Members of the 56th Parliament Public Accounts and Estimates Committee:

**Back row (L to R):**
Wade Noonan MP, Robin Scott MP, Bob Stensholt MP (Chair), Kim Wells MP (Deputy Chair), Richard Dalla-Riva MLC, Bill Sykes MP, Gordon Rich-Phillips MLC

**Front row (L to R):**
Sue Pennicuik MLC, Judith Graley MP, Jennifer Huppert MLC
Public Accounts and Estimates Committee
Membership - 56th Parliament

Bob Stensholt MP (Chair)
Kim Wells MP (Deputy Chair)
Richard Dalla-Riva MLC
Judith Graley MP **
Jennifer Huppert MLC
Janice Munt MP *
Wade Noonan MP
Sue Pennicuik MLC
Gordon Rich-Phillips MLC
Robin Scott MP
Bill Sykes MP

* Janice Munt MP resigned from the Committee on 2 February 2010.

** Judith Graley MP was appointed to the Committee on 2 February 2010 by the Legislative Assembly.

Over 2009-10, the Committee was supported by a Secretariat comprising:

Executive Officer: Valerie Cheong
Senior Research Officers: Vicky Delgos
                     Leah Brohm
                     Christopher Gribbin
Research Officers: Ian Claessen
                  Rocco Rottura (Secondee)
                  David Lacy (Secondee)
                  Janet Wheeler (Secondee)
                  Julie Gould (Temporary)
                  Dailin Kularatne (Temporary)
Specialist Advisor: Joe Manders
Business Support Officer: Melanie Hondros
Desktop Publisher: Mitch Marks
## Contents

Public Accounts and Estimates Committee Membership - 56th Parliament .................. ii
Chair’s Foreword .......................................................... vi
Public Accounts and Estimates Committee ................................................. 1

**Background** .......................................................... 1

The Committee’s responsibilities .......................................................... 1

- Public accounts function .......................................................... 1
- Estimates function .......................................................... 2
- Auditing function .......................................................... 2
- Reviewing reports of the Auditor-General ........................................ 2
- Special Inquiry into the Audit Act ........................................ 2

**The Committee’s operations** .......................................................... 3

**Accountability for performance** ...................................................... 4

Improving Government accountability and performance .......................... 4

Vision and mission statement .......................................................... 4

Working to improve Government accountability and performance ........... 4

Impacts on performance .......................................................... 4

Outputs and outcomes targets .......................................................... 15

**The year in review** .......................................................... 16

Report no. 88 - Report on the 2009-10 Budget Estimates - Part Two ............ 16

- Background to the report .......................................................... 16
- Committee’s findings .......................................................... 16
- Government response to the report ........................................ 16

Report no. 90 - PAEC Annual Report 2008-09 ...................................... 18

Report no. 91 - Review of the Findings and Recommendations of the Auditor-General’s Reports 2007-08 .......................................................... 18

- Background to the report .......................................................... 18
- Committee’s findings .......................................................... 18
- Government response to the report ........................................ 18

Report no. 92 - Inquiry into Victoria’s Audit Act 1994 - Discussion Paper ........ 20

- Background to the report .......................................................... 20
Report no. 93 - Review of the Findings and Recommendations of the Auditor-General’s Reports 2008 ................................................................. 21
  Background to the report .................................................................. 21
  Committee’s findings ......................................................................... 21
  Government response to the report .................................................... 21
Report no. 94 - Report on the 2008-09 Financial and Performance Outcomes ................................................................. 22
  Background to the report .................................................................. 22
  Committee’s findings ......................................................................... 22
  Government response to the report .................................................... 22
  Background to the report .................................................................. 23
  Committee’s findings ......................................................................... 23
Report no. 96 - Report on the 2010-11 Budget Estimates - Part One ......................... 24
  Background to the report .................................................................. 24
  Government response to the report .................................................... 24
Report no. 96 - Report on the 2010-11 Budget Estimates - Part Two ......................... 24
  Background to the report .................................................................. 24
  Government response to the report .................................................... 24
Other Government Responses .................................................................. 25
  Government response to the Committee’s 85th report - New Directions in Accountability, Inquiry into Victoria’s Public Finance Practices and Legislation (June 2009) ............... 25
  Government response to the Committee’s 86th report - Review of the Findings and Recommendations of the Auditor-General’s Reports - 2007 (June 2009) .................... 25
2010-11 Budget Briefing ................................................................. 25
Statutory functions in relation to the Victorian Auditor-General’s Office (VAGO) ........... 26
  Reviews of the findings and recommendations of the Auditor-General’s reports .... 26
  Consideration of performance audit specifications ................................. 27
  Visiting delegation ............................................................................. 27
Work in progress at 30 June 2010 ......................................................... 28
Inquiry into the 2010-11 Budget Estimates - Part Three ................................. 28
Inquiry into Victoria’s Audit Act 1994 .................................................. 28
Reviews of the findings and recommendations of the Auditor-General’s reports .................... 29
Financial Audit of the Victorian Auditor-General’s Office and Performance Audit of the
Victorian Auditor-General and the Victorian Auditor-General’s Office .............................. 29
Committee performance at a glance - 2009-10 ......................................................................... 30
  Committee of the 56th Parliament: ...................................................................................... 30
Sub-Committees - membership ................................................................................................. 30
  Committee of the 56th Parliament: ...................................................................................... 30
Members’ attendance at meetings and hearings ......................................................................... 31
  56th Parliament 2009-10: .................................................................................................... 31
PAEC budget and expenditure 2008-09 to 2009-10 ............................................................... 32
Public Accounts & Estimates Committee reports 2009-10 ................................................... 33
Chair’s Foreword

I am pleased to present the 2009-10 Annual Report of the Public Accounts and Estimates Committee. This Annual Report highlights the conclusion of four years of the Committee of the 56th Parliament at a heightened pace and program of activities, aligned with significant Government moves to reform public sector accountability and reporting to Parliament and the Victorian community.

Over the past four years, the Committee is proud of its achievements in relation to:

- overhauling its Budget Estimates reports to a three-part report series, to assist Parliamentary debates on the Appropriation Bills;
- its systematic investigation of financial and performance issues and the extent of public reporting by agencies of alignment of their investment expenditure outcomes with the Growing Victoria Together government policy framework;
- implementing a regular and systematic six-monthly follow-up of performance audits for the Auditor-General; and
- undertaking a range of special inquiries central to auditing, financial management and good governance.

In relation to its core statutory responsibilities, the Committee has continued to examine the budget estimates and financial and performance outcomes, and to undertake its legislative responsibilities connected with the operations of the Victorian Auditor-General’s Office. The Committee is now in its third year of following up the findings of the Auditor-General’s reports, in a systematic manner.

Of note, over the four years as part of its special inquiries, is that the Committee has delivered significant recommendations in its report, New Directions in Accountability – Inquiry into Victoria’s Public Finance Practices and Legislation to ensure that a legacy of progressive reforms in relation to the budget and appropriation frameworks, and that government financial and performance reporting are streamlined, easier for the public to understand and outcomes-based.

The Committee also reviewed COAG reform progress and the fiscal stimulus package extended by the Commonwealth Government. Significantly, the Committee has progressed its Inquiry into Victoria’s Audit Act 1994 with submissions and hearings with important stakeholders from the public and private sectors. The Committee hopes to table its final report on this Inquiry with better practice recommendations by October 2010.

In May this year, as required by the Audit Act 1994, the Committee also completed its tender, selection and recommended appointment of an independent financial auditor for a period of three years to conduct annual financial audits of the Victorian Auditor-General’s Office, as well as an independent performance auditor to conduct a performance audit of the Auditor-General and Victorian Auditor-General’s Office. The auditors will report their findings in early 2010-11.

During the year, the Committee formally met on 27 occasions and held a total of 58 public hearings.

In February 2010, the Committee welcomed the return of a former member, Ms Judith Graley MP. Ms Graley was appointed by the Legislative Assembly to the Committee on 2 February 2010, following the resignation of Ms Janice Munt MP, who had accepted a Parliamentary Secretary appointment.

In conclusion, 2009-10 has proved to be a successful, eventful and challenging year for the PAEC of the 56th Parliament. On behalf of the Committee, I wish to thank members of the public, the Premier, Deputy Premier and Attorney-General, Treasurer, Ministers, the Presiding Officers and Secretaries of Departments, heads of agencies and their officers for their valued cooperation and open contributions to the Committee in promoting the principles of accountability and transparency.

I also thank Committee members for their robust and constructive participation and continued bi-partisan support. Lastly but not the least, the Committee thanks its Secretariat staff members. It remains my view and that of the Committee that the structure and remuneration arrangements for the PAEC Secretariat are inadequate. The staff have shown exemplary professionalism, work ethic and steadfast commitment in helping to successfully deliver the intensive work program of the Public Accounts and Estimates Committee of the 56th Parliament.

Bob Stensholt MP
Chair
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 Committee is able to self-reference enquiries related to the above matters and has usually done so throughout its history.

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 and both have served the full term of the Committee.

Public accounts function

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

Reviewing financial and performance outcomes

Every year the Committee undertakes a review of the financial and performance outcomes of the preceding financial year 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. Two questionnaires are forwarded to all departments seeking information on financial and performance outcomes for departments and related agencies. The second questionnaire contains specific questions relating to reported information from departments’ and selected agencies’ annual reports. After responses are received and reviewed, 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.

Special inquiries

During 2009-2010, under its public accounts function, and acting on the Government’s proposal for the PAEC’s role under its Statement of Government Intentions 2009, the Committee began its Inquiry into Victoria’s Audit Act 1994.
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, Deputy Premier and Attorney General, Treasurer, 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 Ministers.

The Committee’s objectives in its scrutiny of the budget estimates are to:

• constructively contribute to improving the presentation of budget information to Parliament and the community of Victoria;
• assist in the process of enhancing Parliamentary debates on the Appropriation Bills;
• 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 two-part report of the hearings including a summary of key portfolio issues, full transcripts and questions on notice, 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

Auditor-General and VAGO

The Committee exercises functions in relation to:

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

Reviewing reports of the Auditor-General

The Committee conducts follow-ups of the tabled performance audit reports of the Auditor-General. The Committee for the 56th Parliament has continued its proactive rolling program to review the Auditor-General’s tabled 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, agency heads 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.

Special Inquiry into the Audit Act

The Committee presented a discussion paper on its Audit Act Inquiry to Parliament on 4 February 2010. The discussion paper outlines the results of the Committee’s research up until that date. A number of submissions were received and public hearings were held in April and May 2010.

The Committee intends to present its findings and recommendations from the Inquiry to Parliament by October 2010.
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 scrutiniser 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 and then 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 Government’s 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 section later in this report on PAEC Budget and Expenditure provides more information on its operations.

The Committee’s website is an extensive source 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 Committee’s tabled 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 $5,822.
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

<table>
<thead>
<tr>
<th>The Committee’s vision is:</th>
<th>Making a difference for the people of Victoria by contributing to accountable and well performing Government.</th>
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<tr>
<td>The Committee’s mission is:</td>
<td>On behalf of the Parliament and the people of Victoria, to scrutinise and assess Government accountability and performance, and promote improvements where necessary.</td>
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</table>

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 and for enhancing transparency of Government reporting.

Impacts on performance

Events impacting on the Committee’s performance in 2009-10 relate primarily to challenges incurred in the competitive recruitment for fixed term research positions that effectively terminate at the end of the 56th Parliament in 2010. Secondment efforts for these fixed term positions, advertised with the Department of Treasury and Finance and the Victorian Auditor-General’s Office (with thanks to the Deputy Secretary, Budget and Financial Management, DTF, and the Auditor-General) were low-yielding. This has resulted in the deferment of additional special inquiries in relation to public sector productivity measurements and a lesser number of follow-ups of Auditor-General’s reports.
Table 1: Public Accounts and Estimates Committee – Work plan and performance targets for 2009-10 and 2010-11

<table>
<thead>
<tr>
<th>Strategy One</th>
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<tr>
<td>(i) Examine significant public sector financial and management issues by:</td>
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<td>- maintaining Committee awareness of key Government policies and public sector financial management activities, practices and views</td>
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<td>(ii) review:</td>
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<td>- the implementation of Government policy</td>
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<td>- public sector internal control and risk management systems</td>
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<td>(iii) monitor the impact of and Government responses to reports and activities of the Auditor-General, and take further action if required</td>
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| Output |  |
| Inquiries conducted, including using questionnaires and/or public hearings, final reports tabled in Parliament |  |
| Outcomes |  |
| - Comprehensive responses to the Committee’s questionnaires have been received from departments and agencies, with minimal follow-up required for additional information |  |
| - Submissions from stakeholders and the public are received on relevant Committee’s inquiries |  |
| - The Committee’s reports are informative, useful and timely for Members of Parliament and stakeholders, including the public |  |

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<tr>
<th>Target 2009-10</th>
<th>Actual 2009-10</th>
<th>Target 2010-11</th>
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<tr>
<td><strong>Report on the 2008-09 Financial and Performance Outcomes</strong> to be tabled by mid-May 2010.</td>
<td>Comprehensive responses to the Committee’s questionnaires were received from departments and agencies. Report tabled 6 May 2010. Public interest issues arising from the Report were reported in the media. Government responses to recommendations will be reported in 2010-11. The Committee does not hold public hearings on this Inquiry.</td>
<td>Work will begin on research and analysis for the 2009-10 Financial and Performance Outcomes Report and will be re-established by the new Committee of the 57th Parliament.</td>
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<tr>
<td><strong>Report on the 2009-10 Budget Estimates – Part Two</strong> to be tabled by October 2009.</td>
<td>Comprehensive responses to the Committee’s questionnaires and questions on notice were received from departments and agencies. Public hearings with Ministers and Department Secretaries were conducted with high levels of public attendance and media interest. The Report was tabled on 15 October 2009. 79% of report recommendations were accepted.</td>
<td></td>
<td><strong>Report on the 2010-11 Budget Estimates – Part Three</strong> to be tabled by October 2010. Reporting on the 2011–12 Budget Estimates to be established by the new Committee of the 57th Parliament.</td>
</tr>
<tr>
<td><strong>Strategy One (continued)</strong></td>
<td><strong>Target 2009-10</strong></td>
<td><strong>Actual 2009-10</strong></td>
<td><strong>Target 2010-11</strong></td>
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<tr>
<td><strong>Report on the 2010-11 Budget Estimates – Part One, Volumes One and Two</strong> to be tabled by June 2010.</td>
<td>Comprehensive responses to the Committee’s questionnaires and questions on notice were received from departments and agencies. The <em>Report on the 2010-11 Budget Estimates</em> was divided into three parts. Part One was tabled on 26 May 2010. Part Two was tabled on 9 June 2010. These reports provided timely information for Members of Parliament for use in Parliamentary debates on the Appropriation Bills. Part One and Part Two contained no recommendations.</td>
<td>Reporting on the 2011–12 Budget Estimates to be established by the new Committee of the 57th Parliament.</td>
<td></td>
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<tr>
<td><strong>Completion of the Inquiry into Victoria’s Audit Act 1994.</strong></td>
<td>The Committee tabled <em>Inquiry into Victoria’s Audit Act 1994 – Discussion Paper</em> on 4 February 2010. Public submissions and private evidence were received by the Committee, in response to its tabled Discussion Paper. Public hearings were conducted with stakeholders, including the Victorian Auditor-General, the Presiding Officers and representatives from public and private organisations. The Discussion Paper contained no recommendations.</td>
<td>The Committee anticipates that its Inquiry into Victoria’s <em>Audit Act 1994</em> will be completed within the timeframe stipulated in its terms of reference, that is, by October 2010.</td>
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Strategy One *(continued)*

| 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. | 100% of the Auditor-General’s 2008 performance audit reports have been prioritised or followed up. Report *Review of the Findings and Recommendations of the Auditor-General’s Reports 2007-08* (Round 3) and report *Review of the Findings and Recommendations of the Auditor-General’s Reports 2008* (Round 4) examined 64% of the Auditor-General’s performance audit reports tabled in 2008. Comprehensive responses to the Committee’s questionnaires have been received from departments and agencies, with minimal follow-up required for additional information. | The remaining 2008 audits have been prioritised and are currently being followed up, with a report expected for tabling prior to October 2010. Follow-up of the 2009 audits will need to be established by the new Committee of the 57th Parliament. |

<table>
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<tr>
<th>Target 2009-10</th>
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<th>Target 2010-11</th>
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<tr>
<td>100% of the Auditor-General’s 2008 performance audit reports have been prioritised or followed up. Report <em>Review of the Findings and Recommendations of the Auditor-General’s Reports 2007-08</em> (Round 3) and report <em>Review of the Findings and Recommendations of the Auditor-General’s Reports 2008</em> (Round 4) examined 64% of the Auditor-General’s performance audit reports tabled in 2008. Comprehensive responses to the Committee’s questionnaires have been received from departments and agencies, with minimal follow-up required for additional information.</td>
<td>The remaining 2008 audits have been prioritised and are currently being followed up, with a report expected for tabling prior to October 2010. Follow-up of the 2009 audits will need to be established by the new Committee of the 57th Parliament.</td>
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### Strategy Two
Promote any reforms necessary to improve accountability and performance of the financial management of the State

#### Output
In the exercise of the Committee’s responsibilities regular discussions held with the Auditor-General and his senior staff

#### Outcomes
Strengthening of constructive and supportive professional relationships between the Auditor-General and his Office for engendering common goals of improving Government accountability and performance

<table>
<thead>
<tr>
<th>Target 2009-10</th>
<th>Actual 2009-10</th>
<th>Target 2010-11</th>
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<tr>
<td><strong>Consideration of the Auditor-General’s 2010-11 annual budget and work program and PAEC recommendations to be provided to the Treasurer.</strong></td>
<td>The Committee met with the Auditor-General, considered his 2010-11 annual budget and proposed work program, subject to DTF’s commissioning of an independent pricing review of VAGO. No recommendations were made to the Treasurer in 2009-10 so as not to pre-empt the findings of the independent pricing review. Budget supplementation requirement was not substantial.</td>
<td>The Committee of the 57th Parliament will re-establish its statutory role of considering the Auditor-General’s 2011-12 annual budget and work program and provide recommendations to the Treasurer in a timely manner.</td>
</tr>
<tr>
<td><strong>Consideration of the Auditor-General’s 2010-2011 Annual Plan by end of April 2010.</strong></td>
<td>The Committee considered the Auditor-General’s 2010-2011 Annual Plan in April 2010. Formal comments were provided which were included by the Auditor-General in his 2010-2011 Annual Plan.</td>
<td>The Committee of the 57th Parliament will re-establish its statutory role of considering the Auditor-General’s 2011-2012 Annual Plan by end of April 2011.</td>
</tr>
<tr>
<td><strong>Consideration of 100% of audit specifications identified within the Auditor-General’s 2009-10 Annual Plan.</strong></td>
<td>100% of performance audit specifications including revised and additional report topics identified within the Auditor-General’s 2009-10 Annual Plan considered by the PAEC Audit Sub-Committee in consort with the Assistant Auditor-General, Performance Audits and his senior executives, over ten meetings.</td>
<td>The Committee of the 57th Parliament will re-establish its statutory role of considering 100% of audit specifications identified within the Auditor-General’s 2010-11 Annual Plan.</td>
</tr>
<tr>
<td><strong>Consultation with the Auditor-General on the prioritisation of follow-up reviews of Audit Reports (tabled March 2008–December 2008), Rounds Four and Five.</strong></td>
<td>The Committee consulted with the Auditor-General on two tranches of review prioritisations and subsequently Round Three Hearings were held in September 2009 and Round Four Hearings were held in April 2010.</td>
<td>A work and consultation program for the follow-up reviews of the Auditor-General’s reports for 2009 onwards is to be re-established by the new Committee of the 57th Parliament.</td>
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<tr>
<td></td>
<td>Target 2009-10</td>
<td>Actual 2009-10</td>
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<td>Continued development of seconded staff from the Auditor-General’s Office on Committee procedures and research and writing skills.</td>
<td>During the 2009-10 Financial Year three staff from VAGO were seconded to the PAEC as Research Officers. Each officer was developed on Committee procedures and planning, research and writing skills through their contribution on PAEC reports.</td>
<td>To be re-established by the new Committee of the 57th Parliament, in consultation with the Auditor-General.</td>
</tr>
<tr>
<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>
<td>Ongoing consultation and briefings were undertaken with the Auditor-General and his senior staff in relation to the Audit Act 1994 Inquiry. Letters, formal submissions and further information were received from the Auditor-General. Public hearings were held with the Victorian Auditor-General and the Tasmanian Auditor-General representing the Australasian Council of Auditors-General, in April 2010.</td>
<td>The Government Response to the recommendations of the PAEC’s Inquiry into the Audit Act 1994 will be monitored and reviewed by the Committee. Subsequent bills for legislative changes will be monitored by the new Committee of the 57th Parliament.</td>
</tr>
<tr>
<td>Selection of preferred tenderers to conduct a performance audit and financial audit of the Victorian Auditor-General’s Office.</td>
<td>An advertisement for tender proposals was placed in major newspapers and the Tenders@VicGov website. Submissions from applicants were assessed and a preferred performance auditor and a preferred financial auditor were selected and reported in the Report on the Appointment of Persons to Conduct the Financial Audit of the Victorian Auditor-General’s Office and the Performance Audit of the Victorian Auditor-General and the Victorian Auditor-General’s Office, on 6 May 2010.</td>
<td>The Committee’s response to the performance auditor’s reports on the Auditor-General and the Victorian Auditor-General’s Office will be considered by the new Committee of the 57th Parliament. That Committee may need to consider any report to Parliament by the independent financial auditor of the Victorian Auditor-General’s Office.</td>
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### Strategy Three

Promote any reforms necessary to improve accountability and performance of the financial management of the State

<table>
<thead>
<tr>
<th>Output</th>
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<tbody>
<tr>
<td>Provision of recommendations to Government relating to financial management issues and accountability</td>
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<th>Outcomes</th>
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<tr>
<td>Government reports to Parliament have better alignment of the reporting of budgeted deliverables with Government policy, strategy and program objectives</td>
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<tr>
<th>Target 2009-10</th>
<th>Actual 2009-10</th>
<th>Target 2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>80% or better acceptance rate of recommendations achieved in the majority of reports</td>
<td>An average of 82% acceptance rate (in whole, in principle or in part) of recommendations was achieved for reports. Four out of six reports achieved more than 80% acceptance rate. The Committee has reviewed government reporting in relation to alignment with the Government’s <em>Growing Victoria Together</em> policy and made recommendations in its <em>Report on the 2009-10 Budget Estimates – Part Two</em>, which attracted a 79% Government acceptance rate in whole and in part, and its report on the 2008-09 Financial and Performance Outcomes (the Government response is due by February 2011). 84% of the recommendations within the Committee’s <em>Report on New Directions in Accountability – Inquiry into Public Finance Practices and Legislation</em> (June 2009) have been accepted by Government and are intended to be implemented by Government, including within the Public Finance and Accountability Bill. Successful passage of the Bill in Parliament will assist in better future alignment of Government reporting of budgeted deliverables with Government policy, strategy and program objectives.</td>
<td>80% or better acceptance rate of recommendations achieved in the majority of reports (to be reviewed by the new Committee of the 57th Parliament).</td>
</tr>
</tbody>
</table>
### Strategy Three (continued)

Promote any reforms necessary to improve accountability and performance of the financial management of the State

**Output**

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

**Outcomes**

Recommendations are made in relation to better practice and innovative legislative changes for enhancing public accountability

<table>
<thead>
<tr>
<th></th>
<th>Target 2009-10</th>
<th>Actual 2009-10</th>
<th>Target 2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>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.</strong></td>
<td>The Committee tabled its discussion paper on its Inquiry into the Audit Act 1994 in February 2010. The discussion paper examines a wide range of possible amendments to Victoria’s audit legislation. A final report will be tabled by October 2010. The Committee also held discussions with the Public Standards Commissioner and Special Commissioner, Ms Elizabeth Proust, in relation to their Review of Victoria’s Integrity and Anti-Corruption System.</td>
<td>Continued input and monitoring of proposed reforms and legislative changes impacting on independent officers of Parliament will be re-established by the new Committee of the 57th Parliament.</td>
<td></td>
</tr>
<tr>
<td>Strategy Four</td>
<td>Output</td>
<td>Outcomes</td>
<td></td>
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<tr>
<td>------------------------------------------------------------------------------</td>
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<td></td>
</tr>
<tr>
<td>Increase awareness of, involvement in, and support for the Committee’s activities by the public, Members of Parliament and the private sector</td>
<td>Timely and relevant communications with the public, Members of Parliament and the private sector</td>
<td>Participation by key public and private organisations and the public in the Committee’s inquiries</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Output</th>
<th>Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output</td>
<td>Outcomes</td>
</tr>
<tr>
<td>Timely and relevant communications with the public, Members of Parliament and the private sector</td>
<td>Participation by key public and private organisations and the public in the Committee’s inquiries</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Strategy Four</th>
<th>Output</th>
<th>Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase awareness of, involvement in, and support for the Committee’s activities by the public, Members of Parliament and the private sector</td>
<td>Timely and relevant communications with the public, Members of Parliament and the private sector</td>
<td>Participation by key public and private organisations and the public in the Committee’s inquiries</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Target 2009-10</th>
<th>Actual 2009-10</th>
<th>Progress of legislation and any implementation to be monitored by the Committee.</th>
<th>Significant elements of the report have been incorporated into legislation before Parliament.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Follow-up Government response on the recommendations of <strong>New Directions in Accountability</strong> – Inquiry into Victoria’s Public Finance Practices and Legislation, tabled June 2009.</td>
<td>Government response on the recommendations of the report on <strong>New Directions in Accountability</strong> – Inquiry into Victoria’s Public Finance Practices and Legislation, tabled December 2009, considered by the Committee.</td>
<td>84% acceptance rate by Government (in whole or in principle) of recommendations was achieved for this report.</td>
<td></td>
</tr>
<tr>
<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>
<td>New website for all Committees and Parliament of Victoria rolled out in June 2010.</td>
<td>Website visitor numbers decreased by 9% on 2008-09 visitors. However, the 2009-10 website data incurred technical errors as the new Parliamentary website only recorded visits up to 17 June 2010.</td>
<td></td>
</tr>
<tr>
<td>Budget briefing for Parliamentarians to be held by mid May 2010.</td>
<td>A Budget briefing for Parliamentarians and their staff held 6 May 2010, co-hosted by the PAEC and DTF.</td>
<td>To be considered and re-established by the new Committee of the 57th Parliament.</td>
<td></td>
</tr>
<tr>
<td>At least ten briefings to be held with the Auditor-General and/or executives from his Office.</td>
<td>The Committee met with Auditor-General and/or executives from his Office on 16 separate occasions; including Audit Sub-Committee meetings.</td>
<td>Continued regular briefings are to be held between the Committee and the Auditor-General and/or his executives for the remaining term of the 56th Parliament. Briefings and their frequency are to be re-established by the new Committee of the 57th Parliament.</td>
<td></td>
</tr>
</tbody>
</table>

Budget briefing for Parliamentarians to be held by mid May 2010. | A Budget briefing for Parliamentarians and their staff held 6 May 2010, co-hosted by the PAEC and DTF. | To be considered and re-established by the new Committee of the 57th Parliament. |

Continued regular briefings are to be held between the Committee and the Auditor-General and/or his executives for the remaining term of the 56th Parliament. Briefings and their frequency are to be re-established by the new Committee of the 57th Parliament.
Strategy Four (continued)
Increase awareness of, involvement in, and support for the Committee’s activities by the public, Members of Parliament and the private sector

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

Outcomes
Confidence is engendered in relation to the quality and relevance of the Committee’s inquiries

<table>
<thead>
<tr>
<th>Target 2009-10</th>
<th>Actual 2009-10</th>
<th>Target 2010-11</th>
</tr>
</thead>
</table>
| Conduct at least 50 public hearings in relation to the Committee’s inquiries. | The Committee welcomed the World Public Accounts Committees / La Trobe University Summer Residential School and participated in an information sharing session on 8 February 2010. The Committee conducted 58 public hearings in relation to the following inquiries:  
- 2010-11 Budget Estimates  
- Inquiry into the Audit Act 1994  
Audit reviews in relation to:  
- Patient Safety in Public Hospitals;  
- Planning for Water Infrastructure in Victoria;  
- BioSecurity Incidents: Planning and Risk Management for Livestock Diseases; and  
- Managing Acute Patient Flows. Bipartisan support achieved on the scope and methodology of 100% of inquiries and only one Minority Report was recorded. The Committee’s 2010-11 Budget Estimates hearings have been well-attended by the public with media interest. The 2010 ACPAC Planning Meeting was deferred by the hosting jurisdiction to July 2010. Committee participation at the 2011 ACPAC Conference in April 2011, via at least one paper to be presented. Public hearings and the trialling of witness satisfaction surveys are to be considered and established by the new Committee of the 57th Parliament. |  |
| Participation at 2010 ACPAC Planning Meeting. |  |  |
Strategy Five
Ensure adequate and qualified secretariat staffing is available to service the Committee

Output
Increased funding for secretariat

Outcomes
Continuous improvement in the quality and breadth of research on the Committee’s inquiries with minimal Minority Reports

<table>
<thead>
<tr>
<th>Target 2009-10</th>
<th>Actual 2009-10</th>
<th>Target 2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ongoing additional funding status of $360,000 to require formal clarification from DTF.</td>
<td>Ongoing additional funding status of $360,000 per year confirmed with DTF and confirmed by Presiding Officers at the Committee’s 2010-11 Budget Estimates hearings.</td>
<td>The annual inquiry and reporting program of the new Committee of the 57th Parliament will be re-established, with an ensuing independent review of research and administrative staff resources and budget requirements undertaken.</td>
</tr>
<tr>
<td>Recruitment of fixed term Senior Research Officer (Economist) to be completed by December 2009.</td>
<td>Senior Research Officer (Economist) recruited in March 2010.</td>
<td>Only one Minority Report was tabled in 2009-10.</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 2010-11 outcomes, strategies and performance targets will be revised by the new Committee of the 57th Parliament in early 2011.

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.

*Figure 1: Public Accounts and Estimates Committee - Number of visitor sessions to the website by quarter for 2007-08, 2008-09 and 2009-10*

*Note 1: Data for the fourth quarter is available only up to 17 June 2010, and is incomplete.*

*Source: Data supplied by S. Rosman, Victorian Parliament, July 2010*

The first two quarters of 2009 showed a steady and consistent interest in the Committee’s activities of that year on its website. The fourth quarter showed an apparent decline in visitor numbers to the PAEC website. However, this quarter coincided with the introduction of the new Parliamentary website which only recorded visits up to 17 June 2010. Projecting the fourth quarter’s rate of visitation to allow for days the information was unavailable, the fourth quarter’s visitation numbers increased to 20,069.
The year in review

Report no. 88 - Report on the 2009-10 Budget Estimates - Part Two

The Report on the 2009-10 Budget Estimates – Part Two was tabled in the Legislative Assembly and the Legislative Council on 15 October 2009. The Committee made 53 recommendations.1

Background to the report

This report is the final part of the Committee’s Inquiry into the 2009-10 Budget Estimates. This report complements Part One, which provided Parliament with a full coverage of matters raised at the Budget Estimates hearings in May 2009.

Part Two contained:

- information relating to responses to questions taken on notice and further information provided by the Presiding Officers, Premier, Deputy Premier and Attorney-General, Treasurer and Ministers and additional information sought in relation to the responses received to the Committee’s Budget Estimates questionnaire; and

- analysis, key findings and recommendations relating to the Budget Estimates for 2009-10, including a new chapter relating to the management and accountability for Commonwealth grants and funds, consistent with the Government’s new budget theme, Partnering with the Commonwealth.

Committee’s findings

The Committee regards the 53 recommendations contained in the report as essential for engendering improvements in financial and resource management and strengthening accountability in the public sector, in a climate of economic and disaster rebuilding from the impacts of the devastating bushfires in 2009 and the global financial crisis.

Government response to the report

Of the Committee’s 53 recommendations, some recommendations contained several parts. A total of 79 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 15 per cent were rejected. The Government response to the Committee’s recommendations was tabled in Parliament on 14 April 2010. Table 2 provides a summary of the Government response.

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<table>
<thead>
<tr>
<th>Agency</th>
<th>Accept</th>
<th>Under review</th>
<th>Reject</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parliamentary Departments</td>
<td>-</td>
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</tr>
<tr>
<td>Education &amp; Early Childhood Development</td>
<td>4.5</td>
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<td>1</td>
<td>6.5</td>
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<tr>
<td>Health</td>
<td>3</td>
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<td>-</td>
<td>3</td>
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<tr>
<td>Human Services</td>
<td>5</td>
<td>-</td>
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<td>5</td>
</tr>
<tr>
<td>Innovation, Industry and Regional Development</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Justice</td>
<td>3</td>
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<tr>
<td>Premier and Cabinet</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>1</td>
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<tr>
<td>Primary Industries</td>
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<tr>
<td>Sustainability and Environment</td>
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<td>1</td>
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<tr>
<td>Transport</td>
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<tr>
<td>Treasury and Finance</td>
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<td>Planning and Community Development</td>
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<td>Victorian Auditor-General’s Office</td>
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<td>-</td>
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<tr>
<td>Whole of Government</td>
<td>10</td>
<td>1</td>
<td>2</td>
<td>13</td>
</tr>
<tr>
<td><strong>Total number of recommendations</strong></td>
<td>42</td>
<td>3</td>
<td>8</td>
<td>53</td>
</tr>
<tr>
<td><strong>Percentage of total recommendations</strong></td>
<td>79%</td>
<td>6%</td>
<td>15%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Report no. 90 - PAEC Annual Report 2008-09

The PAEC Annual Report 2008-09 was tabled in the Legislative Assembly and the Legislative Council on 17 September 2009. The Committee made no recommendations in this Report.

Report no. 91 - Review of the Findings and Recommendations of the Auditor-General’s Reports 2007-08

The Review of the Findings and Recommendations of the Auditor-General’s Reports 2007-08 was tabled in the Legislative Assembly and the Legislative Council on 17 September 2009. The Committee made 24 recommendations.2

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 Part A and Part B of this report, termed ‘Round Three’, the Committee conducted a review of the Auditor-General’s reports tabled between September 2007 and February 2008 inclusive, in relation to the following priority one reports:

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

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

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

Committee’s findings

The Committee regards the 24 recommendations contained in the report as important in respect to:

- strong support systems for underperforming schools to improve outcomes for students;
- ensuring transparency and effective validation of processes and net benefit studies on major infrastructure projects;
- strengthening Victoria’s framework for agriculture research investment; and
- ensuring a strong accountability framework for the program for meeting the needs of students with disabilities.

Government response to the report

The Committee’s report made 24 recommendations – some recommendations contained several parts. A total of 83 per cent of the recommendations or parts of recommendations were accepted, accepted in part, or accepted in principle; 8 per cent were under review; 4 per cent were not applicable and 4 per cent were rejected. The Government response to the Committee’s recommendations was tabled in Parliament on 10 March 2010. Table 3 provides a summary of the Government response.

### Table 3: Summary of Government response to the Public Accounts and Estimates Committee’s Review of the Findings and Recommendations of the Auditor-General’s Reports 2007-2008

<table>
<thead>
<tr>
<th>Agency</th>
<th>Accept</th>
<th>Under review</th>
<th>Reject</th>
<th>Not Applicable to the Executive*</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parliamentary Departments</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Education &amp; Early Childhood Development</td>
<td>8</td>
<td>2</td>
<td>-</td>
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<tr>
<td>Health</td>
<td>-</td>
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<td>Human Services</td>
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<tr>
<td>Innovation, Industry and Regional Development</td>
<td>-</td>
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<tr>
<td>Justice</td>
<td>-</td>
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<td>Primary Industries</td>
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<td>Sustainability and Environment</td>
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<tr>
<td>Treasury and Finance</td>
<td>2</td>
<td>-</td>
<td>1</td>
<td>-</td>
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<tr>
<td>Planning and Community Development</td>
<td>-</td>
<td>-</td>
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</tr>
<tr>
<td>VicRoads</td>
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<td>Victorian Auditor-General’s Office</td>
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<td>1</td>
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<tr>
<td>Whole of Government</td>
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<td>-</td>
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<td>-</td>
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</tr>
<tr>
<td>Total number of recommendations</td>
<td>20</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>24</td>
</tr>
<tr>
<td>Percentage of total recommendations</td>
<td>83%</td>
<td>8%</td>
<td>4%</td>
<td>4%</td>
<td>100%</td>
</tr>
</tbody>
</table>


* Recommendations for the Auditor-General which have all been accepted.
Report no. 92 - Inquiry into Victoria’s Audit Act 1994 - Discussion Paper

The Inquiry into Victoria’s Audit Act 1994 – Discussion Paper was tabled in the Legislative Assembly and the Legislative Council on 4 February 2010.

Background to the report

In June 2009 the Committee notified Members of both Houses of Parliament of its Inquiry into the Audit Act 1994. The aim of the Inquiry is to review the legislation in its entirety, paying particular attention to innovative opportunities to progress it to leading edge status.

This discussion paper documents the results of the Committee’s initial research into the Inquiry. It addresses discussion topics associated with potential amendments to the Audit Act including:

- the special relationship of the Auditor-General with Parliament;
- the audit of non judicial functions within Victoria’s Courts;
- the Auditor-General’s operational powers and responsibilities; and
- other possible amendments, which are mainly of a procedural nature.

The Committee received submissions from interested parties on the various options for legislative change set out in this discussion paper and on any other matters that have merit for Committee consideration during its Inquiry. The Committee held public hearings with interested parties including from private organisations during the first half of 2010.

There were no recommendations made in this report.

The Review of the Findings and Recommendations of the Auditor-General’s Reports 2008 was tabled in the Legislative Assembly and the Legislative Council on 5 May 2010. The Committee made 49 recommendations.3

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 Part A and Part B of this report, termed ‘Round Four’, the Committee conducted a review of the Auditor-General’s reports tabled in 2008, in relation to the following priority one reports:

- Planning for Water Infrastructure in Victoria; and
- Patient Safety in Public Hospitals.

Part C of the report related to five priority two review outcomes:

- Records Management in the Victorian Public Sector;
- Delivering HealthSMART;
- Victoria’s Planning Framework for Land Use and Development;
- Coordinating Services and Initiatives for Aboriginal People; and
- Implementation of the Criminal Justice Enhancement Program.

Committee’s findings

The Committee regards the 49 recommendations contained in the report as important in respect to:

- improving planning process for water infrastructure in Victoria;
- ensuring a strong patient safety culture exists in Victoria’s public hospitals;
- making records management more efficient and effective across Victoria’s public service;
- strengthening the framework and accountability mechanisms in place for major ICT expenditure;
- progressing further improvements in Victoria’s planning framework for land use and development; and
- improving the framework in place for the coordination of services and initiatives in Victoria for Aboriginal people.

Government response to the report

The Committee’s report made 49 recommendations. The Government response is scheduled to be tabled in Parliament six months after the report was tabled in Parliament, anticipated as soon as practicable in the new 57th Parliament.

Report no. 94 - Report on the 2008-09 Financial and Performance Outcomes

The Report on the 2008-09 Financial and Performance Outcomes was tabled in the Legislative Assembly and the Legislative Council on 6 May 2010. The Committee made 67 recommendations.4

For its 2008-09 Outcomes Inquiry, the Committee’s examination included how government departments and agencies have responded to the challenges of the bushfires of February 2009 and the global financial crisis.

Background to the report

This report is the culmination of the Committee’s Inquiry into the financial and performance outcomes achieved by departments and various other government agencies in 2008–09. This Inquiry has an important role in the accountability chain between the Government, Parliament and the public. The Committee has linked departments and agency reporting to both the Budget process and to Government policy documents, including Growing Victoria Together and those outlined in the Annual Statement of Government Intentions.

The committee has made a number of reforms to this report over the previous three years which it believes have contributed to accountable and transparent government. These reforms include covering a wider range of issues, examining performance outcomes in addition to financial outcomes and examining a range of government agencies as well as departments.

Committee’s findings

The Committee has made 67 recommendations which are largely aimed at enhancing transparency and accountability for Government reporting of the achievement of financial, service resource allocation, capital investment and distribution and social, environmental outcomes.

Government response to the report

The Government response to the PAEC’s Report on the 2008-09 Financial and Performance Outcomes is due six months after the report was tabled in Parliament, anticipated as soon as practicable in the new 57th Parliament.

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**Background to the report**

Sections 17 and 19 of the *Audit Act 1994* require that an independent financial auditor be appointed to conduct annual financial audits of the Victorian Auditor-General’s Office for a period of three years, and that a performance audit of the Victorian Auditor-General and the Victorian Auditor-General’s Office be undertaken at least once every three years. The Public Accounts and Estimates Committee is responsible under the Act for recommending, to both Houses of Parliament, the appointment of suitably qualified persons to undertake the financial audit and the performance audit.

The Committee advertised in major media for qualified and interested persons to submit tender proposals in relation to the financial and performance audits.

Tender proposals were subsequently assessed.

**Committee’s findings**

The Committee made two recommendations in the report in regard to the appointment of persons by Parliament to conduct the audits, which were accepted in both Houses of Parliament.

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Report no. 96 - Report on the 2010-11 Budget Estimates - Part One

The Report on the 2010-11 Budget Estimates – Part One was tabled in the Legislative Assembly and the Legislative Council on 26 May 2010 and contained no recommendations.

Background to the report
This report covers the first 22 Budget Estimates hearings held with the Presiding Officers, Premier, Deputy Premier and Attorney-General, the Treasurer and Ministers from 10 May 2010 to 14 May 2010 inclusive.

There are three parts to the report. The main purpose of Part One and Part Two of this report is to assist Parliament in the consideration of the 2010-11 Appropriation Bills. Part One of the report was tabled in a timely manner. Its contents covered the first week of the Budget Estimates hearings.

The report includes transcripts from the first 22 hearings, an index of the key matters raised for each of the portfolios, along with details of questions taken on notice, further information to be provided by Ministers and details of documents tabled by Ministers at the hearings.

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. 96 - Report on the 2010-11 Budget Estimates - Part Two

The Report on the 2010-11 Budget Estimates – Part Two was tabled in the Legislative Assembly and the Legislative Council on 9 June 2010 and contained no recommendations.

Background to the report
This report covers the remaining 20 Budget Estimates hearings held with Ministers from 17 May 2010 to 20 May 2010 inclusive.

There are three parts to the report. The main purpose of Part One and Part Two of this report is to assist Parliament in the consideration of the 2010-11 Appropriation Bills. Part Two of the report completes the work begun in Part One.

The report includes transcripts from the remaining 20 hearings, an index of the key matters raised for each of the portfolios from the second week of hearings, transcripts of proceedings, as well as details of further information to be provided and questions on notice for each portfolio.

Part Three of the Report on the 2010-11 Budget Estimates will contain the Committee’s analysis of the Budget Estimates and will be presented to Parliament in late 2010.

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.
Other Government Responses

**Government response to the Committee’s 85th report - New Directions in Accountability, Inquiry into Victoria’s Public Finance Practices and Legislation (June 2009)**

In December 2009, the Committee received the Government response to the 44 recommendations it made in its report on *New Directions in Accountability, Inquiry into Victoria’s Public Finance Practices and Legislation* (tabled June 2009). A total of 37 recommendations (84 per cent) were accepted, accepted in part or accepted in principle. It was proposed that a total of six and a half recommendations (15 per cent) were not to be legislated and half of one recommendation (1 per cent) was not able to be adopted.

**Government response to the Committee’s 86th report - Review of the Findings and Recommendations of the Auditor-General’s Reports - 2007 (June 2009)**

In November 2009, the Committee received the Government response to the 41 recommendations it made on its report *Review of the Findings and Recommendations of the Auditor-General’s Reports – 2007* (tabled June 2009). A total of 38 recommendations (93 per cent) were accepted, accepted in part or accepted in principle, two recommendations were rejected by the Government, and one recommendation was advised as not applicable.


In November 2009, the Committee received the Government response to recommendations it made in the *Report on the 2007-08 Financial and Performance Outcomes*. The Committee made 88 recommendations – the Victorian Auditor-General responded to 16 of these recommendations in August 2009. Of the 72 remaining recommendations referred to the Government, 51 recommendations (71 per cent) were accepted, accepted in part or accepted in principle. 12 (17 per cent) were under review, two (3 per cent) were already in place and seven recommendations (9 per cent) were rejected by the Government. Of the 15 recommendations applying to the Victorian Auditor-General’s Office, 10 (67 per cent) were accepted, four were rejected and one was noted for further consideration.

**2010-11 Budget Briefing**

On 6 May 2010, together with the Department of Treasury and Finance, the Committee hosted a briefing on the 2010-11 Victorian Budget, for Parliamentarians and their electorate staff. Briefings were given by Mr Grant Hehir, Secretary, and Mr Dean Yates, Deputy Secretary, Budget and Financial Management, Department of Treasury and Finance. The 2010-11 Victorian Budget focuses on delivering the following outcomes:

- more jobs and a resilient, competitive Victorian economy;
- increased levels of health care provision;
- further enhancement of education and skills; and
- increased promotion of community safety.

This event affords an early opportunity for Members of Parliament and their electorate staff to gain first-hand information on the Budget and to seek clarification on any aspects of the Budget from the Secretary, Department of Treasury and Finance.
Statutory functions in relation to the Victorian Auditor-General’s Office (VAGO)

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 2009-10 to discuss:

- the Committee’s Audit Act Inquiry;
- 2010-11 budget funding and work program for VAGO;
- the Auditor-General’s draft Annual Plan for 2010-11; and
- the Committee’s follow-up reviews of the findings and recommendations of specific prioritised tabled audit reports.

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

The Committee prioritised four audit reports during 2009-10 as priority one for follow-up inquiry reviews following consultation with the Auditor-General. Submissions from the public were invited through media advertisements placed in August 2009 and March 2010. Subsequently, public hearings were held with the Auditor-General, Departmental Secretaries and relevant witnesses in September 2009 and April 2010, in relation to:

Round Three - Priority One - September 2009

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

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

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

Round Four - Priority One - May 2010

- Planning for Water Infrastructure in Victoria; and
- Patient Safety in Public Hospitals.

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

- Records Management in the Victorian Public Sector;
- Delivering HealthSMART;
- Victoria’s Planning Framework for Land Use and Development;
- Coordinating Services and Initiatives for Aboriginal People; and
- Implementation of the Criminal Justice Enhancement Program.
Consideration of performance audit specifications

Over 2009-10, 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 and limited scope performance audits:

- Tendering and Contracting in Local Government
- Management of State Concessions to Pensioners and Beneficiaries
- Teacher Performance
- Effectiveness of Student Wellbeing Services and Programs
- Performance Reporting Across Government
- Access to Social Housing
- Biotechnology and the Victorian Public Sector
- Irrigation Water Stores: Lake Mokoan and Tarago Reservoir
- Sustainable Management of Victoria’s Groundwater Resources
- Fees and Charges – Cost Recovery by Local Government
- Hazardous Waste Management
- Management of Funding and Service Agreements with Non-Government Service Providers by the Departments of Human Services and Health
- Management of Safety Risks at Level Crossings
- Administration of the Victorian Certificate of Education (VCE) Assessment System
- Management of Major Rail Projects
- The Community Building initiative
- Taking Action on Problem Gambling
- Management of Contracted Prison Services in Public Private Partnerships
- Personal Safety and Security on the Metropolitan Train System
- Disclosure of Private Sector Contracts
- Business Continuity Management in Local Government
- Securing Critical ICT infrastructure for Water and Trains
- Soil Health Management
- Delivery of the Nurse On Call Service
- The Department of Human Services’ Role in Emergency Recovery
- Managing Drug and Alcohol Services
- Management of the Freight Network
- Victorian Registration and Qualifications Authority
- Victoria’s Natural Waterways – Managing Environmental and Community Consumption Needs
- Health and Wellbeing of Farming Families in Rural Communities

Visiting delegation

In February 2010, 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 2010

Inquiry into the 2010-11 Budget Estimates - Part Three

The Committee looks forward to tabling its third report on the 2010-11 Budget Estimates in late 2010. The Report on the 2010-11 Budget Estimates – Part Three will consist of detailed analysis, including recommendations, relating to the Budget Estimates for 2010-11. The Committee will incorporate a new chapter with analysis on Strategic Planning underpinning the 2010-11 budget and forward estimates.

It will also contain information relating to responses received to questions taken on notice and further information provided by Ministers, together with any additional information sought in relation to the responses received to the Committee’s Budget Estimates questionnaire.

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.

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 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 tabled a discussion paper in February 2010 for further public consultation. Submissions were received and public hearings held in April and May 2010. The Committee is currently consulting with other national and international jurisdictions and seeking expert opinions, where appropriate. The Committee will present the final findings of its investigations to the Parliament of Victoria by October 2010, as scheduled.
Reviews of the findings and recommendations of the Auditor-General’s reports

The Committee will be reporting on the Auditor-General’s reports tabled July 2008 to December 2008. This will include two priority one (Round Five) Auditor-General audit reports for follow-up reviews, in relation to:

- Managing Acute Patient Flows; and

Public Hearings for these reports were held in April 2010.

This report is anticipated to be tabled around August 2010 and will also contain findings and possible recommendations on a number of lesser priority audits, namely:

- Private Practice Arrangements in Health Services;
- Managing Complaints against Ticket Inspectors;
- Enforcement of Planning Permits; and
- School Buildings: Planning, Maintenance and Renewal.

Financial Audit of the Victorian Auditor-General’s Office and Performance Audit of the Victorian Auditor-General and the Victorian Auditor-General’s Office

The Audit Act 1994, as amended, requires that an independent financial auditor be appointed for a period of three years to conduct annual financial audits of the Victorian Auditor-General’s Office, and that an independent performance auditor be appointed to conduct a performance audit of the Victorian Auditor-General’s Office, once every three years.

An independent financial auditor and an independent performance auditor were appointed by Parliament following the Committee’s recommendations after a submission and selection process in May 2010.

The financial auditor’s preliminary report and audit opinion for the first financial audit for the financial year ending 30 June 2010 is to be submitted to the Committee and Auditor-General by 29 July 2010.

A final report on the conduct of the audit and audit opinion will be submitted to the Committee as soon as completed. The auditor may make a report to Parliament on the audit on any matter thought fit for the more effective, efficient and economic operation of the Victorian Auditor-General’s Office.

The timeframes for the remaining two financial audits for the financial years ending 30 June 2011 and 30 June 2012 will be agreed to with the Committee prior to the commencement of the next financial audit for each of those two years.

The performance auditor submitted a progress report to the Committee on 30 June 2010. A final report is to be submitted to Parliament by 15 September 2010.
Committee performance at a glance - 2009-10

Committee of the 56th Parliament:

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
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<tbody>
<tr>
<td>Sub-Committees active</td>
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<tr>
<td>Witnesses who appeared before the Committee (all hearing sessions)</td>
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<tr>
<td>Reports tabled</td>
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<tr>
<td>Recommendations made</td>
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<tr>
<td>Submissions received</td>
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<tr>
<td>Public hearings held</td>
<td>58</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
  - Richard Dalla-Riva MLC
  - Jennifer Huppert MLC
    *(new member from 22 February 2010)*
  - Janice Munt MP
    *(resigned 1 February 2010)*
Members’ attendance at meetings and hearings

56th Parliament 2009-10:

Number of meetings and hearings held

**Full Committee**

<table>
<thead>
<tr>
<th></th>
<th>No. of private meetings</th>
<th>No. of public hearings</th>
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<tbody>
<tr>
<td>Number of private meetings</td>
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</tr>
<tr>
<td>Number of public hearings</td>
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**Audit Sub-Committee**

<table>
<thead>
<tr>
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<th>No. of private meetings</th>
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<tbody>
<tr>
<td>Number of private meetings</td>
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Number of meetings and hearings attended

<table>
<thead>
<tr>
<th>Member’s name</th>
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<th>Full Committee</th>
<th>Audit Sub-Committee</th>
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<tr>
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<td>No. of private meetings eligible to attend</td>
<td>No. of private meetings attended</td>
<td>No. of public hearings eligible to attend</td>
</tr>
<tr>
<td>Bob Stensholt MP (Chair)</td>
<td>17</td>
<td>17</td>
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</tr>
<tr>
<td>Kim Wells MP (Deputy Chair)</td>
<td>17</td>
<td>16</td>
<td>58</td>
</tr>
<tr>
<td>Richard Dalla-Riva MLC</td>
<td>17</td>
<td>17</td>
<td>58</td>
</tr>
<tr>
<td>Judith Graley MP (joined Committee 2 February 2010)</td>
<td>8</td>
<td>6</td>
<td>54</td>
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<tr>
<td>Jennifer Huppert MLC</td>
<td>17</td>
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<td>58</td>
</tr>
<tr>
<td>Janice Munt MP (resigned from Committee 2 February 2010)</td>
<td>9</td>
<td>9</td>
<td>4</td>
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<tr>
<td>Wade Noonan MP</td>
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<td>Sue Pennicuik MLC</td>
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<tr>
<td>Gordon Rich-Phillips MLC</td>
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<tr>
<td>Robin Scott MP</td>
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<tr>
<td>Bill Sykes MP</td>
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*Note 1: Ms Jennifer Huppert MLC substituted for Mr Richard Dalla-Riva MLC at an Audit Sub-Committee meeting of 27 July 2009.*
**PAEC budget and expenditure 2008-09 to 2009-10**

<table>
<thead>
<tr>
<th>Category</th>
<th>Expenditure 2008-09</th>
<th>Revised Budget 2009-10</th>
<th>Expenditure 2009-10</th>
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<tr>
<td></td>
<td>($)</td>
<td>($)(a)</td>
<td>($)</td>
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<tr>
<td>Salaries and associated costs of the Secretariat</td>
<td>563,434</td>
<td>661,700</td>
<td>612,265</td>
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<td>Committee inquiries</td>
<td>231,929</td>
<td>198,200</td>
<td>163,439</td>
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<td>Administrative expenses</td>
<td>42,768</td>
<td>17,300</td>
<td>14,827</td>
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<tr>
<td>Members’ expense allowances</td>
<td>15,771</td>
<td>19,800</td>
<td>15,422</td>
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<tr>
<td>Total expenditure</td>
<td>853,902</td>
<td>897,000</td>
<td>805,953</td>
</tr>
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</table>

Notes:  
(a) The original budget allocated to the PAEC for 2009-10 was $947,000. In April 2010, a review was undertaken by the Presiding Officers of budget requirements to 30 June 2010 for all joint investigatory committees. As the PAEC was unable to fill a Senior Research Officer Gr 5.2 position, vacant since July 2009 until March 2010, $50,000 of the Secretariat’s original budget for salaries and associated costs was re-allocated to fund the activities of other joint investigatory committees.

(b) For this category, the variance of actual expenditure from the revised budget predominantly reflects four months of salaries and associated costs for a vacant position of Research Officer Gr. 5.1.

(c) For this category, the variance of actual expenditure from the revised budget predominantly reflects a revised timeframe for obtaining expert constitutional and legal advice for the PAEC’s Audit Act Inquiry 1994.

The Committee has consistently taken the view that the structure and remuneration arrangements of the Secretariat are inadequate. Appropriate funding has been provided through the appropriations by the Premier beginning with the 2007–08 budget.
Public Accounts & Estimates Committee reports 2009-10

Reports of the 56th Parliament

<table>
<thead>
<tr>
<th>Report number</th>
<th>Date tabled</th>
<th>Title of report</th>
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<tbody>
<tr>
<td>88</td>
<td>15 October 2009</td>
<td>Report on the 2009-10 Budget Estimates – Part Two</td>
</tr>
<tr>
<td>90</td>
<td>17 September 2009</td>
<td>PAEC Annual Report 2008-09</td>
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<tr>
<td>91</td>
<td>17 September 2009</td>
<td>Review of the Findings and Recommendations of the Auditor-General’s Reports 2007-08</td>
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<td>92</td>
<td>4 February 2010</td>
<td>Inquiry into Victoria’s Audit Act 1994 – Discussion Paper</td>
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<tr>
<td>93</td>
<td>5 May 2010</td>
<td>Review of the Findings and Recommendations of the Auditor-General’s Reports 2008</td>
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<tr>
<td>94</td>
<td>6 May 2010</td>
<td>Report on the 2008-09 Financial and Performance Outcomes</td>
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<tr>
<td>96</td>
<td>26 May 2010</td>
<td>Report on the 2010-11 Budget Estimates – Part One</td>
</tr>
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<td>96</td>
<td>9 June 2010</td>
<td>Report on the 2010-11 Budget Estimates – Part Two</td>
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</tbody>
</table>

Note: Report no. 89, the Committee’s Notification of new Inquiry into Victoria’s Audit Act 1994 was tabled in Parliament in June 2009.
PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Address: Parliament House
Spring Street
East Melbourne  Victoria  3002

Telephone: (03) 8682 2867
Facsimile: (03) 8682 2898
Email: paec@parliament.vic.gov.au