



## **Australasian Council of Public Accounts Committees**

### **9<sup>th</sup> Biennial Conference Canberra**

(11 to 14 April 2007)

### **Appropriate role of Public Accounts Committees in reviewing the work programmes of Auditors-General**

Presented by Mr Shane Jones MP  
Chairperson, Finance and Expenditure Committee

#### **Introduction**

1 The purpose of this paper is to ask the conference to consider the role undertaken by Public Accounts Committees, on behalf of their Parliaments, in reviewing the work programmes of Audit Offices to ensure that they serve the needs of the Parliament. As part of this discussion the conference might consider how to ensure a balance between responsiveness of Audit Offices to the needs of Parliaments, and the independence of Audit Offices in conducting their work.

2 It is understood that in most Commonwealth countries Public Accounts Committees can review and may influence the Auditor-General's proposed annual work programme. I understand that in Australia there is an extensive parliamentary involvement in such planning. The PAC seeks the advice of the chairs of all other committees on their preferences for performance reviews, and takes this into account in framing a planned scrutiny strategy for discussion with the Auditor-General. This parliamentary involvement is predicated on the fact that the Auditor-General has an independence which includes freedom to determine the audit programme and the nature and scope of the audits to be conducted. It is understood that the PAC's

suggestions are usually all incorporated into the Auditor-General's work programme. This is indeed the case in New Zealand.

3 I will outline for delegates the New Zealand model for reviewing the Auditor-General's annual work programme. The conference may find aspects of our model useful in identifying issues that each Public Accounts Committee has to take into account in deciding how best to review the work programmes of Audit Offices.

4 Given that the relationship between the Auditors-General and the Public Accounts Committees varies between jurisdictions from no apparent contact at all to a relationship that is almost exclusively reciprocal between the Auditor-General and the PAC, the process for reviewing work programmes is likely to vary. I have therefore included in this paper an outline of a legislative framework which the conference might use to discuss the appropriate role of Public Accounts Committees in reviewing the work programmes of Auditors-General.

### **The New Zealand model**

5 New Zealand's Controller and Auditor-General is the State's auditor. The position was first established in 1878, absorbing functions from a number of audit officers. The passage of New Zealand's Public Audit Act 2001 made the Auditor-General a full officer of Parliament. As an officer of Parliament, the Controller and Auditor-General is independent of executive government and Parliament in discharging the functions of his or her office. The Auditor-General is, however, accountable to Parliament for the stewardship of the Crown revenue appropriated to the office. The first Auditor-General was appointed on the recommendation of the House early in 2002.

6 The Auditor-General's mandate and responsibilities are set out in the Public Audit Act. In broad terms the Auditor-General's job is to ascertain whether or not public entities have complied with the rules set by Parliament, and, if he or she finds that they have not, to report on the matter. The Auditor-General recently told our committee that he does not see it as his role to set the rules, but simply to monitor compliance with them.

7 The Auditor-General employs staff and engages private-sector auditors to assist the Auditor-General in carrying out the duties of the office. While the office's staff are employed outside the public service, they adhere to public service standards.

8 The office of the Auditor-General is organised into two business units—the Office of the Auditor-General, and Audit New Zealand. While both are under the control of the Auditor-General, the nature of their business differs. The Office of the Auditor-General

- undertakes strategic audit planning
- sets policy and standards
- appoints auditors and oversees their performance
- carries out performance audits
- provides reporting and advice to Parliament
- undertakes enquiries and other special studies.

9 Audit New Zealand is the office's operating arm, and its business is to provide annual audits and other assurance services to public entities. The Auditor-General allocates most audits by appointment, though the audits of some entities with a strong commercial focus are allocated on a contestable basis.

### **Annual plan of the Auditor-General**

10 Consistent with the status of the Auditor-General as an independent officer of Parliament, section 36 of the Public Audit Act requires the Auditor-General, at least 60 days before the beginning of each financial year, to prepare and submit to the Speaker of the House of Representatives a draft annual plan describing the Auditor-General's proposed work programme for that year. The Speaker presents the draft annual plan to the House.

11 The purpose of presenting such a draft plan of proposed work is to elicit comment from the Speaker and select committees on the proposals it contains. This is to allow the final plan, which is presented to the House at the beginning of the relevant financial year, to take account of members' expectations.

12 This parliamentary consultation is an important way in which the Auditor-General can continue to ensure that his or her work remains relevant and responsive.

13 To facilitate the consideration of the Auditor-General's annual work plan, the Auditor-General sends an early preliminary draft to all Ministers and select committees in December, with an offer to brief committees and discuss the draft with them if they wish. Any comments received by the end of February on the preliminary draft are considered by the Auditor-General before the formal draft plan is presented to the House by the Speaker in March.

14 Consideration of this draft is organised by the Finance and Expenditure Committee. The committee circulates it to other committees and coordinates their responses, which are forwarded to the Auditor-General by the end of April.

15 The Auditor-General must take account of any such comments and comments from the Speaker before presenting a completed annual plan to the House. The plan must specify any changes requested by the Speaker or the committees that are not included in the final work programme.

## **Cycle of accountability**

### **Annual report**

16 While the Auditor-General's annual plan prescribes the *ex ante* specification and agreement of expected performance, New Zealand's Public Finance Act 1989 requires the Auditor-General, as with all public service entities and other officers of Parliament, also to present to the House an annual report on its operations at the end of the financial year. Such a report provides a way for the Auditor-General to explain to a wider audience what he or she has done, and how well the office has performed during the year. It includes information on the financial and non-financial health of the office at the end of the financial year, and on the extent to which the office has achieved its financial and non-financial goals for that year.



17 Upon presentation to the House this annual report stands referred to the Finance and Expenditure Committee for examination. This report is the prime source of information for the committee when conducting its financial review of the performance and current operations of the Office of the Auditor-General, as provided for in the Standing Orders of the House of Representatives. The result of this annual review is reported back to the House.

### **Other reports**

18 The Auditor-General may also report to the House at any time on matters arising out of the performance and exercise of his or her functions, duties, and powers. Each year the House receives three or four general reports from the Auditor-General on particular audits and inquiries that have been carried out into central government or local authority activities. The Auditor-General also has a general power to report to a Minister, a select committee, a public entity or any other person on a matter arising out of the discharge of the Auditor-General's duties, if the Auditor-General considers it desirable to do so.

19 While these reports do not stand referred to any particular subject select committee for examination, a committee does have the power to inquire into any matter relating to its subject area that it considers requires investigation in the public interest. A committee could pursue matters raised by the Auditor-General if it wishes to do so.

20 The inquiry function of a subject select committee has evolved in two forms: formal inquiries and briefings. For formal inquiries committees usually write their own terms of reference, advertise for and examine witnesses, and prepare a report to the House. Briefings do not usually have established terms of reference, hear few witnesses, and are unlikely to result in a report to the House.

21 Under this inquiry power, in 2000 the Finance and Expenditure Committee established a subcommittee to deal specifically with issues raised in reports of the Auditor-General. After receiving public briefings from the Auditor-General on the reports, it was intended that the subcommittee should make suggestions to other

committees about issues to follow up regarding their own areas of responsibility. However, the subcommittee was not re-established in this Parliament.

### **Funding**

22 Funding for New Zealand's three offices of Parliament is subject to a special process for the pre-budget approval of appropriations.<sup>1</sup> This involves a parliamentary committee fixing their budgets before their Estimates of appropriations are formally presented to the House.

23 The officers of Parliament must submit to the House each year an estimate of expenses and capital expenditure to be incurred by their offices, together with a description of the classes of outputs to be produced, the revenue to be earned, and other financial information. In the case of the Auditor-General this information is incorporated in the office's draft annual plan. This information is forwarded directly to the Officers of Parliament Committee. It is the committee's duty to recommend to the House an estimate of the expenditure of each office of Parliament for inclusion in a vote in an Appropriation Bill. For this purpose the committee hears evidence from the officers themselves, and calls for comment from officials of the Treasury. Once it has made its decision the committee reports to the House.

24 The House, in turn, recommends to the Governor-General, by way of an Address, the estimates that are to be included for the offices of Parliament in the Appropriation Bill to be presented to the House for that year. The House is not bound to follow the Officers of Parliament Committee's recommendations in making its own recommendations for inclusion in the Appropriation Bill, though it invariably does so. Similarly the Crown is not legally bound to include the recommended amounts in the Appropriation Bill, although it is established convention that it will do so since Ministers were party to the address from the House recommending those amounts in the first place.

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<sup>1</sup> Office of the Controller and Auditor-General, Office of the Ombudsmen, and Office of the Parliamentary Commissioner for the Environment.

## **Examination of Estimates**

25 Upon presentation of the Budget, the next parliamentary phase of the process commences. It involves subject select committees examining the Estimates of appropriations. Select committee examination of the Estimates is a forward-looking process. The purpose of any examination is therefore to focus attention on the need to grant, reduce, or refuse to grant, particular appropriations. Any examination of the Auditor-General's Estimates is conducted by the Finance and Expenditure Committee.

## **Legislative framework**

26 The Auditor-General plays an essential role in supporting Parliament in the function of supervising the spending of public money by executive government. It is important, therefore, that the legislative framework governing any Audit Office does not hinder it in providing assurances as to the integrity of the Crown's spending.

## **Functions and duties**

27 As a general principle, it is understood that the functions and duties of an Auditor-General should be determined with regard to Parliament's function of holding executive government accountable for the use of public resources. For example, New Zealand's Parliament holds executive government to account for the resources it uses by scrutinising

- legislation proposed by executive government, especially appropriation bills, and agreement to it
- organisational performance, through Estimates and financial review examinations
- particular policies or aspects of administration, through select committee inquiries.

28 In exercising the "controller" functions, New Zealand's Auditor-General is not only concerned with the existence of an appropriation or authority; the Auditor-General is also concerned to establish that the purpose to which any money to be paid from the Crown Bank Account is to be put is itself lawful. Where the proposed use of public money is not itself lawful, the Auditor-General may exercise the power to

forbid payment and direct the Minister concerned to report to the House on the matter within 20 working days.

29 The functions of an Audit Office ought therefore to be focused on the nature of the matters that Parliament expects the Auditor-General to audit. The principal responsibility for providing information to Parliament about governmental performance should always rest with executive government and its agencies. Indeed, in New Zealand's current environment executive government and its various agencies produce extensive financial and service performance information. The primary focus of New Zealand's Office of the Auditor-General is on providing (or withholding or qualifying) assurances that the financial and service performance of public-sector organisations is fairly reflected in their accountability documents presented to Parliament.

30 Parliaments may also expect assurances about some aspects of governmental performance that cannot easily be discerned from the accountability statements. For example, particular aspects of a government programme or organisation may warrant closer examination. For this reason, a Parliament should agree to an Auditor-General having the resources to carry out special duties, provide advice to select committees, and respond to particular enquiries.

31 It is understood that there may be concern that an Auditor-Generals' power to examine efficiency and effectiveness might involve an Audit Office in policy issues, and thus undermine its impartiality. However, this issue is unlikely to arise if an Auditor-General's special audit function extends only to the examination of whether government policy has been implemented by the relevant agency effectively and efficiently.

### **Statutory independence**

32 The independence of the Auditor-General is a fundamental precept of the Westminster system. It is critical to Parliament's oversight of the operations of executive government and public-sector entities generally. It is therefore crucial that

the Auditor-General as an independent watchdog be placed on an independent statutory basis.

33 In this context, independence means being free to discharge the functions and duties of the office without improper influence from either executive government or individual members of Parliament or its committees.

34 The independence of the Auditor-General therefore needs to be considered in relation to both professional matters, such as the manner and terms of appointment as the auditor of public sector entities, and institutional arrangements such as the method of appointment and removal from office. Independence in both of these respects can be guaranteed by statutory provision. The requirements for professional independence may be secured by Parliament appointing the Auditor-General as auditor and granting appropriate powers with which to discharge the functions and duties of the office.

35 Independence has, however, to be reconciled with accountability, because no entity or individual should be unaccountable. Independence does not mean insulation from the suggestions and persuasions of others. Auditors-General must be sensitive to political and public concerns; and it is perfectly legitimate, indeed essential, that those concerns should be important influences on the way Auditors-General distribute their audit resources.

### **Accountability arrangements**

36 It is important that Auditors-General be accountable for the performance or exercise of the functions, duties, and powers attached to their offices, and for the public resources applied in the process. At the same time, it is important that any accountability arrangements do not compromise the independence of their offices.

37 In New Zealand accountability arrangements for public organisations typically require:

- *ex ante* specification and agreement of expected performance
- *ex post* reporting and review of actual performance.

38 It is important to note that if either one of these requirements is absent or weak, the prospects of holding the office to account are significantly reduced. If, for example, there is no clear *ex ante* specification of performance it will be extremely difficult *ex post* to form a view on whether an Auditor-General has performed adequately, as there will be no benchmark for assessment.

39 The status of New Zealand's Auditor-General as an officer of Parliament clearly signals the fact that he or she performs a role that Parliament itself might otherwise carry out, and that the office is independent of executive government.

## Conclusion

40 The need for an effective and independent Auditor-General is almost universally accepted. It is therefore important that Public Accounts Committees, in deciding how to review the annual work programmes of Auditors-General, must not hinder them from providing their Parliaments with assurances as to the integrity of the Crown's spending. To do so would undermine the independence of the offices. On the other hand, Auditors-General need to ensure that work programmes remain relevant and responsive to members' expectations.

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Finance and Expenditure Committee

## **Jurisdiction report**

**Australasian Council of Public Accounts Committees**

**9<sup>th</sup> Biennial Conference  
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(11 to 14 April 2007)

Provided by Mr Shane Jones MP and  
Chairperson, Finance and Expenditure Committee

### **Background**

Following the 2005 General Election, the Finance and Expenditure Committee of New Zealand's 48<sup>th</sup> Parliament met for the first time on 8 November 2005. FEC is one of 13 subject select committees established at the commencement of each Parliament. FEC currently has 13 members, four from the Government, four from the Opposition, and five from minor parties.

Standing Orders define the Finance and Expenditure Committee's subject area as the audit of the Crown's and departmental financial statements; and Government finance, revenue and taxation. The Government departments and offices of Parliament that administer government policy in this area are the Inland Revenue Department, the Treasury, and the Office of the Controller and Auditor-General. The Reserve Bank of New Zealand, declared by the House to be a public organisation for the purposes of Standing Orders, also operates in this area.

While FEC's functions are broadly similar to those of the other 12 subject committees, FEC takes a lead role in the parliamentary oversight and scrutiny of proposed and past Government expenditure and the annual performance of Government departments, Crown entities, public organisations, and State enterprises. The Standing Orders of the House of Representatives also allow the committee, like other subject committees, to initiate inquiries into matters related to its subject area.

## **Committee business (November 2005 to date)**

### **Inquiry into Television New Zealand Limited**

FEC initiated an inquiry into New Zealand's State broadcaster, Television New Zealand Limited. A series of events, played out in the media, raised concerns about the governance of TVNZ—a publicly funded body. There were also concerns that TVNZ might be unable to manage the competing objectives of its public service charter with its commercial purpose, and that the cumulative effect of these issues might reduce the value of TVNZ.

The committee developed its own terms of reference for the inquiry. It chose not to call for public submissions, preferring instead to invite key people to give evidence. In December 2005 the committee heard evidence on the inquiry. The key witness was the outgoing chief executive who had resigned citing, amongst other things, interference by the board in the day-to-day operations of the company.

#### *Chief executive sanctioned for giving evidence*

Following the December 2005 inquiry hearing, TVNZ's board took disciplinary action against the outgoing chief executive because it viewed the voluntary evidence he gave at the inquiry hearing as "serious misconduct". The chief executive then alleged that the board had acted in contempt of Parliament by penalising him for the remarks he made before the committee. TVNZ subsequently withdrew the allegation of serious misconduct. In considering this matter, FEC acknowledged the withdrawal, but believed there was a need for clarification of the protections afforded to witnesses giving evidence to select committees. The committee decided to place this matter before the Speaker for a ruling as to whether a question of privilege was involved.

#### *A question of privilege*

In February 2006 the Speaker ruled that a question of privilege did arise from the action taken by TVNZ towards its chief executive following evidence he gave to the committee, and referred the case to the Privileges Committee. The Privileges Committee found that TVNZ's board had committed a contempt of the House and recommended that the House punish the contempt by requiring the board to make a formal written apology to the House, and by imposing a fine of \$1,000.

Following a debate in the House on the Privileges Committee's findings, the House ordered TVNZ's board to make the apology and pay the fine. It is noteworthy that this is the first time in 103 years that the Privileges Committee has recommended a fine be imposed.

The Privileges Committee also looked at the more general issue of the protection of witnesses appearing before parliamentary select committees. It concluded that pressure must not be placed on individuals to deter them from giving evidence, or action taken against them as a direct consequence of their giving evidence to a select committee.

As one means of addressing this, the Privileges Committee has recommended FEC review in October 2007 the progress made by the State Services Commissioner on providing guidance to the boards of Crown entities and State enterprises on their responsibilities to and relationships with Parliament.

### **Budget Policy Statement 2006**

The Finance and Expenditure Committee has reported on the Government's past two Budget Policy Statements (2006 and 2007). The BPS sets out the broad strategic priorities that will guide the preparation of the Budget, and includes the Government's overarching policy goals, and major areas of focus; and explains how the Budget accords with the Government's short-term fiscal intentions.

With both statements the committee called for public submissions and heard evidence from the Minister of Finance and from members of the public who had asked to give oral evidence. After the committee reports to the House on the BPS, the first general debate in the House is replaced by one on the statement and FEC's report.

### **Estimates of appropriations**

The Budget Policy Statement is the first stage in the parliamentary financial cycle. Consideration of the Estimates of Appropriations contained in the Budget is the next step. In preparation for the Estimates, FEC revises, with the assistance of the Office of the Auditor-General, its Standard Estimates Questionnaire and reports on it to the House. The questionnaire is sent to the Ministers responsible for Votes for response; and the information supplied is used by committees as a basis for their examinations. The committee aims to keep the questionnaire brief and asks only for information to complement that supplied in the Estimates documentation.

Following the presentation of the Budget, all Votes of Appropriations will be referred to the Finance and Expenditure Committee. The committee may retain or allocate the Votes to other subject committees as it chooses. While Votes are typically distributed according to the subject areas of each committee, the Finance and Expenditure Committee can, and usually does, retain for examination some Votes that fall outside its subject area. The committee also considers the annual Supplementary Estimates of Appropriations, which adjust the spending plans contained in the main Estimates for the current year, and are presented as part of the Budget.

Standing Orders require FEC to report on the Fiscal Strategy Report and the Budget Economic and Fiscal Update. The Fiscal Strategy Report states the Government's long-term objectives and short-term intentions for fiscal policy, assessing how they accord with the principles of responsible fiscal management. The Fiscal Strategy Report provides scenarios illustrating likely progress towards the long-term fiscal policy objectives, based on projections from documented trends. The Budget Economic and Fiscal Update contains economic and fiscal forecasts for the next three financial years, and a statement of tax policy changes.

## **Financial reviews**

Standing Orders require FEC to allocate, or retain, the task of conducting a financial review of the performance in the previous financial year and the current operations of each individual department, Office of Parliament, Crown entity, public organisation or State enterprise as soon after the commencement of the financial year as it thinks fit. When an entity's annual report is presented to the House, its financial review stands referred to the committee allocated by the Finance and Expenditure Committee.

Of the 2005/06 financial reviews FEC retained and examined the annual reports of the Inland Revenue Department, the Treasury, the Office of the Controller and Auditor-General, and the Department of the Prime Minister and Cabinet. The committee usually examines the annual combined financial statements of the Crown with its examination of Treasury.

## **Reserve Bank of New Zealand's Monetary Policy Statements**

FEC has further responsibilities under the Reserve Bank of New Zealand Act 1989. Pursuant to section 15 of that Act, the Reserve Bank of New Zealand's quarterly monetary policy statements stand referred to the committee. FEC is committed to examining each statement. The examinations involve hearing evidence from the Governor of the Reserve Bank and, while the committee is not required to do so, it reports to the House on any examination.

## **International treaty examinations**

The committee considered and reported on international double taxation agreements with Australia, Spain and Singapore. In the 45th Parliament (1966 to 1999), procedures were adopted for the scrutiny of international treaties, and they are now incorporated into Standing Orders. Those treaties that are subject to these procedures (generally multilateral treaties) stand referred to the Foreign Affairs, Defence and Trade Committee, along with a national interest analysis for each treaty addressing matters set out in Standing Orders. This committee refers the treaty to another committee with appropriate terms of reference. Committees must make a report to the House on each treaty examination, and the report must append the treaty's national interest analysis.

The Government refrains from taking any binding treaty action in relation to a treaty that has been presented to the House until the examining committee has reported.

## **Controller and Auditor-General's draft annual plan**

The committee also assisted the Controller and Auditor-General in developing his annual work plan for both the 2006–7 and 2007–08 years. Under the Public Audit Act 2001, the Auditor-General is required to prepare a plan of the work programme for the year, the draft of which must be submitted to the Speaker who then presents it to the House. The purpose of this process is to elicit comment from the Speaker and select committees on the proposal. After presentation, FEC is responsible for circulating the draft annual plan to select committees for comment, and for

coordinating their responses. The Speaker and FEC then forward their responses to the Auditor-General who will amend the draft annual plan where appropriate.

## **Legislation**

The House has referred six bills to the Finance and Expenditure Committee for consideration and report since November 2005. The first referred was the Taxation (Annual Rates and Urgent Measures) Bill, which introduced measures to provide tax relief to working families via enhancements to a “Working for Families” taxation package and an interest write-off for student loan borrowers resident in New Zealand. The bill also set the annual income tax rates for the 2005/06 tax year. In considering the bill, the committee also examined the amendments proposed in a Supplementary Order Paper to add provisions for allowing New Zealand resident wine producers to access the Australian Wine Equalisation Tax rebate. FEC made a call for public submissions on the bill, heard evidence and reported the bill back with amendments.

The committee considered the Taxation (Depreciation, Payment Dates Alignment, Fringe Benefit Tax, and Miscellaneous Provisions) Bill. The bill contained mainly business-related measures, some in the interests of “business-friendliness”, others with a base maintenance focus. Again, the committee called for public submissions, heard evidence and reported the bill back with amendments.

The committee considered the KiwiSaver Bill, a Government bill that establishes a “KiwiSaver” scheme. The purpose of the scheme is to encourage long-term savings habits and asset accumulation, with the aim of increasing people’s well-being and financial independence, particularly in retirement. KiwiSaver is designed to complement New Zealand Superannuation to ensure more than a basic standard of living in retirement. The committee made a public call for submissions, invited submissions from interested parties, heard evidence and reported the bill back with amendments.

The committee also considered a private bill—the Westpac Bill. Westpac Banking Corporation is incorporated in New South Wales, Australia under the Corporations Act 2001 of the Commonwealth of Australia. It is registered in New Zealand as an overseas company under the Companies Act 1993, and is a registered bank under the Reserve Bank of New Zealand Act 1989. Westpac Banking Corporation conducts its New Zealand business through its New Zealand branch at present.

The policy of the Reserve Bank of New Zealand is that important banks should be incorporated in New Zealand. Accordingly, Westpac Banking Corporation sought to establish Westpac New Zealand Limited via a private bill to assume and carry on the New Zealand retail banking business of Westpac Banking Corporation.

The committee considered the Annual Rates, Savings Investment and Miscellaneous Provisions) Bill. The bill set the income tax rates for the 2006-07 tax year and contained several new tax policy initiatives to reform the rules governing the taxation of investment income, particularly offshore share portfolio investments. The committee made a public call for submissions, invited submissions from interested parties, heard evidence and reported the bill back substantially amended. The

committee received thousands of submissions on this bill and spent many hours hearing evidence.

Another significant bill the committee considered was the Telecommunications Amendment Bill. The purpose of the bill was to enhance the workability of the Telecommunications Act 2001, which has the stated purpose of regulating the supply of telecommunications services. The bill sought to improve the performance of the New Zealand telecommunications services markets in delivering long-term benefits to end-users by introducing

- new processes, and enhancements to existing ones to address specific problems encountered in administering the Act
- a comprehensive regime for the enforcement of regulatory and statutory policies and obligations
- further regulated services such as local loop unbundling, to promote competition in the supply of key telecommunications services
- an information disclosure and accounting separation regime to address information asymmetries between access providers, access seekers and the regulator
- an operational separation regime to promote competition in the telecommunications market and facilitate efficient investment in telecommunications infrastructure.

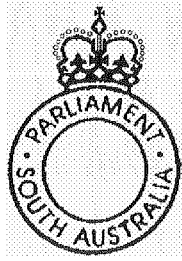
The committee made a public call for submissions, invited submissions from interested parties, heard evidence and reported the bill back substantially amended. The committee heard private evidence from Telecom.

### **Assistance to Cook Islands Parliament**

Following a request from the Cook Islands Parliament to the Clerk of the House for assistance, the Chair of the committee, Shane Jones MP, and three other members, Hon Murray McCully, R Doug Woolerton, and Hone Harawira, visited Rarotonga from 6 to 10 March 2006. The main purpose of the visit was to help facilitate and to participate in a workshop. The Office of the Clerk of New Zealand's House of Representatives had helped arrange the workshop, which covered the subject area of effective parliamentary oversight and scrutiny of public spending.

The Finance and Public Expenditure Special Select Committee of the Cook Islands Parliament has been established only recently, and its members were looking for guidance on effective parliamentary scrutiny of Government expenditure and the annual performance of government entities. Specifically, they were looking to our members to share their experience of carrying out such parliamentary scrutiny of public entities through select committees, and in particular through the Finance and Expenditure Committee.

The workshop was held over two days with up to 40 participants, including members of the Cook Islands Finance and Public Expenditure Committee, other Members of the Cook Islands Parliament, heads of ministries with senior staff, and Audit Office staff. The Deputy Prime Minister was in attendance for most of the two days.



**Parliament of South Australia**  
**Economic and Finance Committee**  
**Activity Report 2005-7**  
**ACPAC Conference, Canberra, April 2007**

**Opening Remarks**

The period covered in the activity report extends across the 18 March 2006 election and therefore refers to two memberships.

**Economic and Finance Committee Role & Function**

The functions of the Economic and Finance Committee are set out in Section 6 of the *Parliamentary Committees Act 1991*. They are:

- (a) to inquire into, consider and report on such of the following matters as are referred to it under this Act:
  - (i) any matter concerned with finance or economic development;
  - (ii) any matter concerned with the structure, organisation and efficiency of any area of public sector operations or the way in which efficiency and service delivery might be enhanced in any area of public sector operations;

(iii) any matter concerned with the functions or operations of a particular public officer or a particular State instrumentality or publicly funded body (other than a statutory authority) or whether a particular public office or a particular State instrumentality (other than a statutory authority) should continue to exist or whether changes should be made to improve efficiency and effectiveness in the area;

(iv) any matter concerned with regulation of business or other economic or financial activity or whether such regulation should be retained or modified in any area;

(b) to perform such functions as are imposed on the committee under this or any other Act or by resolution of both Houses.

### **Membership 2005**

At the rising of Parliament in December 2005, the membership of the Committee was:

Ms Gay Thompson MP (Presiding Member)

Mr Jack Snelling MP

Mr John Rau MP

Hon Trish White MP

Hon Graham Gunn MP

Mr Martin Hamilton-Smith MP

Mr Mark Goldsworthy MP



There were personnel changes during 2005 the Committee with Mr Michael O'Brien MP resigning to become a Parliamentary Secretary in March 2005 to be replaced by Hon Trish White MP. Further, in November Hon Iain Evans MP resigned to become deputy leader of the Parliamentary Liberal Party and was replaced by Mr Mark Goldsworthy MP.

### **Committee Activity 2005**

In 2005 the Economic and Finance Committee concluded several inquiries, some of which had been longstanding matters.

The following reports were tabled:

51<sup>st</sup> Report – Annual report 2003-04

52<sup>nd</sup> Report – Emergency Services Levy 2004-05

53<sup>rd</sup> Report – School Bus Contracts

54<sup>th</sup> Report – National Competition Policy

55<sup>th</sup> Report – Annual Report 2004-05

56<sup>th</sup> Report – Construction Industry Training Board

57<sup>th</sup> Report – Crown Solicitor's Trust Account

58<sup>th</sup> Report – Public Liability

### **Current Membership**

The fifth Economic and Finance Committee was appointed on 27 April 2006 at the opening of the Fifty-First Parliament following the March 18 election at which the Labor Government was returned.

### **Membership**

The membership of the Committee is as follows:

Mr Tom Koutsantonis MP - ALP(Presiding Member)

Mr John Rau MP - ALP

Mr Leon Bignell MP ALP

Mr Tony Piccolo MP - ALP

Mr Mitch Williams MP - LP

Mr Mark Goldsworthy MP -LP

Mr Steven Griffiths MP -LP

### **Committee Activity 2006**

In 2006 the new Committee tabled the following reports:

59<sup>th</sup> Report – Emergency Services Levy 2006-07

60<sup>th</sup> Report – Annual Report 2005-06

In late 2006 the Committee initiated the Consumer Credit and Investment Schemes inquiry. The focus of this inquiry is fringe and micro-lending practices, as well as the range and impact of mostly real estate investment

schemes – such as so-called “Ponzi” schemes. Although these two areas are significant, the Terms of Reference are broad and also include:

1. The provision of credit cards (including pre-approved credit limit increases), reverse mortgages and other financial products;
2. Current obligations on lenders, brokers and other relevant parties to inform consumers of product features and obligations;
3. Fringe credit providers and the emergence of “payday lenders” and other forms of short-term credit;
4. The current controls on dealers in second-hand goods, including pawnbrokers;
5. Levels of consumer financial literacy;
6. The current consumer credit and finance regulatory regime;

The Committee has been taking evidence and conducting public hearings since February and the its final report will be tabled later this year.

As outlined elsewhere at this conference, the Committee has also developed protocols with the Auditor-General's office to enable the two entities to co-ordinate and communicate with each other on matters of interest or concern. While the Committee and the Auditor-General have always had a connection it has not necessarily been an active one over the years and the current Committee sought, with the Auditor-General's concurrence, to try and make the relationship more active.

The Auditor-General with whom the Committee developed this new protocol, Mr Ken MacPherson, retired in February of this year and the Committee would like to acknowledge his service both to the State and his office including his willingness to work with the Committee on matters of mutual interest and concern. The Committee intends to maintain its working relationship with his successor.

The hearings conducted with the Auditor-General as part of this current relationship have focused on a range of issues, with the governance mechanisms of Local Government being a matter of particular concern for both the Auditor-General and the Committee.

The Committee's establishing Act is very prescriptive in its limits on the Committee's ability to inquire into Local Government so the tenor and scope of any inquiry in this direction is still under consideration.

Apart from its annual oversight functions across a range of levies, offices and contract processes, the Committee is also subject to a specific mandate under the Civil Liability Act 1936 to inquire into the availability and cost of insurance as a result of the second round of tort law reform introduced in South Australia in 2004.

The previous Committee conducted a similar inquiry in 2005 into the effect of the first round of tort reform legislation – specifically pertaining to public liability insurance - and this second inquiry will be along the same lines with respect to the reforms in the areas of personal injury and negligence.

## **Conclusion**

This year presents the Committee with a series of challenges across a broad range of issues, something that reflects the Committee's wide-ranging

functions and I look forward to relating the good work of the membership and staff at the 2008 midterm conference which South Australia will host.

**Mr Tom Koutsantonis MP**

**Presiding Member**









## **Jurisdiction Report - Western Australia 2005-2007**

The current Public Accounts Committee was formed in April 2005, following the State election on 26 February 2005. Since then the Committee has completed three inquiries and embarked on a number of other projects.

In the WA Legislative Assembly there is a system of standing committees, to which various portfolios are assigned. Those Committees oversee general government activities related to their portfolios. When the PAC was established following the 2005 election, it received a number of portfolios over which we now have responsibility. These are the:

- Premier;
- Public Sector Management;
- Federal Affairs;
- Treasurer; and
- Government Enterprises.

The first inquiry we conducted related to the Committee's Federal Affairs portfolio and involved an examination of the terms of the Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations. That Agreement set down the time frame for the abolition of a number of state taxes following the introduction of the GST in 2000. The impetus for the inquiry was the suggestion by the Commonwealth Treasurer, Hon Peter Costello that the State of WA has not met its obligations under the Agreement, because it had not abolished a number of state taxes specified in that Agreement. The Committee sought independent legal opinion on the State's position with respect to whether the Agreement had been breached. We concluded that WA had not in fact breached the Intergovernmental Agreement.

The Committee then embarked on an inquiry into Local Government Accountability, during which we examined the adequacy of the current audit arrangements for local government, and whether the State Auditor General should have a role in this regard. The inquiry was established by the Committee on its own initiative following discussions with the then Auditor General Des Pearson on some of the financial problems occurring in the local government sector in WA. Currently, the Auditor General has no jurisdiction over local government audits in our state. The key recommendations of that report were that the Auditor General should audit around 15 per cent of councils on a rotating basis, with the remainder to be tendered out to the private sector, and that the parameters of audit for the Western Australian local government sector should be set by the State Auditor General to ensure consistency of reporting across the State.

In the midst of our inquiry into local government audits, the Committee received a request from the Treasurer to examine the Financial Management Bill 2005 and the Auditor General Bill 2005, prior to their introduction into the Legislative Assembly for debate. The bills, which became law late in 2006, replaced the *Financial Administration and Audit Act 1985*, the primary legislative basis for the management of public moneys in WA. Essentially audit and treasury functions were separated, further enhancing the independence of the Office of the Auditor General in WA. As a result, the PAC will have the capacity for some input into the budget and appointment

of the Auditor General through a new Joint Committee on Audit established under the *Auditor General Act 2006*. The Joint Committee is yet to be set up, but it is anticipated it will be made up of PAC members and members of the Upper House Committee on Estimates and Financial Operations.

The Committee is currently undertaking an inquiry into funding arrangements for Western Australian infrastructure projects, and hopes to report to the Legislative Assembly in 2008. The Committee's inquiry offers a chance for an examination of the Federal-State relationship, with a key focus being on the capacity of the State to position itself to promote and strengthen WA's position in the federation. It also offers an opportunity to engage the private sector in the debate to determine potential barriers to effective infrastructure provision.

Although it may appear that this Committee is focussing on lines of inquiry not traditionally associated with the PAC, we continue to foster a relationship with our Auditor General and maintain a watchful eye over his work. In the period under review the Committee completed its first report on its process of following up reports of the Auditor General, which was established under the previous Committee in the 36<sup>th</sup> Parliament. Broadly, any agency subject to a Performance Examination must report to the Committee 12 months after the Auditor General's Report is tabled, providing information about what progress has been made towards implementation of each recommendation included in the Auditor General's Report. The Committee then engages in some discussion with the Auditor General on the responses it receives, and may convene hearings with the relevant parties if necessary. The Committee has resolved to table a report annually on this process, the first of which was tabled in November 2006.







## **ACPAC Conference**

**Canberra 11 -14 April 2007**

### **Jurisdiction Report – Tasmania Standing Committee of Public Accounts**

#### **Role and Functions**

The role of the Committee is “to examine public accounts on behalf of the Parliament”. In Tasmania there are separate Estimates Committees to examine the Budget Estimates.

As a statutory Committee it is the function of the Committee to examine:

- (a) the accounts showing the appropriation of the sums granted by Parliament to meet the public expenditure; and
- (b) such other accounts laid before Parliament as the Committee may think fit,

and to report to both Houses of Parliament, with such comment as it thinks fit, on any matter arising in connection with those accounts or in connection with the receipt or disbursement of the moneys to which they relate to which it is of opinion the attention of Parliament should be drawn.

#### **Committee Membership**

It is a joint Committee with three members from each House of the Parliament. Since 1998 when the size of the Parliament was reduced from a total of 54 Members to 40 Members the demands on fewer Members for Committee work has increased significantly.

#### **Legislative Council**

Hon I N Dean  
Hon J S Wilkinson (Chairman)  
Hon S L Smith

#### **House of Assembly**

Mr D J Bartlett (to 18 March 2006)  
Mrs H Butler (from 31 May 2006)  
Mr W E Hodgman (F) (to 18 March 2006)  
Mr J Rockliff (from 31 May 2006)  
Mr G L Sturges



### Committee Activity

Since the last ACPAC Conference the Committee has met on fewer occasions than has been the recent past practice (six occasions during 2005-06).

A number of changes to the membership of the Committee, the dissolution of the House of Assembly on 17 February 2006, the subsequent election on 18 March 2006 and the Opening of Parliament on 30 May 2006 contributed to the smaller number of meetings.

A major report on the Community Support Levy was tabled on 25 August 2005. An officer from the Auditor-General's Office provided assistance to the Committee for the Inquiry into the Community Support Levy.

The second report entitled Safety in Schools, Housing Tasmania and the TT-Line was tabled on 19 November 2005.

The Committee made preliminary inquiries into several issues during the year however none warranted any further investigation by the Committee.

Currently the Committee is conducting an inquiry into the administrative costs and management of the sale of shacks situated on Crown Land to long term shack owners who had previously leased their shacks.

The Parliamentary Research Service provide timely and valuable research assistance.

The Committee meets regularly with the Auditor-General and receives valuable assistance and professional advice from him in the course of their deliberations.

It is of note that the Premier in his State of the State address late in 2006 indicated a role for the Committee in the selection of the Auditor-General and in oversight of his program. Legislation for this is expected during the Spring session of Parliament this year.









LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

**STANDING COMMITTEE ON PUBLIC ACCOUNTS**

Richard Mulcahy MLA (Chair), Deb Foskey MLA (Deputy Chair), Karin MacDonald MLA

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**ACT Standing Committee on Public Accounts**

**Jurisdictional Report**

for the

**Australasian Council of Public Accounts Committees (ACPAC)  
Biennial Conference**

**Canberra**

**11 to 13 April 2007**

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## ACT Standing Committee on Public Accounts

- The ACT Standing Committee on Public Accounts (the Committee) is established by Assembly resolution and governed by standing orders.
- The Legislative authority for the Assembly to appoint committees and make rules governing the conduct of its business resides in the *Australian Capital Territory (Self-Government) Act 1988* (Commonwealth) (the Self Government Act).
- The procedural authority for the appointment of committees is provided for in standing orders.

### Resolution of appointment

- (i) **examine:**
  - (a) the accounts of the receipts and expenditure of the Australian Capital Territory and its authorities; and
  - (b) all reports of the Auditor-General which have been presented to the Assembly;
- (ii) **report** to the Assembly any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Assembly should be directed;
- (iii) **inquire** into any question in connection with the public accounts which is referred to it by the Assembly and to report to the Assembly on that question; and
- (iv) **examine** matters relating to economic and business development, small business, tourism, market and regulatory reform, public sector management, taxation and revenue and sustainability.

### Committee membership

Mr Richard Mulcahy MLA	Chair
Dr Deb Foskey MLA	Deputy Chair
Ms Karin MacDonald MLA	

## Highlights of selected committee activity

Following are highlights of selected activity undertaken by the Committee over the last 24 months.

### Completed reports

Since the last ACPAC, the Committee has undertaken a number of significant inquiries. Highlights of some of these are briefly discussed in this report.

- **Review of Auditor-General's Report No. 7 of 2005: 2004-05 Financial Audits**

In December 2006, the ACT PAC presented its report on the Review of **Auditor-General's Report No. 7 of 2005: 2004-05 Financial Audits**. The Committee annually reviews the Auditor-General's examination of the Territory's consolidated statements.

In its report the Committee highlighted the Auditor-General's findings regarding the non compliance of the Territory's financial statements with Australian Accounting Standards (the AAS) in relation to the accounting policy adopted by the Territory in accounting for its superannuation liability.

In 2003-04, the accounting policy adopted by the ACT Government for the liabilities of the Territory and its agencies relating to employer superannuation was to include actuarially assessed increases (unrealised losses) or decreases (unrealised gains) in the superannuation liability in the operating results of the Territory and the General Government Sector. The Government changed its accounting policy in 2004-05 by recording these movements directly against equity. According to the Auditor-General this accounting policy was not permitted under the AAS.<sup>1</sup>

In response, the Government advised that the Audit Report presented the whole-of-Government results adjusted to reflect the superannuation liability movements as an expense rather than an adjustment to equity. The Government further noted that the accounting treatment adopted avoids the volatility in the Territory's operating result, both up and down, as a result of actuarial reviews and provides a more meaningful indication of the Territory's underlying position.

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<sup>1</sup> Further, according to the Auditor-General, the accounting policy adopted by the Territory is expected to be permitted under AASB 119: 'Employee Benefits' for the 2005-06 financial statements and onwards.

- **Auditor-General's Review Report of April 2005: *Office of the Special Adviser, Council of Australian Governments & Inter-governmental Relations (OSA)***

In August 2006, the Committee presented its report on the Review of **Auditor-General's Review Report of April 2005**.

The Committee resolved to adopt the Review Report as a formal reference because it considered the issues raised were of significant public interest and suggestive of the potential to improve public administration more broadly.

The Review Report was prepared subsequent to an examination of issues regarding the administrative creation of the Office of the Special Adviser, Council of Australian Governments and Intergovernmental Relations (the Office), and the appointment of the Special Adviser.

Issues pertaining to the creation of the Office and the appointment of the Special Adviser were raised during hearings of the Committee, as well as the Legislative Assembly. The Auditor-General conducted a review of the issues raised under the authority of Section 10(a) of the *Auditor-General Act 1996*, to promote public accountability in the public administration of the Territory.

The Committee made eight recommendations including:

- the need to develop clear policy and guidelines for secondment arrangements and that decisions should be documented to demonstrate the benefits of these arrangements to the Territory; and
- that the *Public Sector Management Act 1994* be revised to prescribe principles of procedural fairness for the early termination of a Chief Executive, that balance the requirements of due process with the practical need for the early removal of a Chief Executive whose relationship with the Minister has broken down.

- **Auditor-General's Performance Audit Report No. 2 of 2005: *Development Application and Approval Process***

In September 2006, the Committee presented its report on the Review of **Auditor-General's Performance Audit Report No. 2 of 2005**.

The Audit Report presented the results of a performance audit that reviewed the development application and approval process in the Australian Capital Territory. The Audit found that the processes were not efficient, primarily due

to complexity of legislation and guidelines, lack of consistent documentation and document management, inadequate compliance activities and shortcomings in the referral and consultation process.

Further, the Audit Report raised a number of issues that were currently the subject of the Government's *Planning System Reform Project*. The focus of the *Planning System Reform Project* was to investigate reforms that would create a contemporary planning and land administration system.

During its inquiry, the Committee became aware that no comprehensive review of the entirety of the planning and land administration system in the Territory had been conducted for more than ten years.

The Committee resolved to adopt the Audit Report as a formal reference because of the ongoing robust community debate concerning planning policy, guidelines and objectives in the Territory. Further, the Committee was of the view that with the planning reform process underway it was in the public interest to provide a formal public forum to examine the issues raised by the Auditor-General.

The Committee made twenty recommendations focusing on improvements to what it considers are the fundamental components of the development assessment system. This included recommendations to the: legislation and guidelines mandating assessment criteria; assessment processes administering assessment criteria; organisational culture of the assessment authority; resourcing of the assessment authority; and continuous improvement of the assessment process.

▪ **Auditor-General's Performance Audit Report No. 8 of 2004: *Waiting Lists for Elective Surgery and Medical Treatment***

The Committee is presently considering its report in relation to this inquiry.

The Committee resolved to adopt the Audit Report as formal reference because the demand for elective surgery in the Territory continues a steady trend of growth in recent years with supply struggling to keep up with increasing demand.

The Committee's inquiry has attempted to examine the elective surgery system within the wider system in which it operates. Any strategies to improve its performance must take into account the way the elective surgery system responds to changes in waiting times, the way in which other demands on the

hospital system are dealt with, and the whole system in which the hospital operates.

The Committee took evidence from a series of public hearings. As part of its examination of strategies to improve the efficiency of the elective surgery production process, the Committee undertook a field visit to Auburn Hospital and NSW Health. As part of this visit, the Committee met with key people involved in the design, implementation and evaluation of:

- NSW Health's strategies to address elective surgery 'long waits' and 'overdues' as part of NSW Health's *Predictable Surgery Program*; and
- the *Auburn Elective Surgery Program*.

## **Current inquiries**

### ***Review of Auditor-General's Reports***

As specified in its resolution of appointment, the Committee has a mandate to review Auditor-General reports and has the power to investigate any item or matters in connection with those reports. A key part of the Committee's work is reviewing issues raised in the reports by the Auditor-General. The Committee is reviewing issues raised in the following reports:

- **Auditor-General's Performance Audit Report No. 5 of 2006: *Rhodium Asset Solutions***

The Committee resolved to adopt the Audit Report as a formal reference after considering the Auditor-General's significant findings; the relevance to the ACT public sector, as a whole, of governance issues raised; and the community concern surrounding the matter.

The Audit Report examines the governance and accountability framework for Rhodium Asset Solutions Limited, a small business entity with about 30 staff in 2005-06, operating in a competitive market. Although the trigger for the audit was the concerns raised by a former staff member with the Board regarding certain management practices, the audit extended beyond the specific issues raised, to an examination of the administrative and control framework.

Submissions are presently being received, with public hearings to commence at the end of March 2007.

▪ **Auditor-General's Report Performance Audit No. 4 of 2005: *Courts Administration***

The Audit Report presented the results of a performance audit reviewing whether the administration and governance of the ACT Court system was efficient and effective, with an emphasis on case management processes.

The Committee's inquiry has attempted to add a broader perspective to the Audit by taking a system wide look at courts administration from the perspective of all stakeholders. This view recognises that the efficient delivery of justice to those with cases in the court system is reliant on all involved in the system seeing themselves as part of a single team whose object is the effective administration of justice on the community.

The Committee has since taken evidence at a series of public hearings. Witnesses appearing have included the ACT Chief Magistrate, the ACT Director of Public Prosecutions, the ACT Bar Association, the ACT Law Society and the Australian Federal Police Association. To assist with its examination of court governance models, the Committee undertook a field visit to the South Australian Courts Administration Authority in December 2006.

The inquiry to date has attracted significant media and public interest. The Committee expects to consider its report shortly.

▪ **Auditor-General's Report Performance Audit No. 6 of 2006: *Vocational Education and Training***

The Audit Report examined the coordination and purchasing of Vocational Education and Training (VET) services in the ACT.

The Committee resolved to adopt the Audit Report as a formal reference because it considered the issues raised by the Audit Report on the efficiency, effectiveness and economy of the administration of VET in the Territory warranted further inquiry. The Committee's inquiry will focus on the:

- a) effectiveness of current VET strategic measures for meeting current and future needs;
- b) adequacy of current measures used to record and report on VET;
- c) capacity of the VET administrative framework to initiate, support and sustain change;
- d) adequacy of current measures used to monitor RTO performance; and

- e) effectiveness of consultation arrangements with industry, students and the community.

The Committee will be calling for written submissions in the next few months, with public hearings expected to commence in the middle of 2007.

### ***Self-referred inquiries***

- **Inquiry into Land Valuation in the ACT**

The Committee has the ability to self refer matters and resolved to conduct an inquiry into the Territory's land valuation system following recent comment by the Administrative Appeals Tribunal (AAT) on the land valuation process. The AAT was critical of how land valuations were determined and how the Commissioner for ACT Revenue dealt with objections to valuations.

The Committee is inquiring into, and will report on, the valuation of land in the ACT to determine the clarity, efficiency, equity, accountability and transparency of a range of land tax/valuation aspects (as specified in the inquiry's terms of reference).

The Committee has since taken evidence at a series of public hearings and is presently drafting its report.

### **ACT Auditor-General**

The Committee's resolution requires it to examine all reports of the Auditor-General which have been presented to the Assembly. As part of the process of its consideration of these reports, the Committee receives briefings from the Auditor-General and relevant audit team members on each report.

These briefings are a useful opportunity for the Committee to clarify and explore issues raised in the reports and ask detailed questions of the audit team.

- **Auditor-General's Performance Audit Program**

In its review of the *Auditor-General's Annual Report 2002-03*, the Committee recommended that it be consulted regarding the Auditor-General's annual performance audit program. The Auditor-General agreed with the recommendation and implemented a process for consultation.

The Committee reviewed the ACT Audit Office's proposed Performance Audit Programs for 2005-06 and 2006-07.



The Committee welcomed the proposed forward audit program and was pleased that this would include a 'performance audit follow-up'. The Committee understands that this review will follow-up recent performance audits, to assess whether agencies have addressed recommendations and findings arising from the audits, with a view to informing the Legislative Assembly for the ACT on progress towards implementation of recommendations. It is expected that the review will become a regular audit activity.

#### ▪ Auditor-General's Budget

Pursuant to section 22(1) of the *Auditor-General Act 1996* (the Act), the Committee considered the proposed appropriations for the Audit Office for 2006-07 to 2009-10.

#### **World Bank/CPA/La Trobe University Study Tours 2006 & 2007**

Following a request from La Trobe University in conjunction with the World Bank Institute and the Commonwealth Parliamentary Association, the Committee met with study tour delegates in 2006 and 2007.

The main purpose of the study tours was to provide guidance on parliamentary financial scrutiny and the role of public accounts committees for developing countries.

On each occasion, the delegations comprised up to 40 participants, including parliamentarians, senior public servants and senior parliamentary committee office staff from African, Asian and Pacific countries including: Ghana, Nigeria, Malawi, Pakistan, Sri Lanka, Bangladesh, Tanzania, Indonesia, Papua New Guinea, Laos and the Solomon Islands.

The delegations were accompanied by staff from the Public Sector Governance and Accountability Research Centre at La Trobe University, the Commonwealth Parliamentary Association and the World Bank Institute.

The Committee found each visit an invaluable opportunity to share its experiences of carrying out parliamentary financial scrutiny and to explore and discuss matters of common interest.

2 March 2007









## **ACTIVITY REPORT OF THE NEW SOUTH WALES PUBLIC ACCOUNTS COMMITTEE**

**February 2005 to February 2007**

Since the 2005 conference, the New South Wales Public Accounts Committee has conducted a challenging range of activities while managing significant changes in membership and staff. Key achievements include:

- completing seven major inquiries;
- supervising the conduct of an independent review of the Audit Office;
- participating in the inaugural Public Sector Annual Reporting Awards; and
- considering the appointment of a new Auditor-General.

### **MEMBERSHIP CHANGES AND END OF THE 53<sup>RD</sup> PARLIAMENT**

Three new members were appointed to the Committee following the departure of Gladys Berejiklian, former Chairman Matthew Brown and former Vice-Chairman Paul McLeay in October 2005. The new members were:

- Mr Greg Aplin MP, Member for Albury
- Ms Noreen Hay MP, Member for Wollongong
- Ms Kristina Keneally MP, Member for Heffron

On 19 October 2005, Noreen Hay was elected Chair of the Committee and Steve Whan was elected the Vice-Chair.

The term of the Committee expired with the Parliament on 2 March 2007 prior to the election on 24 March 2007. As the House has not yet met, no new Committee has been appointed.

### **STAFF CHANGES**

For most of 2005, the secretariat was understaffed. The Legislative Assembly Committee Office is being restructured during the period between Parliaments. The current Committee Manager, Vicki Buchbach, will soon depart on long term leave and the Senior Committee Officer, Jackie Ohlin, recently moved to a private sector consulting firm.

### **INQUIRY REPORTS**

Since the 2005 conference, the Committee has tabled seven inquiry reports and two reports of its activities. All except two of the inquiries followed up issues raised in reports by the Auditor-General. In most cases, the Government agreed with the majority of the Committee's recommendations.

### **Review of Operations of Audit Committees – April 2005**

The Committee followed up a 2002 compliance review by the Auditor-General by conducting a survey of 33 agencies about the operation of audit committees and comparing these to best practice principles.

The report recommended that all agencies be required to have audit committees unless they were specifically exempted by Treasury because of their small size or low level of risk. It also recommended that guidelines for the operation of audit committees be updated and that audit committee members be properly inducted and trained. In its response to the report, the Government indicated that it did not support mandatory use of audit committees but it did support the remaining recommendations.



### **Risk Management in the NSW Public Sector – September 2005**

The Committee followed up a 2002 Auditor-General's Performance Audit called Managing Risks in the Public Sector. As part of the inquiry, the Committee conducted a comprehensive survey of how 29 different agencies had responded to the performance audit and the level of progress towards better risk management. The Committee found that there had been significant improvements across the public sector but there was no legislation or other requirements directing agencies to have an effective risk management framework. It recommended strengthening of requirements and updating guidance material. It also recommended that agencies with interrelated functions collaborate on managing risks in partnerships.

The Government response disagreed with mandating risk management requirements but supported improved risk management guidance for agencies.

### **Value for Money from Correctional Centres – September 2005**

The Committee resolved to undertake this inquiry as a result of comments in Auditor-General's reports to Parliament from 2002 to 2004 comparing costs of correctional centres operated by the Department of Corrective Services to the apparently lower costs of the privately operated centre at Junee. The Committee examined recent initiatives by the Department to improve safety and cost effectiveness of their operations. It compared the performance of the privately run prison to centres using a new management program called "The Way Forward".

The Committee found that, in some public centres, overtime, sick leave and other employee expenses were excessive but the operating costs of centres using the new management system were broadly comparable to the private centre. The report recommended that at least one private prison be retained for the purpose of benchmarking the performance of publicly operated centres. It also recommended improvements to the collection of data and form of reports so that relative costs could be more easily compared. The Government agreed to implement all six recommendations of this report.

### **Sustainability Reporting in NSW Public Sector – November 2005**

The Committee conducted a comprehensive investigation of sustainability reporting in the public sector. Sustainability, or "Triple Bottom Line" reporting, provides information on the economic, environmental and social performance of organisations. Currently, many agencies prepare some type of environmental or social impact report but there is no consistency in the form of these reports and limited external scrutiny.

The Committee recommended that sustainability reporting be adopted at both a whole of government level and by individual agencies. Importantly, the report included some indicators that could be used for sustainability reporting which used information already collected for other reporting requirements as their starting point. The report proposed that sustainability reporting be integrated with annual reporting and recommended changes to the State's budgeting and reporting framework. It also recommended that the Premier's Department develop benchmarks and targets for enhanced performance and suggested the Government consider whether sustainability reports should be audited.

The report was well received by a wide range of organisations. The indicators it developed for the report have been used by the Murray Darling Basin Commission and the Australian Capital Territory Government. However the Government response to this inquiry did not indicate agreement with the report's recommendations to mandate sustainability reporting.

### **Public Private Partnerships – June 2006**

During 2005 and 2006, the Committee investigated the use of Public Private Partnerships (PPPs) in which the private sector is involved in the provision of government infrastructure or services. The Committee investigated how well the Government was managing its PPP



program by comparing the policy and legislative frameworks in New South Wales to those in other Australian and international jurisdictions. The inquiry focussed on risk assessment and allocation, evaluation techniques and knowledge management.

The Committee found that Government guidelines for PPPs are open to interpretation and are not being applied consistently. The Committee was also concerned at conditions which led to PPP arrangements being seen as less than transparent, thus reducing community trust about PPP projects. The Committee considered that the Government could improve disclosure and clarify the PPP process and make greater efforts to monitor the ongoing value of projects over their entire lives..

The report made a total of 26 recommendations about improving the administration of these projects. Key recommendations included making guidelines mandatory, increasing the disclosure of information about PPPs and publishing information about the accounting treatments for the projects and the evaluation criteria used to determine whether a project should be performed by the public or private sectors. The Government accepted all of the report's recommendations.

### **Managing Animal and Plant Diseases – November 2006**

In 2006, the Committee conducted an inquiry following up the Auditor-General's reports, NSW Agriculture: Managing Animal Disease Emergencies and Implementing the Ovine Johne's Disease Program, as part of a wide-ranging inquiry into the management of animal and plant diseases. The Committee investigated how well the government and industry are equipped to deal with both emergency and endemic pest and disease situations.

The Committee found that the Government was making huge efforts to prepare for outbreaks of emergency diseases such as avian influenza. However, gaps remained in the planning and maintenance of training levels. The Committee was concerned that, while strategies for surveillance activities were based on risk management principles, the level of resources available was variable and user charging for some tests could reduce producers' willingness to submit samples.

The Committee made a total of 22 recommendations to improve the management of animal and plant diseases including that the Government strengthen links with producers, particularly in the pig and poultry industries and with small, non-professional producers who tend to be less informed about pest and disease risks. The Government has not yet responded to the report.

### **Home and Community Care Program – January 2007**

The Home and Community Care (HACC) program is jointly funded by the Commonwealth and State Governments to provide services to the frail aged, the disabled and their carers with the aim of helping them stay in their own homes rather than move to institutions.

In May 2006, the Hon John Della Bosca MLC, Minister for Ageing and Minister for Disability Services, asked the Committee to consider and report on the joint funding and planning arrangement for the HACC Program. The Committee resolved to agree to this request and to inquire into issues raised in an October 2004 Performance Audit by the Auditor-General into the Home Care Service, the largest HACC service provider in the State.

The Committee found that HACC provides valuable service to some of the most vulnerable members of our communities but the program faces some daunting challenges as the population ages and administrators come to terms with community needs and expectations of services. During the inquiry, the NSW and Commonwealth Governments made significant progress towards improving the HACC arrangements by agreeing to a triennial planning and funding cycle for the HACC program.

The report made a total of 40 recommendations, including a range of measures to streamline funding approvals and improve program efficiency. The Government has not yet responded to the report

### **REVIEW OF THE AUDIT OFFICE**

In 2006, the Committee was required to appoint a reviewer to examine the auditing standards and practices of the Auditor-General and his office. These reviews occur every three years. During the second half of 2005, the Committee researched and consulted widely in order to establish terms of reference for the review which focussed on the most important issues for determining the Audit Office's level of performance.

In January 2006, the Committee called for tenders and, in March, appointed Masters Le Mesurier and Pitchers Partners to conduct the review. The reviewers provided a final report to the Auditor-General in June which was subsequently tabled by the Committee in August 2006. The review's overall finding was that the Audit Office delivers its services in accordance with professional and legal standards. There were some very minor instances of non-compliance with standards. The review made nine recommendations for improvement, all of which were agreed to by the Auditor-General and will be implemented.

### **APPOINTMENT OF NEW AUDITOR-GENERAL**

Under the Public Finance and Audit Act 1983, the Committee has power to veto the appointment of the Government's proposed candidate for the position of Auditor-General. The seven year term of the previous Auditor-General, Bob Sendt, expired on 6 September 2006.

Peter Achterstraat, formerly Chief Executive of the Office of State Revenue, was nominated for appointment. After a meeting with the candidate, the Committee resolved not to exercise its power of veto. Mr Achterstraat commenced his term as Auditor-General on 25 September 2006.

### **OTHER ACTIVITIES**

#### **Annual Reporting Awards**

In 2006, the inaugural Public Sector Annual Reporting Awards were held to recognise and reward excellence in reporting. Thirty-one departments and statutory authorities entered the awards which were sponsored jointly by the Public Accounts Committee and the Public Bodies Review Committee.

Reports were assessed against a comprehensive set of criteria by a culling committee and a judging committee. Committee Chair Noreen Hay MP was on the judging panel and, on 10 May 2006, she and Mr Matthew Morris MP, Chairman of Public Bodies Review Committee, jointly congratulated the winning agencies which were NSW Health (Gold), NSW Fire Brigades (Silver) and Audit Office of NSW (Bronze). The awards were officially presented as part of the Premier's Public Sector Awards in November.

It is planned to hold these awards each year and judging of the 2007 awards has commenced.

#### **Auditor-General Briefings**

In 2004, the Committee started a practice of hosting briefing sessions open to all members of parliament on reports issued by the Auditor-General when they are tabled on a parliamentary sitting day. The main benefits of these sessions are to improve members' knowledge and enable them to discuss the reports directly with the Auditor-General. The briefings have continued since the appointment of the new Auditor-General.



### **Consultation on Legislative Amendments**

In accordance with legislative requirements, in 2005, the Committee considered two sets of changes to financial and annual reporting legislation at the request of the Treasurer. These were:

- In August 2005, replacements for expired regulations to the Public Finance and Audit Act 1983, the Annual Reports (Departments) Act 1985 and the Annual Reports (Statutory Bodies) Act 1984.
- In November 2005, bills and regulations amending these three acts to make terminology consistent with the new Australian Equivalents to International Reporting Standards, to ensure agencies used accrual accounting and to change the default annual reporting period for statutory bodies.

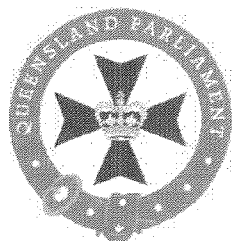
On both occasions the Committee was satisfied with the proposed amendments.

Vicki Buchbach  
Committee Manager  
March 2007









## **Queensland Public Accounts Committee**

**Meeting of the  
Australasian Council of Public Accounts Committees  
Canberra 11-13 April 2007**

**Chair's report on activities since ACPAC 2005**

## Change in committee membership

- the committee's membership changed following the State election in September 2006. The following members were appointed to the committee on 11 October 2006 for the 52<sup>nd</sup> Parliament:

Ken Hayward MP  
(ALP Member for Kallangur)

Vaughan Johnson MP, Deputy Chair  
(NPA Member for Gregory)

John English MP  
(ALP Member for Redlands)

John-Paul Langbroek MP  
(Lib Member for Surfers Paradise)

Peter Lawlor MP  
(ALP Member for Southport)

David Gibson MP  
(NPA Member for Gympie)

Carolyn Male MP  
(ALP Member for Glass House)

- membership comprises:
  - 1 member of the previous PAC (John-Paul Langbroek)
  - 1 newly elected Member of Parliament (David Gibson)
  - 2 ex-ministers (Ken Hayward and Vaughan Johnson)
- there is a mix of committee and parliamentary experience

## Activities since last ACPAC

### *PAC 51<sup>st</sup> Parliament*

#### Financial Reporting Inquiry

The committee resolved to undertake an inquiry into whether stakeholders can readily assess the integrity, economy, efficiency and effectiveness of government financial management through the current financial reporting regime. In particular:

- clarity and utility of financial reports for decision making
- audit reports to Parliament
- impact of implementation of accrual accounting
- evolution and application of accounting standards including implementation of international accounting standards
- convergence of government finance statistics (GFS) and generally accepted accounting principles (GAAP) reporting

The committee was dissolved before it could finalise its report. The committee of 52<sup>nd</sup> Parliament has elected not to pursue this issue at this time.

#### Report 71 – review of Audit Reports

This report detailed the findings of the committee's examination of three audit reports tabled during the period 1 July to 31 December 2005 and the 2004-05 annual report of the Queensland Audit Office.

Audit Reports No 3 and 5 of 2005 provided the results of performance management systems audits on output performance reporting in selected government departments. The audit recommendations focused on general trends and themes found at the agencies reviewed which have broader application across the whole public sector. A hearing was conducted on 22 November 2005.

Audit Report No 4 of 2005 dealt primarily with the 2004-05 financial year audits of departments, statutory bodies and government owned corporations. The committee decided to further examine two matters – the Brisbane City Council payroll system implementation and the Queensland Rail qualified audit opinion on the 2004-05 financial statements. The committee held private hearings with the Chief Executive Officers of both entities.

### Strategic review of the audit office

In Queensland strategic reviews of the audit office are conducted every five years and the process is handled by the Premier's department. Review reports are deemed referred to the committee for consideration.

A review was completed in late 2004. While it made 119 conclusions and 38 recommendations there were no major problems identified with the management and function of the audit office.

A key recommendation was to increase the number of PMS audits with the possible future adoption of a performance audit mandate following a review by the PAC in 3 years.

Committee reported on this issue in June 2005 endorsing the recommendations to government and the Premier agreed with the committee's conclusions.

### ACPAC Biennial Conference

The committee hosted the conference in 2005. This was a significant commitment of our resources and the committee provided a report to parliament as a means of providing accountability for those resources.

### Reporting of sensitive information

The Auditor-General did not report any matters during the 51<sup>st</sup> Parliament, however, the committee continued to monitor a complex issue raised by the Auditor-General in 2002.

### ***PAC 52<sup>nd</sup> Parliament***

#### Audit Reports

Committee continues regular briefings with the Auditor-General on all audit reports. These are usually held prior to the report being tabled.

The committee has elected to examine three Performance Management Systems audit reports tabled by the Auditor-General. These PMS audits examine issues relating to performance reporting in government owned corporations, management of capital works programs and work force planning. In December 2006 the committee held public hearings to examine these issues further. The committee is currently drafting its report.





## General committee information

### ***Statutory role and function***

Set down in the *Parliament of Queensland Act 2001* - to assess the integrity, economy, efficiency and effectiveness of government financial management by –

- examining government financial documents and
- considering the annual and other reports of the Auditor-General.

Government financial documents include the annual reports and financial statements of departments, statutory bodies and government owned corporations.

In line with tradition, the committee does not comment on the economy, efficiency and effectiveness of government policy.

The committee does not review the annual Budget estimates, that role is carried out by estimates committees that are appointed each year.

### ***Other responsibilities***

Prescribed in the *Financial Administration and Audit Act 1977* and relate to the auditor-general and the audit office.

### **Appointment of the Auditor-General**

- Premier must consult with the committee about the appointment selection process and terms and conditions of employment.
- current Auditor-General's term expires in December 2009.

### **Strategic reviews of the audit office**

- Premier must consult with the committee about the engagement of a person to conduct the review and the review terms of reference.
- next review due by June 2010.

### **Reporting of sensitive information**

- Auditor-General can report any matter to the committee if he considers it would be against the public interest to include it in a report to the Parliament.
- The committee will continue to monitor the outstanding item through to its resolution.







# REVIEW OF THE ACTIVITIES OF THE VICTORIAN PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

ACPAC CONFERENCE — APRIL 2007

## *Background*

The information contained in this report covers the activities of the Committee during the period since the last biennial conference (February 2005). A state election was held in November 2006 and the 55<sup>th</sup> Victorian parliament was prorogued in October 2006. Following the election the 56<sup>th</sup> Parliament has appointed a new Committee.

## *Role of the Committee*

The role of the Victorian Parliamentary Public Accounts and Estimates Committee is to scrutinise the State's public sector finances, public sector administration and the budget estimates.

It is a busy Committee because its functions span:

- the traditional public accounts function that includes examining outcomes of the previous financial year and undertaking general inquiries relating to some aspect of financial administration or public sector management that for example arise from issues raised by the Auditor-General;
- an estimates function reviewing the budget estimates for over 40 ministerial portfolios and the parliamentary departments (the 2006-07 budget estimates process involved taking evidence from 177 witnesses and the review of thousands of pages of transcripts and supplementary evidence from Ministers and Departments); and
- an auditing function.

The Committee has an important role in relation to the Auditor-General. As a result of amendments to the Audit Act, the Committee has taken on an enhanced role as the Audit Committee of the Parliament. Effectively the Committee stands as a mediator between the Auditor-General and executive government, and supports the independence of the Auditor-General on behalf of the Parliament. In summary, our statutory responsibilities provide for the Committee to:

- recommend the appointment of the Auditor-General and the independent performance and financial auditors to review the Victorian Auditor-General's Office;
- consider the Victorian Auditor-General's Office budget;
- review the Auditor-General's draft annual plan;
- have a consultative role in scoping performance audits and determining particular objectives of the audits and identifying any other additional matters that should be addressed;
- have a consultative role in determining performance audit priorities; and
- exempt, if ever considered necessary, the Auditor-General from legislative requirements applicable to Government agencies on staff employment conditions and financial reporting practices.

A new Victorian Auditor-General, Des Pearson was appointed in the second half of 2006.

## *Membership*

The Committee in the 55<sup>th</sup> Parliament had nine members comprising five government members and four opposition members. The new Committee has been expanded to ten and comprises five government members from the Australian Labor Party; three Liberal Party members; one from The Nationals; and one from the Greens.

In March 2007 legislation was passed which reinforced and increased the importance of the Public Accounts and Estimates Committee as the pre-eminent Committee of the Victorian Parliament. The Chair of PAEC now ranks behind the Deputy Speaker and above Parliamentary Secretaries and the Chair of the Scrutiny of Acts and Regulations Committee. The Deputy Chair of the Committee also receives an additional payment for the first time.

The new Committee has also sought a significant increase in Secretariat and research services for its work.



## *Achievements 2005 and 2006*

During the past two calendar years, the Committee's significant achievements included:

- 11 reports tabled in the Parliament;
- a significant number of the Committee's 629 recommendations were accepted, partly accepted or agreed to in principle by the Government:
  - 466 recommendations were accepted, partly accepted or agreed to in principle (78 per cent);
  - 51 recommendations were under review (9 per cent);
  - 79 recommendations were rejected (13 per cent);
  - 33 recommendations relating to the former Committee's October 2006 report on Private investment in public infrastructure were awaiting responses from the Government which are due in April this year.

The Committee's track record in terms of agencies agreeing with Committee recommendations has been relatively stable with about eight in every ten falling into the category of accepted, partly accepted or agreed to in-principle over the past four years.

Of the Committee's 11 reports tabled in the Parliament in 2005 and 2006:

- four were reviews of State Budgets;
- one related to the review by the Committee of the report on the performance audit of the Victorian Auditor-General's Office;
- three related to inquiries covering matters relating to corporate governance, a legislative framework for independent officers of Parliament and private investment in public infrastructure;
- one report, covering Parliament's control and management of appropriations, was connected with the Committee's ongoing program of selectively following-up unresolved issues raised in the reports prepared by the Auditor-General; and

— the remaining two comprised the Committee's annual reports.

The specifications for 11 performance audits were reviewed by the Committee during the 2005 and 2006 calendar years and a number of suggestions were made to the Auditor-General for inclusion in the terms of reference for the audits.

The past two financial years have been particularly busy for the Committee. In total, the full Committee and its sub-committees held 124 meetings and took evidence from 437 witnesses.

## *The Future*

The new Committee has decided that a budget outcomes report will not be prepared for 2005-06 due to the state election in November 2006. The 2006-07 budget outcomes report will include for comparisons sake 2005-06 outcomes and be prepared as soon as possible after the end of the financial year, bearing in mind that the legislative deadline for the tabling of annual reports of departments is 31 October each year.

The 2007-08 budget estimates hearings are currently scheduled to be conducted as soon as possible after the bringing down of the budget with the final budget estimates hearing scheduled for 31 May 2007. The Committee is aiming for its annual budget estimates report to be tabled in a more timely manner in future (the past two budget estimates reports were tabled in November 2005 and September 2006 respectively). Ideally the Committee's estimates report including the transcript of hearings should help inform debate on the Appropriation Bills prior to their expected passing in June.

The Committee will also follow-up Auditor-General's reports in batches at approximately six-monthly intervals and include the Committee's findings on these inquiries in an omnibus report. As its first reference under this system the Committee will consider Reports of the Auditor General tabled between July 2006 and February 2007 inclusive.

## *Current inquiries*

The Parliament through the Legislative Assembly has given the Committee terms of reference to examine options for strengthening government and parliamentary accountability in Victoria:

*To the Public Accounts and Estimates Committee — for inquiry, consideration and report no later than the last sitting day in 2007 on the options for the next phase of strengthening government and parliamentary accountability in Victoria — and in particular the Committee is required to consider:*

(a) *Parliamentary Committees;*



- (b) *question time procedure;*
- (c) *standards of parliamentary behaviour;*
- (d) *overseas travel by members of Parliament;*
- (e) *modernisation of Parliament including the permanent abolition of wigs and other archaic practices;*
- (f) *reform of the process of dealing with petitions.*

This reference is currently being scoped with a view to calling for submissions and holding hearings mid-year.

In addition, the Committee is preparing for the review of the 2007-08 budget estimates and during May 2007 will be taking evidence from all Ministers, senior departmental officers and the Presiding Officers of the Parliament.

In the latter half of 2007, the Committee will commence its review of budget outcomes for 2006-07 (including comparisons with 2005-06 outcomes). Financial and performance audits of the Victorian Auditor-General's Office will also be undertaken this year (the previous report of the independent auditor was tabled in December 2004).

The Committee will also undertake a review of the reports of the Auditor General issued between July 2006 and February 2007.

**Bob Stensholt, MP**

**Chair**

**Victorian Public Accounts and Estimates Committee**









## **Summary of activities for the Commonwealth Joint Committee of Public Accounts and Audit (JCPAA) since February 2005**

Two of the main duties of the JCPAA are scrutinising monies spent by Commonwealth agencies from funds appropriated to them, and carrying out a statutory requirement to review all reports of the Auditor-General that are tabled in Parliament.

At the last ACPAC conference in February 2005 the then Chair, Bob Baldwin MP, indicated that the newly-formed committee (following the 2004 federal election) had resolved to re-open an inquiry into indigenous law and justice that had been commenced before the election.

Following further public hearings in regional New South Wales and Western Australia, the Committee's *Report 403: Access of Indigenous Australians to Law and Justice Services*, was tabled in June 2005. The report contained 17 recommendations concerning the funding and distribution of Aboriginal and Torres Strait Islander Legal Aid services; access to such services by indigenous women; retention of expert staff; coordination of legal aid services; and the tendering process for legal aid services.

The government's response, which accepted the majority of the Committee's recommendations, was tabled in March 2006.

In June 2004 the Committee's predecessor released a report on aviation security, dealings with the aviation security environment in the wake of September 11. In May 2005 the Committee decided to re-open its inquiry, in light of reports concerning security breaches and criminal activity at Australian airports, with a focus on:

- regulation of aviation security by the Commonwealth Department of Transport and Regional Services, and the Department's response to aviation security incidents since June 2004;
- compliance with Commonwealth security requirements by airport operators at major and regional airports;
- compliance with Commonwealth security requirements by airlines;
- the impact of overseas security requirements on Australian aviation security;
- cost imposts of security upgrades, particularly for regional airports;
- privacy implications of greater security measures; and
- opportunities to enhance security measures presented by current and emerging technologies, including measures to combat identity fraud.

The Committee took evidence at a series of public hearings and airport inspections throughout Australia. In December 2005 the Committee released



a short interim report of the inquiry. After a further series of public hearings and inspections, the Committee's final report was tabled in December 2006.

In December 2005 the Committee launched a major inquiry into taxation administration, with a focus on consistency of practice by the ATO, and administration of the self-assessment system. Some 80 submissions have been received and five public hearings have been held, with the inquiry report presently being drafted.

One major outcome of the inquiry is that the Commissioner of Taxation has agreed to appear before the Committee at a public hearing twice each year, to update the Parliament on recent developments in tax administration. The first of these biannual hearings will be held in Melbourne on Friday 20 April.

In March 2006 the Committee launched an inquiry into financial and project management at the Department of Defence and the Defence Materiel Organisation, building on the work of the ANAO in a series of financial and performance audits. Public hearings commenced in May 2006 and are ongoing, as is the reception of submissions.

In addition to these major inquiries, the Committee also has a statutory obligation to review reports of the Auditor-General. In November 2005 the Committee tabled its *Report 404*, which reviewed audit reports on the following topics (catching up with a backlog of audit reports which had arisen over the 2004 election period):

- Intellectual Property Policies and Practices in Commonwealth Agencies;
- The Administration of Major Programs - Australian Greenhouse Office;
- The Commonwealth's Administration of the Dairy Industry Adjustment Package;
- Client Service in the Family Court of Australia and the Federal Magistrates Court;
- Management of Federal Airport Leases;
- Management of Customer Debt - Centrelink;
- Management of the Standard Defence Supply System Upgrade - Department of Defence;
- ANAO Inability-to-form-an-Opinion on the Department of Defence financial statements 2003-04;
- Financial Management of Special Appropriations;
- Container Examination Facilities - Australian Customs Service; and
- Regulation of Non-prescription Medicinal Products - Department of Health and Ageing and Therapeutic Goods Administration.

Largely positive responses to the Committee's 42 recommendations were progressively received from relevant government Departments.

In September 2006, the Committee tabled its *Report 407*, which reviewed audit reports on the following topics:

- Investment of Public Funds and Commonwealth Debt Management;
- Regulation of Commonwealth Radiation and Nuclear Activities; and
- Centrelink's Customer Feedback Systems, and The Edge Project.

The Committee made 27 recommendations within this report.

The Committee currently also has before it audit reports on the following topics:

- Drought Assistance;
- DEWR's oversight of Job Network services to job seekers;
- Helping Carers: the National Respite for Carers Program, Department of Health and Ageing;
- Integrity of Centrelink's Electronic Customer Records;
- IT Security Management;
- Assuring Centrelink Payments;
- Job Placement and Matching Services;
- Funding for Communities and Community Organisations;
- Administration of Primary Care Funding Agreements; and
- Management of Family Tax Benefit Overpayments.

The Committee's reports on these reviews are being prepared for tabling in mid-2007.

The *Public Accounts and Audit Committee Act* also requires the Committee to table in both Houses of Parliament an annual report which reports on the Committee's performance each financial year. The JCPAA *Annual Report 2004-2005* was tabled in November 2005, while the JCPAA *Annual Report 2005-2006* was tabled in October 2006. The JCPAA anticipates tabling *Annual Report 2006-2007* in September 2007.

The Committee's Act and the Auditor-General Act require that the Committee must approve any recommendation by the Prime Minister to fill the post of Auditor-General, before the nomination can be referred to the Governor-General (the Committee has the power to reject the nomination). In February 2005 - shortly after the last conference - the Committee undertook this duty for the first time, unanimously approving the nomination of former Deputy Auditor-General Mr Ian McPhee PSM as Auditor-General, replacing Mr Pat Barrett AO upon Mr Barrett's retirement. In March 2006, the Committee similarly unanimously approved the appointment of KPMG's Mr Geoff Wilson to the office of Independent Auditor (external auditor to the ANAO), replacing Mr Michael Coleman.

Another duty that the Committee carries out annually is writing to all Federal Parliamentary Committees seeking advice on the Parliament's audit priorities to refer to the ANAO for the following financial year's performance audit program. In 2006, eleven priorities proposed by eight committees were referred to the Auditor-General for consideration. In 2007, twelve proposals from eight committees were considered and referred.

Next month (on budget day) the Committee will report on the ANAO's budget allocation for the 2007-08 financial year. Since the last ACPAC meeting in 2005, the Committee has also reported on the ANAO's budget allocation for 2005-06 and 2006-07. This is pursuant to the Committee's Act, which states that it is one of the duties of the Committee to consider draft estimates for the Audit Office.

In his statement to the House on budget day 2005, the then Chair of the JCPAA, Mr Bob Baldwin MP, reported the Committee's view that the ANAO had sufficient funds for FY2005-06, but expressed some concern about the situation facing the ANAO in forward years. Mr Baldwin noted the high costs associated with the ANAO's present lease at Centenary House, and the increasing hourly rates for contract audit services. He flagged the Committee's view that the ANAO's discretionary activities (notably performance audits and cross-agency "Better Practice Guides" and Business Support Process Audits) should not be reduced:

"The Committee would be greatly concerned by any such reduction in the ANAO's discretionary work... For example, my Committee's current review of management of special appropriations has revealed a desperate need for increased awareness of best practice across the public service. A decrease in such advice and oversight by the ANAO, for want of adequate funding, would strike the Committee as a case of "penny wise, pound foolish", and the same could be said about any reduction in the ANAO's highly successful program of around 45 to 50 performance audits annually".

Mr Baldwin urged the government to be mindful of the Committee's concerns, and to be sympathetic to any strictly-defined proposals from the ANAO to access reserves, or undertake limited borrowings, until the Centenary House lease expires in 2009.

In his statement to the House in 2006, the Chair, Mr Tony Smith (who replaced Mr Bob Baldwin MP) noted that:

"Overall, the Auditor-General advised the Committee that the Audit Office's budget for 2006-07 is sufficient to enable it to meet its auditing responsibilities. The Auditor-General had previously informed the Committee that adoption of the Australian Equivalents to the International Reporting Standards had allowed him to manage the Centenary House rental

costs by accessing accumulated funds without recording an operating deficit. As a result, the Audit Office has budgeted to break even in 2006-07".

Mr Smith also stressed the need for the Audit Office to be competitive in the current auditing and accounting climate with regard to its requirements to carry out its audit programme. An emphasis was also placed on the resourcing of the ANAO to keep it competitive within the current labour market.

Finally, there have been several changes in the Committee's membership since the Brisbane conference. In February 2006 Mr Tony Smith MP was appointed to the Committee and elected as Chair in place of Mr Baldwin, who had been appointed as a Parliamentary Secretary. In February 2007, Mr Phil Barresi MP was appointed to the Committee and elected as Chair in place of Mr Smith, who had similarly been appointed as a Parliamentary Secretary. The Hon Bronwyn Bishop MP, Dr Craig Emerson MP, Senator Fiona Nash, Senator Mark Bishop and Dr Dennis Jensen MP have joined the Committee since February 2005, replacing the Hon Alex Somlyay MP, Ms Anna Burke MP, Senator Nigel Scullion, Senator Claire Moore and Mr Ken Ticehurst MP respectively.

March 2007





# STANDING COMMITTEE ON ESTIMATES AND FINANCIAL OPERATIONS OF THE LEGISLATIVE COUNCIL OF WESTERN AUSTRALIA

## Jurisdiction Report for the ACPAC Conference 11-13 April 2007

### 1. INTRODUCTION

- 1.1 The Estimates and Financial Operations Committee (**Committee**) is a standing committee of the Legislative Council. It is a relatively new Committee, established less than two years ago, on 30 June 2005 by the Legislative Council. Its main functions are to consider and report on the estimates of expenditure laid before the Council each year and any matter relating to the financial administration of the State.
- 1.2 The Committee comprises 5 Members of Parliament appointed by the Legislative Council. It is significant to note that the Committee is required by the Standing Orders to have a non-Government majority.<sup>1</sup>
- 1.3 The Committee is not a public accounts committee by name; however, it shares certain responsibilities associated with public accounts and public sector financial management, including interaction with the Auditor General.
- 1.4 The establishment of the Committee has arisen from the Council's desire to provide a more effective and continuous forum for the scrutiny of the budget and government financial operations and to allow Members to go into some detailed examination of budget expenditure and department annual reports throughout the year.

### 2. TERMS OF REFERENCE

- 2.1 As this is the first time this committee has participated in an ACPAC Conference, I will briefly outline the terms of reference of the Committee.
- 2.2 The Committee's terms of reference are to consider and report on -
  - a) the estimates of expenditure laid before the Council each year;
  - b) any matter relating to the financial administration of the State;
  - c) any Bill or other matter relating to the foregoing functions referred by the House; and
  - d) to consult regularly with the Auditor General and any person holding an office of a like character.

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<sup>1</sup> Western Australia, Legislative Council, *Parliamentary Debates (Hansard)*, June 30 2005, p3730.

- 2.3 The Committee's terms of reference are extremely broad, enabling the Committee to initiate investigations relating to any aspect of the financial administration of the State. This includes inquiry into any matter relating to past, current, proposed and future expenditure by the public sector.
- 2.4 The Committee may conduct inquiries into the financial administration of government departments and agencies (and other bodies funded by the Government) including their performance, processes and the outcomes of their policies and programs.
- 2.5 The Committee's terms of reference also require the Committee to consult regularly with the Auditor General and any person holding an office of a like character. The objectives and functions of the Committee and the Auditor General in assessing the utilisation of public money are similar to a certain degree. In this respect, regular consultation with the Auditor General can assist the Committee greatly when conducting financial scrutiny of government. In particular the Auditor General can assist the Committee in identifying problem areas and identifying potential future lines of inquiry.

### 3. ACTIVITIES OF THE COMMITTEE OVER THE PAST TWELVE MONTHS

#### Legislation

- 3.1 Two suites of legislation, comprising 5 individual bills were referred to the Committee for consideration and report.

#### *Energy Safety Bill 2005 and the Energy Safety Levy Bill 2005*

- 3.2 The first was the Energy Safety Bill 2005 and the Energy Safety Levy Bill 2005. The Bills provided for the establishment of a scheme whereby the body known as EnergySafety, which is responsible for the technical and safety regulation of the electricity and gas industry, is to be fully funded by the energy industry through the imposition of a levy on energy industry participants. The purpose of the levy is to generate income for all of EnergySafety's activities not funded through licence or direct service fees.
- 3.3 The Committee in its report, among other things, considered whether the levy is a tax or a fee for service and whether industry/consumer funding of EnergySafety is appropriate. It concluded that it could not conclusively determine that the levy is a fee for service and noted that the levy is a mechanism for recovering costs from the beneficiaries of the regulatory framework for energy safety rather than from the Consolidated Revenue Fund.
- 3.4 The Committee made 8 recommendations for amendment to the Energy Safety Bill 2005 including that the Bill provide an objection and review procedure to be used by energy industry participants dissatisfied with the quantum of their levy notice.

#### *Auditor General Bill 2006, Financial Management Bill 2006 and Financial Management Amendment Bill 2006*

- 3.5 The Committee also considered and reported on the Auditor General Bill 2006, Financial Management Bill 2006 and Financial Management Amendment Bill 2006. The Bills repealed

and replaced the *Financial Administration and Audit Act 1985* or FAAA which provided the framework for the financial management and accountability for departments and statutory authorities, and established the position and powers of the Auditor General.

- 3.6 It was seen that provisions of the FAAA were becoming outdated and less suited to the current accounting and financial management environment which features an increasingly 'at arms length' relation between the Executive and government agencies; and a shift from cash to accrual accounting methods. Further, there had been various recommendations to strengthen the independence of the Auditor General and the Auditor General's relationship with, and accountability to, the Parliament.
- 3.7 The Financial Management Bill 2006 provided for the control and management of public sector finances and outlined agencies' reporting obligations, while the Auditor General Bill 2006 provided for the appointment, functions and powers of the Auditor General. This separation of the two major purposes of the FAAA being consistent with the aim of strengthening the independence of the Auditor General.
- 3.8 The Committee made 8 recommendations for amendment to the Financial Management Bill 2006.
- 3.9 A major focus of the Committee's inquiry into the Auditor General Bill 2006 was ensuring the independence of the Auditor General from the Executive. The Auditor General Bill 2006 considerably strengthens the interaction between the Committee and the Auditor General.
- 3.10 The Committee made 15 recommendations for amendment to the Auditor General Bill 2006. Of significance was the Committee's recommendation that a Joint Standing Committee on Audit be established comprising Members of this Committee and Members of the Public Accounts Committee of the Legislative Assembly. The Committee's view was that such a committee would considerably strengthen parliamentary involvement with, and oversight of, the Auditor General and maintain the independence of the Auditor General. This recommendation was agreed to by both Houses and we are currently awaiting the appointment of the Joint Standing Committee on Audit. The Committee recommended that the Chairman of the Joint Standing Committee on Audit should be a Member of the Legislative Council. The establishment motion moved by the Government in the Legislative Assembly provides that the Chairman of the committee be a Member of the Legislative Assembly. This matter has yet to be finalised by the Parliament.

### Estimates

- 3.11 Historically in the Legislative Council the annual budget estimates hearings have been held over three to four days during which Members could ask questions relating to the Budget Papers. This has always provided an opportunity for the involvement of all Members of the Council not just the Members of a particular committee.
- 3.12 Noting various criticisms about this process, the Committee decided to adopt an innovative procedure for the examination of the annual estimates of expenditure.

- 3.13 The Committee has set up a process whereby it holds its estimates hearings ongoing throughout the year. The hearings are held on a non sitting day of a sitting week (generally on a Monday afternoon) so that all Members can attend and so that Members have adequate time and opportunity to question government departments and agencies.
- 3.14 In relation to the 2006/07 budget the Committee has held hearings with 15 different agencies, generally two agencies per month. To maximise the involvement and participation of all Members of the Council, all Members were surveyed to determine which agencies to examine.
- 3.15 The hearings have provided the opportunity for regular in-depth analysis of the budget estimates and government financial operations throughout the year. The process of the Ongoing Hearings has allowed detailed questions and lines of inquiry to be able to be pursued by Members and has provided the opportunity for Members to follow up on matters through the Committee.
- 3.16 The Committee also held Annual Budget Hearings to supplement the Ongoing Hearings. These hearings were held on a single day in June. Again, the Committee surveyed all Members to assist in determining which agencies to examine. Members were also offered the opportunity to provide questions on notice prior to the hearing so that more comprehensive responses could be received. These hearings assisted the Committee in identifying issues for further inquiry during its Ongoing Hearings and also provided all Members of the Legislative Council with the opportunity to ask questions on the Budget at a time when it is most relevant; that is, before the appropriation bills are passed.
- 3.17 To provide a focus of inquiry over the year the Committee chose a number of whole of government issues to address of each agency which appears before it, including:
- Key Performance Indicators and Performance Management;
  - Funding to regional and rural areas of Western Australia;
  - Information systems security;
  - Implementation of shared services; and
  - Fees and charges.
- 3.18 The Committee is currently considering its program for the 2007/08 budget which is expected to be handed down in mid May.

#### **4. CONCLUDING REMARKS**

- 4.1 The Committee thanks the ACPAC for extending it associate membership status to participate in this conference. As I stated previously whilst the Committee is not public accounts committee by name, it shares certain responsibilities associated with public accounts and public sector financial management and thus it views its involvement in such a forum as extremely relevant and worthwhile to its operations.