

---

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

**Members' Additional Entitlements 2016**

---



## 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.

[audit.nsw.gov.au](http://audit.nsw.gov.au)



© Copyright reserved by the Audit Office of New South Wales. All rights reserved. No part of this publication may be reproduced without prior consent of the Audit Office of New South Wales.

The Audit Office does not accept responsibility for loss or damage suffered by any person acting on or refraining from action as a result of any of this material.



GPO Box 12  
Sydney NSW 2001

The Legislative Assembly  
Parliament House  
Sydney NSW 2000

The Legislative Council  
Parliament House  
Sydney NSW 2000

Pursuant to the *Public Finance and Audit Act 1983*,  
I present Members' Additional Entitlements 2016.

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

**Margaret Crawford**  
Auditor-General  
21 March 2017

# Section One

Members' Additional Entitlements 2016





# Members' Additional Entitlements 2016

The Auditor-General conducted an external review of whether Members of NSW Parliament complied with certain requirements outlined in the Parliamentary Remuneration Tribunal's Determination for the year ended 30 June 2016.

The Auditor-General's review program is designed to cover all Members over the four-year Parliamentary term. The reviews performed are not designed to detect all instances of non-compliance. They provide Parliament with limited assurance about whether Members comply with the Tribunal's Determination. This year's review covered a sample of 34 Members.

## Results

Except for the findings noted below, the Members reviewed complied with the requirements of the Tribunal's Determination for the year ended 30 June 2016.

## Findings

The following instances of non-compliance were identified:

- One Member claimed their Pay TV subscription, which included children's entertainment channels, from their Logistic Support Allocation. These channels do not aid the Member in performing their Parliamentary duties.
- One Member returned their unsubstantiated Sydney Allowance to the Department of Parliamentary Services in the month following the 30 September 2016 deadline.
- Two Members submitted their mid-year reconciliations for the Sydney Allowance in the month following the 31 January 2016 deadline.
- Two Members submitted their year-end reconciliations for the Sydney Allowance in the month following the 31 July 2016 deadline.
- One Member did not submit an annual declaration due by 30 June 2016 until November 2016. The declaration related to benefits accrued to the Member by way of loyalty/incentive schemes from using allowances and entitlements. Such benefits must only be used for Parliamentary duties and not for private purposes.
- Two Members that resigned in May 2016 were required to submit declarations within 30 days of ceasing to be Members. The declarations were submitted in October 2016. The declarations related to benefits accrued to the Members by way of loyalty/incentive schemes from using allowances and entitlements. Such benefits must only be used for Parliamentary duties and not for private purposes.

## Status of 2016 Recommendation

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

### 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.

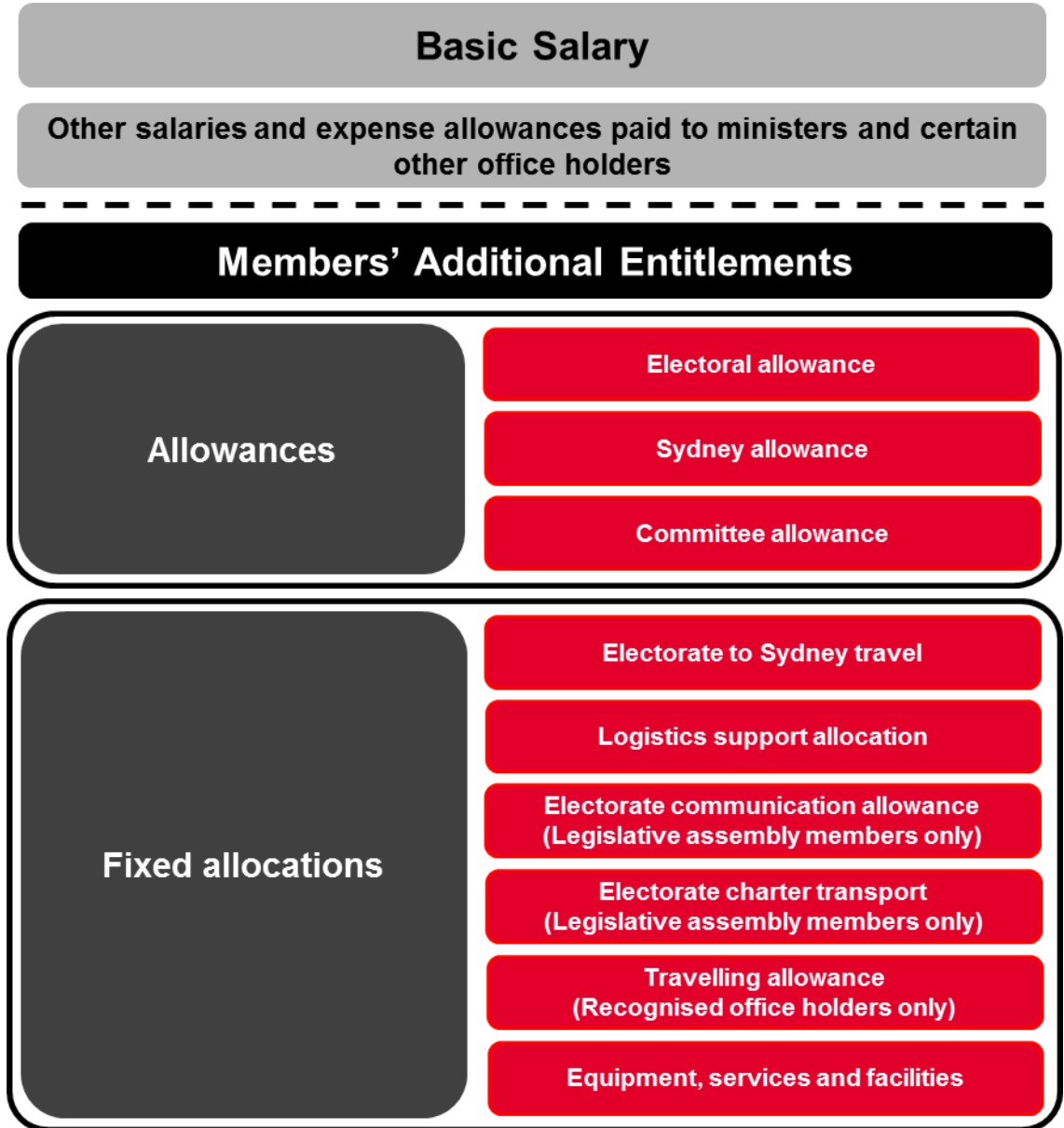
### Current status

The Tribunal is expected to address this recommendation in the 2017 Determination. The Department has examined the current reporting arrangements in other Parliaments within Australasia and some international jurisdictions. It is preparing briefing material for Parliament's Presiding Officers.

## 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' additional entitlements



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

In 2015–16, the Tribunal increased Members' annual basic salary by 2.5 per cent to \$153,280. It also increased some allowances such as the Electoral Allowance, Sydney Allowance, Logistic Support Allocation and Electorate Charter Transport Allocation by 2.5 per cent in line with the Members' basic salary increase.

The Logistic Support Allocation and Electorate Charter Transport Allocation for the electorate of Barwon was also increased by an additional \$20,000. This reflected additional workload from the increased size and number of constituents after the 2015 State election.

## Members' Additional Entitlements Expenditure

### Members claimed 3.5 per cent less expenditure in 2015–16 compared to 2014–15

Members' additional entitlements expenditure was \$21.4 million in 2015–16, 3.5 per cent lower than the previous year of \$22.2 million.

Members' Additional Entitlements expenditure for					Increase/ (decrease) between	
	year ended 30 June	2016	2015	2014	2013	2016 and 2015
	\$	\$	\$	\$	%	
Electoral Allowance	7,377,483	7,180,587	7,054,210	6,887,335	2.7	
Sydney Allowance	1,815,257	1,601,849	1,736,562	1,768,873	13.3	
Logistic Support Allocation	4,175,894	5,597,161	3,807,404	3,769,676	(25.4)	
Electorate Communication Allowance	5,535,204	5,336,400	5,164,282	5,447,837	3.7	
Electorate to Sydney Travel	657,040	728,025	810,539	783,789	(9.8)	
Committee Allowance	15,417	13,725	19,990	19,288	12.3	
Electorate Charter Transport	94,917	48,065	48,656	44,075	97.5	
Equipment, Services and Facilities*	1,752,938	1,695,224	1,681,377	1,680,512	3.4	
Travelling Allowance	--	--	--	--	--	
<b>Total</b>	<b>21,424,150</b>	<b>22,201,036</b>	<b>20,323,020</b>	<b>20,401,385</b>	<b>(3.5)</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 2016, Logistic Support Allocation expenditure decreased by 25.4 per cent. The Department advises last year's expenditure was significantly higher than usual due to additional spending by Members prior to the March 2015 State election. Unexpended Logistic Support Allocation is forfeited at the end of each parliamentary term.

The 2015–16 Sydney Allowance and Committee Allowance increased by 13.3 per cent and 12.3 per cent respectively, due to fewer sitting days and Committee activities in the prior year because of the State election.

The Electorate Charter Transport Allocation almost doubled in 2015–16 due to the full year impact of electorate boundary re-distributions in 2015 and the \$20,000 increase for the Barwon electorate.

## Detailed findings

### Sydney Allowance

#### One Member failed to return their unspent Sydney Allowance by the due date

For the year ended 30 June 2016, 16 Members spent less than the Sydney Allowance they received as an annual fixed amount and had to return around \$93,100 by 30 September 2016 (18 Members and around \$99,400 for the year ended 30 June 2015). One Member returned their unspent Sydney Allowance (\$4,200) in the month following the 30 September 2016 deadline.

#### Some Members submitted their allowance reconciliations late

Members receiving the annual Sydney Allowance are required to submit reconciliations twice a year to the Department. Two Members submitted their mid-year reconciliations for Sydney Allowance in the month following the 31 January 2016 deadline and two Members submitted their year-end reconciliations in the month following the 31 July 2016 deadline.

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 when an overnight stay is needed.

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 of the Members entitled to the Sydney Allowance elected to receive it as an annual fixed amount for the year ended 30 June 2016.

Year ended 30 June	Legislative Assembly				Legislative Council			
	2016	2015 Post Election	2015 Pre Election	2014	2016	2015 Post Election	2015 Pre Election	2014
Members receiving entitlement on an annual basis	19	16	19	21	8	6	7	7
Members receiving entitlement on a daily rate	25	25	25	20	13	15	14	14

Source: Department of Parliamentary Services.

### Annual Sydney Allowance

Members receiving the annual Sydney Allowance are required to submit reconciliations twice a year to the Department. The reconciliations help the Department monitor Members' use of the Allowance.

### 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 2016.

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	\$285	Actual reasonable expenses for meals and incidentals up to a maximum of \$104 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 2015.

## Electorate Communication Allowance

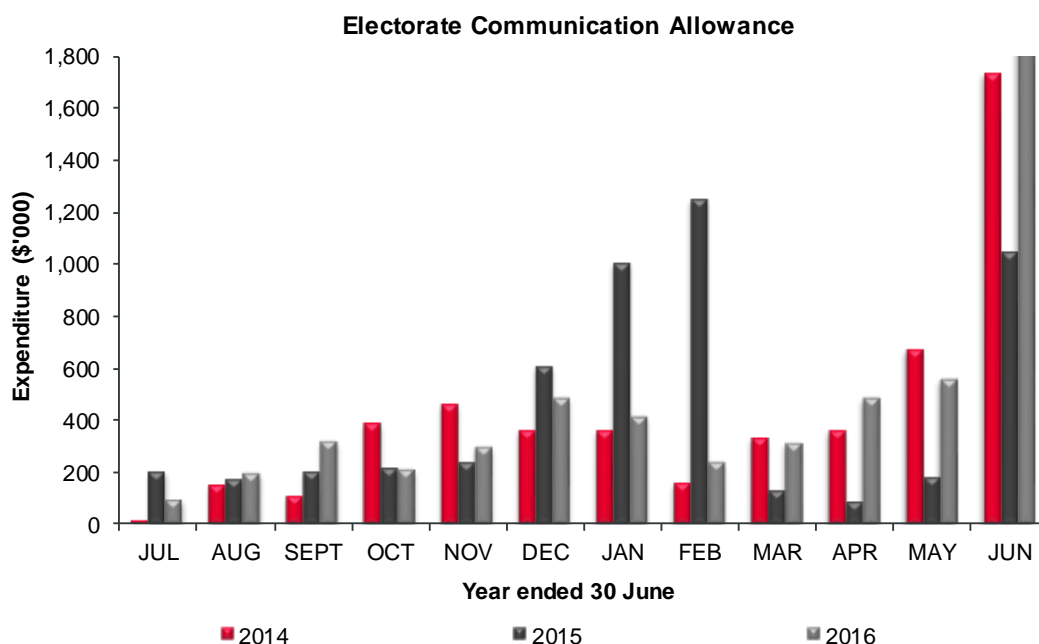
### Significantly higher use of Electorate Communication Allowance in June each year

While the average monthly spend (excluding June) from the Electorate Communication Allowance was \$343,633 across the last three financial years, Members spent \$1.9 million in June 2016, \$1.0 million in June 2015 and \$1.7 million in June 2014 on electorate communication.

The Department advises that Members spend more in June because the State budget is delivered in June each year. Many Legislative Assembly Members elect to issue a budget related newsletter at that time. Unused Electorate Communication Allowance funds at the end of each financial year are forfeited.



The graph below compares monthly Electorate Communication Allowance expenditure across the last three financial years.



Source: Department of Parliamentary Services (unaudited).

The significant increase in Electorate Communication Allowances paid in January and February 2015 was just before the 2015 State election. The Department received a significant number of requests before the communication blackout period took effect from 26 January 2015. It advised that due to the high volume, not all claims could be paid before the blackout period took effect.

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 – known as the 'blackout period'.

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 Department offers an appraisal service for draft newsletters to assist Members in complying with the Tribunal's Determination and Parliament's publication guidelines.

The maximum Electorate Communication Allowance entitlement for the year ended 30 June 2016 was \$82,630.

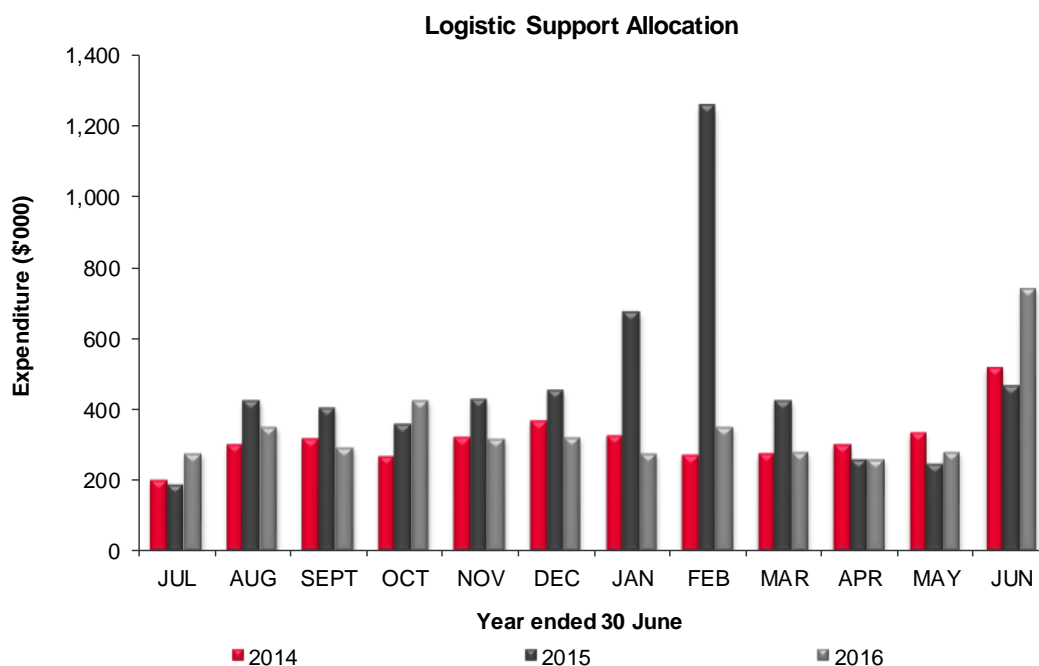
## Logistic Support Allocation

### Significantly higher use of Logistic Support Allocation before the 2015 State election

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.

There was a significant increase in Logistic Support Allocations paid in January and February 2015 prior to the 2015 State election. Members spent over \$1.9 million from their Logistic Support Allocations in this two-month period. The Department advises that some of this expenditure was a flow over from Christmas related publications while the rest was generated by other publications produced and distributed before the blackout period prior to the 2015 election. Expenditure recorded in January, February and March will generally relate to expenditure incurred in November, December and/or January.

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



Source: Department of Parliamentary Services (unaudited).

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.

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	36,355	76,355*
Legislative Council Members and Office Holders	24,660	37,625*

\* 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 2015.

### Pay TV Subscription Claims

#### One Member claimed their Pay TV subscription, which included children's channels

The 2015 Auditor-General's Report to Parliament recommended the Department document its policy on reimbursing 'Pay TV' subscription expenses as a result of identifying claims which included entertainment channels. Members should only claim costs associated with their Parliamentary duties. In October 2015, the Department issued a policy clarifying that claims are restricted to news, documentary or other channels related to a Member's parliamentary duties.

The review for the year ended 30 June 2016 identified one Member claimed their Pay TV subscription, which included children's entertainment channels. The claim identified was made before the Department issued its new policy.

## 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. This information was requested from Members when required for the purposes of the Auditor-General's review.

Members	Electoral Allowance payable each year
Legislative Assembly Members	\$46,325 to \$130,155
Legislative Council Members	\$54,250

Source: Tribunal's Determination 2015.

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

## Loyalty and incentive schemes

### Some Members completed their loyalty/incentive scheme declarations late

The review for the year ended 30 June 2016 found two Members that resigned in May 2016 did not submit their declarations until October 2016. The Tribunal's Determination requires former Members complete a declaration within 30 days of leaving Parliament. One Member did not complete their annual declaration, which was due by 30 June 2016, until November 2016.

Over the past few years there has been improvement in the completion of annual declarations.

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

Source: Department of Parliamentary Services.

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

## 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 2015–16 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.

## Public reporting of Members' expenditure claims

### Enhanced reporting of Members' expenditure claims is expected

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

It is expected that the Tribunal will address this recommendation when it issues its 2017 Determination. The Department advises it has examined the current reporting arrangements in other Parliaments within Australasia and some international jurisdictions and is preparing briefing material for the Parliament's Presiding Officers.

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.

## 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

Making a difference through audit excellence.

## Our mission

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.

**Professional people with purpose**

Making a difference through audit excellence.

Level 15, 1 Margaret Street  
Sydney NSW 2000 Australia

**t** +61 2 9275 7100

**f** +61 2 9275 7200

**e** [mail@audit.nsw.gov.au](mailto:mail@audit.nsw.gov.au)

**office hours** 8.30 am–5.00 pm

**[audit.nsw.gov.au](http://audit.nsw.gov.au)**

