



Members' additional entitlements 2024

SPECIAL REPORT | 12 DECEMBER 2024

NEW SOUTH WALES AUDITOR-GENERAL'S REPORT

ROLE OF THE AUDITOR-GENERAL

The roles and responsibilities of the Auditor-General and the Audit Office, are set out in the *Government Sector 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 Consolidated State Financial Statements, a consolidation of all state public sector agencies' financial statements.

Financial audits are designed to give reasonable assurance that financial statements are true and fair, 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 internal controls and governance, and 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 assess whether the activities of government entities are being carried out effectively, economically, 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. Our performance audits may also extend to activities of non-government entities that receive money or resources, whether directly or indirectly, from or on behalf of government entities for a particular purpose.

As well as financial and performance audits, the Auditor-General carries out special reviews, compliance engagements and audits requested under section 27B(3) of the *Government Sector Audit Act 1983*, and section 421E of the *Local Government Act 1993*.



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In accordance with section 52B of the *Government Sector Audit Act 1983*, I present a report titled '**Members' additional entitlements 2024**'.

A handwritten signature in black ink, reading 'Bola Oyetunji'.

Bola Oyetunji
Auditor-General for New South Wales
12 December 2024

RECONCILIATION STATEMENT

We pay our respect and recognise Aboriginal peoples as the traditional custodians of the land in NSW who have cared for and protected the environment, waterways, and sacred sites over many millennia. We honour and thank the traditional custodians of the land on which our office is located, the Gadigal people of the Eora Nation, and the traditional custodians of all the lands on which our employees live and work. We pay our respects to their Elders past and present, and to the next generation of leaders.

As we mark our 200th anniversary, and our contribution to fostering accountability and transparency in the government and Parliament, we also acknowledge that our long history is shared with the histories of colonisation in New South Wales. We acknowledge the impacts of colonisation, and the resulting marginalisation and disadvantage of Aboriginal and Torres Strait Islander peoples in this state.

We embrace our role in holding government agencies to account for the delivery of effective services for Aboriginal and Torres Strait Islander peoples. We are committed to ensuring that our audits are culturally responsive, respectful and inclusive, and that we engage with Aboriginal and Torres Strait Islander peoples and communities in a meaningful and collaborative way.

We recognise the ancestral tie of Aboriginal and Torres Strait Islander peoples to this land, and we acknowledge that we have much to learn from their wisdom, rich and diverse culture, languages, knowledge and practices.

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Section 1 –

Members' additional
entitlements 2024

1. Introduction

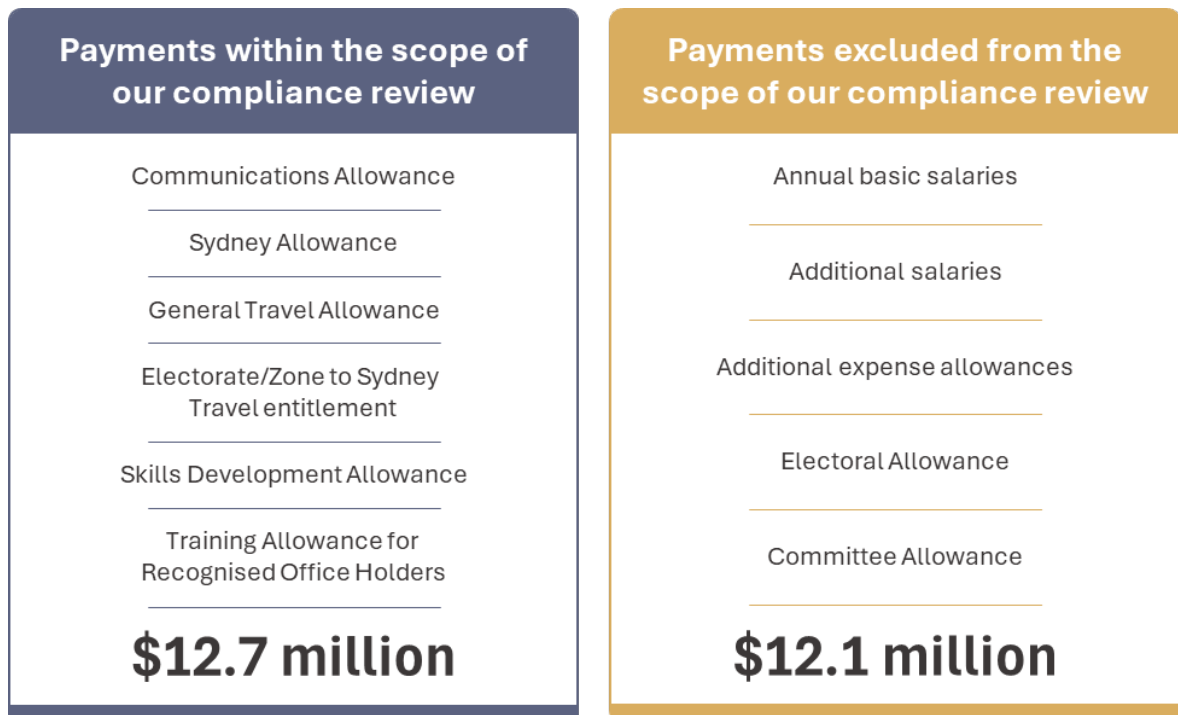
This report reviews compliance by members of the Parliament of New South Wales with certain requirements outlined in the Parliamentary Remuneration Tribunal's (the Tribunal) 2024 Annual Determination (the Determination).

The Determination establishes the annual salaries and additional entitlements allowed to members of the Parliament of New South Wales under the *Parliamentary Remuneration Act 1989* and requires members' claims for additional entitlements to also comply with requirements of the Department of Parliamentary Services' (the Department) administrative guidelines. The Parliament of New South Wales, through the Department, administers payments of additional entitlements.

There were 32,244 payments made to members for entitlements under the Determination during the 2023–24 financial year totalling \$24.8 million. Of these, 30,566 claims for payment of additional entitlements totalling \$12.7 million were within the scope of our compliance review under the Determination. The remaining payments of \$12.1 million made during the 2023-24 financial year were not reviewed as there are certain salaries and allowances within the Determination that are excluded from compliance review requirements. These payments include:

- annual basic salaries, additional salaries and additional expense allowances
- additional entitlements comprising electoral allowances and committee allowances.

The infographic below outlines which payments made to members for entitlements under the Determination are within the scope of our compliance review, and those which the Determination excludes from our compliance review.



2. Review results

There were fewer departures from requirements of the Determination and/or the administrative guidelines of the Department identified in our 2023–24 compliance review than in previous years. However late submission of claims and declarations by members continue, indicating a need for improved processes and greater clarity, training and education for members.

From a sample of 56 claims, our compliance review procedures identified 27 departures from requirements of the Determination and/or the administrative guidelines of the Department. These included:

- 21 claims for payment were not submitted within 60 days of receipt of invoice or incurring the expense (2022–23: 22 claims)
- 1 claim under the Communications Allowance related to a publication that did not include the required authorisation and attribution (2022–23: two claims)
- 5 members submitted their annual loyalty/incentive scheme declarations after the date specified in the Department’s administrative requirements (2022–23: seven members).

The table below shows the number of departures from requirements of the Determination and/or the administrative guidelines of the Department identified in the past three financial years’ compliance reviews.

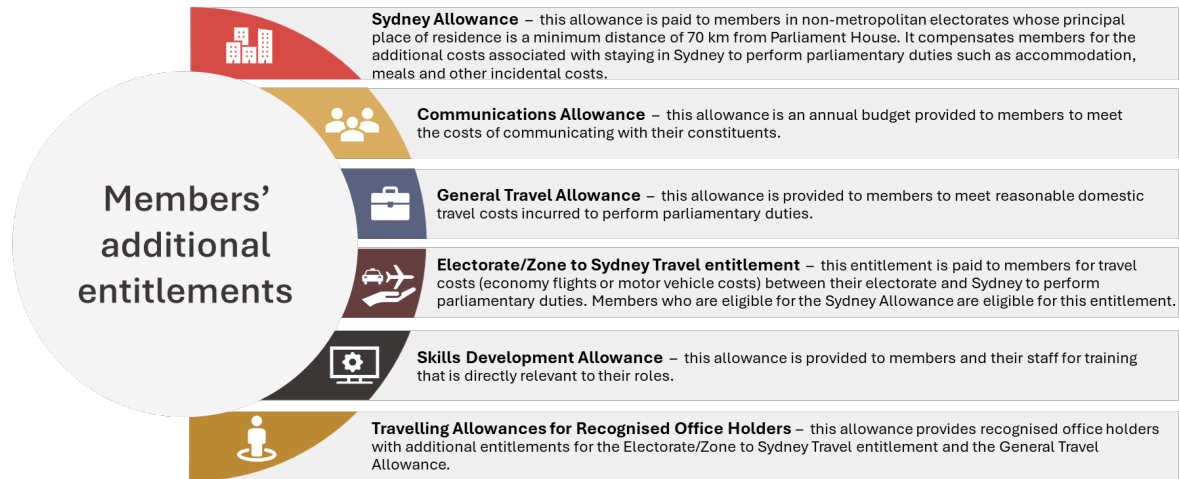
	2023–24	2022–23	2021–22
Late submission of claims for payment	21	22	12
Late submission of Sydney Allowance reconciliations	–	4	6
Ineligible claims for Communications Allowance	1	2	4
Communications Allowance claims made during blackout period *	–	1	–
Annual loyalty/incentive scheme declarations not submitted	–	4	2
Late submission of annual loyalty/incentive scheme declarations	5	7	16
Total number of departures from the Determination	27	40	40

* Blackout periods are applicable only to election years.

3. Findings and observations

3.1. Background

The Determination classifies additional entitlements into allowances and fixed allocations. The infographic below summarises the additional entitlements within the scope of our compliance review.



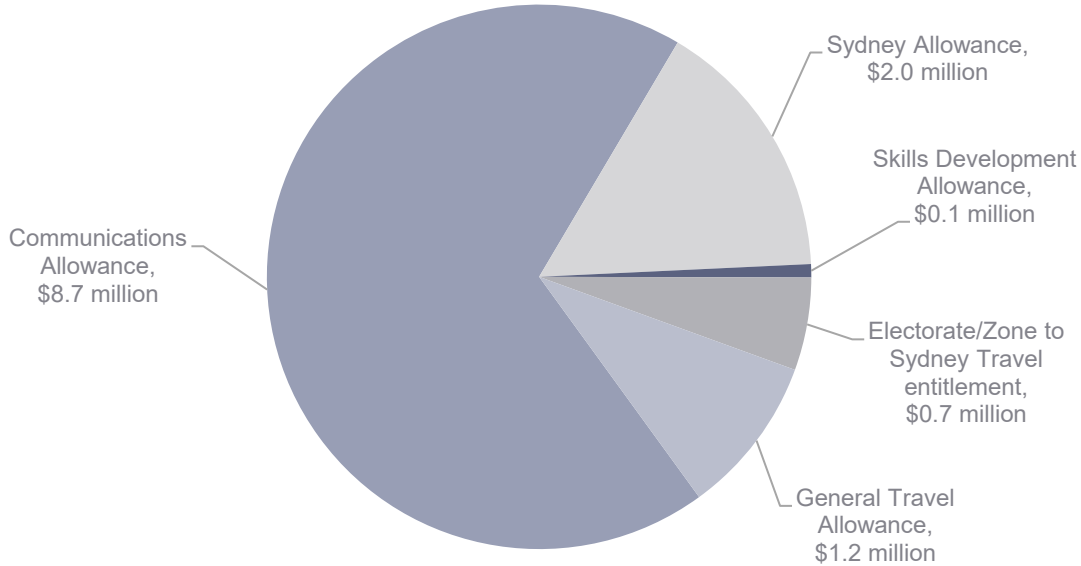
3.2. Claims for additional entitlements in 2023–24

In 2023–24, 30,566 claims totalling \$12.7 million were within the scope of our compliance review.

Similar to previous years, our processes for this compliance review did not extend to examining every claim made by members. Instead, we used data analytics to identify claims of a higher risk. This resulted in a sample of 56 claims being tested, relating to 31 of 136 members.

The graph below shows by category the amounts claimed as additional entitlements within the scope of our compliance review for 2023–24.

Members' additional entitlements within the scope of the 2023–24 compliance review



Travelling Allowances for Recognised Office Holders claimed by members in 2023–24 was \$3,900 (2022–23: nil).

The table below compares the additional entitlement claims by members in 2023–24 with those in 2022–23.

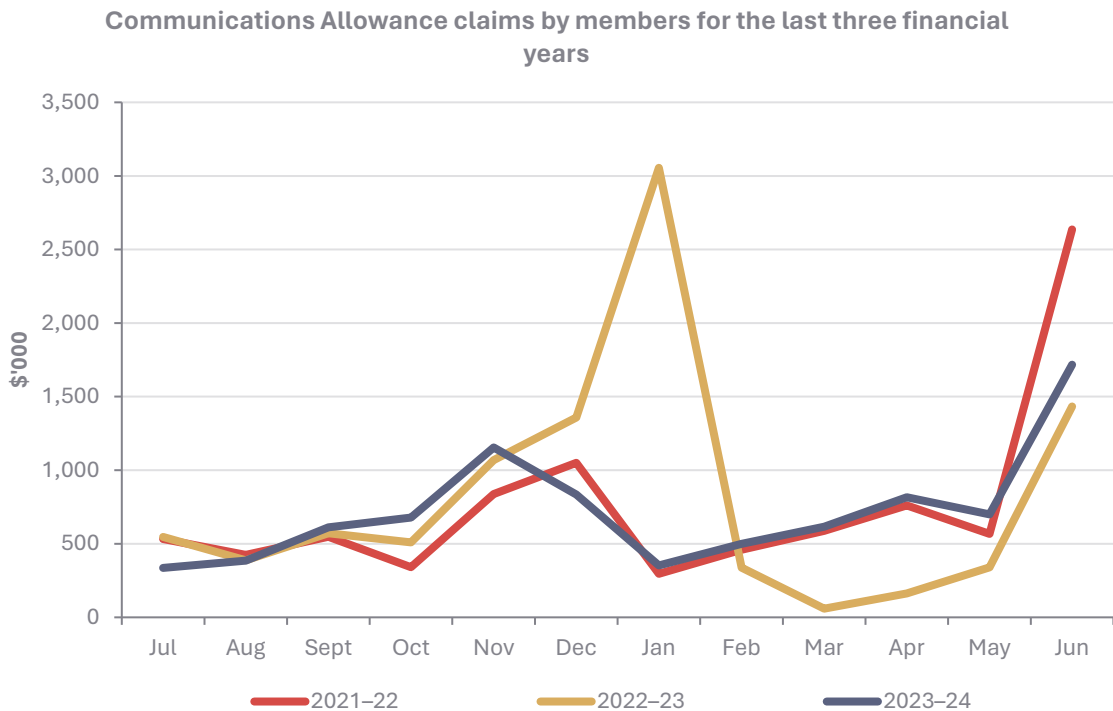
	\$'000		Movement		Number of claims		Movement	
	2023–24	2022–23			2023–24	2022–23		
Communications Allowance	8,703	9,828	↓	(11.4%)	12,102	12,744	↓	(5.0%)
Sydney Allowance	2,041	1,431	↑	42.6%	1,861	1,413	↑	31.7%
General Travel Allowance	1,183	951*	↑	24.4%	11,975	9,650 *	↑	24.1%
Electorate/Zone to Sydney Travel entitlement	667	539	↑	23.7%	4,419	4,381	↑	0.9%
Skills Development Allowance	79	46	↑	71.7%	152	116	↑	31.0%
Travelling Allowances for Recognised Office Holders	4	--	↑	--	57	--	↑	--
Total	12,677	12,795	↓	(0.9%)	30,566	28,304	↑	8.0%

* In 2022–23, 2,536 General Travel Allowance claims with a total dollar value of \$244,294 were omitted in the Department's reporting (this is further discussed below). The 2022–23 information included in this table has been restated to include these claims.

While the number of claims in 2023–24 increased by eight per cent compared to 2022–23, the total dollar value of claims decreased by 0.9%. This is largely due to a reduction in the average value of individual claims for the Communications Allowance.

The \$1.1 million (11.4%) reduction in Communications Allowance claims by members in 2023–24 is largely due to 2022–23 being an election year. There was increased activity leading up to the March 2023 election, which resulted in an increase in Communications Allowance claims by members.

The graph below shows the monthly dollar value of Communications Allowance claims for the past three years.



The increased activity leading up to the March 2023 election resulted in an increase to Communications Allowance claims by members in January 2023.

Certain information submitted for the compliance review by the Department in 2022–23 was incomplete

When we compared the General Travel Allowance claims in 2023–24 to those reported by the Department in 2022–23, the total number of claims increased by 4,861 (68.3%), resulting in an increase of \$479,664 (67.8%) in the total dollar value of entitlements claimed by members. After querying this increase with the Department, it was identified that the number and total dollar value of General Travel Allowance claims submitted for the compliance review in 2022–23 was incomplete. This resulted in a restatement of 2022–23 claims from 7,114 claims totalling \$707,237, to 9,650 claims totalling \$951,532. The Department advised this omission was largely due to the manual processes required to extract the members’ additional entitlements information from its reporting system.

Recommendation

The Department should improve its quality review process when reporting the number and total dollar value of members’ additional entitlement claims to ensure it is accurately reporting the number and value of claims.

3.3. Detailed findings

Lateness in members' expense claims continue to grow

The Determination requires members to submit expense claims to the Department within 60 days of receipt of invoice or incurring the expense. Our review identified 21 instances where members submitted claims after the 60-day timeframe. Each claim was on average 117 days late, with the latest claim being submitted 394 days late. Last year we identified 22 instances of late claims being submitted on average 39 days late, with the latest claim being submitted 284 days late.

Five members were late in submitting their annual loyalty/incentive scheme declarations

Members are required to complete their annual loyalty/incentive scheme declaration by 31 July each year, or within 30 days of leaving Parliament (for former members). Our review procedures identified that five members submitted their declarations seven days late on average. Last year, we identified that seven members submitted their declarations six days late on average.

Members are required to complete these declarations to confirm that loyalty or reward benefits accrued using their additional entitlements have not been used for non-parliamentary purposes.

One Communications Allowance claim did not include the required authorisation and attribution

According to the administrative guidelines of the Department, with which the Determination requires members to comply, publications must include that the communication has been 'authorised by' the member and an attribution that it has been 'funded using parliamentary entitlements'.

Our review procedures identified one instance where a member had claimed the Communications Allowance for a publication for which the required authorisation and attribution had not been made. Last year, we identified two instances where claims under the Communications Allowance did not include the required authorisations and attributions.

The Department should enhance its process to assess whether claims are eligible prior to processing payments

The Determination requires members to maintain records of their expenditure. However, the Department does not always assess these records to ensure the eligibility of claims before making payments.

While the Determination does not specifically require the Department to review and confirm claims are eligible, validating claims for payment is a common and simple good-governance step and should be applied for members' entitlements.

Recommendation

Prior to payments being made, the Department should enhance its assessment as to whether members' expenditure claims comply with requirements of the Determination and the administrative guidelines of the Department, and advise members promptly about whether their claims are ineligible.

The Department's annual internal audit review of additional entitlements did not meet the requirements of the Determination

The Determination requires additional entitlements provided to members be audited annually for compliance by the Department's internal audit function. The Determination requires the internal audit to include:

- additional entitlements in the nature of fixed allocations, which includes:
 - Communications Allowance
 - Electorate/Zone to Sydney Travel entitlement
 - General Travel Allowance
 - Travelling Allowance for Recognised Office Holders
 - Skills Development Allowance
- the Sydney Allowance.

The Department's internal audit plan included an audit on members' additional entitlements for the year ended 30 June 2024, however the scope was limited to Communications Allowance claims. The Sydney Allowance and all other fixed allocation allowances were excluded. This meant the internal audit for 2023–24 did not meet the requirements outlined in the Determination.

Recommendation

The Department should ensure internal audits of members' additional entitlements are adequately scoped, quality reviewed and endorsed prior to their commencement. The scoping should ensure requirements of the Determination are considered and achieved.

The Department's 2023–24 internal audit on additional entitlements was not completed in a timely manner

The internal audit of members' additional entitlements for the year ended 30 June 2024 (limited to Communications Allowance claims) was in progress at the same time as our compliance review and is yet to be concluded at the date of this Report.

Undertaking an internal audit at the same time as our compliance review is not an effective and efficient approach for the Department. This meant our compliance review could not consider any findings identified by the Department's internal audit function, which could have helped inform our risk assessment when determining our testing approach. This approach also limits the potential benefits arising from the internal audit and compliance review, which could help the Department in tailoring its training and education provided to members to improve compliance with requirements of the Determination and/or the administrative guidelines of the Department.

In the absence of the Department requiring evidence to support and review the eligibility of claims as outlined above, the annual internal audit process is even more important as it acts as the Department's detective control when it assesses members' compliance with requirements of the Determination and/or the administrative guidelines of the Department.

Recommendation

Prior to our compliance review commencing each year, the Department should ensure:

- **its annual internal audit on members' additional entitlements is completed**
- **the final report of the internal audit is ready to provide to the Audit Office.**

4. Status of recommendations from prior years

Members require further clarity to address the continued departures from the Determination

Our past compliance reviews identified departures from the Determination and the administrative requirements of the Department that indicate a need for greater clarity in the current processes and guidance, including increased training or education to help support members comply with the Determination.

Last year we recommended:

- the Tribunal provides greater clarity on current processes and implications of departures from the guidelines to members
- the Department works with members to provide them additional training or education and better help them comply with the Determination and/or the administrative guidelines of the Department.

While an improvement was observed in the number of departures from the Determination and the administrative requirements of the Department over the years, similar departures have been consistently identified in our compliance reviews. This suggests there is still a need for the Department to improve processes and provide greater clarity, training and education to members. It reconfirms the importance of our recommendation in section 3.3, which calls for the Department to be responsible in assessing the eligibility of claims for additional entitlements prior to payment.

Enhanced public reporting

Since 2016, our reports to Parliament have recommended the Tribunal consider requiring the Department regularly publish full details of members' expenditure claims on its website in an accessible and searchable format.

In response, the Tribunal had developed a plan requiring greater public reporting of members' expenditure from 1 July 2019. However, Crown Solicitor's advice sought by the Tribunal confirmed it did not have the power to require the Department publish full details of members' expenditure claims.

The Department responded to this recommendation by identifying that a significant investment in the required systems was necessary to allow for the detailed publishing of all members' expenditure claims.

This recommendation has been considered by the Department and to date, there are no imminent plans for any change in the way it publishes the details of members' expenditure claims during the year. Given our recommendation was to enhance public reporting of members' expenditure claims, and there is no non-compliance with existing reporting, we will not be repeating this recommendation.

Section 2 – Appendices

1. Response from the Department of Parliamentary Services

Parliament of
New South Wales

Department of Parliamentary Services
Office of the Chief Executive

6 Macquarie Street, Sydney
NSW 2000 Australia
www.parliament.nsw.gov.au

11 December 2024

Our Ref: D24/061861

Mr Bola Oyetunji
Auditor General
Audit Office of NSW
GPO Box 12
SYDNEY NSW 2001

Dear Mr Oyetunji

Re: Auditor General's Report to Parliament - Members' Additional Entitlements 2024

I refer to the report to Parliament on Members' additional entitlements and specifically to the following findings:

Certain information submitted for the compliance review by the Department in 2022-23 was incomplete.

The Department notes the administrative oversight during the 2022-23 assurance engagement and can confirm additional processes and controls have been put in place to address this matter. We can however confirm the expenditure was accurately reflected in Parliament's audited financial statements as contained in the corresponding Annual Report.

Lateness in members' expense claims continues to grow.

The Department notes there were 30,566 claims processed in 2023-24 and as part of the sampling of Members' claims, the Audit Office has identified 21 instances where members submitted claims after the 60-day timeframe.

We will continue to work with Members to ensure their compliance with the PRT Determination and to ensure claims are submitted in a timely manner. It is however acknowledged that from time to time, expenditure claims are delayed due to issues with suppliers, and these are beyond the control of Members. DPS is implementing enhancements to our monitoring regime to minimise the number of late claims.

Five members were late in submitting their annual loyalty/incentive scheme declarations.

The Department will continue to work with members to ensure their annual loyalty/incentive scheme declarations are submitted in a timely manner in accordance with our internal timelines.

One Communications Allowance claim did not include the required authorisations and attributions.

The Department will continue to work with and encourage all Members to seek appraisals of their communications and publications prior to distribution to ensure compliance with the PRT Determination and Parliament's administrative guidelines.



The Department should enhance its process to assess whether claims are eligible prior to processing payments.

The Department notes the recommendation to enhance its assessment of Members' expenditure claims and will continue to review its administrative processes to ensure the ongoing compliance with the PRT Determination and Parliament's administrative guidelines.

The key principle that underpins the administration of the Members' entitlements is a self-assessment regime on the part of Members to ensure compliance with the Annual Report and Determination of the Parliamentary Remuneration Tribunal (PRT) and Parliament's administrative guidelines. This approach was supported by the Parliamentary Remuneration Tribunal and the Audit Office when the framework was established in 2009.

The Annual Report and Determination of the Parliamentary Remuneration Tribunal (PRT) states:

The use of Members' additional entitlements will be subject to Parliament's administrative guidelines. The administrative guidelines should assist Members in carrying out their functions and duties. Members must comply with the Parliament's administrative guidelines where they are consistent with the Determination and guidelines and conditions contained herein.

The Determination further states:

Expenditure is only to be incurred in connection with the parliamentary duties of Members (and in this respect the Member should refer to the guidelines in this Determination and those issued by the Parliament) and

... The onus is always on the Member to show that the expenditure or any claims for reimbursement relate to parliamentary duties.

Under the current regime, all claims are subject to an administrative review when submitted by a Member for payment. This includes an assessment of claims at the time of processing. Where deemed necessary, claims are also escalated for further review or clarification at which time, a Member may be contacted and asked to provide additional information. It should however be noted that in a self-assessment regime, the onus for demonstrating the parliamentary purpose of any claim rests with the Member rather than the Department. Given the lack of an objective definition and the importance of context to any interpretation of parliamentary purpose, it would be impossible for the Department to form a definitive opinion in this space.

The framework is further supported by a dedicated team within the Department who review claims and provide advice and education in addition to up-to-date information on the use of Members' additional entitlements.

An internal audit program is in place to complement the risk management approach to the administration of Members' entitlements and all Members are subject to audit.

The internal audit function is further complemented by the assurance engagement undertaken by the Audit Office.

The Department's annual internal audit review of additional entitlements did not meet the requirements of the Determination.

The Annual Report and Determination of the Parliamentary Remuneration Tribunal (PRT) states:

Members' additional entitlements in the nature of fixed allocations and the Sydney Allowance provided to Members shall be audited annually for compliance through the Parliament's internal audit function. In addition to any internal audit conducted by the Parliament, Members' additional entitlements in the nature of fixed allocations and the Sydney allowance shall be the subject of an external assurance engagement conducted by the Auditor-General of NSW.

The internal audit of the Communications Allowance was a pivotal piece of work in continuing to ensure the Department provides appropriate education and advice to Members, whilst also ensuring the compliance of Member's claims with the PRT Determination and Parliament's administrative guidelines.

A subsequent audit of the remaining entitlements is scheduled to commence in January 2025.

The Department's 2024 internal audit on additional entitlements was not completed in a timely manner.

As indicated above, the internal audit is progressing in accordance with the PRT Determination.

Members require further clarity to address the continued departures from the Determination.

We will continue to provide appropriate education and guidance to Members to ensure claims are submitted in a timely manner and other internal administrative requirements are met.

Enhanced public reporting.

We note the intention to retire this recommendation.

Yours sincerely



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

Pride in purpose
Curious and open-minded
Valuing people
Contagious integrity
Courage (even when it's uncomfortable)

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