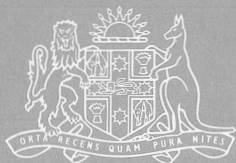


**Public Accounts
Committee**

Parliament of New South Wales



**Annual Report
Year ended 30 June
1984**

Report Number 11

August 1984

The Public Accounts Committee

Annual Report Year ended 30 June 1984



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

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Members of the Public Accounts Committee

The members of the Public Accounts Committee as appointed by the Forty-eighth Parliament on 10 May, 1984 following the March, 1984 State election were:

Mr. Bob Carr, M.P., Chairman

Bob Carr was elected Member for Maroubra in a by-election in October, 1983. A writer in Industrial Relations with *The Bulletin* for five years, Bob Carr was a former Education Officer with the N.S.W. Labor Council (1972-78) and reporter on A.B.C. Current Affairs (1969-1972).

Mr. John Aquilina, M.P., Vice-Chairman

John Aquilina was elected Member for Blacktown in September, 1981. A high school teacher by profession, John Aquilina was a Commissioner of the Ethnic Affairs Commission for two years and the Mayor of Blacktown for four years before entering Parliament.

Mr. Peter Collins, M.P.

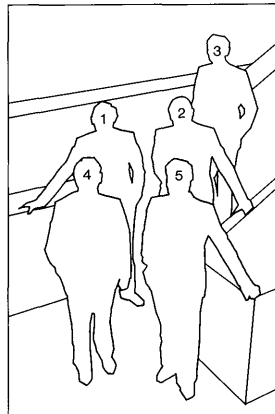
Peter Collins was elected Member for Willoughby in September, 1981. A former A.B.C. T.V. journalist and practicing barrister, Peter Collins also served as Research and Public Relations Manager for the N.S.W. Liberal Party. Since entering Parliament, Mr. Collins has held the shadow portfolios of Consumer Affairs, Planning & Environment and currently Industrial Relations, Employment and the Arts.

Mr. Colin Fisher, M.P.

Colin Fisher was elected Member for Upper Hunter in February 1970. Former Minister for Local Government (1975) and Minister for Lands and Forests (1976), in opposition Colin Fisher has served as National Party Spokesman on Local Government; on Planning and Environment and on Energy.

Mr. John Murray, M.P.

John Murray, formerly a teacher, was elected Member for Drummoyne in April 1982. An Alderman on Drummoyne Council for three terms, John Murray was Mayor of the Council for five years, the longest time ever served continuously by a Mayor of Drummoyne. Mr Murray is also a member of the Prostitution Committee and the House Committee.



- 1 Bob Carr
- 2 Colin Fisher
- 3 John Aquilina
- 4 John Murray
- 5 Peter Collins



Members of the Former Committee

The members of the Public Accounts Committee as appointed by the Forty-seventh Parliament and serving until 5 March, 1984, and the intervention of the State election were:

Mr. Michael Egan, B.A., M.P., Chairman
Michael Egan was elected Member for Cronulla in October, 1978. A former industrial advocate for the Australian Meat Employees' Union (1969-73), Michael Egan also served as an adviser to the Federal Minister for Housing and Construction (1973-75) and as an officer of the State Pollution Control Commission (1976-78).

Mr. Stan Neilly, A.A.S.A., M.P., Vice Chairman
Stan Neilly was elected Member for Cessnock in February, 1981. An accountant by profession, Stan Neilly worked for twenty-two years with the Cessnock City Council, for eight of which he was the Council's Accountant. He has been the honorary treasurer or honorary auditor for a number of local organisations for the past twenty years.

Mr. John Aquilina, B.A., Dip. Ed., M.P.
John Aquilina was elected Member for Blacktown in September, 1981. A high school teacher by profession, John Aquilina was a Commissioner of the Ethnic Affairs Commission for two years and the Mayor of Blacktown for four years before entering Parliament.

Mr. Jack Boyd, M.P.

Jack Boyd was elected Member for Byron in February, 1973. Retiring as a lieutenant-colonel, Jack Boyd had an army career spanning almost nineteen years. Mr Boyd was National Party spokesman for Public Works and Ports, and a Member of the Parliamentary Select Committee Inquiry into the Fishing Industry.

Mr. Peter Collins, B.A., LLB., M.P.

Peter Collins was elected member for Willoughby in September, 1981. A former A.B.C. T.V. journalist and practicing barrister, Peter Collins also served as Research and Public Relations Manager for the N.S.W. Liberal Party. Since entering Parliament, Mr. Collins has held the shadow portfolios of Consumer Affairs, Planning & Environment and currently Industrial Relations, Employment and the Arts.



John Aquilina

Peter Collins

Michael Egan

Stan Neilly

Jack Boyd

Highlights of The Year

1983	2 August	Permanent secretariat established.
	17 August	Report on Annual Reporting Requirements of Statutory Authorities tabled.
	1 September	Reference from Treasurer to inquire into the superannuation liabilities of statutory authorities received.
	6 October	Examination of the Auditor General's 1982-1983 Report commences.
	1-2 November	Biannual Conference of Public Accounts Committees - Perth.
	8 November	Report on the Grain Sorghum Marketing Board tabled.
1984	1 December	Report on matters raised in the Auditor General's 1981-1982 Report tabled.
	15 February	Questionnaire on the 1982-83 Public Accounts sent to government departments.
	5 March	Parliament dissolved, Committee dissolved.
	10 May	Public Accounts Committee of the 48th Parliament constituted.
	17 May	Bob Carr elected Chairman of the Public Accounts Committee.
	12 June	Inquiry into execution of police warrants commences.

Chairman's Review



Bob Carr Chairman

The trend to increased accountability by government is not going to slacken. There are reasons for believing it will grow stronger:

- Spending by the three levels of government now stands at 42.5 percent of Australia's gross domestic product. This represents an increase from 29 percent in the early 60's. If governments seek to spend more of the nation's wealth they must expect to answer more questions about how efficiently they do it.
- The income tax burden – as a percentage of wages and salaries – is also increasing. Many tax payers are hard pressed to identify any improved return. Is our social security more effective than it was twenty years ago? Is our schooling better? Where does the tax dollar go? Questions like these make more urgent the accountability of government for its operations.
- Economic austerity in the private sector adds force to demands for greater government efficiency. During the recent recession 100,000 jobs were lost in the metal industry, with no guarantee that those 470,000 remaining jobs are totally secure. B.H.P. alone dumped 16,000 redundant steel workers on the labour market and is scaling down its steel division by 1,000 a year through natural wastage. The manufacturing industry, as a matter of Federal Government policy, is being forced to face foreign competition and become leaner and more specialised. Coal miners in this state are fully exposed to international pricing competition. Approximately 120,000 employees in the banking industry now face the uncertainty of foreign competition and deregulation.

With the private sector forced to adjust to accelerating change, I simply ask: can the public sector resist pressures for accountability and demand immunisation against structural adjustment?

I believe that it is essential that the public sector evince an unqualified commitment to accountability, efficiency and effectiveness if it is to retain the confidence of the public it serves.

The N.S.W. Public Accounts Committee is a key element in the process towards heightened accountability.

Indeed, the revitalisation of the Public Accounts Committee is but one of a series of initiatives to improve accountability that has been introduced by the Government in the past two years. The Treasurer, the Hon. Ken Booth, has initiated several important financial reforms including

program budgeting, a new Public Finance and Audit Act, an Annual Reports Act and increased information in the Budget papers. I hope that the momentum for increased administrative and financial accountability is continued.

This is the first annual report of the N.S.W. Public Accounts Committee and follows as faithfully as possible its own recommendations on the reporting requirements of statutory authorities. Indeed, in the context of the new Annual Reports Act 1984 and the Seventh Report of the Public Accounts Committee on the Accounting and Reporting Requirements for Statutory Authorities, the N.S.W. Public Accounts Committee considers that it has a duty to report fully on its activities to Parliament annually.

The last two and a half years have been particularly eventful ones for the N.S.W. Public Accounts Committee. During this time, the powers of the Committee were expanded to allow it to initiate its own inquiries, a secretariat of four was created and seven references were given to the Committee by Ministers and the Auditor General. For a Committee that had been basically moribund since its inception in 1902, it is to the Government's and the Treasurer's credit that a great deal has been achieved in a short time.

1983-84 was an active year and a year of change for the Public Accounts Committee; it was dissolved for more than three months from March to May during the state election, and after the election, received a new Chairman and two new members,

The Committee received a permanent secretariat of four for the first time in August, 1983, enhancing its ability to pursue inquiries.

The Committee produced three reports in 1983-84 on: the annual reporting requirements of statutory authorities; the activities of the Grain Sorghum Marketing Board and the Auditor General's 1981-82 Report.

It received only one new reference in 1983-84 – from the Treasurer, the Hon. K. Booth to inquire into the superannuation liabilities of statutory authorities. This highly specialised inquiry was interrupted by and resumed after the election and the Committee is expected to report on this issue early in 1984-85.

Following its examination of the Auditor General's 1982-83 Report, the Committee wrote letters to 65 organisations, seeking information about anomalies or deficiencies in their accounting or about matters raised by the Auditor General.

Arising from these answers a number of organisations were called to give evidence and further inquiries were initiated into the collection of parking and traffic fines and into the investment policies of New South Wales statutory authorities.

For the first time ever, in February, 1984 a wide ranging questionnaire was sent to all government departments and other organisations covered by consolidated revenue, seeking information about objectives, performance review mechanisms and cost information. Some of the questions were challenged by a Crown Solicitor's opinion as beyond the Committee's power to ask; ultimately, however, the questionnaire was reissued with minor changes. The powers of the Committee to examine questions of efficiency and effectiveness were confirmed.

As this is the first annual report of the N.S.W. Public Accounts Committee, we have included sections on the evolution of the Committee and on past reports.

The Public Accounts Committee – with its investigative, open and consultative approach – is a major force for better government. Its work enhances efficiency and effectiveness in departments and authorities. It enhances the relevance of Parliament.

It proves to a sceptical public that its representatives in the legislature are able to exercise some control over the activities of the executive arm of government.

I would like to pay tribute to the former Chairman of the N.S.W. Public Accounts Committee, Mr. Michael Egan, for his vision and energy in revitalising the Public Accounts Committee as an active force in holding the public service to account. I would also like to note the very significant contributions of former members of the Committee, Mr. Stan Neilly as Vice-Chairman and Mr. Jack Boyd.

On behalf of the Committee, I would also like to thank the staff and advisers of the Committee for their invaluable assistance throughout the year, and in particular, the Deputy Director, Ruth Tait, for her excellent contribution to this report and Sandra Vine for her hard work in typing it.



Bob Carr Chairman

The Committee's Role in Our Democratic System

Never has the need for government accountability been so compelling. As government expenditure grows and the demand for government services increases, there is growing recognition that governments must account fully for their activities, must inform the public of what their goals are and how these goals are efficiently and effectively being pursued.

No-one would deny that accountability to the people is the foundation of democratic government. Just as members of Parliament, as representatives of the people, are responsible to the public, so governments are responsible to Parliament.

An effective Public Accounts Committee is an essential element of the financial accountability cycle within the Parliamentary system of government.

The Public Accounts Committee plays an important role in holding the Executive, both Ministers and public servants, to account for the economy, efficiency, effectiveness and probity of government operations.

The Committee's task is made possible by the open and consultative nature of its operations. The openness of the inquiry process not only serves to inform the press and public of the Committee's investigations but also encourages government organisations to themselves appraise the efficiency and effectiveness of their operations. The Committee has found that the very process of inquiry has had positive effects in promoting self-evaluation and change.

Public scrutiny further promotes a recognition in each government organisation that its operations might next be investigated by the Public Accounts Committee and this necessarily heightens consciousness of efficiency and effectiveness issues in these organisations.

Questioning by the Public Accounts Committee about the implementation of government policies can publicly reveal inadequacies in management, and motivation to avoid such exposure must have beneficial effects on the quality of management itself.

The Public Accounts Committee has found that not only are most senior public servants cooperative in giving evidence before the Committee, but also that they are constructive in seeking resolution of serious deficiencies in operations and management revealed in evidence. Significantly, the Committee has also

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 Committee seeks to be open not only in holding public hearings but also in consulting all groups interested in the subject matter of the inquiry.

The investigative, open and consultative approach of the Public Accounts Committee is seen to have positive implications for government, for Parliament and for the public.

Effect on Government Operations

As examined, public scrutiny and the reality of being called to account for their operations, necessarily raises awareness about efficiency and effectiveness and improves management in government departments and authorities.

Effect on Parliament

The effectiveness of the Public Accounts Committee as a legislative committee also enhances the relevance and significance of Parliament. Parliamentarians are given a unique opportunity to inform themselves about government operations and to exercise actively their role as protectors of the public interest in reporting matters of concern to Parliament.

Effect on Public Confidence

The public legitimately expects that its representatives in the legislature are informed about and exercise some control over the activities of the executive arm of government. The existence of an active, effective Public Accounts Committee can only increase public confidence in and respect for democratic institutions in the state.

Evolution of The Public Accounts Committee

The N.S.W. Public Accounts 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 approximately 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:

- (1) to inquire into matters relating to the Public Accounts referred to it by the Legislative Assembly, a Minister or the Auditor General;
- (2) 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 from the Minister for Health, the Hon. Laurie Brereton, to inquire into over-expenditure in public hospitals and the general accountability of the public hospital system.

The second function was performed only perfunctorily 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 an active legislative watchdog of public accounts.

By 1978, there was a growing recognition in the Government of the need for enhanced accountability of the public sector to the legislature.

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

- the Audit Act be amended to increase the functions of the Public Accounts Committee to allow it to initiate its own inquiries;
- the Public Accounts Committee be serviced by a permanent secretariat of Parliamentary officers.

These influential reports were:

- Report of the Select Committee of the Legislative Council on Public Accounts and Financial Accounts of Statutory Authorities chaired by Mr. Lloyd Lange, M.L.C., March, 1978.
- Progress Report of the Joint Committee on Public Accounts and the Financial Accounts of Statutory Authorities chaired by Mr. Vince Durick, M.P., March, 1980.
- Final Report of the Joint Committee on Public Accounts and the Financial Accounts of Statutory Authorities, chaired by Mr. Laurie Brereton, M.P., May, 1981.

As a result of the recommendations of these committees, in December, 1982, the **Audit (Public Accounts Committee) Amendment Act, 1982** was passed to greatly expand the powers of the Public Accounts Committee. Thus, in addition to its two former functions, the Committee was empowered:

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

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

The **Audit Act 1902** was replaced by the **Public Finance and Audit Act 1983** which came into force on January 6, 1984. The provisions of the new Act specifying the functions of the Public Accounts Committee retained the functions of the Committee acquired in December, 1982 (Appendix 1).

Not only were the Public Accounts Committee's powers thus expanded in 1982, but in August 1983 a permanent secretariat was established, strengthening its ability to exercise its new powers.

Objectives and Functions

Objectives

The Public Accounts Committee has the overall objective of promoting an efficient and effective public sector, accountable to the Parliament and to the public for its actions.

Thus the Public Accounts Committee aims to hold the executive arm of government, that is, the Cabinet and bureaucracy, accountable for its administration of government policy, the management of money, personnel and property.

Consistent with its overall objective, the legislative functions of the Committee allow it to pursue the following broad objectives:

- to increase the efficiency and effectiveness with which government policy is implemented;
- to increase the public sector's awareness of the need to be efficient and effective, and accountable for its operations;
- to reduce needless and extravagant spending by departments and statutory authorities;
- to increase the awareness and understanding of Parliamentarians and members of the public of the financial and related operations of government;
- to improve the readability, usefulness and timeliness of the financial statements of departments and statutory authorities and of public sector annual reporting generally.

Functions

Under S.57 of the **Public Finance and Audit Act 1983**, the Public Accounts Committee is charged with the following functions:

- examining the Public Accounts;
- examining the accounts of statutory authorities;
- examining the Auditor General's Report and related documents;
- reporting to the Legislative Assembly from time to time upon any item in or any circumstances connected with the above accounts, reports or documents;
- reporting to the Legislative Assembly at the Committee's discretion upon any alteration considered desirable in the form of the accounts, the method of keeping them or the method of receipt, expenditure or control of money;

- inquiring into and reporting to the Assembly on questions relating to the accounts referred to it by the Legislative Assembly, a Minister or the Auditor General;

- inquiring into and reporting on any over-expenditure by ministers.

The Committee is precluded by the Public Finance and Audit Act 1983 from inquiring into government policy.

The Committee does not seek to question or to encourage debate on the adequacy of government policy. Indeed the Committee's acceptance of government policy has allowed it to work successfully on a bipartisan basis, without the distraction of differences about ideological questions.

Necessarily, however, the Committee must inform itself about the nature of government policy in order to determine whether such policy is being adequately administered.

The Committee may question witnesses as long as the thrust of the question relates principally to the efficiency and/or effectiveness of departmental efforts to carry forward the policy in question.

Thus, a matter is **not** one of government policy if it relates to the implementation of government policy, i.e. is a management decision made by a departmental official administering government policy.

In fulfilling its functions, the Committee considers it necessary not only to consider the previous year's accounts, but also to inquire about present administrative policies and practices.

Plans for 1984-85

The Committee's objectives for the 1984-85 financial year are:

- to review the efficiency of government operations and to identify potential savings of at least \$50m;
- to review the accounts of government departments and statutory authorities representing 20% of total government expenditure;
- to examine all anomalies and deficiencies highlighted by the Auditor General in his 1983-84 Report;
- to establish a procedure to monitor the implementation of past recommendations;

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- to inquire and report on any matter related to the accounts referred to the Committee by the Legislative Assembly, a Minister or the Auditor General;
 - to examine and report on all over-expenditure made by Ministers in 1983-84;
 - to examine and report on any failure of government organisations to comply with statutes in 1983-84 as identified by the Auditor General in his report.
 - to examine the mechanisms currently in place for departments to improve their own performance and recommend improvements;
 - to monitor the quality and timeliness of annual reports by statutory authorities during 1984-85.

The need for follow-up procedures

The Committee recognises that it is not enough that it examine problems and make recommendations, but that it should also have an established follow-up mechanism to monitor the progress of organisations in implementing change. A number of such follow-up mechanisms will be considered in 1984-85, and as noted, it is intended to develop an effective monitoring system by the end of the financial year.

Until such a system is in place, it is impossible for the Committee to have any clear idea of whether and to what extent the Committee's overall objectives in improving public sector efficiency, effectiveness and accountability are being realised.

The Committee has had evidence that the very process of inquiry has positive effects in promoting change, but it is not often able to quantify in any rigorous way the effects of its reports and inquiries.

Operations and Procedures

Unless inquiries have been the result of a reference from a Minister, the Auditor General or the Legislative Assembly, they invariably have had as their source the Auditor General's Report.

All inquiries share certain procedures in the holding of public hearings and deliberative meetings. Before examining the procedures involved in these meetings and hearings, we will first outline both the course taken when the Auditor General's Report is examined, and that pursued when a reference is received.

Examination of the Auditor General's Report

In the first instance, the Committee examines the Auditor General's Report to identify any anomalies or deficiencies revealed by the Auditor General or as perceived by Committee members from the accounts themselves.

The Chairman then writes to each organisation that has been the subject of a qualification or an adverse comment, seeking the head of the organisation's responses to the Auditor General's observations or to other concerns of the Committee.

After receiving written responses from the organisations, the Committee determines which matters require no further action and which require evidence to be taken and further investigation.

After public hearings have been held and the necessary evidence taken, the Committee decides in what form it will report to Parliament. For the Auditor General's 1981-82 Report, the Committee tabled the written responses from the organisations and the transcripts from the hearings. The 1982-83 Auditor General's Report led to a number of subsidiary inquiries, each of which will be the subject of a separate report. There will also be a general report covering those matters raised which required no further action following the organisation's response.

Inquiries Arising from a Reference

Although the Public Accounts Committee can now initiate its own inquiries, another important source of investigations is a specific reference from a Minister, the Legislative Assembly or the Auditor General.

Such inquiries follow standard procedures; once the terms of reference have been established, advertisements are placed in the press and the public service notices, notifying the public of the inquiry and seeking submissions from interested parties.

Letters or questionnaires may also be written to relevant government organisations or private associations, seeking information or submissions. The inquiries into overtime claimed by police and prison officers elicited eight submissions; into hospitals fifty-three submissions; into accounting requirements of statutory authorities seventy-two submissions and into superannuation liabilities twenty-two submissions.

Based on the answers received and submissions tendered, organisations are then called to give evidence. Inspections may also be made. After all the necessary information is collected, a report is drafted and considered by the Committee in private hearings.

The Public Inquiry Process

Time of Meeting

The Committee is limited to meeting when the Legislative Assembly is not sitting, unless express leave is given by the Assembly to meet during sitting hours. During 1983-84 the Chairman three times sought and received the leave of the house to sit when the Committee had pressing business to complete.

Power to call for witnesses and documents

The Public Accounts Committee has the same powers as other legislative committees to call for persons, papers and records.

Thus witnesses may be summoned to give evidence before the Committee by an order of the Committee signed by the Chairman. In practice, witnesses are notified by telephone of the time, place and subject matter of the hearing, and the summons is handed to them before the hearing.

The Committee has thus far had the fullest co-operation of public servants 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.

Public Hearings

Before giving evidence, witnesses are required to take an oath or to make an affirmation. Although the usefulness of hearings varies from inquiry to inquiry, the Committee has found that taking oral evidence is often an effective way of reaching a full understanding of issues before it. Not only can the Committee immediately pursue gaps in information, inconsistencies or misunderstandings but public servants have an opportunity to fully explain their administration of government policies.

While written submissions are useful, they often raise further questions which are best explored through the exchanges possible in hearings. The transcripts of evidence are used as a basis for further inquiry and provide a useful reference for report writing.

Through public hearings, the Committee aims to ensure that its activities are as open and public as possible, to effectively gather information and to encourage participation and consultation.

In seeking full information from public servants, the Committee is sympathetic to answers which reveal deficiencies yet also show commitment and a strategy to overcome problems.

Indeed, the Public Finance and Audit Act provides, that with some exceptions, the Committee must take all evidence in public. If the Committee, however, considers that evidence "relates to a secret or confidential matter" the Committee may decide to take evidence in private.

Alternatively, if a witness requests to give evidence in private, and the Committee agrees that this evidence relates to a secret or confidential matter, it may be so taken.

Similarly a document may be treated as confidential. Secret or 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. Otherwise, evidence taken in private can only be disclosed with the authority of the Committee.

The Committee clearly prefers to hold public hearings and only rarely has it been considered necessary to protect confidentiality by holding private hearings.

The Committee meets in closed session when it receives briefings, deliberates or reviews draft reports.

Relationship with the Auditor General

"An effective working relationship between the Auditor and the Public Accounts Committee is essential if either one is to be successful in helping to hold the government accountable. Both must be strong and each must be independent of the other, but they must work to complement and support each others efforts."

Canadian Comprehensive
Auditing Foundation 1981

Without the support of the Auditor General, the Public Accounts Committee would be extremely limited in the scope of its inquiries. The Public Accounts Committee relies on the Auditor General's Annual Report to identify and direct its attention to problems in government administration.

The Committee also relies on the Auditor General for technical analysis and independent expert advice during its inquiries. Indeed, the relationship between the Public Accounts Committee and the Auditor General developed further in July 1984, when the Auditor General seconded one of his officers to the Public Accounts Committee for a six month term. This secondment will provide technical advice to the Committee while, at the same time, acting as the eyes and ears of the Auditor General –informing, the Auditor General of the activities and direction of the Committee.

The relationship between the Auditor General and the Public Accounts Committee is considered to be fundamental to the effective functioning of the Committee and is still evolving. The present Auditor General, Mr Jack O'Donnell, has been instrumental in fostering the necessary links between the Auditor General's Office and the Public Accounts Committee, both of which institutions have been created by and report to Parliament.

Past Reports

In the last two and a half years, the Public Accounts Committee has received seven references and tabled nine reports.

Six reports of the Public Accounts Committee of the Forty-Seventh Parliament were tabled before July 1, 1983 and brief summaries of each of these past reports follow.

First Report

Inquiry into all expenditure by a Minister of the Crown made without Parliamentary sanction or appropriation – 25 November, 1981.

The Committee in this report exercised its traditional role of examining the reasons for over-expenditure by Ministers in 1980-81. Over-expenditures of \$162 million by ten Ministers were investigated and the Committee concluded that departmental explanations for all over-expenditure were satisfactory.

Second Report

Inquiry into the reference made by the Minister for Health concerning over-expenditure in health funding to public hospitals in 1980/81 – February, 1982.

“Hospitals \$15.7 million over budget”

Sydney Morning Herald
12 November, 1981

This interim report was the result of a reference from the Minister for Health, the Hon. Laurie Brereton, the first reference ever given to the Public Accounts Committee.

In 1980-81 there had been a budget overrun of \$15.7 million by 37 N.S.W. hospitals.

The Committee was asked to enquire into the reasons for these budget overruns, to investigate the general accountability of hospitals and to make recommendations about how to make hospitals fully accountable to the N.S.W. Parliament.

In three months, the Committee took more evidence (10 days and approximately 70 hours from 62 witnesses), made more inspections (7), studied more submissions (almost 3,000 pages) and held more meetings and discussions than it had done in all of its history.

The Committee discovered that the budget overrun of \$15.7 million could be attributed not only to the budgetary process but also to the failure of departmental and hospital officials to take budgets seriously.

Indeed, the submissions of many hospitals were

found to reveal a recklessness towards the expenditure of public funds. The Committee reported

“Notwithstanding the clear evidence that N.S.W. has a relative oversupply of hospital facilities, many hospitals seem to think the public purse can and should be expanded to meet whatever level of demand can be generated.”

The Committee recognised in the report that since July, 1981 some improvements had already been made by hospitals and the Health Commission. Nonetheless it made twenty recommendations to overcome specific problems associated with budget overruns.

Third Report

Inquiry into the reference made by the Minister for Health concerning the standard of public accountability of public and other subsidised hospitals in N.S.W. – April, 1982.

“The N.S.W. Public Accounts Committee hospital report is a landmark – and political dynamite. And whatever its faults, the Egan Report could be a milestone in hospital reform.”

The Australian
26 April, 1982

The second and final report of the Committee concerning the reference from the Minister for Health focussed on the general accountability of hospitals.

The Committee made forty-four recommendations in six principal areas including:

- accounting procedures;
- the flexibility available to hospital managers;
- incentive systems and time procedures;
- management information systems;
- the planning and management of hospital services.
- the role of the medical profession.

The Government majority of the Committee also supported certain recommendations regarding increased controls on the medical profession.

Among the recommendations that have subsequently been acted upon are:

- the introduction of modified global budgeting;
- the introduction of an incentive reimbursement scheme for public hospitals;
- the delineation of the role of each hospital.

Fourth Report

Inquiry into all expenditure by a Minister of the Crown made without Parliamentary sanction or appropriation – 14 September, 1982.

Fourteen Ministers in 1981-82 overspent their budgets by a total of \$294 million.

The Committee found that most of the over-expenditure (over \$200 million) was caused by award wage and salary increases in excess of the 13% increase estimated at budget time.

The Committee concluded that the explanations provided by the Ministers and departmental officials were satisfactory. However, for the first time, the Public Accounts Committee qualified its traditional positive report in noting that the cost of the Government Cleaning Service warranted further investigation.

Fifth Report

Inquiry into the reference made by the Auditor General concerning overtime payments to police officers – 24 November, 1983

“Police overtime bill hits \$21.5 million – alarm bells should have been ringing.”

Daily Telegraph,
25 November, 1982

For several years before the Auditor General referred the question of overtime payments in the Police Force and in the Corrective Services Commission to the Committee for investigation, the level of these overtime payments had been over-budget.

Indeed by 1980-1981, the high levels of overtime payments to police had become serious. Since the introduction of overtime payments in 1971, there had been a rapid increase in overtime hours worked. Despite an additional 1,000 police officers, the overtime hours worked almost doubled between 1976-77 and 1980-81. The overtime bill paid by the taxpayer rose accordingly from \$8.7 million in 1976-77 to \$21.5 million in 1980-81.

Overtime figures for these years showed that the proportion worked by each of the constabulary divisions remained virtually the same. The Committee concluded that this information should “have rung alarm bells years ago” for it defied belief that the factors causing the need for increased overtime should have the same impact in each of the constabulary classifications each

year. Only serious management deficiencies within the Police Force could account for the lack of action in the past.

It was found that before 1981-82 the Force gave only desultory attention to controlling overtime and that the overtime situation was never reviewed either in total or as part of any general overview of manpower resources.

The Committee reported

“Each year the estimated cost of overtime was set after consultation between the Department and Treasury but it appears that the Department felt no real responsibility to manage within that budget and sought supplementation from Treasury as a matter of course.”

The Committee examined the areas which were claimed to be major causes of overtime, to determine whether efficient rostering and resource allocation might have avoided the need for overtime. Areas examined were:

- staff numbers
- transfers
- extraneous duties
- sick leave
- court waiting time
- in-service training

The Committee concluded that a

“considerable amount of overtime is avoidable and arises from inappropriate policy, inefficient rostering and inefficient job organisation.”

It further found that maintenance of high levels of overtime and penalty rate payments had become part of the normal remuneration expectations of some police officers and concluded that overtime must not become an entrenched part of the wage packet.

To overcome the problem of excessive overtime, the Committee put forward thirty-five recommendations, including the improvement of data collection systems and the development of measures to ensure deployment of resources in the most efficient and effective manner.

Sixth Report

Inquiry into the reference made by the Auditor General concerning overtime payments to corrective services officers – May, 1983.

This was the second and final report of the Committee concerning the reference from the Auditor General regarding overtime payments and focusses on the Department of Corrective Services.

The Committee noted that the Department had itself taken strong action over the previous twelve months to reduce excessive levels of overtime. This is a positive example of scrutiny itself promoting change.

The report showed that more than half of N.S.W. prison officers had received overtime payments in excess of 50% of their normal salary; 10% of prison officers received more than 100% of their normal salary in overtime payments; 17% earned between 75% and 100% and 26% earned between 50% and 75%.

In 1981-82, overtime payments for corrective services officers in N.S.W. had totalled almost \$14 million, over 21% of their total salaries. This represented over 35,000 hours of overtime per fortnight. After the development of a strategic plan in June, 1982, overtime in early 1983 was reduced to approximately 22,000 hours per fortnight.

Although an additional 609 prison officers had been employed in the previous six years, overtime payments had continued to soar because of:

- improved security measures;
- implementation of the recommendations of the Nagle Royal Commission Report;
- an inappropriate staffing formula and the creation of unauthorised posts;
- excessive sick leave.

Owing to efforts already made by the Department, the Committee made only six recommendations for further changes. It noted, however, that the current level of overtime of 22,000 hours per fortnight remained unsatisfactory and recommended that limits be placed on the amount of overtime worked by officers.

The Committee also recommended measures to reduce overtime including revision of the current staffing formula and reform in the method of sentencing prisoners. It was recommended that the Department continue to introduce measures to improve control over sick leave and that no officer taking more than two days sick leave in any two month period be allowed to work overtime in the following two month period, except in emergencies.

Noting that one of the major causes of overtime in both the organisations examined was the high level of sick leave, the Public Accounts Committee foreshadowed its interest in sick leave throughout departments.

The average sick leave per prison officer had been 18 days per year.

The Report stated:

“The Committee believes this situation is disgraceful. It defies belief that one out of every nine prison officers could be genuinely sick on eight different occasions, each up to three days, during any one year. The inescapable conclusion is that many of the officers are sponging on their fellow officers, the Department and the taxpayers.”

Activities 1983-84

Reports Tabled

Three reports were tabled in the last financial year during the Forty-seventh Parliament and brief summaries of these reports follow.

Seventh Report

Inquiry into the reference made by the Treasurer concerning the accountability of statutory authorities – June, 1983.

“Making the public sector come clean”

Financial Review
26 July, 1983

“Tougher watch over public cash”

Daily Telegraph
22 July, 1983

There are at least three hundred significant statutory authorities in N.S.W. which together employ four times more people than all government departments. The twelve largest authorities spend more than the annual state budget and have an income in excess of \$5,000 million.

Widespread concern about the need for greater information from statutory bodies led to the Treasurer's reference to the Public Accounts Committee in December, 1982 to inquire into the appropriateness of an Annual Reports Act to upgrade and standardise the annual reporting and accounting standards of statutory authorities. Most of the Public Accounts Committee's recommendations delivered in its June 1983 Report have been incorporated in the new Annual Reports (Statutory Bodies) Act 1984 and the Public Finance and Audit (Amendment) Act 1984.

The Committee found that

“Annual reports should be a suitable mechanism for authorities to account to Parliament, but in reality, most annual reports are next to useless. They are often characterised by lateness, lack of consistent accounting treatment and failure to disclose important information about their objectives and their achievements. This situation is obviously unacceptable. The Government, the Parliament and the people have a right to know whether public money is being well spent.”

The Committee concluded that an Annual Reports Act, covering both financial and non-financial information, would considerably improve the level of accountability of authorities to Parliament and enhance their efficiency and effectiveness.

Financial information which the Committee stated should be required by an Annual Reports Act or by regulations under such an Act included: income and expenditure statement; balance sheet; source and application of funds statement; adequate notes to the accounts; current market value of all real estate (calculated on a 3 yearly cycle).

Required non-financial information should include: aims and objectives; review of operations; achievement of objectives; plans; prices and pricing policy and personnel and industrial relations.

It was recommended that annual reports of statutory authorities be tabled within 3 months of the end of the reporting period and that they be made available at the approximate cost of production. The new legislation required that annual reports be tabled within 4 months of the reporting date.

It was considered that the Committee should have a continuing role through the requirement in the Annual Reports Act that amendments to the regulations made under the Act be first referred to the Public Accounts Committee for examination and report. This requirement was embodied in the new legislation.

The Committee's recommendation that a central register of all land holdings of public bodies be kept was also included in the Annual Reports (Statutory Bodies) Act 1984.

The Annual Reports (Statutory Bodies) Act 1984 received all-party support and three members of the Public Accounts Committee (Mr. Bob Carr, Mr. John Aquilina and Mr. Peter Collins) and one former member of the Public Accounts Committee (Mr. Stan Neilly) spoke in the second reading debate on the Bill.

Eighth Report

Inquiry into the reference by the Minister for Agriculture and Fisheries regarding the Grain Sorghum Marketing Board – 8 November, 1983.

“N.S.W. Investigation foreshadows marketing boards shake-up.”

Financial Review
19 November, 1983

“Board lost \$3 million over sorghum.”

Sydney Morning Herald
27 July, 1983

“The Public Accounts Committee’s examination of the affairs of the Grain Sorghum Marketing Board has produced some useful recommendations relevant to all marketing bodies which are likely to be incorporated in the new Act.. Once again, the value of such a Committee in assisting Parliament in its legislative function and in its scrutiny of public funds has been demonstrated.”

Editorial in
Sydney Morning Herald
14 November, 1983

Owing to the \$3 million indebtedness of the Grain Sorghum Marketing Board, the Minister for Agriculture and Fisheries, the Hon. J.R. Hallam M.L.C., gave a reference to the Public Accounts Committee in April, 1983 to inquire into the administration of the Board and any other matters affecting its efficiency, effectiveness and accountability.

The Committee concluded that the precarious financial position of the Grain Sorghum Marketing Board was the result of several factors. The Committee stated:

“Drought conditions reduced grain sorghum production in both seasons, although production in N.S.W. substantially exceeded volume. The real shortfalls were caused by producers (including all producer members of the Board) failing to deliver to the Board.”

The Committee concluded that this failure showed lack of confidence in the Board and in its ability to obtain maximum prices for producers.

To prevent over-commitments in the future, the Committee recommended that forward contracts be related to expected Board receivables and not to expected production in N.S.W.

Further, although the Board should continue to have the power to acquire the entire grain sorghum crop, boards should be given wide powers under the new Marketing of Primary Products Act to ensure policing of the provision.

The Committee also recommended that the duties of members of marketing boards be prescribed in the new Act. This arose because of an apparent pursuit of self-interest by board members to the detriment of the Board.

It was revealed in evidence that board members felt that they had no obligation to deliver their crops to the Board. This view was exemplified by the evidence Mr. Hamparsum (board member) gave when asked whether he had an obligation to deliver the grain he had available to the Board, to enable it to meet its commitments. He stated:

“No, I did not.. As the principal of my family company, a grower of sorghum and a board member, I have an option, and a responsibility, in two places. I agree there is a conflict of interest to make a decision to market the grain. In my own case, I was well aware of the forward commitments of the Board in 1982 and 1983 at all times. However, as a grower, I have to consider the options. I have grain storage, but I do also have commitments in my own business – commitments of money. If I look at two situations where I can market my grain, one is to put it into the government silos.”

He went on to say:

“... No, I did not feel any obligation to deliver grain to the Board’s pool, because to have done so would have represented a seriously lower price for my sorghum than I would have obtained through the Board’s licensed merchants system.”

Although the Committee had been unable to establish any breach of fiduciary duty on the part of board members, it concluded that the grower board members would seem to have had at least a moral obligation to deliver grain sorghum to the Board in order to secure the Board’s financial survival.

The Committee reported that the Grain Sorghum Marketing Board had shown some reluctance to acquaint growers and other sections of the industry with timely details of the Board's activities and recommended that a legal duty be imposed upon board members to so inform growers.

The Committee further recommended that regular assessment of grower support be made to determine whether the continued existence of the Board is justified.

Most of the Committee's recommendations, which were designed to apply to all marketing boards in N.S.W., were embodied in the Marketing of Primary Products Act 1983.

Fourteen submissions were received by the Committee, and evidence heard from five organisations (16 witnesses).

Ninth Report

Matters investigated in relation to the 1981-82 Report of the Auditor General of N.S.W.

“Public service heads to be called to account on budget”

Sydney Morning Herald
27 March, 1982

“This is the first time in the State's history that matters in the Auditor-General's Report have been subjected to detailed Parliamentary scrutiny.

The Committee's power to undertake these investigations arises from amendments to the Audit Act, recently introduced by the Treasurer, Mr. Booth.

These amendments mean that N.S.W. now has an effective Parliamentary watchdog over the management of public finances.”

Michael Egan
Chairman of the
Public Accounts Committee
2 April, 1983

The Public Accounts Committee in this report published answers from twenty eight government departments and authorities in response to the Committee's concerns about criticisms or comments made in the Auditor General's 1981-82 Report.

In cases where explanations were not considered satisfactory, the Committee sought further information through public hearings. Evidence was heard from 21 witnesses from the following organisations:

Department of Education
Maritime Services Board
State Dockyard
Department of Public Works
Bathurst Orange Development
Corporation
Department of Industrial Relations
Long Service Payments
Corporation
Department of Agriculture
Department of Health

The transcripts from these hearings were tabled along with the report.

Examples of the hearing process in this Inquiry follow:

Department of Education

The Department was questioned about its practice of paying various suppliers of services and materials without first obtaining the certificate required by law that services had been faithfully performed. These suppliers of services included owner/drivers conveying handicapped children to school, voluntary association schools for intellectually handicapped children for supervisors' salaries and school passenger and charter bus operators. The Committee accepted the Department's explanation and one member's response to the oral evidence was:

“I have no questions, but I would like to make an observation that first of all I am more than satisfied with all the replies that have been given. Second, I find it somewhat refreshing that we have a Department that has initiated greater efficiency and economies than are delegated by the Act. While appreciating that perhaps action taken may not have been strictly legal in the inverted commas sense, at the same time, I think that if there is any fault at all to be laid somewhere, it lies with the legislative arm in not responding as fully as it could have to the need for legally validating this improvement in efficiency.”

Mr John Aquilina, M.P.
27 July, 1983

Department of Public Works

The Committee questioned the Department about the viability of the floating crane and slipways – Newcastle – which had been reported by the Auditor General as “chronically unable to break even on costs”. The total subsidies from the State to the dockyard had amounted to \$9.5 million at 30 June, 1982.

Mr Collins questioned Mr. Stanton, Financial Controller, Department of Public Works, about the need for a dockyard, given its losses. Mr. Stanton explained that the justification for holding on to the dockyard site was to enable the dockyard to work its way back into the “submarine project, for which the dockyard is eminently suited. We are in touch with the seven overseas submarine builders who are interested in this programme, and have generated a fair amount of interest from most of them in the dockyard as a site for a venture like that. Holding the dockyard for operations such as that, is the real justification for our attempt to continue to make use of its resources.”

Mr Collins

It is true to say, is it not, that submarine construction is one of the most sophisticated forms of naval construction that could be undertaken?

Mr Stanton

Yes

Mr Collins

Probably in the current inventory of the Royal Australian Navy, the most complex vessel you could hope to build would be a submarine?

Mr Stanton

Yes

Mr Collins

Looking at recent contracts let to Australian dockyards, did you tender for the construction of Fremantle class patrol boats for the Royal Australian Navy?

Mr Stanton

I believe so.

Mr Collins

With what result?

Mr Stanton

Obviously unsuccessful. They went to a Queensland yard.

Mr Collins

The fifteen coastal patrol boats are being constructed in Cairns, are they not?

Mr Stanton

Yes

Mr Collins

Did you tender for the construction of a heavy landing ship for the Royal Australian Navy?

Mr Stanton

Yes.

Mr Collins

With what result?

Mr Stanton

I believe the vessel was being built by Carrington.

Mr Collins

HMAS Tobruk?

Mr Stanton

Yes.

Mr Collins

Which was built at a smaller shipyard quite close to the one you operate?

Mr Stanton

Yes.

Mr Collins

Did you recently tender for the construction of mine hunters? Do you know who has won that tender?

Mr Stanton

Those would be the ones that are also awarded to Carrington Shipyard.

Mr Collins

We understand that recently the New South Wales Government called for tenders for the construction of new ferries for Sydney Harbour. Is that correct?

Mr Stanton

Yes.

Mr Collins

Did you tender for the construction of those ferries?

Mr Stanton

Yes.

Mr Collins

Successfully?

Mr Stanton

Unsuccessfully.

Mr Collins

Then I put it to you that the probability of the Newcastle State Dockyard's winning a contract to construct the next generation submarines for the Royal Australian Navy, when the dockyard cannot get a tender to construct ferries for Sydney Harbour, is remote in the extreme?

Mr Stanton

I would tend to disagree with that...

Department of Industrial Relations

The Committee was concerned to examine whether the Builder's Licensing Board had increased its rate of recovery of unpaid long service charges. Mr. Riordan, Under Secretary of the Department of Industrial Relations, answered that one of the methods introduced was an ongoing program to identify and inspect unregistered employers. In this context, the following interchange occurred.

Mr Boyd

I want to know, because I have people asking me, and I want to be specific about it. You say to the farmer, 'You have had spent \$x this year on having your drains cleaned out for purposes of agriculture'; but frequently what happens is that your neighbour happens to have the right machine to do the job, and you say 'George, would you clean my drains?' and you pay him. Obviously these people never considered that they were embroiled in the Act at all, and now you have inspectors going around and saying to these people 'You should have been paying into long service. You have not been doing it, and therefore you have to pay the money you have not paid, and the penalty rate is 5 per cent per month. That is 60 per cent per annum?'

Mr Riordan

It is more than that, I can assure you. It is 80 per cent, and it goes up to 223 per cent and then on to 479 per cent. It is horrendous, Mr Boyd.

Mr Boyd

This has been happening for a long time. You are suggesting that the Act is going to be amended?

Mr Riordan

Yes.

Current Projects

Inquiry into the Superannuation Liabilities of Statutory Authorities

"The unfunded superannuation mountain keeps on growing."

Financial Review
21 December, 1983

Following the Committee's Report of June 1983 into Reporting and Accounting Requirements for Statutory Authorities the Government introduced the Annual Reports (Statutory Bodies) Act 1984 and made amendments to the Public Finance and Audit Act.

The thrust of the financial reforms introduced was to more accurately reflect, in the accounts of statutory authorities, the true costs of their operations. The changes required authorities to treat financial provisions, including provisions for superannuation, as a charge to revenue and include such items in the annual Statement of Revenue and Expenditure.

Meanwhile, the Auditor-General in his 1981-82 and 1982-83 Reports had drawn attention to the two major problems in relation to superannuation:

(a) That statutory authorities were not adequately disclosing the full amount of superannuation expenses and liabilities in their financial statements;

(b) That the magnitude of these unreported liabilities was considerable and increasing.

While the financial accounting reforms introduced by the Annual Reports (Statutory Bodies) Act dealt generally with accrual accounting, they did not deal with the manner in which provisions for deferred costs such as superannuation commitments should be calculated. Further, given the magnitude of superannuation commitments, any decision to fully fund these deferred commitments by setting aside funds in advance may have implications not readily foreseeable.

For these reasons, the Treasurer decided to refer the matter to the Public Accounts Committee in September, 1983.

Having received this reference the Committee set out to address the complex actuarial and accounting issues involved. To do this the Committee engaged the services of Professor Alf Pollard, senior actuary and founder of the School of Actuarial Studies at Macquarie University, and Professor Bob Walker, Professor of Accounting at the University of New South Wales.

In October 1983 the Committee sent out a questionnaire to 150 statutory authorities seeking information on their superannuation arrangements. Subsequently, the Committee held hearings at which 10 statutory authorities and interested professional bodies gave evidence. The Committee also received submissions from other interested parties.

The Committee's report is expected to be tabled in Parliament by September.

Auditor General's 1982-83 Report

“Auditor-General's Report uncovers irregularities – Probe into big spending”

Sydney Morning Herald
19 November, 1983

“We are geared up to be more active; we will be taking a more assertive role. We are not out for scalps; but the fact that there is a Parliamentary Committee that can investigate these activities must have some effects.”

Michael Egan, M.P.
as quoted in the
Sydney Morning Herald
19 November, 1983

The Committee wrote to sixty-five organisations, seeking information about anomalies or deficiencies revealed in their accounts or about criticisms or comments made in the Auditor General's 1982-83 Report.

Arising from the answers to the Committee's inquiries, a number of subsidiary inquiries were launched:

(a) Police Execution of Warrants

“\$37 million in fines may not be paid”

The Daily Telegraph
14 July, 1984

“Ways sought to force payments of traffic fines.”

Sydney Morning Herald
21 June, 1984

With approximately \$38 million outstanding in unpaid traffic and parking fines in N.S.W., the Committee decided to inquire further into the process of enforcing such fines.

The process of collection was found to be complex.

“After a person is fined there can be as many as 8 steps in the bureaucracy before the person fined is forced to pay. This process often takes longer than a year and leads to an enormous backlog in unpaid fines.”

Bob Carr MP
19 June, 1984

Although the Police Department had taken a number of steps to improve the problem, more changes were clearly needed, including solving the problem of coordination between departments.

The Committee made a tour of inspection at the Police Department, examining the various stages through which an unpaid fine progressed. The Committee also heard evidence from:

Police Department

Magistrates Court Administration

Department of the Attorney General and of Justice

Department of Motor Transport

Department of Corrective Services

(b) Investment Practices of Statutory Authorities

In examining the 1982-83 Auditor General's Report the Committee noted that the latest figures showed that statutory authorities held a total of about \$9,200 million in liquid investments. Except for major trading authorities and the larger superannuation funds, these investments were generally held in the form of term deposits with banks or building societies and government securities.

It was also noted that apart from requirements of enabling legislation and of the Treasury for some authorities, there was no apparent government policy in relation to the investment practices of statutory authorities.

The Committee therefore decided to analyse a sample of statutory authorities in order to:

- Establish whether or not surplus funds held by authorities are being utilised efficiently within the capital market to provide a level of return to the State which is considered satisfactory in the light of returns on investment achieved in the private sector by comparable entities.
- Examine the amount of any differential between returns achieved by authorities and those obtained in the private sector, e.g. major life insurance companies and cash management trusts.
- Advise on the implementation of alternative financial arrangements which would improve the investment performance of statutory authorities.

This investigation has only been recently commenced and a report is not expected to be presented to Parliament for some months.

(c) Other matters

As a result of further questions raised by the answers of organisations to the Committee's initial concerns, the following bodies were called to give evidence to the Committee.

- Department of Environment and Planning
13 June, 1984
- Macarthur Development Corporation
13 June, 1984
- Maritime Services Board
17 July, 1984

● University of Sydney
1 August, 1984

● Land Commission of N.S.W.
1 August, 1984

Examination of the Public Accounts 1982-83 Questionnaire

“Departments face efficiency scrutiny.”

Sydney Morning Herald
17 February, 1984

“N.S.W. Public Accounts Committee now means business. Bureaucrats face hard questioning.”

Financial Review
23 July, 1984

This questionnaire proved to be significant in confirming the broad scope of the Committee's powers.

As part of its examination of the 1982-83 Public Accounts, the Committee sent questionnaires on 15 February, 1984 to government departments and other bodies covered by consolidated revenue requiring answers to questions concerning their objectives and programs, performance improvement mechanisms and key efficiency indicators.

This was the first time any public accounts committee in Australia had undertaken such a broad ranging inquiry into efficiency and effectiveness issues.

The questionnaire had been sent to all Ministers for their comments and modified to include their suggested additional questions.

The election delayed replies to the questionnaire.

Responses were further delayed when a letter from the Premier was received on 29 May, 1984 enclosing a copy of a Crown Solicitor's opinion advising that certain of the questions were beyond the Committee's power to ask.

The questionnaire was revised in accordance with the Crown Solicitor's advice and its legality confirmed by the Committee's legal adviser, the Hon. Mr. Justice Paul Toose, and by the Crown Solicitor, through the Premier's Department. The slightly revised questionnaire was sent to permanent heads early in July, 1984.

The challenge to the Committee's powers served to confirm these powers. It was concluded that all of the information originally sought could have been legitimately asked for, with minor changes in wording to reflect that some information about the present was sought in the context of the past. The Committee's powers to examine issues of efficiency and effectiveness were confirmed. In addition, the Committee is empowered to ask what government policy is, but not to question the adequacy of that policy.

Aim of the questionnaire:

The Committee is concerned to look behind the Public Accounts to determine to what extent expenditure represents the optimal performance of departments in carrying out their objectives i.e. whether departments are efficiently and effectively carrying out their activities and assuming responsibility for performance evaluation and improvement.

It is essentially to be a fact finding exercise to determine whether organisations are getting value for money in administering government policy.

Another major objective in sending the questionnaire to government departments is to alert these organisations to their ultimate accountability through their Ministers to the Legislature. It is believed that the very act of sending the questionnaire will have positive effects in stimulating departments to think about these issues and to understand that they are accountable for their progress.

When replies are received, the Committee will determine precisely the scope and nature of its inquiries.

Other Activities

Third Bi-annual Conference of Public Accounts Committees

Bi-annual conferences of public accounts committees were initiated in 1977 to give members and staff of public accounts committees an opportunity to inform themselves about each others functions and activities, to share experiences about inquiries and operations and to discuss common concerns.

The third bi-annual conference in Perth on 1 and 2, November, 1983 achieved all of these objectives. The conference was attended by Mr. Stan Neilly, the Vice-Chairman of the Committee, Mr. Frank Sartor, Director of the Committee and Ms. Ruth Tait, Deputy Director.

Papers were presented by the following Committees about their roles and activities:

- Joint Committee upon Public Accounts of the Commonwealth Parliament;
- Economic and Budget Review Committee of the Victorian Parliament;
- Public Accounts Committee of N.S.W.;
- Public Accounts Committee of South Australia;
- Public Accounts Committee of Tasmania;
- Public Accounts Committee of Western Australia;
- Public Accounts Committee of Papua New Guinea.

Observers from the Northern Territory Parliament and the Commonwealth House of Representatives Expenditure Review Committee also contributed to the discussions.

The N.S.W. delegation welcomed the opportunity to meet with their colleagues from other states and particularly to hear the N.S.W. Auditor General, Mr. Jack O'Donnell, deliver a thoughtful address on "Accountability: the nexus between Audit and the Public Accounts Committee".

It was agreed by the conference participants that public accounts committees should routinely inform each other of their activities and that the possibility of federal/state co-operation in inquiries should be investigated.

Summary of Activities 1983-84

In order to describe at a glance the activities of the Committee in 1983-84, we have provided a table showing the number of reports tabled in Parliament; the number of times each project was considered by the Committee; the number of public hearings according to subject matter; the number of organisations queried and witnesses examined and the number of submissions received.

We have also noted the number of recommendations made in each report where relevant, and the number of these recommendations either implemented or enshrined in legislation.

Activities of the Committee

July 1 1983 – June 30 1984

	Number of Recommendations	Recommendations Substantially Implemented	Organisations Examined	Times Deliberated in Private Meetings	Public Hearings	Witnessess	Written Submissions
Reports Completed in 1983-84							
7th Report-Annual Reporting Requirements of Statutory Authorities	15	12	(66)	(10)	(11)	(73)	(75)
8th Report-Grain Sorghum Marketing Board	18	14	1	5	3	16	14
9th Report-Auditor General's 1981-82 Report	–	–	28	6	3	21	28 letters in reply to Chairman's letter
Incomplete Projects							
Auditor General's 1982-83 Report	–	–	65	14	1	6	65 letter's in reply to Chairman's letter
Superannuation Liabilities of Statutory Authorities	–	–	106	9	6	32	22
Public Accounts 1982-1983 Questionnaire	–	–	43	5	–	–	–
Execution of Police Warrants	–	–	1	6	1	6	1
Totals:	33	26	244	45	14	81	130

Figures in brackets relate to activities completed by July 1, 1983 and have not been included in the totals for 1983-84.

Staffing

As of August, 1983, the New South Wales Public Accounts Committee has had a full-time secretariat of four – a Director, Deputy Director, Typist and Clerk-Typist. The Committee seconded public servants and engages outside consultants as necessary for its inquiries.

As a contrast, in the previous two years, the Committee had the assistance of a Clerk, a Typist and seconded public servants as necessary for specific inquiries.

Before the last three years' growth in activity, there was no permanent secretariat and for many years the Clerk of the Committee had been an officer seconded from Treasury. As an officer of the executive arm of government, this part-time Clerk clearly had a conflict of interest serving a Parliamentary committee examining the activities of the executive. The change in staffing arrangements reflects the changing role of the Public Accounts Committee and a recognition of its status as an independent Parliamentary committee impartially scrutinizing the activities of government organisations.

From 1 November, 1981 to September, 1983, Mr. Mervyn Sheather was Clerk of the Public Accounts Committee and Miss Robin Long was the Committee Stenographer.

From August 2, 1983, the permanent staff engaged with the Committee has been:

Mr Frank Sartor B.E., B Com. (Hons)
Director

Ms. Ruth Tait B.A. (Hons), M.A.
Deputy Director

Miss Robin Long
Committee Stenographer

Miss Barbara Reeve served as a Clerk-Typist with the Committee from October, 1983 to June, 1984 and Mrs. Sandra Vine joined the Committee as a Typist on a temporary basis in June, 1984.

As of July 2, 1984, Mr Paul Grant was seconded from the Auditor General's Office to serve with the Committee for six months as an Advisor.

During 1983-1984, the Committee hired consultants or seconded public servants as follows:

Seventh Report – Report on Accounting and Reporting Requirements for Statutory Authorities

Mr Alan Bridges M.Ec., M.A., AFAIM, AASA
Kuring-gai CAE

Mr Robert Gardner, AASA, AAIM
Public Service Board

Mr Dean Morelli, B.A., Dip. Ed.
Premier's Department

Mr David Pugh, B. Bus. (Accounting), AASA
Auditor General's Office

Eighth Report – Report on the activities of the Grain Sorghum Marketing Board.

Mr Steve Griffith, B.Ag. Ec. (Hons)
Department of Agriculture

Superannuation Inquiry

Emeritus Professor Alf Pollard,
M.Sc., M.Sc. (Econ.), PhD., D.Sc., FIAA, FIA, F.A.S.S.A.

Professor Bob Walker, PhD, M.Ec., B.Com., ACA

Inquiry into the Execution of Police Warrants

Dr. Marianne Devin, B.A., Litt.B., M.Ed.,
(Hons), M.Ed. Admin (Hons), Phd., Dip.Art. (Ed.)
Education Commission

A register of consultants has been compiled to allow the Committee to quickly interview consultants in appropriate fields when an inquiry is initiated. Advertisements seeking applications for registration as consultants with the Public Accounts Committee were placed in the Sydney Morning Herald, the Financial Review and the Public Service Notices on 19 August, 1983. Over one hundred individuals and organisations are now on the Committee's register of consultants.

Notes to the Statement of Expenditure

Auditor-General's Certificate

1. The Committee receives an allocation for working expenses from the Consolidated Fund under the appropriation to the Legislative Assembly.

	\$
Budget Allocation for 1983/84	135,000
Balance brought forward from previous year's allocation held in Treasury approved operating account	34,305*
Total Funds available for 1983/84	169,305
Funds expended	142,667
Balance of Allocation not expended	\$ 26,638

*This account was closed during 1983/84.

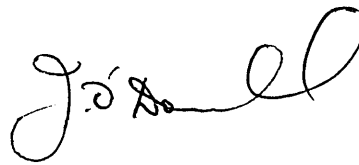
2. The Statement does not include amounts owed to or by the Public Accounts Committee at the close of the year. Outstanding financial commitments as at 30 June, 1984 were approximately \$4,500.

3. Expenses in relation to building services such as electricity, telephone, maintenance, etc. form a charge against the Legislature's general operating expenses and are not included in the Committee's Statement of Expenditure.

4. Clerical assistance to the sum of \$17,973 did not form a direct charge against the Committee but was met out of the Legislative Assembly's general salary allocation. This expense will be charged directly to the Public Accounts Committee from 1984/85.

The accounts of the Public Accounts Committee for the year ended 30 June, 1984 have been audited as required by Section 35(2) of the Public Finance and Audit Act, 1983 and in accordance with Section 34 of that Act.

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



Auditor-General

Sydney,
25 July, 1984

Appendix 1

Functions of the Committee

Section 57. of the Public Finance and Audit Act 1983 reads as follows:

(1) The functions of the Committee are:

(a) to examine the Public Accounts transmitted to the Legislative Assembly by the Auditor General;

(b) to examine the accounts of authorities of the State, being accounts that have been –

(i) audited by the Auditor-General or an auditor appointed under section 47 (1);

or

(ii) laid before the Legislative Assembly by a Minister of the Crown;

(c) to examine the reports of the Auditor-General transmitted with the Public Accounts or laid before the Legislative Assembly with the accounts of an authority of the State (including any documents annexed or appended to those reports);

(d) to report to the Legislative Assembly from time to time upon any item in, or any circumstances connected with, those accounts, reports or documents which the Committee considers ought to be brought to the notice of the Legislative Assembly;

(e) to report to the Legislative Assembly from time to time any alteration which the Committee thinks desirable in the form of those accounts or in the method of keeping them or in the method of receipt, expenditure or control of money relating to those accounts;

(f) to inquire into, and report to the Legislative Assembly upon, any question in connection with those accounts which is referred to it by the Legislative Assembly, a Minister of the Crown or the Auditor-General; and

(g) to inquire into expenditure by a Minister of the Crown made without Parliamentary sanction or appropriation or otherwise than in accordance with the provisions of this Act or any other Act and report to the Legislative Assembly from time to time upon any matter connected with that expenditure which the Committee considers ought to be brought to the notice of the Legislative Assembly.

(2) The functions of the Committee extend to an examination of, inquiry into or report upon a matter of government policy if and only if the matter has been specifically referred to the Committee under subsection (1) (f) by the Legislative Assembly or a Minister of the Crown.

(3) The functions of the Committee do not extend to an examination of, inquiry into or report upon the estimates of any proposed expenditure by the State or by an authority of the State.

Appendix 2

Meetings of the Public Accounts Committee – July 1, 1983 – June 30, 1984

Meeting No.	Date	Subject	Organisation	Witnesses
64	26.07.83	Public Hearing – Inquiry into the Grain Sorghum Marketing Board	(1) Grain Sorghum Marketing Board	Mr. Bernard Clive Peelgrane
			(2) Gatenby Bros. Pty. Ltd.	Mr. Alan Lawrence Gatenby Mr. Alan Ferguson Broad
			(3) Rural Marketing and Supply Association	Mr. James Brown Mr. Danny Bourke Mr. Frank O'Brien
			(4) Department of Agriculture	Mr. Colin Gellatly
65	27.07.83	Public Hearing – Matters arising from 1981-82 Auditor General's Report	(1) Department of Education	Mr. Douglas Arthur Swan Mr. Vincent Delany
			(2) Maritime Services Board	Mr. John MacDonald Wallace Mr. Neville Frederick Morton Mr. Graham John Blair Mr. Jack Arthur Bonner
66	28.07.83	Public Hearing – Matters arising from 1981-82 Auditor General's Report	(1) State Dockyard	Mr. James Francis Kelly Mr. David James Bowen
			(2) Department of Public Works	Mr. Donald John Stanton
			(3) Bathurst/Orange Development Corporation	Mr. Thomas Andrew Dalton Mr. Peter Burke
			(4) Dept. of Indust. Relations	Mr. Joseph Martin Riordan
			(5) Long Service Leave Payments Corporation	Mr. Michael Tucker Mr. Gregory Stewart Christie Mr. Paul William Burgess
67	29.07.83	Public Hearing – Matters arising from 1981-82 Auditor General's Report	(1) Department of Agriculture	Mr. Stanley Joseph Day Mr. David Alan Dickinson
			(2) Department of Health	Mr. Bernard Vincent McKay Mr. Leslie Allen McDonald Mr. Clarence Allan Woollett Mr. John Richard Dixon Hughes
68	17.08.83	Public Hearing – Inquiry into the Grain Sorghum Marketing Board	(1) The Livestock and Grain Producers' Association	Mr. Glenn John Dudley Dalton
69	24.08.83	Deliberative Meeting		
70	15.09.83	Deliberative Meeting		
71	22.09.83	Deliberative Meeting		
72	23.09.83	Deliberative Meeting		
73	06.10.83	Deliberative Meeting		
74	12.10.83	Public Hearing – Inquiry into the Grain Sorghum Marketing Board	(1) Grain Sorghum Marketing Board	Mr. William George Duddy Mr. Ellis Gulliver Mr. Ian Serge Hamparsum Mr. John Kenneth Logan Mr. James Thomas Gleeson Mr. Keith Alfred Coulton Mr. Dennis Jardine Mitchell Mr. Alan Anthony Russell

75	26.10.83	Deliberative Meeting		
76	10.11.83	Deliberative Meeting		
77	07.12.83	Deliberative Meeting		
78	08.12.83	Deliberative Meeting		
79	14.12.83	Public Hearing – Superannuation Inquiry	(1) University of N.S.W. (2) University of Sydney (3) N.S.W. Higher Education Board (4) Newcastle College of Advanced Education (5) Maritime Services Board	Prof. Athol S. Carrington Mr. Philip Francis Shepherd Mr. Ian Alastair Ramage Mr. Peter Max Correy Mr. Paul Raymond Welsh Mr. Neville Frederick Morton
80	15.12.83	Public Hearing – Superannuation Inquiry	(1) Government Insurance Office of New South Wales (2) State Rail Authority (3) Metropolitan Water Sewerage and Drainage Board	Mr. William John Jocelyn Mr. Owen Francis Roach Mr. Lawrence John Fuller Mr. John Graham Harris Mr. Peter John Crawford Mr. Robert Ernest Wilson
81	16.12.83	Public Hearing – Superannuation Inquiry	(1) Sydney County Council (2) Electricity Commission of New South Wales (3) Dairy Industry Marketing Authority	Mr. William Robert Hunter Mr. Athol David Barron Mr. Zoltan Hajas Mr. Rex Thomas Coombes Mr. John Dourie Hoy Mr. Robert Bruce Whan
82	07.02.84	Public Hearing – Superannuation Inquiry	(1) State Superannuation Board (2) New South Wales Retirement Board (3) Local Government Superannuation Board	Mr. Gregory John W. Bunbury Mr. Michael John O’Riordan Mr. James Ivan Wilkinson Mr. Walter Robert Archer Mr. Maxwell Charles Ramsay Mr. Allan Henderson
83	08.02.84	Public Hearing – Superannuation Inquiry	(1) Arthur Andersen and Company (2) Government Actuary’s Office	Mr. Philip Arthur Pearce Mr. Donald Charles Steel
84	09.02.84	Public Hearing – Superannuation Inquiry	(1) Institute of Actuaries of Australia (2) Life Insurance Federation of Australia (3) Assoc. of Superannuation Funds of Australia (4) Aust. Soc. of Accountants	Mr. Geoffrey B.C. Trahair Mr. Nicholas Edwin Renton Mr. Graham Phillip Lewis Mr. Clifford Austin Newman Mr. Bruce Whittle Mr. Denis Roydon Raylor
85	16.02.84	Deliberative Meeting		
86	23.02.84	Deliberative Meeting		
87	01.04.84	Deliberative Meeting		
88	17.05.84	Deliberative Meeting		

89	24.05.84	Deliberative Meeting		
90	12.06.84	Deliberative Meeting		
91	13.06.84	Public Hearing – Matters arising from the 1982-83 Auditor General's Report	(1) Department of Environment and Planning	Mr. Richard Barnsley Smyth Mr. Anthony O'Dey
			(2) Macarthur Development Corporation	Mr. David Murray Easson Mr. Brian Albert Morley Mr. Geoffrey F. Finnall Mr. Gavin Francis Thomson
92	14.06.84	Deliberative Meeting		
93	14.06.84	Deliberative Meeting		
94	19.06.84	Deliberative Meeting		
95	20.06.84	Public Hearing – Inquiry into Collection of Parking and Traffic Fines.	(1) N.S.W. Police Force	Mr. Cecil Roy Abbott Mr. Colin Lewis Naylor Mr. William Fleming Mr. Colin Kennedy Brown Mr. Anthony Michael Gould Mr. Leo Frederick Vineburg
96	25.06.84	Deliberative Meeting		

N.S.W. Public Accounts Committee

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