



PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

81st REPORT TO PARLIAMENT

Notification of new inquiry into Victoria's public finance practices and legislation

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Parliament of Victoria

Public Accounts and Estimates Committee

*Notification of new inquiry into Victoria's public finance
practices and legislation*

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PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE MEMBERSHIP – 56TH PARLIAMENT

Bob Stensholt MP (Chair)

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Greg Barber MLC

Richard Dalla-Riva MLC

Janice Munt MP

Wade Noonan MP

Martin Pakula MLC

Gordon Rich-Phillips MLC

Robin Scott MP

Bill Sykes MP

For this inquiry, the Committee will be supported by a secretariat comprising:

Executive Officer: Valerie Cheong

Business Support Officer (Acting): Karen Taylor

Research Officer: Charlotte Jeffries

Specialist Advisor: Russell Walker

DUTIES OF THE COMMITTEE

The Public Accounts and Estimates Committee is a joint parliamentary committee constituted under the *Parliamentary Committees Act 2003*.

The Committee comprises ten members of Parliament drawn from both Houses of Parliament.

The Committee carries out investigations and reports to Parliament on matters associated with the financial management of the state. Its functions under the act are to inquire into, consider and report to the Parliament on:

- any proposal, matter or thing concerned with public administration or public sector finances;
- 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; and
- any proposal, matter or thing that is relevant to its functions and has been referred to the Committee by resolution of the Council or the Assembly or by order of the Governor in Council published in the *Government Gazette*.

The Committee also has a number of statutory responsibilities in relation to the Victorian Auditor-General's Office. The Committee is required to:

- recommend the appointment of the Auditor-General and the independent performance and financial auditors to review the Victorian Auditor-General's Office;
- consider the budget estimates for the Victorian Auditor-General's Office;
- review the Auditor-General's draft annual plan and, if necessary, provide comments on the plan to the Auditor-General prior to its finalisation and tabling in Parliament;
- have a consultative role in determining the objectives and scope of performance audits by the Auditor-General and identifying any other particular issues that need to be addressed;
- have a consultative role in determining performance audit priorities; and
- exempt, if ever deemed necessary, the Auditor-General from legislative requirements applicable to government agencies on staff employment conditions and financial reporting practices.

CHAIR'S FOREWORD

The Public Accounts and Estimates Committee wishes to notify members of both Houses of Parliament of its new inquiry into Victoria's Public Finance Practices and Legislation.

This report provides formal notification, the rationale for undertaking the inquiry, the terms of reference and the anticipated reporting date.

The Committee looks forward to receiving public submissions on the inquiry.



Bob Stensholt

Chair

NOTIFICATION OF A NEW INQUIRY INTO VICTORIA'S PUBLIC FINANCE PRACTICES AND LEGISLATION

Introduction

On 4 February 2008, the Public Accounts and Estimates Committee (PAEC) referred itself a new inquiry under Section 33 (3) of the *Parliamentary Committees Act 2003*.

This inquiry is into the financial management and accountability framework with the aim of identifying areas for improvement.

The framework is formalised in the *Financial Management Act 1994*, the Regulations to that Act and in the Directions of the Minister for Finance. The purposes of the Act are:

- to improve financial administration of the public sector;
- to make better provision for the accountability of the public sector; and
- to provide for the annual reporting to the Parliament by departments and public sector bodies, which also includes the state budget papers and the state's annual financial report.

These reports, provided to Parliament under the Act, are regularly reviewed by the PAEC as part of its statutory responsibilities on annual inquiries on the Budget Estimates, and Financial and Performance Outcomes.

Rationale

This inquiry is being conducted at the same time as the government's comprehensive review into the *Financial Management Act 1994* and related legislation (the 'public finance bill' project). The Department of Treasury and Finance is leading the government's review with the assistance of a team that includes a former Minister for Finance, the Hon. Roger Hallam.

The PAEC seeks to inquire into outcomes that a new public finance bill could achieve to enhance the financial management of the public sector and government accountability via public sector reporting to Parliament. The PAEC would like to ensure that a set of core financial management and Parliamentary reporting requirements, that accords with best practice in international jurisdictions with advanced public accountability frameworks, are generated by this inquiry. The PAEC aims for the findings from its inquiry to be reported and considered in time for inclusion within the draft public finance bill, expected to be tabled in the Autumn 2009 sittings.

Importantly, the desired outcomes that the PAEC seeks to influence for inclusion in a new public finance bill are that the financial management of the public sector, and the state government's key reports to Parliament, including the state budget papers, the Annual financial report, and annual reports of departments and public sector bodies reflect best practice in advanced economies.

Terms of reference

The approved terms of reference are as follows:

The PAEC will inquire into Victoria's public finance practices and legislation and in particular will investigate:

- (a) modernisation of the Victorian public finance system based on world's best practice;
- (b) new and flexible mechanisms for financial administration and reporting that reflect the changing nature of the Victorian economy and society;
- (c) simpler and more effective ways of public financial reporting;
- (d) recent developments in democratic systems including Westminster jurisdictions on government financial and performance management reporting and related matters to the Parliament; and
- (e) possible future changes to the legislative framework for financial administration and reporting in Victoria.

Reporting date

The PAEC aims to present the findings of its investigations to Parliament by the last sitting date of 2008.

