

Members' Additional Entitlements 2017

27 SEPTEMBER 2018



NEW SOUTH WALES AUDITOR-GENERAL'S REPORT

SPECIAL REPORT

THE ROLE OF THE AUDITOR-GENERAL

The roles and responsibilities of the Auditor-General, and hence the Audit Office, are set out in the *Public Finance and Audit Act 1983* and the *Local Government Act 1993*.

We conduct financial or 'attest' audits of State public sector and local government entities' financial statements. We also audit the Total State Sector Accounts, a consolidation of all agencies' accounts.

Financial audits are designed to add credibility to financial statements, enhancing their value to end-users. Also, the existence of such audits provides a constant stimulus to entities to ensure sound financial management.

Following a financial audit the Audit Office issues a variety of reports to entities and reports periodically to parliament. In combination these reports give opinions on the truth and fairness of financial statements, and comment on entity compliance with certain laws, regulations and government directives. They may comment on financial prudence, probity and waste, and recommend operational improvements.

We also conduct performance audits. These examine whether an entity is carrying out its activities effectively and doing so economically and efficiently and in compliance with relevant laws. Audits may cover all or parts of an entity's operations, or consider particular issues across a number of entities.

As well as financial and performance audits, the Auditor-General carries out special reviews and compliance engagements.

Performance audits are reported separately, with all other audits included in one of the regular volumes of the Auditor-General's Reports to Parliament – Financial Audits.



GPO Box 12
Sydney NSW 2001

The Legislative Assembly
Parliament House
Sydney NSW 2000

The Legislative Council
Parliament House
Sydney NSW 2000

In accordance with section 52B of the *Public Finance and Audit Act 1983*, I present a special report titled '**Members' Additional Entitlements 2017**'.

A handwritten signature in black ink, appearing to read 'Margaret Crawford'.

Margaret Crawford

Auditor-General
27 September 2018

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contents

Members' Additional Entitlements 2017

Section one – Members' Additional Entitlements 2017

Members' Additional Entitlements 2017	1
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Section two – Appendices

Appendix one - Response from Parliamentary Remuneration Tribunal	9
Appendix two - Response from Department of Parliamentary Services	11

Section one

Members' Additional
Entitlements 2017



Members' Additional Entitlements 2017

The Auditor-General has reviewed the compliance of Members of the NSW Parliament with certain requirements outlined in the Parliamentary Remuneration Tribunal's Determination (the Determination) for the year ended 30 June 2017.

The Auditor-General's review is designed to provide Parliament with limited assurance about Members' compliance with the Determination. The review program is designed to review each Member's compliance once within the four-year Parliamentary term. Therefore, the reviews may not detect all instances of non-compliance. This year's review covered 41 of the 135 Members of the NSW Parliament.

Results

Our review identified two instances of material non-compliance with the Determination for the year ended 30 June 2017. This non-compliance has resulted in requests for the Members to repay claims.

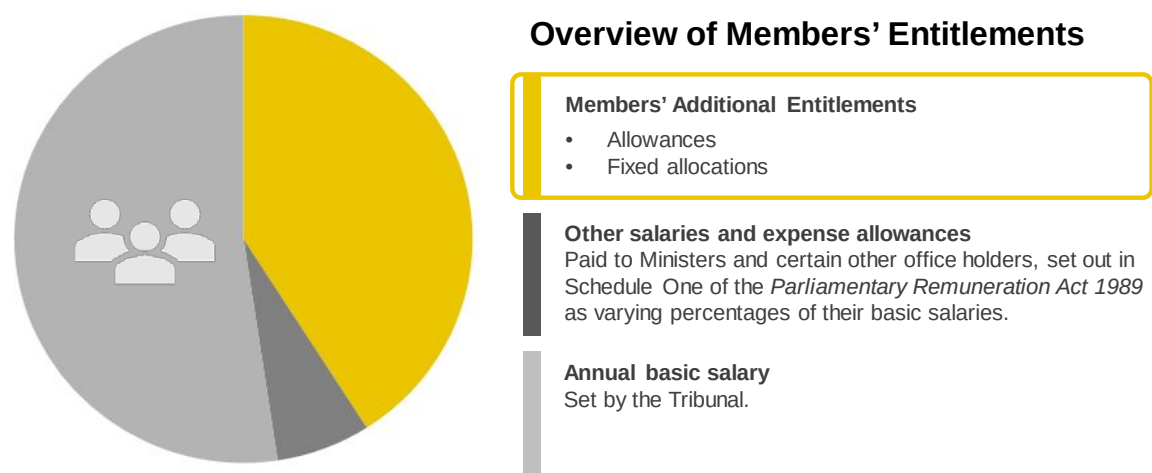
Electorate to Sydney Travel Allowance	One Member claimed the Electorate to Sydney Travel Allowance but was not able to evidence that the travel related to the Member's Parliamentary duties.
Communications Allowance	One Member claimed the Communications Allowance for communications that did not relate to issues affecting the Member's electorate.

A further eight instances of minor non-compliance with the Determination were also identified.

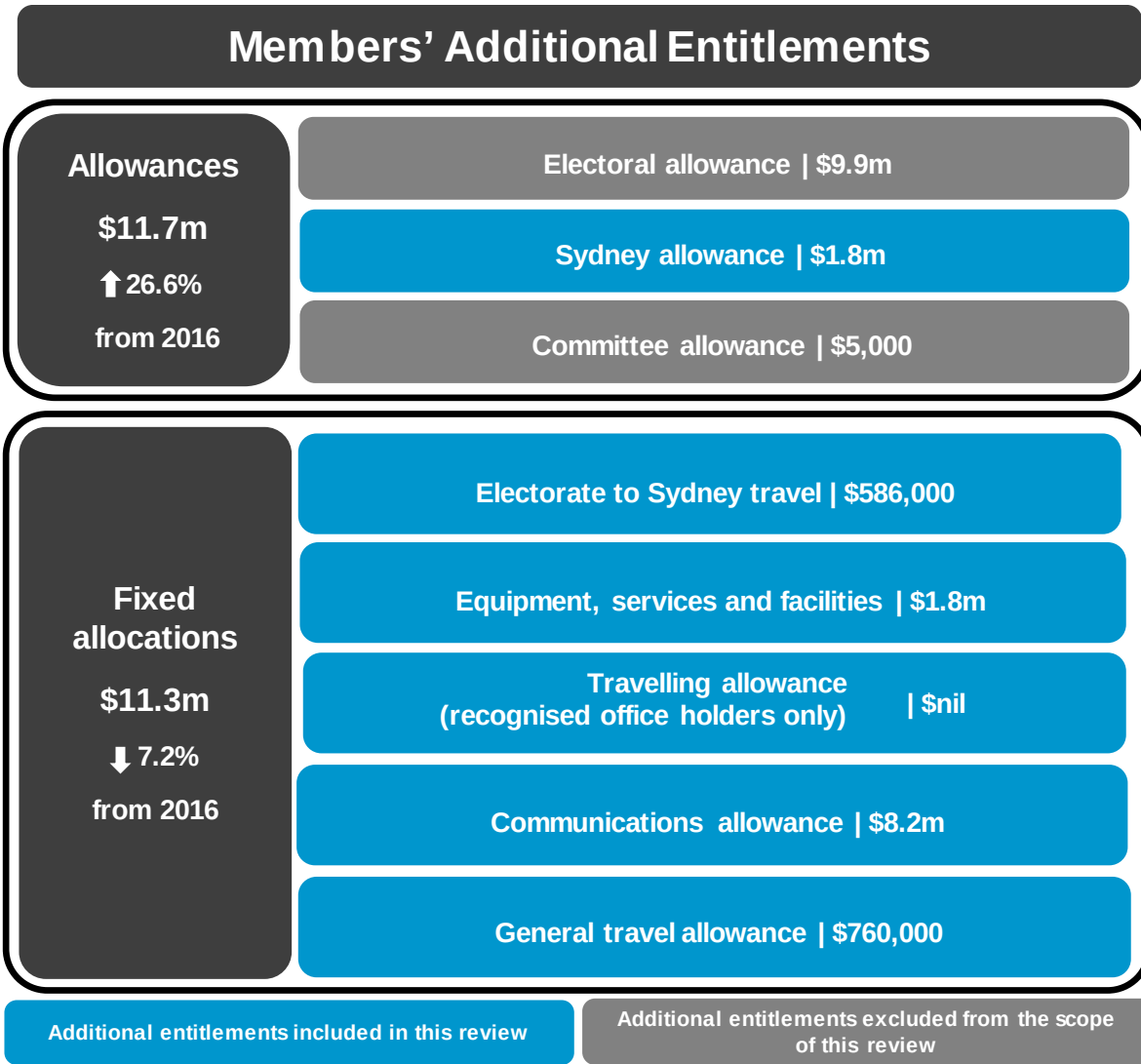
Sydney Allowance	Two Members submitted their mid-year reconciliations for the Sydney Allowance in the month following the 31 January 2017 deadline.
	One Member submitted their year-end reconciliations for the Sydney Allowance in the month following the 31 July 2017 deadline.
Communications Allowance	One Member submitted their Communications Allowance claim outside the 60 days of receipt or expense occurrence deadline.
Declarations of Loyalty / Incentive Schemes	Three Members did not submit their Declarations of Loyalty/Incentive Schemes within 30 days of ceasing to be Members.
	One Member declared in their annual Declaration of Loyalty/Incentive Schemes that they accrued loyalty points from both personal and parliamentary purposes and used the points for both personal and parliamentary purposes.

Background

The Parliamentary Remuneration Tribunal (the Tribunal) determines the salary and entitlements of Members of NSW Parliament (Members). These are set out in the Tribunal's annual Determination.



The NSW Parliament, through the Department of Parliamentary Services (the Department), administers the provision of additional entitlements to Members in accordance with the Tribunal's Determination. In 2017, Members claimed \$23.0 million in Additional Entitlements (an increase of 7.3 per cent from 2016).



Detailed findings

Material findings

One Member's Communications Allowance claim did not relate to matters affecting their electorate

Communications Allowance claims must relate to matters affecting the Member's electorate to be an eligible claim. We found one Member claimed the production costs for a video, but the message communicated in this video did not relate to matters affecting the Member's electorate. Consequently, the Department has asked the Member to return the claimed amount.

One Member's Electorate to Sydney Allowance claim did not relate to parliamentary duties

The Electorate to Sydney Travel claims must relate to parliamentary duties. Members are required to maintain records to support that travel to Sydney was in connection to their parliamentary duties. We found one Member claimed travel costs for their private motor vehicle, but the Member was unable to provide evidence to support that their travel related to parliamentary duties. Consequently, the Department has asked the Member to return the claimed amount.

Other findings

Three Members submitted their Sydney Allowance reconciliations late



Source: Department of Parliamentary Services.

The Sydney Allowance is provided to Members if their principal place of residence is at least 70 kilometres by road from Parliament House. It compensates Members for the additional cost associated with staying in Sydney to attend sessions of Parliament, meetings of parliamentary committees or other parliamentary business.

At the start of each financial year, a Member can choose to receive the Sydney Allowance as either an annual fixed amount, or at a daily rate for each required overnight stay. Members receiving the fixed annual Sydney Allowance submit reconciliations twice a year to the Department and must return any excess of the Allowance over the actual expense by 30 September each year.

As shown in the table below, almost half of the Members entitled to the Sydney Allowance elected to receive it as an annual fixed amount for the year ended 30 June 2017.

Year ended 30 June	2017	2016	2015 Post-Election	2015 Pre-Election
Legislative Assembly				
Members receiving entitlement on an annual basis	20	19	16	19
Members receiving entitlement on a daily rate	22	25	25	25
Legislative Council				
Members receiving entitlement on an annual basis	8	8	6	7
Members receiving entitlement on a daily rate	16	13	15	14

Source: Department of Parliamentary Services.

One Member's Communications Allowance claim was not submitted by the required date

All accounts and Members' expense claims must be submitted to the Department of Parliamentary Services within 60 days of receipt or occurrence of the expense. One Member submitted their Communications Allowance claim 76 days late (136 days after the receipt date).

The Communications Allowance was introduced on 1 July 2016. It replaced the abolished non-electronic communications component of the Logistic Support Allocation and the Electorate Communication Allowance.

The Communications Allowance is an annual budget provided to Members to meet the costs associated with communicating with their constituents. This includes expenses relating to:

- production and distribution of newsletters and brochures
- printing of letterheads and flyers
- audio posters and other e-publications
- developing, hosting and maintaining a website and/or other social media
- email distribution services
- other forms of communications approved by Parliament.

One Member submitted a qualified loyalty/incentive scheme annual declaration

Members must declare that they have not used loyalty/incentive schemes benefits accrued from their parliamentary duties for private purposes. One Member declared that points were accrued from both personal and parliamentary purpose, and that points were applied for both personal and parliamentary purposes. Further detail on the use of points accrued performing parliamentary duties was not provided.

Three former Members completed their loyalty/ incentive scheme declarations late

The Determination requires current Members to complete declarations by 30 June 2017 and former Members within 30 days of leaving Parliament.

This review identified three Members who did not submit their declarations in a timely manner. Two former Members submitted their declarations 16 days after the deadline. A former Member who resigned in February 2017 submitted their declaration in April 2018.

Completion of annual declarations continues to improve

This year, records maintained by the Department of Parliamentary services showed all Members had completed their annual declarations.

Year ended 30 June	2017	2016	2015	2014	2013
Number of Members that did not complete an annual declaration	--	1	5	22	22

Source: Department of Parliamentary Services.

Enhanced public reporting of Members' expenditure claims is expected

In 2016, the Auditor-General's Report to Parliament recommended the Tribunal consider, as a part of the Determination review process, requiring the Department to regularly publish full details of Members' expenditure claims on its website in an accessible and searchable format.

The Tribunal expects greater public reporting of Members' additional expenditure to commence from 1 July 2019. This reporting is planned to be through an online reporting platform. Information will be made available for the following additional entitlements expenditure:

- Communications Allowance
- General Travel Allowance
- Electorate to Sydney Allowance
- Sydney Allowance.

Details are planned to be shown as aggregates of actual expenditure versus annual budget allocations for each Member. Broader allowance types, such as the Communications Allowance and General Travel Allowance, will also include subcategories for more detail. Information on Members' expenditure will likely be updated March and October each year.

Section two

Appendices



Appendix one - Response from Parliamentary Remuneration Tribunal



Parliamentary
Remuneration Tribunal

Ref:A4086211

Ms Margaret Crawford
Auditor-General
The Audit Office of NSW
GPO Box 12
SYDNEY NSW 2001

Dear Ms Crawford

I write with regard to the request for comments on the draft Auditor-General's report to Parliament on Members Additional Entitlements for 2016-17.

I have reviewed the information made available to me and find that the content is factual and appropriate.

I note the following proposed comments relating to the public reporting of Members entitlements:

Enhanced public reporting of Members' expenditure claims is expected

In 2016, the Auditor-General's Report to Parliament recommended the Tribunal consider, as a part of the Determination review process, requiring the Department to regularly publish full details of Members' expenditure claims on its website in an accessible and searchable format.

The Tribunal expects greater public reporting of Members' additional expenditure to commence from 1 July 2019. This reporting is planned to be through an online reporting platform. Information will be made available for the following additional entitlements expenditure:

- *Communications Allowance*
- *General Travel Allowance*
- *Electorate to Sydney Allowance*
- *Sydney Allowance.*

Details will be shown as aggregates of actual expenditure versus annual budget allocations for each Member. Broader allowance types, such as, the Communications Allowance and General Travel Allowance will also include subcategories for more detail. Information on Members' expenditure will likely be updated March and October each year.

Level 4, 255 George Street, Sydney NSW 2000 ■ GPO Box 3988, Sydney NSW 2001
Tel: (02) 9272 6006 ■ www.remtribunals.nsw.gov.au

As outlined in the Report of the Tribunal's 2018 Annual Determination, the public reporting of Members' expenditure claims will require appropriate funding for the development of an integrated online Members' Entitlement Reporting system. Before making the 2018 determination the Tribunal wrote to the Secretary of The Treasury and requested that the Parliament received appropriate funding to provide for the development the reporting system, and other additional entitlements.

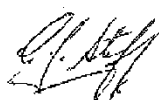
In providing his statement to the Tribunal on the financial implications of the determination (as required under section 12A of the *Parliamentary Remuneration Act 1989*) the Secretary of NSW Treasury advised that:

"...the financial implications of the proposed variation in entitlements in the 2018 Determination is not provided for within the Legislature's existing budget controls and escalation arrangements."

I intend to write to the Treasurer to request favourable consideration of the provision of additional funding to ensure that the Members' Entitlements Reporting system can be built.

If the necessary funding is not provided, or is not provided in time to develop the reporting system before 1 July 2019, it may be necessary for the Tribunal to determine a later commencement date for the public reporting of Members' expenditure claims.

Yours sincerely



The Hon Justice C G Staff
Parliamentary Remuneration Tribunal
10 September 2018

Appendix two - Response from Department of Parliamentary Services



DEPARTMENT OF PARLIAMENTARY SERVICES
Office of the Chief Executive

Ref: D18/33796

Ms Margaret Crawford
Auditor-General of NSW
Audit Office
Level 15, 1 Margaret Street
SYDNEY NSW 2001

24 September 2018

Dear Ms Crawford

Re: Auditor-General's Report to Parliament – Members' Additional Entitlements 2017

I refer to your Report to Parliament on Members' Additional Entitlements 2017 and specifically to the section titled "Enhanced public reporting of Members' expenditure claims is expected" and wish to add the comments below.

The Parliament will not be able to report on expenditure claims from 1 July 2019, as expected by the Parliamentary Remuneration Tribunal, without significant capital funding. To regularly publish details of Members' expenditure claims on its website in an accessible and searchable format will require capital investment of \$2.751 million and ongoing recurrent funding of \$458,000. These figures have been updated, since originally supplied to the Tribunal, to take account of price increases whilst the project awaits funding.

The Tribunal wrote to the Secretary of NSW Treasury to request favourable consideration of this funding for inclusion in the Parliament's 2018-19 budget allocation. No funding was provided in the 2018-19 Budget. The Parliament has subsequently sought supplementary funding to be provided by the Treasurer for 2018-19 to commence work on the required systems with an anticipated completion during 2019-20, if funded.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Mark Webb'.

Mark Webb
Chief Executive

OUR VISION

Our insights inform and challenge government to improve outcomes for citizens.

OUR PURPOSE

To help parliament hold government accountable for its use of public resources.

OUR VALUES

Purpose – we have an impact, are accountable, and work as a team.

People – we trust and respect others and have a balanced approach to work.

Professionalism – we are recognised for our independence and integrity and the value we deliver.

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