



The Public Accounts and Estimates Committee

BRIEFING PAPER

Introduction to the PAEC

“the queen of the select committees...[which]...by its very existence exerted a cleansing effect in all government departments”.

Lord Hennessy’s description of the Committee of Public Accounts, House of Commons, circa 2010.

“... Parliament’s most important committee in the area of oversight and scrutiny is undoubtedly the Public Accounts Committee ... The Public Accounts Committee is part of the parliamentary infrastructure that helps to ensure that government account for their operating policies and actions, and their management and use of public resources”.

Commonwealth Parliamentary Association, 2002.

Role of the Public Accounts and Estimates Committee

In 1895 the Victorian Legislative Assembly appointed the first Public Accounts Committee in Australia. It was one of the first such Committees established in the world.

From these strong historical roots, the Committee has built a proud tradition of active engagement in oversight, producing reports at the forefront of promoting public sector reform and accountability. It is considered the flagship committee of the Victorian Parliament.

The Public Accounts and Estimates Committee (PAEC)’s broad mandate is set out in the *Parliamentary Committees Act 2003* under section 14(1). The role of the Committee is to:

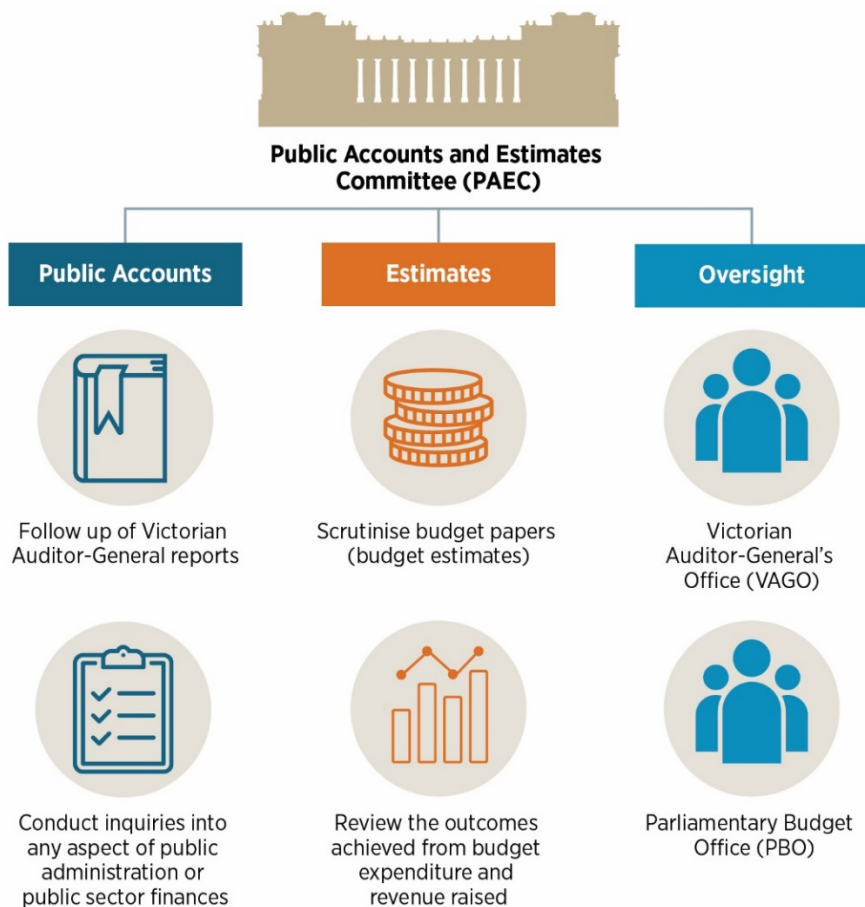
‘inquire into, consider and report to the Parliament on—

- i. any proposal, matter or thing concerned with public administration or public sector finances;
- ii. the annual estimates or receipts and payments and other Budget papers and any supplementary estimates of receipts or payments presented to the Assembly and the Council;
- iii. audit priorities for the purposes of the Audit Act 1994’.

The *Audit Act 1994* also outlines the responsibilities of the Committee in guarding the independence of the Auditor-General and in facilitating the Auditor-General’s accountability to the Parliament.

The Committee’s three core functions are displayed over the page.

Responsibilities of the Public Accounts and Estimates Committee



Public accounts function

The Committee has two roles in this area:

- following up matters of concern raised in the reports by the Auditor-General; and
- undertake general inquiries into some aspect of financial administration or public sector management, otherwise known as 'own motion inquiries'.

A critical element of the Committee's work is to follow up on matters raised by the Auditor-General in various reports to the Parliament. The Auditor-General's reports draw Parliament's attention to financial concerns or issues relating to any public sector agency. The Committee can follow up these matters by virtue of its powers to hold public hearings and take evidence. In this way, matters raised by the Auditor-General are scrutinised for the benefit of the Parliament and the community. The tradition of Committee follow up on issues raised by the Auditor-General was established in the early 1900s with inquiries into the Maffra Sugar Beet Company (1912–13) and Government Cool Stores in West Melbourne.

Other landmark own motion reports have been produced by PAEC on topics such as:

- corporate governance in the Victorian Public Sector
- private investment in public infrastructure
- use of commercial-in-confidence clauses and the public interest
- Department of Human Services' service agreements
- audit legislation.

Estimates and outcomes function

During May the Committee holds public hearings to scrutinise the expenditure and activities of ministerial portfolios including the Parliamentary Departments.

All Ministers and senior departmental officers appear before the Committee and are questioned on the proposed expenditure of departments for the next financial year.

Before the Budget is brought down by the Treasurer, the Committee forwards a questionnaire to all departments, seeking information to supplement details that will be contained in the Budget papers. The evidence given at the public hearings is reviewed and where the Committee considers necessary, further information may be sought. The Budget Estimates report is tabled in the following spring session of Parliament (September or October).

The Committee's objective in its scrutiny of the budget estimates in the 58th Parliament was to:

- assist Members of Parliament in their deliberation on the appropriation bills
- make recommendations which promote clear and full disclosure of the information contained in the budget papers
- provide Members of Parliament and the Victorian community with an improved understanding of the budget
- provide feedback on the performance measures that the Government proposes to discontinue
- encourage economical, efficient and effective government administration.

Upon completion of the financial year, the Committee reviews the budget outcomes. This process aims to improve the accountability of Victorian government departments and agencies, and provide Parliament and the community with more meaningful information about the results achieved in the preceding financial year. The intention of the outcomes process is to complement the Committee's initial review of the Budget Estimates. The Committee commences this process in September with the Committee seeking information from departments on the outcomes of the previous financial year.

In the last Parliament, Budget Outcomes hearings were reintroduced after many years' hiatus, with the Secretaries and senior officials of the seven departments appearing before the Committee. Public hearings were seen as a positive and helpful development for the Committee, providing additional scrutiny and information on Government spending. In relation to public hearings in outcomes inquiries, the previous PAEC chair, Mr Danny Pearson MP, noted:

It is great to be in a position where you can do not only the estimates, where you are looking at prospective expenditure, but also the outcomes hearing[s], where you look at past expenditure over the previous 12 months and also engage directly with public servants.¹

The report on the Budget Outcomes is usually tabled in the autumn session, in late March or April.

¹ Victoria, Legislative Assembly, 2018, *Parliamentary debates*, Book 12, p. 3140.

Oversight function

The Committee’s oversight functions were extended in the previous Parliament to two independent officers of the Parliament—the Victorian Auditor-General and Parliamentary Budget Officer.

There are a number of parallels between the Committee’s statutory responsibilities for the two offices as shown below.

Statutory responsibilities of the Committee in relation to the Victorian Auditor-General’s Office and the Parliamentary Budget Office

	VAGO	PBO
Recommend appointment of	✓	✓
Commission annual financial audit	✓	✗
Review, assess and report on performance of the office	✓	✓
Be consulted on draft operational/annual plan and draft budget	✓	✓
Other	<ul style="list-style-type: none"> • Consultative role in determining performance audit priorities • Exempting, if ever deemed necessary, the AG from legislative requirements applicable to government agencies on staff employment conditions and financial reporting practices • Monitor and review the performance and duties and functions of the Victorian Inspectorate in respect of VAGO officers, reporting such matters to the Parliament when necessary 	<ul style="list-style-type: none"> • Reporting to both Houses of Parliament on any matter connected with the operational and resourcing arrangements for the PBO that requires the attention of Parliament

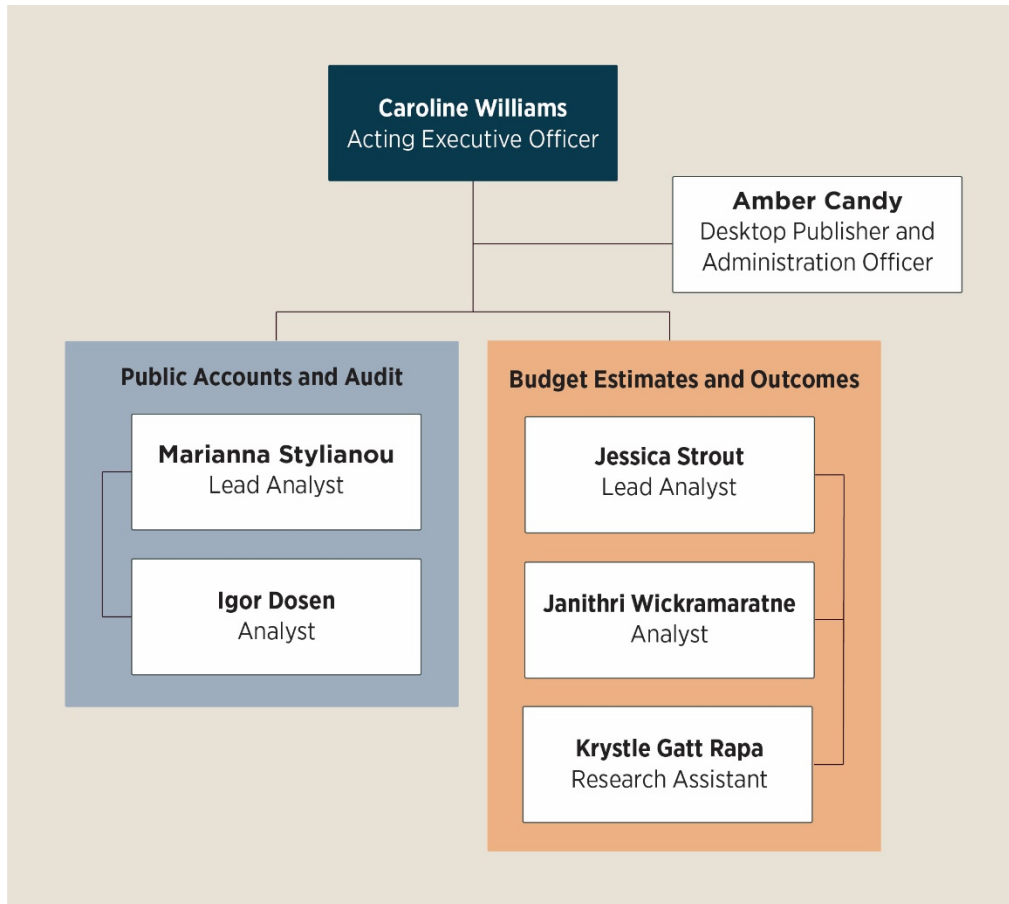
Membership

The Committee has nine members. There are five Labor Members, two Liberal Party Members, one Member from The Nationals and one member from the Victorian Greens. The Chair is from the ALP and the Deputy Chair from the Liberals. Being a Joint Investigatory Committee, both Houses are represented with seven members from the Legislative Assembly and two from the Legislative Council.

Secretariat

There are seven fulltime staff on the PAEC Secretariat, as illustrated below.

Structure of the Public Accounts and Estimates Committee's secretariat



Operations

What is unique about the workload of this Committee is that much of its work is not self-generated but is initiated either by statute or by external factors such as reports of the Auditor-General, annual reports and other reports to Parliament.

Since the Committee can have a heavy work program, and in the case of responding to proposed performance audits of VAGO a tight deadline, it has been the practice for the Committee to appoint a number of sub-committees to undertake the respective inquiries. This has worked well and ensured that the workload does not become too onerous for most Members. The only inquiries that are undertaken by the full Committee are the budget estimates and outcomes reviews. However, all reports and discussion papers need to be endorsed by the full Committee before they can be tabled or released for public distribution.

Sub-committees could be established in the 59th Parliament:

- on the Auditor-General's performance audit program
- for VAGO follow up inquiries
- for own motion inquiries
- for budget estimates and outcomes hearings (in relation to the smaller portfolios).