

Public Accounts Committee
Parliament of New South Wales

Annual Report
Year Ended 30 June
1988

Parliament of New South Wales

No. 39

1988

(Second Session)

FORTY-FIRST REPORT

OF THE

PUBLIC ACCOUNTS COMMITTEE

OF THE

FORTY-NINTH PARLIAMENT

Annual Report for the year ended

30 JUNE 1988

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The Public Accounts Committee

Annual Report Year Ended 30 June 1988

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PUBLIC ACCOUNTS COMMITTEE

MEMBERS OF THE PUBLIC ACCOUNTS COMMITTEE

The members of the Public Accounts Committee of the Forty-Ninth Parliament are:

Mr Phillip Smiles, LL.B., B.Ec., M.B.A, Dip. Ed., M.P., Chairman

Mr Phillip Smiles was elected Member for Mosman in March, 1984. A management and marketing consultant since 1974, Phillip Smiles has been involved with entrepreneurial business activities since his teens. Since entering Parliament he has been actively interested in the areas of small business, emergency services, welfare and financial analysis. He was appointed a Member of the Public Accounts Committee in 1984 and was elected Chairman in 1988.

Ms Wendy Machin, B.A., M.P.

Wendy Machin was elected Member for Gloucester in 1985. Following completion of a Bachelor of Arts (Communications) Degree she worked in Public Relations for the National Party and later established her own public relations consultancy business specialising in the rural sector. She also served as an independent alderman on North Sydney Council prior to becoming a Member of Parliament. In 1988, following a redistribution, she became Member for Manning.

Mr John Murray, B.A, 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 and served four years as Councillor on Sydney County Council. He has served as a member of the Prostitution Committee and the House Committee, and is a former Chairman of the Public Accounts Committee.

Mr Allan Walsh, B.A.(Hons), Dip. Ed., M.P.

Allan Walsh was elected Member for Maitland in September, 1981. Following eight years as a Mirage fighter pilot with the RAAF, he was involved in business management. Allan Walsh has also taught industrial relations, management and history at technical colleges.

Mr Terence Allan Griffiths, M.P.

Terry Griffiths was elected Member for Georges River in 1988. Prior to being elected to Parliament he was the Chief Executive of the Scout Association of Australia. Before this he was an Army Officer. He is a graduate of the Officer Cadet School Portsea, a graduate of the School of Military Engineering and a Fellow of the Australian Institute of Management. He has been actively involved in Lions, Rotary and other community organisations.



From left:
Phillip Smiles (Chairman), George Souris (Vice Chairman), Allan Walsh, Terry Griffiths, John Murray

Committee Members. From left Wendy Machin Allan Walsh Phillip Smiles (Chairman) Terry Griffiths John Murray

PUBLIC ACCOUNTS COMMITTEE

HIGHLIGHTS OF THE YEAR

1987	July	Report on the Home Care Service of New South Wales, tabled.
	September	Annual Report 30 June, 1987, tabled.
	September	Supplementary Report 30 June, 1987, tabled.
	September	Report on Wine Grapes Marketing Board, tabled.
	October	Report on the Biennial Conference of Public Accounts Committees, tabled.
	October	Report on Ravensworth Coal Washery, tabled.
1988	February	Report on the Purchasing Practices and the Allocation of Stores and Equipment Resources Within the Technical and Further Education System, tabled.
	February	Seminar on Accrual Accounting convened.
	February	Public Accounts Committee of the Forty-Eighth Parliament ceased, on the Dissolution of Parliament.
	May	Appointment of Members and Election of Chairman of the Public Accounts Committee of the Forty-Ninth Parliament.
	June	Report on the Heritage Council of New South Wales, tabled.
	June	Report on the Proceedings of Accrual Accounting Seminar, tabled.
	June	Inquiry into the Management of Arson in the New South Wales Public Sector, commenced.
	June	Inquiry into Payments Without Parliamentary Appropriation commenced.

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CHAIRMAN'S REVIEW



*Phillip Smiles,
Dip. Ed., M.P.,
CHAIRMAN*

LL.B., B. Ec., M.B.A.,

I am proud to present the Fifth Annual Report of the Public Accounts Committee of the New South Wales Parliament, my first as the newly elected Chairman of the Committee.

The 1987/88 financial year has been another very productive and successful year for the Committee despite the time lag between the cessation of the previous Committee and the appointment of the new Committee.

On the 22nd February, 1988, the date on which the election was called, the Public Accounts Committee of the Forty-Eighth Parliament ceased. Following the election the Liberal and National Coalition Government was formed. The new Parliament sat for the first time on the 27th

April, 1988. The new Committee was elected by the Legislative Assembly at its sitting on 17th May, 1988 and the Committee elected its Chairman and Vice-Chairman on 19th May, 1988.

I would like to take this opportunity to thank the members of the former Committee for their very valuable contribution to the work of the Committee during the year. In particular, I extend my appreciation to the former Chairman, Mr John Murray, M.P., Member for Drummoyne. I am pleased that John Murray and Mr Allan Walsh, M.P., Member for Maitland, are again serving on the Committee.

Also, I would like to record the Committee's indebtedness to former members, Dr Andrew Refshauge and Mr Colin Fisher for their work on the Committee. Colin retired at the last election and Andrew was elected Deputy Leader of the Opposition.

A very warm welcome is due to our new members, Mr Terry Griffiths, M.P., Member for Georges River and Ms Wendy Machin, M.P., Member for Manning. Congratulations Wendy on being elected Vice-Chairman of the Committee.

Of the nine reports tabled by the Committee this year, the one that generated the most public, government and academic interest was the Report on the Committee's Accrual Accounting Seminar. At the time the Committee convened the seminar it held the view that this was one of the major issues facing governments. This view has been confirmed and the topic is one the Premier has asked the New South Wales Commission of Audit to address.

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The Committee's other reports during the period focused on the effectiveness, efficiency and accountability of various government organisations. These reports are being carefully scrutinised by the Government. Already the Minister for Family and Community Services, The Hon. Virginia Chadwick, M.L.C, has begun a restructure of the Home Care Service of New South Wales in line with the Committee's Report.

During the current year, the Committee will be undertaking diversified inquiries. Inquiries into payments without parliamentary appropriation and management of arson in the public sector are currently being undertaken. Preliminary inquiries are underway into the delivery of health services, including Ambulance Services.

The Committee's watchdog role and its charter of promoting value for money in the public sector have been further enhanced by adopting a system of informal sub-committees. This has enabled the Committee to cover a wider range of issues and to gain a greater diversity of input to its inquiries. I intend to further utilise the procedure in forthcoming inquiries.

In conclusion, I wish to compliment the Committee's Secretariat for their dedicated service during the year. The Committee's contribution to public sector management has been greatly assisted by its staff and secondees from the Auditor-General's Office and State Treasury and outside advisors.

Phillip Smiles L.L.B., B.Ec., M.B.A.,
Dip. Ed., M.P.,
CHAIRMAN.

OBJECTIVES

The Public Accounts Committee has the overall objective of promoting value for money in the public sector and greater accountability to Parliament and to the public.

Consistent with this 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 increase the awareness and understanding of Parliamentarians and members of the public of the financial and related operations of government.

Plans for 1988-89

The Committee's specific objectives for the 1988-89 year are:

- * to complete the Inquiry into the Management of Arson in the Public Sector;
- * to complete the Inquiry into Payments Without Parliamentary Appropriation;
- * to undertake an inquiry into payments to Visiting Medical Officers at Public Hospitals;
- * to undertake an inquiry into Ambulance Services;
- * to hold an inquiry into qualified accounts of government bodies;

* to conduct a seminar at Parliament House on public accountability issues;

* 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 the anomalies and deficiencies highlighted by the Auditor-General in his 1987-88 Report;

* to examine payments in 1987-88 made in accordance with Section 22 of the Public Finance and Audit Act, 1983;

* to inquire and report on the operations of the Darling Harbour Authority; and

* to publish a regular newsletter on the activities of the Committee.

CHARTER AND PROCEDURES

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

As such, the Committee plays a vital role in our democratic system. Just as members of Parliament, as representatives of the people, are responsible to the public, so governments and their bureaucracies are responsible to Parliament.

The importance of this role has been recognised in recent years as government expenditure has increased, and demands on government for services have grown. Concomitant with these developments has been a growing public concern with ensuring that the taxpayer is receiving value for money in relation to expenditure in the public sector.

Legislation

In recognition of these trends the New South Wales Public Accounts Committee, originally established by the Audit Act 1902, received additional powers under the Audit (Public Accounts Committee) Amendment Act 1982. The latter legislation was replaced by the Public Finance and Audit Act 1983, which came into force on 6 January 1984 (Appendix 1).

Under the Public Finance and Audit Act 1983, the Committee is 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, these 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;

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

to inquire into and report on any over-expenditure by Ministers.

The Committee is precluded by the Public Finance and Audit Act 1983, from inquiring into Government policy. However, while the Committee does not seek to question the adequacy of Government policy, it must inform itself about the nature of Government policy in order to determine whether policy is being adequately implemented.

The Committee, therefore, may question witnesses on matters relating to the implementation of Government policy, such as management decisions made by a departmental official administering policy.

The Committee also considers that a necessary part of its function is to inquire into present administrative policies and practices in addition to past accounts.

A brief history of the evolution of the Public Accounts Committee is contained in Appendix 2.

Procedures

Public Accounts Committee inquiries may result from a reference from a Minister, the Auditor-General or the Legislative Assembly, or may be initiated by the

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Committee itself. Inquiries initiated by the Committee usually result from matters raised in the Auditor-General's Report or information received from members of the public.

Inquiries Arising from a Reference

Specific references from a Minister, the Legislative Assembly or the Auditor-General are an important source of Committee inquiries.

In these inquiries, once terms of reference are established, advertisements are placed in the press informing the public of the inquiry and seeking submissions from interested parties.

If relevant, letters or questionnaires may be written to Government organisations or private bodies seeking information or submissions.

Answers received and submissions received are studied by the Committee. 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 organisation. During 1987-88 some of the inspections carried out by the Committee were:

Ravensworth Coal Washery Report
- Muswellbrook

Heritage Council Report
Maitland, Manly, Mosman,
Leichhardt, Burwood, Croydon,
Haberfield, Rouse Hill, Parramatta,
Perth and Adelaide.

Report on the Purchasing Practices and the Allocation of Stores and Equipment Resources Within Technical and Further Education -Petersham Technical College, Perth and Adelaide.

Preliminary Inquiries into Health Services
- Adelaide, Broken Hill, Wilcannia,
Bourke, Brisbane, Taree, Port Macquarie,
Lismore, Coffs Harbour, Tamworth,

Armidale, Stanthorpe and Walgett.

Arson Inquiry Adelaide and
Brisbane.

Payments Without Parliamentary
Appropriation Adelaide and
Brisbane.

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

For a number of its inquiries the Committee made several interstate comparisons. Details are included in Appendix 4.

Of the forty reports which the Committee tabled to 30 June, 1988, eight arose from references from a Minister, five from references from the Treasurer and four from references from the Auditor-General. Appendix 3 summarises the source of Committee inquiries.

Examination of the Auditor-General's Report

The Committee examines the Auditor-General's Report for anomalies or deficiencies revealed by the Auditor-General or noted from the Report by Committee Members.

Matters which the Committee considers warrant further action are identified. The Chairman then writes to the organisations seeking response to the concerns raised by the Auditor-General or the Committee. On receiving responses, the Committee may decide that some matters require no further action or no action at present.

For other matters the Committee may consider that further evidence and investigations are needed. In these cases public hearings are held, after which the Committee decides on the form in which it will report the matter to Parliament.

This year, the Committee publishes as part of its Annual Report the results of its

PUBLIC ACCOUNTS COMMITTEE

review of semi-official telephones. This matter was raised by the Auditor-General. The Committee did not consider that a full formal inquiry was warranted (Appendix 7).

The 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 when the Assembly is sitting. Meeting dates for 1988 are shown in Appendix 4.

POWER TO CALL WITNESSES

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 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.

PUBLIC HEARINGS

Before giving evidence, witnesses are required to take an oath or to make an affirmation. 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 officials 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 at hearings. The transcripts of evidence are used as a basis for further inquiry and provide a useful reference for report

writing.

Through the public hearings, which are regularly attended by members of the media, the Committee aims to ensure that its activities are as open and public as possible and to encourage participation and consultation.

In seeking full information from public officials 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 a hearing in private, and the Committee agrees that this evidence relates to a secret or confidential matter, the request is granted. Secret or confidential evidence usually relates to aspects of those organisations which compete with the private sector on a commercial basis.

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 may however withhold the private addresses of witnesses from published records.

The Committee meets in closed sessions when it deliberates, receives briefings, or reviews draft reports. A summary of the Committee's meetings during 1987-88 is attached (Appendix 4).

ACTIVITIES 1987-88

Nine reports were tabled in the last financial year during the forty-eighth and forty-ninth Parliaments. Brief summaries of each report follow. The month of tabling is shown in brackets.

Report on the HomeCare Service of New

South Wales Thirty-Second **Report**, (July 1987)

This report arose from a reference from the then Minister for Youth and Community Services, Mr John Aquilina, MP.

The Home Care Service is the largest community welfare organisation of its type in the State. It operates from some 165 branches and had a budget of some \$57 million for 1986-87.

The inquiry provided a further opportunity to review the overall activities of a single organisation which fell within the Committee's framework of reviewing the operation of statutory authorities. Although technically a statutory authority the service was found not to be subject to legislation that typically covers such organisations.

The Committee's Report recommended a number of changes to clarify the existing structure of the Service and at the same time provide for greater external control and review of future organisational changes.

The major recommendations of the Committee were for structural change and for the Service to ensure that available resources are allocated to achieve maximum benefit and to satisfy the greatest community need. While the Service had taken some action in recent years to review

the allocation of

resources the Committee believed it had not gone far enough. For example, the Committee discrepancies and anomalies both between branches and between regions, with over-servicing in some areas and inadequate resources in others where the need was greater.

In May 1988, the Minister for Family and Community Services, The Hon. Virginia Chadwick, introduced legislation into the Parliament establishing the Service as a statutory corporation to make it more accountable. This is in line with the Committee's report and has also been recommended by independent management consultants.

Annual Report, Year Ended 30 June, 1987-
Thirty-Third Report, (September

The Committee is under no legal requirement to produce an annual report. However, it strongly believes that it has a duty to report in a timely manner on its activities to the Parliament and to the public.

Supplementary Report, Year Ended 30 June, 1987 - Thirty-Fourth Report, (September 1987)

During the previous year, the Committee undertook a number of inquiries that did not result in formal reports. These included matters initiated by the Committee as well as follow-up action in relation to issues raised by the Auditor-General.

These aspects of the Committee's work often involve considerable investigation and research. In the main, the inquiries proved satisfactory.

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The Committee considered that in some instances there was merit in reporting, albeit in a brief manner, the reasons for and results of some of these investigations.

The matters examined 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;

Timeliness of Annual Reporting, 1986-87;

Availability of Annual Reports to Members of Parliament;

Budgetary Accounting System (BAS);

Amendments and Regulations to Public Finance and Audit Act and Annual Reporting Legislation, 1986-87;

* Variations or Suspensions of Statute

THE SYDNEY MORNING
HERALD

EDITORIAL

GOVT WATCHDOG APPALLED BY
DEPARTMENTAL INERTIA, 13th October, 1987

The NSW Public Accounts Committee has castigated State Government departments and statutory bodies for not tabling their annual reports on time.

Of 175 statutory bodies in NSW, 101 had been late in tabling their annual reports in the Legislative Assembly, and even more had been late in tabling the reports in the Upper House.

Some administrations seem to be totally unaware of the special provisions in the legislation for tabling with the Clerk of the Legislative Assembly when the Legislative Assembly is not sitting", the Committee said.

It also found that only 22 of 44 Government departments had lodged their annual reports on time, even though they had been granted extensions.

The Committee is appalled at the level of compliance with the legislation and the necessity for departments to seek extension beyond the general exemption granted by the Treasurer':

It said that it intended to seek explanations from the tardy government departments. Some of the organisations which were slowest in tabling their reports included the Department of Industrial Relations, the Ministry of Employment, the State Lotteries Office and the Tourism Commission.

*The Committee also said it would pursue the issue of
Minister's spending money
without parliamentary
appropriation.*

Report on Wine Grapes Marketing Board for the Shires of Leeton, Griffith,

Carrathool and Murrumbidgee and Grain Sorghum Marketing Board- Thirty-Fifth
Report, (September 1987)

The Committee initiated preliminary inquiries into the Wine Grapes Marketing Board as part of its follow-up of matters arising from the Auditor-General's 1985-86 Report. The Auditor-General indicated a deteriorating financial position.

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Subsequently, the Committee received a reference from the then Minister for Agriculture, The Hon. Jack Hallam, M.L.C. The Minister requested the Committee to inquire into the Board's operations and matters relevant to its efficiency, effectiveness and accountability.

The Committee's Report recommended that the Marketing of Primary Products Act be amended to assist the Board in exercising security over the grapes vested in the Board and that it adopt a more positive approach in marketing.

THE AUSTRALIAN EDITORIAL

GRAPE BOARD UNDER ATTACK,

September, 29th, 1987

The NSW Public Accounts Committee yesterday criticised the Riverina Wine Grape Marketing Board for failing to market its product adequately and to adapt to changes in the industry.

A Committee report found the board had abrogated its statutory responsibilities by not adequately promoting the area, which produces 40 per cent of the nation's wine grapes and recommends that it contract a chief executive officer to advise, assist and negotiate on its behalf.

The State Minister for Agriculture, Mr Hallam, directed the Committee in March to report on activities of the board after the NSW Auditor-General's 1985-86 Report disclosed a deficit of \$896,474.

The Committee found this was brought about by the writing-off of \$1,039,868 in doubtful debts.

It said the board needed to take

a positive attitude towards promotion.

The Report says the board has 'failed to adopt an active promotional role and has not adapted to changes in the marketplace':

The Grain Sorghum component of this Report was a follow-up to determine the extent of the implementation of the Committee's prior Report (Report No. 8).

The Eighth Report was tabled in 1983. At that time the Sorghum Board was insolvent and its future in jeopardy. The Report made a series of recommendations aimed at minimising the likelihood of other marketing boards finding themselves in a similar position.

The Committee's follow-up Report found that grower confidence and support had returned and the financial position improved; and was pleased the Minister had seen fit to adopt and implement the Committee's earlier recommendations.

Report on the Biennial Conference of

**Public Accounts Committees -Sydney -
May 1987 - Thirty-Sixth Report**(October 1987)

The Committee was pleased to host and arrange this Conference. It provided a forum for the presentation, consideration and discussion of issues of concern in public sector administration.

The theme of the Conference was "Government - a Big Business".

One of the major issues raised at the Conference was accrual accounting for the government.

The Committee subsequently held a *'sell out'* seminar on this topic.

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Other issues canvassed were:

Improving the Financial Decision-
Making and Accountability of
Government

Government as a Big Business - The Last Ten
Years

* Asset Replacement

Emerging Issues in Public Sector
Administration

Accountability: Past, Present and Future

Report on the Ravensworth Coal Washery

- Thirty-Seventh Report, (October 1987)

This Report followed the Committee's examination of matters arising from the Auditor-General's 1985-86 Report which referred to financing arrangements for the Ravensworth Coal Washery.

The Coal Washery Report, concludes that the Electricity Commission of New South Wales inefficiently managed the washery project and misled the responsible Minister.

The Committee reported *inter alia* that:

the history of the coal washery was a sorry saga of ineptitude, inappropriate options and insufficient preplanning;

the decision to construct the washery was not taken in conformity with the expectation held for such an organisation;

when problems arose, remedial action was delayed;

Elcom believed the problem would resolve itself; and

proposed solutions by line staff to management appear to have been rejected or ignored.

In the circumstances, the project lurched from one problem to another. Only when the matters became public did Elcom attempt to fully address the issue.

The Committee's inquiry found that explanation and assessment reports were less than frank and often led to delays in revealing the true position. Moreover, the project was plagued by the failure to observe clear lines of reporting and accountability. It became evident during the inquiry that the lines of accountability and responsibility were confused and ignored by senior management. The inquiry revealed that much clearer management reporting lines were needed within Elcom.

The Committee is gratified that when its Report was released that the then Minister announced that all the Committee's recommendations would be or already had been implemented. Shortly thereafter expressions of interest from the private sector to take over the washery were called for.

"ELCOM BUNGLE LABELLED ABUSE
OF TAXPAYERS" Sydney Morning
Herald, 26th October, 1987

"ELECTRICITY BODY MISLED
MINISTER" The Australian, 24th
October, 1987

THE SYDNEY MORNING
HERALD

EDITORIAL

ELCOM MISLED MINISTER ON COAL
WASHERY REPORT SAYS, 24th October, 1987

*The NSW Electricity
Commission misled the Minister
for Energy, Mr Cox, and
attempted to avoid public
scrutiny of its incompetent
management of the \$70 million
Ravensworth Coal Washery, a
report has found.*

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Elcom management is labelled as inept and incompetent in the report by the parliamentary watchdog committee.

Last night, Mr Cox, ruled out laying any criminal charges over the Committee's findings.

He had found out only in recent weeks that there were Elcom employees who had wanted to tell him what was wrong in Elcom but "they were told not to do that":

The criticism of Elcom, which controls \$1.9 billion of public funds, was contained in the Committee's report on the inquiry into the washery, which was tabled with the clerk of the State Parliament's Legislative Assembly yesterday.

The Committee, chaired by the Labor Member for Drummoyne, Mr John Murray, said that at one stage Elcom management advised the Minister, in parliamentary briefing notes, that the washery was in "regular commercial operation":

It found that the briefing notes presented to the Minister in September and October 1986, were "not an accurate statement of the washery status at that time".

These briefing notes cover a period when questions were being asked in the House and the Minister was reliant on the commission to provide a clear and accurate statement of the status of the washery", the report said.

The man who wrote the briefing notes was the general manager of Elcom, Mr Frank Brady. Last night, Mr Cox said Mr Brady was "on extended leave prior to retirement".

On September 10, Mr Cox announced that management control of the washery had been passed to the managing director of Elcom Collieries, Mr Dan Hanrahan.

The Committee also found that Elcom deliberately put inaccurate and dishonest statements in its 1985-86 annual report.

It said that the inaccurate statements represented "an attempt on the part of the fuel management function within the commission to avoid public scrutiny of what could be interpreted as lack of performance or at worst incompetence".

In another example of management bungling, one of the major components of the washery was found to have been inappropriately designed for the type of coal that it had to process.

As late as 1986, the washery at no time operated even one full working week near its capacity and in August this year only 60 per cent of the coal delivered was washed.

The final decision to proceed with construction was found to be "... not made on strict economic grounds" and the Committee held that Elcom's evidence, which sought to justify the costs of the project, was "unconvincing".

Mr Cox indicated that all the Committee's recommendations would be, or already had been, implemented.

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The Committee recommended that tests be carried out on the washery and endorsed the recommendations of the McDonnell Inquiry that the commission's investment decisions be externally reviewed. It noted that private companies had expressed an interest in taking over the project.

Report of Proceedings of the Accrual

Accounting Seminar Report, (May 1988)

Thirty-Eighth

The decision by the Committee to hold a seminar on Accrual Accounting arose from the interest expressed in this issue at the Biennial Conference of Public Accounts Committees held in Sydney, May 1987.

It was evident at the Biennial Conference that this was the topic of the decade in accounting circles in public sector administration.

Moreover the Committee was of the view that to provide a forum to promote debate and discussion of this issue was consistent with the broad objectives of the New South Wales Public Accounts Committee:

to increase the public sector awareness of the need to be efficient and effective; and

to increase the awareness and understanding of Parliamentarians and members of the public of the financial and related operations of government.

The Seminar was a resounding success. Public Accounts Committees and delegations of parliamentarians from Queensland, Western Australia, Northern Territory, Tasmania, South Australia and the Commonwealth attended.

In addition, numerous politicians from NSW were present; as were Auditor-Generals from all over

Australia and senior managers from the public sector.

The Seminar was a complete sell out with a reserve list of over 50.

At the seminar various points of view were expressed in an attempt to explode the myths surrounding the topic and to hone in on exactly what distinguishes one system of accounting from another and to settle on criteria for the evaluation of various accounting systems.

The relevance and timeliness of the Committee's seminar was demonstrated by the inclusion of accrual accounting in the brief given to the New South Wales Commission of Audit. The Public Accounts Committee, was, therefore, in a position to present comprehensive background information and provide assistance to the Commission of Audit's members, consultants, and staff.

THE AUSTRALIAN FINANCIAL REVIEW, 10TH FEBRUARY, 1988,
Paddy McGuinness stated:

"One of the great things about Friday's seminar was that it brought together a couple of hundred government and private sector accountants and managers, members of parliamentary accounts committees from every State and Territory and the Commonwealth, bureaucrats and academics in a spirit of non-partisan commitment to improving the standard of public sector management ...

In all this the parliamentary public accounts committees have played an invaluable role, at the same time greatly improving political understanding of the need for better public administration. The NSW accounts committee, for example, in its very important report on the schemozzle of the Ravensworth Coal Washery (October 1987) and the misleading of the Minister by NSW's Elcom

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management has made a fundamental contribution to the improvement of future performance in electricity generation, in both technical and economic efficiency terms."

Report on the Purchasing Practices and the Allocation of Stores and Equipment

Resources Within the Technical and

Further **Education System - Thirty-Ninth** Report, (February 1988)

This Report followed a reference from the then Minister for Education, Mr Rodney Cavalier, to examine and report on the economies which could be made in relation to the purchasing practices and the allocation of stores and equipment resources within the NSW Technical and Further Education (TAFE) system.

The Committee's Report recommends greater stringency in control over TAFE stores and equipment. It appeared to the Committee that the Department spent a great deal of time and effort in planning courses and maintaining course relevance. Unfortunately, long term management of equipment resources was found to be given a low priority.

Overall, the Committee concluded that the planning and evaluation of resources could be improved by the application of improved information systems and performance indicators.

In respect of stores acquisition, the Committee's inquiry found there was a "paper war" being waged between colleges, regions, Heads of School and Head Office. The lack of communication between Schools often resulted in duplication of equipment in Colleges. The Committee was of the view this could be overcome by engendering an "intercollegiate ownership" attitude towards stores and equipment.

Report on the Heritage Council of New South Wales - Fortieth-Report, (June 1988)

The Committee received a reference for this inquiry from the former Minister for Planning and Environment, Mr Bob Carr.

The Council had been operating for 10 years without review by an external agency of its role and procedures. The committee found a lack of corporate planning and the failure to produce a mission statement.

The Committee's inquiries revealed that the Council had not developed well defined objectives or adequate performance measures. This led to an absence of public accountability, inappropriate reporting and confusion concerning responsibilities within the management structure.

Principal recommendations by the Committee were:

that both strategic and corporate plans be implemented; and

that performance review mechanisms be established.

As well, the Committee considered that there should be greater accountability for grants, loans, and assistance provided under the National Estates Program and that procedures for engaging consultants should be significantly upgraded.

THE SYDNEY MORNING HERALD

EDITORIAL

REPORT CRITICAL OF HERITAGE COUNCIL,
7th July, 1988

The Heritage Council has been accused of financial mismanagement and of being too slow in preventing the demolition of historically significant buildings.

PUBLIC ACCOUNTS COMMITTEE

The accusations have been made by the Public Accounts Committee, which has just completed an investigation into the financial affairs of the Council.

The Committee's Report released yesterday by its Chairman, Mr Phillip Smiles, reveals that the Council has a deficit of more than \$9.5 million.

This is despite the fact that the Council has assets of almost \$7.5 million and an income of more than \$5.7 million a year.

Mr Smiles said last night that members of the Council appeared to display "little knowledge or interest" in the financial affairs of the organisation.

Overall, the Council has assisted greatly in the preservation of the State's heritage'; he said.

However, like any organisation that has been operating for over 10 years, it is not without organisational difficulties.

Mr Smiles said that the Council had never developed well-defined objectives and, as a result, there was a lack of public accountability and confusion about its role":

The report was particularly critical of the way in which the Council approved grants and loans.

Although nearly \$1.5 million had been

approved in grants and loans last year, there were no clear, publicly available criteria for assessing uses of these funds.

The report was also critical of the way the Council went about issuing conservation orders and stopping the demolition of historically significant buildings.

Procedures and guidelines for implementing conservation orders were deficient", it said.

There appeared to be considerable public frustration with delays and communication generally ... and control over demolition of items had proved inadequate. The financial implications of decisions for developers, the public and taxpayers were not considered.

The report noted the highly controversial demolition of Rose's Emporium in Petersham and Brockleigh in Marrickville last year.

In the case of Rose's Emporium, the owner and the demolition contractor had been fined \$4,000 each, which, the report said, was clearly inadequate.

Prompt action by the Heritage Council could have averted the demolitions", it said.

However, it rejected calls for tougher penalties, recommending instead that an emergency service be set up so that demolition of historically significant buildings could be reported in time.

OTHER ACTIVITIES

Review of Matters Raised in the Auditor-General's 1986-87 Report

One of the Committee's objectives for 1987-88 was "to examine anomalies and deficiencies highlighted by the Auditor-General in his 1986-87 Report". In line with this, the Committee undertook a comprehensive review of matters raised by the Auditor-General.

The Committee wrote to organisations seeking responses to the matters raised by the Auditor-General. In some cases the Committee was satisfied with its inquiries, in others inquiries are continuing. A summary of the matters reviewed is shown in Appendix 6.

Review of a matter raised by the Auditor-General in the prior year, Semi-official Telephones, was completed during the year. This review is reported in some detail in Appendix 7 of this Report.

Payments Without Parliamentary		
Appropriation	Section	22
Payments		

The Public Finance and Audit Act 1983, Section 22, makes provision for payments made in anticipation of Parliamentary appropriation. Previously such payments were automatically "unauthorised", but may now be made by the Treasurer, with the approval of the Governor, in anticipation of appropriation by Parliament.

The Committee is charged under the Public Finance and Audit Act, Section 57 (1), with examining such payments.

In 1985-86, the Committee concluded that existing controls and procedures needed to be reformed in order to enhance Parliament's control over public expenditure. The Committee resolved to pursue this matter further in 1987-88.

Upon reviewing this matter the Committee decided to hold a formal inquiry. That inquiry was in progress at year end and is expected to be concluded by September 1988.

Review of Proposed Amendments to Annual Reporting Legislation and the Public Finance and Audit Act 1983

One of the Committee's statutory duties is to review certain proposed amendments and regulations under annual reporting legislation and the Public Finance and Audit Act 1983.

In 1987-88 the Treasurer forwarded the Committee a proposal for change to the (Statutory Bodies) Regulation under the Public Finance and Audit Act, 1983. The change related to the requirement that statutory bodies must seek approval if they wish exemption from the requirement to disclose the market value of investments. The change sought to dispense with the need to seek exemption where there is no alternative use for the asset. The argument in support thereof being that needless valuation fees would not be incurred.

The Committee while supporting the thrust of the proposed amendment had reservations about its effectiveness due to the subjective interpretation that could be given to the amendment.

The Treasurer responded to PAC concerns stating that the amendment would be clarified to avoid the scope for subjective interpretation.

PUBLIC ACCOUNTS COMMITTEE

REPORT ON
PERFORMANCE 1987-88

In its annual report for the year ended 30 June 1987, the Committee identified a number of broad objectives and a number of specific plans or goals for 1987-88.

Achievement of Broad Objectives

The Committee's overall objective of increasing public sector value for money and accountability is expressed in terms of three subsidiary objectives. The Committee is unable to measure all three objectives in precise quantitative terms, although some qualitative evidence is available. In this regard the Committee's follow-up inquiries are helpful as they assess the effectiveness of prior inquiries. The Committee also relies on comments by external parties as an indicator of performance.

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

The Committee believes it has been particularly successful in this area. Evidence is provided below.

1. In 1982 the Committee received a reference from the Auditor-General to inquire into, and report on, the level of overtime payments to Police Officers. During 1986-87 the Committee completed a follow-up inquiry which assessed the effect of the prior inquiry.

The follow-up inquiry found that hours of

overtime worked by police decreased from 903,000 in 1980-81 (prior to the Committee's inquiry) to 607,158 in 1985-86 (after the Committee's inquiry), a reduction of 295,842 hours or 32 per cent. The Committee's follow-up report was tabled in November 1986. The Commissioner for Police advised the Committee that overtime hours for 1986-87 reduced to 574,570 hours.

Changes implemented to the system have resulted in substantial savings to the taxpayer. In 1986-87 dollar terms the savings are as follows:

Year	Savings \$M	Cumulative Amount \$M
1981-82	2.9	2.9
1982-83	6.4	9.3
1983-84	3.0	12.3
1984-85	4.2	16.5
1985-86	5.7	22.2
1986-87	6.4	28.6

2. The Committee's inquiry and report on "Collection of Parking and Traffic Fines" (July 1986) examined the high value of outstanding fines. In June 1983 these amounted to \$34 million; by June 1985 the amount had increased to \$52 million.

The Committee's Report highlighted problems with fine defaulters being imprisoned for non-payment or choosing to go to police lock-ups or gaol to "cut out" fines often totalling thousands of dollars. One detrimental side-effect of the current is its contribution to overcrowding in the State's gaols. The Committee concluded that alternatives to imprisonment must be found and recommended that drivers failing to pay large fines or having outstanding fines for three or more infringements should have their licenses cancelled.

ANNUAL REPORT

As a result of the Committee's inquiry, public and government attention has been focused on the problem. The Committee believes that its work in this area has contributed significantly to improvements in the efficiency and effectiveness of fine collection since the inquiry commenced in 1984. Recently the Committee's recommendation that drivers' licences be cancelled as an alternative to the costly process of jailing fine defaulters was adopted.

3. The Committee's Report into the New South Wales Builders' Licensing Board, (December 1986), highlighted major deficiencies in the administration and operation of the Builders Licensing Board.

Following the Committee's Report, the former Minister for Consumer Affairs, Mrs Deirdre Grusovin, abolished the Board and established a new Building Services Corporation. While average delays of 12 weeks for an on-site inspection were being experienced prior to the Committee's report, the average delay has been reduced to two or three weeks.

The Minister has also instituted a review of the insurance scheme run by the old Board, which had built up to \$8.7 million but had made payments of only \$2,700, and ordered a rationalisation of the licensing system. The Committee believes that as a result of its inquiry and subsequent action by the Minister, New South Wales' consumers will receive a more efficient and more effective service from the Building Services Corporation.

The Sydney Morning Herald, in its editorial of 12th December, 1986, stated:

"The Government has to be congratulated for ordering the inquiry by the Public Accounts Committee into the Builders Licensing Board. Now it must put the cleaners through this extraordinarily inefficient organisation":

4. The Financial Review of August, 1986, stated:

"The New South Wales Public Accounts Committee over the last two or three years has established itself as one of the most effective agencies for examining departmental administration.

28th

It is widely regarded as a model for this activity by other Public Accounts Committees in Australia.

Because of its prestige and its majority of Government members, the Public Accounts Committee is potentially a very useful way of investigating and remedying administration of deficiencies without the political damage that can occur if the same deficiencies are exposed by outside investigators or the New South Wales Opposition".

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

The Committee's work has enhanced public sector awareness. This is demonstrated by:

1. Discussion of the role of the Public Accounts Committee and issues of concern to it at public sector conferences and seminars during 1985-86. The Chairman of the Committee presented papers to several seminars and conferences during the year and Members of the Committee travelled interstate to outline the functions and role of the Committee.

PUBLIC ACCOUNTS COMMITTEE

2. The former Premier, The Hon. Barrie Unsworth, as quoted in the Daily Telegraph, 11th June, 1987, stated in relation to the Committee's Report on the New South Wales Film Corporation:

'That's the value of having a Public Accounts Committee. It goes around examining authorities and departments and if there are any deficiencies they are revealed, and it gives the Government an opportunity to take appropriate action':

3. Monitoring the standard and timeliness of annual reporting by government organisations. The Committee's twenty-sixth report published lodgement results.

THE SYDNEY MORNING HERALD

EDITORIAL

TOO MANY LATE REPORTS, 29th
June, 1987

A major reform of the Wran era was the laws passed in 1984 and 1985 requiring annual reports of departments and statutory bodies to contain much more financial information than in the past. The reform was contested bitterly by the bureaucrats. But Mr Wran and the State Treasurer, Mr Ken Booth, won the day. Or so it seemed.

The doubt arises from information brought to light by Mr Greiner. According to the Opposition Leader, not one department managed to get its annual report in on time by the end of November last year. This is, in fact, not quite right. The Auditor-General and the NSW Superannuation Office reported on time. Nine out of 44 departments, though, had still not reported even after they had been given an extension of three months to the end of February. The report of the Tourist Commission has still not been tabled. The claim has been made that the trouble lay with the Government Printing Office which could not handle he reports coming in at the one time. The excuse, however, does not stand up. Manuscripts of the reports can be tabled even when the State Parliament is not sitting.

Mr Greiner makes an obvious (but valid) point about this bureaucratic inefficiency. New South Wales does not have a system where special committees audit departments every year. A Public Accounts Committee does exist but it is limited in the number of investigations it can mount. Each department's annual report, therefore, becomes, in Mr Greiner's word, "the main avenue of accountability": But if the report is out-dated when it is published (as is the case now in Nsw), its usefulness is diminished greatly.

Mr Greiner has focused on government departments, but there is evidence that public authorities are even more at fault. The Public Accounts Committee, in an investigation made last year, found that 87 per cent of them applied for, and were granted, exemptions from parts of the Public Finance and Audit Act. The Committee argued that the number of exemptions was "excessive and should be discouraged": Unfortunately, not much notice has been taken of the warning. Only 73 authorities had their reports in on time this year, 50 were late and 50 are still outstanding.

ANNUAL REPORT

We have bureaucrats, in other words, working in government departments or in authorities spending public money, who seem to be unconcerned about the need to inform the community on how that public money is being spent. Some of the authorities, according to the PAC's Chairman, Mr John Murray, have been so arrogant in the past that they have not bothered to even ask for an exemption while breaking the letter and the spirit of the law. The implication behind all this is that the Wran reforms do not suit the closed, unaccountable and often inefficient world the bureaucrats are happy to work in. Mr Unsworth has talked a great deal about this "back to basics" style of government. Here is a test of his rhetoric. Mr Greiner's option of freezing discretionary funds is probably not a suitable response. The Department of Youth and Community Services, for instance, was a late reporter. Freezing its discretionary funds could cause obvious problems. A better response would be to place the responsibility squarely on the head of the department or the statutory body. The possibility of being removed from office would ensure that the reports came in on time.

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

1. The Public Accounts Committee is without question a vehicle for public disclosure of the financial affairs of Government and by its nature attracts the attention of members of Parliament other than its own members. For example, during the inquiry into the operations of the Builders' Licensing

Board the Committee received 23 submissions from Members of Parliament. The inquiry into the Home Care Service of New South Wales received 10 submissions from Members of Parliament and the Heritage Council Inquiry received 15 submissions from parliamentarians.

2. In relation to the Committee's Report on the New South Wales Cancer Council, the Daily Telegraph in an editorial of 3rd February, 1987, stated:

"In the case of the fund-raising activities of the New South Wales Cancer Council, the New South Wales Public Accounts Committee is correct in asking those questions, in seeking answers to them and suggesting that remedies be sought.

"The Council argues that donations and bequests should not be considered in isolation. Be that as it may, it is quite correct of the Government's watchdog committee to probe the matter and to raise it publicly.

"Above all, this is necessary to reassure the public they represent that funds which they give - the time they often spend raising these funds - is not merely paying for overly expensive administrative red tape ':

3. The Sydney Morning Herald's editorial of 12th June, 1987, on the subject of the report on the New South Wales Film Corporation states:

"Where the Corporation definitely needs to improve its performance is in the style and practice of its management. The Public Accounts Committee report makes a convincing case for management structures and policies to be sorted out. The Corporation, it seems, has been infected by quangoitis ... There

PUBLIC ACCOUNTS COMMITTEE

*is enough evidence in the report
... to justify the Public Accounts Committee's call for the
Corporation generally 'to
exercise more care, economy
and efficiency in its use of
public funds":*

4. In February, 1988 the Committee organised and hosted a seminar on Accrual Accounting. It was attended by Parliamentarians, Public Accounts Committees and public sector managers and members of the public.

Writing in the Australian Financial
Review on 10 February, 1988, Mr Paddy
McGuinness stated:

*'.. In all this the parliamentary Public Accounts Committees have played an invaluable role, at the same time
greatly
improving political
understanding of the need for
better public administration ".*

5. The Committee hosted the Fifth Biennial Conference of Public Accounts Committees in May 1987. The Conference was attended by a wide cross section of parliamentarians and public sector managers. It provided a forum for learning and the discussion of issues relevant to public sector administration. Topics covered included:

Improving the Financial Decision
Making and Accountability of
Government

* Asset Replacement

6. Copies of reports produced by the Committee are sent to all Members of Parliament and circulated to libraries and other relevant organisations both in New South Wales and interstate. In addition, copies of reports are sold to members of the public through the New South Wales Government Information Service. During 1987-88, 452 copies of Committee reports were sold.

ANNUAL REPORT

Achievement of Specific Objectives for 1987-88

The specific plans for 1987-88 were designed to achieve the Committee's broad objectives. Most of the plans were carried out. Details follow.

To complete the inquiry into the operations of the Ravensworth Coal Washery

Inquiry completed, and report (No. 37) tabled, October 1987.

To complete the inquiry into the Heritage Council of New South Wales

Inquiry completed, and report (No. 40) tabled, June 1988.

To complete inquiries into the New South Wales Grain Sorghum Marketing Board and the New South Wales Wine Grapes Marketing Board

Reviews completed, and report (No. 35) tabled, September 1987.

To undertake an inquiry into the Purchasing Practices and Allocation of Stores and Equipment Resources Within the Technical and Further Education System

Inquiry conducted, and report (No. 39) tabled, February 1988.

To conduct a series of seminars at Parliament House on Accrual Accounting
in relation to New South Wales
departments

Seminar held February 1988, and report (No. 38) tabled, June 1988.

To consider as part of its 1988 Program, an inquiry into the efficiency of the District Court

The Committee deferred the inquiry in favour of other priorities.

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

The Committee completed its inquiries into the Heritage Council of New South Wales on a reference from the Honourable R. J. Carr, then Minister for Environment and Planning and into the Purchasing Practices and the Allocation of Stores and Equipment Resources Within the Technical and Further Education System on a reference from the former Minister, Mr Rodney Cavalier, MP.

To examine anomalies and deficiencies highlighted by the Auditor-General in his 1986-87 Report

This examination was carried out. A total of six matters were examined and these are summarized in Appendix 5. A more detailed report on one matter (semiofficial telephones) raised by the Auditor-General in his previous report, is contained in Appendix 7.

To examine payments in 1986-87 made in accordance with Section 22 of the Public Finance and Audit Act (1983).

The Committee reviewed these payments and resolved to hold a formal inquiry into the general question of Payments Without Parliamentary Appropriation. Report due for tabling in October, 1988.

CURRENT PROJECTS

Payments Without Parliamentary Appropriation

One of the functions of the Committee pursuant to Section 57 of the Public Finance and Audit Act, 1983, is to inquire into expenditure without parliamentary appropriation or otherwise than in accordance with the Act.

Section 22 of the Public Finance and Audit Act allows the Treasurer (with the approval of the Governor) to appropriate money in addition to that provided for in the Appropriation Act to provide for expenditure of a recurrent nature or for capital works and services if the exigencies of Government so require.

The Committee examined the payments made in 1986/87. In addition to addressing itself to the purpose of the payments the Committee examined the mechanism for such payments.

Concern was expressed by the Committee that the current mechanisms weakened parliamentary control over expenditure and did not provide full and immediate public disclosure.

This concern was also expressed by the Auditor-General in his 1985-86 and 1986-87 Reports where he stated that the practice of using Section 22 is "weakening parliamentary control of the purse ..."

In the circumstances the Committee resolved to conduct an inquiry into Payments Without Parliamentary Appropriation. The inquiry will examine and report on:

- * payments made under Section 22 of the Public Finance and Audit Act, 1983, during the 1986-87 Financial Year;
- * the appropriateness of the payments made;
- * the accountability and other issues involved in

the payment process;

- * to examine the Report of the Auditor-General in relation to those payments; and

- * any other matters arising out of the Committee's inquiries which infringe on the accountability of the NSW Public Sector.

At the time of writing, the Committee was well advanced with the inquiry. Two public hearings had been held and extensive research conducted. The Committee expects to table its Report in October 1988.

Inquiry into Ambulance Services

In August 1988, the Committee received a reference from the Minister for Health, The Hon. Peter Collins, M.P., to examine and report on the operations of the New South Wales Ambulance Service. In particular the Minister requested the Committee to:

- * to assess the impact of implementing recommendations of the 1982 Inquiry into the N.S.W. Ambulance Service (Gleeson Report);

- * to inquire into the efficiency and effectiveness of the management of Ambulance Services in New South Wales;

- * to review the management and cost structures of the Ambulance Service;

- * to examine the extent of improvements in the collection of outstanding unpaid ambulance transport fees since the Committee's inquiry into the matter in 1986; and

- * to investigate any other matters relevant to the efficient operation of ambulance services in New South Wales.

ANNUAL REPORT

The Committee has commenced preliminary inquiries and has visited a number of Regional Ambulance Stations and some country stations.

It is anticipated formal hearings will be held in September 1988 and a report issued by November 1988.

Management of Arson in the Public Sector

The Committee resolved to investigate the management of arson in the public sector in May 1988. The Terms of Reference for the Inquiry are:

- * to examine the cost of arson;
- * to review current procedures to reduce arson;
- * to overview the existing funding and insurance arrangements associated with arson; and
- * to investigate the potential to reduce arson costs.

To date the Committee has sought background information, held a preliminary hearing and inspected the schools' alarm system of the Victorian Education Department.

Consultants, Nicholas Clark and Associates have been engaged to assist the Committee. It is proposed to complete this inquiry by September 1988.

Inquiry into Payments to Visiting Medical Officers at Public Hospitals

In August 1988, the Committee resolved to examine and report on payments to visiting medical officers in public hospitals.

The Committee's initial inquiries indicated that the level of payments as a proportion of the State's

health budget has escalated in recent years.

A number of preliminary inquiries have been conducted. The views of a number of hospital boards, chief executive officers, Regional Office staff of the Department of Health and numerous visiting medical officers have been sought.

The Committee anticipates publishing a report by December 1988.

Inquiry into the Darling Harbour Authority

A reference was received in August 1988 from the Minister for Planning, The Hon. David Hay, M.P., requesting the Committee to examine and report on the Authority. In particular, he has requested the Committee to review:

- * tendering procedures adopted by the Authority;
- * contractual arrangements and administration;
- * management of industrial relations issues;
- * costs management and reference to cost overruns;
- * leasing arrangements;
- * the overall financial position of the Authority;
- * the use of consultants including guidelines for the engagement and management of consultants, and evaluation of consultancy projects; and
- * any other matters arising from the inquiry which impact upon the accountability, efficiency and effectiveness of the Authority.

PUBLIC ACCOUNTS COMMITTEE

SECRETARIAT

During 1987-88 the New South Wales Public Accounts Committee had a fulltime secretariat of four - a Clerk, Senior Project Officer and two Secretary/Word Processor Operators. In addition, officers from the Treasury and the Auditor-General's Office were seconded to the Committee on a full-time basis. The Committee also engages outside consultants as necessary.

* Mr Grahame Gibbs was seconded to the Secretariat from the Treasury from June 1987 to March 1988. In March 1988 he was replaced by Mr Chris Thompson.

* The Committee's Secretary/Word Processor Operator, Ms Sandra Brien took extended leave from May 1988 and has been replaced temporarily by Ms Norma Rice.

Staff at 30 June, 1988

Mr John Horder LL.B, AASA, CPA *Clerk to the Committee*

Ms Bronwyn Richardson

Dip. Ed, M.Comm(Hons)
Senior Project Officer

BA(Hons),

Mr **John Lynas** FASA CPA (Audit)
Advisor on Secondment from the Auditor-

General's Office

Mr **Chris Thompson** B.Comm, MBA
Advisor on Secondment from the Treasury

Ms Maria Hagispiro

Secretary/Word Processor Operator

Ms Norma Rice

Secretary/Word Processor Operator

Consultants

During 1987-88 the Committee engaged consultants as follows:

Inquiry into the Management of Arson in the Public Sector

Nicholas Clark and Associates (Economic Research and Management Consultants)

Inquiry into Ravensworth Coal Washery

P.M. Garlick and Associates Pty Ltd (Energy Consultants)

Staff Changes

* Mr Tony Boulton was seconded from the Auditor-General's Office from July 1987 to March 1988. Mr John Lynas replaced him in March 1988.

ANNUAL REPORT

Statement by Appointed Officers

I state that:

(a)

The accompanying financial statement has been prepared in accordance with the provisions of the Public Finance and Audit Act 1983, the Public Finance and Audit (Departments) Regulation 1986, and the Treasurer's Directions to the extent that such Act, Regulations and Directions are applicable to the accounts of the Committee.

(b)

The statement presents a true and fair view of the payments relating to the Committee for the year ended 30 June, 1988.

(c) There are not any circumstances which would render any particulars included in the above Statement to be misleading or inaccurate A

P. M. Smiles, M.P.,
CHAIRMAN
2nd August, 1988

J. H. Murray, M.P.,
MEMBER
2nd August, 1988

being members of the Public Accounts Committee appointed by the Committee by resolution of 1 August, 1988 to sign the Statement of Payments approved by the Committee on that date.

Statement of Payments

For the Year Ended 30 June, 1988

Previous Year		
\$		
110,717	Salaries, Wages, etc. (Secretariat)	116,997
21,643	Salaries, etc. (Seconded Staff) (Note 4)	35,710
34,715	Travelling and Subsistence	34,248
6,064	Advertising and Publicity	11,714
689	Books, Periodicals and Newspapers	665
2,501	Postal, Telephone and Courier Expenses	8,140
42,092	Fees for Services Rendered (including Consultants)	23,691
48,652	Printing and Stationery	55,952
6,104	Office Furniture, Equipment, Stores, Maintenance and Other Expenses (Note 8)	66,330
	Gas and Electricity (Note 3)	6,542
\$273,177	TOTAL EXPENDITURE	\$359,989

PUBLIC ACCOUNTS COMMITTEE

Notes to the Statement of Payments

1. The Committee is neither a statutory body nor a government department. The applicable legislation for those bodies: the Public Finance and Audit Act, 1983, the Annual Reports (Statutory Bodies) Act, 1984 and the Annual Reports (Departments) Act 1985, do not apply to the Committee. It receives an allocation for working expenses from the Consolidated Fund under the appropriation to the Legislature.

Budget Allocation for 1987-88

456,000

Funds Expended

359,989

Balance of Allocation not expended

\$ 96,011

2. The Statement has been prepared on a cash accounting basis except for the accrual of salaries unpaid at 30 June, 1988, \$2,507. No other amounts owed to or by the Public Accounts Committee at the close of the year are included in the Statement. Outstanding financial commitments as at 30 June, 1988 were \$31,132.

3. Office occupancy costs are not charged to the Committee. However, in 1987-88 a pro-rata charge for gas and electricity was raised. An equivalent charge was not raised in the previous year.

4. In the current year, the salaries of advisors seconded from the Treasury and the Auditor-General's Office were not fully met from the Committee's funds. The amount of subsidy received is estimated at \$12,000.

5. Current and deferred liability for staff superannuation costs are met by State Treasury.

6. Members of the Committee receive an allowance for their service on the Committee. The cost of these allowances is met direct by the Legislature and not from the Committee's funds. Currently the Chairman receives a salary of office of \$3,186 p.a. and an expense allowance of \$3,090 p.a. Other members receive a Committee allowance, currently \$1,593 p.a.

7. Workers' Compensation insurance is not paid from Committee funds. The Committee staff are insured by the master policy covering all staff of the Legislature, the cost being included in the Legislature's general operating expenses.

8. The substantial increase in office equipment payments costs relate to the purchase of an Olivetti five-station local area computer network at a cost of \$47,408.00. As the Committee's activities are funded on a cash basis from the State's Consolidated Fund the raising of a depreciation charge on office equipment is not appropriate.

This is the end of the audited financial statements.

Auditor-General's Certificate

The accounts of the Public Accounts Committee for the year ended 30th June 1988 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 payments, read in conjunction with the notes thereto, exhibits a true and fair view of transactions for the year then ended.

Expenditure by Month, 1987-88

The Committee's 20th Report on Year-End Spending recommended that annual reports provide, in graphical form, monthly spending for stores and equipment purchases. This recommendation has since been incorporated in the Annual Report (Departments) Regulations 1986 in Clause 4 (b).

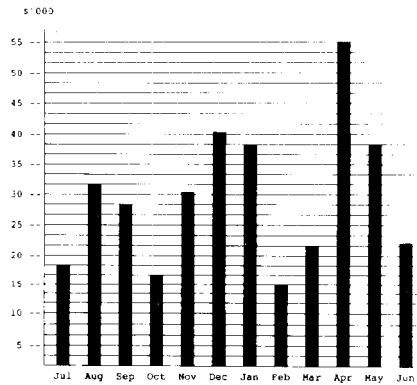
The expenditure by the Committee for stores and equipment purchases in 1987-88 was \$60,543. In the interest of full disclosure the expenditure pattern for

all non-salary items is included as well as total expenditure in the graphs below.

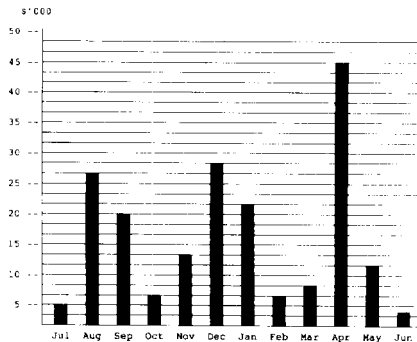
The non-salary expenditure for the month of April 1988 was significantly higher than for other months for the following reason:

Over \$31,900 was expended in that month on hardware, software and associated training costs for the Committee's purchase of an Olivetti local area network computer/word processing system. The total expenditure on this equipment for the whole of 1987-88 was \$47,408.

Total Expenditure by Month



Non-Salary Expenditure by Month



PUBLIC ACCOUNTS COMMITTEE

APPENDIX 1

Functions of the Public Accounts Committee

Section 57 (1) to (3) 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) ; o r

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;

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

Evolution of the Public Accounts Committee

1902

The New South Wales Public Accounts Committee was established by the Audit Act, 1902.

The Committee had two functions:

1)

to inquire into matters relating to the Public Accounts referred to it by the Legislative Assembly, Minister or the Auditor-General; and

2)

to inquire into expenditure by Ministers which had not been sanctioned and appropriated by Parliament.

1978

Report of the Select Committee of the Legislative Council on Public Accounts and Financial Accounts of Statutory Authorities chaired by The Hon. Lloyd Lange, M.L.C.

1980

Progress Report of the Joint Committee on Public Accounts and the Financial Accounts of Statutory Authorities chaired by Mr Vince Durick, M.P.

1982

The Committee held public hearings for the first time concerning over-expenditure.

Audit (Public Accounts Committee) Amendment Act 1982. This Act greatly

expanded the powers of the Public Accounts Committee. In addition to its 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 receipt, the expenditure or control of money.

1983

Audit Act 1902 replaced by the Public Finance and Audit Act, 1983.

Permanent Secretariat established.

1981

Final Report of the Joint Committee on Public Accounts and Financial Accounts of Statutory Authorities chaired by Mr Laurie Brereton, M.P.

Reference from the Minister for Health to inquire into over-expenditure in public hospitals and the general accountability of the public hospital system. This was the first occasion on which the Committee had exercised its function of inquiring into matters referred to it.

PUBLIC ACCOUNTS COMMITTEE

Appendix 3

Source of Committee Inquiries Reports to 30 June, 1988

Report No.	Report	Minister	Reference from		Initiated by P.A.C
			Treasurer	Auditor General	
1	Expenditure Without Parliamentary Sanction				A*
2	Over-Expenditure in Health Funding to Hospitals				
3	Public Accountability in Public Hospitals				
4	Expenditure Without Parliamentary Sanction				A*
5	Overtime Payments to Police				
6	Overtime Payments to Corrective Service Officers				
7	Accountability of Statutory Authorities				
8	Grain Sorghum Marketing Board				
9	Matters examined in relation to Auditor General's Report 1981-82				A*
10	Superannuation Liabilities of Statutory Authorities				
11	Annual Report 1983-84				
12	Matters examined in relation to Auditor-General's Report 1982-83 (Statutory Bodies)				A*
13	Proposed Regulations to Annual Reports Act & P.F & A. Act				
14	Investment Practices in New South Wales Statutory Authorities				
15	Performance Review Practices				
16	Brief Review of Macarthur Growth Area				A*
17	Brief Review of Statutory Funds of Department of Environment and Planning				A*
18	Brief Review of Land Commission of New South Wales ..				A*
19	Annual Report 1984-85				*
20	Report on Year End Spending				A*
21	Follow Up Report on Inquiries into New South Wales Public Hospital System	F*			
22	Report on Recommended Changes to Public Accounts				
23	Proposed Regulations Accompanying the Annual Reports (Departments) Act 1985				
24	Follow Up Report on Overtime Payments to Corrective Service Officers			F*	
25	Report on the Collection of Parking and Traffic Fines				A*
26	Follow-Up Report on Annual Reporting of Statutory Authorities				
27	Annual Report 1985-86				
28	Follow Up Report on Overtime, Sick Leave & Associated Issues in the New South Wales Police Force			F*	
29	Report on the New South Wales Licensing Board				
30	Report on Brief Review of: The Sydney Opera House Trust Harness Racing Authority of New South Wales; and New South Wades Cancer Council				
31	Report on the New South Wales Film Corporation				A*
32	Report on the Home Care Service of New South Wales				
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				A*
38	Report on the Proceedings of the Accrual Accounting Seminar				

ANNUAL REPORT

Report No	Report	Minister	Reference from Treasurer	Auditor General	Initiated by PAC.
39	Report on the Purchasing Practices and the Allocation of Stores and Equipment Resources Within the Technical and Further Education System				
40	Report on the Heritage Council of New South Wales				
	TOTAL	8	5	4	23

A Matters raised in Auditor General's Report

F Follow up Inquiries initiated by the Committee, but original inquiries referred by Minister, Auditor-General, or Treasurer

PUBLIC ACCOUNTS COMMITTEE

APPENDIX 4

Meetings of the Public Accounts Committee 1 July, 1987 - 30 June, 1988

Date	Subject	Organisation	Witnesses
15/7/87	Inspection	Ravensworth Coal Washery	
16/7/87	Inspection	Heritage - Maitland Area	
30/7/87	Deliberative Meeting		
4/8/87	Deliberative Meeting		
5/8/87	Public Hearings - Inquiry into Ravensworth Coal Washery	Elcom Collieries Electricity Commission of NSW	Mr D. Hanrahan Mr G. Fletcher
5/8/87	Deliberative Meeting		
6/8/87	Public Hearings - Inquiry into Ravensworth Coal Washery	Electricity Commission of NSW	Mr F. Brady Mr K. Smith Mr J. Henness Mr J. Post Mr M. Hallam
18/8/87	Public Hearings - Inquiry into Ravensworth Coal Washery	Electricity Commission of NSW	
			Mr F. Brady Mr K. Smith Mr J. Henness Mr J. Post Mr M. Hallam
11/9/87	Inspection	Heritage - Manly, Mosman, Leichhardt	
17/9/87	Deliberative Meeting		
24/9/87	Deliberative Meeting		

ANNUAL REPORT

Date	Subject	<u>Organisation</u>	Witnesses
6/10/87	Inspection	Heritage - Haberfield, Concord, Burwood, Parramatta, Rouse Hill	
7/10/87	Deliberative Meeting		
7/10/87	Public Hearings - Inquiry into Heritage Council of NSW	Church Administrative Officers Group	Mr N. Malone
		Archdeacon of Wollongong	Mr Victor Roberts
		Diocesan Advocate	Mr N. Cameron
		Anglican Church Property Trust	Mr K. Stonham
		Anglican Archdiocesan Secretary	Monsignor Peter Ingham
		Makinson & d'Apice Solicitors	Mr B. MacDermott
		Presbyterian Church of Australia	Mr R. Thorpe
		Deputy Ombudsman	Dr Jinks
22/10/87	Deliberative Meeting		
26/10/87	Inspection	Petersham Technical College	
29/10/87	Deliberative Meeting		
30/10/87	Meeting with:	Review of NSW Structure of Administration	Mr D. Block

PUBLIC ACCOUNTS COMMITTEE

Date	Subject	Organisation	Witnesses
2/11/87	Meeting with:	Department of Technical and Further Education South Australia	
2/11/87	Inspection	Gillis Plains Technical College South Australia	
2/11/87	Meeting with:	South Australian Public Accounts Committee	
2/11/87	Meeting with:	South Australian Heritage Committee	
2/11/87	Meeting with:	South Australian Department of Environment and Planning	
2/11/87	Meeting with:	National Trust of South Australia	
3/11/87	Inspection	East End Markets Mintaro Historic Village South Australia	
4/11/87	Meeting with:	Department of Technical and Further Education Western Australia	
4/11/87	Meeting with:	Heritage Committee of Western Australia	
4/11/87	Meeting with:	Public Accounts Committee of Western Australia	
5/11/87	Inspection	Great Southern Region Technical College	
5/11/87	Inspection	Strawberry Hills Historic Site Albany Whaling Station Museum	

ANNUAL REPORT

Date	Subject	Organisation	Witnesses
12/11/87	Deliberative Meeting		
19/11/87	Deliberative Meeting		
25/11/87	Deliberative Meeting		
3/12/87	Public Hearings - Inquiry into Purchasing Practices and Allocation of Stores and Equipment Resources Within the Technical and Further Education System	Department of Technical and Further Education	Dr A. Pattison Mr J. White Mr G. Woodburne Mr C. Stanbury Mr J. McLauchlan
4/2/88	Deliberative Meeting		
16/2/88	Deliberative Meeting		
19/5/88	Deliberative Meeting		
26/5/88	Deliberative Meeting		
2/6/88	Deliberative Meeting		
14/6/88	Public Hearings - Inquiry into Payments Without Parliamentary Appropriation	NSW Treasury	Mr P. Allan Mr R. Scullion
		Auditor- General's Office	Mr K. Robson
14/6/88	Deliberative Meeting		
15/6/88	Deliberative Meeting		
16/6/88	Deliberative Meeting		
30/6/88	Deliberative Meeting		

PUBLIC ACCOUNTS COMMITTEE

APPENDIX 5

Past Reports

Prior to 30th June, 1987, the Committee tabled 31 reports. Brief summaries of each of these reports follow:

**Expenditure Without Parliamentary
Sanction or Appropriation- First Report,**
(November 1981)

The Committee investigated over-expenditure by Ministers in 1980-81. Over-expenditure of \$162 million by 10 Ministers was examined. The Committee concluded that departmental explanations were satisfactory in all cases.

Over-Expenditure in Health Funding to Hospitals, Second Report (Feb 1982)

Inquiry into a reference made by the Minister for Health concerning budget overruns of \$15.7 million by the 37 New South Wales public hospitals. The Committee concluded that the budget overrun was attributable, not only to the budgetary process, but also to the failure of departmental and hospital officials to take budgets seriously.

Action taken on this report was reviewed by the Committee during 1985-86 and the Committee's Follow-up Report into the New South Wales Public Hospital System was tabled in May 1986.

**Public Accountability in Public and
Other Subsidised Hospitals** Third
Report, (April 1982)

Inquiry into a reference made the Minister for Health. The Committee made 44 recommendations to improve the standard of accountability in hospitals.

Action taken on this report was reviewed by the Committee during 1985-86 and the Committee's Follow-up Report into the New South Wales Public Hospital System was tabled in May 1986.

Expenditure Without Parliamentary

Sanction or Appropriation Report(September 1982)

Fourth

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.

Overtime Payments to Police Fifth Report, (November 1982)

Inquiry into a reference by the Auditor-General into 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 1,000 police officers.

The Committee concluded that a:

"considerable amount of overtime is avoidable and rises from inappropriate policy, inefficient rostering and inefficient job organisation".

ANNUAL REPORT

The Committee reviewed action taken on this report and tabled a Follow-up Report (No. 28) in November 1986.

Overtime Payments to Corrective Services Officers - Sixth Report, (May 1983)

Inquiry into a reference made by the Auditor-General. The Report showed that more than half New South Wales prison officers had received overtime payments in excess of 50 per cent of their normal salary and 10 per cent received more than 100 per cent of their salary in overtime payments.

In 1981-82 overtime payments had totalled almost \$14 million representing over 35,000 hours of overtime per fortnight. After the development of a strategic plan in 1982, overtime was reduced in early 1983 to approximately 22,000 hours per fortnight.

The Committee noted that one of the major causes of overtime was the high level of sick leave and foreshadowed its

interest in sick leave throughout departments.

The Committee's Follow-up Report into Overtime Payments to Corrective Services Officers (Twenty-Fourth Report) was tabled June 1986.

Accountability of Statutory Authorities - Seventh Report, (June 1983)

Inquiry into a reference made by the Treasurer. The Treasurer's Reference was a response to widespread concern about the need for greater information from statutory bodies.

Most of the recommendations in the Committee's Report have been incorporated in the new Annual

Reports (Statutory Bodies) Act 1984 and the Public Finance and Audit (Amendment) Act 1984.

A Follow-up Report was tabled in July 1986 (Twenty-Sixth Report).

Grain Sorghum Marketing Board Eighth Report, (November 1983)

Inquiry into a reference by the Minister for Agriculture and Fisheries concerning the administration, efficiency, effectiveness and accountability of the Grain Sorghum Marketing Board.

The Minister for Agriculture and Fisheries referred this inquiry to the Committee out of concern for the \$3 million indebtedness of the Board. The Committee found that the precarious financial position of the Board was due largely to producers (including all producer members of the Board) failing to deliver to the Board.

Most of the recommendations by the Committee, which were designed to apply to all marketing boards in New South Wales were embodied in the Marketing of Primary Products Act 1983.

Auditor-General's Report 1981-82 - Ninth Report, (December 1983)

The Ninth Report details matters investigated in relation to the Auditor-General's 1981-82 Report. The Committee published answers from 28 departments and authorities in response to the Committee's concerns about comments made in the Auditor-General's Report. Where explanations were not considered satisfactory, the Committee sought further information through public hearings.

PUBLIC ACCOUNTS COMMITTEE

Superannuation Liabilities of Statutory Authorities - Tenth Report, (August 1984)

Inquiry into a reference made by the Treasurer. The Report found that New South Wales Statutory Authorities had unfunded superannuation liabilities in the order of \$2.5 billion. The Committee recommended full disclosure and proper recognition of accounting expenses in relation to superannuation costs and full-funding to meet deferred superannuation commitments. The Committee also recommended that a consistent policy of accounting and reporting for superannuation costs should be introduced.

The Committee's recommendations concerning disclosure of accrued superannuation liabilities and expenses have subsequently been incorporated into the Public Finance and Audit Act regulations.

Annual Report Year Ended 30 June 1984 - Eleventh Report, (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.

Matters Examined in Relation to the

1982-83 Report of the Auditor-General-Twelfth Report, (October 1984)

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

Proposed Regulations Accompanying the Annual Report (Statutory Bodies) Act 1984 and Public Finance and Audit Act 1983 - Thirteenth Report, (January 1985)

Pursuant to the requirements of the Annual Reports (Statutory Bodies) Act and the Public Finance and Audit Act, regulations to the Acts were forwarded to the Committee for examination and report.

The regulations were published in the Government Gazette on 14 June 1985. A total of 95 per cent of the Committee's recommendations were gazetted which incorporated the Committee's recommendations concerning performance measurement.

Investment Practices of New South Wales

Statutory Authorities - Fourteenth Report, (June 1985)

This inquiry arose from concern to ensure that investments of New South Wales Statutory Authorities, worth as 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 substantial differences in the strategies, policies and practices of authorities, which if not corrected would in the long term result in poor investment returns. The Committee considered that the income earned by many Authorities, particularly the smaller ones, could be significantly increased.

Performance Review Practices in

Government Departments and

Authorities Fifteenth Report, (June 1985)

The Report examined the measures taken by Heads of Departments and Authorities to ensure efficiency, effectiveness and internal control of their organisations, as required by the Public Finance and Audit Act 1983.

ANNUAL REPORT

As a result of its inquiry the Committee made comprehensive recommendations, including:

Departments and Authorities 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.

Efficiency audit reports and management strategy reviews be tabled in Parliament within 18 months of their presentation to the Minister along with organisation's response and program of action.

Brief Review of the Macarthur Growth Area - Sixteenth Report, (July 1985)

Inquiry arising out of the Committee's examination of the 1982-83 Report of the Auditor-General. The Report recommends clarification of the role of the Macarthur Growth Area, that clear and realistic objectives be established and performance measures identified. The Report also states that the question of repayment of debts to the State and Commonwealth government should be resolved as quickly as possible to enable the M.G.A.'s financial accounts to reflect the actual losses that have been accepted.

Brief Review of the Statutory Funds of the Department of Environment and

Planning - Seventeenth Report, (July 1985)

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

Brief Review of the Land Commission

New South Wales - Eighteenth Report, (July 1985)

In this brief Report, the Committee noted the efficiency of Landcom's operations and project management practice. The Report also points out the lack of clear objectives for Landcom and underlying conflicts in roles and objectives.

Annual Report Year Ended 30 June 1985

- Nineteenth Report, (September 1985)

This was the Second Annual report of the Committee.

* * * * *

Report on Year-End Spending in Government Departments and Selected

Authorities - Twentieth Report, (March 1986)

The Committee's inquiry into year-end spending in the public sector arose from concern that the disproportionate amounts of expenditure traditionally made at the end of the financial year might result in wasteful expenditure of government funds.

The Committee's inquiry established beyond any doubt that the level of expenditure in the last two months of the financial year was disproportionately higher than for other periods. The Report concluded 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 also drew attention to the practice of drawing cheques prior to 30 June and holding each cheque in safes until services had been performed and goods delivered.

PUBLIC ACCOUNTS COMMITTEE

Follow-Up Report on Inquiries (1982) into the New South Wales Hospital System - Twenty-First Report, (April 1986)

This report reviewed action on the Committee's Second Report into the causes of expenditure overruns in health funding and its Third Report into the standard of public accountability in public hospitals.

The Report is critical of both hospitals and the Health Department for the slow progress in reforming health administration in New South Wales and found that action as a result of its earlier Reports had been tardy and ineffective in a number of areas. The major areas concerned the delineation of hospital roles, the budgeting process, the provision of worthwhile incentives to hospitals, hospital accountability and hospital performance measurement and comparison.

Many of the Committee's 1986 recommendations have been taken up by the Government in its Health 2000 program.

Report on Recommended changes to the Public Accounts- Twenty-Second Report, (May 1986)

Inquiry on a reference from the Treasurer, for the Committee to examine a review of the format of the Public Accounts.

The Committee supported moves to reduce duplication in the Public Accounts, but where the amount of information available to the public would be reduced, did not support change.

The Report made a number of additional recommendations including: that research be conducted into users of the Public Accounts and their information needs; the Public Accounts and Budget Papers be reviewed by Treasury with a

view to increasing ease of understanding;

and that Treasury give consideration to the annual publication of a Layman's

"Guide to the Public Accounts and Budget Papers".

Report on Accompanying (Departments) Proposed Regulations the Annual Reports Act 1985 and

Miscellaneous Amendments concerning Annual Reporting- Twenty-Third Report, (May 1986)

Inquiry on a reference from the Treasurer, as required under the Annual Reports (Departments) Act 1985 and the Public Finance and Audit Act.

The Committee supported the extension of many of the report requirements of statutory bodies to 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 by the regulations and that its recommendation that monthly spending for stores and equipment purchases be graphically depicted in department's reports was also included.

Follow-Up Report on Overtime Payments to Corrective Services Officers- Twenty-Fourth Report, (June 1986)

This Report expresses concern at the increase in annual average sick leave taken by prison officers, from 15 days in 1981-82 to 21 days in 1985-86. The Committee concluded that sick leave was seen by many prison officers as part of their recreation leave entitlement, to be used to take time off, rather than solely for incidences of illness.

The Committee foreshadowed its intention to review prison officer sick leave at a later date.

ANNUAL REPORT

Report on the Collection of Parking and Traffic Fines - Twenty-Fifth Report, (July

1986)

This inquiry was conducted by the Committee following comment by the

Auditor-General on the level of outstanding traffic and parking fines.

The major recommendation made by the Committee was that drivers failing to pay large fines or having outstanding fines for three or more infringements should have their licenses cancelled rather than imprisoned to cut out fines.

The Committee concluded that alternative sanctions to the incarceration of fine defaulters must be found. The use of commercial agencies to locate fine defaulters was also recommended.

The Government is now implementing many of the Committee's recommendations.

Follow-Up Report on Annual Reporting of Statutory Authorities - Twenty-Sixth Report, (July 1986)

This Report reviewed action taken following the Committee's Seventh and Thirteenth Reports. Both Reports concerned annual reporting.

It was found although the relevant legislation reflected the recommendations contained in the Committee's prior reports that 78% of statutory bodies had received at least one exemption from the legislation and that others had not conformed with the legislation but had not applied for exemptions.

The Committee reported that it was most dissatisfied with the attitude of many authorities towards annual reporting regulations. Exemptions sought from the Treasurer were considered excessive.

Annual Report Year Ended 30 June 1986

- Twenty-Seventh Report, (August 1986)

Third Annual Report of the Committee.

Follow-Up Report on Overtime, Sick Leave and Associated Issues in the New

South Wales Police Force - Twenty-Eighth Report, (November 1986)

This Report monitored action taken on the Committee's Fifth Report into police overtime and sick leave.

The Follow-Up Report found overtime hours had been significantly reduced. However, the Committee noted that the collection and analysis of overtime data was still inadequate and recommended urgent action to collect same as a basis for identifying changes in policy and management procedures.

The Report also examined use of police motor vehicles. The Committee found in some cases transport to and from police officers' homes appeared to be the major use of vehicles.

Following the Committee's Report the Minister instigated reviews and subsequently implemented changes in sick leave, overtime and motor vehicles.

Report on the New South Wales Builders

Licensing Board - Twenty-Ninth Report, (December 1986)

Swift action was taken by the then Minister for Consumer Affairs, Deirdre Grusovin, following the Committee's Report.

A Review Committee was established and subsequently the Board was abolished and a new body, the Building Services Corporation was established.

PUBLIC ACCOUNTS COMMITTEE

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 \$8.7M.

Most of the Committee's recommendations have been adopted by the new corporation.

* * * * *

Report of Brief Review of: The Sydney Opera House Trust; Harness Racing Authority of New South Wales; and New South Wales State Cancer Council Thirtieth Report,(February 1987)

The Committee's Report recommended that the Park and Ride Service be on a user pay basis and that the Trust's Annual Report incorporate performance measures. (The Parking and Ride Service has recently been subjected to comment by the NSW Commission of Audit.

Similarly, the Committee recommended that the Harness Racing Authority develop performance measures as well as examine its Benevolent Fund and seek changes to the method of funding the Authority.

In relation to the Cancer Council issues discussed 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.more stringent financial controls over funds administered by the Corporation.

The Committee investigated individual projects which received script development funding from the Corporation. The Report expressed concern at the large sums channelled into projects which eventually lapsed.

During the course of the Inquiry a decision was taken that the General Manager of the Corporation would no longer be a director of the Corporation. A prominent business person was appointed to fill this vacancy.

In May 1988, the Government announced the Corporation would be abolished and that an Office of Film and Television would be established.

* * * * *

Report on the Film Corporation of New South Wales- Thirty-First Report, (June 1987)

The Report on the Film Corporation concluded that after a decade of operation, the objectives and operations of the Corporation required review and redefinition. The Report also recommended changes in the corporate structure to enable clearer lines of responsibility and accountability and

ANNUAL REPORT

APPENDIX 6

Auditor-General's 1986-87 Report - Matters Considered by Committee

Page No. Part 1	Subject	Committee decision action taken	Status as at 30.6.88
14-15	Accountability of companies, partnerships, joint ventures and trusts with public sector equity	* Extent to be investigated and appropriate action to be considered on completion of current inquiries.	* Investigations continuing
27	Accountability of grants and subsidies to community organisation	* Preliminary inquiries to be conducted on completion of current projects.	* Incomplete
31	Section 22 Payments	* Inquiry to be conducted	* Inquiry in progress
131	Delay in providing financial statements, Country Industries Fund and Advanced Technology Development Assistance Fund	* Letters issued to Ministers * Responses from Ministers awaited	* Incomplete

PUBLIC ACCOUNTS COMMITTEE

Page No. Part 1	Subject	Committee decision action taken	Status as at 30.6.87
74,150 156,199	Inadequate accounting systems Department of Agriculture, National Parks & Wildlife Service, Police Department, and Department of Youth & Community Services	* Committee to hold an inquiry in 1988/89 * Letters issued to Ministers * Responses from Ministers awaited	* Inquiries in progress
213	Variations in or Suspension of Statute	* 6 matters Considered by Committee * No further action was recommended in 4 cases · Letter issued to follow up 2 matters · Satisfactory responses received	* Completed

APPENDIX 7

Review of Semi-Official Telephones

BACKGROUND

1. In his 1985/86 Report, the Auditor-General said "The policy regarding the reimbursement of telephone charges to certain categories of officers employed by government authorities has not been updated since 1969.

Based on a limited review by my officers, variances from the policy have developed and strict adherence may prove difficult as many recipients appear not to consider payment to be a condition of their employment.

With the introduction by the Federal Government of the Fringe Benefits Tax, the continued provision of these telephones will lead to authorities incurring additional expense to meet the tax".

2. The Public Accounts Committee wrote on 17 February, 1987 to the Public Service Board, the Auditor-General and Treasurer seeking comments. The Public Service Board indicated on 21 May 1987, that it had referred a draft version of a new policy regarding the reimbursement of telephone charges, to the Secretary, Premier's Department for his approval. The Auditor-General reiterated his earlier comments.

3. In June the Committee decided to write to each Department and Authority seeking details of the extent to which officers received reimbursement for telephone expenses.

4. On 5 August, 1987 the Acting Premier wrote to each Minister advising of the new semi-official telephone guidelines.

As far as can be ascertained the new policy is similar to the old policy except that it includes provision for the reimbursement of diarised STD calls.

The Acting Premier's memorandum called for a review of all existing approvals and gave notice that they would continue until the first new rental period after 1 January, 1988 and then, if not according to policy guidelines, the arrangement would cease.

Officers enjoying the concession but who would not qualify under the new guidelines could, before 31 October, 1987 seek special approval for the continuation of the existing concession.

COMMITTEE

QUESTIONNAIRE

RESULTS

5. Seventy two questionnaires were issued and seventy one replies were received. (Despite a number of follow up telephone calls the Government Printer did not respond and in view of the passage of time, no further action has been taken.)

Summary of Results

- a) Generally Departments provide between 75% and 100% reimbursement of rental and full reimbursement of official trunk calls. Departments often provided a range of concessions depending on the location and seniority of the officer.
- b) Authorities appear to be more generous. The number of Authority employees receiving full reimbursement of telephone rental and calls is greater than the number of Departmental officers.
- c) The total cost of these concessions was \$738,452 in 1986/87. The ten largest Departments and Authorities account for 71% of the total cost.

PUBLIC ACCOUNTS COMMITTEE

d)

There were two remuneration awards which were cited as the basis for telephone fee reimbursement and there are:

i) the Car Drivers Agreement 2478 of 1985 which allows for 100% reimbursement of telephone rental; and

ii) the Crown Employees (Transferred Officers) Award which provides for the payment of telephone reconnection fees for transferred officers.

COMMENTS

The Premier's Minute to Ministers calls for a review of all existing telephone reimbursement arrangements. The Committee's questionnaire was issued a month prior to the Premier's action and most replies were returned by 30 September, 1987. The results, therefore, do not reflect the impact of the new guidelines. They do, however, indicate that there was a need to tighten up the telephone reimbursement policy.

device which allowed them greater flexibility of movement.

COMMITTEE CONCLUSION

The Premier's action in issuing revised guidelines has addressed the Auditor-General's comments concerning the updating of telephone reimbursement guidelines.

The adherence to the policy is a matter for individual Ministers to pursue and the Auditor-General may wish to comment further on the adherence to the new guidelines, in his Annual Report.

ELECTRONIC PAGING DEVICES

In the course of reviewing questionnaire replies it came to notice that government officers wearing electronic paging devices may have been receiving some special allowance. In order to clarify the situation another questionnaire was issued seeking information about the extent of such allowances.

The resulting replies indicated that no officers received any allowance in respect of the paging devices. The devices provided a convenient method of contacting key personnel, often outside normal working hours. In some cases, officers designated as being "on call" and paid an allowance, were also given a paging

The Public Accounts Committee

Annual Report Year Ended 30 June 1988

Committee Publications

Committee Reports are available from the Government Information and Sales Centre, 55 Hunter Street, Sydney.

(Some reports are limited in number - Copies are available from the Committee's Secretariat).

Committee Newsletter - back issues obtainable from the Secretariat.

"Spot-Light on Waste", a brochure summarising the functions and work of the Committee. Copies distributed upon request.

N.S.W. Public Accounts Committee

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