Public Accounts and Estimates Committee

90th Report to the Parliament

2008-09 Annual Report

September 2009

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PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

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Public Accounts and Estimates Committee
2008-09 Annual Report
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## Contents

### Public Accounts and Estimates Committee Membership – 56th Parliament
- Chair’s foreword
- Background
- The Committee’s responsibilities
  - Public accounts function
  - Estimates function
  - Auditing function
- The Committee’s operations

### Accountability for performance
- Improving Government accountability and performance
- Vision and mission statement
- Working to improve Government accountability and performance
- Impacts on performance
- Outputs and outcomes targets

### The year in review

<table>
<thead>
<tr>
<th>Report no.</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>80</td>
<td>Report on the 2008-09 Budget Estimates – Part Three</td>
<td>20</td>
</tr>
<tr>
<td>82</td>
<td>Review of the Findings and Recommendations of the Auditor-General’s Reports tabled</td>
<td>22</td>
</tr>
<tr>
<td>83</td>
<td>PAEC Annual Report 2007-08</td>
<td>23</td>
</tr>
<tr>
<td>84</td>
<td>New Directions in Accountability (Preliminary Report) Inquiry into Victoria’s Public Finance Practices and Legislation</td>
<td>24</td>
</tr>
<tr>
<td>85</td>
<td>New Directions in Accountability – Inquiry into Victoria’s Public Finance Practices and Legislation</td>
<td>24</td>
</tr>
<tr>
<td>86</td>
<td>Review of the Findings and Recommendations of the Auditor-General’s Reports 2007</td>
<td>25</td>
</tr>
<tr>
<td>87</td>
<td>Report on the 2007-08 Financial and Performance Outcomes</td>
<td>26</td>
</tr>
<tr>
<td>88</td>
<td>Report on the 2009-10 Budget Estimates – Part One, Volume One and Volume Two</td>
<td>27</td>
</tr>
<tr>
<td>89</td>
<td>Notification of New Inquiry into Victoria’s Audit Act 1994</td>
<td>27</td>
</tr>
</tbody>
</table>

### 2009-10 Budget Briefing
- Statutory functions in relation to the Victorian Auditor-General’s Office
- Reviews of the findings and recommendations of Auditor-General’s reports
- Consideration of performance audit specifications
- Visiting delegation

### Inquiry into the 2009-10 Budget Estimates – Part Two
- Inquiry into Victoria’s Audit Act 1994
Work in progress at 30 June 2009 ................................................................. 31
  Reviews of the findings and recommendations of Auditor-General’s reports .................................................. 32
  Committee performance at a glance – 2008-09 .................................................................................. 33
    Committee of the 56th Parliament: .................................................................................. 33
  Sub-Committees – membership .............................................................................................................. 33
    Committee of the 56th Parliament: .......................................................................................... 33
  Members’ attendance at meetings and hearings .......................................................................................... 33
    56th Parliament – 2008-09 ........................................................................................................ 33
  Number of meetings and hearings attended ............................................................................................ 34
 PAEC Budget and Expenditure 2007-08 to 2008-09 ............................................................................. 35
  PAEC Budget and Expenditure 2007-08 to 2008-09 ............................................................................. 35
 Public Accounts and Estimates Committee reports .................................................................................. 36
  Reports of the 56th Parliament ............................................................................................................. 36
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

* This member was appointed to the Committee on 5 February 2009 by the Legislative Council following the resignation of Martin Pakula MLC.

** This member was appointed to the Committee on 31 March 2009 by the Legislative Council following the resignation of Greg Barber MLC.

Over 2008-09, the Committee was supported by a Secretariat comprising:

<table>
<thead>
<tr>
<th>Executive Officer:</th>
<th>Valerie Cheong</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Research Officers:</td>
<td>Vicky Delgos</td>
</tr>
<tr>
<td></td>
<td>Leah Brohm</td>
</tr>
<tr>
<td></td>
<td>Kristopher Waring (Secondee)</td>
</tr>
<tr>
<td>Research Officers:</td>
<td>David Baker</td>
</tr>
<tr>
<td></td>
<td>Ian Claessen</td>
</tr>
<tr>
<td></td>
<td>Charlotte Jeffries (Secondee)</td>
</tr>
<tr>
<td></td>
<td>Glen Kong (Secondee)</td>
</tr>
<tr>
<td></td>
<td>Janet Wheeler (Secondee)</td>
</tr>
<tr>
<td>Specialist Advisors:</td>
<td>Joe Manders</td>
</tr>
<tr>
<td></td>
<td>Russell Walker</td>
</tr>
<tr>
<td>Business Support Officer:</td>
<td>Melanie Hondros</td>
</tr>
</tbody>
</table>
Members of the 56th Parliament Public Accounts and Estimates Committee:

Front Row (left to right):  
Richard Dalla-Riva MLC, Janice Munt MP, Bob Stensholt MP (Chair), Jennifer Huppert MLC, Sue Pennicuik MLC

Back Row (left to right):  
Gordon Rich-Phillips MLC, Kim Wells MP (Deputy Chair), Robin Scott MP, Wade Noonan MP, Bill Sykes MP
I am pleased to present the 2008-09 annual report of the Public Accounts and Estimates Committee.

The Committee has continued with an intensive annual core program of examining the budget estimates and financial and performance outcomes and undertaking its legislative responsibilities connected with the operations of the Victorian Auditor-General’s Office. The Committee is now in its second year of following up the findings of the Auditor-General’s reports.

2008-09 has been a particularly busy year with two separate inquiries (including public hearings) into the findings and recommendations of the Auditor-General’s performance audit reports, the traditional examination of the 2008-09 budget estimates involving public hearings with Ministers and the 2007-08 financial and performance outcomes.

In June 2009, under its public accounts functions, the Committee delivered significant recommendations within its report, *New Directions in Accountability – Inquiry into Victoria’s Public Finance Practices and Legislation* to ensure that Victoria progresses to a leading edge public finance and accountability framework in changes foreshadowed by the government in its overhaul of the *Financial Management Act 1994*.

Also, in June 2009, under its public accounts responsibilities and as signalled by the government’s *Statement of Government Intentions* (February 2009), the Committee commenced a significant inquiry into Victoria’s *Audit Act 1994*. The *Audit Act 1994* establishes the operating powers and responsibilities of the Auditor-General. It has been some time since there has been a comprehensive and exhaustive review of the Act, to take into account modern day service delivery arrangements in the public sector. The Committee will report on this inquiry by October 2010.

During the year, the Committee formally met on 26 occasions and held a total of 53 public hearings.

The Committee welcomed two new members in 2009. Ms Jennifer Huppert MLC was appointed by the Legislative Council to the Committee on 5 February 2009, after the resignation of Mr Martin Pakula MLC who was appointed to a Ministerial position and Ms Sue Pennicuik MLC was appointed by the Legislative Council to the Committee on 31 March 2009 following the resignation of Mr Greg Barber MLC.

In conclusion, 2008-09 has proved to be another successful and challenging year for the PAEC. I thank the Committee members for their cooperation and continued support, and I thank the Secretariat for their exemplary work ethic and their commitment to the Public Accounts and Estimates Committee.

Bob Stensholt MP, Chair
The Public Accounts and Estimates Committee

Background

The Public Accounts and Estimates Committee is a joint house investigatory committee of the Victorian Parliament constituted under the Parliamentary Committees Act 2003. The Committee is unique in Australia and indeed in most other international jurisdictions with Westminster systems, having dual responsibilities for scrutinising both the public accounts and the budget estimates.

The Committee's responsibilities

The responsibilities and functions of the Public Accounts and Estimates Committee are to inquire into, consider, and report to 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;
- any proposal, matter or thing that is relevant to its function and has been referred to the Committee by resolution of the Legislative Council or the Legislative Assembly or by order of the Governor in Council published in the Government Gazette; and
- various statutory responsibilities in relation to the activities, performance and statutory functions of the Office of the Auditor-General under the Audit Act 1994.

The current Committee of the 56th Parliament was established as a ten-member Committee by the Parliamentary Legislation Amendment Act 2007. The Committee has members from the Australian Labor Party, the Liberal Party, the National Party and the Greens and both houses of the Parliament are represented on the Committee. Its Chair, Bob Stensholt MP and Deputy Chair Kim Wells MP were elected to their respective positions on 5 March 2007.

Public accounts function

Under this function, the Committee is empowered to undertake any inquiry, by referral, into aspects of public finances or public sector administration or emerging public policy issues related to public funding and investment.

Special inquiries:


**Reviewing financial and performance outcomes:**

Every year the Committee undertakes a review of the financial and performance outcomes for the State of Victoria.

The Committee undertakes a planning and review process in October/November with the Committee seeking information from departments on the outcomes of the previous financial year. This process involves a review of the Government’s annual and quarterly financial reports, the annual reports of departments and agencies, the Auditor-General’s report on the annual finances of the State of Victoria and a review of corporate and business plans. Questionnaires are forwarded to all departments seeking information on financial and performance outcomes for departments and related agencies. After responses are received, the Committee prepares a report on financial and performance outcomes which is tabled in May.

This review focuses on gaining insight into the operational and performance achievements of departments and material agencies over the previous financial year and complements the Committee’s other core function on the budget estimates. The review of financial and performance outcomes enhances the accountability of departments/agencies and aims to provide Parliament with meaningful information about performance results achieved on varied areas of performance and financial results (outputs and outcomes) compared with the results expected or previously projected by agencies.

**Reviewing reports of the Auditor-General:**

In exercising its public accounts function, the Committee conducts follow-ups of the tabled performance audit reports of the Auditor-General. The Committee for the 56th Parliament has continued its pro-active rolling program to review all reports on a six-monthly basis. The Committee conducts hearings in relation to what it considers as ‘priority one’ follow-ups of the findings and recommendations of the Auditor-General's reports. In so doing, it invites relevant stakeholders as witnesses, including the Auditor-General, Departmental Secretaries and key experts.

A range of other reports are also followed-up by the Committee by way of questionnaires to departments on aspects of the Auditor-General's findings.
Estimates function

Reviewing the budget papers and related documents:

This is a significant core function of the Committee, where it undertakes a detailed review of the Government’s budget and conducts public hearings with Ministers, Departmental Secretaries and heads of Agencies on their forward budgeted initiatives, programs and capital projects. The Committee seeks information from departments about proposed Government funding, expenditure and expected departmental outputs. After the annual budget is delivered by the Treasurer of Victoria, public hearings are held in May and June with the Premier, the Presiding Officers of Parliament and all Ministers and senior departmental and key agency officers. Before the Budget is released by the Treasurer, the Committee develops and forwards a questionnaire to all departments seeking additional information to and explanation of the details that will be provided in the budget papers.

Following public hearings, questions on notice and further clarification questions seeking additional information are sent to departments.

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

- constructively contribute to improving the presentation of budget information to Parliament and the community of Victoria;
- facilitate a greater understanding and transparency of the budget estimates;
- encourage clear, full and precise statements of the Government’s objectives and planned budget outputs and outcomes; and
- encourage economical, efficient and effective public administration of resources.

The Committee tables a full report of the hearings including full transcripts to facilitate debate on the appropriation bills in the Parliament. This is followed by a more detailed analytical report tabled in September or early October.

Auditing function

The Committee has auditing functions in relation to:

(a) recommending the appointment of the Auditor-General and the independent auditors of the Auditor-General’s Office (both financial and performance); and

(b) considering and reporting to Parliament on the budget estimates and the annual plan of the Auditor-General’s Office.

The Committee:

- also has a consultative role in determining the objectives and terms of reference of performance audits, identifying any particular issues that need to be addressed as part of the audits and in advising the Auditor-General on the audit priorities for the year; and
- can also exempt, if necessary, the Auditor-General from any legislative requirements applicable to government agencies on staff employment conditions and financial reporting practices.

The Committee’s operations

The Committee’s yearly program of activities, reviews and inquiries has its basis in statute. As part of its function as public accounts scrutineer on behalf of Parliament, its work program is largely generated by the budgetary cycle and the financial and related reporting activities of public-funded Departments, entities and the Auditor-General.

To assist in the effective operation of its demanding work program, the Committee appoints Sub-Committees such as its Audit Sub-Committee to consider the performance audit specifications and other matters relating to the auditing functions of the Victorian Auditor-General’s Office (VAGO).

The Committee conducts public hearings for its inquiries into budget estimates and for its other specialised inquiries.
All reports and discussion papers are considered and finalised by the full Committee before being tabled in Parliament or released for public distribution.

In the facilitation and execution of its intensive and varied program of research, inquiry-related activities and Parliamentary reporting for enhancing public accountability, the Committee is assisted by a Secretariat, led by an Executive Officer. The Secretariat staff includes senior research officers, research officers, specialist advisors and administrative staff comprising a Business Support Officer and a Desktop Publisher.

The Committee notes that during the year there have been difficulties with the recruitment of suitable researchers with economic/accounting qualifications or experience. The Committee is of the opinion that recruitment needs to be at a higher level than currently advertised.

The section later in this report on PAEC Budget and Expenditure provides more information and analysis.

The Committee’s website is a wealth of information on its roles and functions, members, details of past and current inquiries, hearing dates, transcripts of hearings, submissions from the public, electronic versions of the latest reports and the Government’s responses to any recommendations contained in those reports.

The Committee’s web address is: www.parliament.vic.gov.au/paec.

The email address is: paec@parliament.vic.gov.au.

The cost of producing this report was approximately $5,565.
Accountability for performance

Improving Government accountability and performance

The Public Accounts and Estimates Committee scopes and plans its work each year and for each inquiry. It takes into account the achievement of its vision and mission statement.

Vision and mission statement

The Committee’s vision is:
Making a difference for the people of Victoria by contributing to accountable and well performing Government.

The Committee’s mission is:
On behalf of the Parliament and the people of Victoria, to scrutinise and assess Government accountability and performance, and promote improvements where necessary.

Working to improve Government accountability and performance

The Committee’s primary purpose is to contribute to improved accountability and performance throughout the Victorian public service through the independence of its assessments. The Committee’s reports provide assurance to Parliament and the public on matters relating to public sector management and practices and offer recommendations for improving future performance.

Impacts on performance

Events impacting on the Committee’s performance in 2008-09 relate primarily to budgetary and resource matters relating to the 2008-09 PAEC budget and the internal transfer and cross-sharing of an original ongoing allocation of $359,000 from the State Budget commencing 2007-08 to the PAEC with other Committees. There have also been difficulties with recruitment. This has resulted in a postponement of the PAEC’s investigations into multi-factor productivity and labour productivity measures in the public sector and a further study into alternate sources of capital funding.
### Table 1: Public Accounts and Estimates Committee – Work plan and performance targets for 2008-09 and 2009-10

**Strategy**
(i) Examine significant public sector financial and management issues by:
   - maintaining Committee awareness of key Government policies and public sector financial management activities, practices and views
(ii) review:
   - the implementation of Government policy
   - public sector internal control and risk management systems
(iii) monitor the impact of and Government responses to reports and activities of the Auditor-General, and take further action if required

**Output**
Inquiries conducted and reports tabled in Parliament

<table>
<thead>
<tr>
<th>Target 2008-09</th>
<th>Actual 2008-09</th>
<th>Target 2009-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complete reviews for the remainder of Auditor-General reports tabled over 2006-07.</td>
<td>The Committee tabled the Review of the Findings and Recommendations of the Auditor-General's reports July 2006-February 2007 in November 2008.</td>
<td>Committee to conduct prioritisation and follow-up reviews of prioritised reports by June 2010 of at least all reports tabled by the Auditor-General up to December 2008.</td>
</tr>
<tr>
<td>Follow-up reviews for at least 60 per cent of Auditor-General reports tabled over 2007-08.</td>
<td>The Committee conducted follow-up reviews for 30 per cent of the Auditor-General Reports tabled over 2007-08.</td>
<td></td>
</tr>
<tr>
<td>Follow-up research into productivity in the public sector including a workshop with relevant stakeholders.</td>
<td>Due to PAEC funding cuts this 2008-09 target was not achievable.</td>
<td>PAEC will consider scope for further examining multi-factor productivity in the public sector and alternate sources of capital funding.</td>
</tr>
<tr>
<td>Strategy</td>
<td>Output</td>
<td></td>
</tr>
<tr>
<td>-------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Promote any reforms necessary to improve accountability and performance of the financial management of the State</td>
<td>Strengthening constructive professional relationships with the Auditor-General and his Office for managing statutory functions</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Target 2008-09</th>
<th>Actual 2008-09</th>
<th>Target 2009-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved process, including adopting federal initiatives, for consideration of the annual budget and work program of the Auditor-General's Office.</td>
<td>The Committee provided a letter of support to the Treasurer in relation to the 2009-10 annual budget and work program of the Auditor-General.</td>
<td>Consideration of the Auditor-General's annual budget and work program and PAEC recommendations to be provided to the Treasurer.</td>
</tr>
<tr>
<td>Consideration of 100 per cent of audit specifications identified within the Auditor-General's 2008-09 Annual Plan.</td>
<td>100 per cent of audit specifications identified within the Auditor-General's 2008-09 Annual Plan considered.</td>
<td>Consideration of 100 per cent of audit specifications identified within the Auditor-General’s 2009-10 Annual Plan.</td>
</tr>
<tr>
<td>Consultation with the Auditor-General on the prioritisation of follow-up reviews of Audit Reports (tabled 2007-08), Rounds Two and Three.</td>
<td>The Committee consulted with the Auditor-General on review prioritisations and subsequently Round Two Hearings were held in November 2008 and Round Three Hearings were held in April 2009.</td>
<td>Consultation with the Auditor-General on the prioritisation of follow-up reviews of Audit Reports (tabled March 2008-December 2008), Rounds Four and Five.</td>
</tr>
<tr>
<td>Developing seconded staff from the Auditor-General's Office as Research Officers.</td>
<td>During the 2008-09 Financial Year the PAEC seconded four staff from VAGO as Research Officers. Each officer was developed on Committee procedures and research and writing skills through their contribution on PAEC reports.</td>
<td>Continued development of seconded staff from the Auditor-General's Office on Committee procedures and research and writing skills.</td>
</tr>
<tr>
<td>Consultation undertaken with the Auditor-General in relation to:</td>
<td>Consultation undertaken with the Auditor-General, on its Inquiry into Victoria’s Public Finance Practices and Legislation; and proposed amendments to the Audit Act 1994.</td>
<td>Ongoing private and formal consultations to be undertaken with the Auditor-General in relation to the Committee's Inquiry into the Audit Act 1994, including a public hearing.</td>
</tr>
<tr>
<td>• a review of the Financial and Management Act 1994 as part of the Inquiry into Victoria’s Public Finance Practices and Legislation; and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• proposed amendments to the Audit Act 1994.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>n/a</td>
<td>n/a</td>
<td>Selection of preferred tenderers to conduct a performance audit and financial audit of the Victorian Auditor-General's Office.</td>
</tr>
</tbody>
</table>
Table 1: Public Accounts and Estimates Committee – Work plan and performance targets for 2008-09 and 2009-10 (continued)

**Strategy (continued)**
Promote any reforms necessary to improve accountability and performance of the financial management of the State

**Output**
Recommendations relating to financial management issues and accountability

<table>
<thead>
<tr>
<th>Target 2008-09</th>
<th>Actual 2008-09</th>
<th>Target 2009-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>80 per cent or better acceptance rate of recommendations achieved in the majority of reports</td>
<td>An average of 87% acceptance rate (in whole, in principle or in part) of recommendations achieved for reports.</td>
<td>80 per cent or better acceptance rate of recommendations achieved in the majority of reports</td>
</tr>
</tbody>
</table>

**Output**
Investigate the implementation of changed legislative arrangements for the funding and accountability for other independent officers of Parliament

<table>
<thead>
<tr>
<th>Target 2008-09</th>
<th>Actual 2008-09</th>
<th>Target 2009-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>n/a</td>
<td>The Committee’s Inquiry into the Audit Act 1994, announced June 2009 encompasses a review of Parliamentary accountability mechanisms for other independent officers of Parliament.</td>
<td>The Committee’s discussion paper on its Inquiry into the Audit Act 1994 to include issues regarding any enhancements to the Audit Act 1994 in relation to independent officers.</td>
</tr>
</tbody>
</table>

Ms Jacinta Allan MP, Minister for Regional and Rural Development, Minister for Skills and Workforce Participation
Table 1: Public Accounts and Estimates Committee – Work plan and performance targets for 2008-09 and 2009-10 (continued)

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Output</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase awareness of, involvement in, and support for the Committee’s activities by citizens, members of Parliament and the private sector</td>
<td>Timely and relevant communications with citizens, members of Parliament and the private sector</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Target 2008-09</th>
<th>Actual 2008-09</th>
<th>Target 2009-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>New website rolled out by end of June 2009, with the number of Committee website visitor sessions at least equal to 2007-08 levels.</td>
<td>New website for all Committees postponed by Parliament to be rolled-out together with new website for Parliament of Victoria, expected by June 2010. Website visitor numbers increased by 13.6% on 2007-08 visitors.</td>
<td>New website rolled out by end of June 2010, with the number of Committee website visitor sessions at least equal to 2008-09 levels.</td>
</tr>
<tr>
<td>Budget briefing to be held by 9 May 2008.</td>
<td>Budget briefing for Parliamentarians held 7 May 2009, co-hosted by the PAEC and DTF.</td>
<td>Budget briefing for Parliamentarians to be held by mid-May 2010.</td>
</tr>
<tr>
<td>At least five briefings to be held with the Auditor-General and/or Executives from his Office.</td>
<td>Met with Auditor-General and/or Executives from his Office on 17 separate occasions; including Audit Sub-Committee meetings.</td>
<td>At least ten briefings to be held with the Auditor-General and/or Executives from his Office.</td>
</tr>
</tbody>
</table>
### Table 1: Public Accounts and Estimates Committee – Work plan and performance targets for 2008-09 and 2009-10 (continued)

#### Strategy (continued)

Increase awareness of, involvement in, and support for the Committee's activities by citizens, members of Parliament and the private sector

#### Output

Implementation of initiatives to enhance confidence in the activities of the Committee

<table>
<thead>
<tr>
<th>Target 2008-09</th>
<th>Actual 2008-09</th>
<th>Target 2009-10</th>
</tr>
</thead>
</table>
| Conduct of at least 50 public hearings in relation to the Committee's inquiries with bipartisan support on the scope of 80% of inquiries. | ACPAC biennial conference in Wellington, New Zealand attended and participated. The Committee welcomed the World Public Accounts Committees / La Trobe University Summer Residential School and participated in an information sharing session. The Committee conducted 53 public hearings in relation to the following inquiry:  
  - 2009-10 Budget Estimates Audit reviews in relation to:  
    - State Investment in Major Events;  
    - Maintaining Victoria's Rail Infrastructure;  
    - Promoting Better Health Through Healthy Eating and Physical Activity;  
    - Funding and Delivery of Two Freeway Upgrade Projects; and  
    - Improving our Schools: Monitoring and Support Bipartisan support achieved on the scope and methodology of 80% of inquiries. | Conduct at least 50 public hearings in relation to the Committee's inquiries. Participation at 2010 ACPAC Planning Meeting. |
| Receive and provide information on the Committee's activities to at least two visiting delegations. | | |
| Participate at 2009 ACPAC Conference. | | |
Table 1: Public Accounts and Estimates Committee – Work plan and performance targets for 2008-09 and 2009-10 (continued)

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Output</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ensure adequate and qualified secretariat staffing is available to service the Committee</td>
<td>Increased funding for secretariat</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Target 2008-09</th>
<th>Actual 2008-09</th>
<th>Target 2009-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clarification of ongoing funding status of $360,000 per year specifically allocated to PAEC outputs, first allocated in 2007-08 (Budget Paper No. 3, page 251).</td>
<td>Ongoing additional funding status of $360,000 per year confirmed with DTF but unresolved at Committees level in Parliament.</td>
<td>Ongoing additional funding status of $360,000 to require formal clarification from DTF.</td>
</tr>
<tr>
<td>Completion of recruitment of administrative staff by June 2009. Additional recruitment and/or contracting as required.</td>
<td>PAEC administrative staff recruited August 2009 due to PAEC budget cuts in 2008-09.</td>
<td>Recruitment of fixed term Senior Research Officer (Economist) to be completed by December 2009.</td>
</tr>
</tbody>
</table>

Outputs and outcomes targets

The Committee continues to lead in its multiplicity of activities generated from its unique dual functions on public accounts and the budget estimates. It sets itself high performance outcome targets in relation to continually improved standards and quality of outputs pertaining to:

- the inquiries it conducts and the reports it tables in Parliament;
- recommendations it makes pertaining to financial management issues and the enhancement of accountability;
- strengthening its constructive professional relationships with the Auditor-General and his Office to effect statutory functions;
- timely and relevant communications with citizens, members of Parliament and the private sector; and
- the implementation of initiatives to enhance confidence in the activities of the Committee.

The Committee’s 2009-10 outcomes strategies and performance targets are outlined above in Table 1.

In line with new directions in accountability in the Victorian public sector, the Committee will seek to move towards appropriate outputs and outcomes-based performance, aligned to its mission and objectives.

Hon. Tim Holding MP, Minister for Finance, WorkCover and the Transport Accident Commission, Minister for Water, Minister for Tourism and Major Events
The first two quarters of 2008 showed a steady and consistent interest in the Committee’s activities of that year on its website. The fourth quarter showed the highest number of visitations, coinciding with the Committee’s well-publicised 2009-10 Budget Estimates hearings and its unprecedented tabling of five reports over the last quarter.

Source: Data supplied by S.Rosman, Victorian Parliament, August 2009
The year in review


Background to the report

This report is the third and final part of the Committee’s inquiry into the 2008-09 Budget Estimates. Part Three contains the Committee’s analysis of substantive issues of economic, social and environmental interest to Parliament and the community. New features of the report include a greater focus on departmental income and revenue initiatives and foregone revenue – concessions and subsidies.

Part Three contained:

• information relating to responses received to questions taken on notice;
• unasked questions emanating from the first and second rounds of hearings; and
• analysis, key findings and recommendations relating to the budget estimates for 2008-09.

Committee’s findings

The Committee regards the 49 recommendations contained in the report as vital for engendering improvements in financial and resource management and strengthening accountability in the public sector.

Government response to the report

Of the Committee’s 49 recommendations, some recommendations contained several parts. A total of 88 per cent of the recommendations or parts of recommendations were accepted, accepted in part, or accepted in principle; 6 per cent were under review; and 6 per cent were rejected. The Government’s response to the Committee’s recommendations was tabled in Parliament on 6 May 2009. Table 3 provides a summary of the Government’s response.

Table 3: Summary of Government Response to the Public Accounts and Estimates Committee’s Report on the 2008-09 Budget Estimates

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Accept</th>
<th>Accept in part</th>
<th>Accept in principle</th>
<th>Under review</th>
<th>Reject</th>
<th>Total</th>
</tr>
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<tr>
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<td>-</td>
<td>2</td>
<td>-</td>
<td>-</td>
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<td>2</td>
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<tr>
<td>Education &amp; Early Childhood Development</td>
<td>3</td>
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<td>-</td>
<td>-</td>
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<td>Human Services</td>
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<td>1</td>
<td>-</td>
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<tr>
<td>Innovation, Industry and Regional Development</td>
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<tr>
<td>Justice</td>
<td>-</td>
<td>-</td>
<td>3</td>
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<td>1</td>
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<tr>
<td>Premier and Cabinet</td>
<td>-</td>
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</tr>
<tr>
<td>Primary Industries</td>
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<td>-</td>
<td>-</td>
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<tr>
<td>Sustainability and Environment</td>
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<td>Planning and Community Development</td>
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<tr>
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<td>-</td>
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<tr>
<td>Whole of Government</td>
<td>3</td>
<td>3</td>
<td>-</td>
<td>-</td>
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<tr>
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<td>24</td>
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<td>33%</td>
<td>6%</td>
<td>49%</td>
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<td>6%</td>
<td>100%</td>
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Background to the report

Under its functions and powers set out in sections 14 and 33 of the Parliamentary Committees Act 2003, the Public Accounts and Estimates Committee systematically follows up audit reports tabled in Parliament by the Auditor-General.

In Parts A through C inclusive of this report, termed ‘Round One’, the Committee conducted a review of the Auditor-General reports tabled between July 2006-February 2007 inclusive, in relation to the following priority one reports:

- Government Advertising;
- New Ticketing System Tender; and
- The Condition of Public Sector Residential Aged Care Facilities.

Part D of the report related to priority two review outcomes, covering four audits:

- Delivering Regional Fast Rail Services;
- Rail Gauge Standardisation Project;
- Docklands Television and Film Studios; and
- Vocational education and training: meeting the skill needs of the manufacturing industry.

Committee’s findings

The Committee regards the 38 recommendations contained in the report as important in respect to:

- enhancing transparency and accountability of public funded government advertising;
- strengthening current government procurement, tender management and risk allocation guidelines for major tenders;
- progressing further improvements in the management of public sector residential aged care facilities to ensure a quality service provision and to maintain the State’s significant capital investment; and
- forward, incremental and benchmarked three year plans to be instituted by the Victorian Skills Commission on a rolling basis, and the tracking and measurement by DIIRD of Vocational Educational and Training outcomes.

Government response to the report

The Committee’s report made 38 recommendations – some recommendations contained several parts. A total of 87 per cent of the recommendations or parts of recommendations were accepted, accepted in part, or accepted in principle; 3 per cent were under review; and 11 per cent were rejected. The Government’s response to the Committee’s recommendations was tabled in Parliament on 5 May 2009. Table 4 provides a summary of the Government’s response.

Bill Sykes MP

Minority report

The report included a minority report.

Table 4: Summary of Government Response to the Public Accounts and Estimates Committee’s Review of the Findings and Recommendations of the Auditor-General's Reports tabled July 2006-February 2007

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Accept</th>
<th>Accept in part</th>
<th>Accept in principle</th>
<th>Under review</th>
<th>Reject</th>
<th>Total</th>
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<td>Human Services</td>
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<td>Innovation, Industry and Regional Development</td>
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<td>Sustainability and Environment</td>
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<td>39%</td>
<td>3%</td>
<td>11%</td>
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Report no. 83 – PAEC Annual Report 2007-08

The PAEC Annual Report 2007-08 was tabled in the Legislative Assembly and the Legislative Council on 9 October 2008. The Committee made no recommendations in this Report.
Report no. 84 – *New Directions in Accountability (Preliminary Report) Inquiry into Victoria’s Public Finance Practices and Legislation*

The *New Directions in Accountability (Preliminary Report) Inquiry into Victoria’s Public Finance Practices and Legislation* was tabled in the Legislative Assembly and the Legislative Council on 13 November 2008. The Committee made no recommendations in this report.

**Background to the report**

In June 2008 the Committee notified Members of both Houses of Parliament of its Inquiry into Victoria’s Public Finance Practices and Legislation. This inquiry was conducted at the same time as the Government’s comprehensive review into the Financial Management Act 1994 and related legislation, known as the ‘public finance bill’ project.

This preliminary report of the Committee focussed on discussion points relating to the:

- budget framework;
- timeframe for budget scrutiny;
- appropriation framework;
- accountability framework – both financial and performance reporting;
- entities subject to the framework; and
- other matters relating to the new legislative framework.

Further public submissions were invited in relation to the discussion points raised in the report.

Report no. 85 – *New Directions in Accountability – Inquiry into Victoria’s Public Finance Practices and Legislation*

The *New Directions in Accountability – Inquiry into Victoria’s Public Finance Practices and Legislation* was tabled in the Legislative Assembly and the Legislative Council on 4 June 2009. The Committee made 44 recommendations.

**Background to the report**

In November 2008, the Committee issued a preliminary report of *New Directions in Accountability* which outlined a range of issues that the Committee considered could be included in the new legislation and action that could be undertaken by the Government, aimed at enhancing the financial management of the public sector and reporting requirements to Parliament. The issues identified by the Committee accorded with best practice in international jurisdictions.

Following the issue of the preliminary report, the Committee considered the feedback received on the ideas and options that were put forward which assisted the Committee’s considerations and the contents of the final report.

3  Public Accounts and Estimates Committee, *New Directions in Accountability*, June 2009, pp.7–14
Committee’s findings
The Committee regards the 44 recommendations contained in the report as vital for ensuring that Victoria progresses to a leading edge public finance and accountability framework. The report centred on matters critical for enhancing accountability on matters relating to the:

- budget framework;
- timeframe for budget scrutiny;
- appropriation framework;
- accountability framework – financial reporting;
- accountability framework – performance reporting; and
- entities subject to the framework.

Government response to the report
The Government’s response to the PAEC’s Inquiry into Victoria’s Public Finance Practices and Legislation is due on 4 December 2009, six months after the report was tabled in Parliament.

The Review of the Findings and Recommendations of the Auditor-General’s Reports 2007 was tabled in the Legislative Assembly and the Legislative Council on 2 June 2009. The Committee made 41 recommendations.

Background to the report
Under its functions and powers set out in sections 14 and 33 of the Parliamentary Committees Act 2003, the Public Accounts and Estimates Committee systematically follows up audit reports tabled in Parliament by the Auditor-General. The Committee prioritises these reports (as ‘priority one’ or ‘priority two’) using various criteria such as the seriousness of audit findings, public interest, risks, social impacts, materiality and opportunities to enhance accountability.

In this report, termed ‘Round Two’, the Committee has undertaken three priority one reviews of Auditor-General reports tabled between March and August 2007.

These reports are:

- State Investment in Major Events (Part A);
- Maintaining Victoria’s Rail Infrastructure Assets (Part B); and
- Promoting Better Health through Healthy Eating and Physical Activity (Part C).

The Committee also prioritised and undertook four priority two audit reviews contained in Part D of the report.

These were:

- Managing Emergency Demand in Public Hospitals;
- Raising and Collection of Fees and Charges by Departments;
- Administration of Non-Judicial Functions of the Magistrates’ Court of Victoria; and
- Contracting and Tendering Practices in Selected Agencies.

Committee’s findings
The Committee regards the 41 recommendations contained in the report as diverse. They raise a wide range of issues for the public sector impacting on expected standards in service provision and excellent levels of amenity, quality or life and safety to the Victorian community.

Government response to the report
The Government’s response to the PAEC’s review of the findings and recommendations of the Auditor-General’s reports of 2007 is due on 2 December 2009, six months after the report was tabled in Parliament.


Background to the report
Consistent with the functions of the Committee, the report examined issues associated with accountability and transparency in public administration and public sector finances. The reporting of selected subject matters linked to the Government’s achievement of objectives in its Growing Victoria Together policy is designed to contribute to improved accountability and performance.

This report captures new themes, building on features of past outcomes reports of the Committee, including:
- risk management practices in the Public Sector;
- procurement; and
- grants.

Committee’s findings
The Committee made 88 recommendations in the report in regard to issues associated with accountability and transparency in public administration and public sector finances with the aim of improving government performance and reporting.

Minority report
The report included a minority report.

Government response to the report
The Government’s response to the PAEC’s Report on the 2007-08 Financial and Performance Outcomes is due on 7 November 2009, six months after the report was tabled in Parliament. The Victorian Auditor-General’s response to the report was received on 10 August 2009 and is summarised in Table 5 below.

Table 5: Summary of the Victorian Auditor-General’s Response to the PAEC’s Report on the 2007-08 Financial and Performance Outcomes

<table>
<thead>
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<th>Agreed – Complete</th>
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<td>6.25%</td>
<td>12.5%</td>
<td>25%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Report no. 88 – Report on the 2009-10 Budget Estimates – Part One, Volume One and Volume Two

The Report on the 2009-10 Budget Estimates – Part One, Volume One and Volume Two was tabled in the Legislative Assembly and the Legislative Council on 2 June 2009 and contained no recommendations.

Background to the report

This report covers 42 budget estimates hearings held between 8 May 2009 and 21 May 2009. Part One, Volume One of the report summarises on a portfolio basis an index of the key matters raised at the hearings in the form of the Committee’s questions and responses from Ministers (468 in total) as well as questions taken on notice or information to be subsequently provided to the Committee, and documents presented by Ministers to the Committee at each hearing. Part One, Volume Two contains the verified transcripts from each of the hearings. Part Two of the Report on the 2009-10 Budget Estimates will contain the Committee’s analysis of the budget estimates and will be presented to Parliament in early 2009-10.

Government response to the report

As this report has been tabled primarily to assist Parliament in its debates on the Appropriation Bills, and contains no recommendations, a government response is not applicable.

Report no. 89 – Notification of New Inquiry into Victoria’s Audit Act 1994

The Notification of New Inquiry into Victoria’s Audit Act 1994 was tabled in the Legislative Assembly and the Legislative Council on 24 June 2009.

Background to the report

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

2009-10 Budget Briefing

On 7 May 2009, together with the Department of Treasury and Finance, the Committee hosted a briefing on the 2009-10 Victorian Budget, for Parliamentarians and their electorate staff. Briefings were given by Mr Grant Hehir, Secretary and Mr Dean Yates, Acting Deputy Secretary, Budget and Financial Management, Department of Treasury and Finance. The 2009-10 Victorian Budget focuses on rebuilding the State after the February 2009 Victorian bushfires as well as investing in one of the State's largest infrastructure construction programs together with the Commonwealth’s infrastructure partnership arrangements that will maintain and create jobs for Victorians in 2009-10 to assist in Victoria’s recovery from the economic downturn.

This event affords an early opportunity for members of Parliament and their electorate staff to gain information on the Budget and to seek clarification on any aspects of the Budget from the Secretary, Department of Treasury and Finance.

In November 2008, the Committee received the Government’s response to the 90 recommendations it made on its Report on the 2006-07 Financial and Performance Outcomes. A total of 61 (68 per cent) of the recommendations or parts of recommendations were accepted, accepted in part or accepted in principle, with an additional 13 or 14 per cent ‘under review’ by the Government. An additional nine recommendations directed at the Victorian Auditor-General’s Office resulted in 89 per cent acceptance.

Statutory functions in relation to the Victorian Auditor-General’s Office

Under the Audit Act 1994 and the Constitution Act 1975, the Committee’s statutory responsibilities include:

- consideration of the Auditor-General’s annual budgetary needs;
- review of the Auditor-General’s Annual Plan; and
- review of
  – audit priorities; and
  – objectives and scope for all performance audits.

The Auditor-General and other senior members of VAGO met with the Committee and its Audit Sub-Committee on several occasions during 2008–09 to discuss:

- the Auditor-General’s draft Annual Plan for 2009–10; and
- the Committee’s follow-up reviews of the findings and recommendations of specific priority tabled audit reports.

Reviews of the findings and recommendations of Auditor-General’s reports

The Committee prioritised five audit reports during 2008-09 as ‘priority one’ for follow-up inquiry reviews following consultation with the Auditor-General. Submissions from the public were invited through newspaper advertisements in October 2008 and April 2009. Subsequently, public hearings were held with the Auditor-General, Departmental Secretaries and relevant witnesses in November 2008 and April 2009, in relation to:

Round Two – Priority One – November 2008

- State Investment in Major Events;
- Maintaining Victoria’s Rail Infrastructure Assets; and
- Promoting Better Health Through Healthy Eating and Physical Activity.

In addition, the Committee also followed-up ‘priority two’ audits on a lesser scale, in relation to:

- Results of Audits: Raising and collection of fees and charges by departments;
- Administration of Non-Judicial Functions of the Magistrates Court of Victoria; and
- Contracting and Tendering Practices in Selected Agencies.

Jennifer Huppert MLC
Round Three – Priority One – April 2009

- Funding and Delivery of Two Freeway Upgrade Projects; and
- Improving our Schools: Monitoring and Support.

Questionnaires were also sent to Departments in relation to 'priority two' audit reviews:

- Agricultural Research Investment, Monitoring and Review; and
- Program for Students with Disabilities: Program Accountability.

Consideration of performance audit specifications

Over 2008-09, the Committee's Audit Sub-Committee has also met with senior representatives of the Auditor-General's Office to discuss draft audit specifications, including planned objectives and scope, for the following broad scope and limited scope performance audits:

- Management of the Multi-Purpose Taxi Program;
- Delivery of Home and Community Care Programs;
- Enforcement of Planning Permits;
- Flora and Fauna Guarantee Act 1988;
- Family Violence Strategy;
- Claims Management by the Victorian Workcover Authority;
- Royal Children’s Hospital Redevelopment;
- Financial Arrangements of a Health Service;
- Reporting of Public Hospital Access Indicators;
- Fraud: Systems, Policies and Procedures in Selected Education Providers;
- Community Support Fund;
- The Channel Deepening Project;
- Management of School Funds;
- Privately Provided Public Bus Services;
- Integrated Courts Management System;
- Withdrawal of Infringement Notices;
- International Students;
- Capacity of Police and Emergency Services to Respond to People with Mental Health Issues;
- Advanced Metering Infrastructure;
- Construction of Police Stations and Courthouses;
- Compliance with Community Corrections Orders;
- Maintaining the Integrity and Confidentiality of Personal Data;
- Irrigation Efficiency Systems;
- Making Public Transport More Accessible for People who face Mobility Challenges;
- Use of Development Contributions by Local Government;
- Vehicle Fleet Management;
- Tendering and Contracting in Local Government;
- Management of State Concessions to Pensioners and Beneficiaries;
- Teacher Performance; and
- Effectiveness of Student Wellbeing Services and Programs.
Visiting delegation

The Committee welcomed the World Public Accounts Committees/La Trobe University Summer Residential School and participated in an information-sharing session.
Work in progress at 30 June 2009

Inquiry into the 2009-10 Budget Estimates – Part Two

The Committee is looking forward to tabling its Report on the 2009-10 Budget Estimates – Part Two in October 2009, which will consist of the Committee’s analysis of economic, social and environmental importance to the Parliament and community. The Committee will make extensive recommendations for improving financial and resource management for strengthening accountability in the public sector. This year the Committee has a unique responsibility for focussing on management and accountability for Commonwealth grants and funds.

Inquiry into Victoria’s Audit Act 1994

The Audit Act 1994 (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) and the nature and scope of audits conducted by VAGO.

Revision has been made to the Act from time to time; however, it is some time since there has been a comprehensive and exhaustive review of the Act.

This inquiry has stemmed from the Government’s Annual Statement of Government Intentions of February 2009 where it states that it is committed to strengthening 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. As well as this, amendments to the Act should achieve the following:

- provide clarity on certain aspects of the Auditor-General’s mandate and powers, including adherence to applicable Accounting and Auditing Standards;
- promote greater efficiency in the operation of the Victorian Auditor-General's Office; and

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

The Committee notified Parliament that the terms of the reference of the inquiry are to:

- 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;
- seek public submissions and hold hearings on the review of the Act;
- consider the views of the Auditor-General of Victoria;
• 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

• 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 of the Act.

The Committee expects to table a discussion paper in December 2009 for further public consultation and present the final findings of its investigations to the Parliament of Victoria by October 2010.

Reviews of the findings and recommendations of Auditor-General’s reports

The Committee will be reporting on the Auditor-General’s reports tabled August 2007 – January 2008 including two ‘priority one’ (Round Three) Auditor-General audit reports for follow-up reviews, in relation to:

• Funding and Delivery of Two Freeway Upgrade Projects; and

• Improving our Schools: Monitoring and Support.

This report is expected to be tabled in September 2009 and will also contain findings on a number of lesser priority audits, namely:

• Agricultural Research Investment, Monitoring and Review; and

• Program for Students with Disabilities: Program Accountability.

The Committee has also commenced Round Four of its follow-up inquiry on the findings and recommendations of the Auditor-General’s reports tabled February 2008 to June 2008, with ‘priority one’ status given to the following audit reports:

• Patient Safety in Public Hospitals; and

• Planning for Water Infrastructure in Victoria.

Lesser priority audits also subject to the Committee’s review are:

• Victoria’s Planning Framework for Land Use and Development;

• Coordinating Services and Initiatives for Aboriginal People;

• Records Management in the Victorian Public Sector;

• Delivering HealthSMART – Victoria’s Whole-of-Health ICT Strategy; and

• Implementation of the Criminal Justice Enhancement Program.

The Committee has developed questionnaires for proposed witnesses in August 2009 and will conduct public hearings on these matters in September 2009.
Committee performance at a glance – 2008-09
Committee of the 56th Parliament:

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<td>Reports tabled</td>
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Sub-Committees – membership
Committee of the 56th Parliament

Audit Sub-Committee
Bob Stensholt MP – Chair
Kim Wells MP – Deputy Chair
Janice Munt MP
Richard Dalla-Riva MLC

Members’ attendance at meetings and hearings
56th Parliament – 2008-09
Number of meetings and hearings held

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<th>Full Committee</th>
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<tbody>
<tr>
<td>Number of private meetings</td>
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<th>Audit Sub-Committee</th>
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## Number of meetings and hearings attended

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<th>Audit Sub-Committee</th>
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<td>No. of private meetings attended</td>
<td>No. of public hearings eligible to attend</td>
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<td>Bob Stensholt MP (Chair)</td>
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<td>Kim Wells MP (Deputy Chair)</td>
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<td>Wade Noonan MP</td>
<td>16</td>
<td>16</td>
<td>53</td>
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<tr>
<td>Martin Pakula MLC</td>
<td>7</td>
<td>6</td>
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<tr>
<td>Sue Pennicuik MLC</td>
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<tr>
<td>Gordon Rich-Phillips MLC</td>
<td>16</td>
<td>11</td>
<td>53</td>
</tr>
<tr>
<td>Robin Scott MP</td>
<td>16</td>
<td>15</td>
<td>53</td>
</tr>
<tr>
<td>Bill Sykes MP</td>
<td>16</td>
<td>11</td>
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</tbody>
</table>
## PAEC Budget and Expenditure 2007-08 to 2008-09

<table>
<thead>
<tr>
<th>Category</th>
<th>Expenditure 2007-08 ($)</th>
<th>Budget 2008-09 ($)</th>
<th>Expenditure 2008-09 ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Members’ expense allowances</td>
<td>18,279</td>
<td>21,100</td>
<td>15,771</td>
</tr>
<tr>
<td>Salaries and associated costs of the Secretariat</td>
<td>287,589&lt;sup&gt;(a)&lt;/sup&gt;</td>
<td>579,419</td>
<td>563,434</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>66,193</td>
<td>42,865</td>
<td>42,768</td>
</tr>
<tr>
<td>Inquiries</td>
<td>286,988</td>
<td>234,260</td>
<td>231,929</td>
</tr>
<tr>
<td>Total expenditure</td>
<td>659,049</td>
<td>877,644</td>
<td>853,902</td>
</tr>
</tbody>
</table>

Notes: (a) This sum figure reflects the impacts of delays incurred (due to tight market conditions) for the recruitment of two Senior Research Officers and approval delays (arising from other internal reviews) for the recruitment of a Desktop Publisher and Administration Officer for the Committee's secretariat.
### Reports of the 56th Parliament

<table>
<thead>
<tr>
<th>Report number</th>
<th>Date tabled</th>
<th>Title of report</th>
</tr>
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<tbody>
<tr>
<td>89</td>
<td>June 2009</td>
<td>Notification of a New Inquiry into Victoria’s Audit Act 1994</td>
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<tr>
<td>88</td>
<td>June 2009</td>
<td>Report on the 2009-10 Budget Estimates – Part One, Volume One</td>
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<tr>
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<td></td>
<td>Report on the 2009-10 Budget Estimates – Part One, Volume Two</td>
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<td>86</td>
<td>June 2009</td>
<td>Review of the Findings and Recommendations of the Auditor-General’s Reports 2007</td>
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<td>85</td>
<td>June 2009</td>
<td>New Directions in Accountability – Inquiry into Victoria’s Public Finance Practices and Legislation</td>
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<td>84</td>
<td>November 2008</td>
<td>New Directions in Accountability (Preliminary Report) – Inquiry into Victoria’s Public Finance Practices and Legislation</td>
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<tr>
<td>83</td>
<td>October 2008</td>
<td>PAEC Annual Report 2007-08</td>
</tr>
<tr>
<td>81&lt;sup&gt;6&lt;/sup&gt;</td>
<td>June 2008</td>
<td>Notification of a New Inquiry into Victoria’s Public Finance Practices and Legislation</td>
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</tbody>
</table>

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<sup>6</sup> Notification of New Inquiry into Victoria’s Public Finance Practices and Legislation was listed in the Public Accounts and Estimates Committee Annual Report 2007-08.