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**New South Wales Auditor-General's Report**  
Financial Audit

**Volume Three 2016**

Additional Entitlements for Members of Parliament

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## 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*.

Our major responsibility is to conduct financial or 'attest' audits of State public sector agencies' 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 agencies to ensure sound financial management.

Following a financial audit the Audit Office issues a variety of reports to agencies and reports periodically to parliament. In combination these reports give opinions on the truth and fairness of financial statements, and comment on agency 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 agency 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 agency's operations, or consider particular issues across a number of agencies.

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.

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The Legislative Council  
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Pursuant to the *Public Finance and Audit Act 1983*,  
I present Volume Three of my 2016 report.

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

**Margaret Crawford**  
Auditor-General  
30 June 2016

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# The Legislature

Members' Additional Entitlements





# Members' Additional Entitlements

The Audit Office reviewed whether Members of NSW Parliament complied with certain requirements outlined in the Parliamentary Remuneration Tribunal's Determination for the year ended 30 June 2015.

The review was designed to provide Parliament with limited assurance about whether a sample of 34 Members complied with the Tribunal's Determination. The review performed was less than a full audit and not designed to detect all instances of non-compliance.

## Results

The Members reviewed generally complied with the requirements of the Tribunal's Determination for the year ended 30 June 2015.

## Findings

The following instances of non-compliance were identified:

- Five Members' claims were not submitted to the Department for payment within 60 days of receipt or occurrence of the expense.
- Four Members did not submit their mid-year reconciliations for the Sydney Allowance by the 31 January 2015 deadline.
- Four Members did not submit their year-end reconciliations for the Sydney Allowance by the 31 July 2015 deadline.
- Five Members did not complete an annual declaration stating that loyalty/incentive schemes benefits received when using their allowance and entitlements were used only for Parliamentary duties and not for private purposes.



## Recommendation

The following recommendation is included within this report:

**The Parliamentary Remuneration Tribunal should consider, as a part of the next Determination review process, requiring the Department of Parliamentary Services to regularly publish full details of Members' expenditure claims on its website in an accessible and searchable format. The Department should be given some time for consultation with Members and implementation of systems before any new requirements are effective.**

## Status of 2014 Recommendations

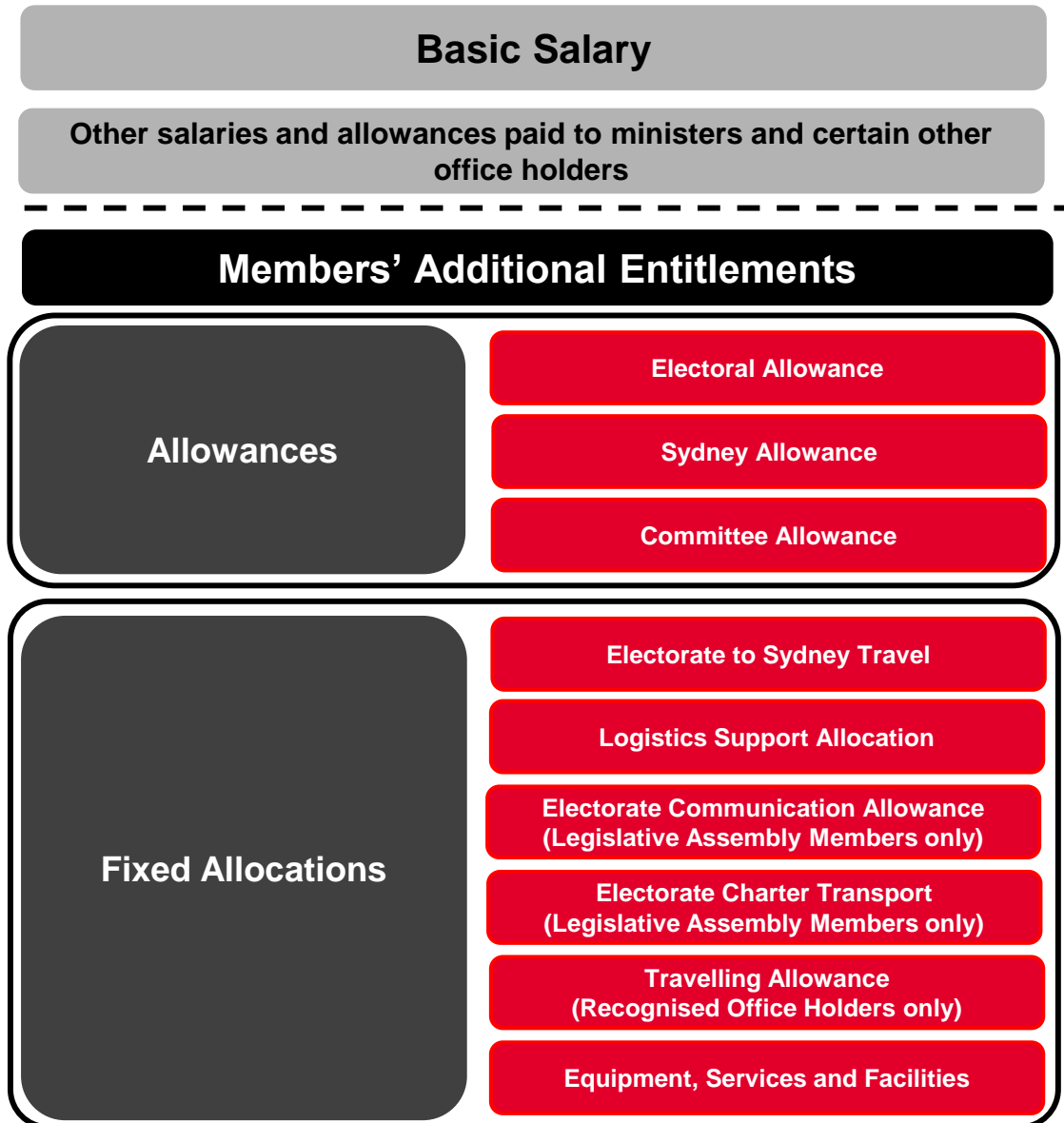
Last year's Auditor-General's Report to Parliament included two recommendations. The current status of each recommendation is shown below.

Recommendation	Current Status
 The Department should document its policy on reimbursing 'pay TV' subscription claims by 30 September 2015.	The Department now has a policy that restricts the claiming of 'pay TV' subscriptions to news or documentary material only.
 The Tribunal should consider ways of addressing Members' non-compliance with the requirement to complete annual loyalty and incentive scheme declarations.	The Tribunal advises it is considering introducing a new condition that will prohibit the provision of further entitlements until the Member complies.

## 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.

## Snapshot of Members' entitlements



Members' additional entitlements are separate from the Members' basic salary, and other salaries and allowances paid to ministers and certain other office holders.

In 2014-15, the Tribunal increased Members' annual basic salary by 2.25 per cent to \$149,541. It also increased some allowances such as the Electoral Allowance, Sydney Allowance and Logistic Support Allocation by 2.25 per cent in line with the Members' basic salary increase.



## Members' Additional Entitlements Expenditure

### Members claimed 9.2 per cent more expenditure in 2014-15 compared to 2013-14

Members' additional entitlements expenditure was \$22.2 million in 2014-15, 9.2 per cent higher than the previous year of \$20.3 million.

Members' Additional Entitlements expenditure for year ended 30 June	2015	2014	2013	2012	Increase/ (decrease) between
	\$	\$	\$	\$	2015 and 2014
					%
Electoral Allowance	7,180,587	7,054,210	6,887,335	6,731,860	1.8
Sydney Allowance	1,601,849	1,736,562	1,768,873	1,694,478	(7.8)
Logistic Support Allocation	5,597,161	3,807,404	3,769,676	3,389,503	47.0
Electorate Communication Allowance	5,336,400	5,164,282	5,447,837	4,691,892	3.3
Electorate to Sydney Travel	728,025	810,539	783,789	759,203	(10.2)
Committee Allowance	13,725	19,990	19,288	16,841	(31.3)
Electorate Charter Transport	48,065	48,656	44,075	41,362	(1.2)
Equipment, Services and Facilities*	1,695,224	1,681,377	1,680,512	1,446,751	0.8
Travelling Allowance	--	--	--	--	--
<b>Total</b>	<b>22,201,038</b>	<b>20,323,020</b>	<b>20,401,385</b>	<b>18,771,890</b>	<b>9.2</b>

\* The expenditure includes allowances paid for Additional Temporary Staff only. It does not include the cost of providing Members with a fitted out, equipped and maintained Office/Electorate Office.

Source: Department of Parliamentary Services (unaudited).

For the year ended 30 June 2015, Logistic Support Allocation (LSA) expenditure increased by 47.0 per cent. The Department advises the increase was due to additional spending by Members prior to the March 2015 State election. Unexpended LSA funding is forfeited at the end of each parliamentary term. Committee Allowance expenditure decreased by 31.3 per cent due to fewer Committee activities as a result of the State election.

## Transparency of expenditure claims

### More disclosure of Members' expenditure claims is recommended to improve transparency

#### Recommendation

**The Parliamentary Remuneration Tribunal should consider, as a part of the next Determination review process, requiring the Department of Parliamentary Services to regularly publish full details of Members' expenditure claims on its website in an accessible and searchable format. The Department should be given some time for consultation with Members and implementation of systems before any new requirements are effective.**

Details of Members' expenditure claims are not published and accessible by the general public. Members' allowances and expenditure are published once a year in the annual reports of the Legislative Assembly and Legislative Council. Amounts are only disclosed in aggregate for each Member by entitlement type.

In recent years, several countries have increased transparency of members' expenses. Examples include:

- The UK Independent Parliamentary Standards Authority publishes individual claims made by members. Batches of claims are published every two months, three months in arrears and the data can be downloaded by the public from the website.
- The Scottish Parliament makes full details of members' allowances available through the internet. The public can view claims made by members for carrying out their parliamentary duties along with the relevant receipts.

In February 2016, the Committee for an Independent Parliamentary Entitlements System published their review of the federal parliamentary entitlements system. The Committee made 36 recommendations, two of which related to improving transparency through enhanced reporting.

Accountability is necessary when dealing with public monies to maintain confidence they are being appropriately used. There is a need for improved transparency in NSW to provide the desired accountability. Regularly publishing full details of all Members' expenditure claims on the Department's website in an accessible and searchable format would improve transparency.

## Detailed findings

### Sydney Allowance

The Sydney Allowance is provided to Members if their principal place of residence is at least seventy kilometres by road from Parliament House or they reside in an outer non-metropolitan electorate. It compensates Members for additional costs 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 a daily rate. If the actual expenses over the year are less than the amount of the allowance, the excess must be returned within three months of the end of the year.

As shown in the table below, almost half the Members entitled to the Sydney Allowance elected to receive it as an annual fixed amount for the year ended 30 June 2015.

Year ended 30 June	Legislative Assembly						Legislative Council			
	2015 Post Election	2015 Pre Election	2014	2013	2012	2011	2015 Post Election	2015 Pre Election	2014	2013
Members receiving entitlement on an annual basis	16	19	21	22	23	21	6	7	7	7
Members receiving entitlement on a daily rate	25	25	20	21	22	23	15	14	14	13

Source: Department of Parliamentary Services.

### Annual Sydney Allowance

The Tribunal's 2014 Determination required, for the first time, that Members receiving the annual Sydney Allowance submit reconciliations twice a year. Previously, Members only submitted annual reconciliations. Four Members did not submit their mid-year reconciliations for Sydney Allowance by the 31 January 2015 deadline. Four Members did not submit their year-end reconciliations by the 31 July 2015 deadline.

Last year's Report to Parliament noted one Member had not returned their unspent Sydney Allowance by 30 September 2014 and still owed over \$25,500 at 31 March 2015. The Member repaid the amount in August 2015.

## Daily Sydney Allowance

Members electing the daily rate option claim the allowance as the need for an overnight stay arises. The table below shows the daily rate and number of nights an eligible Member could claim in the year ended 30 June 2015.

Maximum allowable overnight stay*	Amount payable for overnight stay where accommodation costs are incurred*	Amount payable for transit to and from Sydney where no overnight stay is involved**
From 105 to 180 nights	\$278	Actual reasonable expenses for meals and incidentals up to a maximum of \$99.95 per day

\* If a Member chooses to receive the daily rate allowance and exceeds the set number of overnight stays, they will be reimbursed actual costs, up to the daily maximum, on production of tax invoices/receipts for each occasion. The maximum depends on a Member's Parliamentary office and location of principal place of residence.

\*\* This rate is applicable when the Member is traveling to Sydney or travelling home from Sydney following an overnight stay. Members cannot claim the in-transit allowance if they exceed the set number of overnight stays.

Source: Tribunal's Determination 2014.

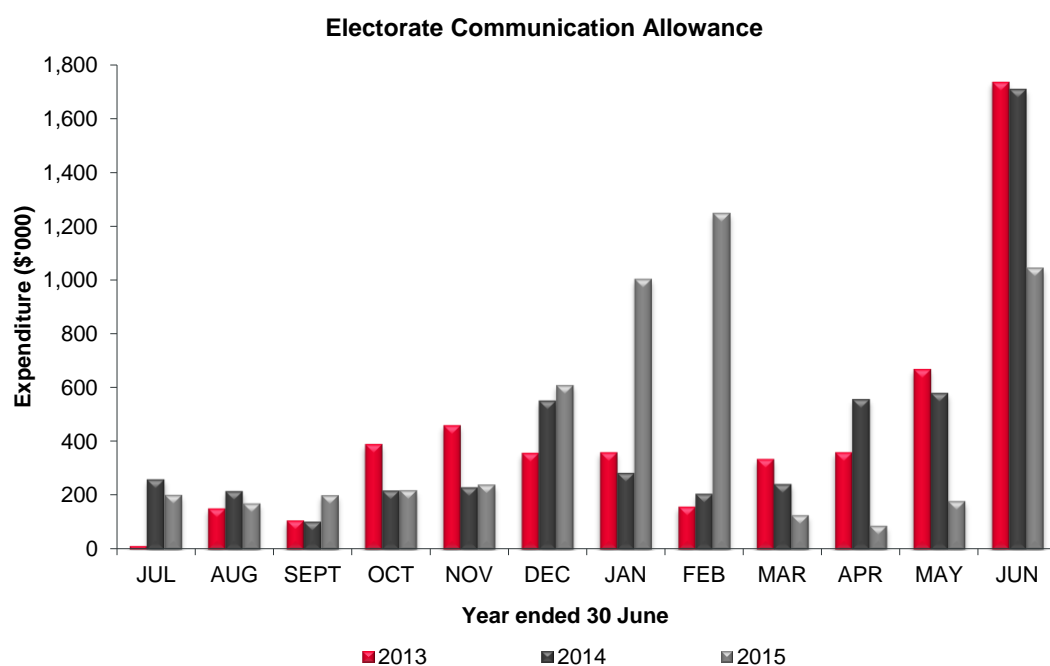
## Electorate Communication Allowance

The Electorate Communication Allowance provides Legislative Assembly Members with annual funding to meet the cost of preparing and distributing two newsletters per enrolled voter in their electorate. Members may issue additional newsletters subject to available funds in the Electorate Communication Allowance. The Member Entitlements unit within the Department reviews Members' newsletters to ensure the content complies with the Tribunal's Determination and Parliament's publication guidelines.

Members are not permitted to use their Electorate Communication Allowance for the production and distribution of publications (excluding general office correspondence) during the period from 26 January in a State election year to the election date. This is known as the 'blackout period'.

The maximum Electorate Communication Allowance entitlement for the year ended 30 June 2015 was \$89,369.

### Significantly higher use of the Allowance before the State election



Source: Department of Parliamentary Services (unaudited).

There was a significant increase in Electorate Communication Allowances paid in January and February 2015 compared to other months in the financial year. The Department received a significant number of requests before the communication blackout period took effect from 26 January 2015. Due to the high volume, not all claims could be paid before the blackout period took effect. The Department advises all final proof material submitted and reviewed complied with the Parliament's Publication Guidelines.

### Significantly higher use of the Allowance in June each year

While the average monthly spend (excluding June) from the Electorate Communication Allowance was \$336,700 across the last three financial years, the graph above shows Members spent \$1.0 million in June 2015, \$1.7 million in June 2014 and \$1.7 million in June 2013 on electorate communication.

The Department advises that Members spend more in June because the State budget is delivered in June each year. A large number of Legislative Assembly Members elect to issue a budget related newsletter at this time.

Unused Electorate Communication Allowance funds at the end of each financial year are forfeited.

### Logistic Support Allocation

The Logistic Support Allocation covers Members' operational costs associated with their Parliamentary duties, which include transport, communication, printing and stationery costs. Members can use the Logistic Support Allocation to fund the cost of newsletters if they have no Electoral Communication Allowance funds left. Members can also carry forward unspent monies from one year to future years within their four-year term. At the end of their four-year term, unused Logistic Support Allocations are forfeited.

Members are not permitted to use their Logistic Support Allocation for the production and distribution of publications during the period from 26 January in a State election year to the election date.

Legislative Assembly and Legislative Council Members and Recognised Office Holders are entitled to a Logistic Support Allocation as follows:

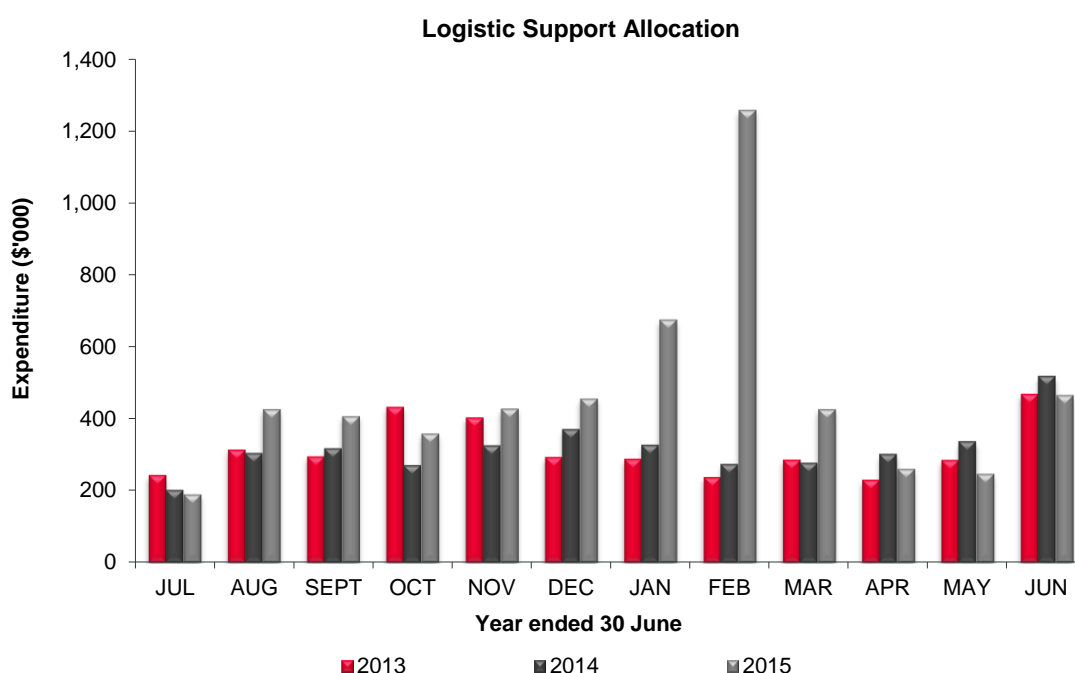
Member Type	Minimum allocation each year \$	Maximum allocation each year \$
Legislative Assembly Members and Office Holders	35,470	45,225*
Legislative Council Members and Office Holders	24,060	36,705*

\* The total maximum Logistic Support Allocation can vary depending on the Office(s) held and where the Member or Office Holder resides. This can affect the final amount allocated after applying the percentage loadings in the Tribunal's Determination.

Source: Tribunal's Determination 2014.

## Significantly higher use of the Allocation before the State election

The graph below compares Logistic Support Allocation expenditure by month over the last three years.



Source: Department of Parliamentary Services (unaudited).

The graph shows a significant increase in Logistic Support Allocations paid in January and February 2015. Members spent over \$1.9 million from their Logistic Support Allocations in the two-month period.

The Department advises that some of this expenditure will be a flow over from Christmas related publications while the rest will be generated by other publications produced and distributed before the blackout period. Expenditure recorded in January, February and March will generally relate to expenditure incurred in November, December and/or January. The Department advises that Logistic Support Allocations have not been used for electioneering purposes.

### Pay TV Subscription Claims

Last year's Report to Parliament recommended the Department of Parliamentary Services document its policy on reimbursing 'pay TV' subscription claims. The Department now has a policy that restricts the claiming of 'pay TV' subscriptions to news or documentary material only. Sports, movies and children's channels cannot be claimed.

### Electoral Allowance

The Electoral Allowance is provided to Members to help meet the cost of performing parliamentary duties, including leasing or purchasing motor vehicles. This is paid to Members in equal monthly instalments and Members are not required to demonstrate to Parliament how, or if, they have spent this allowance. Members are, however, required to keep appropriate records for taxation purposes.

Members	Electoral allowance payable each year
Legislative Assembly Members	\$45,160 to \$126,980
Legislative Council Members	\$52,885 to \$52,925

Source: Tribunal's Determination 2014.

The Electoral Allowance payable to Legislative Assembly Members varies depending on the Members' electorate.

## Loyalty and incentive schemes

### All current Members completed their 2015 loyalty/incentive scheme declaration

The Tribunal's Determination requires that Members complete an annual declaration, stating benefits accrued by way of loyalty/incentive schemes, as a consequence of using their allowance and entitlements, were used for parliamentary duties and not for private purposes.

The table below shows that for the year ended 30 June 2015, five Members did not complete this declaration. These five Members ceased their term at the 2015 election.

Year ended 30 June	2015	2014	2013	2012
Number of Members that did not complete an annual declaration	5	22	22	15

Source: Department of Parliamentary Services.

Last year's Report to Parliament recommended the Parliamentary Remuneration Tribunal consider ways of addressing Member's non-compliance with the requirement to complete annual loyalty and incentive scheme declarations. The Tribunal advises it is considering introducing a new condition that will prohibit the provision of further entitlements until the Member complies.

## Internal Audit of Members' Additional Entitlements

NSW Parliament has in place an internal audit program focusing on the administration and management of Members' additional entitlements claims. Each year, NSW Parliament's internal auditors select a sample of Members and test compliance with the Tribunal's Determination. The 2014-15 internal audit report is not yet finalised. Once finalised, the Department has a process to share key learnings from annual internal audits with all Members.

## The Role of the Parliamentary Remuneration Tribunal

The Tribunal's principal function is to determine Members' and Recognised Office Holders' additional entitlements. These additional entitlements fall into two categories:

- those in the nature of allowances:
  - Electoral Allowance
  - Sydney Allowance
  - Committee Allowance.
- those in the nature of fixed allocations:
  - Electorate to Sydney Travel
  - Logistic Support Allocation
  - Electorate Communication Allowance for Legislative Assembly Members
  - Electorate Charter Transport for Legislative Assembly Members
  - Travelling Allowance for Recognised Office Holders
  - Equipment, Services and Facilities.

The additional entitlements determined by the Tribunal are separate from:

- members' annual basic salaries, set by the Tribunal
- additional salaries and expense allowances paid to ministers and certain other office holders, set out in Schedule One of the *Parliamentary Remuneration Act 1989* as varying percentages of their basic salaries.

## Our vision

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