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Report on the Public Sector Governance and Accountability Research Centre/KPMG Study of PACs in Australia and New Zealand

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1. Background

This study had its genesis in the 2003 meeting of the Australasian Council of Public Accounts Committees (ACPAC).

Following that meeting and an approach from the Council, the Public Sector Governance and Accountability Research Centre (PSAGRC) was established in 2004 at La Trobe University. The Centre was established in response to the perceived need for academic research and training expressed at the gathering of the Australasian Council of Public Accounts Committees in 2003.

Upon establishment it was clear that there was no in-depth comparative study of PACs in Australia and New Zealand. Therefore, this was established as the Centre's first research goal in partnership with KPMG.

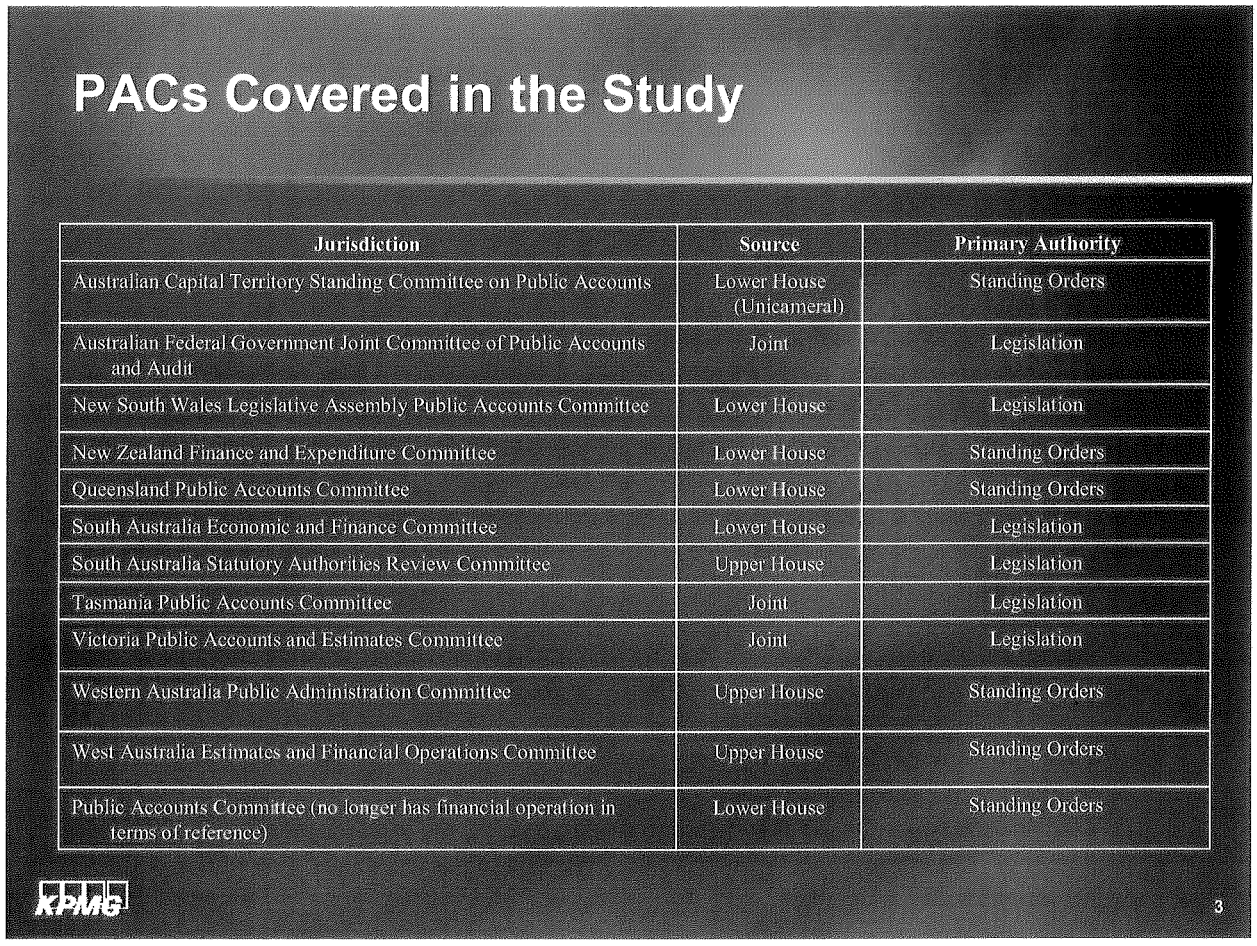
In conjunction with the Research Centre, KPMG undertook a baseline study into the structure, responsibilities and working practices of PACs in Australia and New Zealand. The study incorporated all eight Australian states and territories as well as the federal governments of Australia and New Zealand.

The baseline study involved a survey completed by each PAC in 2005, which was then followed by a series of post-survey interviews with the PAC chairs, members and committee staff in several jurisdictions.

2. Study findings

2.1. Committees covered in the study

The following table details the Committees which participated in the study.



PACs Covered in the Study

Jurisdiction	Source	Primary Authority
Australian Capital Territory Standing Committee on Public Accounts	Lower House (Unicameral)	Standing Orders
Australian Federal Government Joint Committee of Public Accounts and Audit	Joint	Legislation
New South Wales Legislative Assembly Public Accounts Committee	Lower House	Legislation
New Zealand Finance and Expenditure Committee	Lower House	Standing Orders
Queensland Public Accounts Committee	Lower House	Standing Orders
South Australia Economic and Finance Committee	Lower House	Legislation
South Australia Statutory Authorities Review Committee	Upper House	Legislation
Tasmania Public Accounts Committee	Joint	Legislation
Victoria Public Accounts and Estimates Committee	Joint	Legislation
Western Australia Public Administration Committee	Upper House	Standing Orders
West Australia Estimates and Financial Operations Committee	Upper House	Standing Orders
Public Accounts Committee (no longer has financial operation in terms of reference)	Lower House	Standing Orders

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In some Australian jurisdictions, the name "Public Accounts Committee" is not used. However, within each jurisdiction there is generally one, or at most two, committees which carry out typical PAC responsibilities, including interaction with the Auditor-General. For example, within the current South Australian committee structure, the Economic and Finance Committee (Legislative Assembly) undertakes certain functions typical of a PAC. However, the Economic and Finance Committee is prohibited from inquiring into statutory authorities. Instead, the Statutory Authorities Review Committee (Legislative Council) undertakes this function.

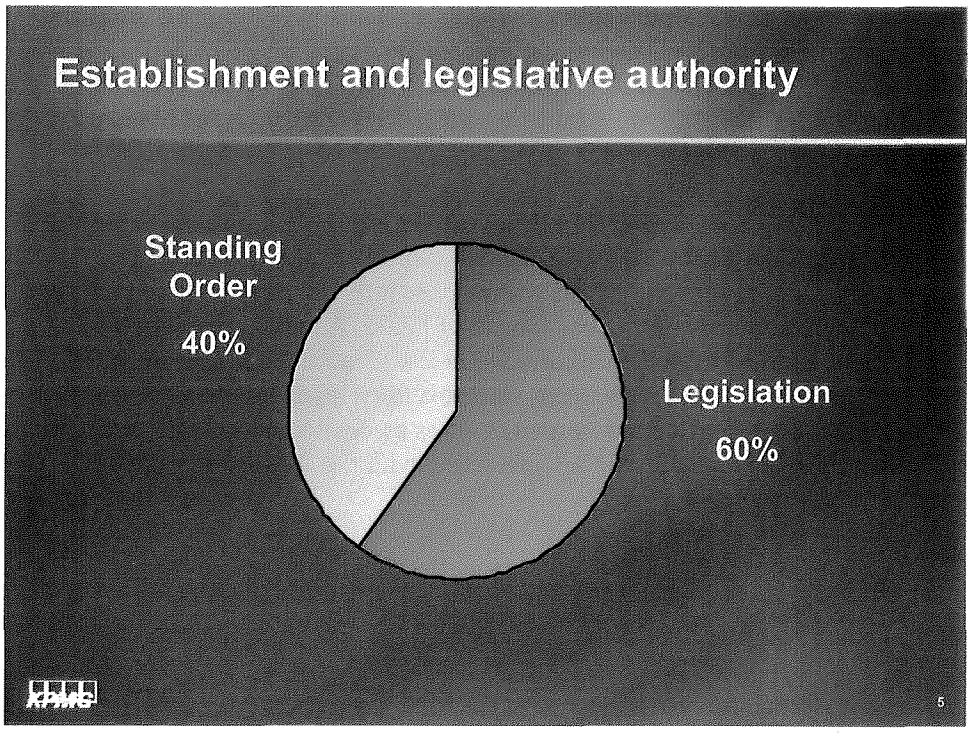
Similarly, within the current Western Australian committee structure, the Public Accounts Committee (Legislative Assembly) and the Estimates and Financial Operations Committee (Legislative Council) share certain responsibilities associated with public accounts and public sector financial management, including interaction with the Auditor-General.

2.2. Overview of the study

The areas covered in the study included:

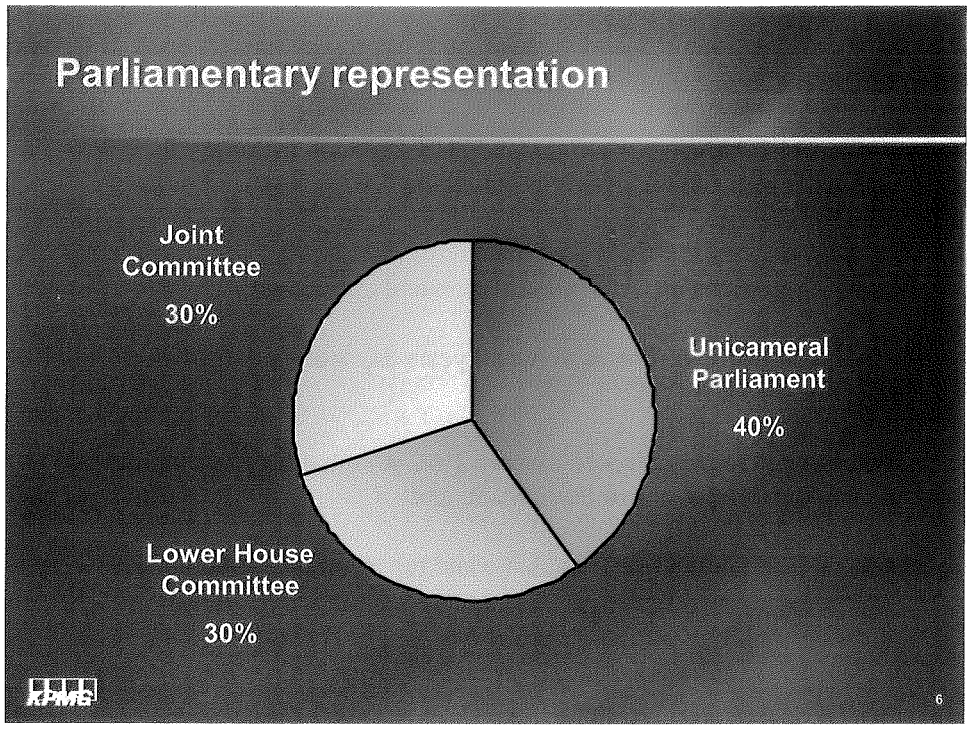
- An overview of the legislative authority and Parliamentary representation for each of the ten PACs covered in this study;
- Committee roles and responsibilities in Australia and New Zealand, including their power to investigate, their right of access and the extent to which the PAC is involved in the operations of the Auditor-General;
- An analysis of the each Committee's size, representation and experience;
- An analysis of the sources of PAC activities in recent years as evidenced through the number and types of reports tabled by each PAC;
- The processes and working practices adopted by each PAC in initiating, carrying out and ultimately reporting PAC investigations to Parliament; and
- Finally, the mechanisms Committees use to evaluate and report on their own performance.

2.3. Establishment and authority



Similarly to the Parliamentary systems within which they operate, Australian and New Zealand PACs have their genesis in the Westminster system. The first Committee of Public Accounts was appointed in the United Kingdom (UK) in 1861. Whilst the UK committee was

permanently established via a Standing Order, Australian Parliaments have adopted differing approaches to the establishment of PACs with six jurisdictions choosing to do so through an Act of Parliament.



Of the ten jurisdictions covered in this study, six Parliaments are bicameral (i.e., two Houses of Parliament) whilst the remaining four Parliaments are unicameral.

Of the bicameral Parliaments, three PACs are joint committees who draw their membership from, and report to, both Houses of Parliament.

The remaining three PACs draw their membership from, and report to, the Lower House only. This includes the South Australian Economic and Finance Committee and the Western Australian Public Accounts Committee. However, within these jurisdictions certain committees of the Upper House also undertake some functions typical of PACs. As noted previously, in South Australia, the Upper House Statutory Authorities Review Committee is responsible for the scrutiny of statutory authorities while in Western Australia, the Upper House Estimates and Financial Operations Committee shares certain responsibilities associated with public accounts and public sector financial management, including interaction with the Auditor-General.

2.4. Roles and responsibilities

2.4.1. Authority to initiate and refer inquiries

	ACT	NSW	NT	QLD	SA	TAS	VIC	WA	AUS	NZ
The committee has the ability to undertake self-initiated inquiries.	√	√		√	√	√	√	√	√	√
The committee undertakes inquiries referred by Parliament and / or a Minister of the Crown.	√	√	√	√	√	√	√	√	√	√

All of the Australian and New Zealand Committees have the mandate to review public accounts and Auditor-General reports and the power to investigate any items or matters in connection with those accounts or reports. In addition, with the exception of the Northern Territory, Committees have the capacity to initiate their own inquiries and, to a large extent, determine their own work priorities. These powers are generally unique among parliamentary committees and give the PAC a significant degree of independence from the executive arm of government.

The Northern Territory committee can only act on a direct reference from Parliament or a Minister, or on issues in the Auditor's report to parliament.

2.4.2. Relationship with the Auditor-General

A key finding of the study was that the formal relationships between PACs and their Auditor-General vary significantly by jurisdiction.

Across the ten jurisdictions, this ranges from little to no involvement right up to the power to appoint the Auditor-General and participate in the scoping of individual Audit Office performance audits.

Auditor-General inquiries and reporting

	ACT	NSW	NT	QLD	SA	TAS	VIC	WA	AUS	NZ
Examines Auditor-General reports.	√	√	√	√	(a)	(a)	√	√	√	(b)
Power to refer matters to the Auditor-General.				√	(a)		√		√	(b)

In most jurisdictions, the PAC is the only committee given responsibility to scrutinise Auditor-General reports. However, in some jurisdictions, other parliamentary committees can and do scrutinise Audit-General reports if the subject of an audit report is in the committee's terms of reference or portfolio area. In the Federal Australian Government, other committees are required to advise the JCPAA in writing if they are seeking to review an audit report. This is required, in part, to remove duplication of workload.

In South Australia and Tasmania (a), the terms of reference for the PACs do not formally require the review of Auditor-General reports. The committees do, however, maintain a working relationship with the Auditor-General.

While the examination of Auditor-General reports is within the New Zealand Finance and Expenditure Committee's jurisdiction (b), the Finance and Expenditure Committee has examined only a small number of Auditor-General reports.

A minority of Committees also have the formal power to refer matters to the Auditor-General.

Appointment and removal of the Auditor-General

	ACT	NSW	NT	QLD	SA	TAS	VIC	WA	AUS	NZ
Appointment of Auditor-General:										
Must be formally consulted				√						(c)
Power to veto	√	√							√	
Undertakes the selection process and recommends appointment							√			
Removal of Auditor-General:										
Must be formally consulted				√						(c)

Five of the ten committees have a role in the appointment of the Auditor-General. However, the extent of involvement differs. In Queensland, the PAC must be consulted but has no formal approval or veto role. In the Federal Australian Government, the ACT and NSW, the PAC has the power of veto, while in Victoria the Committee actually undertakes the selection process.

Interestingly, only in Queensland is the Government required by law to consult with the PAC before removing the Auditor-General.

In New Zealand, the appointment, removal and appropriation of the New Zealand Auditor-General is the responsibility of a separate select committee, the Officers of Parliament Committee (c).

PAC Involvement in Audit Office Funding and Planning:

	ACT	NSW	NT	QLD	SA	TAS	VIC	WA	AUS	NZ
Formal responsibility for the consideration of Audit Office funding.	√			√			√		√	(c)
Must formally be consulted in determination of Audit Office priorities / annual planning.				√			√		√	√

Four of the ten Committees have responsibility for the consideration of Audit Office funding.

In four Committees, there is a requirement for the Auditor-General to consult with the PAC in the determination of the Audit Office's priorities and annual plans. However, in no case is the Auditor-General required to adopt the committee's comments. This is considered critical to the maintenance of the Auditor-General's independence.

Independent review of Audit Office:

	ACT	NSW	NT	QLD	SA	TAS	VIC	WA	AUS	NZ
Appoints independent auditor of the Audit Office.							√		√	
Formally involved in the strategic review of Audit Office performance.		√ every 3 yrs	√ every 3 yrs	√ every 5 yrs			√ every 3 yrs		√	

In relation to the audit of the Audit Office, a minority of PACs have responsibility for the appointment of the independent auditor. However, half the Committees are formally involved in the strategic review of the Audit Office and this happens every three to five years.

Certain other powers that one or two Committees have in relation to the role of the Auditor-General include:

- The Victorian Public Accounts and Estimates Committee has the authority to exempt the Victorian Auditor-General from legislative requirements that apply to government agencies on staff employment conditions and financial reporting practices.
- The Victorian Public Accounts and Estimates Committee must also be formally consulted in the scoping of individual Audit Office performance audits;
- The Queensland Auditor-General is required to lodge a pecuniary interests statement with the Speaker of the Legislative Assembly.
- The Queensland and Australian Capital Territory Audit Acts explicitly provide for the Auditor-General to provide information to the PAC where the Auditor-General considers that it would be against the public interest to disclose sensitive information in a report; and
- The Australian Government Joint Committee of Public Accounts and Audit has the legislated authority to consider the level of fees determined by the Auditor-General.

2.4.3. Examination of government policy

By convention, PACs tend to avoid the explicit examination of government policy.

In the case of New South Wales, the PAC are prohibited under legislation from investigating or reporting on a matter of Government policy unless the matter has been expressly referred to the PAC by the Legislative Assembly, or by a Minister.

In practice, however, the PAC members and staff I spoke to recognised that the distinction between policy and implementation can be blurred with some Committees providing comment that they regularly comment on government policy. Nonetheless, there are a number of cases where PAC inquiries have directly or indirectly impacted on government policy.

2.4.4. Additional PAC Responsibilities

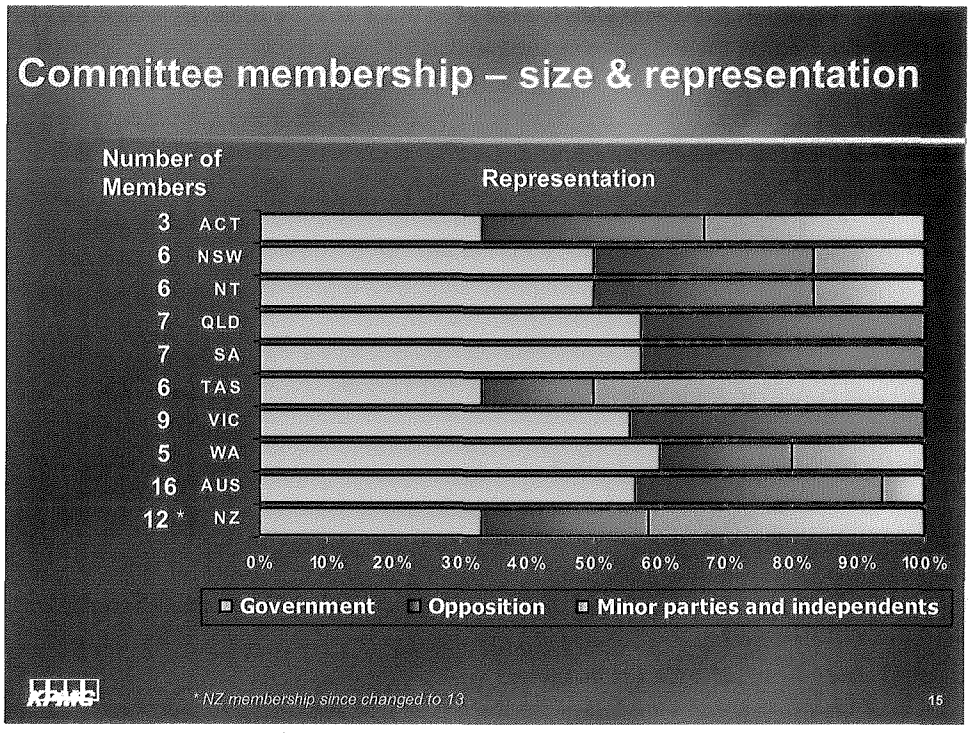
Five jurisdictions have involvement in examining budget estimates. However, apart from Victoria, this involvement is limited.

Other responsibilities unique to one or two Committees include:

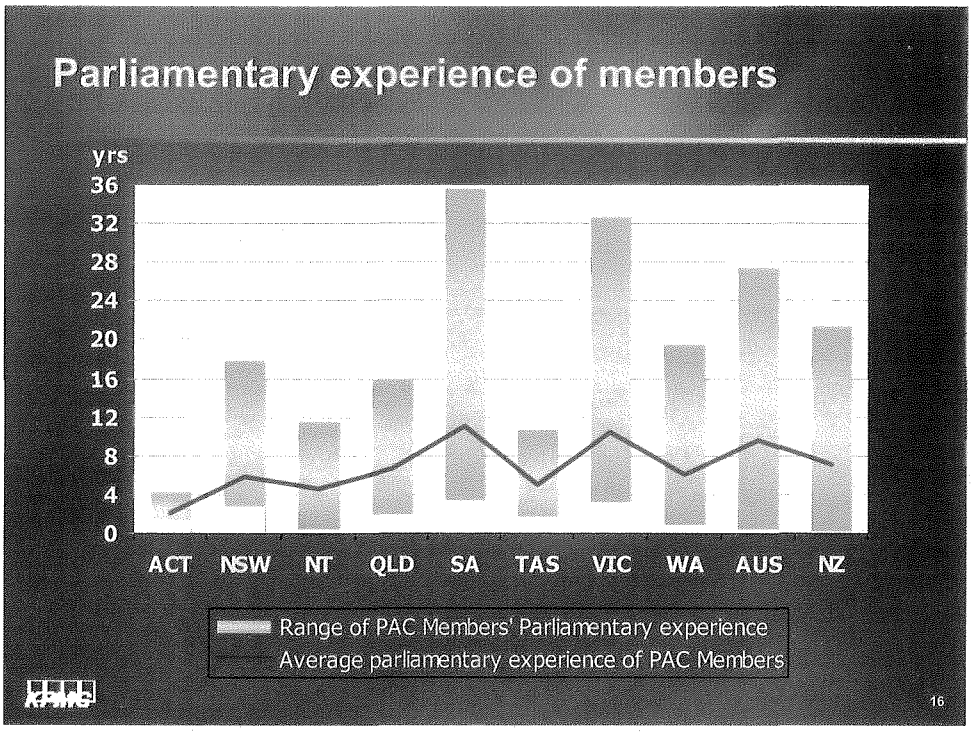
- The review and approval of reporting guidelines which Government agencies must follow in preparing their annual report;
- The conduct of financial reviews, that is, how agencies have progressed against their budget
- A role in the review of the Government involvement in economic development and business regulation; and
- In New Zealand, the PAC formally reviews fiscal statements issued by Government and monetary policy statements issued by the reserve Bank

2.5. Membership and leadership

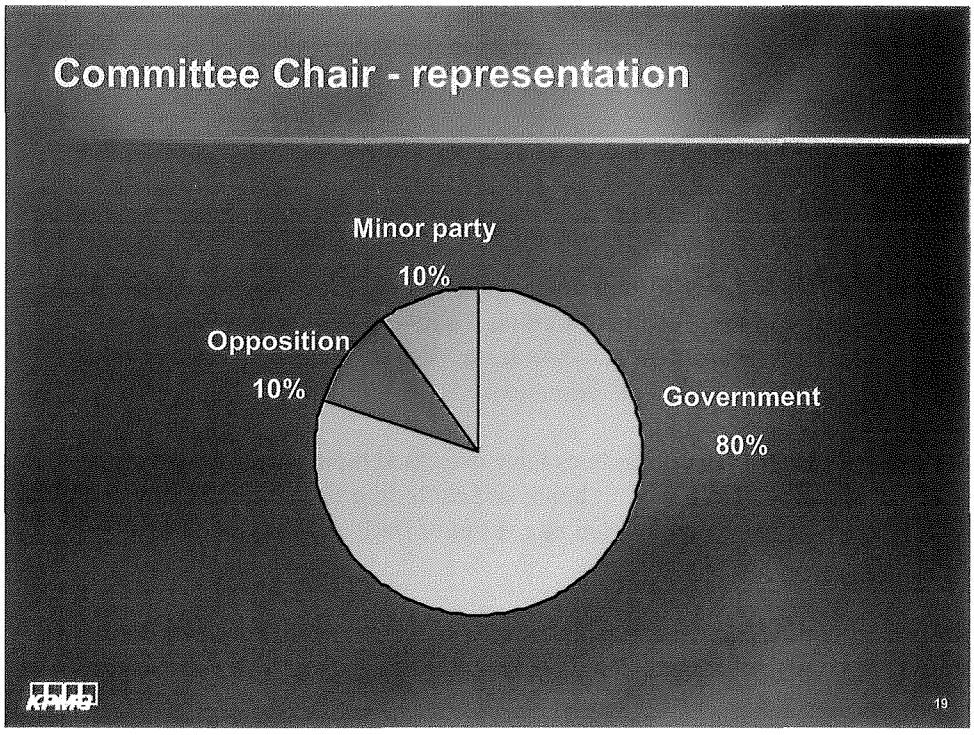
2.5.1. Membership



As shown in the chart, of the 10 jurisdictions surveyed, PAC membership ranges from three members to 16 members. The most common PAC size is six members. In most jurisdictions, the party representation of PAC members is proportional to the party representation within Parliament.



Across the 10 jurisdictions, the average parliamentary experience of PAC members is just over eight years although there was a broad range in the experience within most Committees.

In terms of skills and expertise, an understanding of public sector structures, administration and governance was considered to be the single most desirable skill set above technical skills and financial acumen.

2.5.2. Leadership