by two main bodies: the Public Accounts Committee and the Auditor-General. Both of these are servants of the Parliament, and a major task of both is to ensure accountability of GBEs to the Parliament.

Public Accounts Committee

I now turn to my Committee, as it is part of PAC's on-going program to investigate public sector financial management and accountability. The PAC has a considerable interest, and indeed a long-standing involvement, in reviewing and working to improve public sector accounting and reporting and the overall level of accountability to Parliament of authorities of State.

The Committee has been pivotal in the reform processes affecting the finances and administration of the New South Wales public sector. In New South Wales the progress of financial reform can be argued as being ahead of other States and indeed the Commonwealth.¹⁰

For the benefit of those who are not familiar with the origins and

⁹ *ibid.*, p. 115.

¹⁰ For summary of reports by the Public Accounts Committee since 1981 see *Annual Report of the Public Accounts Committee for 1992-93*.

development of the Committee up to recent times, it may be helpful to record a few basic historical facts.¹¹ The Committee was established in 1902 as part of the *Audit Act, 1902*, to exercise the Parliament's review powers over efficiency, effectiveness and accountability of the public sector. However, it began life as 'just a rubber stamp' and remained so for nearly 80 years. Until 1981 the Committee met only two to four times a year, each meeting lasting for approximately half an hour. Committee reports were a few pages long, confining themselves to instances of over-expenditure or financial impropriety and questions about procedures on contracts. During these years and until December 1982 the Committee had only two functions:

- To inquire into matters relating to the Public Accounts referred to it by the Legislative Assembly, a minister or the Auditor-General; and
- To inquire into expenditure by ministers which had not been sanctioned and appropriated by Parliament.

In commenting on the lack of references given to the Public Accounts Committee, the Joint Committee on Public Accounts and Financial Accounts of Statutory Authorities noted that this suggested:

"... either a standard of efficiency in the financial administration of Departments stretching credulity to more than reasonable limits or alternatively—and more probably—a lack of understanding on the part of both the Legislature and the Executive of the need for vastly improved machinery for improvement in the control of public finance".¹²

The inactivity of the Public Accounts Committee was clearly the result of the latter—a lack of appreciation by successive governments of the need for a legislatively backed watchdog of public expenditure.

In December 1982, *The Audit (Public Accounts Committee) Act*¹³ was passed to greatly expand the powers of the Committee. Thus, in addition to its two former functions, the Committee was empowered:

- To examine the Public Accounts;

¹¹ Fuller details can be found in the Public Accounts Committee report on its *Ninetieth Anniversary*, November 1992.

¹² *ibid.*, page 5.

¹³ The *Audit Act of 1902* was replaced by the *Public Finance and Audit Act, 1983* which retained the functions of the Committee acquired in December 1982.

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

The Committee was precluded from inquiring into government policy unless it had received a reference from the Legislative Assembly or a minister.

You might have noted the last dot point above. This is probably the Committee's greatest weapon. It is its ability to give references to itself. In fact, over half of the Committee's 83 reports so far have been on inquiries the Committee has initiated by itself.

This Act brought a new strategy. Its political relevance shifted, it then became an active parliamentary watchdog, no longer a paper tiger, over the executive. As a result, a permanent secretariat was established in August 1983, thus strengthening the Committee's ability to exercise its new powers.

The Public Finance and Audit Act charges the Committee with the responsibility:

- To act as parliamentary watchdog of government expenditure;
- To promote efficient and effective implementation of government policy; and
- To ensure greater accountability of the executive government to Parliament and the public.

Its objectives are:

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

The strengthening of the Public Accounts Committee's statutory powers in 1982 received *bipartisan* support. Bipartisanship has underlain the way the Public Accounts Committee has investigated problems in public sector administration. The Committee has been supported by all political parties and Independents, as well as the media. Its work has involved a search for common ground, the sharing of ideas and experience, and effective consultation and negotiation.

The resources allocated to the Public Accounts Committee, however, are limited. The staff establishment in 1994 remains the same as it was in 1984, although the complexity of government operations has changed significantly in the past decade.

Furthermore, the PAC is required to examine *GTEs, and the inner budget bodies, as well as the traditional statutory authorities.*

The Auditor-General

The Auditor-General represents the most important accountability and review mechanism in the public sector. The principle of the independence of the Auditor-General is enshrined in *The Public Finance and Audit Act 1983* and over the years has been strengthened. Following recommendations in the Public Accounts Committee Report 49 into the Auditor-General's Office, the Government recently introduced legislation that gives the Auditor-General power and discretion to carry out what the committee termed as 'special audits', also known as 'value for money' or 'performance' audits. These audits are an examination of the efficiency, effectiveness and economy of a function, and not merely a measure of financial compliance.

The only limitation placed on the Auditor-General by the new legislation is that such an audit cannot question the merit of government's policy objectives. The legislation makes it quite clear though, that the Auditor-General's power given to carry out special audits, means that the Auditor-General, and not the Government, has the discretion to select those topics and areas to be subject of audit.

In addition to the standard three volumes of the Auditor-General's Annual Report to Parliament, various special reports have been tabled in Parliament (e.g. the report on the Agent-General's Office in London).

The Auditor-General's Office is also accountable itself through reviews conducted by the Public Accounts Committee. One such review (of the performance [special] audit function) was conducted last year. In this report the PAC was critical of the Special Audits conducted to date in that they did not fully address all aspects of economy, efficiency and effectiveness as envisaged under the Act.

Since the Committee's review, the Auditor-General has tabled a report on the HomeFund program, which specifically addressed all of the issues of effectiveness, efficiency and economy as well as the terms of reference given by the Legislative Assembly. This is therefore, the first special audit conducted fully under the terms of the Act.

Early next year the principle of external 'peer' review will be extended to the Office of the Auditor-General. The Office is also subject to investigation by the Ombudsman of any referred complaints.

Parliamentary Review Process

As indicated earlier in this paper there are a number of high powered review processes operating across the public sector. It should be noted however that most of these review processes are undertaken by central agencies of government and the reporting processes do not normally involve the Parliament.

And yet the role of Parliament should be paramount, for two main reasons:

- Only the Parliament should, and can, be the final arbiter of whether a body is achieving the right social and political objectives. As James Guthrie has said:

Parliamentarians should not be satisfied with just a financial accountability (however adequate), but should also consider the necessary political and social accountability for these public business enterprises.¹⁴

- Because the Parliament has to levy any taxes needed to underwrite losses of GTEs. By way of example, look at Victoria and South Australia. In those states, losses incurred by state-owned businesses have had to be underwritten by taxpayers to the detriment of traditional government services.

¹⁴ 'The Adoption of Corporate Forms for Government Business Undertakings: Accountability Issues for the 1990s', *Biennial Conference of Public Accounts Committees*, Darwin 22 - 26 May 1999, p. 75.

In a nutshell, the form and content of information, financial or otherwise, provided to the Parliament is by no means stagnant — nor can it ever be. Rather there is a continual process of development, with each improvement leading to new perceptions of needs, and, in some cases, to the downgrading of the significance on information which may once have been thought to be important. This view was clearly expressed by Ian Castles:

The objective is not, of course, to provide more and more information, irrespective of its relevance or capacity of people to make use of it. It is essential to recognise that information is but a means to an end — the end being to enhance the capacity of the Parliament, the Executive, and the community at large to carry out their roles in the democratic process.¹⁵

¹⁵ 'Meeting Financial Information Needs of the Parliament', *The Australian Accountant*, December 1980, page 765

APPENDIX 1: GBES

PUBLIC TRADING ENTERPRISES

Broken Hill Water Board
Cobar Water Board
Dairy Corporation, NSW
Eastern Creek Raceway
ENC Management Pty Ltd
Elcom Collieries
Fish Marketing Authorities
Fish River Water Supply Authority
Homebush Bay Ministerial Corporation
Hunter Water Corporation
Huntley Collieries
Land and Housing Corporation
Lotteries
Maritime Services Board
Newcom Collieries
Pacific Power
Parramatta Stadium Trust

Public Servant Housing Authority
South-West Tablelands Water Supply
State Rail Authority
State Transit Authority
Sydney Cricket and Sports Ground Trust
Sydney Electricity
Sydney Market Authority
Sydney Opera House Trust
Teacher Housing Authority
Totalisator Agency Board
Water Resources?
Waste Recycling and Processing Service
Water Board
Zoological Parks Board

PUBLIC FINANCIAL ENTERPRISES:

State Bank
Treasury Corporation

Source for above information: NSW Budget Paper 1993-94 No.2, 11 – 16-17.

GOVERNMENT TRADING ENTERPRISES:

Commercial Services Group
Fish Marketing Authority
Home Purchase Assistance Authority
Housing Department
Land Titles Office
Maritime Services Board
Pacific Power
Property Services Group - LandCom
Public Works Department
State Forests
State Lotteries
State Transit Authority
Sydney Cove Authority
Sydney Electricity
Illawarra Electricity
Prospect Electricity
Shortland Electricity
Sydney Market Authority
Sydney Water Board
Treasury Corporation
Water Recycling and Processing Service
Zoological Parks Board

STATE OWNED COMPANIES:

Hunter Water Corporation
State Bank

The above list was supplied this month by the Treasury: Commercial Sector Division.

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2. MEDIA COVERAGE 1993-94

DATE	SOURCE	TITLE	AUTHOR
1-Jul-93	CPA News	<i>Beef up internal audit in the public service - NSW Public Accounts Committee</i>	
8-Jul-93	New Accountant	<i>1. Audit recommendations for the public sector ; 2. Internal audit set for a comeback</i>	Doreen Soh
15-Jul-93	Northern Herald	<i>Andrew Tinks is chuffed</i>	Jacqueline Hole
1-Aug-93	Directions in Government	<i>Making friends with auditors</i>	
1-Aug-93	Directions in Government	<i>Song of praise for opera project</i>	Case Study
19-Aug-93	New Accountant	<i>Internal auditors - or evaluators</i>	Bob Walker
19-Aug-93	Northern Herald	<i>Australia's version of Jeffrey Archer - Andrew Tink</i>	Jacquelyn Hole
1-Sep-93	NSW Branch Bulletin	<i>Regulation to create growth in Internal Audit Work</i>	
29-Sep-93	SMH	<i>Olympic risk cover-up feared</i>	Danielle Cook
30-Sep-93	New Accountant	<i>New audit changes to crack down on fraud and corruption</i>	News
1-Oct-93	Directions in Government	<i>1. Audit: no longer us versus them; 2. Internal audit revamp</i>	
22-Nov-93	Telegraph Mirror	<i>Inquiry into M5</i>	
23-Nov-93	Australian	<i>Shares plan to raise cash for State</i>	Natasha Bita
23-Nov-93	SMH	<i>M5 contract: Opposition calls for compo inquiry</i>	Karin Bishop
25-Nov-93	New Accountant	<i>Challenge on to keep AAA</i>	
26-Nov-93	Fin. Review	<i>Government share in infrastructure projects urged</i>	Ian Rogers
30-Nov-93	Fin. Review	<i>Venue shifted</i>	Staff reporter
1-Dec-93	PW Financing	<i>Aussie's Auditor Hikes BOT</i>	
1-Dec-93	SMH	<i>Hot ticket - Infrastructure</i>	Jeni Porter
7-Dec-93	Australian	<i>Controls by greens 'a risk to investors'</i>	Natasha Bita
8-Dec-93	Fin. Review	<i>For whom the toll bells</i>	Market Action
10-Dec-93	SMH	<i>Auditor queries RTA accounting practices</i>	Paola Totaro and Mark Coultan
12-Dec-93	Northern Herald	<i>Entrepreneurial MP can get the cash registers tinkling</i>	Jacquelyn Hole
18-Dec-93	SMH	<i>Andrew Tink in appearing in Premier's photo</i>	Kookaburra
23-Dec-93	Fin. Review	<i>Infrastructure bond</i>	Ian Rogers
4-Jan-94	Australian	<i>There's no reason to be so cautious over ICAC</i>	
10-Jan-94	SMH	<i>A healthier way to operate hospitals</i>	Harry Herbert
14-Jan-94	Telegraph Mirror	<i>Hospital deal fails at cost of \$200m</i>	
20-Jan-94	New Accountant	<i>Private funds for public projects: report</i>	Karen Smith
1-Feb-94	GO	<i>Handling projects privately</i>	Mike Syddell

Public Accounts Committee

DATE	SOURCE	TITLE	AUTHOR
1-Feb-94	CPA News	<i>Don't bank on a work-out for</i>	
1-Feb-94	Superfunds	<i>Public Accounts Committee touts infrastructure</i>	News & Trends
6-Feb-94	Sun-Herald	<i>Smash hit</i>	Candace Sutton
15-Feb-94	Penrith Press	<i>Non-profit hospital plan 'biased'</i>	Cindy Sciberras
16-Feb-94	Fin. Review	<i>How investment in roads could benefit the economy</i>	John B. Cox
17-Feb-94	SMH	<i>Whiteboards: don't knock 'em</i>	Michael Sharp
17-Feb-94	Northern Herald	<i>Use of \$10,000 raised by PAC</i>	Jacquelyn Hole
21-Feb-94	Fin. Review	<i>Super not suited to directed investment</i>	Simon Hoyle
23-Feb-94	Fin. Review	<i>Real estate grease for passenger rail wheels</i>	Christopher Jay
23-Feb-94	Fin. Review	<i>\$10bn likely from US funds visit</i>	Simon Hoyle
24-Feb-94	Northern Herald	<i>Private hospital wins the go-ahead</i>	Amanda Phelan
1-Mar-94	Australian	<i>Start-up fund shifts into gear after slow beginning</i>	Julie Robotham
1-Mar-94	Fin. Review	<i>Report urges tendering 'transparency'</i>	Ian Rogers Mark Coultan & James Walker
1-Mar-94	SMH	<i>Call for openness in Govt deals</i>	
1-Mar-94	Australian	<i>Start-up fund shifts into gear after slow beginning</i>	Julie Robotham
1-Mar-94	Directions in Government	<i>Committee Pays</i>	
1-Mar-94	Australian	<i>NSW urged to build with bonds</i>	Florence Chong
1-Mar-94	Fin. Review	<i>Forum aims to boost Asian infrastructure</i>	Geoffrey Forday
2-Mar-94	Daily Commercial News	<i>Private Sector shake-ups good for business</i>	Kath Cook
2-Mar-94	Daily Commercial News	<i>Joint fund</i>	News - briefly
3-Mar-94	New Accountant	<i>US funds take private interest in public works</i>	News Round-up
9-Mar-94	Australian	<i>BOOT offers 'little incentive'</i>	
9-Mar-94	Australian	<i>Integrity ensured by going public</i>	
9-Mar-94	Australian	<i>1. Experiences need to be vital to success</i>	2. Packaging Tim Blue
10-Mar-94	Telegraph Mirror	<i>Inquiry into tollway fails</i>	
10-Mar-94	Northern Herald	<i>New call for M2 tollway inquiry</i>	Steve Offner
10-Mar-94	SMH	<i>F2 inquiry halted</i>	In Brief

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DATE	SOURCE	TITLE	AUTHOR
10-Mar-94	Northern Herald	<i>Private gain public pain</i>	Amanda Phelan
14-Mar-94	Library	<i>ICAC Milloo 2 Sydney</i>	AAP
17-Mar-94	Northern Herald	<i>Independents slammed over tollway</i>	Steve Offner
18-Mar-94	SMH	<i>Water-treatment secrets up for grabs as Labor, Independents roll Fahey</i>	Philip Cornford
21-Mar-94	Fin. Review	<i>Lobby group slams water plant bids</i>	Ian Rogers
25-Mar-94	Fin. Review	<i>Rule change aids private funds entry</i>	Ian Rogers
28-Mar-94	AAP	<i>left wing parliamentarians to meet over right brawl</i>	AAP
31-Mar-94	New Accountant	<i>A war of words erupts over paper</i>	Karen Smith
31-Mar-94	New Accountant	<i>Testing time for the true and fair view</i>	Bob Walker
31-Mar-94	Northern Herald	<i>Andrew Tink - Mr nice guy</i>	Jacequeline Hole
1-Apr-94	ABM	<i>Building the future on super</i>	Paul Coombes
2-Apr-94	SMH	<i>Sydney needs plan of attack</i>	Greg Paramor
12-Apr-94	CPA	<i>Accounting standards relating to private investment in public infrastructure investment are wrong, says inquiry</i>	
14-Apr-94	New Accountant	<i>Internal auditors take a stand - sort of</i>	Bob Walker
17-Apr-94	Sunday Telegraph	<i>Billions for Infrastructure</i>	Rosy Mobbs
18-Apr-94	SMH	<i>Nobody home at the House</i>	Michael Sharp
20-Apr-94	SMH	<i>Auditor should stick to his job</i>	
23-Apr-94	SMH	<i>Business asked to dig deep in the name of Olympic spirit</i>	Sam North
23-Apr-94	SMH	<i>switchboard operator</i>	Kookaburra
27-Apr-94	Fin. Review	<i>Mixed projects pose challenge on extent of private equity</i>	Christopher Jay
1-May-94	BOMA	<i>Private infrastructure property</i>	Christopher Jay
1-May-94	Australian Law Journal	<i>New forms of public sector funding</i>	
5-May-94	Australian	<i>Extra \$70m for infrastructure</i>	Tim Stevens
6-May-94	SMH	<i>ALP finds a two-edged sword</i>	Mark Coultan
16-May-94	Fin. Review	<i>Full accrual accounting swings on inquiry</i>	Nigel Wilson
26-May-94	New Accountant	<i>MPs to look at accruals</i>	
26-May-94	New Accountant	<i>Time to ditch the horse and buggy</i>	David Abba

Public Accounts Committee

DATE	SOURCE	TITLE	AUTHOR
29-May-94	Sunday Telegraph	<i>Taxes could wreck our 2000 plans</i>	Rosby Mobbs
12-Jun-94	CPA News	<i>Major accounting bodies need to consider internal auditing standards urgently and seriously, says PAC Chairman</i>	Editorial
15-Jun-94	AAP	<i>State should have more public defenders</i>	AAP
15-Jun-94	Telegraph Mirror	<i>More defenders to boost legal aid</i>	Cindy Sciberras
15-Jun-94	Fin. Review	High non-compliance rate in public sector reports	Chris Jay
15-Jun-94	Fin. Review	More teeth likely soon for public authority auditors	Chris Jay
16-Jun-94	Telegraph Mirror	Overhaul urged for legal aid	Sandra Olsen
16-Jun-94	2BL	Hawkesbury Battle	Steve Chase

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