



PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

A Report on Activities—1994

TENTH REPORT TO THE PARLIAMENT
APRIL 1995



There is no system of government that depends more on community confidence than a parliamentary democracy, and nothing deprives the community of confidence in a system of government more than a real suspicion that public moneys are being misused. The importance of public accounts committees to our democracy cannot be overstated.

- His Excellency, the Hon R. E. McGarvie, Governor of Victoria
31 January, 1995

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

TENTH REPORT TO PARLIAMENT

A REPORT ON ACTIVITIES - 1994

APRIL 1995

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PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

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Hon. I. M. J. Baker, MP (Deputy Chairman)
Hon. P. R. Hall, MLC
Mr T. Hyams, MP
Mr A. F. Plowman, MP
Mr E. R. Smith, MP
Hon. T. C. Theophanous, MLC
Mr K. J. Thomson, MP
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PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE



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Mr Ross Smith, MP (absent)



Back Row L to R: Mr Kelvin Thomson, MP; Hon G Graeme Weideman, MP (Chairman)
Mr Tony Hyams, MP; Front Row L to R: Hon Theo Theophanous, MLC;
Hon Ian M J Baker, MP (Deputy Chairman); Hon David White, MLC

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PROFILE OF COMMITTEE MEMBERS

Hon G. Graeme Weideman, JP, MLA, Chairman

Graeme Weideman, a pharmaceutical chemist, was first elected to Parliament as MLA for Frankston in March 1976. He has served as Minister for Tourism; Minister for State Development, Decentralisation & Tourism; and Minister assisting the Minister for Health. His Parliamentary committee service has included the Public Accounts Committee 1979-80; Public Bodies Review Committee 1980-81; the House Committee since 1989; and chairmanship of the Public Accounts and Estimates Committee since November 1992. He is also the Parliamentary Board Member of the Victorian Health Promotion Foundation.

Hon Ian M. J. Baker, MLA, Deputy Chairman

Ian Baker was elected MLA for Sunshine in October 1988. Ian Baker has served as Minister for Property and Services; Minister for Agriculture; Minister for Food and Agriculture; and Shadow Treasurer. His Parliamentary committee service includes membership of the Economic and Budget Review Committee and the Estimates Sub-Committee 1988-92; Library Committee since 1992; and deputy chairmanship of the Public Accounts and Estimates Committee since November 1992. His background includes journalism and television production, as well as executive positions with various public sector bodies.

Hon Peter R. Hall, MLC

Before being elected MLC for Gippsland Province in October 1988, Peter Hall was a secondary school teacher with the Ministry of Education, Victoria. He has been the Parliamentary representative on the Monash University Council since 1991. Parliamentary committee memberships include Public Bodies Review Committee 1988-92; Library Committee since 1988; Privileges Committee, Standing Orders Committee and Public Accounts and Estimates Committee since November 1992.

Mr Tony J. Hyams, MLA

Tony Hyams was elected MLA for Dromana in October 1992. He has served on the Public Accounts and Estimates Committee since November 1992. Before entering Parliament Mr Hyams was active in international banking after briefly practicing law. He was also involved with investment management and small business.

Mr Tony F. Plowman, MLA

Before his election as MLA for Benbambra in October 1992, Tony Plowman's career included several rural industry based occupations in Victoria, New South Wales and Queensland. He was appointed to the Soil Conservation Authority; the Department of Conservation, Forests and Land; and the Independent Committee of Review for the Department of Water Resources. Tony Plowman has served on the Public Accounts and Estimates Committee since November 1992.

Mr Ross Smith, MLA

Ross Smith has a background in teaching and journalism, and has worked for the Immigration Department in London. He served in the Regular Army for most of his working life, having completed two tours of Vietnam, and later attaining the rank of Lt. Colonel. He was first elected MLA for Glen Waverley in 1985. Ross Smith has served on the Social Development Committee and the Legal and Constitutional Committee 1988-92, and has been a member of both the Privileges Committee and the Public Accounts and Estimates Committee, since November 1992.

Hon Theo C. Theophanous, MLC

MLC for Jika Jika Province since October 1988, Theo Theophanous has a public service and tutoring background, having tutored in politics and sociology at La Trobe University. He has held the portfolios of Consumer Affairs and Small Business and was Minister assisting the Minister for Manufacturing and Industry Development. He is currently the Shadow Minister for Finance as well as State Owned Enterprises, and Shadow Minister responsible for WorkCover. Theo Theophanous was on the Economic and Budget Review Committee and Public Accounts Sub-Committee 1988-1992 (Chairman 1991-92), and has been on the Public Accounts and Estimates Committee since November 1992.

Mr Kelvin J. Thomson, MLA

Kelvin Thomson was elected MLA for Pascoe Vale in October 1988, and has served as the Shadow Minister for Employment, Industry and Trade, as well as Industrial Relations. Before his election, Kelvin Thomson worked with the Commonwealth Public Service Board, the Commonwealth Ombudsman and Australia Post, as well as having been an electorate secretary. His Committee memberships include the Legal and Constitutional Committee and the Subordinate Legislation Sub-Committee 1988-92, and the Public Accounts and Estimates Committee since November 1992.

Hon David R. White, MLC

David White was first elected MLC for Doutta Galla Province in 1976. Before his election he had worked as an audit clerk and as a research officer to the Victorian Opposition Leader 1971-76. During his political career, David White has held several Ministerial portfolios, including Mines; Minerals and Energy; Water Supply; Health; Industry, Technology and Resources; and Manufacturing and Industry Development. He is currently the Shadow Minister for Energy & Minerals, Shadow Minister for Major Projects, and Shadow Minister for Gaming. His Committee service includes the State Development Committee 1979-82; Public Bodies Review Committee 1980-82; Statute Law Revision Committee 1979; and both the Privileges Committee and the Public Accounts and Estimates Committee since 1992.

THE COMMITTEE DURING PROCEEDINGS



L to R: Hon Peter Hall, MLC; Mr Tony Hyams, MP; Mr Ross Smith, MP; Hon David White, MLC;
Hon G Graeme Weideman, JP, MP (Chairman)



L to R: Hon Peter Hall, MLC; Mr Tony Hyams, MP; Mr Ross Smith, MP (obscured);
Hon David White, MLC, Hon G Graeme Weideman, JP, MP (Chairman);
Mr Craig Burke (Director of Research); Mr Tony Plowman, MP

CHAIRMAN'S INTRODUCTION

It is very satisfying to look back over the Committee's second year of operation, which has built on the already high standard of achievement set in the Committee's first year of operation. The Committee continues to work in a constructive and bipartisan way and has produced tangible and significant benefits for the Parliament and the community.

The Committee's record for 1994, when compared with its demanding performance measures and targets, clearly demonstrates a period of significant achievement. Both the quantity and quality of the Committee's reports are at very high levels and well exceed the targeted levels. Interest in the Committee's reports is also strong, and their relevance and importance is beyond doubt. In short, the Committee has delivered on its corporate mission and is well placed to meet the challenges of 1995.

Highlights of the year included the issuing of a further seven reports. This was achieved with fewer members and a significantly smaller staff and budget than was enjoyed by our predecessor Committee. In addition, my appointment during the year as Chairman of the Australasian Council of Public Accounts Committees represents a milestone for the Committee.

Subsequent to the year under review, at the end of January 1995, the Committee very successfully staged the joint 9th Biennial Conference of the Australasian Council of Public Accounts Committees and Centenary celebrations of the Committee. Several very distinguished speakers spoke at the joint event including His Excellency the Honourable Richard E McGarvie, Governor of Victoria, and the Right Honourable Justice Phillips, Chief Justice of Victoria.

All Australian states and territories' public accounts committees were represented at the 9th Biennial Conference, together with representatives from Papua New Guinea and New Zealand. Australian Auditors-General, or their representatives, also attended the 9th Biennial Conference.

The Committee commissioned an essay on the origins and early achievements of the Public Accounts Committee of the Parliament of Victoria, and this booklet was launched at the joint opening of the Centenary celebrations and 9th Biennial Conference.

The aim of this report is to promote a general understanding of the Committee's activities and to demonstrate its willingness to be accountable, the latter being something it demands of public sector bodies.

Members look forward to another successful year as the premier Australian public accounts committee. I thank the members of the Committee for their contribution to the Committee's achievements.

On behalf of the Committee I thank all of the Committee's staff for their hard work during the year. I would particularly like to acknowledge the significant contributions of Mr Craig Burke, Director of Research and Mrs Helena Cyrulo, Office Manager.

Hon G. Graeme Weideman, JP, MP
Chairman
Public Accounts and Estimates Committee

CHAPTER 1: INTRODUCTION

1.1 Origins and Functions of the Committee

The Public Accounts and Estimates Committee is an all party Joint Investigatory Committee of the Victorian Parliament established by way of amendment to the *Parliamentary Committees Act 1968*. The Committee has wide powers to review State public sector finances or administration and the budget estimates on behalf of the Victorian Parliament. The Committee's mandate includes both the traditional "public accounts" and "estimates" functions.

In October 1992, early in the first session of the 52nd Parliament, the new Kennett Government introduced amendments to the *Parliamentary Committees Act 1968* (the Act) which changed the number, names and functions of the five Joint Investigatory Committees originally set up in 1982 and replaced them with nine new committees being:

- Public Accounts and Estimates Committee;
- Economic Development Committee;
- Community Development Committee;
- Crime Prevention Committee;
- Environment and Natural Resources Committee;
- Law Reform Committee;
- Public Bodies Review Committee;
- Road Safety Committee; and
- Scrutiny of Acts and Regulations Committee.

The Public Accounts and Estimates Committee's nine members of Parliament are drawn from the Legislative Council and the Legislative Assembly.

The Committee carries out investigations and reports to Parliament on matters associated with State financial management. Its functions under the Act are to inquire into, consider and report to the Parliament on -

- (a) any proposal, matter or thing connected with public administration or public sector finances;
- (b) 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 -

if the Committee is required or permitted so to do by or under this Act.

The Westminster system of parliamentary Government which operates in Australia requires that the Government of the day must account for its handling of funds entrusted to it. The Committee exists to assist the Parliament in holding the Government to financial account. The Committee exercises Parliament's power of scrutiny and review over public finance, ensures that extravagance and waste are minimised and that sound and proper financial practices are in place. It examines the accountability of the public sector to Parliament and thereby to the electorate.

The Public Accounts and Estimates Committee clearly views itself as a key element of the State's accountability framework or overall system of control. Of its nine Members, five are from the Coalition and four from the Opposition.

1.2 Committee Processes

The Public Accounts and Estimates Committee has two key functions, those being the traditional public accounts and estimates functions.

The Public Accounts Function

The public accounts function is predominantly based on the reports of the Auditor-General ie. the function is one of post-mortem examination.

The Committee seeks the Auditor-General's advice concerning those matters raised in his reports which he recommends the Committee could most usefully pursue. In light of the Auditor-General's advice the Committee then deliberates on those matters it will pursue.

The Committee's public accounts function involves writing selectively to the head of each Department or authority which has been mentioned unfavourably in an Auditor-General's report, seeking further information on what occurred and how it is being remedied. Responses deemed unsatisfactory are followed up.

A formal approach is taken to these inquiries. Ministers and/or senior public servants are examined in public hearings. Hansard records the proceedings of the hearings, and produces transcripts of evidence, which are available from the Committee for public examination. The Public Accounts and Estimates Committee has not yet seen a need to examine witnesses under oath at public hearing. Due mainly to its dual estimates and public accounts functions, it has tended to invite both Ministers and senior public servants to public hearing while traditionally Public Accounts Committees (PACs) would normally only invite senior public servants.

In addition to reviewing the reports of the Auditor-General, PACs usually undertake a number of large inquiries during the year. These may examine the performance of a specific department, or perhaps some aspect of financial procedure across the public sector, eg. debt management or asset valuation.

The Estimates Function

Following the delivery of the Budget Speech by the Treasurer, the Committee forwards a questionnaire to all departments requesting information to supplement the details in the Budget Papers. The information received from departments is analysed and further requests for information issued as appropriate. The only budget estimates for which the Committee has not received a response to its questionnaire are those relating to the Parliament itself.¹

¹ Refer to Public Accounts and Estimates Committee, *Interim Report on the 1993-94 Budget Estimates*, May 1994 Chapter 3.

The Committee follows a schedule of public hearings for the Budget Estimates. This schedule will see all Ministers and Departments invited to appear before the Committee at least once in the life of the 52nd Parliament, with the major portfolios of Treasury, Finance, Health, Education and Transport invited to appear at least once each financial year. The evidence given at the public hearings is analysed and, where the Committee considered it necessary, further requests for information were issued as appropriate.

The Committee's objective in its scrutiny of the budget estimates is to:

- constructively contribute to the presentation of budget information, including key financial management details, to the Parliament and the community of Victoria;
- facilitate a greater understanding of the budget estimates;
- encourage clear, full and precise statements of the Government's objectives and planned budget outcomes;
- assist the Parliament and the community of Victoria to assess the achievement of planned budget outcomes; and
- encourage economical, efficient and effective program administration.

It is the Committee's intention to report to Parliament on the budget estimates twice each year. The first report will be an interim report examining the current year's Budget and will commonly review the overall budgeted outcome, major budget items and progress against budget in key areas. The Committee intends to table its interim reports in the Autumn Sitting each year.

The second or final report presented to Parliament on the budget estimates each year will focus on the budget outcome. This report will be tabled in the Spring session each year. Both reports will, as appropriate, follow up issues raised in earlier "estimates" reports of the Committee.

It is not the Committee's intention to replicate the Budget Papers, monthly Niemeyer statements, the annual Finance Statement including the

Auditor-General's Report on that Statement or the Autumn Economic Statement. Rather, the Committee's focus is on selected key areas where additional reporting may assist public understanding.

1.3 Legislative Requirements - Response by the Responsible Minister

The Committee has the power to make recommendations to the Parliament, and the appropriate responsible Minister is required to respond to these recommendations within six months of the report having been tabled. The relevant section of the *Parliamentary Committees Act* 1968 reads as follows:

"Where a report to the Parliament of a Joint Investigatory Committee other than the Public Bodies Review Committee recommends that a particular action be taken by the Government with respect to a matter, the appropriate responsible Minister of the Crown shall, within six months of the report of the Committee being laid before both Houses of the Parliament, report to the Parliament as to the action (if any) proposed to be taken by the Government with respect to the recommendation of the Committee."

1.4 Legislative Power to Inquire

During late December 1994 the Committee referred its concerns related to the Committee's legislative power to inquire, to the Speaker of the Legislative Assembly. Those concerns arose from advice the Committee had received from the Government Solicitor. That advice, in essence, appeared to indicate that section 4F (1) (b) of the *Parliamentary Committees Act* 1968 (the Act), which provides Joint Investigatory Committees with the power to self generate inquiries, is a 'difficult' section to apply and 'impracticable'. Further the Government Solicitor proposed that, *"If possible, it would be desirable for the position to be made clearer by amendment."* The Committee proposed suggested amendments to the Act in its letter to the Speaker, both to address the matters raised by the Government Solicitor and another related matter concerning the Committee's powers to inquire into the budget estimates. The Committee also subsequently drew the attention of the Premier and the Treasurer to

these matters and sought their support for any necessary legislative amendments.

The Speaker's reply to the Committee's letter indicated his agreement that the provisions of the Act need to be clarified and that he will set out the concerns of the Committee, in writing, to the Premier requesting that he have the matter investigated with a view to making appropriate changes to the legislation.

CHAPTER 2: CORPORATE PLAN

2.1 Mission

On behalf of the Parliament to scrutinise, assess, and contribute to public debate on the expenditure of public monies.

2.2 Corporate Objectives

1. To encourage the economic, efficient and effective utilisation of public sector resources.
2. To contribute to greater accountability of the executive government to the Parliament and the public.
3. To contribute to the presentation and disclosure of information provided to the Parliament and the public.

2.3 Corporate Strategies

1. Examine significant public sector financial and management issues by:
 - (i) maintaining an awareness of key government policy and public sector financial management issues; and
 - (ii) reviewing:
 - the implementation of government policy; and
 - the effectiveness of public sector internal control and risk management systems,partly through the follow-up of the reports and activities of the Auditor-General.
2. Develop strategies which aim to bring about the reforms necessary to improve accountability and ensure that services provided by government reflect value for money.

3. Maintain the Committee's credibility and relevance with members of Parliament, the public sector and the public.

2.4 Performance Measures

The Committee's performance during 1994, as measured against the performance indicators shown below, clearly demonstrates a period of significant achievement. Both the quantity and quality of the Committee's reports are at very high levels and well exceed the targeted levels. Interest in the Committee's reports is strong, and their relevance and importance is beyond doubt.

The Committee has set itself a very high target for the level of acceptance of the Committee's recommendations by the Government, that is nil rejected recommendations. While a high level of acceptance of the Committee's recommendations has occurred, some have been rejected. The Committee continues to actively pursue those recommendations (refer Chapter 6 of this report).

In summary, the Committee has delivered on its corporate mission and is well placed to meet the challenges of 1995.

| Strategy | Performance Measures | Target | Actual: 1994 |
|--|---|---|---|
| Examine significant public sector financial and management issues. | Inquiries into reports of the Auditor-General. | 2 | 3 |
| | Regular review of departmental budget estimates and outcomes. | All major departments to be reviewed. Triennial reviews of all other departments | All major departments reviewed. Other departments subject to Triennial reviews |
| | The number of reports tabled during the financial year. | 3 | 6 |
| | Amount of interest generated by inquiries and reports | At least 50 requests for each report. | In excess of 50 reports distributed |

| Strategy | Performance Measures | Target | Actual: 1994 |
|--|--|---|--|
| Develop strategies which aim to bring about the reforms necessary to improve accountability and ensure that services provided by government reflect value for money. | The number of reports tabled during the financial year. | 3 | 6 |
| | The number of recommendations which have been rejected by the executive. | Nil | Not achieved. Refer Chapter 6 |
| | Annual Committee follow-up (and reporting) on outstanding issues/ recommendations not yet implemented. | Every report. | Ongoing. (Refer Chapter 6 of this report.) |
| | Amount of interest generated by reports. | At least 50 requests for each report. | In excess of 50 reports distributed |
| | Timeliness of responses to the Committee's reports | All recommendations to be followed up to ascertain the action taken by the Executive and/or the Parliament. | Ongoing. (Refer Chapter 6 of this report.) |
| Maintenance of the Committee's credibility and relevance. | Quality of reports as evidenced by acceptance of recommendations and amount of interest generated. | Nil rejected recommendations. At least 50 requests for each report. | Not achieved. Refer Chapter 6 In excess of 50 reports distributed |
| | Timeliness of responses to the Committee's recommendations. | Responses provided within the time frame specified in the Act. | Not achieved, refer chapter 6 this report |
| | Timeliness and quality of information supplied to the Committee. | The Committee's deadlines and requirements always met. | Satisfactory |
| | The number of reports tabled during the year. | 3 | 6 |

CHAPTER 3: ADMINISTRATION AND STAFFING

3.1 Core Staffing

The Following staff have continued their employment with the Committee from last year:

| | | |
|-------------------|---|-------------------------------|
| Mr Craig Burke | - | Director of Research |
| Mrs Dianne Agis | - | Research Officer (to 19/8/94) |
| Mrs Helena Cyrulo | - | Office Manager |

Following Mrs Agis' resignation, the Committee appointed a replacement Research Officer:

| | | |
|----------------|---|--------------|
| Mr Mario Abela | - | From 20/9/94 |
|----------------|---|--------------|

3.2 Secondments

The Committee has a policy of accepting officers from the Victorian Audit Office, as well as other public sector bodies and private accounting practices, to act as research officers for the Committee. Such secondments assist the Committee and broaden the participants' work experience. Secondments during the year have been :

| | |
|--|----------------------------|
| Mr Michael Quayle : (September 1993 - March 1994) | Department of Finance |
| Ms Kathy Hogg : (February - September 1994) | Ernst & Young |
| Ms Lilian Spencer : (May - December 1994) | Auditor-General's Office |
| Mrs Sarjeet Kaur (from October 1994) | Department of the Treasury |

The Committee expresses its thanks to these seconded officers and their organisations for the valuable assistance given and agreement to share costs.

3.3 Consultants

From time to time the Committee engages the services of consultants to augment its core staff, and to provide specialist expertise, experience and knowledge.

The Committee would like to thank the following people, who were engaged as consultants by the Committee during 1994:

Ms Penelope Hutchinson, representing BDO Consulting was employed to assist the Committee with preparation of the its seventh report to parliament: *Interim Report on the State's Budget and Financial Management Framework*, which was tabled during May 1994.

Ms Sara Cullen, representing Ernst & Young, was employed to assist the Committee in its inquiry into Information Technology in the Public Sector. It is intended that the report prepared by Ms Cullen be incorporated into the Committee's report on this topic during 1995.

Mrs Loredana Drury, an archivist, was employed on a temporary basis (21 February - 16 May 1994) to archive the records of the former Economic and Budget Review Committee and the former Estimates Sub-Committee.

CHAPTER 4: REPORTS DURING THE YEAR

4.1 Report No. 4: A REPORT ON ACTIVITIES - 1993 May 1994

This was the first annual report on the activities of the Committee since its appointment in November 1992.

The aim of the report was to promote a general understanding of the Committee's activities and to demonstrate its willingness to be accountable - the latter being something it demands of public sector bodies.

4.2 Report No. 5: VICTORIAN PUBLIC HOSPITALS - ARRANGEMENTS WITH CONTRACTED DOCTORS May 1994

In the Victorian Auditor-General's special report of April 1993, entitled 'Visiting Medical Officer Arrangements', he identified deficiencies in the controls exercised over expenditure on visiting medical officer (VMO) services in public hospitals. Many of these deficiencies had previously been highlighted by the former Economic and Budget Review Committee in a 1985 report.

The Committee believed that many of the deficiencies identified by the Auditor-General would not be resolved without the co-operation of the Australian Medical Association and the Victorian Hospitals' Association. The Victorian Hospitals' Association and the Victorian branch of the Australian Medical Association were therefore requested to work together to develop a VMO accountability framework that would resolve the Auditor-General's concerns. This report provides details of the protocol which was developed by the two associations. It also outlines the Committee's recommendations on those matters which have either not been satisfactorily addressed in the agreed protocol or which are more appropriately addressed at the Department level. The report also includes comment on the very important issue surrounding the updating of patient medical records, by VMOs, to reflect the provision of direct patient care. In this regard the Committee recommended that departmental conditions of

hospital funding should require all public hospitals to ensure that their VMOs update medical records on each occasion a patient is attended.

4.3 Report No. 6: INTERIM REPORT ON THE 1993-94 BUDGET ESTIMATES AND A REPORT ON A MATTER RELATED TO THE AUDITOR-GENERAL'S REPORT ON THE 1992-93 FINANCE STATEMENT
May 1994

This document comprises two separate reports. The first covers the Committee's interim review of the 1993-94 Budget. The second concerns a matter arising from the Auditor-General's Report on the 1992-93 Finance Statement.

The interim report commented on the 1993-94 Budget, the proposed Departmental Performance Estimates, output measures, Parliament's own budget and the 1994 Autumn Economic Statement. A dramatic reduction in the State's 1993-94 Budget deficit from an estimated \$3,678.8 million to a projected \$1,212.9 million was highlighted in the Report.

The matter arising from the Auditor-General's Report on the 1992-93 Finance Statement concerns the State's contingent liabilities, an important area of ongoing interest to the Committee. This report details investigations into concerns raised with the Committee relating to possible financial risks for the State.

4.4 Report No. 7: INTERIM REPORT ON THE STATE'S BUDGET AND FINANCIAL MANAGEMENT FRAMEWORK
May 1994

The aim of this report was to maximise the benefits arising from the Report of the Victorian Commission of Audit. It reviewed the progress of the implementation of the Commission of Audit's many recommendations in respect of the State's budget and financial management framework.

The report highlighted the Government's major reforms and achievements in the State's budget and financial management framework

that had occurred. The magnitude of the reforms proposed by the Commission of Audit meant that full implementation was not possible within one year. Consequently the Committee highlighted some key remaining issues in the areas of accrual budgeting, whole of government financial statements, departmental accrual accounting, information systems and timing of the budget.

- 4.5 **Report No. 8: HOUSING GUARANTEE FUND LIMITED: A Report on the Housing Guarantee Fund Limited's Annual Reports for 1991-92 and 1992-93**
September 1994

Industry associations, consumer groups and the Housing Guarantee Fund Limited have been calling for reform of the *House Contracts Guarantee Act 1987* for some time. Despite efforts to bring about reform, few key improvements have been made to address the shortcomings. A major review of the *House Contracts Guarantee Act 1987* was commenced by the Office of Fair Trading and Business Affairs with the intention of enacting legislation in the Autumn sitting of 1995.

The report considers key issues and makes recommendations in respect of dispute resolution mechanisms, standard form domestic building contracts, the guarantee, builder registration and the role of the Office of Fair Trading and Business Affairs (refer Appendix B).

- 4.6 **Report No. 9: FINAL REPORT ON THE 1993-94 BUDGET ESTIMATES AND OUTCOMES**
November 1994

The report is the Committee's third budget estimates report and finalised the inquiry into the 1993-94 Budget.

The report highlighted the removal of certain inflexibility in government budgeting processes and further substantial reforms and benefits for public sector resource management to flow from the Government's Management Improvement Initiative.

The Committee proposed, as a further refinement to the budget process, that budget sector bodies should table a supplementary budget document in the Parliament. That document would provide sub-program level budget estimates information, including performance and benchmark data.

The report also dealt with a number of other key budget estimates related issues.

4.7 Other: **THRIFT AND THE NOISELESS STEP: 100 Years of
Public Accounts Committees of the
Parliament of Victoria**
July 1994

This booklet was commissioned by the Committee to mark the centenary of the establishment of the first Public Accounts Committee of the Parliament of Victoria. It tells the story of the Committee's origins; the struggle for its establishment in the political mayhem of the 1860s and 1870s; its teething problems; its early achievements and its contribution to the economic life of Victoria in the first three decades of Federation; its hibernation during the Depression and World War II; and its restoration and continuation in recent times.

CHAPTER 5: INQUIRIES IN PROGRESS

The following inquiries are in progress:

5.1 Information Technology in the Public Sector

In accordance with the *Parliamentary Committees Act 1968*, the Public Accounts and Estimates Committee is conducting an Inquiry with the following terms of reference.

To inquire into, consider and report to Parliament on the Auditor-General's special report entitled 'Information Technology in the Public Sector', including:

- an assessment of the level of public sector compliance with policies, guidelines and directives issued by the central agencies on the outsourcing of information technology; and
- a review of selected public sector agencies that have outsourced information technology services in order to determine the problems encountered by such agencies and the methods used to resolve those problems.

The Committee plans to present its report to the Parliament during the Autumn 1995 sitting.

5.2 1994-95 Budget Estimates and Outcomes

The Committee's objectives are to:

- constructively contribute to the presentation of budget information, including key financial management details, to the Parliament and the public;
- facilitate a greater understanding of the Budget Estimates;
- encourage clear, full and precise statements of the Government's objectives and planned budget outcomes;

- assist the Parliament and the public to assess the achievement of planned budget outcomes; and
- encourage economical, efficient and effective program administration.

The Committee proposes to present a report to the Parliament during the Spring 1995 sitting.

5.3 The State's Budget and Financial Management Framework - Phase 2

Phase 1 of this inquiry considered the range of recommendations in the Victorian Commission of Audit's report related to the State's budget and financial management framework (refer paragraph 4.4 of this report). The Committee has adopted the following objective for phase 2 of its inquiry:

To ensure timely preparation of meaningful whole of government financial reports and budgets on an accrual basis as recommended in the Committee's Interim report on the State's Budget and Financial Management Framework

The Committee proposes to present a further interim report to the Parliament during 1995.

5.4 Outsourcing

This inquiry is in the preliminary planning stages.

5.5 Other

Pursuant to the *Audit Act* 1994, the Committee is required to recommend to the Parliament the appointment of an auditor to conduct a performance audit of the Auditor-General. In addition the *Audit Act* 1994 provides for the Committee to recommend to the Parliament the appointment of an auditor to conduct a financial audit of the Victorian Auditor-General's Office.

In October 1994 the Committee sought submissions by open tender, by advertisement in *The Age* newspaper for a performance auditor. The Committee received six proposals in December 1994. Pursuant to the Committee's selection criteria, four proposals were subsequently explored by way of interview with the Committee. The Committee's recommendation is contained in its report which was tabled in the Parliament during April 1995.

The Committee invited written quotations for a financial auditor of the Victorian Auditor-General's Office from four of the major accounting firms in March 1995. The Committee's recommendation is contained in its report which was tabled in the Parliament during April 1995.

CHAPTER 6: GOVERNMENT RESPONSES TO COMMITTEE REPORTS

6.1 Status of Government Responses to the Committee's Reports

Section 40(2) of the *Parliamentary Committees Act* 1968 requires the Government to respond, in the Parliament, to the recommendations of the Committee within six months of the Committee's reports.

The Committee intends to publish in its annual Report on Activities an updated listing of all responses received to date, and to comment on those responses as appropriate or indicate in which report those responses are discussed. The Table below provides the first summary of the status of responses to the Committee's reports.

| Report | | Response Tabled ² | Report in which Response Discussed/Comments |
|--------|---|------------------------------|---|
| 1. | Private Investment in the Provision of Public Infrastructure. Tabled November 1993 | Overdue | The Treasurer has advised the Committee that a response is being prepared, refer appendix A. |
| 2. | The Performance Audit of the Auditor-General of Victoria. Tabled November 1993 | December 1994 | Response discussed in this Report, refer paragraph 6.2. |
| 3. | 1992-93 Budget Estimates and Outcomes. Tabled November 1993 | October 1994 | No. 9. Final Report on the 1993-94 Budget Estimates and Outcomes. |
| 4. | A Report on Activities - 1993. Tabled May 1994 | Not required | |
| 5. | Victorian Public Hospitals - Arrangements with Contracted Doctors. Tabled May 1994 | Overdue | The Committee has been informed that an interim response will be tabled in the Autumn 1995 Sitting. |

² The *Parliamentary Committees Act* 1968 requires the responsible Minister to respond to the Committee's recommendations within six months of a report having been tabled in the Parliament, refer paragraph 1.3 of this report.

| Report | | Response Tabled | Report in which Response Discussed/Comments |
|--------|---|------------------------------|--|
| 6. | Interim Report on the 1993-94 Budget Estimates and a Report on a Matter Related to the Auditor-General's Report on the 1992-93 Finance Statement. Tabled May 1994 | October 1994 | No. 9. Final Report on the 1993-94 Budget Estimates and Outcomes. Certain recommendations remain outstanding, refer paragraph 6.3 of this report. |
| 7. | Interim Report on the State's Budget and Financial Management Framework Tabled May 1994. ³ | Not yet tabled | The Department of the Treasury has provided a partial response to the Committee which will be considered in the next report on this inquiry, refer paragraph 5.3 of this report. |
| 8. | Housing Guarantee Fund Limited. Tabled September 1994 | Interim response: March 1995 | The Minister for Fair Trading has advised the Parliament that a detailed response is being prepared, refer appendix B. |
| 9. | Final Report on the 1993-94 Budget Estimates and Outcomes. Tabled November 1994 | Not yet tabled | |

6.2 The Committee's Second Report - The Performance Audit of the Auditor-General of Victoria

During December 1994 the Government's response to the Committee's Second Report was tabled in the Parliament (refer appendix C). The Committee notes that a total of 18 (or 78 per cent) of the Committee's 23 recommendations have been accepted or supported by the Government. In addition the Committee notes that some of its recommendations were aimed more directly at the Auditor-General requiring action on his part, rather than a response from the Government. The Committee has directed the performance auditor of the Victorian Auditor-General's Office to follow up relevant matters raised by the Committee in its Second Report (refer paragraph 5.5 of this report).

³ Tabled in the Legislative Assembly during September 1994

The following represents the Committee's position in respect of those of its recommendations which have been rejected, or appear to have been rejected by the Government.

Recommendation 4.2 of the Committee's second report to Parliament provided that:

Legislation should require that the Auditor-General audits all entities (including trusts, joint ventures, partnerships, companies and other entities) in which the State has a controlling interest.⁴

The Government's response to Recommendation 4.2 included (refer appendix C):

The Audit Act gives the authority to audit where the entity is wholly owned. A requirement by Government that the AG audit an entity in which the Government has a controlling interest could provide difficulties in the Government establishing joint (sic) ventures, partnerships, etc. For this reason this recommendation is not accepted.

The Committee acknowledges the potential difficulties referred to in the Response. The Committee maintains however, as discussed in its report, that using control rather than ownership as the basis for audit by the Auditor-General best serves the interests of public and parliamentary accountability, and therefore holds to its original recommendation.

Recommendation 4.4 of the Committee's second report to Parliament provided that:

Where the public sector bears a significant risk in respect of the activities of an entity which is wholly owned by the private sector, the terms and conditions of the arrangement should include a requirement that the Auditor-General be the appointed auditor, or

⁴ Public Accounts and Estimates Committee, *The Performance Audit of the Auditor-General of Victoria*, November 1993, page 53

at a minimum, have access to the accounts and records of the private sector entity.⁵

The Government's response to Recommendation 4.4 included (refer appendix C):

The AG should have access to central agency and departmental records to enable him to determine whether adequate safeguards are in place to ensure that the public interest is adequately protected in the case of private sector entities.

The Committee agrees that the Auditor-General should have access to information referred to in the Response. The Committee's report also took the view, in light of the potentially substantial financial exposures involved and the previously identified inadequacies in the recording and managing of the State's contingent liabilities, that further involvement of the Auditor-General was required.

Subsequent to its report the Committee notes that the *Audit Act 1994* (section 20) provides that the Auditor-General may require *a person or body, corporate or unincorporate (not being a person or body the accounts of which are subject to audit under this Act) that has received a public grant* to produce for examination by the Auditor-General any documents in respect of which the public grant was received. This provision, which has the strong support of the Committee, is consistent in principle with that proposed by the Committee's original recommendation concerning the Auditor-General having access to the accounts and records of certain private sector entities. Therefore the Committee stands by its original recommendation.

⁵ Public Accounts and Estimates Committee, *The Performance Audit of the Auditor-General of Victoria*, November 1993, page 60

Recommendations 5.1 and 5.2 of the Committee's second report to Parliament provided that (respectively):

The Public Accounts and Estimates Committee (or its successor) should be responsible for making a recommendation to the Parliament concerning the appointment of the Auditor-General.

The Auditor-General should be appointed by the Governor in Council on the nomination of the Parliament.⁶

The Government's response to Recommendations 5.1 and 5.2 included (refer appendix C):

Appointment of the Auditor-General through the existing mechanisms does not compromise the office or the appointee.

The Committee maintains the position it took in its report and stands by its original recommendations.

Recommendation 5.3 of the Committee's second report to Parliament provided:

It is recommended that:

(a) a seven member Parliamentary committee be established to review the Audit Office's budget proposals and make a recommendation to the Parliament;

(b) this committee should comprise the Speaker of the Legislative Assembly or President of the Legislative Council who should alternate on an annual basis;

(c) the composition of the remainder of the committee should ensure an equal representation of Government and Opposition members and should include the Treasurer (or his Parliamentary representative) and the Chairman and one

⁶ Public Accounts and Estimates Committee, *The Performance Audit of the Auditor-General of Victoria*, November 1993, page 64

other member of the Public Accounts and Estimates Committee; and

(d) the Speaker and President should alternate as Chairperson on an annual basis.⁷

The Government's response to Recommendation 5.3 included (refer appendix C):

The Government does not support the cumbersome process proposed. Any separate process for determining a budget for the Audit Office would be inconsistent with the Government's need and responsibility to determine expenditure priorities across the breadth of the public sector. ...

The Committee notes the Government's comments concerning the 'cumbersome' nature of the process proposed. The Committee, however, maintains the view that a separate process is required which provides a stronger role for the Parliament in determining the budget of the Victorian Auditor-General's Office. The Committee will give further consideration as to the means required to give effect to that view.

6.3 The Committee's Sixth Report - Interim Report on the 1993-94 Budget Estimates

Recommendations 3.1 and 3.2 of the Committee's sixth report to Parliament provided (respectively):

It is recommended that the Parliament determine whether its budget estimates should be subject to the same Parliamentary estimates scrutiny as are all other budget estimates, and if appropriate, who should have responsibility for such scrutiny.⁸

⁷ Public Accounts and Estimates Committee, *The Performance Audit of the Auditor-General of Victoria*, November 1993, page 70

⁸ Public Accounts and Estimates Committee, *Interim Report on the 1993-94 Budget Estimates*, May 1994, page 36

The Committee recommends that the Parliament establish its own audit committee and internal audit function.⁹

The Government's response to Recommendations 3.1 and 3.2 included:

The Presiding Officers of Parliament are aware of the Committee's recommendations and it is their intention to communicate directly with the Committee in relation to those recommendations.

At the time of writing the Presiding Officers had not yet responded to the Committee.

⁹ Public Accounts and Estimates Committee, *Interim Report on the 1993-94 Budget Estimates*, May 1994, page 37

CHAPTER 7: ACTIVITIES OF THE COMMITTEE

7.1 Meetings and Public Hearings Held

| DATE | SUBJECT | ORGANISATION | WITNESSES/ IN ATTENDANCE |
|-------------|---|---|--|
| 1994 | | | |
| 25 January | Deliberative meeting | | |
| 2 February | Deliberative meeting | | |
| 9 February | Deliberative meeting | | |
| 23 February | Meetings with: VICTORIAN PUBLIC HOSPITALS - ARRANGEMENTS WITH CONTRACTED DOCTORS | Sandringham and District Memorial Hospital Mornington Peninsula Hospital Royal Melbourne Hospital | Mr David Hobby and other senior officers Mr Stan Capp and other senior officers Mr John Tribe and other senior officers |
| 2 March | Deliberative meeting Meeting with: | Victorian Auditor-General's Office | Mr Ches Baragwanath Mr Graham Hamilton Mr Russell Walker Mr Stan Naylor |
| 17 March | Deliberative meeting Meetings with: | BDO Consulting UK National Audit Office Victorian Auditor-General's Office | Ms Penelope Hutchinson Mr Martin Pflieger Mr Ches Baragwanath |
| 6 April | Deliberative meeting | | |
| 13 April | Deliberative meeting Meetings with: | Department of Finance Department of the Treasury | Mr Frank King Mr Ron Paice Dr Michael Vertigan Mr Robert Reeves Mr Tom Martin |
| 20 April | Deliberative meeting | | |
| 29 April | Deliberative meeting Meeting with: | WA Public Accounts and Expenditure Review Committee | Mr W. Trenorden, MLA Mr B. Blaikie, MLA Mr M. Board, MLA Mr M. Baker |
| 11 May | Deliberative meeting Public Hearing - THE HOUSING GUARANTEE FUND LIMITED | Victims of Builders Support Group Individual consumer | Mr Bruce Shand Mr Ross Delahunty Mrs Anne Scott |
| 18 May | Deliberative meeting | | |

7.1 Meetings and Public Hearings Held (cont.)

| DATE | SUBJECT | ORGANISATION | WITNESSES/ IN ATTENDANCE |
|--------------|--|--|--|
| 1994 | | | |
| 1 June | Deliberative meeting | | |
| 8 June | Public Hearings - THE HOUSING GUARANTEE FUND LIMITED | Housing Guarantee Fund Ltd Office of Fair Trading and Business Affairs Housing Industry Association Limited | Mr Murray Nugent Ms Ann Hammann Ms Vicky Bates Mr Les Groves |
| 22 June | Deliberative meeting Meeting with: | Department of the Premier and Cabinet and Department of the Treasury and Office of the Public Service Commissioner | Mr Ken Baxter Mr Terry Healy Dr Michael Vertigan Mr Robert Reeves Mr Peter Salway |
| 30 June | Deliberative meeting Meeting with: | Victorian Auditor-General's Office | Mr Ches Baragwanath Mr Joe Manders Mr Russell Walker Mr John Kehoe Mr Ian Claessen |
| 20 July | Deliberative meeting | | |
| 27 July | Deliberative meeting Meeting with: | The Royal Botanic Gardens | Mr W. R. Irvine Dr Philip Moores |
| 29 July | Deliberative meeting | | |
| 10 August | Deliberative meeting | | |
| 31 August | Deliberative meeting | | |
| 6 September | Deliberative meeting | | |
| 14 September | Deliberative meeting | | |
| 21 September | Deliberative meeting | | |
| 28 September | Deliberative meeting Meeting with: | Department of Finance | Mr Frank King Mr Ron Paice |
| 12 October | Deliberative meeting Meeting with: | Victorian Auditor-General's Office | Mr Ches Baragwanath Mr Joe Manders |
| 19 October | Deliberative meeting | | |
| 26 October | Deliberative meeting Meetings with: | The Land Conservation Council Former Commission of Audit | Mr Don Saunders Mr Ian Miles Professor Robert Officer |

7.1 Meetings and Public Hearings Held (cont.)

| DATE | SUBJECT | ORGANISATION | WITNESSES/ IN ATTENDANCE |
|-------------|---|--|--|
| 1994 | | | |
| 3 November | Deliberative meeting Public Hearings - INFORMATION TECHNOLOGY IN THE PUBLIC SECTOR | Port of Melbourne Authority | Mr M. J. McCarthy Mr R. Shute |
| | THE STATE'S BUDGET AND FINANCIAL MANAGEMENT FRAMEWORK | Department of Arts, Sport and Tourism | Dr D. Hore Mr L. Mengoni Mr B. Stewart |
| 16 November | Deliberative meeting | | |
| 23 November | Deliberative meeting Meeting with: | Victorian Auditor-General's Office | Mr Graham Hamilton Mr Joe Manders |
| 30 November | Deliberative meeting Public hearing - 1994-95 BUDGET ESTIMATES | Department of Justice | Hon Jan Wade, MLA Mr W. McCann Ms T. Whiting Dr J. Fitzgerald Mr S. Odachowski |
| 14 December | Deliberative meeting | | |

SUMMARY

31 Deliberative Meetings
7 Public Hearings

7.2 Visitors

The Committee welcomes the opportunity to meet colleagues from overseas and other state parliaments. During 1994 the following visitors were welcomed:

17 March 1994: Mr Martin Pflieger - Assistant Auditor-General, UK.
National Audit Office.

29 March 1994: Western Australian Public Accounts and Expenditure
Review Committee.

29 July 1994: Sir John Bourne - UK. Comptroller-General and
Auditor-General.

7.3 Conferences Attended

| Date | Conference | Subject | Attended By |
|----------|---|--|---|
| 04/07/94 | Australasian Council of Public Accounts Committees | Mid-Term Meeting | Hon G. Weideman, MP Mr A. F. Plowman, MP Mr C. Burke Mrs H. Cyrulo |
| 08/08/94 | Outsourcing: Assessing the Risks and Reaping the Rewards - Coopers & Lybrand/Mallesons Stephen Jaques | Outsourcing | Hon G. Weideman, MP Mr E. R. Smith, MP Mr C. Burke |
| 18/10/94 | Victorian Congress 1994 - ASCPA | Re-inventing Government - the CPA's Role | Mr C. Burke Mrs L. Spencer |
| 19/10/94 | " " " | Accrual Accounting | Mr M. Abela Mrs S. Kaur Mrs H. Cyrulo |
| 20/10/94 | " " " | Measuring Outputs in the Public Sector | Hon G. Weideman, MP Mr C. Burke Mrs L. Spencer Mr M. Abela |
| 20/10/94 | " " " | Performance Measurement for the Public Sector | Mrs L. Spencer |
| 21/10/94 | " " " | Managing Future Challenges in Standard Setting | Mr M. Abela |
| 24/10/94 | " " " | Outsourcing the IT Function | Mrs S. Kaur |
| 09/11/94 | Comptroller-General's Office Open Day - Dept of Finance | Accrual Financial Management and Whole of Government Reporting Financial Reporting - Technical Issues and Benefits for Government Departments | Mr M. Abela Mr M. Abela |
| 15/11/94 | Valuations for Financial Reporting Purposes Workshop - Australian Valuation Office Canberra | Valuations for Financial Reporting Purposes | Mr M. Abela |
| 13/12/94 | Implementation of Accrual Accounting in the NSW Public Sector - NSW Public Accounts Committee | Accrual Accounting | Mr E. R. Smith MP Mr A. F. Plowman MP Mr C. Burke Mr M. Abela |

7.4 The Australasian Council of Public Accounts Committees

7.4.1 Mid-Term meeting - Monday 4 July 1994.

The mid-term meeting of the Australasian Council of Public Accounts Committees (ACPAC) was conducted in Adelaide on Monday 4 July 1994. The Committee was represented at this meeting by:

Hon G. G. Weideman, MP (Chairman)
Mr A. F. Plowman, MP
Mr C. S. Burke (Director of Research)
Mrs H. Cyrulo (Office Manager)

Items on the agenda included:

- the efficiency and effectiveness of commercialised public sector operations;
- the administration of Commonwealth-State agreements for specific purpose payments;
- the improvement of internal audit in government departments and business enterprises; and
- the mandate, independence and financing of Auditors-General.

The following resolutions were passed:

- That each Public Accounts Committee act forthwith to ascertain whether proper internal audit procedures are in place in government departments and business enterprises in its particular jurisdiction, having regard to the particular laws and usages of each such jurisdiction, and report back to the Biennial Conference of Australasian Public Accounts Committees in Melbourne in January 1995 for further action.

- That, in the context of considering specific purpose payments, this Conference endorse a working committee of one member from the Commonwealth, each state or Territory to:
 - present to the Biennial Conference a formula which allows for joint Federal and State/Territory inquiries; and
 - determine whether PACs' protocols and terms of reference can be standardised for each joint inquiry on those matters agreed to be investigated.

At the conclusion of this meeting, the Chairmanship of ACPAC was officially handed over to the Chairman of this Committee, the Hon G. G. Weideman. This resulted in the Director of Research, Mr Craig Burke, becoming the Secretary of ACPAC, and this Committee having the responsibility for conducting both the 9th Biennial Conference in 1995 and the mid-term meeting in 1996.

7.4.2 Working Party Meeting - October 1994

As a result of a resolution of the 1994 mid-term meeting, a working party was formed, consisting of the Chairman (or his representative) of each member committee.

The Working Party met in Melbourne on 24 October 1994. The meeting was chaired by Hon G. G. Weideman, and resulted in several resolutions.

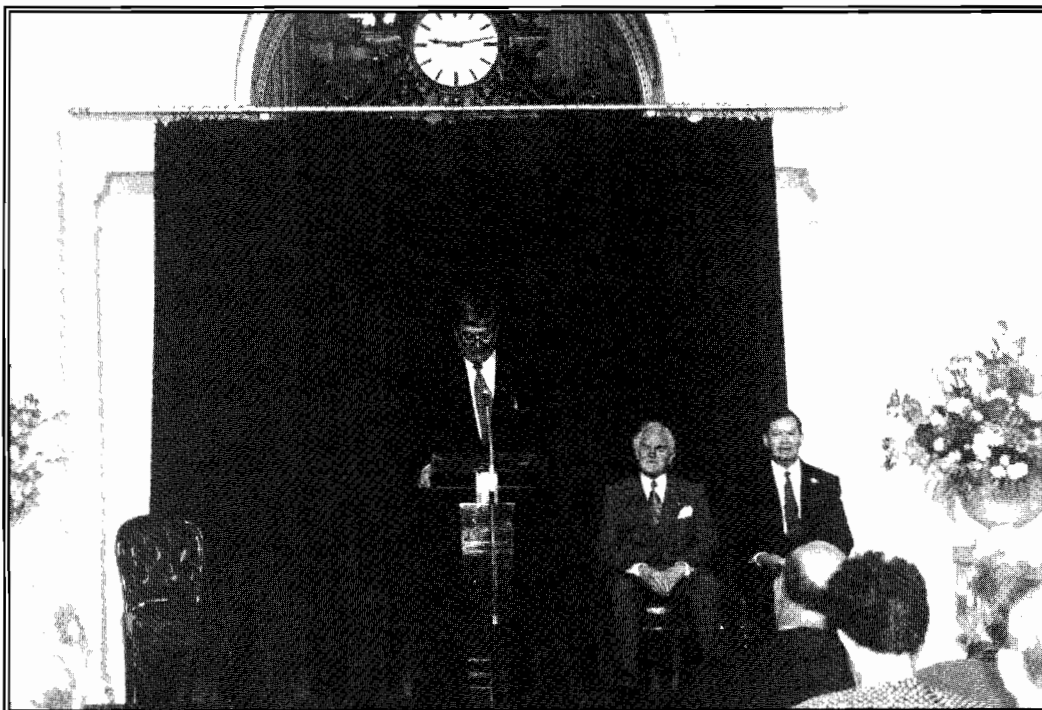
One of the resolutions passed was that the new host Committee of ACPAC be announced and take control at the end of the biennial conference, with that Committee being responsible for conducting the next mid-term meeting and biennial conference, both of which are to be held in the host state. This meant that our Chairman ceased to be Chairman of ACPAC following the 9th Biennial Conference in 1995, and the Committee does not have responsibility for organising the 1996 mid-term meeting.

7.5 Centenary of the Committee and the 9th Biennial Conference of the Australasian Council of Public Accounts Committees

The first Public Accounts Committee in Australia was appointed by the Victorian Legislative Assembly on 29 January 1895. Victoria has the oldest Public Accounts Committee in Australia, being 100 years old in January 1995. The Assembly had considered a motion to appoint a Public Accounts Committee (PAC) as early as August 13 1868, which was seven years after the appointment of the first PAC by the British House of Commons. The establishment of such a committee however, was not to eventuate until twenty seven years later.

The centenary of the establishment of Public Accounts Committees in Victoria occurred on 29 January 1995. To mark this historical event, the Committee hosted the 9th Biennial Conference of the Australasian Council of Public Accounts Committees (ACPAC) in Parliament House, Melbourne, from 31 January - 1 February 1995.

A joint opening of the Centenary celebrations and the ACPAC Conference was conducted in Queen's Hall, Parliament House, Melbourne on the morning of 31 January 1995. The programme for the joint events can be found at Appendix D. The Chairman, Hon G. Graeme Weideman, welcomed all guests, including former and current committee members and delegates to the Conference, and officially launched a booklet on the origins and early achievements of Public Accounts Committees of the Parliament of Victoria, entitled: *Thrift and the Noiseless Step* (refer paragraph 4.7 of this report).



The opening of the Centenary celebrations and the 9th Biennial Conference of ACPAC
L to R: The Hon G. G. Weideman, Chairman (Speaking); His Excellency the Hon R. E. McGarvie,
Governor of Victoria; The Hon Mr Justice J. H. Phillips, Chief Justice of Victoria

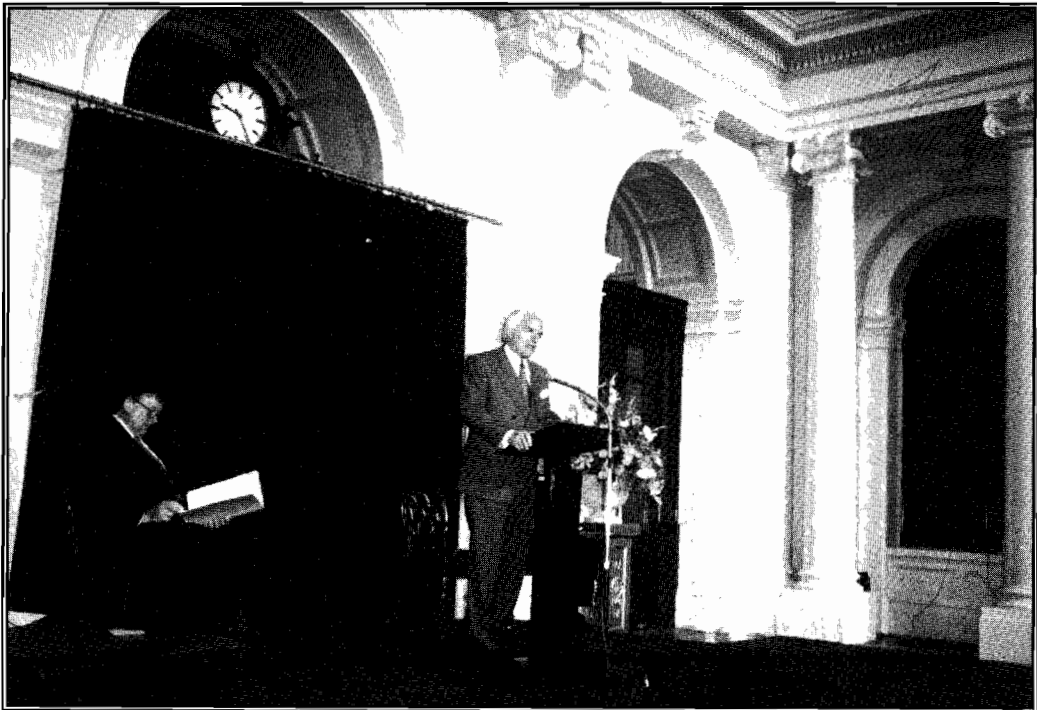
The opening address was made by His Excellency the Hon R. E. McGarvie, Governor of Victoria, who highlighted the importance of Public Accounts Committees throughout Australia with this comment:

There is no system of government that depends more on community confidence than a parliamentary democracy, and nothing deprives the community of confidence in a system of government more than a real suspicion that public moneys are being misused. The importance of public accounts committees to our democracy cannot be overstated.

Guests were then treated to a very colourful keynote address by the Hon Mr Justice J. H. Phillips, the Chief Justice of Victoria. The Committee was most appreciative of the obviously high level of research undertaken by Chief Justice Phillips, and the resulting excellent address which conveyed much of the life, colour, history and composition of the Victorian Parliament.

On the subject of Public Accounts Committees in particular, he had this to say:

I would like to suggest that the value of the Committee lies not only in its activities but in the fact that it exists. It must be that the possibility of scrutiny by the Committee operates on relevant persons and bodies in a way that is wholly beneficial to the public interest.

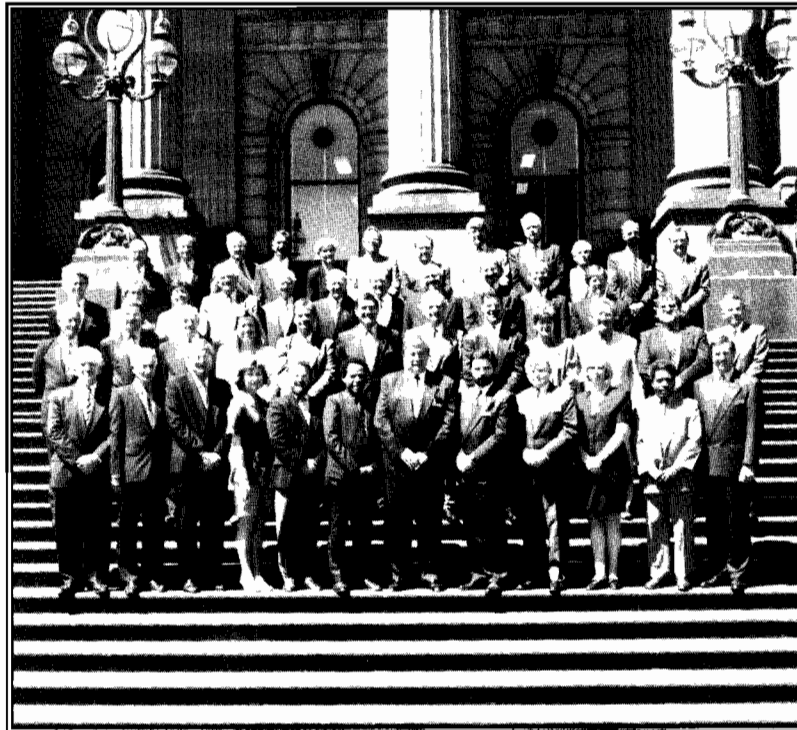


The opening of the Centenary celebrations and the 9th Biennial Conference of ACPAC
L to R: The Hon G. G. Weideman, Chairman; His Excellency the Hon R. E. McGarvie,
Governor of Victoria (Speaking); The Hon Mr Justice J. H. Phillips,
Chief Justice of Victoria (obscured)

On the evening of 31 January a Centenary Dinner was hosted by the Committee in Queens Hall, Parliament House.

The 9th Biennial Conference of ACPAC was conducted, with the kind permission of the President of the Legislative Council, in the opulent surroundings of the Legislative Council Chamber. The two day Conference proved a resounding success, with delegates actively participating in the lively debates.

The Committee thanks all delegates for their contributions, and appreciates the amount of time and effort which went into the preparation of the conference papers. The Committee would also like to especially thank the Hon David Hamer for his presentation on "The financial responsibilities of government", and Mr Max Bradford, Chairman of the New Zealand Finance and Expenditure Committee, for his presentation on "the *Fiscal Responsibility Act*". A list of conference attendees can be found at Appendix E.



Delegates to the 9th Biennial Conference of ACPAC
Melbourne, 31 January - 1 February 1995

CHAPTER 8: FINANCIAL REPORT

| | 1993-94 | | 1994-95 | |
|--|---------------------|---------------------|----------------------|--------------------------------------|
| | <i>Budget</i> \$ | <i>Actual</i> \$ | <i>Budget</i> \$ | <i>Actual to Dec. 1994</i> \$ |
| CORE BUDGET: | | | | |
| Members' Allowances & Travel: | 30 000 | | 19 400 | |
| Plus Carryover | <u>5 370</u> | | <u>16 000</u> | |
| Total | 35 370 | 10 228 | 35 400 | 4 140 |
| Core Staff Salaries: | 167 000 | | 180 024 | |
| Plus Carryover | <u>16 888</u> | | <u>Nil</u> | |
| Total | 183 888 | 178 666 | 180 024 | 81 212 |
| General Expenses: | 55 000 | | 57 256 | |
| Plus Carryover | <u>(663)</u> | | <u>14 859</u> | |
| Total | 54 337 | 53 843 | 72 115 | 17 387 |
| Totals: | 273 595 | 242 737 | 287 539 | 102 739 |
| INQUIRY BUDGETS: | | | | |
| Budget & Financial Management Framework (Phase 1) : | 28 000 | 28 000 | Nil | Nil |
| Budget & Financial Management Framework (Phase 2) : | Nil | Nil | 9 450 | Nil |
| Information Technology in the Public Sector : | Nil | Nil | 25 000 | 25 000 |
| Centenary and ACPAC Conference : | Nil | Nil | 25 000 ¹⁰ | 409 |
| Totals: | 28 000 | 28 000 | 59 450 | 25 409 |
| TOTAL BUDGET: | 301 595 | 270 737 | 346 989 | 128 148 |

COMMITTEE ROOM

12 APRIL 1995

¹⁰ The Committee anticipates that this budget will be dramatically underspent.



The Treasurer of Victoria

Appendix A

55 Collins Street Melbourne Victoria 3000
Telephone: (03) 651 6255 Facsimile: (03) 651 6228

1007 1994

The Hon G G Weideman, MP, JP
Chairman
Public Accounts and Estimates Committee
Level 19
Nauru House
80 Collins Street
MELBOURNE VIC 3000

RECEIVED
12 OCT 1994
PUBLIC ACCOUNTS &
ESTIMATES COMMITTEE

Dear Mr Weideman

Thank you for your letter of 26 May, 1994, the purpose of which was to draw to my attention section 4 O (2) of the Parliamentary Committees Act 1968, in connection with the Public Accounts and Estimates Committee report on Private Investment in the Provision of Public Infrastructure.

Enclosed with this letter is a copy of the recently released Infrastructure Investment Policy for Victoria. The Policy substantially covers the matters raised in the key Committee recommendation concerning content of infrastructure investment guidelines. Many of these matters will be addressed in greater detail in an Administration Manual which is to be issued in support of the Policy, following a round of consultation that is underway.

Other recommendations of the report will now be examined in the context of this policy position. Further development will follow progressively, generally after periods of consultation.

I appreciate that Section 4 O (2) of the Act calls for a report to the Parliament within six months of the making of a recommendation. However I do not expect that Parliament, in adopting that particular period of time, had in mind a substantial report, such as your "Infrastructure" report, with twelve detailed recommendations going to matters of fundamental policy. Any report that I would make at this time could not be particularly informative.

The matters raised by your report are of considerable significance and are certainly deserving of a considered response by the Government when all of the issues have been dealt with.

I will be most pleased to provide this response in the not too distant future.

Yours sincerely

Alan R Stockdale
Treasurer

encl.

Government response to the recommendation of the Public Accounts and Estimates Committee Report on the review of the House Contracts Guarantee Act 1987

(Pursuant to Section 40, Parliamentary Committees Act 1968)

1. The purchase of a home is generally the largest financial commitment a consumer makes and accordingly any problems that are experienced will have a significant impact. Equally, builders encountering disputes with consumers risk great financial loss. The House Contracts Guarantee Act 1987 provides a guarantee for domestic building work and addresses a range of problems in relation to domestic building.
2. Since the Victorian Act was enacted in 1987, there have been very few substantive amendments made to it. The former Ministry of Consumer Affairs sought to address the issues relating to operation of the Act with the release of three discussion papers in November 1990. The Trade Practices Commission released a report in November 1993 which addressed the domestic building guarantee systems on a nationwide basis. In recognition of the ongoing nature and significance of the problems, the Public Accounts and Estimates Committee has reviewed the Act. The Committee's final report was tabled in Parliament in September, 1994.
3. The Committee undertook a detailed and comprehensive review and has made recommendations in relation to dispute resolution mechanisms, standards form domestic building contracts, the guarantee, builder registration and the role of the Office of Fair Trading and Business Affairs. It was assisted in its review by a number of oral and written submissions that were given and received from both individuals and organisations.
4. The Government broadly supports the Committee's recommendations. They have been taken into account in the recent review of the House Contracts Guarantee Act and a Bill will be introduced in 1995 which will substantially amend the Act. A detailed response to each of the Committee's recommendations will be tabled when the legislation is introduced.

REPORT ON THE PERFORMANCE AUDIT OF THE AUDITOR-GENERAL BY THE PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE**RECOMMENDATION 3.1**

The Auditor-General, in accordance with the recommendations outlined in Mr Fergus Ryan's Report on the performance audit of the Auditor-General, should review the critical objectives of the central agencies each year in order to determine whether the agencies are achieving those objectives.

RECOMMENDATION 3.2

In conducting performance audits of the central agencies, the Auditor-General should utilise external consultants and experts, where he believes this to be appropriate, in order to supplement and complement the existing skill base within the Audit Office.

RECOMMENDATION 3.3

Review of risk identification and management processes within the central agencies should be undertaken by the Auditor-General as soon as practicable and should not be deferred until the processes within the central agencies have been fully developed and implemented.

GOVERNMENT RESPONSE:

Discussion of risk management processes is being initiated with the Auditor General. The Government is concerned that the Victorian Auditor General's Office (VAGO) may not have staff with qualifications or experience to undertake such reviews adequately. If, as the Auditor-General indicated to the Committee, he would engage external consultants if that were the case, the consultants would need to be accepted by the central agencies as having substantial experience at a senior level in a relevant central agency in the Victorian Government or other similar experience, prior to undertaking reviews.

RECOMMENDATION 3.4

The Auditor-General should provide a copy of his performance audit plan to the Public Accounts and Estimates Committee on an annual basis and the Committee given the opportunity to discuss this plan with the Auditor-General and suggest but not dictate subjects for performance audits.

GOVERNMENT RESPONSE:

Agree. However, see also response to Rec. 5.3.

RECOMMENDATION 3.5

The Auditor-General should utilise his powers under the Audit Act 1958 to obtain required information from those agencies who fail to supply that information at the Auditor-General's request.

GOVERNMENT RESPONSE:

The exercise of the Auditor-General's existing power is best left to the discretion of the Auditor-General in each case.

RECOMMENDATION 3.6

The Auditor-General should report any problems encountered in obtaining information from auditees to the Parliament and/or the Public Accounts and Estimates Committee, as appropriate.

GOVERNMENT RESPONSE:

Agree.

RECOMMENDATION 3.7

Utilisation of powers provided under Section 44 of the Audit Act 1958 should be reported to the Parliament, by the Auditor-General, along with details of the outcome of this course of action.

GOVERNMENT RESPONSE:

Agree.

RECOMMENDATION 3.8

The Auditor-General should have access to all documentation, including strategies and work programs, associated with the special investigations and performance reviews undertaken by:

- *the Office of Public Sector Management within the Department of the Premier and Cabinet; and*
- *the Office of State Owned Enterprises within the Department of Treasury.*

These reviews should be assessed and where appropriate, utilised to reduce detailed work undertaken by Audit Office staff at the various government departments and authorities.

GOVERNMENT RESPONSE:

The AG has adequate powers under the Audit Act to view documentation associated with special investigations and performance reviews of the central agencies.

RECOMMENDATION 4.1

The legislative mandate for financial and performance audits by the Auditor-General should be broadened to ensure that it captures all government business enterprises including the various forms of State owned enterprises as part of the current legislative reforms.

GOVERNMENT RESPONSE:

The Audit Act provides for the AG to conduct financial and performance audits of Government Business Enterprises. While the AG is responsible, the Act does not preclude the AG from approving the basis upon which private sector auditors may be contracted to do the work.

RECOMMENDATION 4.2

Legislation should require that the Auditor-General audits all entities (including trusts, joint ventures, partnerships, companies and other entities) in which the State has a controlling interest.

GOVERNMENT RESPONSE:

The Audit Act gives the authority to audit where the entity is wholly owned. A requirement by Government that the AG audit an entity in which the Government has a controlling interest could provide difficulties in the Government establishing joint ventures, partnerships, etc. For this reason this recommendation is not accepted.

RECOMMENDATION 4.3

The Auditor-General should review and evaluate the adequacy of the processes that the central or other agencies put in place to monitor and safeguard minority public sector holdings in private sector entities.

GOVERNMENT RESPONSE:

Agree. As noted in the performance audit report of the Auditor-General, where the Government has a minority holding in a private company, companies are likely to oppose the appointment of the AG as external auditor.

RECOMMENDATION 4.4

Where the public sector bears a significant risk in respect of the activities of an entity which is wholly owned by the private sector, the terms and conditions of the arrangement should include a requirement that the Auditor-General be the appointed auditor, or at a minimum, have access to the accounts and records of the private sector entity.

GOVERNMENT RESPONSE:

The AG should have access to central agency and departmental records to enable him to determine whether adequate safeguards are in place to ensure that the public interest is adequately protected in the case of private sector entities.

RECOMMENDATION 5.1

The Public Accounts and Estimates Committee (or its successor) should be responsible for making a recommendation to the Parliament concerning the appointment of the Auditor-General.

RECOMMENDATION 5.2

The Auditor-General should be appointed by the Governor in Council on the nomination of the Parliament.

GOVERNMENT RESPONSE:

Appointment of the Auditor-General through the existing mechanisms does not compromise the office or the appointee.

RECOMMENDATION 5.3

It is recommended that:

- (a) *a seven member Parliamentary committee be established to review the Audit Office's budget proposals and make a recommendation to the Parliament;*
- (b) *this committee should comprise the Speaker of the Legislative Assembly or President of the Legislative Council who should alternate on an annual basis;*
- (c) *the composition of the remainder of the committee should ensure an equal representation of Government and Opposition members and should include the Treasurer (or his Parliamentary representative) and the Chairman and one other member of the Public Account and Estimate Committee; and*
- (d) *the Speaker and President should alternate as Chairperson on an annual basis.*

GOVERNMENT RESPONSE:

The Government does not support the cumbersome process proposed. Any separate process for determining a budget for the Audit Office would be inconsistent with the Government's need and responsibility to determine expenditure priorities across the breadth of the public sector. The Government is accountable to the Parliament for the overall financial performance of the State, and for the allocation of scarce resources between alternative priorities. However, a specific role for the Parliament in developing the performance audit plan is envisaged - see Rec. 3.4.

RECOMMENDATION 5.4

The proposed committee's role in setting the Auditor-General's budget should, in no way, impact upon the Auditor-General's ability to determine the application of audit resources or lead to a review of the merit, or otherwise, of particular performance audit proposals. Performance audits should therefore be funded on a total, annual basis rather than on an individual basis.

GOVERNMENT RESPONSE:

Within the budget approved for the Audit Office, the Auditor-General is responsible to the Parliament through the PAEC for determining the allocation of resources between the functional areas of the Office, with regular detailed outside scrutiny through the AG's annual report and the triennial performance audit of the Auditor-General.

RECOMMENDATION 5.5

The Audit Office's objectives should be reviewed jointly by the Public Accounts and Estimates Committee and the Auditor-General, on an annual basis.

GOVERNMENT RESPONSE:

Agree.

RECOMMENDATION 5.6

The Committee should endorse the adoption, by the Audit Office, of the agreed objectives.

GOVERNMENT RESPONSE:

The Government expects that the Committee will discuss the annual audit program with the Auditor-General. The PAEC should endorse the adoption by the AG of the agreed objectives but should not be expected to reach agreement with the AG concerning the annual audit program. Part of the PAEC's role is to participate in and make suggestions about the annual performance audit plan.

RECOMMENDATION 5.7

The Audit Office should include the endorsed objectives in its annual report so that Parliament is informed of those objectives.

GOVERNMENT RESPONSE:

Agree.

RECOMMENDATION 7.1

Where appropriate, auditees should be advised, on an annual basis, of those potential performance audits which, in the Auditor-General's view, are likely to provide significant benefits and/or cost savings given prevailing conditions.

GOVERNMENT RESPONSE:

Agree. Further, there seems no reason why the AG's annual performance audit plan, once approved by Parliament, should not be made public.

RECOMMENDATION 8.1

Given that the Parliament is the Auditor-General's client, it is recommended that performance audits be funded by the Parliament rather than by auditees.

GOVERNMENT RESPONSE:

Agree.

Section 16(8) of the Audit Act 1993 provides that

“the reasonable costs and expenses of the Auditor-General in conducting an audit of a department under this section must be paid from money appropriated to the Parliament.”

RECOMMENDATION 8.2

The Committee concurs with Mr Ryan's finding that unnecessary delays in issuing audit reports is not conducive to the prompt resolution of problems identified by audit. Accordingly, it is recommended that the Auditor-General take action to rectify this matter.

GOVERNMENT RESPONSE:

Agree.

RECOMMENDATION 9.1

It is recommended that the Audit Office, in accordance with Mr Ryan's recommendation, pool all staff below Director of Audit level across the divisions reporting to a Chief Director of Audit.

GOVERNMENT RESPONSE:

The allocation of staff resources within the VAGO, between financial audits and performance audits, is necessarily a matter for the Auditor-General to determine.

**9TH BIENNIAL CONFERENCE OF
THE AUSTRALASIAN COUNCIL OF PUBLIC ACCOUNTS COMMITTEES
31 January - 1February 1995**

PROGRAMME

| DAY 1 - TUESDAY 31 JANUARY | | PRESENTER |
|----------------------------|--|--|
| 8.45 am | Delegates arrive at Parliament House and register Tea & coffee available - Queen's Hall | |
| 9.15 am | Venue: Queen's Hall Welcome by chairman | Hon G. G. Weideman |
| 9.30 am | Opening address by Governor | Hon R. E. McGarvie |
| 9.40 am | Keynote address by Chief Justice | Hon Mr Justice Phillips |
| 10.20 am | Morning tea | |
| 10.50 am | ACPAC proceed to CHAMBER (Others may join tour of Parliament House) SESSION 1 A - Committee reports on activities B - Report by Working Party on mid-term meetings, defamation and joint inquiries. | All committees Hon G. G. Weideman |
| 12.30 pm | Lunch in Members' Dining Room | |
| 2.00 pm | SESSION 2 <i>The Fiscal Responsibility Act</i> | Mr M. Bradford NZ PAC Chair |
| 3.00 pm | Afternoon tea - Queen's Hall | |
| 3.30 pm | SESSION 3 Comments by Committees on whole of government financial reporting and accrual accounting | Hon D. White to lead |
| 4.30 pm | Closure of first day | Hon G. G. Weideman |
| 7.00 pm | Centenary Dinner - Queen's Hall (Conference attendees plus other guests) <i>Speaker - Professor Neville Norman</i> <i>'Mid-level Fiscal Crisis in Australia'</i> | Prof N. Norman |

PROGRAMME (Page 2)

| DAY 2 - WEDNESDAY 1 FEBRUARY | | PRESENTER |
|------------------------------|--|--|
| 8.45 am | Report to Parliament House Tea & coffee available | |
| 9.15 am | Welcome by Chairman | Hon G. G. Weideman |
| 9.20 am | SESSION 4 State and Commonwealth Grants | Mr R. Hollis QLD PAC Chair |
| 9.50 am | SESSION 5 Corporatised bodies and the role of the PACs | Mr R. Hollis QLD PAC Chair |
| 10.25 am | Morning Tea - Queen's Hall | |
| 10.50 am | SESSION 6 A - 'Model' Public Accounts Committee B - Information package for new members and staff | Mr R. Smith to lead Mr M. Trenorden WA PAC Chair |
| 12.30 pm | Lunch - Members' Dining Room | |
| 2.00 pm | SESSION 7 Financial responsibilities of Parliament | Hon David Hamer |
| 3.00 pm | Afternoon tea - Queen's Hall | |
| 3.30 pm | SESSION 8 Reports by Committees on progress in implementing internal audit | Mr K. Thomson to lead |
| 4.30 pm | Sum up/Conference closure Confirm host state for next mid-term meeting and Biennial Conference | Hon G. G. Weideman |
| 7.00 pm | Conference Dinner - (Conference attendees only) Athenaeum Club, 87 Collins Street | |

**9TH BIENNIAL CONFERENCE OF THE
AUSTRALASIAN COUNCIL OF PUBLIC ACCOUNTS COMMITTEES
ATTENDEES**

ACPAC Member Committees:

Victoria

Hon G Graeme Weideman, MP (Chairman)
Hon Ian M. J. Baker, MP, (Deputy Chairman)
Hon Peter Hall, MLC
Mr Tony Hyams, MP
Mr Tony Plowman, MP
Mr E. Ross Smith, MP
Hon Theo Theophanous, MLC
Mr Kelvin Thomson, MP
Hon David White, MLC
Mr Craig Burke (Director of Research)
Mr Mario Abela
Mrs Helena Cyrulo

ACT

Mr Bill Symington

New South Wales

Mr Ian Glachan, MP (Chairman)
Mr Andrew Humpherson, MP
Mr Ian Thackeray
Mr John Lynas
Mrs Patricia Azarias

New Zealand

Mr M Bradford, MP (Chairman)

Northern Territory

Mr Rick Setter, MP (Chairman)
Mr John Bailey, MP
Mrs Loraine Braham, MP
Mrs Jenny Mollah

Papua New Guinea

Mr Samson Napo, MP (Chairman)
Mr Repe Rambe

Queensland

Mr Ray Hollis, MP (Chairman)
Mr Bill D'Arcy, MP
Ms Louise Hepworth

South Australia

Mr Heini Becker, MP (Chairman)
Mr Malcolm Buckby, MP
Mr John Quirke, MP
Mr Knut Cudarans

Tasmania

Mr George Shaw, MP (Chairman)
Mr John Purvis (Secretary)

Western Australia

Mr Max Trenorden, MP (Chairman)
Mr Clive Brown, MP (Deputy Chair)
Mr Barry Blaikie, MP
Mr Michael Board, MP
Ms Amanda Millsom
Mr Michael Baker

*Others:***ACT Audit Office**

Mr Peter Hade (Assistant Auditor-General)

Australian National Audit Office

Mr John Meert
Ms Victoria Walker

NSW Audit Office

Mr James Mitchell (Deputy Auditor-General)

Qld Audit Office

Mr B. Rollason (Auditor-General)

SA Audit Office

Mr Ken MacPherson (Auditor-General)

Victorian Audit Office

Mr Ches Baragwanath (Auditor-General)
Mr Graham Hamilton (Deputy Auditor-General)

WA Audit Office

Mr Des Pearson (Auditor-General)

Australian Council of Auditors-General

Mr Brian Waldron

EXTRACTS FROM THE RECORDS OF PARLIAMENT

MINUTES OF THE PROCEEDINGS OF THE LEGISLATIVE COUNCIL

Tuesday 10 November 1992

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE - The Honourable R.I. Knowles moved, by leave, That, contingent upon the Royal Assent being given to the Parliamentary Committees (Amendment) Bill, the Honourables P.R. Hall, T.C. Theophanous and D.R. White be members of the Public Accounts and Estimates Committee

Question - put and resolved in the affirmative.

VOTES AND PROCEEDINGS OF THE LEGISLATIVE ASSEMBLY

Friday 13 November 1992

JOINT INVESTIGATORY COMMITTEES - Motion made, by leave, and question - That contingent on the coming into operation of the *Parliamentary Committees (Amendment) Act 1992* -

Mr Baker, Mr Hyams, Mr Plowman (*Benambra*), Mr Smith (*Glen Waverley*), Mr Thomson (*Pascoe Vale*) and Mr Weideman be members of the Public Accounts and Estimates Committee.

(*Mr Gude*) - put and agreed to.

REPORTS OF THE PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

| REPORT | TITLE | DATE |
|--------|--|----------------|
| 1 | Private Investment in the Provision of Public Infrastructure | November 1993 |
| 2 | The Performance Audit of the Auditor General of Victoria | November 1993 |
| 3 | 1992-93 Budget Estimates and Outcomes | November 1993 |
| 4 | A Report on Activities - 1993 | May 1994 |
| 5 | Victorian Public Hospitals - Arrangements with Contracted Doctors | May 1994 |
| 6 | Interim Report on the 1993-94 Budget Estimates and a Report on a matter related to the Auditor-General's Report on the 1992-93 Finance Statement | May 1994 |
| 7 | Interim Report on the State's Budget and Financial Management Framework | May 1994 |
| 8 | Housing Guarantee Fund Limited; A report on the Housing Guarantee Fund Limited's annual reports for 1991-92 and 1992-93 | September 1994 |
| 9 | Final Report on the 1993-94 Budget Estimates and Outcomes | November 1994 |
| 10 | A Report on Activities - 1994 | April 1995 |

OTHER

| | |
|--|------------|
| Thrift and the Noiseless Step; 100 Years of Public Accounts Committees of the Parliament of Victoria | July 1994 |
| Appointment of an Auditor to Conduct a Performance Audit of the Auditor-General | April 1995 |
| Appointment of an Auditor to Conduct a Financial Audit of the Victorian Auditor-General's Office | April 1995 |