



# **PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE**

**89th REPORT TO PARLIAMENT**

## **Notification of a New Inquiry into Victoria's *Audit Act 1994***

---

**JUNE 2009**

Ordered to be  
printed

By Authority  
Government Printer for the State of Victoria

No. 216    Session 2006-09

## **PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE**

Address: Parliament of Victoria  
Spring Street  
East Melbourne Victoria 3002

Telephone: (03) 8682 2867

Facsimile: (03) 8682 2898

Email: [paec@parliament.vic.gov.au](mailto:paec@parliament.vic.gov.au)

Internet: [www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)

**Parliament of Victoria**

**Public Accounts and Estimates Committee**

*Notification of a New Inquiry into Victoria's Audit Act 1994*

*ISBN 978 0 9806614 0 8*

# CONTENTS

---

<b>PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE MEMBERSHIP – 56TH PARLIAMENT .....</b>	<b>1</b>
<b>DUTIES OF THE COMMITTEE.....</b>	<b>3</b>
<b>CHAIR’S FOREWORD .....</b>	<b>5</b>
<b>NOTIFICATION OF A NEW INQUIRY INTO VICTORIA’S <i>AUDIT ACT 1994</i>.....</b>	<b>7</b>

## **PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE MEMBERSHIP – 56TH PARLIAMENT**

---

Bob Stensholt MP (Chair)

Kim Wells MP (Deputy Chair)

Richard Dalla-Riva MLC

Jennifer Huppert MLC

Janice Munt MP

Wade Noonan MP

Sue Pennicuik 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

Senior Research Officer: Vicky Delgos

Specialist Advisor: Joe Manders

Business Support Officer: Melanie Hondros

## 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 *Audit Act 1994*.

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

The *Audit Act 1994* is a very important piece of legislation as it establishes the operating powers and responsibilities of the Auditor-General and his office, the Victorian Auditor-General's Office (VAGO) as well as the nature and the scope of audits conducted by VAGO.

The *Audit Act 1994* has not been comprehensively reviewed for some time and therefore has not been considered in relation to the changed and more complex delivery arrangements in which government now provides services to the community.

The Government signalled its intention to review the *Audit Act 1994* in February 2009, as part of the *Annual Statement of Government Intentions*. This Committee is pleased to be able to undertake this review and is looking forward to receiving evidence on this important Inquiry.



**Bob Stensholt MP**  
**Chair**

# NOTIFICATION OF A NEW INQUIRY INTO VICTORIA'S AUDIT ACT 1994

---

## Introduction

In June 2008, the Auditor-General wrote to the Public Accounts and Estimates Committee ('the Committee') regarding potential changes to the *Audit Act 1994* ('the Act'). The Auditor-General wrote that he believed there were areas of his mandate that were unclear or deficient.

On 22 June 2009, the Committee referred itself a new inquiry under Section 33 (3) of the *Parliamentary Committees Act 2003*.

This Inquiry is into Victoria's *Audit Act 1994* with the aim of the Inquiry being to further contribute to public accountability in Victoria and to ensure that the legislation appropriately supports the audit activities of the Auditor-General and his office.

## Rationale

The Act establishes the operating powers and responsibilities of the Auditor-General. This includes the operations of his office – the Victorian Auditor-General's Office (VAGO) as well as the nature and scope of audits conducted by VAGO.

The Act also addresses the relationship of the Auditor-General with the Committee as the representative body of Parliament and the Auditor-General's accountability to Parliament for discharge of the position's responsibilities.

While revisions have been made to the Act, it has been some time since there has been a comprehensive and exhaustive review of the Act. The Auditor-General has also written to the Committee commenting that he believes his mandate is unclear or deficient.

The Government has identified in the *Annual Statement of Government Intentions* in February 2009 that it is committed to reviewing the Act. The document states that the Audit Amendment Bill will help the State strengthen financial accountability by clarifying the powers of the Auditor-General. In addition, amendments to the Act should achieve the following:<sup>1</sup>

- *provide clarity on certain aspects of the Auditor-General's mandate and powers;*
- *promote greater efficiency in the operation of the Victorian Auditor-General's Office; and*
- *fulfil the Government's commitment to implement certain recommendations of the 2006 PAEC report into the Legislative Framework for Independent Officers of Parliament.*

The process stated by Government is that proposals will be referred to the PAEC for advice.

In recent years, a number of jurisdictions within Australia have reviewed and amended their audit legislation. These jurisdictions include Western Australia and Tasmania. The Commonwealth Joint Committee for Public Accounts and Audit is also currently undertaking an inquiry on the Commonwealth audit legislation. As such, Victoria runs the risk that its audit legislation will not be relevant for the changing environment in which it operates.

The Committee intends on reviewing the Act in its entirety, particularly paying close attention to the changed delivery methods governments use to deliver services to ensure that the Act remains adequate and relevant in the modern public sector environment.

---

<sup>1</sup> State Government of Victoria, *Annual Statement of Government Intentions*, February 2009, p. 30

The Committee intends on reviewing the audit legislation of all Australian jurisdictions and selected jurisdictions in other countries, particularly those that operate under the Westminster system of government to ensure that this inquiry draws on parallel comparable reforms in those jurisdictions.

### **Terms of reference**

The Committee will conduct an Inquiry into the provisions of the *Audit Act* 1994. The terms of reference of the Inquiry are to:

- a) review in its entirety the Act and its provisions, taking into account contemporary developments and emerging issues both in Victoria and similar jurisdictions so as to further strengthen public accountability in Victoria;
- b) seek public submissions and hold hearings on the review of the Act;
- c) consider the views of the Auditor-General of Victoria;
- d) consider the views of the Department of Premier and Cabinet and the Department of Treasury and Finance, as the appropriate central agencies of the Victorian government, on desirable reform and amendment of the Act; and
- e) examine audit legislation in other jurisdictions both in Australia and overseas with a view to determining whether the legislation and practice in those jurisdictions might be relevant to review and reform the Act.

The Committee expects to present its findings to the Parliament of Victoria by October 2010.