

CORRECTED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Subcommittee on Follow-Up of Auditor-General's Reports

Inquiry into Parliamentary Control and Management of Appropriations

Sydney – 28 April 2004

Members Present

Ms C. M. Campbell

Mr B. Forwood

Ms D. L. Green

Mr J. Merlino

Ms G. Romanes

Chair: Ms G. Romanes

Deputy Chair: Mr B. Forwood

Staff

Executive Officer: Ms M. Cornwell

Witnesses

Mr B. Sendt, Auditor-General, The Audit Office of New South Wales; and

Mr L. White, Assistant Auditor-General, Financial Audit Branch, The Audit Office of New South Wales.

Mr FORWOOD — Because one of the issues is that if you are a Corporations Law entity, then as a director you have a different level of personal liability than if you are just on some sort of government advisory committee.

Mr WHITE — Clearly, yes, although I think some directors would still say to you that if they are not, in substance they should be operating with the same principles as if they were so that if something was ever to unwind and go belly up — —

Mr FORWOOD — It tends to focus the mind.

Mr WHITE — Yes. Some of them, I think, would genuinely say that even though they might not necessarily be under the Corporations Law, this is how they should behave and operate.

Mr SENDT — And to add to that, the standard of diligence required by directors of Corporations Act entities sets the standard or benchmark that I think has probably tended to elevate the degree of attention given by directors of other entities.

Mr FORWOOD — Yes. Some people would say now they are concentrating too much on diligence and not enough on running the business.

Mr SENDT — Some would say that.

The CHAIR — I think we will move the focus of our discussion across to our other inquiry, which is some following up a report of the Victorian Auditor-General into parliamentary control and management of appropriations. You may be aware that the overall conclusion of the Auditor-General's report was that successive reforms to Victoria's financial management and accountability framework have seen quite an increase in discretion for executive government in the state, and so as part of our deliberations we are looking at what should be or could be the balance between that discretion and flexibility and parliamentary scrutiny and accountability.

Mr Sendt, could you give us a view of the New South Wales situation in terms of those issues of balance of executive power and parliamentary scrutiny?

Mr SENDT — Perhaps if I can point to some differences between New South Wales and Victoria that might impact your questions or your interest in the matter in New South Wales. One of the issues that came out of the Victorian Auditor-General's report was that the formation of super departments meant that appropriations were really being given for a very large portion of the public sector through virtually one-line items.

New South Wales has not to date gone as far as Victoria in creating super departments. Although over the last 12 months, since the 2003 state election there has been a tendency to amalgamate departments and create super departments, we still have quite a number more than Victoria has, so the problem at this stage has not quite got to the same degree as in Victoria.

New South Wales also has not adopted some form of output or outcome budgeting, which would at least give more information about how appropriations and expenditures are being spent at a more detailed level. New South Wales still has a form of program budgeting whereby details are shown at a net cost of services level but not at a Consolidated Fund appropriation level for individual programs.

The reason the nexus between appropriations and program net cost of services or program financial details was broken was that cash is fungible. Departments can move their own resources around between programs to create their own priorities quite independently of where the Consolidated Fund cash is directed. It was, therefore, seen that appropriating money at a program level was really creating a false impression and was having a major influence on the priorities agencies were giving in directing their overall resources.

As I said, New South Wales has not gone the way of outcome budgeting. A number of reforms have been

proposed in the area of financial management in New South Wales going back probably now at least 10 years, which resulted in the release of a green paper in 1998 and it was after about five years work. That green paper still has largely not been acted on and some of the recommendations in there would perhaps address some of the questions you have looked at or are looking at. For example, the size of Treasurer's advance, controls over the use of Treasurer's advance, controls over the use of what we call in New South Wales section 22, which is the ability of the Treasurer to go beyond the Treasurer's advance and spend funds if the exigencies of government so require.

So the recommendations in that report of which the committee would probably have been given a copy back in 1998 do address some of the issues that you are interested in, but they languish.

Mr FORWOOD — Why do they languish?

Mr SENDT — A good question and one that I have raised a number of times, particularly on a couple of areas. One of Treasury recommendations in that report was that the Auditor-General be given the power to audit key performance indicators published in annual reports. Now, that is a power — —

Mr FORWOOD — Des Pearson has that.

Mr SENDT — Des Pearson has that in Western Australia and your AG has discretion to do that. I think perhaps the ACT Auditor-General also has the power to do that. So that is something that has languished; it is something that I have reported on to Parliament on a couple of occasions and spoken publicly about. Perhaps it is a bit unfortunate that Treasury preceded us at this briefing. Perhaps you could have asked them the question, because I would have been interested in hearing the answer.

The CHAIR — Do you undertake the same level of performance reporting that our Auditor-General does?

Mr SENDT — We can do the same level of performance audits in terms of an in-depth study of an agency's performance, but we cannot go into any agency and simply audit their performance indicators outside of a performance audit.

Mr WHITE — So, being part of the financial audit, at this point, we simply reflect on what some of the key indicators are in our report to Parliament, perhaps put some context with benchmarking, comparing to other places, and weave some questions around what the performance is saying, but we have not yet got to a point of auditing the accuracy.

Mr SENDT — As an example, an issue arose last year. For a number of years in our reports to Parliament when talking about the financial audit of CityRail we had been including data from CityRail on on-time running of trains, for example. We became aware from a draft internal audit report within State Rail that there was a fair degree of doubt about the validity of those statistics, the way they were compiled, the rigour with which they were compiled. We felt because of that we could not publish the data even with a caveat that it was not audited but because we had published it previously we felt an obligation to report why we were not publishing it.

Mr FORWOOD — You would have been popular.

Mr SENDT — We certainly raised an issue about reporting and accountability for results. I raised it in the context that had the government endorsed the recommendations of Treasury some years earlier it may have been saved the embarrassment of me then having to comment some time down the track that performance audit data that had not been audited was found to be very, very suspect, whereas if it had been through an audit process that might have been discovered a lot earlier and resolved a lot earlier.

Mr FORWOOD — In the budget papers is it possible to say for this particular program the amount appropriated is X but the amount anticipated to be spent on the program is X plus commonwealth government funds, plus annotated receipts, plus any other funds that might come in

from somewhere else?

Mr SENDT — It is, and that is what was done in New South Wales, in effect, for a number of years after the government moved away from simply reporting Consolidated Fund to reporting what we called at the time a total funds approach. So it did show the total cost. It showed total expenses less earned revenue by the department.

Mr FORWOOD — At what level are we talking?

Mr SENDT — By program. It showed then the net cost of services, an accrual concept, and then showed for each program the Consolidated Fund cash appropriation. I am not sure you are aware that I was in Treasury for many years in charge of the budget area.

Mr FORWOOD — Fox.

Mr SENDT — Firstly, there is no parliamentary control over the total expenses an organisation devotes to a particular program nor over the net cost of services. The only control Parliament had was over the Consolidated Fund appropriation, but if an agency wanted to increase its expenditure on a program, it could simply move the revenue that it was earning either as an organisation as a whole or from one program into that program and increase the expenditure. So the Consolidated Fund appropriation could stay the same, Parliament could be deluded, if I may use that term, into thinking that its controls were effective but the agency had increased program expenditure on one program and decreased expenditure on another program.

Mr WHITE — Although there was some requirement for reporting of that actually occurring.

Ms CAMPBELL — Where?

Mr WHITE — There was, I think, reporting back to the Treasurer and also reporting to the Auditor-General. In early days what we actually found around this was that agencies were not aware that they actually had to do this. So they were sort of doing program — —

Mr FORWOOD — Politely put.

Mr WHITE — — changes but were not actually advising. So we raised those issues over a period of time.

Ms CAMPBELL — Have you made any recommendations on that and followed them up?

Mr SENDT — I am not aware of any recommendations we have made recently.

Mr WHITE — No. I would be going back some time. We have done a number of pieces of reporting around appropriations and issues such as the one we have just discussed, and that occurred from about 1996 through to about 2000 and 2001, and each time we brought it out the response became there was going to be another Treasury circular to highlight what was required. So over a period of time we did see the level of diligence improve around how things were to be done.

The CHAIR — So is there a point where you think that it would be appropriate for that kind of reconciliation and reporting of that to go to members of Parliament?

Mr SENDT — Well, it could be. My view is Parliament should be given or should have more say in setting what departments spend their money on rather than simply the Consolidated Fund appropriation, which is one source, albeit a major source, of their cash, and I noticed I think in the Victorian Auditor-General's report there was a reference to — —

Mr WHITE — The UK model.

Mr SENDT — — the UK model — —

Mr MERLINO — The table in the back.

Mr WHITE — It is just straight after the table, page 90.

Mr SENDT — — which, in fact, proposes exactly, I think, what I am suggesting, that perhaps parliaments set, through the appropriation process, a limit on the net cost of services or total resources devoted to a program or output class and, secondly, set a Consolidated Fund cash appropriation. My view is that probably the first of those should have primacy, but that is the more important control on what an agency is spending its funds on. The actual cashing of the agency to do that I think is, in my view, of lesser importance. It is certainly the traditional role of Parliament to appropriate from the public purse cash, or even on an accrual basis, but I think the more fundamental control and more meaningful control is a control over what agencies spend.

Mr FORWOOD — Yes, I could not agree more.

Mr SENDT — That, I think, does really lead to a requirement for output or output budgeting as well to have a better understanding of what agencies are spending their money on. So in the absence of an output or outcome budgeting approach in New South Wales — again, I am not sure that it adds a lot of meaningful control by Parliament — it is probably better than a Consolidated Fund control.

Mr FORWOOD — It would be better but not perfect.

Mr SENDT — Not perfect, no.

Mr MERLINO — My question is about unused appropriations. In Victoria unused appropriations can be carried forward to the next year with the Treasurer's approval, whereas in New South Wales unexpended funds just go back into consolidated funds.

Mr SENDT — In effect.

Mr MERLINO — In discussions with the department earlier, it was conceded that towards the end of the financial year there is a flurry of spending to spend that unexpended money, or some of that. What is the view of the Audit Office about that issue and is it a concern? Are you looking at this as an issue in terms of addressing that?

Mr SENDT — We have looked at times at it. What happened was that Treasury many years ago introduced a system whereby within certain limits unused appropriations could be carried forward. Now, the Auditor-General at the time, or the Audit Office at the time, took the view that Consolidated Fund appropriations lapsed and Consolidated Fund moneys could not be carried forward, which meant that if Consolidated Fund money had been drawn down but remained unspent at 30 June it became a liability back to the Crown, back to the Consolidated Fund of the agency.

Now, I think you can have that regime but still allow an agency, through adjustments to the following year's appropriation, the benefit of underspending if that is seen as a desirable counter to end-of-year spend-ups. So while the mechanism that was being used was seen as not being legal, I think another mechanism could be in place, and I am not sure that it is not in place perhaps administratively now that an agency may get a top-up to the following year's appropriation if it does, in effect, underspend on the current year's appropriation.

Mr WHITE — Just to add to that, I would say that certainly we have seen in doing our audits that type of spending and also at times we have found what we would describe as cut-off errors where agencies have indicated that the money has been committed and therefore accruals are raised and they are not.

Mr FORWOOD — Do you qualify their accounts?

Mr WHITE — No. We will suggest they may want to, instead of having a qualification, reverse those entries, but they are their accounts at the end of the day.

Mr SENDT — Invariably they see the value in our suggestions.

Mr FORWOOD — Invariably.

Ms CAMPBELL — Treasurer's advances in Victoria are about 13 per cent of the total appropriation. New South Wales, we have been informed by DTF, has a supplementary system called — —

The CHAIR — Replenishment?

Ms CAMPBELL — No, they have got a new name for it. The name of the extra appropriation?

Mr FORWOOD — Supplementary appropriation.

Ms CAMPBELL — We call it Treasurer's advance; you have supplementary.

Mr SENDT — They are two different things.

Mr WHITE — We have Treasurer's advance.

Mr SENDT — We have Treasurer's advance as well.

Mr FORWOOD — When it runs out.

Ms CAMPBELL — We have got a system where Treasurer's advance just keeps on rolling through the financial year, and we are looking at around 13 per cent of the total appropriation. Have you got a comment on what you see as a good model? In your view, has New South Wales got a good model which we should seriously examine?

Mr SENDT — Certainly, I think the model whereby separate appropriation bills or supplementary appropriation bills are introduced into Parliament is a good model. I think it is one that gives Parliament authority or power in advance to say yea or nay to the executive government's proposals for additional appropriations. It certainly is a far preferable mechanism than what we call the section 22 payments in New South Wales, whereby the Treasurer of the day, if he or she believes that the exigencies of government so require — which is the wording in the Act — can commit additional moneys out of the Consolidated Fund with the government's approval, unlimited. So a combination of a Treasurer's advance, supplementary appropriation bills, which is the practice in the commonwealth as well, and perhaps in certain more limited circumstances access to a section 22-type mechanism I think would be a good combination.

Mr FORWOOD — How is it reported?

Mr SENDT — It is reported through a subsequent appropriation bill.

Mr FORWOOD — But in the half yearly reports is there a line that says 'Raid on the Consolidated Fund through section 22 half a billion dollars'?

Mr SENDT — No.

Mr FORWOOD — Well, that is what it is.

Mr SENDT — Well, no, there is not.

Ms CAMPBELL — Was that done in your time?

Mr SENDT — If there is a supplementary appropriation bill introduced during the course of the year and prior to that section 22 has been accessed, I think the practice would be that ex-post approval for that section 22 expenditure would be sought as well as the new appropriation for whatever reason.

The CHAIR — And if there is not one, is it then attached to the budget appropriation bill?

Mr SENDT — Yes, it would be.

The CHAIR — Have there been many supplementary appropriation bills over the last few years? Our understanding from talking to Treasury officials was that they were mainly in regard to the Treasurer's supplementing or replenishing the Treasurer's advance.

Mr SENDT — Yes, the supplementary appropriation bill can either appropriate additional funds to the Treasurer's advance or it can appropriate them directly to an entity. There has generally been at least one.

Mr WHITE — Sometimes two.

Mr SENDT — Sometimes two supplementary appropriation bills for the last four years or so since the practice was brought in, and they would be a mixture, I think, of supplementing Treasurer's advance and supplementing individual appropriations. But in terms of dollars, I would think it would probably be a predominance of supplementing the Treasurer's advance or reconstituting or replenishing the Treasurer's advance.

Mr MERLINO — What is a good example of a section 22? Why would the government go through the section 22 process rather than utilising the Treasurer's advance?

Mr SENDT — If Treasurer's advance runs out.

Mr MERLINO — But why would the government simply go through the process of seeking extra funds for the Treasurer's advance? Is it a simpler process?

Mr SENDT — Up until four years or so ago there was never a practice of introducing supplementary appropriation bills. So once Treasurer's advance ran out, the government had to resort to section 22. The Treasurer's advance also only covered recurrent services. It did not cover capital. So any additional drawdowns on the Consolidated Fund for capital purposes had to be charged to section 22.

Prior to supplementary appropriation bills being brought in, it was always an exercise requiring some imagination as to whether items got charged up to section 22 or to Treasurer's advance, the basis being that the Treasurer's advance was something already appropriated, so the Treasurer, perhaps, was freer in the way he could spend that money.

Mr MERLINO — So Treasurer's advance is a recording mechanism to Parliament whereas section 22 is an approval process through Parliament?

Mr SENDT — It is interesting. The Treasurer's advance is appropriated in the budget to the Treasurer. When it is subsequently reported to Parliament, there is, again, a clause in the bill that appropriates the same amount. I am not sure whether it is some legal requirement or simply an accident of history, but there is, in effect, a double appropriation of the same amount of money. When the section 22 gets reported, Parliament's authority is sought to have appropriated that money.

Mr FORWOOD — Retrospectively?

Mr SENDT — Retrospectively, yes.

Ms GREEN — The Victorian Auditor-General has recommended that there needs to be better accountability for the use of trust funds, and at present they are all aggregated and disclosed in the government's annual financial report, so there is no requirement to report separately. What accountability mechanisms exist in New South Wales as to that sort of disclosure of trust funds?

Mr SENDT — There is limited disclosure in respect of individual funds. I am assuming that what you call trust funds in Victoria are similar in nature to what we call a special deposits account in New South Wales, which covers a range of types of accounts. Some are genuine trust moneys held on behalf of a third party. Others are accounts that may be used for the passing through of commonwealth grants. Others may be statutory accounts or accounts set up under legislation for a particular purpose within the special deposits account, so they cover a range of activities.

There is no separate individual reporting of those. If those accounts or those moneys are under the control of a department or an authority, they would be included in the total financial report of that entity without any separate disclosure.

Mr WHITE — They may only be included to the extent of being reported by way of note. If investments were being held in the trust but not part of the agency's investment, they are truly moneys held on behalf of a third party that they are administering, they would be shown by way of note, so some disclosure.

Mr FORWOOD — That presupposes that the trust money is there on behalf of a third party, and that is not the case, necessarily.

Mr SENDT — Some genuinely are, but it would be a very small proportion and at the whole of government reporting or the Crown reporting, there is no separate disclosure of amounts in those accounts. Again, there used to be. Many years ago New South Wales went through an exercise, as I think Victoria did, of clearing out a lot of special deposits accounts that were no longer seen as being required.

The CHAIR — Any further questions?

Ms CORNWELL — I have lots of questions but I think that perhaps when we read the transcript we could come back with further questions.

The CHAIR — We do appreciate the time that you have spent with us. It has been most interesting and the clarity of your presentation and ideas has been fantastic. So thank you.

Mr SENDT — We always enjoy meeting with the Victorian Public Accounts and Estimates Committee.

Witnesses withdrew.

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Witnesses

Mr J. D. Evans, B.Leg.S., Clerk of the Legislative Council and Clerk of the Parliaments, Parliament of New South Wales; and

Mr W. Cahill, Usher of the Black Rod and Clerk of Committees, Parliament of New South Wales.

The CHAIR — I welcome the Clerk of the Legislative Council, Mr John Evans, and the Usher of the Black Rod and Clerk of Committees, Mr Warren Cahill, to this public hearing on follow-up of the Auditor-General's reports on parliamentary control and management of appropriations. All evidence taken by this subcommittee is taken under the provisions of the Parliamentary Committees Act and is protected from judicial review. However, any comments made outside the precincts of this hearing are not protected by parliamentary privilege. All evidence given today is being recorded, and witnesses will be provided with proof versions of the transcript shortly.

Mr Evans and Mr Cahill, we thought it would be useful to get your perspectives on the issues to be addressed during this inquiry, and then there are a number of specific issues that we would like to follow up with you. So would you like to make some opening comments?

Mr EVANS — Okay. Madam Chair, we have had probably close to 15 years experience with estimates committees in the upper house, and they have been an evolving process. Of more recent times I think they have become a more effective process. Initially we had joint estimates committees with the Legislative Assembly, and they operated from about 1991 to about 1994. Then I think it was when the Carr government came to office in 1995 that both houses could not reach agreement on joint estimates committees, so we have had estimates committees solely in the upper house each year.

Each year, following the presentation of the budget, the budget papers and related documents are referred to what we call our estimates committees for inquiry and report, and the house passes a resolution giving terms of reference to those committees. I have brought along for members of the committee the most recent resolution of the house where in the LC we now have five general purpose standing committees that each year have the role of examining the estimates of the various government ministers' portfolios.

Each year we do publish for the guidance of our members a budget estimates guide, and I am sure we can make a copy of that available to you. We publish that for the information of witnesses and departmental officials.

Ms CAMPBELL — That is the equivalent to our background paper for new members.

Mr EVANS — Our committees in general operate similar to the Senate estimates committees, with some exceptions. The timetable for the budget estimates hearings have not generally been set by the committees themselves. They have been set by negotiation with the leader of the house and the Legislative Council, and we publish a timetable for hearings, a copy of which you will see in this budget estimates guide.

Perhaps our committees are fortunate in that Assembly ministers are willing to come along to our budget estimates hearings, unlike the Senate where you only get Senate ministers at Senate estimates committees hearings. I guess the reason that we have this schedule of hearings is because the leader of the house in the Legislative Council negotiates with ministers when they will be available to come along and attend estimates committees hearings. So we then publish a schedule of hearings of when we can get the ministers to come along. Any hearings subsequent to that do not necessarily always mean that a minister is there. It is generally only the departmental officials.

Mr FORWOOD — So sometimes you have two meetings or more than two?

Mr EVANS — Yes. Last year and more particularly this year our committees have had supplementary hearings to those that are listed in this schedule here.

The CHAIR — And the ministers are happy enough to come along to those?

Mr EVANS — Warren can probably answer that better than I can. There may have been some cases where ministers have come along to a supplementary hearing, but in the main it has generally been departmental officials.

Mr CAHILL — That is right. In this current round we had, I can think of two examples, where the minister came along to a supplementary hearing on the basis that there was further information that the committee was keen to question the minister about and the minister was keen to provide further information. Frequently committees will invite the minister to a supplementary hearing and it is really up to the minister to decide whether

he or she wishes to attend or whether the departmental officers will attend after that. I think we are seeing a developing sequence where the committees are cognisant of the fact that ministers will come along to the first round of hearings, which is something that is fairly special here and does not occur in the Senate, and, therefore, they are very conscious that that should be protected. So the first round is where questioning occurs to the Premier and to each of the ministers. After that it is falling more into a sequence where they will then pursue the departmental officers over further questioning rather than the minister.

Ms CAMPBELL — Do you also give supplementary written questions?

Mr CAHILL — The area of written questions has been probably the most difficult and dogged question we have had over the last 10 years because of the desire for members to place on notice large numbers of questions relating to interest groups who provide questions to members about their portfolios.

Ms CAMPBELL — I see.

Mr CAHILL — So we had in the early days up to, I think in the worst case, maybe in the range of 5,000 questions placed on notice. We had staff that were working for weeks to prepare papers. We had then, naturally, departmental officers caught up in responding to those. It was really just a massive logistical exercise.

Mr EVANS — I should add that the resolutions of the house in those days did allow for questions to be put on notice. In more recent resolutions we have excluded that. So it has been a matter of the workings of each committee to decide how it is going to handle that process. But from an official point of view we try to discourage members placing questions on notice because of the great administrative burden not only to the Legislature but also to the departmental officials, and I guess that has also largely stemmed from the way we have these set time frames for the meeting of ministers. You know, we are going to hear this department for two hours or three hours.

Now, if you do not have a system in place of hearings that go day after day after day, as the Senate does, and they just keep going until they have finished asking all their questions, obviously members want some kind of system in place that will allow them if they do not get the opportunity to ask their question orally to have some other mechanism in place whereby they can get a response to their question. We say to them, 'Well, you do have the ordinary question paper anyway. Why can't you put them on there if you can't ask them during the estimates committee process?'

The CHAIR — Are the committees resourced with administrative support?

Mr EVANS — Only the normal administrative support staff that committees have.

The CHAIR — So each of these committees has staff?

Mr FORWOOD — Permanent staff?

The CHAIR — Permanent staff?

Mr EVANS — No, not each of these committees.

Mr FORWOOD — They do not have a Michele?

Mr EVANS — Each committee does not have a committee director, a project officer or a committee officer as such. I will let Warren explain our staffing arrangements for committees.

Ms CAMPBELL — So when it says:

Provisions

3. (1) A committee is to be provided with the resources necessary to carry out its functions.

What does that mean?

Mr CAHILL — Well, that part of the resolution is one where the Legislature is saying to the government that it may be required to provide further resources to the Legislative Council if we are in a position where we simply do not have the funds to resource. So it is more a procedural notification, just as I think you would find in your committees. When you create a select committee there is usually a paragraph which notes that funding should be provided to resource that select committee if required. So that is why that is there.

Certainly, with the growth of these general purpose standing committees it has been a major resource issue for us, and we have applied a number of administrative matters to help resource them. One of those is that across all our committees now people are not allocated to a single committee. Every person who works for our committees is now in a generic position of either director, senior project officer, project officer, and we move them where the work is. They did not like it at first.

Mr FORWOOD — Multidisciplinary.

Mr CAHILL — But they now move very rapidly across multiple inquiries, and when we go into budget estimates, not only do we draw on all our committee staff but all our procedural staff act as assistant clerks to that first round of hearings. We have three at any one time going, and to staff those with a principal clerk and a deputy clerk, that is all done with our procedural staff, and we are now in a position where the clerk and the deputy clerk are able to move around the committees rather than actually having to be involved in taking on one of the committees themselves. So in relation to that, the general purpose standing committees have a body of staff now working across all five committees depending on where the work is, and, yes, we do have to supplement them when all of the committees become active, and we are considering a number of ways even now of how to improve that. But certainly being able to shift staff has meant that we've been able to maintain without taking on large numbers of extra staff temporary staff to do it.

Mr EVANS — So in the main these general purpose standing committees would have a committee director, a senior project officer, a project officer and a committee officer. So they would have four staff supporting them.

The CHAIR — And each one of them issues a report or is it a combined report?

Mr EVANS — Each one issues its own report.

The CHAIR — And the members of the council Presumably are all divvied up to have a role in at least one of the committees — or more than one?

Mr CAHILL — More than one.

The CHAIR — More than one?

Mr EVANS — More than one. It is a fairly heavy responsibility, particularly for government members because we have so many ministers in the Council. Of the 18 government members we have, you can take out seven ministers plus the President.

Mr CAHILL — And the parliamentary secretary.

Mr EVANS — And the parliamentary secretary. So you can see that the government members in the upper house have a fairly heavy workload when it comes to committee work. In fact, a government committee member in a busy year would be attending close to 70 and 80 committee days a year. It may even be higher in some years. I know in one year it was up in the nineties, in addition to sittings of the house.

Mr FORWOOD — I have two questions. The first is that in this process at the estimates are questions asked by programs, so you work through the budget papers, or is it open-slayer questions?

Mr EVANS — It is generally by program area.

Mr CAHILL — Certainly with the first round it is identified that it would be helpful for everyone concerned if the particular program was identified in answering questions because some of the portfolios are so broad. Usually what occurs is that they divide large portfolio areas into particular areas where questioning will occur and then move on to the next one.

Mr FORWOOD — Every member asks questions in relation to that bit and then you move on and every member asks the next bit?

Mr CAHILL — Yes. And that tends to work much better. In the early days they were required to identify a line item. That does not occur any more at all. The questions really are quite general that are asked. In relation to, for example, the Premier, he receives questions in relation to his principal portfolio, also as Minister for the Arts separately and then if it was perhaps in relation to matters like ICAC (Independent Commission Against Corruption) or other areas, the Ombudsman, then it may be that he deals with those in a sequence as well. Supplementary hearings tend to be open slather.

Mr FORWOOD — The second question I wanted to ask goes to the issue of transparency and accountability. Do you as the Clerk of the Parliaments believe that the information that is made available to MPs through the budget process and through the annual reporting process is sufficient to enable us to make informed decisions.

Mr EVANS — I am just thinking. I have to be careful how I answer that, Chairman. The documents themselves probably not, but through an estimates committee inquiry process you can probably find out the necessary information to ascertain whether expenditure is appropriate or not. I guess it is difficult to draw a balance between having everything made public as a matter of course and those things that are necessary to be kept within departments and the Treasury and only made public where that is necessary. I think I might end up on that now.

Ms CAMPBELL — Do your estimates occur before your appropriation bill is passed?

Mr EVANS — No. Our appropriation bill would be passed and our estimates committee process would continue on after that, in fact.

The CHAIR — So is the focus on the year before or is it on the budget?

Mr EVANS — Not so much on the year before. Well, it is a bit of both. In recent budget estimates hearings some of the committees have been looking at past expenditure of departments and authorities. One incident that comes to mind was some expenditure in the water board about some refurbishment that was done in the water board head office, and there was also some publicity about the head of Sydney Water and the relationship that person had with a construction company, and subsequently that person resigned.

Mr CAHILL — All of those matters were matters that came out during the budget estimates process. I think it was an architectural firm that had been used to build — —

Mr EVANS — An architectural firm, I am sorry, yes, if I may correct the record, not a construction company.

Mr CAHILL — — a holiday house. Those matters received considerable attention, of course, and a lot of procedural consideration by the Clerk because quite a number of procedural matters were raised in relation to the fact that the matters had been referred to the Independent Commission Against Corruption and, therefore, the facility for members to ask questions in relation to those matters — —

Mr FORWOOD — Sub judice.

Mr CAHILL — — and the Clerk provided advice to the committee in relation to that.

Mr EVANS — So, to answer your question, in the usual rounds of the budget estimates process with ministers, yes, they are looking at proposed expenditure and how they are going to spend that money, but in some of the supplementary hearings when there has been either media publicity or even through members' own inquiries they have followed up on specific expenditure to find out what has been going on with the way money has been spent, not necessarily how it was proposed to be spent.

Mr FORWOOD — Warren, do you think you could make available to the committee the number of hours total that each of the five general purpose standing committees sat during the estimates process last year?

Mr CAHILL — Sure. We produce a document — —

Ms CAMPBELL — Are supplementaries included?

Mr CAHILL — Supplementaries, yes.

Ms CAMPBELL — Are they broken down?

Mr FORWOOD — Because they had three hours with the minister and they came back once or twice.

Mr CAHILL — Sure.

Ms CAMPBELL — Could you do both?

Mr CAHILL — I could give you today last year's. We produce a document on the performance of all committees, and in that the number of hours that each committee spends on each inquiry is addressed and how many recommendations, what were the outcomes. So that is an annual report to the house that the Clerk makes with our annual report, and it is a very useful way of keeping track of all the things in progress and the amount of time spent.

One thing that I would say in relation to your question about availability of information, clearly, the direction of budget papers and accrual accounting means that the idea of lengthy line items explaining each expenditure has tended to be moved away from, so the information provided to members tends to be in larger amounts and, therefore, the analysis of that is obviously more difficult and it tends to be across a range of documents now.

So, really, the issue for members of Parliament is more about bringing all of that data together under the limited resources that they have and in time for a budget estimates process, which is coming around fairly quickly after the budget. So, in a way the information in the budget papers themselves is probably harder to get down to specifics, which only means that the amount of investigation by members and members' staff and resources will take longer.

But that can be compensated by the supplementary hearings and the questioning that goes on with the public officials and the type of questions that are asked and, if you like, the sequence of questioning. I am sure you are all well aware of examples that are frequently referred to like Mr Faulkner and Mr Ray that have proceeded to be developed as expert lines of questions. That clearly makes a difference.

Mr FORWOOD — But you will enable a member or two members from the opposition, for example, to continue to follow a theme. What happens in our questions is that from one question comes another question on totally different topics. Sometimes it is hard to follow a theme through.

Mr CAHILL — Do you have a finite period?

Mr FORWOOD — Yes, three hours.

Mr CAHILL — And supplementary hearings?

Ms CAMPBELL — Questions.

Mr CAHILL — Right. We have gone through the same process. I suggest to you that, as an evolving system, eventually that system moves on to a broader ranging one as we have now, and I accept that the reason we have it is that the government does not control the upper house, which means that it does not control the amount of time, and as that change occurs, clearly, supplementary hearings work against the use by the government of their questioning because it only means coming back again a week later or a day later, at which point asking Dorothy Dixers to take up time simply does not — —

The CHAIR — You are going to give him ideas. Just a question on the chairing of the committees. Is it a government member of each or does it vary between the parties in the upper house?

Mr EVANS — No government members chair the general purpose standing committees. It is either an opposition or an independent.

Mr CAHILL — I think Amanda has got one. She is a unique example.

Mr EVANS — In regard to questioning, the way some Chairs handle committee meetings is that they might say, 'We will have 20 minutes from the opposition, 20 minutes from the crossbenches and 20 minutes from the government,' and just let them go for their 20 minutes, but different committees deal with it differently.

Mr MERLINO — Could you comment on the performance measures within the budget papers and whether or not in your view you think they are adequate? It has been the subject of debate within this committee about the adequacy of performance measures and the outcomes that the government lays down. I would be interested in your comments on performance measures in the budget papers.

Mr EVANS — At present they are not probably very good, but I do know that starting from last year or certainly from this year looking forward, Treasury is now looking more towards outcomes-based budgeting. Some departments from this year will be having to base their budgets on an outcomes-based process and I think the Legislature is involved in that from 2005. So I cannot comment too much on it at the moment. But Treasury is gradually working towards a more outcomes-based process of budgeting rather than what was the old program-style budgeting. I am not sure whether there is a paper on the Treasury website about that. If not, I will follow that up with Michele. I am sure I have a copy of that outcomes-based budgeting document.

Ms GREEN — When you talked about staff working across all committees, I was interested in the skill set, whether you actually find you have staff that would have the accounting background necessary to assist with the estimates process. I know we have found that, given that the marketplace pays very handsomely for those sort of skills we have had a bit of a retention problem, aside from our executive officer, and we hope we keep her for good, but it has been a continuing problem for this committee.

Mr CAHILL — I have copies of the reports for you and they will show that our officers are not so involved in matters and the reports do not pursue matters of accounting so much. We have had particular inquiries in relation to departments that involved some quite complex accounting. In one case in relation to WorkCover we hired actuaries to assist us with that, but the budget estimates process and most of our inquiries really require officers who can work across a number of areas and who write well and who have strong procedural knowledge, and you will see that reflected in these reports. But we have not found that need to employ specialist accounting staff to deal with that, and we would not see that as our role. We do not provide to members an analysis of the budget papers prior to the estimates process, for example, nor have we found in our reports so far that it is a matter of saying, for example, the figures are wrong. It is more about areas that have required investigation for whatever reason.

As you can imagine, transport was a fairly lengthy inquiry as far as budget estimates were concerned this year and issues to do with the millennium train and that type of thing, but the reports have not looked at those figures across multiple budgets.

Ms GREEN — You talked about not doing an analysis. Is there a questionnaire prepared by the standing committees that is sent to departments or ministers for response prior to the estimates hearing?

Mr CAHILL — No. Certainly, in the early stages of the budget estimates, the resolutions that were prepared, and generally they were drafted by the opposition in those days, were very lengthy, and had provisions where you could send off questions to departments early and get responses and then you could send off questions after and you went into all these different phases and things. The current resolution is very short. It really provides optimum flexibility and very little as far as restrictions go. So there would be nothing preventing a committee which met following the reference to them of the budget estimates to say, 'Look, there are some areas that we are particularly concerned with and we are advising the minister of that early on.'

We tend to find that occurs more at the supplementary phase because as you move into your supplementary hearings, they are calling people back about specific things. Usually the committee advises that it wants to know more about X, Y, Z and in this case, yes, committee members are asking you to come prepared to answer these questions.

Ms CAMPBELL — That is quite cumbersome for members of the committee. We have a system in Victoria where if there are any points of clarification, Michele is able to phone and speak to people for points of clarification within government departments. That takes away the need for us to be sitting around a table examining further points which are merely clarification.

The CHAIR — I think what you are suggesting, Warren, if I am hearing you correctly, is that the supplementary hearings are really about delving deeper into certain issues rather than just points of clarification.

Mr CAHILL — Yes. So that, really, the way our system has been working, if someone invited along wants to take something on notice that tends to be a matter of clarification or if the committees wish to pursue an item with an additional question, there is provision for them to do that and then it is up to the department to provide that answer to the committees. The secretariat is certainly in regular contact with the department about matters, but they tend to be more procedural matters, making sure people are coming along and that they have the line of questioning that members may wish to pursue.

Mr FORWOOD — Again I have two questions. The first goes to the issue of supplementary appropriations that you have here which we do not have in Victoria, and I wanted to know what role each of the General Purpose Standing Committees have in relation to supplementary appropriations.

Mr EVANS — To date, those supplementary appropriations have not been referred to the budget estimates committees.

Mr FORWOOD — I note from paragraph 3(1)(c), that committees may inquire and report on any matter in any annual report of a department, et cetera. We have just produced our outcomes report, which takes annual reports out and any information we get and matches it to what the budget said it would do 15 months before. I wondered whether your General Purpose Standing Committees were undertaking that role as well, taking annual reports and trying to match them back to the previous budget?

Mr CAHILL — No, they have not.

Mr FORWOOD — Has this clause been used, Warren?

Mr CAHILL — The provision to use the annual reporting, if you like, allows committees to inquire into very broad ranging matters. It tends to have been superseded by another resolution, initiation of inquiries:

3. (2) A meeting of a Committee to consider a self-reference under this paragraph may be convened at the request of any three Members of the Committee in writing to the Clerk of a Committee.

which means that a committee can, if you like, initiate its own inquiry on any matter relevant to the committee's portfolio responsibilities. It does not have to receive it from the house and, therefore, members have tended to use that because they can develop specific terms of reference in relation to an inquiry rather than to rely on an annual

report to do it. For example, we've got an inquiry into workplace death, which I think Victoria has also undertaken, and the relationship to manslaughter. That reference did not come from the house. It was by a group of members, naturally, usually the opposition and the cross-bench, coming together and developing a self-reference. It is a very extensive power.

Mr EVANS — If I can just add to that, using that power under clause 3(1)(c), there is no systematic review of annual reports, but I do know probably in the last 12 or 18 months the Auditor-General did an initial report on review of annual reports, and the workload of our committees has certainly not allowed that to occur, but in an ideal world it would be useful to have committees that were looking at the annual reports of departments to make sure they were complying with the requirements of the Annual Reports Act. But that does not happen, and the current workload of the committees does not allow it to happen.

Mr FORWOOD — And do these committees analyse Treasurer's advances either post-ante or ex-ante?

Mr EVANS — Only to the extent if they were referred to in the budget estimates, but I cannot recall it.

The CHAIR — So they could?

Mr EVANS — They could, but I cannot recall incidents when they have looked at the Treasury.

Mr FORWOOD — One of the things that came out of our Auditor-General's report was that there are now so many different ways for the executive to move funds around — and this gets back to my original question — it becomes difficult for the Parliament to trace.

Mr CAHILL — It might be good to refer Michele to when Tony Harris was called to the bar of the house to address the house on that very issue some years ago. It will stand out because not too many are called to the bar of the house.

Mr FORWOOD — He was called when he was the Auditor-General or when he was writing for the *Financial Review*?

Mr EVANS — No, he was Auditor-General.

Mr FORWOOD — The house called the Auditor-General to the bar?

Mr EVANS — Yes, it was in relation to a budget variation bill, sort of like a supplementary appropriation bill.

Mr FORWOOD — Wow!

Mr CAHILL — It resulted in a change in the way that the government dealt with those mainly from the context of they were often appropriations that had not been approved by Parliament. So they are now dealt with in a different way.

Mr MERLINO — Just further on to this discussion about supplementary appropriations and saying that estimates do not deal with that, or not in practice anyway, is there any avenue of parliamentary scrutiny of Treasurer's advance or supplementary appropriations?

Mr EVANS — Certainly our general purpose standing committees could do it if they wanted to.

Mr MERLINO — If they wanted to. What is the practice within the Parliament? It was explained to us that there are supplementary appropriations but it is only a very limited one-line statement. So my question is scrutiny of expanding on that one-line item to find out what exactly it is that this money is being or has been spent on. I was just wondering what the practice was within the Parliament in terms of scrutiny of that.

Mr EVANS — Other than the second reading debate on the appropriation budget variation bills there is no scrutiny by estimates committees.

Mr MERLINO — There is none. Just the second reading debate?

Mr EVANS — Yes. Up until the incident that Warren was talking about, any supplementary appropriations approved by the Parliament were part of the bill that went with the budget process, but when it was drawn to the attention of the Parliament that that was unlawful, governments in about March-April each year, and March this year, have put forward supplementary budget appropriations to give allocations to departments so that they are not unlawfully expending money in the last three months of the year when they are short of funds.

Mr CAHILL — But there is nothing preventing that from occurring.

Mr EVANS — Nothing stopping certainly our committees from looking at those supplementary appropriations if they wanted to, but they have not — —

Mr MERLINO — They have not.

Mr EVANS — — felt a need to yet.

The CHAIR — So they convene outside of the estimates process or is their work a concentrated burst at estimates time?

Mr CAHILL — No, they are operating throughout the year on the references that they receive from either the house or that are self-referred and, if you like, budget estimates are in addition. So in this case, and I think it would be very fair just to follow on from what John said, the government members, I feel, would say that there is no requirement for further inquiry because in the case of some of the committees, or in the case of General Purpose Standing Committee No. 4, it only tabled two or three weeks ago its report on the budget estimates of May last year. So I think they would be of the view that there had been sufficient inquiry, including anything that was after.

The CHAIR — Do we have a final question?

Ms CAMPBELL — Have the Clerks of the Parliaments in Australia met to discuss what level of parliamentary oversight there should be of appropriations?

Mr EVANS — I do not believe that in a meeting of clerks we have specifically discussed that issue, but it certainly would have been an agenda topic at an annual conference of Presiding Officers and Clerks some time or other. I cannot tell you when, but I am sure it has been.

Ms CAMPBELL — Thank you.

Mr FORWOOD — A suggestion at your next meeting.

Mr CAHILL — I think it would only be from the procedural context, though.

The CHAIR — Michele, do you want to ask anything?

Ms CORNWELL — No, I do not think so.

The CHAIR — Thank you very much, Warren and John. It has been very interesting to find out how you do the estimates.

Mr FORWOOD — I might come up and watch one.

Mr EVANS — They will be in July some time, July-August this year.

Mr CAHILL — I think it may well be September.

Mr FORWOOD — I might send you an email.

The CHAIR — Thank you very much for your time

Witnesses withdrew.

CORRECTED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Subcommittee on Follow-Up of Auditor-General's Reports

Inquiry into Parliamentary Control and Management of Appropriations

Sydney – 28 April 2004

Members Present

Ms C. M. Campbell

Mr B. Forwood

Ms D. L. Green

Mr J. Merlino

Ms G. Romanes

Chair: Ms G. Romanes

Deputy Chair: Mr B. Forwood

Staff

Executive Officer: Ms M. Cornwell

Witnesses

Mr P. E. McLeay, MP, Vice Chair, Public Accounts Committee, Parliament of New South Wales;

Ms G. Berejiklian, MP, Member, Public Accounts Committee, Parliament of New South Wales;

Ms V. Buchbach, Secretariat, Public Accounts Committee, Parliament of New South Wales; and

Ms S. Hesford, Secretariat, Public Accounts Committee Secretariat, Parliament of New South Wales.

The CHAIR — I welcome Mr Paul McLeay, MP and Vice Chair and Ms Gladys Berejiklian, MP, member of the Public Accounts Committee to this public hearing on corporate governance and follow-up of Auditor-General reports. All evidence taken by this subcommittee is taken under the provisions of the Parliamentary Committees Act and is protected from judicial review. However, any comments made outside the precincts of this hearing are not protected by parliamentary privilege. All evidence given today is being recorded and witnesses will be provided with proof versions of the transcript shortly.

We thank you for coming to talk with us today and we would be very interested to get your perspective from the Public Accounts Committee on the issues that we are currently addressing. If I can hand it over to you to make some preliminary comments, then we can ask some further questions.

Mr McLEAY — Thank you. I would also like just for the record to introduce our committee secretariat, Vicki Buchbach, and Stephanie Hesford. We are pleased to be able to provide you with some information. We can also provide you with some written reporting as well, if you would like it — —

The CHAIR — That would be very helpful.

Mr McLEAY — — which our committee has prepared for us for some briefing. Would you like me to arrange that?

The CHAIR — Yes, please.

Mr McLEAY — We can do that. If I refer to your terms of reference, I will make some brief comments about the effectiveness of the accountability framework, that is, that the accountability framework for our appropriations is twofold. In the first instance, the Parliament approves the annual budget of the government by the passing of appropriation bills and the holding of estimates committees. Second, the Parliament, and in particular the Public Accounts Committee, has a role in examining the total state sector accounts. These are required under legislation to be tabled in the Parliament each year by 31 October in relation to the preceding financial year. This framework enables the Parliament to monitor the finances it provides the executive.

The budget itself is developed within the public service, and the budget committee of cabinet make the major decisions. The Parliament, however, has a role in examining the government's estimates of revenue and expenditure and either house may establish estimates committees or the two houses may hold joint estimates committees, and this process enables members to question ministers and officials about the details, but since 1995 the lower house has not held any estimates committees.

The Legislative Council, however, has continued to refer the estimates to its general purpose standing committees. So all our estimates go through our upper house. Ms Berejiklian will speak for herself but she probably has the view that this process is interesting because our Legislative Council cannot amend or vary our appropriations bills, yet they get to ask the questions.

In relation to arrangements for the disclosure to Parliament of the operations of trust funds, most trust funds of New South Wales government agencies are established under legislation and are required to have a special deposits account. Money in such accounts can only be expended by the responsible minister. In 2000 our Auditor-General undertook a compliance review of the operation of special deposits accounts, and this review found that a number of

agencies were not complying with the legislation.

The Auditor-General thought that where agencies are operating accounts in the nature of trust accounts, separate bank accounts should be maintained to comply with both Treasury requirements and the law. However, our Treasury did not agree. It felt that they were complying.

Mr FORWOOD — So they have one bank account that contains 15 or 20 different trust accounts?

Mr McLEAY — It is the other way, I think, is it not, Vicki, that they have two accounts?

Ms BUCHBACH — They had separate accounts.

Mr McLEAY — They had two accounts. The Auditor-General argued that the wishes of the Parliament might not be being followed in that there is a possibility that moneys that may be from trust funds are being mixed with other moneys. So the trust fund moneys are being mixed with other moneys. The Auditor-General noted that it should be determined whether the operation of a special deposits account requires a separate bank account to be operated. The Auditor-General expressed the view that as the majority of these accounts are trust funds, or at least in the nature of trust funds in that they are earmarked for specific purposes, that money should be kept separate from other operating funds. Treasury advised the Audit Office that a review would address which agencies and other entities would be required to prepare financial statements. That review is ongoing and has been going on for a number of years and is yet to be completed. In our written submission there are a couple of examples, particularly of our fisheries agencies.

The CHAIR — So does that relate to your inquiry into small entity reporting and other auditing requirements or is that something separate?

Mr McLEAY — Something separate. Our small entities was mainly that a lot of fixed costs are involved in just producing an annual report and that this was quite high. So it was not the fact that they had to do the auditing report. It was the fact that the fixed costs were so high. For example, things like you must have a bound and published document that is to be tabled and when we took evidence from a division within New South Wales Agriculture that was simply insects, molluscs, moths and things that were — —

Mr FORWOOD — Creepy-crawlies?

Mr McLEAY — Yes. They were all preserved and the value of that asset, it could be argued, is quite high and is quite priceless, but there is one employee who maintains it half a day a week and makes sure it is all there and looks after new specimens. Because it is a separate standalone division or agency that holds it — it was actually given as a gift by someone and it was preserved in legislation that it would not be going anywhere else except for the use of agriculture — the fact that they have to do a whole annual report and all those things means that an organisation that has no income and no outgoings, the only outgoings is one day a week for a staff member that they do not even bill for, had to pay \$20,000 a year for the annual reporting. So that is probably one of the most extreme, but that is the kind of thing we looked at in our small agencies review.

The CHAIR — Ms Berejiklian, do you have any comments?

Ms BEREJIKLIAN — My only comment is more commentary on the fact, and I regret

that the lower house is not involved in the estimates process, especially given that New South Wales law does not allow the upper house to amend any money bills. So I think that is a huge flaw in the system and it does impact on the accountability and transparency of the public sector accounting process. The lower house has many shadow ministers who are experienced in specific follow-up areas and have certain questions they want to raise but our current estimates process does not allow that to occur.

The CHAIR — But is that not after the estimates or the money bills have already been passed?

Ms BEREJIKLIAN — Presumably. I guess my point is a pedantic one in that regard, but it is more a question about the process. I think the public has every right to expect that the best people with the best expertise have the opportunity to question how and where the money is spent in the budget process, and currently the government's policy direction in that regard has not fulfilled public expectation about openness, transparency and accountability. So I just add that commentary.

The CHAIR — If I can follow up on that, is it currently the government's policy that there will not be any joint estimates hearings in the near future?

Mr McLEAY — I do not know the answer to that.

Mr FORWOOD — We are a joint committee.

Ms BEREJIKLIAN — The Public Accounts Committee is a lower house committee, yet its members are not able to directly involve themselves in the estimates process plus the budget process, which is quite unusual I would think.

Mr MERLINO — Has your committee put a view as to the timing of the estimates process?

Ms BEREJIKLIAN — Not formally since we have been here. Paul and I have only been members of Parliament for the last 12 months. I have not seen that occur in the time that I have been on the committee, but I do not know what the previous committees did.

Ms BUCHBACH — They did about 50 years ago. The committee has been around for a century and at various stages over that time they were able to comment, but that was before the reforms of the 1980s.

Mr FORWOOD — Not many people would remember committees of 50 years ago.

Ms CAMPBELL — Has the Public Accounts Committee discussed the difference in use between the Treasurer's advance and supplementary appropriations and whether it is appropriate to divide and how it is divided?

Ms BEREJIKLIAN — The short answer is we have not discussed that, but I am not certain whether previous committees in the distant past have.

Ms CAMPBELL — Not in the last three or four years?

Ms BUCHBACH — Not in our experience, not recently, no.

Mr McLEAY — I guess the other point is that Parliament's control over the supplementary appropriations is limited because it simply goes to the agencies and it is up to

them. They cannot go beyond what they have been given, so the additional funding from Treasury, including any supplementary amounts, cannot be exceeded. So the Treasurer's advance is controlled and monitored on an ongoing basis by the agencies, and whilst the wishes of the Parliament are generally adhered to, the real control rests with the agencies and not with the Parliament.

Mr FORWOOD — Once it has been appropriated.

Mr McLEAY — That is right, and not by the Parliament. You see, when we review the appropriation bill, then the budget variations bill is only up to. They cannot exceed it.

Mr FORWOOD — But when does somebody look at the budget variations bill and say, 'We appropriated X amount of dollars from the appropriation bill and this is how it was spent by the executive'?

Ms BEREJIKLIAN — Good question. We cannot have that situation before the Parliament at the moment because the government introduced the budget variations bill a few weeks ago and the only notice or information that anyone has of it is what is in the text of the legislation. Beyond that, as an opposition we do not. The Public Accounts Committee certainly has not been given a briefing on it.

Mr McLEAY — Are you sure it was an appropriate variation?

Ms BEREJIKLIAN — Absolutely sure. As a new member, my impression is that that is what has occurred since 1995.

Mr MERLINO — Is any detail expanded upon during debate on the variation bill? Presumably the minister speaks to the variation bill. Is that where the detail comes out?

Ms BEREJIKLIAN — Yes. We have had the second reading and that is it. So it is up to us to respond, but that is the extent of the information we receive.

Mr FORWOOD — Do you ask the minister various questions about it in Committee?

Mr McLEAY — No. I do not know if there is provision for it.

Ms BEREJIKLIAN — This is the first one I have experienced during my time in Parliament, so I do not know.

Ms BUCHBACH — Is that not affected by the Treasurer being in the upper house?

Ms BEREJIKLIAN — No, Minister Knowles, on behalf of the Treasurer, has introduced the bill in the lower house and he will lead debate in the lower house, presumably, on behalf of the Treasurer. However, aside from the actual bill itself, the words in the legislation are all we have and the second reading speech.

Ms CAMPBELL — We can lift that off the Internet.

Ms BEREJIKLIAN — It was only introduced a few weeks ago.

The CHAIR — Would the opposition normally be briefed about the detail of a bill before it comes into the house or once the bill is in the house before the second reading speech?

Ms BEREJIKLIAN — I would assume so. I have not been in contact with the shadow

treasurer to ask.

The CHAIR — No, I am not talking about that. I am talking about any bill.

Ms BEREJIKLIAN — It would depend on the bill. In some instances the opposition is given very short notice on things that should have been introduced, and on other occasions the briefing is offered. So I think it varies from issue to issue.

Mr FORWOOD — Let me give you an example. I am shadow minister for energy, and I am in the upper house. The energy bill was introduced in the Assembly last Thursday. It is due to come back to the lower house on 5 May. I have arranged, through the Minister for Energy, for myself and my lower house colleague to be briefed on Friday by the department. We sent letters out to every energy utility across the country. We will report to shadow cabinet before the bill comes back for debate. Our process standard, no matter who is in government, is that on every bill that comes into the house, the opposition is entitled to be briefed prior to the shadow cabinet making a decision. What tends to happen is that the bureaucrats are there to give us the factual information and the minister's minders are there to shut them up.

Mr McLEAY — But do you have to lay on the table — —

Mr FORWOOD — Two weeks.

Ms BEREJIKLIAN — We have three working days, three parliamentary days. I do not want to mislead the committee. I am assuming that that process does occur in terms of briefings being offered to the relevant shadow minister, but I do also note that as a newer member and observing the last session, these things have been introduced at short notice.

The CHAIR — My question was leading to a further one, which was if the opposition is able to be briefed generally and normally on other bills, then would it be within the processes of the Parliament to ask for a briefing on a budget variation bill?

Ms BEREJIKLIAN — Absolutely, and that may have occurred.

Mr McLEAY — Also money bills can only be introduced in the lower house. They can be amended in the lower house as well and the upper house has a limited role in appropriation bills. It has no power to prevent or amend money bills. So we can amend the appropriation bill but it is a government decision.

Ms CAMPBELL — Can I ask each of you what you see as the role of the Public Accounts Committee? You probably have different opinions on this. What is the role of the Public Account Committee in relation to parliamentary control and management of appropriation?

Ms BEREJIKLIAN — Clearly, from where I sit, I think the Public Accounts Committee needs to have a much more robust role in scrutinising public sector accounts and has to ensure there is a process in place that has the confidence of the public. It is not an issue that the public is probably aware of, but I think most people would be concerned to learn about the lack of scrutiny that currently exists and the lack of opportunities for members of Parliament to ask ministers questions in relation to portfolios and how moneys are expended. I, for one, would like to see a much more robust, open and transparent process, and I think the Victorian model is a good one to look at.

Ms CAMPBELL — But as a member of the opposition, what is it in the Public Accounts Committee that you are able to do?

Ms BEREJIKLIAN — Frankly, obviously I am able to participate and comment on reports that the committee does, but there is little scope to initiate reports unless the support of the government exists.

Mr FORWOOD — But your committee tries to be bipartisan?

Ms BEREJIKLIAN — Yes, it does try.

Mr FORWOOD — We do, too.

Mr McLEAY — That is right. I think we have an estimates system for upper house committees and our Public Accounts Committee does not do the rigorous going through of the appropriation bill. We review the whole of state budgets, the Auditor-General and the Auditor-General's reports. We can also do our own inquiries, and on that basis where we can see areas of significant concern, then we initiate that inquiry and sometimes at the request of the minister or the Treasurer or the committee. If there is any area that anyone on the committee is concerned about, then we will do an inquiry, and I think the day that we did not do that inquiry at the request of any member of the committee would be a dangerous day and we have not got to that stage yet and I do not anticipate that we will. On the government side we will be doing everything to make sure that we are bipartisan.

Mr FORWOOD — One of the things that this committee has done over the last three Chairs has championed transparency in budget papers, championed emphasis on KPIs, benchmarking, on the information that is coming in the budget papers, and I wonder who does that in the New South Wales Parliament? Who is the group in the New South Wales Parliament that says, 'We want budget papers that we can read, that have factual information in them, that tie in with the annual reports, the corporate plans of the departments, that enable us to see that the funds that have been appropriated, plus the funds that have come from annotated receipts, plus the funds that have come from the federal government have been spent to achieve this government outcome from this program'? Who does that in the New South Wales Parliament?

Mr McLEAY — Our reporting mechanisms are different. Our annual reports work on a more fundamental accounting measure than our appropriation bill. So we can review all of our annual reports.

Ms BUCHBACH — I was just thinking that historically we have commented on it but it is not an ongoing role of checking. I understand that the Public Bodies Review Committee was reviewing the form of annual reports, but on an ongoing basis I do not think that is a role that the Public Accounts Committee has had recently.

Ms BEREJIKLIAN — If anything, such initiatives seem to be embarked upon by Treasury itself.

Mr FORWOOD — That is pretty dangerous, though. Some very good work has come out of treasuries but I would say that in Victoria one of the reasons that we were able to do it was that there was agreement between Treasury and Finance and the Public Accounts and the Audit Office that this was the way that we were going to take the suite of transparency and accountability measures.

Ms CAMPBELL — I think, to be fair, if I could add, it was an election platform that we took to the 1999 election, and our Premier was on the Public Accounts and Estimates Committee and ensured that it was delivered in government.

Mr MERLINO — Just following on from Bill's comments, in terms of the 2002-03

budget, you said, Paul, that one of the roles of the Public Accounts Committee is a review of the budget. Is there any process apart from annual reports where you look at these are the performance measures within the budget and this is the view of the committee on whether or not those performance measures have been achieved or whether the performance measures are adequate? Is there any post-budget review that your committee is involved in, apart from reviewing annual reports? I am probably repeating the question, but I just wanted to delve into it a bit more.

Mr McLEAY — Our budget papers now do include KPIs (key performance indicators), but we do not do performance budgeting. Does the Public Accounts Committee go and scrutinise each budget item on its key performance indicators? No, we do not. Do the upper house estimates committees go through and look at obvious wastes or what they view as unnecessary expenditure? Yes, they do. Do any committees look at is that value for money, is that an appropriate way or is that a good policy decision? No, we do not. In fact, we are very mindful of often looking at all of our inquiries and the work we do in making sure we do not cross the line of blurring what is policy or what is a decision of the executive. It is just about how they spend the money, not whether or not it is money well spent.

Mr MERLINO — We have been advised that your budget process is moving towards a more accrual-based outcomes-based budget process. So it may be that in the future the role of the Public Accounts Committee will expand into that area. Is that what you are anticipating?

Ms BEREJIKLIAN — Well, it actually started to revert to an accrual base back in 1994. So it is not as if it is a new phenomenon.

Ms BUCHBACH — Not even budgeting.

Mr McLEAY — Only reporting, not the budget.

Ms CAMPBELL — By way of clarification you said you have got KPIs in your budget papers. Is that what you said?

Mr McLEAY — Yes, budget papers include key performance indicators.

Ms CAMPBELL — That is Budget Paper No. 3. Which paper should I go to to find it?

Mr McLEAY — Can we check?

Ms CORNWELL — I can have a look on the web page.

Ms CAMPBELL — Because if it is No. 3 I was just wondering if the explanation at the front of each chapter is what you call KPIs. Is that what you would call a KPI?

Mr McLEAY — Yes, that is what we are talking about, program delivery items. We will check that.

Ms CAMPBELL — And get back to us.

Mr McLEAY — That is right.

The CHAIR — I do not think we have any further questions from this side of the table. So I thank you both very much.

Mr FORWOOD — Yes, it is nice to catch up again.

The CHAIR — Thank you for coming in to see us and for sharing your views on these matters with us, and we do look forward to seeing you again. And, again, as we mentioned to Milton earlier, our thanks to the New South Wales Parliament for your hospitality here today.

Mr McLEAY — Thank you very much.

Committee adjourned.