

PUBLIC ACCOUNTS COMMITTEE

PARLIAMENT OF NEW SOUTH WALES

**Annual Report
1991-92**

Report No. 66

November 1992

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Annual Report for 1991-92

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MEMBERS OF THE PUBLIC ACCOUNTS COMMITTEE

Members of the Public Accounts Committee of the 50th Parliament during 1991-92 were:

Mr Jim Longley, BEc, MEc, FCPA, ThC, MP, Chai

Jim Longley was elected Liberal Member for Pittwater in May 1986. Prior to entering Parliament he worked in the banking industry; he was a corporate analyst in Westpac's London office and group planning manager in its Sydney head office. He served as a member of the Regulation Review Committee and the NSW Parliamentary Library Committee, and has chaired three government committees, including the Treasury Advisory Committee and the Environment Advisory Committee. Mr Longley was appointed Minister for Community Services and Assistant Minister for Health on 2 July 1992.

Mr Ray Chappell, MP, Vice-Chairman

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

Mr Geoff Irwin, ProdEngCert, DipTech, DipEd,MP

Geoff Irwin was elected to Parliament in March 1984 as the Labor Member for rmanMerrylands, and he has been the Member for Fairf~eld 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, ASA, 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 Opposition's Backbench Committee which involves Treasury, arts and ethnic affairs.

Mr Michael Photios, MP

Michael Photios was elected to Parliament in March 1988 as the Liberal Member for Ryde. Following redistribution of electorate boundaries, Mr Photios was re-elected in May 1991 as the Liberal Member for Ermington. Prior to entering Parliament he was marketing manager of an importing company. Michael Photios is a Trustee of the Ethnic Communities Council of New South Wales. He served as a member of the House Committee and a member of four government committees, and chaired the Environment Committee. Mr Photios was appointed Parliamentary Secretary for the Environment on 2 July 1992.



The Committee during 1991-92

From left: Geoff Irwin, Jim Longley (Chairman), Ray Chappell (Vice-Chairman), Terry Rumble, Michael Photios

-Public Accounts Committee

The following members were appointed to the Public Accounts Committee on 1 September 1992 to fill vacancies created by the appointment of Mr LongIcy as minister and Mr Photios as parliamentary secretary in the Fahey Government on 2 July 1992:

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 a past president of the Albury-Hume Kotary Club, an active member of the Anglican Church, and the Legislative Assembly member on the Board of Governors of Charles Sturt University.

**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 is also an Acting Speaker of the Legislative Assembly and its representative on the Macquarie University Council.



The present Public Accounts Committee

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

CHAIRMAN'S FOREWORD

.....

1991-92 was an eventful year for public Committee, beginning

With a new Committee being sworn in on 2 July 1991. After serving as Chairman for the full financial year, Mr Jim Longley was appointed Minister for Community Services and Assistant Ministers for Health in the new Fahey Government on 2 July 1992, while Mr Michael Photios was appointed Parliamentary Secretary for the Environment at the same time. New appointments were made to all positions on the Committee's staff structure during 1991-92, and the Committee is now fully staffed.

Despite the complete turnover in both Committee and staff, the year was a remarkably productive one, with the completion of seven reports and the initiation of two new inquiries to be reported upon later.

One of the Committee's notable achievements during the year was the inquiry into and reporting at short notice on the Port Macquarie hospital contract. For this inquiry, the Committee was augmented by four members: Mr John

Refshauge and myself. The contract was a controversial one which received considerable public attention. Nevertheless the Committee, in its tradition of harmony and bipartisanship, brought in a unanimous report which examined the contract in extensive detail.

A major report inquired into the National Parks and Wildlife Service and recommended a variety of ways of improving the Service's ability to generate its own revenue. Action had already begun by the end of this year on implementing several of the Committee's recommendations.

The other reports produced by the accounts Committee all related to questions of financial management in the public sector.

The report on dividend payments made by statutory authorities to the Consolidated Fund highlighted, for the first time for many in Parliament and in the public, the great increase in the level of dividend payments and their growing importance to the State's revenue. It made a number of recommendations, action on which will be monitored by the Committee. One of the Committee's targets for 1992-93 is to produce a follow-up report on this issue.

The report on financial accountability followed up on a number of previous Committee reports on the subject, examined how well the Committee's earlier recommendations had been implemented, and made several recommendations for the future. It found that there had been a gratifying level of compliance with the Committee's recommendations.

The last two reports looked at the progress of financial reforms over the New South Wales public sector. In conjunction with the Treasury, the Committee organised a successful seminar on the subject, attended by over 200 people. Seminar papers were published in one report, and the other report highlighted a number of areas where reforms are still to be made, particularly in the valuation of assets.

During the year under review the Committee initiated work on four new inquiries where reporting is not expected until the 1992-93 financial year. Principal among these was the very large inquiry into the financing and administration of urban infrastructure projects.

Subjects of other reports to be tabled during the coming year include the School Student Transport Scheme, funding of

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health infrastructure and services in New South Wales, debt write-offs, dividends paid by statutory authorities (follow-up to previous report on this subject), and management of natural resources (follow-ups to previous reports on the Forestry Commission and the National Parks and Wildlife Service).

For the very successful result in 1991-92, which was a truly remarkable one in the circumstances, credit is due to the dedication and hard work of the Committee as well as to the energy and efficiency of its staff. As the newly elected Chairman of the Public Accounts Committee, I congratulate Mr Longley and Mr Photios on their appointments in the new Fahey Government, and I thank them for their efforts over the past year. My appreciation also goes to the continuing Members of the Committee--Mr Ray Chappell, Mr Terry Rumble and Mr Geoff Irwin. Mr Ian Glachan and I have now joined the Committee, and already much progress has been made in both ongoing and new projects.

All staff who have worked for the Committee during 1991-92 have made valuable contributions. Special thanks are due to Ms Victoria Walker, who resigned during the year after two years' service as Director. Ms Patricia Azarias has taken over the reins to provide the Committee with the solid support it requires to maintain its high standards of achievement. Mr Ian Clarke has very competently compiled this annual report. I wish to convey my belief that we now have a good team of Committee Members and staff, and that we can work together during 1992-93, the ninetieth year of the Public Accounts Committee, to ensure value for money in the New South Wales public sector.

Andrew Tink, MP
27 November 1992

HIGHLIGHTS OF THE YEAR

	DATE	EVENT
1991	2 July	Appointment of the Public Accounts Committee of the Fiftieth Parliament
	5 November	<i>Annual Report for 1990-91</i> tabled
	18 December	<i>Report on National Parks and Wildlife Service</i> tabled
1992	15 April	<i>Report on Dividend Payments Made by Statutory Authorities to the Consolidated Fund</i> tabled
	1 May	Seminar held on <i>Progress of Financial Reforms in New South Wales</i>
	11 June	<i>Follow-up Report on Financial Accountability</i> tabled
	1 June	<i>Phase One Report on the Public Accounts Special Committee Inquiry into the Port Macquarie Hospital Contract</i> tabled
	30 June	<i>Report of Proceedings of the Seminar to Review Progress of Financial Reform in the New South Wales Public Sector</i> tabled
	30 June	<i>Report on Progress of Financial Reform in the New South Wales Public Sector</i> tabled

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 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 these years 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.

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 authorities² recommended that:

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

Progress Report from the Joint Committee of the Legislative Council and Legislative Assembly upon Public Accounts and Financial Accounts of Statutory Authorities, 27 March 1980, p. xxix.

- id.; Interim Report from the Select Committee on Public Accounts and Financial Accounts of Statutory Authorities, 9 March 1978; and Report from the Joint Committee of the Legislative Council and Legislative Assembly upon the Public Accounts and Financial Accounts of Statutory Authorities, 13 May 1981.

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· the Public Accounts Committee be serviced by a permanent secretariat of parliamentary officers.

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

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:

The Audit Act of 1902 was replaced by the *Public Finance and Audit Act 1982* 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 exercise its new powers.

- 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.

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 64 reports which the Committee tabled to 30 June 1992, 6 arose from references from the Treasurer, 16 arose from references from other ministers, one from a Legislative Assembly reference, and 2 from references from the Auditor-General. The table on page 37 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.

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, or with late submission of statements.

Qualified audit opinions of the Auditor-General fall into three main categories:

1. Adverse opinion--where the financial statements contravene approved accounting legislation, concepts or standards so that they do not fairly

present the financial position and operating results of the agency.

2. Disclaimer opinion--where the financial statements are presented in such a way that the Auditor-General is unable to form an opinion.

3. Exception opinion--where, except for the effects of certain matters on the financial statements, the statements are regarded as complying with relevant accounting legislation, concepts and standards, and as fairly presenting the financial position and operating results of the agency. These are the most common.

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 summarised on page 24, and details are given in appendix 3.

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. The inspections carried out by the Committee during 1991-92 are included in the table on page 14. For a number of inquiries the Committee has sought information from other States and overseas in order to draw comparisons.

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.

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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 or should not be implemented. However, that, with some exceptions, the Committee the Committee's reports are based on must take all evidence in public. 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. Confidential evidence usually relates to aspects of those organisations which compete with the private sector on a commercial basis.

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

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 government to respond 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 1986* 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

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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.

Reviews of legislative amendment proposals during 1991-92 are reported on page 25.

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.

Details of public education initiatives of the Committee during 1991-92 are given on page 27.

Deliberative meetings

The Committee meets in closed sessions when it deliberates, receives briefings, or reviews draft reports. Meeting dates for 1991-92 are shown in the table on page 14.

Targets for 1991-92

In addition to its ongoing statutory work the Committee resolved on 16 July 1991:

To complete the inquiry into the

National Parks and Wildlife Service;

To conduct an inquiry into selected aspects of urban infrastructure financing;

To conduct an inquiry into selected aspects of the administration of the New South Wales Parliament;

To conduct formal reviews of action taken in response to the following Committee reports:

Expenditure Without Parliamentary Sanction (Report No. 1)

Expenditure Without Parliamentary Sanction (Report No. 4)

Accountability of Statutory Authorities (Report No. 7)

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

Report on Payments Without Parliamentary Appropriation (Report No. 43)

The Challenge of Accountability (Report No. 47)

To conduct an inquiry into tourism development in New South Wales;

To complete formal reviews of action taken in response to the following past Committee reports:

Over-Expenditure in Health Funding to Hospitals (Report No. 2)

Public Accountability in Public and Other Subsidised Hospitals (Report No. 3)

Superannuation Liabilities of Statutory Authorities (Report No. 10)

Follow-up Report on Inquiries into the New South Wales Public Hospital System (Report No. 21)

Report on the Home Care Service of New South Wales (Report No. 32)

Report on the Purchasing Practices and the Allocation of Stores and Equipment Resources Within the Technical and Further Education System (Report No. 39)

Report on the New South Wales Ambulance Service (Report No. 44)
Report on Payments to Visiting Medical Officers (Report No. 45);

To examine:
debt management
dividend payments by statutory authorities
public involvement in private sector projects.

ACTIVITIES IN 199'1-92

Hearings, meetings and inspections

DATE	SUBJECT	ORGANISATION	WITNESSES/ IN ATTENDANCE
16 July	Deliberative meeting		
30 July	Inspection	<i>Inquiry into the National Parks and Wildlife Service</i>	
1 August	Public hearing	Ku-ring-gai Chase NP <i>Inquiry into the National Parks and Wildlife Service</i> National Parks and Wildlife Service	Mr B Conroy Mr W Gillyo Mr A Howard Mr M Booth Ms V Ingram Mr M Mortimer
22 August	Deliberative meeting		
12 Sept	Deliberative meeting		
19 Sept	Deliberative meeting		
17 Oct	Deliberative meeting		
23 Oct	Deliberative meeting		
4 Nov	Public hearing		
		<i>Inquiry into dividend payments</i> The Treasury	Dr J P Moy Dr J Bateson
		Sydney Cove Authority	Mr R Mitchell Mr M Fileman
		Electricity Commission	Mr B Flanagan Mr J Byrne
		Water Board	Mr A Wright Mr A Butler
		Sydney Electricity	Mr A Gillespie Mr A Smith Mr K McIlwraith
		Zoological Parks Board	Mr G Smith Mr H Rankin
		Forestry Commission	Dr J H Drielsma Mr D Staun
14 Nov	Deliberative meeting	<i>Inquiry into dividend payments</i>	
18 Nov	Public hearing	Commercial Services Group Local Government Electricity Association	Mr G Messiter Mr P Lopeft Mr T Miller Mr B MacCarthy
19 Nov	Public hearings	<i>Inquiry into debt write-offs</i> Department of Housing State Authorities Superannuation Board Department of Consumer Affairs Department of State Development ACOL Pty Ltd	Mr R Flint Mr W Brailey Mr W Archer Mr A Warden Mr J W Holloway Mr R J Walker Mr R Baker Mr J Grady Mr M Whale Mr D Kayne

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DATE	SUBJECT	ORGANISATION	WITNESSES/ IN ATTENDANCE
25 Nov	Public hearing	Water Board Department of Industrial Relations, Further Education, Training and Employment Department of Health	Mr B Wilson Mr C Gellatly Dr B Amos Mr K Barker Mr L Flavell
		Soil Conservation Service of NSW	Mr R Junor Mr G Waters Mr R Lovat
		Office of State Revenue The Treasury	Mr B Buchanan Mr R Scullion Mr P Broadtoot
27 Feb	Deliberative meeting		
5 Mar	Deliberative meeting		
20 Mar	Deliberative meeting		
6 April	Public hearing	<i>Follow-up inquiry into financial accountability</i> The Treasury Mr M Lambert Mr I Neal Mr B Sentit Ms T Melior Auditor-General's Office Mr W Baker Mr R Bible I Mr G Oliver I Mr K Robson	
10 April	Deliberative meeting	Commonwealth Department	
1 May	Deliberative meeting	Mr M Kennedy	
6 May	Public hearing	of finance	
		<i>Inquiry into the Port Macquarie hospital contract</i> Department of Health Mr D Gates Mr R Wralght Mr B Amos Mr W Jurd Mr J Munro : <i>Inquiry into the Port Macquarie hospital contract</i> Clayton Utz, Solicitors Garrett & Walmsley, Solicitors Department of Health	Mr G Fuzi Mr J Stirbin Mr J Garrett Mr R Wraight Mr D Gates Mr W Jurd Mr J Munro Dr R Clarke Mr B Tierney Mr C Griffith Dr D Malikoff
8 May	Deliberative meeting		
11 May	Public hearings	Hastings District Hospital Hastings District Hospital Board Port Macquarie Medical Association	

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DATE	SUBJECT	ORGANISATION	WITNESSES/ IN ATTENDANCE
12 May	Public hearing	Hastings District Hospital	Mrs S O'Brien Mr P Thompson Dr R Clarke
		Hospital Action Group	Mr D Mackay Mr R Adams Ms J Thompson Mr W Richards Mr J Murphy
		Hastings District Hospital Board	Mr C Griffith Mr B Tierney Ms E Hall
		Individual Port Macquarie Medical Association	Dr G McIntosh Dr G Williams Dr D Malikoff Dr H Cumberland
13 May	Public hearing	Port Macquarie Chamber of Commerce and Technology	Mr G Lin
		Port Macquarie Teachers Association	Mr F Nelson Ms J Morgan Mr P Kirksrood Mr J Shevlin
14 May	Public hearing	Port Macquarie Council of Trade Unions	
		University of W Sydney	Mr A Dix Mr B Catchlove Mr C Sinclair Mr B McKay Mr K Laphorne Mr B Adams Mr J Barton
		Health Care of Australia	Mr M Lambert Mr M Ronsisvalle Mr H Herbert Mr L Macdonald
		Fletcher Jennings	Mr I Mill Mr R Spencer Mr D Darby
		The Treasury	
		Uniting Church	
		Catholic Health Association of Australia	
		Australian Council on Healthcare Standards	
		Health Services Association	Ms L Stone Mr S Spring Mr A McKinney Mr R Young Mr M Nicholson Mr A Thomas Prof. C Kerr Assoc. Prof. R Taylor Ms P Staunton Mr P Borsman Mr A Keith
		15 May	Public hearing
Australian Public Health Association			
Labor Council of NSW			
Ministry of Health and Community Services			
Doctors' Reform Society	Mr T Van Lieshout Mr A Liebhold Mr P Dykes		
Private Hospitals Association of NSW			
NSW Council of Social Service	Mr P Whitecross Ms Lyn Gain Ms Fran Hausfeld		

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DATE	SUBJECT	WITNESSES/ ORGANISATION	IN ATTENDANCE
22 May	Public hearings	<i>Inquiry into urban infrastructure financing</i>	Commonwealth Bank Infrastructure Development Corporation NSW Labour Council NSW Public Service Association Action for Public Transport Australian Federation of Construction Contractors Local Government and Shires Association Southern Sydney Regional Organisation of Councils Department of State Development
			Mr J Talbot Mr M Perry Mr M Lennon Mr A Gibson Mr P Mills Mr M Mobbs Mr K Lovell Mr R Barker Mr W Joris Mr M Kidnie Mr J Musgrave Mr P Woods Mr J Patterson Dr J Saunders
10 June			
30 June	Deliberative meeting	Deliberative meeting	

Conferences, seminars, symposia

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

DATE	CONFERENCE/SEMINAR
27 & 29 November	Conference on <i>Measuring the efficiency of GBEs</i>
12-13 December	Conference on <i>Community service obligations</i>
1 April	Local Government Planning Association Continuing Professional Development seminar on <i>User pays - section 94 - government policy on funding urban services</i>
3 April	Royal Institute of Public Administration Australia and Management Advisory Board conference on <i>Accountability--implications for Commonwealth and State administrations</i> : Chairman presented an address on <i>The role of Parliament in maintenance of accountability practices</i>
24 April	University of Sydney seminar on <i>The application of professional accounting and auditing standards in New South Wales universities</i> : Chairman presented an address as key speaker
1 May	Joint Public Accounts Committee - Treasury seminar on <i>Progress of financial reform in the New South Wales public sector</i>
24 June	<i>State Government Familiarisation Program</i> : Senior Project Officer presented a paper on <i>The role of the Public Accounts Committee in improving public accountability</i>
25-26 June	<i>Infrastructure 2000</i> conference

ACHIEVEMENTS IN 1991-92

Reports tabled

The Public Accounts Committee tabled seven reports in 1991-92.

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. It was recognised that lack of funding was the

greatest problem for the Service in trying to carry out its primary objectives of nature

conservation. Traditionally the great bulk of Service funding has come from the

Consolidated Fund, with no more than 25% derived from what may broadly be

called user charges.

Self-generated revenue is increasingly seen as a necessary supplement to public outlays for most inner budget sector agencies. The National Parks and Wildlife Service is no

exception, even though its revenue raising potential is severely limited by public perceptions that making money from

national parks is inappropriate.

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 has now been approved.

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

The origin of this report lay with Volume 2 of the *Auditor-General's Report for*

1990-91, which drew attention to the

\$60 million dividend payment required at

short notice from Sydney Electricity in the last days of that financial year. 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. Dividends are

now approaching the billion dollar mark annually, and represent about 4.5% of 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 Treasury issued "A Financial Distribution Policy for NSW Government Trading Enterprises", but this did not refer to the Committee's report. The Committee will be conducting in the first half of 1993 a follow-up of action taken in response to its report.

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.

It was gratifying to report that a large proportion of the Committee's earlier recommendations had indeed been implemented, particularly those made in Report No. 20: *Report on Year-end Spending*. Substantial improvements had been made following the Treasury's adoption of the recommendations of Report No. 20. However, the Committee saw a great need for the Treasury to develop a training program for public sector accounting officers.

The Committee also found that the Treasury had made satisfactory progress in implementing the recommendations in Report No. 47: *The Challenge of Accountability*. However, the follow-up inquiry revealed that no action appeared to have been taken on the recommendation 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 other three previous reports had a common theme--Report No. 43 *Report on Payments Without Parliamentary Appropriation*, and Reports Nos 1 and 4: *Expenditure Without Parliamentary*

Sanction or Appropriation. The follow-up inquiry 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.

The follow-up report reiterated the recommendation for a second or subsequent Appropriation Bill(s). It also recommended that section 22 should be tightened up so that payments without prior parliamentary sanction could only be made for truly unforeseeable events such as natural disasters.

No official response has been received.

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

Public Accounts Committee

Macquarie hospital, and secondly into the more general aspect of Commonwealth and State funding of health infrastructure and services.

Investigations for the phase one report were conducted prior to the negotiations on the contract being finalised, thus enabling the report's recommendations to be implemented should the project proceed.

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 report acknowledged that the Port Macquarie Hospital Service Agreement provided for standards far more stringent than any currently in use for the routine formal monitoring of quality of care in Australian public and private hospitals. Accordingly, the Committee suggested the wider adoption of these standards to bring about a significant improvement in the process of monitoring and managing quality of care in all hospitals in New South Wales.

The Committee noted that significant savings could be made by the Department for conventionally funded public hospitals with the adoption of private sector hospital design and construction techniques similar to those proposed for the Port Macquarie hospital.

The private option for the Port Macquarie hospital also offered advantages in terms of the cost impact to the State budget---over a twenty year period the private option saves recurrent costs with a net present value of about \$41 million compared with the public option.

Nevertheless, some members of the Special Committee were concerned that some of

the risks associated with the Port Macquarie proposal could not be managed to guarantee the same levels of service, quality of care, service access, and service development as a conventional public hospital alternative. The Committee worked towards and achieved agreement on recommendations designed to improve the contract if the project is to proceed.

The second phase of the inquiry for the Public Accounts Special Committee is to examine broader issues of funding health infrastructure and services in New South Wales. Work commenced in September 1992, with a final report expected early in 1993.

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

For a number of years the Committee has convened an annual seminar on current issues coming within its statutory charter. The 1992 seminar was held on 1 May and was attended by 100 participants.

The then Chairman--Jim LongIcy, MP---opened the seminar and spoke on the role of the Public Accounts Committee as the investigative arm of the Parliament. Mr LongIcy reviewed the changes in public sector accounting and reporting that had been introduced in the 1980s. The most significant of these reforms was the standardisation of annual reporting requirements that include audited financial statements complying with accounting standards and industry practices.

Percy Allan--Secretary of the NSW Treasury--spoke of the role of the Treasury as the central agency of government responsible for the administration of the Public Finance and Audit Act and the annual reporting legislation. Mr Allan referred to the

program of financial management reforms started under a previous Treasurer--Ken Booth--and broadened and accelerated under the then Treasurer--Nick Greiner. This bipartisan support for financial reform was a cornerstone to the success of the reform process.

Don Nicholls gave an insight into the reform process from his perspective as the recently retired Deputy Secretary of the Treasury. Mr Nicholls' career highlights include being the Executive Director to the 1988 Curran Commission of Audit of the State's finances following the change of government, and responsibility for an independent review of the financial performance of the New South Wales Government three years later.

Mr Nicholls noted that the fundamental changes in accounting for government liabilities and assets were only recent, and he concluded that it was too early to criticise these reforms.

A private sector perspective was given by Michael Sharpe, a partner with the accounting firm of Coopers & Lybrand. Mr Sharpe commented that vast improvements had been made in the availability of information for economic decision making. Mr Sharpe also noted that while accounting concepts and standards have a common application to both the private and public sectors, financial monitoring practices adopted in the private sector are not readily transferable to the public sector. Examples given were that budget sector agencies are not profit oriented, and that there are debt and employee entitlement obligations beyond the agencies' control. Mr Sharpe suggested that alternative performance measures, such as costing of service outputs, must be adopted.

Ken Barker--Executive Director of Finance and Administration, Department of Health--gave an implementer's view. Mr Barker noted that some seven years ago

the New South Wales health system had a reputation of being one of the worst, if not *the* worst, performer in terms of financial management in the New South Wales public sector. Several earlier Public Accounts Committee reports related to accountability issues and budget control within the health sector.

The health sector is the major expense item within the New South Wales budget. Net assets controlled by the health system at 30 June 1991 were in the vicinity of \$5.5 billion. There have been recent significant improvements in budgetary control and financial management reporting. Full implementation of accrual accounting within the health sector will be the next major task.

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

This study on the progress of financial reform in the New South Wales public sector was conducted in conjunction with this year's seminar. The Committee noted that from colonial days to the 1980s, financial reform had never been a priority of government. Indeed, for almost 200 years, the form and content of public sector financial statements followed the processes adopted from the British colonial administrators.

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.

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The first case study involved a review of the accounting and financial disclosure practices for heritage type assets. The Committee noted that a special allocation of some \$14 million in bicentennial funding was used in the years up to 1988 in the development of the Mount Annan and Mount Tomah botanic gardens. Under the Treasury policy for the valuation of heritage assets, the nominal valuation of \$1 for the Royal Botanic Gardens has resulted in the \$14 million not being recorded and disclosed in the financial statements.

The second case study involved the review of a department that had fully adopted accrual accounting so that its financial statements now disclosed the full cost of operations. However, this revealed that the fees charged by the Valuer-General's Department had not been adjusted to reflect those costs. The department was clearly operating at a loss and was dependent on a short term advance from Treasury to fund its operations.

The valuation and disclosure of major infrastructure assets was the subject in the third case study. The Committee noted that the Roads and Traffic Authority fully brought to account the value of land under roads and bridges it controlled. On the other hand, the Maritime Services Board, which also controlled a sizeable holding of

land under infrastructure assets, adopted a different policy and valued land under these assets at a nominal \$1.

The health sector was the subject of the fourth case study. The Committee noted that one of the major financial control mechanisms imposed upon area health boards, hospital boards and Health Department regions was compliance with budget allocations made by the Health

Department from the total allocation to the health sector included in the State's budget. The Committee noted a reported instance where the Department had made a retrospective adjustment to a budget

allocation *after* the conclusion of the financial year.

The training of staff and the development of a high level of competency in financial management were noted as being necessary for the successful implementation of accrual accounting and other financial reforms. The Committee noted in its fifth case study that the Department of Corrective Services had introduced financial management as a topic in training courses to be conducted at the Corrective Services Academy.

The Committee concluded that the development of a financial management training program in co-operation with the professional bodies involved in accounting and public administration could well facilitate the successful and timely implementation of financial reforms within the New South Wales public sector.

Progress of ongoing inquiries

Inquiry into urban infrastructure financing

A funding shortfall exists in Australia for physical infrastructure such as roads, bridges, and water and sewerage works, as well as social infrastructure such as hospitals and housing. Demand for

infrastructure in New South Wales alone is about \$7 billion per year, and government expenditure can only satisfy about two-thirds of this. The shortfall is set to worsen, with infrastructure demand projected to rise to \$9 billion per year by the end of the decade.

On 23 March 1992 the Committee received a reference from the then Premier and Treasurer--the Hon. Nick Greiner,

MP--to inquire into the financing of urban infrastructure in New South Wales.

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The Committee will be examining ways of overcoming the shortage of government **funds** for capital works and limits on government borrowing. Options for attracting private funds to infrastructure financing will be explored, including joint ventures and special bonds. The Committee will also be considering how new infrastructure projects are to be managed so that public accountability is ensured and performance is properly monitored. The distribution of costs and benefits of infrastructure across the community is another aspect of the inquiry.

In Kuala Lumpur, the Committee met representatives of the Malaysian Prime Minister's Department and the Malaysian Deputy Minister of Finance to discuss developments in road and rail transport and water supply in Malaysia. Privatisation is an expanding issue in that country, coinciding with downsizing of government.

The Committee also held meetings with a merchant banker, previously from the Malaysian Treasury, who provided further insight into financial aspects of privatisation. Representatives of organisations involved in supplying



The Committee undertook an inspection of the water processing plant operated by the Compagnie Generale des Eaux at Mery-sur-Oise, near Paris.

From left: Geoff Irwin, Jean-Louis Diefenbacher (International Vice President), Jacques Le Pauloue (Executive Officer), Jim Longley, Terry Rumble, Michael Photios, Ray Chappell.

This inquiry is envisaged to be the largest single investigation the Public Accounts Committee has ever conducted. The report is scheduled for completion by 30 June 1993. One day of hearings was conducted in May, and 66 submissions had been received by 30 June.

Most of the Committee's resources for this inquiry in 1991-92 were directed to a study tour of infrastructure projects in Asia **and** Europe. The tour commenced on 17 **June** and was planned to take two weeks.

infrastructure to Malaysia, including the Australian High Commission and the Snowy Mountains Engineering Corporation, discussed aspects of infrastructure planning. The Committee noted that the type of national vision and comprehensive economic planning in Malaysia does not allow for extensive public consultation on infrastructure objectives or strategies. This lack of consultation goes against the grain for Australians who are accustomed to a much higher level of participation in government decisions.

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In France, the Committee met with an international water and sewerage supply company which is tendering for a project with the Sydney Water Board. Members were given a tour of a water processing plant, and problems with water supply in Paris and methods of financing projects in France were discussed.

The Committee received a presentation on the French tollroad system by representatives from the Highways Division of the Ministry of Infrastructure, from the peak association of tollroad operators, and from the organisation which finances the tollroads.

Although the Committee was recalled for urgent parliamentary reasons before the completion of its study tour, the mission had considerable value in that it identified a number of issues, procedures and approaches for possible application to New South Wales.

Follow-up report on previous reports on health-related issues

Follow-up on these reports commenced during the year with a review of responses received to date. There are some issues which were not adequately addressed in these responses, and so letters to responsible ministers were sent requesting further information. The follow-up report is targeted for completion in the first half of 1992-93.

Inquiry into debt write-offs

In its report on *Payment Performance of Major Statutory Authorities and Inner Budget Sector Departments*, the Committee observed "that there was quite an alarming rise in the amount of debts written off by the State public service".

In that report the Committee was of the opinion that "to tackle this problem effectively... it would be necessary to

examine the management decisions which led to the increased write-offs".

In its *1990-91 Annual Report* the Committee undertook to carry out an inquiry into debt write-off. Two days of hearings were held in November 1991 and background material was obtained. The Committee proposes to follow-up the information obtained with further data from the Auditor-General's reports, correspondence and further hearings, and it is expected that the Committee's final report on debt write-offs will be released in early 1993.

Follow-up of Auditor-General's reports

For the present annual report of the Public Accounts Committee, follow-up of Auditor-General's reports has been done in three parts. Details of the Committee's follow-up of the Auditor-General's reports are provided in appendix 3, and a summary of the main findings is as follows.

A. Ongoing follow-up of issues identified in 1990-91 Annual Report of the Public Accounts Committee

The 1990-91 Annual Report of the Public Accounts Committee presented a table summarising follow-up action taken by the Committee of the Auditor-General's report for 1990. Many of the issues in that table were identified for further attention, so subsequent annual reports of the agencies were examined as well as comments about the agencies in the Auditor-General's subsequent reports. The Committee is pleased to report that most of these issues have now been resolved, and the Public Accounts Committee intends no further action.

Other matters warrant further monitoring by the Committee. Effectiveness of the new computerised accounting system of

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the Forestry Commission will be examined by the Committee in a later report, and the Committee will monitor implementation of a similar system in the Rural Assistance Authority. Problems with valuation of assets arose with the Land and Housing Corporation, the Bligh Park Joint Venture, and the Water Board, and the Committee will continue to monitor progress on resolving these issues.

B. Follow-up of new issues raised in Auditor-General's report for 1991

The second follow-up involved the Committee identifying new issues in the three volumes of the Auditor-General's report for 1991, and writing to the appropriate ministers requesting an explanation and details of steps taken to ensure rectification. Ministerial responses were analysed with a view to determining whether the response is satisfactory, or whether further follow-up is required.

Valuation and liability for employee benefits were recurring issues, and some agencies simply appear to have been negligent with submitting their financial statements to the Auditor-General on time.

The Department of Water Resources' River Operations Account and some irrigation areas and districts experienced significant accounting problems which reflect poor procedures and lack of control. The Committee will monitor developments in the Department and expects to see improvements in the latest annual report.

The Fish Marketing Authority received an audit opinion qualified by exception because of uncertainty regarding its ability to continue in operation without government support. The Authority is still

operating at a loss requiring further government support, and the Premier has

announced that the Government and

fishing industry would work together over

the next two years towards an industry takeover.

Some university subsidiaries experienced difficulty in submitting financial statements to the Auditor-General, reflecting a deficiency in accounting systems. This was further noted in volume I of the Auditor-General's report for 1992. The Committee has an ongoing interest in accountability relationships of university subsidiaries, and has resolved to pay particular attention to this issue in the future.

Continual restructuring of the TAFE system resulted in accounting problems reflected by qualification of the Technical and Further Education Commission's financial statements. The Committee has yet to follow-up its Report No. 39 concerning the TAFE system, but will continue to monitor developments.

C. Analysis of volume I of Auditor-General's report for 1992

Finally, volume I of the Auditor-General's 1992 report has been analysed, and the Committee noted comments made regarding accounting problems experienced by universities. Follow-up of this report is proceeding, and will be incorporated into a later report following up all three volumes of the Auditor-General's 1992 report.

Review of legislation

During 1991-92, the Committee conducted five reviews of legislative amendment proposals.

Codes of conduct

The Premier's Department issued a code of conduct for the New South Wales public sector to all chief executive officers in July 1991. This document provides the minimum standard which must be adhered

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to by all employees, and the basis for agencies to develop their own codes of conduct which reflect their own specific needs. New annual reporting regulations were proposed to give effect to the inclusion of codes of conduct in 1991-92 annual reports.

The Committee approved of the new regulations. These were subsequently gazetted on 15 November 1991.

Financial management reform

A package of proposed amendments to the Public Finance and Audit Act and the annual reporting Acts was submitted by the Treasury in 1991. The proposals were to:

- facilitate the introduction of accrual accounting to the inner budget sector, and also the adoption of new cash management and banking procedures by agencies.
- provide for different formats of presentation of information on the State's finances in respect of the budget sector to accord with the revised basis of budget presentation to facilitate interstate comparison.
- strengthen accountability requirements on such matters as exercise of discretions by the Treasurer, submission of annual reports to ministers and the Parliament on time, and reporting and auditing of subsidiary organisations formed by government agencies.

The package was considered by the Committee in its 354th meeting on 19 September 1991 and approved. The Committee was particularly pleased with amendments to the Public Finance and Audit Act to allow draft financial statements to be submitted within the six weeks period, and amendments to annual reporting legislation that require

explanations to be given to ministers by departments or statutory bodies for late submission of annual reports to ministers, as well as explanations by ministers for late tabling of annual reports in Parliament. These proposals put into effect recommendations in Report No. 47--*The Challenge of Accountability*. The Committee expects that the increased flexibility for preparing financial statements and the increased accountability for late submission will result in fewer qualified Auditor-Generals audit opinions and fewer instances of late submission.

The resulting Public Finance and Audit (Amendment) Bill 1992 and the cognate Annual Reports Legislation (Amendment) Bill 1992 were assented to on 14 May 1992.

Reporting of grants to non-government organisations

The NSW Commission of Audit raised several concerns about the lack of appropriate accountability and monitoring mechanisms for recipients of community grants. The Premier subsequently requested the Office of Public Management (OPM) to consider a range of options for improving the management of grants and subsidies to community organisations.

The Premier since approved of the OPM's recommendations, and as from and including the 1991-92 financial year, all government agencies will be required to publish details of the grants they disburse to non-government organisations in their annual reports.

New annual reporting regulations were proposed to give effect to the Premier's requirements. The Public Accounts Committee approved of the regulations, and these were gazetted on 10 April 1992.

Senior Executive Service

To further enhance the accountability and performance basis of the Senior Executive Service (SES), amendments were proposed to the annual reporting regulations to require agencies to include in their annual reports information on:

- the number and level of SES positions
- the number of women in the SES
- the performance of Chief Executives and SES officers on Level 5 and above.

The Committee considered the proposed amendments at its 363rd meeting of 20 March 1992 and gave them its approval.

The new regulations were gazetted on 1 May 1992.

Payment of accounts

In its Report No. 55 on the payment performance of major statutory authorities and inner budget sector departments, dated April 1991, the Public Accounts Committee made eight recommendations. In response to Recommendations 3 and 7 of that report, the Treasury drafted new annual reporting regulations and a regulation to the Public Finance and Audit Act. The latter regulation is to provide for the head of an agency to ensure that payment for the supply of goods and services is made by the end of the month

following the month in which an invoice or statement is received. The annual reporting regulations are to require agencies to include particulars of their account payment performance in annual reports.

The Committee considered these proposed regulations in its 367th meeting on 8 May 1992, and approved of them. The regulations were gazetted on 12 June 1992.

Public education projects

In 1991-92 the Director lectured to postgraduate students at the University of Sydney and Macquarie University on accountability of the public sector to Parliament. The Senior Project Officer also spoke to corporate executives on *The role of the Public Accounts Committee in improving public accountability* as part of the State Government Familiarisation Program.

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. In the *Report on Dividend Payments Made by Statutory Authorities to the Consolidated Funds* special effort was made to inform the community by including a chapter that explains in clear, non-technical language some of the terms, concepts and principles behind dividend payments.

Finally, planning commenced during the year for production of a video on the Public Accounts Committee. The video will be directed at high school level and will be designed to co-ordinate with the high school syllabus.

Exception report

Most targets set for 1991-92 were achieved or significant progress was made

towards meeting them. Those targets that were either subsumed in other projects, deferred or set aside as a result of changing priorities are as follows:

INQUIRY INTO ASPECTS OF THE ADMINISTRATION OF THE NEW SOUTH WALES PARLIAMENT

This project was not commenced because of other developments in the Parliament which led to introduction of a Parliament

Public Accounts Committee

Management Bill 1992 and cognate Bill (the Parliamentary Remuneration (Amendment) Bill). A Joint Select Committee was established on 7 May 1992 to consider and report upon the management of the Parliament, with particular reference to these Bills. Any action by the Public Accounts Committee would overlap with the work of the Joint Select Committee, and so this project has been put aside.

REVIEW OF ACTION TAKEN IN RESPONSE
TO REPORT NO. 7 ON ACCOUNTABILITY
OF STATUTORY AUTHORITIES

This was proposed to be included in a review of a group of previous reports on financial accountability. Early in the review it was considered that the recommendations of Report No. 7 had clearly been implemented through enacting of annual reporting legislation for statutory authorities, and that further deliberation was unnecessary.

INQUIRY INTO TOURISM DEVELOPMENT
IN NEW SOUTH WALES

After initial consideration of this proposal the Committee decided that it was not appropriate for this inquiry to be undertaken at that time.

REVIEW OF ACTION TAKEN IN RESPONSE
TO REPORT NO. 10 ON

*SUPERANNUATION LIABILITIES OF
STATUTORY AUTHORITIES, AND REPORT
NO. 39: REPORT ON THE PURCHASING
PRACTICES AND THE ALLOCATION OF
STORES AND EQUIPMENT RESOURCES
WITHIN THE TAFE SYSTEM*

The review of developments in accounting for superannuation liabilities of statutory authorities had to be postponed indefinitely due to staff shortages and other higher priority projects. Action on reviewing the TAFE system was deferred pending restructuring of the TAFE Commission.

EXAMINATION OF PUBLIC
INVOLVEMENT IN PRIVATE SECTOR
PROJECTS

This project has been incorporated into the inquiry into urban infrastructure financing.

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FINANCIAL STATEMENTS FOR 1991-92

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, *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

Chairman
25 November 1992

Member
25 November 1992

Auditor-General's opinion

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 1992. The preparation and presentation of the financial statements, consisting of the accompanying income and expenditure statement, together with the notes thereto, as set out on pages 30 to 34, 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 as required by sections 34 and 45F(1) of the *Public Finance and Audit Act 1983*. 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 provisions of the Act and 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 are presented fairly in accordance with the requirements of the *Public Finance and Audit Act 1983* and Australian accounting concepts and standards so as to present a view which is consistent with my understanding of the results of the Public Accounts Committee's operations. This audit opinion has been formed on the above basis.

Audit Opinion

In my opinion, the financial statements of the Public Accounts Committee comply with section 45 E of the Act and present fairly the results of its operations for the year ended 30 June 1992 in accordance with Statements of Accounting Concepts and applicable Accounting Standards.

A C Harris, FCPA Auditor-General

Sydney
26 November 1992

Public Accounts Committee

This is the start of the audited financial statements.

Income and Expenditure Statement for the year ending 30 June 1992

	Notes	Actual 1991-92 \$	Budget 1991-92 \$	Actual 1990-91 \$
Expenditure				
Employee related	4	(224,111)	(258,800)	(202,759)
Maintenance and working	4	<u>(213,962)</u>	<u>(202,600)</u>	<u>(237,476)</u>
Total expenditure		<u>(438,073)</u>	<u>(461,400)</u>	<u>(440,235)</u>
Income				
Sale of reports	5	<u>5,350</u>	<u>10,000</u>	
Total income		<u>5,350</u>	<u>10,000</u>	
NET COST OF SERVICES	3	(432,723)	(451,400)	(440,235)
Consolidated Fund recurrent allocation	3	432,723	451,400	440,235
Operating result		<u>0</u>	<u>0</u>	<u>0</u>

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. In 1991-92 the Legislature had an appropriation from the Consolidated Fund of \$59,610,000. Total payments for Program 1.2.5 amounted to \$5,182,000, and receipts for this program amounted to \$54,000. Further financial details of the operation of the Legislature may be found in the *Annual Report of the Legislative Assembly for 1991-92*.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Treasurer has exempted the Legislature, under section 45EA of the Public Finance and Audit Act, from the requirement to prepare its financial statements on an accrual basis for the 1991-92 financial year. Although it would be preferable to prepare the Public Accounts Committee's financial statements on a full accrual accounting basis, the required information was not available from the Legislature. Therefore, as in previous years, the Committee's 1991-92 financial statements have been prepared on a cash accounting basis except for the accrual of salaries unpaid at year's end.

Nonetheless, the Committee has presented its statement of income and expenditure and these notes as close as possible to the form of an operating statement and the notes in the Treasury's *Financial reporting code under accrual accounting for inner budget sector entities* (July 1991). This code provides for a much greater level of disclosure of financial information than that previously used. It is anticipated that the Committee will be in a position to report more closely to the Treasury's code in next year's annual report.

Within the constraints of reporting on a cash rather than on an accrual basis, the Committee's financial report has also been prepared in accordance with Statements of Accounting Concepts, applicable Australian Accounting Standards, and the requirements of the Public Finance and Audit Act and Regulations.

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 consistent with those of the previous year.

(a) *Employee related expenses*

Salaries and wages include an amount of \$5981 for salaries accrued from the end of the last pay period to the end of the financial year.

The Committee's liabilities for long service leave and superannuation are assumed by the Treasury. No figures are available on the Legislature's liability for long service leave. The unfunded employer superannuation liability of the Legislature as a whole has been assessed actuarially by the State Authorities Superannuation Board and is presented in the Legislature's annual report; separate figures for the Public Accounts Committee are unavailable.

The amounts expected to be paid to employees for their pro-rata entitlement to recreation leave are not accounted for. In 1991-92 the Treasury accepted liability for termination pay apart from the annual leave component.

(b) *Government allocations*

Monetary and non-monetary resources which are allocated to the Committee by the Legislature and which are controlled by the Legislature 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.

Public Accounts Committee

(c) Acquisition of assets

The Legislature's policy is to capitalise only those items with an individual cost of \$5000. Under this policy, the Committee does not own nor manage any assets, and purchases of furniture and equipment, including computers, are accounted for as expenses.

(d) Property, plant and equipment

The Public Accounts Committee does not hold any assets of property, plant or equipment.

(e) Depreciation

Depreciation is not provided for as the Committee owns no assets.

(f) Investments

The Committee has no investments.

(g) Inventories

The Committee does not hold or control any stock of plant, equipment.

3. BUDGET REVIEW

The net cost of services on a cash basis was fully met by the Legislature, and was lower than budget by \$18,677. This result was due mostly to savings in employee related expenses from the Committee being understaffed for several months. This was moderated by purchase of new computers and the cost of an overseas trip towards the end of the financial year, both of which contributed to a budget overrun for maintenance and working expenses. There is no carry over of budget savings into 1992-93.

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4. EXPENDITURE

	Comment	1991-92	1990-91
		\$	\$
Employee related expenses	(a)		
Salaries & wages		203,867	166,288
Overtime		1,050	423
Employer superannuation contributions		nil	20,508
Termination pay		6,580	3,730
Workers compensation insurance		500	1,000
Payroll tax and fringe benefits tax		12,114	10,810
		224,111	202,759
Maintenance and working expenses			
Travelling	(e)	86,054	76,913
Advertising and promotion		13,023	22,946
Fees for services (including consultants)		43,524	50,352
Staff development		8,290	4,526
Energy	(d)	8,125	6,018
Post, courier and telephone	(d)	8,436	11,570
Printing and stationery	(b)	17,699	60,777
Books & periodicals		2,089	1,033
Furniture, equipment, stores, maintenance, other expenses	(c)	26,722	3,341
		213,962	237,476

(a) As noted above, employee related expenses fell short of the budget by \$34,689 due to a less than full complement of staff around the middle of the financial year. Direct comparison of these expenses with those in the previous year requires caution. In 1991-92, the Treasury assumed responsibility for employer contributions to superannuation and termination pay excluding the annual leave component.

(b) Printing costs were substantially reduced this year by using the Parliamentary Printing Service rather than external printers, and by reducing the numbers of copies printed of each report.

(c) The purchase of four desktop computers and one laptop computer amounted to \$18,722, thus significantly increasing expenditure on equipment compared to last year. The new computer equipment replaced three out of the five desktop Olivetti computers purchased in 1987-88, and was part of a computer upgrade in the Legislature.

(d) Office occupancy costs are not charged to the Committee. Pro rata charges for energy and telephone were levied.

(e) Travelling costs this year were dominated by \$83,419 paid in June for an overseas trip for the inquiry into urban infrastructure financing. The trip was planned for 17 June to 4 July. However, the Committee was recalled due to extraordinary events in Parliament, and the Committee returned to Sydney on 24 June. The recalling of the Committee involved purchasing additional return air tickets while overseas, as well as refunds for unused travel, accommodation, subsistence allowances and other expenses. Payments for additional tickets, and all refunds were or will be made after 30 June 1992. The net cost of the trip was \$74,412.

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(f) The costs of the consultant, printing, travel and freight for the Public Accounts Special Committee inquiry into Port Macquarie hospital contract amounted to \$96,323. This amount and the cost of the secondee from the Department of Health were borne by the Minister for Health and Community Services, and do not form part of the Public Accounts Committee's financial statements.

5. INCOME

During 1991-92 the Committee received \$5350 for the sale of its reports. In previous years, amounts recouped from the sale of reports were offset against the cost of printing and stationery. During the year the Committee adopted a new policy of generally providing its past reports free of charge, and charging only for specific future reports and other products on a commercial basis.

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. Currently the Chairman receives a salary of office of \$4612 and an expense allowance of \$4612. Other Members receive a Committee allowance, currently \$2150.

This is the end of the audited financial statements.

Expenditure by month

Clause 4Co) 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 year-end spending to discourage year-end spend-ups.

The graph illustrates this expenditure for 1991-92. Expenditure on stores and equipment comprising books, periodicals, stationery, furniture, computers and minor stores in 1991-92 totalled \$29,000. Of this amount, \$18,700 (or 64%) relates to the purchase in June 1992 of four desktop computers and one laptop computer for the Secretariat, to replace three Olivetti desktop computers. This purchase was part of a major upgrading of computer facilities made by the Legislature, following a general review of computer facilities by Parliamentary Information Technology Services.

Stores and equipment

Consultants

The only significant professional consulting services paid for by the Public Accounts Committee were provided by Michael Smart. Mr Smart provided economic advice to the Committee for the inquiry into the National Parks and Wildlife Service and the inquiry into urban infrastructure financing. Payments to Mr Smart totalled \$36,015.

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.

TARGETS FOR 1992-93

The Public Accounts Committee has set the following targets for 1992-93: · Complete the inquiry on urban infrastructure financing

- Conduct an inquiry into the School Student Transport Scheme
- Hold a seminar on internal auditing in the New South Wales public sector
- Conduct an inquiry into internal auditing in the New South Wales public sector
- Conduct the Phase II inquiry of the Public Accounts Special Committee into funding of health infrastructure and services
- Complete the report on debt write-offs
- Complete the report on follow-up of previous reports on health related issues (Nos 2, 3, 21, 32, 44 and 45)
- 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
- Conduct a review of action taken in response to Report No. 60 on dividends paid by statutory authorities
- Monitor action taken in response to previous reports on auditing of local government (No. 53) and legal services used by local government (No. 57)

APPENDICES

1. Origin of Committee inquiries

No.	Reference from Report	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 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				A
26	Follow-up Report on Annual Reporting of				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				

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No.	Report	Reference from Minister Treasurer	Auditor General	Initiated by PAC	
33	Annual Report 1986/87				
34	Supplementary Report 1986/87				
35	Report on the Wine Grapes Marketing Board and Grain Sorghum Marketing Board				
36	Report on the Biennial Conference of Public Accounts Committees, Sydney - May 1987				
37	Report on the Ravensworth Coal Washery				
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				
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				
51	Annual Report Year Ended 30 June 1990				
52	Report on the Forest, Commission				
53	Report on the Auditing of Local Government				
54	Examination of the Juvenile Transport Service of the Dept of Family and Community Services				
55	Report on Payment Performance				
56	Parliamentary Scrutiny of Performance Seminar: Held 9 November 1990				
	Government				
59	Report on the National Parks and Wildlife Service				
60	Report on Dividend Payments Made by Statutory Authorities to the Consolidated Fund				
61	Follow-up Report on Financial Accountability				
62	Phase One Report on the Public Accounts Special Committee Inquiry into the Port Macquarie Hospital Contract				
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				
Total		16	6	2	40

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

2. Previous reports

Prior to 30 June 1991, the Committee had tabled 57 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 rises from inappropriate policy, inefficient fostering and inefficient job organisation".

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

In an inquiry arising from a reference made by 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. The Committee also recommended

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that a policy on accounting for and reporting of superannuation costs should be introduced.

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 *Annual Reports (Statutory Bodies) Act 1984* and the *Public Finance and Audit Act 1983*, 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*.

Recommendations included:

- Agencies be required to publish their external objectives and key performance measures in annual reports;
- * Establishment of a unit within the Public Service Board to provide training in comprehensive auditing; and
- * Efficiency audit reports and management strategy reviews be tabled in Parliament within 18 months of their presentation to the minister, along with the agency's response and program of action.

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. The report dealt with repayment of debts to the State government and the Commonwealth government, and recommended that the debts be resolved as quickly as possible to enable the MGA's financial accounts to reflect the actual losses that have been accepted.

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 operation 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 report drew attention to the practice of ordering goods and services before 30 June and holding cheques into the next financial year until services had been performed and goods delivered. The Committee recommended that monthly expenditure on equipment and stores be graphically depicted in annual reports.

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.

Many of the Committee's 1986 recommendations were taken up by the government of the time in the Health 2000 program.

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

This inquiry arose from a reference from the Treasurer to examine a 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. The Committee was pleased to note that its earlier recommendation that performance measurement information should be required in annual reports of both departments and authorities was taken up in the regulations, and that its recommendation for graphs in departmental reports of monthly spending on stores and equipment was also included.

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.

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

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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 and found that in some cases vehicles appeared to be used mainly for transport to and from police officers' homes. 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, delays of 12 weeks 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 have been adopted by the new Corporation. The 1992 Royal Commission into the building industry in New South Wales has since recommended a fresh Public Accounts Committee inquiry into the Building Services Corporation, but this inquiry has been referred to the Department of Consumer Affairs.

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;

- 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. These were:

- Action on Follow-up Report on Overtime, Sick Leave and Associated Issues in the New South Wales Police Force
- Cheques in Safe at Year End
- Section 22 expenditure
- Availability of annual reports to Members of Parliament
- Budgetary Accounting System
- Amendments and Regulations to the Public Finance and Audit Act and annual reporting legislation, 1986-87

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Variations or Suspensions of Statute.

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.

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 schools 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 intends to monitor the situation and follow-up at an appropriate time.

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 that procedures for engaging consultants should be significantly upgraded.

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

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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 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. In response, a new management board was appointed by the Minister for Health in May 1990. 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.

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 fostering, and a failure to verify claims for payment. The Department's management information system could not measure productivity of doctor 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.

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 reports legislation. The Committee found that 20% of statutory bodies had not submitted their financial statements to the Auditor-General within the specified time, 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 amounting 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.

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* (December 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.

Thirty of the report's 40 recommendations were 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 all recommendations have been considered by the current Board. The Board reports that three recommendations are not within its power to implement, eight have been fully implemented, and implementation of 23 is underway.

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

52. *Report on the Forestry Commission General's Office* (July 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 shortly.

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 has been 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 an exposure draft Local Government Bill 1992. Many of the issues raised during the inquiry have been incorporated into chapter 12 of the Bill.

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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 to and from courts and various appointments and between detention centres. In its examination 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 hooking 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. All 32 recommendations were accepted and 22 have been addressed to date.

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. Of the Committee's eight recommendations, two have led to new annual reporting regulations and a new regulation to the Public Finance and Audit Act, gazetted on 12 June 1992.

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 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.

A review of action taken in response to this report will be undertaken when the new local government legislation is in place.

3. Details of follow-up of

Auditor-General's reports

A. Ongoing follow-up of issues identified in 1990-91 Annual Report

of the Public Accounts Committee

ARCHIVES AUTHORITY OF NEW SOUTH WALES

This agency received an audit certificate qualified by exception from the Auditor-General for 1989-90 for failure to disclose employer's liability for superannuation, and incorrect accounting for stock. In response to a letter from the Public Accounts Committee, the Minister for the Arts

indicated that the problem of accounting for stock was rectified in conjunction with conversion to

accrual accounting from 1 July 1991. An unqualified opinion was issued for the 1990-91 financial statements, which disclosed that at 30 June 1991 the Government Actuary was still unable to provide the necessary information on the

unfunded employer liability for superannuation, as the current records of the State Superannuation Board did not make this information ascertainable.

The Treasury, however, has taken over all

outstanding unfunded liability for superannuation, thus obviating the need for it to be recorded in the position statement. The Committee proposes to take no further action in this case.

SOUTH WESTERN SYDNEY AREA HEALTH SERVICE

The Auditor-General issued an audit certificate qualified by exception due to breaches of the "Accounts and audit determination for area health services and public hospitals". This qualification arose from a special investigation into the Area

Health Service being conducted at the time by the Department of Health. Owing to the serious irregularities disclosed by the investigation, the services of several senior officers were terminated and replacement appointments made, and proceedings were commenced regarding alleged criminal matters. Recommendations in the investigation report were implemented.

In volume III of the Auditor-General's report for 1991, it was stated that matters raised in the

investigation report had been resolved. A

subsequent survey of accounting controls at each area health service was conducted by the Department of Health's Internal Audit Branch. No major problems were revealed at most services, including the South Western Sydney Area Health Service. An unqualified audit opinion was issued for 1990-91.

The accountability of area health services will be considered as part of the Committee's follow-up of action in response to previous reports on health-related issues.

COAL COMPENSATION BOARD

From 1987-88 to 1989-90 the Coal Compensation Board received a qualified audit certificate because the Auditor-General lacked the expertise to vouch for complex computer modelling procedures used to calculate compensation payments. Following discussion between the Board and the Auditor-General about removing the qualification, a non-qualified opinion was issued for the 1990-91 financial statements. The Committee is pleased

that this matter has been resolved.

COMMERCIAL SERVICES GROUP

The Auditor-General issued an audit certificate qualified by exception to the Commercial Services

Group for its 1989-90 financial statements because of inaccuracies in the balance sheet figure for motor vehicles. The Group assured the Committee that accounting changes should rectify

the situation. The Committee notes that the

Auditor-General gave an unqualified audit opinion on the 1990-91 financial statements.

ELCOM COLLIERY PTY LTD

An audit certificate qualified by exception was issued for the 1989-90 financial statements because of failure to bring to account the estimated bonus component of the employee annual leave entitlement. The Chairman of the Electricity Commission responded that this matter was under review. However, an audit opinion qualified by exception was issued for the 1990-91 financial

statements because of failure to comply with Accounting Standard AAS58--"Events Occurring After Balance Date" (see page 51).

ELECTRICITY COMMISSION

The Auditor-General identified a number of internal control weaknesses in the audit of the 1989-90 financial statements, and these matters were raised in several management letters from the Auditor-General. No adverse comment was made

in the 1991 Auditor-General's report, so the

Committee proposes no further action.

FORESTRY COMMISSION

Late submission of the 1989-90 financial statements reflected problems with the Forestry Commission's accounting system. This has now

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been addressed through a new computerised Financial and Management Information System, the effectiveness of which the Committee will evaluate in its follow-up inquiry to Report No. 52.

GEOLOGICAL AND MINING MUSEUM TRUST

The 1989-90 financial statements received an audit certificate qualified by exception because of failure to catalogue or value all of the exhibits or specimens.

The Geological and Mining Museum was refurbished and re-opened on 30 March 1991 as the Earth Exchange. Exhibits excluding the Albert Chapman Collection and gold exhibits are recognised at \$I in accordance with Treasury policy guidelines for valuation of physical non-current assets in the New South Wales public sector. No adverse comments were made in the 1991 Auditor-General's report, and so the Committee proposes no further action.

GOVERNMENT INSURANCE OFFICE

The 1990 Auditor-General's report noted problems with accounting for receivables and borrowings at market price. With the subsequent sale of the GIO, further attention by the Committee is inappropriate.

NEW SOUTH WALES LAND AND HOUSING CORPORATION

An audit certificate qualified by exception was issued for the 1989-90 financial statements by the Auditor-General because of uncertainty of depreciation charges.

The Minister for Housing responded that while the method of depreciation used may not be regarded as ideal, it was considered to be reasonably accurate. There was an intention to improve the method, but this was relatively low priority for the Corporation's attention. It was also claimed that the method was adopted following suggestions from the Auditor-General's office, and it was developed with the full knowledge and consent of the Auditor-General's representative at the time, but somehow immediately became qualifiable.

This matter was raised again in the 1991 Auditor-General's report.

BLIGH PARK JOINT VENTURE

An audit certificate qualified by exception was issued to the Bligh Park Joint Venture's 1989-90 financial statements for failure to value certain

land at the Bligh Park Estate. This Estate is a joint venture between the New South Wales Land and Housing Corporation, the former Crown Lands Office, and the Shire of Hawkesbury.

The Minister for Housing offered the explanation that the value of the land was dependant upon its use, which had yet to be decided by the time the financial statements had been prepared. The use of the land has since been decided, and a total value of \$780,000 was recorded for the 1990-91 financial year. The matter has been satisfactorily resolved, and no further action is proposed by the Committee.

HUNTER WATER BOARD

In his 1990 report the Auditor-General noted that management letters had been sent to the Board with recommendations for improving audit procedures and internal controls in a number of areas. The Board responded that in most cases changes had been made in accordance with the recommendations. However, the 1991 report of the Auditor-General refers to further management letters concerning other matters. The Committee was concerned that two of these topics--payroll and EDP controls--were the subject of management letters for two years running. The Committee will continue to monitor this agency for improvements.

ILLAWARRA TECHNOLOGY CORPORATION LTD

An audit certificate qualified by exception was issued for the 1989-90 financial statements because of departure from an accounting standard by bringing to account profit on sale of shares in a subsidiary company as income rather than as an extraordinary item. The Board of Directors responded that the accounting treatment adopted, although a departure from the accounting standard, did not misrepresent the net profit, and that no corrective action was necessary. The Public Accounts Committee regarded this explanation as unsatisfactory, and sent a follow-up letter. The Illawarra Technology Centre responded that the Committee's views were noted, to which the Committee intends no further action.

In his 1991 report, the Auditor-General noted that a number of matters were raised with the company relating to improvements in internal control over cash receipts, bank reconciliations, and expenditure delegations. The report further notes that these matters had been satisfactorily addressed by the company, so no action on these matters is proposed by the Committee.

NEW SOUTH WALES RURAL ASSISTANCE
AUTHORITY

The 1990 Auditor-General's report noted that the Authority was late in submitting the 1989-90 financial statements. The Authority attributed this to teething problems with a new management information system. However, there was a recurrence for the 1990-91 financial statements (see page 53).

WATER BOARD

The Water Board was issued an audit certificate qualified by exception for the 1989-90 financial statements because of incomplete data for assets subject to revaluations. In that year water distribution assets comprising watermains, runnels and canals were revalued from historical cost to

current written down replacement cost. The Water Board subsequently had discussions with the Treasury and the Auditor-General, and agreement was reached on a satisfactory procedure.

In 1990-91 the Board revalued all of its infrastructure assets, except land associated with those assets, based on written down current cost. The Auditor-General concluded that the asset

values were not materially overstated and issued a non-qualified audit *opinion*.

The Committee intends no further action on this case, but it has an ongoing interest in the general issue of valuation of land under infrastructure

assets.

ULAN COUNTY COUNCIL

An audit certificate qualified by exception was issued for the 1989-90 financial statements because of departure from the accounting code of practice for electricity councils in accounting for long service leave entitlements. The code of practice has since been amended to take account of concerns of electricity councils. There was no qualification of the 1990-91 financial statements in the audit opinion, and no further action by the Committee is proposed.

B. Follow-up of new issues raised in
Auditor-General's report for 1991

AIR TRANSPORT COUNCIL

The Auditor-General reported that the Council failed to submit signed financial statements on time for the periods ending 30 June 1990 and 30 June 1991. The Council is responsible for advising the Minister for Transport on licensing intrastate air service operators. Its costs are met entirely from licence and application fees, which total around \$250,000 annually.

The Minister for Transport explained to the Committee that the Air Transport Council originally operated as a program within the Department of Transport. A decision was made to

operate off-budget from 1 July 1989, with the Department of Transport continuing to manage its accounts, but it was not clear whether the Council was required to publish separate financial statements and an annual report.

The Minister advised that following the re-organisation of the Department of Transport in July-August 1991, it was verified that separate

accounts were indeed required for the Council, but the late start to their preparation caused a delay in their finalisation.

Recent advice from the ATC indicates that the Air Transport Council will revert back to operating as

a program within the Department of Transport, and its financial statements will be presented as separate statements in the annual report for the Department from 1991-92.

Investigations by Committee staff of the Air Transport Council, the Minister's office, the Auditor-General's Office and the Treasury found that the Council's financial statements for 1989-90 and 1990-91 were not tabled in Parliament. The Air Transport Council's requirement to prepare financial statements arises from the intent of section 39(1) of the Public Finance and Audit Act, which defines a statutory body as an organisation listed in Schedule 2 of that Act, or an organisation whose funds are held in an account within the Special Deposits Account. The latter applies to the Air Transport Council. (Note that "and" in s. 39(1)(a) should read "or" to reflect the correct intent.)

Organisations that hold funds in an account within the Special Deposits Account have to make alternative arrangements for those funds from 1992-93, which will require amendment to the Act to continue to provide for the preparation of

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financial statements. Advice from the Auditor-General's Office is that there are several organisations with arrangements similar to the Air Transport Council. The Committee can find no justification for exempting this and similar corporate bodies from the normal accountability requirements of statutory authorities listed in Schedule 2 of the Act. It is noted that another industry regulatory body--the Tow Truck Industry Council--is so scheduled. Therefore the Committee recommends that the Air Transport Council and all other such bodies with funds in the Special Deposits Account be listed in Schedule 2.

The entire history of this case raises a fundamental point: the problem of ensuring accountability when an organisation is moved off-budget, particularly when that organisation imposes user charges on segments of the community. The Public Accounts Committee's view is that there should be no "doubt" (as suggested in the Minister for Transport's response) as to whether any such organisation should prepare financial statements and an annual report for scrutiny by the Parliament.

BOARD OF VETERINARY SURGEONS

The Auditor-General noted late submission of 1990-91 financial statements. The Minister for Agriculture and Rural Affairs explained to the Committee that the delay was caused by the Board's administrative office being relocated to Orange in August 1991 and a staff vacancy. No further action is proposed by the Committee.

BICENTENNIAL PARK TRUST

An audit opinion qualified by exception was issued for the 1990-91 financial statements due to inability to substantiate superannuation charges.

The Minister for the Environment explained that the liability for Bicentennial Park included support staff who were within the establishment of the National Parks and Wildlife Service. The staff lists have now been mended and the Committee does not expect a recurrence. However, the Committee would expect that any organisation should know its staff numbers and its accumulated staff entitlements.

DEPARTMENT OF SCHOOL EDUCATION

The Auditor-General issued an audit opinion qualified by exception for the 1990-91 financial statements because not all recurrent costs associated with implementation of the Schools

Renewal Strategy were disclosed in the appropriate note to the financial statements.

The Schools Renewal Strategy is a major change to the New South Wales school system. Aspects on which implementation progress was made in 1990-91 include departmental restructuring, devolution of responsibility to regions, school based or global budgeting in all schools from 1991, Education Resource Centres, Schools Renewal Plans, and increasing number of School Councils. Implementation of the strategy is expected to be completed by the end of 1994. Additional funding of \$51.4 million was sought by the Department for implementation over six years, and this is apparently being provided by the Treasury.

On p. 246 of volume I of his 1991 report, the Auditor-General acknowledges that there are costs associated with the Strategy that are of a recurrent nature and for which additional funding has not been provided. These costs are being met as far as possible from existing allocations and relate mainly to operating expenses associated with the establishment of Education Resource Centres and the upgrading of Regional Office accommodation. The Minister for School Education and Youth Affairs did not view the Auditor-General's qualification as a criticism of the Department's financial operations, but rather as a statement of record which implies that the cost of Schools Renewal exceeds the once-off allocation being made by the Treasury. The Committee is satisfied with the Minister's response, and no further action is proposed.

DEPARTMENT OF WATER RESOURCES

For the 1990-91 financial statements, audit opinions qualified by exception for numerous reasons were issued for the irrigation areas and districts of Murrumbidgee Region, Lower Murray - Darling Region and Lachlan Region, and the River Operations Account. The Department of Water Resources itself received a qualification because a drawing account was not reconciled with the bank balance at year end. Financial statements for the Murray Region irrigation and districts were returned by the Auditor-General due to errors, omissions and the absence of detailed work papers to support the statements. The qualifications reflected problems with accounting procedures and internal controls throughout the Department.

The Minister for Natural Resources replied to letters from the Public Accounts Committee seeking explanations for the deficiencies noted by the Auditor-General.

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Many of the problems regarding the River Operations Account were attributed to the setting up of that account on 1 July 1990, before Treasury approval was obtained in November 1990, transitional arrangements associated with setting up the account, problems with financial management information systems, and discrepancies between Australian Accounting Standards versus Treasury guidelines. Valuation of land on which water distribution works are located was also a contentious point.

The irrigation areas and districts and the River Operations Account are under consideration for corporatisation. If this goes ahead, financial reporting requirements will remain the same, but the extra controls, rewards and sanctions put onto these bodies at the local level should ensure an improvement in accountability. The Committee will continue to monitor the situation.

ELCOM COLLIERIES PTY LTD

The Auditor-General issued an audit opinion for the 1990-91 financial statements qualified by exception due to failure to comply with an accounting standard relating to events occurring after the balance date.

Elcom Collieries is a wholly-owned subsidiary of the Electricity Commission, and comprises several state-owned coal mines and the Ravensworth Coal Washery. In late 1990 the Commission announced that its eight central coast mines would be offered for sale.

The qualification relates to the sale of the Liddell State Mine, which was effected after the end of the accounting period but prior to the Directors signing the financial statements. According to the *accounting standard*, the financial effects of the sale should have been disclosed in the Notes to the financial statements. The Auditor-General did not quantify this omission, however, owing to the commercially sensitive nature of the required disclosure.

The notes to the financial statements recorded that the coal mine had been sold on 25 October, but the Directors who signed the statements were unaware of any further particulars as at 5 November. The Minister for Energy responded that "Without knowledge of the terms of sale the Directors made the aforementioned notation to the accounts on the basis of that information in their possession at that time and, in doing so, made full disclosure in accordance with the requirements of the Australian Accounting Standard AAS8." In these

special circumstances, no further action is proposed by the Committee.

ERARING HOLDINGS PTY LTD

The 1990-91 financial statements were received by the Auditor-General seven days late. The Minister for Energy responded that the officers involved in preparing the financial statements have been reminded of the statutory requirements regarding submission of financial statements. This response has been noted by the Committee.

FISH MARKETING AUTHORITY

The 1990-91 financial statements received an audit opinion qualified by exception because of uncertainty of the ability of the Authority to continue in operation without government support, and problems with valuation of assets. The financial statements refer to the year ending 31 March 1991, but owing to complications had to be recalled from the Auditor-General and resubmitted in late August.

The Minister for Natural Resources responded to a letter from the Public Accounts Committee seeking explanation of these matters. A new General Manager was appointed, and an accounting firm was engaged to:

- bring the financial accounts up to date and provide reliable financial data
- prepare a budget and cash flow forecast for the 12 months ending 31 March 1992
- conduct a managerial review of the Authority
- recommend an appropriate organisational structure and actions to ensure that the Authority traded in a commercially viable manner.

Two reports issued from this process, and a number of initiatives from these reports have been implemented. In July 1991 the Government gave approval for the Authority to continue operating from its existing site on a monthly reporting basis. The Committee will continue to monitor the Authority's operation.

HUNTER AREA HEALTH SERVICE

The 1990-91 financial statements received an audit qualified by exception due to the effect of certain material liabilities on the Service's financial in the balance sheet, but reported instead in the notes to the financial statements. The problem was due to the modified cash basis of accounting under which the Service's financial statements were prepared.

Public Accounts Committee

The Public Accounts Committee asked the Minister for Health Services Management for an explanation. The Minister undertook that in the future, any material liabilities will be disclosed in the balance sheet consistent with the Department of Health's planned implementation of accrual accounting by 30 June 1992.

The Minister's response to the Committee also noted that the specific deficiencies commented on by the Auditor-General were detected by Departmental reviews of the Hunter Area Health Service which, together with separate Departmental investigation of management and staffing levels, resulted in his dismissal of the Service's Board and chief executive officer on 2 August 1991.

This response is considered satisfactory by the Committee, which will continue to monitor the area health service in expectation of seeing an improvement in accountability.

INSEARCH R&D PARTNERSHIP

This partnership was formed on 1 June 1988 between Insearch Ltd and Nelac Nominees Pty Ltd. Insearch Ltd is a subsidiary company of the University of Technology, Sydney, and Nelac is a wholly owned subsidiary of Nelson Parkhill BDO. The objective of the partnership was to utilise the business and commercial marketing skills of Nelac's parent company to develop the revenue generating potential and traditional consultancy activities of the University.

The partnership was terminated on 31 May 1989, and Insearch Ltd acquired the business and agreed to administer the partnership until all assets and liabilities are liquidated.

The Auditor-General reported in volume I of his 1991 report that financial statements for the years ending 31 December 1989 and 31 December 1990 had not been submitted for audit owing to a dispute between the partners relating to expenses and liabilities.

The Public Accounts Committee requested confirmation of events and details of the preparation of the financial statements from the Minister for School Education and Youth Affairs, who referred the matter to the Vice-Chancellor of the University.

The Auditor-General's volume I of his 1992 report indicates that the partnership was wound up on 31 December 1991, and the resulting loss of \$2326 was funded by Insearch Ltd and Nelson Parkhill

BDO. The matter therefore has now been finalised, but it exemplifies the tendency for university subsidiaries to resist requirements for accountability.

MACQUARIE COVOCATION PTY LTD

The financial statements for the year ending 30 June 1991 were not submitted until 13 September 1991, which is over four weeks late. The Auditor-General's audit was incomplete at the time of releasing his volume III for 1991.

The company acts as a trustee of a trust fund called "The Macquarie Foundation", which provides benefits to graduates. Total income was \$12,401 (including \$10,375 of donations) and expenditure was \$788 in 1990-91, and trust funds totalled \$23,756 at 30 June 1991.

The Public Accounts Committee asked the Minister for School Education and Youth Affairs for comments on difficulties encountered in preparing the financial statements, and the Minister referred the matter to the Vice-Chancellor of Macquarie University.

Although this is very small scale, it again exemplifies problems identified by the Auditor-General in volume I of his 1992 report concerning accountability of university subsidiaries, and the Committee will continue to monitor this issue.

MACQUARIEPARK RESEARCH LTD

Financial statements for the year ending 30 June 1991 were not received until 14 October 1991, some two months late.

The company was established as a subsidiary of Macquarie University to undertake research and development and consulting activities in collaboration with external public and private sector organisations. It also manages entrepreneurial research on behalf of individuals, centres and schools of the university. It commenced operation on 1 September 1989. Income and expenditure for 1990-91 were each a little over \$1 million.

The Public Accounts Committee asked the Minister for School Education and Youth Affairs for details of difficulties encountered in preparing the financial statements, and the matter was forwarded to the Vice-Chancellor of Macquarie University for attention.

This is a further example of lack of accountability of a university subsidiary, the general issue of

which will now be more closely monitored by the Committee.

NEW SOUTH WALES LAND AND HOUSING CORPORATION

The 1990-91 financial statements received an audit opinion qualified by exception for the same reason as the 1989-90 financial statements. The Minister for Housing responded in the same terms as before, but added that the Corporation intended to install new financial packages in 1991-92, "in conjunction with a probable new asset data base", in the hope of establishing an acceptable methodology for depreciation. The Committee will continue to monitor this matter.

NEW SOUTH WALES RURAL ASSISTANCE AUTHORITY

The financial statements for the year ending 30 June 1991 were submitted one month late. (The 1989-90 financial statements were also submitted late.) This year the Minister for Agriculture and Rural Affairs responded that the Authority applied on 30 July to the Treasury for an extension of time to 30 August for submission of the financial statements. The reason given for the delay was problems with the new computerised accounting system. The Committee will monitor the Authority to see whether the new more flexible requirements for submission of financial statements to the Auditor-General have been effective.

SOIL CONSERVATION SERVICE

The 1990-91 financial statements of the Service and of the Business Operations Account both received an audit opinion for two reasons. Of particular concern was uncertainty of the accuracy of the figure for Receivables, as details of individual receivables at year end were not available to support the figure of \$2 million in the statement of financial position. However, the Auditor-General noted in his opinion that "on the basis of alternative auditing procedures, I am of the opinion that the figure of \$2,070,666 is a reasonable representation of total debtors."

The Minister for Conservation and Land Management further explained that the resulting effect on the Service's accounts was that the Accounts Receivable figures were overstated by the same amount as was the Prepaid Income figure. The net effect, therefore, was nil. The Minister stated that since the beginning of the current financial year, an accounting officer has been dedicated full time to ensuring that monies are appropriated correctly to individual debtors.

Furthermore, revised procedures and additional training have ensured that receipts are now being applied directly against the debtor.

The explanation is satisfactory to the Committee and no further specific action is proposed. However, the Committee's current inquiry into public sector debt write-offs is examining the general question of accounting for debt and debt write-offs.

SYDNEY CONSERVATORIUM OF MUSIC FOUNDATION AND SCMF PTY LTD

The Sydney Conservatorium of Music Foundation was established in 1987 to assist the Board of Governors of the Conservatorium of Music towards the development and improvement of music and to provide for education in music. SCMF Pty Ltd was established at the same time to act as trustee of the Foundation. The Conservatorium of Music was amalgamated with the University of Sydney from 1 January 1990, at the same time as transfer of the administration of the company and Foundation to the University.

Signed accounts for the year ended 31 December 1990 for SCMF Pty Ltd were not received until 15 April 1992, as proper accounting records were not kept. Expenditure for the year, total assets and total liabilities each amount to about \$2000. The company was deregistered in November 1991.

Signed financial statements for the Foundation for the year ended 31 December 1990 were also not received until 15 April 1992 for the same reason. The Auditor-General's volume I of the 1992 report notes that significant matters raised at the conclusion of the 1989 audit had still not been addressed.

This is a further example of lack of accountability of university subsidiaries to be examined by the Committee.

TECHNICAL AND FURTHER EDUCATION COMMISSION

Volume III of the Auditor-General's 1991 report notes that the TAFE Commission received a qualified audit opinion on the 1990-91 financial statements on the basis of three considerations:

- Due to inadequacies of the Commission's management information system, the Auditor-General was unable to form an opinion on the reasonableness of the Commission's estimates of the recurrent costs associated with the restructure of the Commission.

Public Accounts Committee

- A number of bank reconciliations at 30 June 1991 had not been prepared.
- Unidentified balancing items exceeding \$1000 were included in several of the reconciliations that had been prepared.

The Public Accounts Committee sent a letter seeking explanation to the Minister for Industrial Relations and Minister for Further Education, Training and Employment on 18 December 1991, and no response has been received. The Committee will continue to monitor developments in the TAFE Commission, and when appropriate, conduct a follow-up of action taken in response to its Report No. 39.

VALUER-GENERAL'S DEPARTMENT

The 1990-91 financial statements received an audit opinion qualified by exception because an amount of \$847,696 had been included in the balance sheet under non-current assets. This sum relates to employees' recreation leave entitlements accrued prior to commercialisation on 1 July 1988 and for which reimbursement had been sought from the Treasury without success. The Committee understands that the Treasury has since paid the amount in full so that it will not appear in the 1991-91 balance sheet. The Committee carried out a case study of this department for its Report No. 64 on the progress of financial reform in the New South Wales public sector, and no further specific action is required.

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4. Secretariat

The staff of the Public Accounts Committee's Secretariat comprises:

Patricia Azarias, MPAPrinceton, BA(Hons)
Oxon., BA(Hons)
Director

Ian Clarke, BScSyd., DipGeoscMacq.
Senior Project Officer

Ian Thackeray, BSurv
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:

Michael Smart, BA(Magna Cum Laude)
Harvard
Consultant

- Inquiry into urban infrastructure financing

Joe Scuteri and Jim Hales of KPMG Peat Marwick
Consultants

- Inquiry into the Port Macquarie hospital contract

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

- Inquiry into and seminar on progress of financial reform in the New South Wales public sector

Michael Tidball, BSW
Advisor from the Department of Health
· Inquiry into the Port Macquarie hospital contract

Robert Reimondo
Intern
· Follow-up inquiry into financial accountability

Andrew Tyndale
Consultant
· Inquiry into urban infrastructure financing

Equal employment opportunity and Code of Conduct

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. The Department will compile a statistical staff profile, including the Secretariat of the Public Accounts Committee, as the first stage in development of an equal

employment opportunity management plan in 1992-93.

The Committee and Secretariat are bound by section 58 of the Public Finance and Audit Act on handling evidence taken by

the Committee for its inquiries. Penalties apply for disclosing confidential evidence. Otherwise, the policies, Standing Orders

and Sessional Orders of the Legislative Assembly are adhered to in the day-to-day operation of the Committee.

Public Accounts Committee

5. Annual report printing

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8. Contact information

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