

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into the Parliamentary Budget Officer

Melbourne—Monday, 26 April 2021

MEMBERS

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Ms Bridget Vallence

WITNESS

Mr Andrew Greaves, Auditor-General, Victorian Auditor-General's Office.

The CHAIR: Welcome, Auditor-General, to the public hearings for the Public Accounts and Estimates Committee's Inquiry into the Parliamentary Budget Officer. The committee is reviewing and reporting to Parliament on the operation and resourcing arrangements for the Parliamentary Budget Officer, including how well the Parliamentary Budget Officer's functions are performed.

All mobile telephones should now be turned to silent. All evidence taken by this committee is protected by parliamentary privilege. Therefore you are protected against any action for what you say here today but if you repeat the same things outside this forum, including on social media, those comments may not be protected by this privilege.

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We invite you to make a brief opening statement presentation of no more than 10 minutes. We ask that you state your name, position and organisation represented for broadcasting purposes, and this will be followed by questions from the committee. Thank you.

Mr GREAVES: Thank you, Chair. Andrew Greaves, Auditor-General, representing the Victorian Auditor-General's Office. Thanks for the opportunity to appear before the committee this morning. The first thing I would say to the committee is I really cannot offer the committee any insights or commentary on the performance of the PBO and nor should I, given that the PBO does not fall within my mandate. In my very brief submission to the committee I only raised two areas relating to financial management. The first area was around the financial autonomy of the PBO. I raised that only inasmuch as the committee in its consideration and deliberations, and potential recommendations arising from the committee's deliberations, there may be broader implications for other independent officers of the Parliament and how they are funded. So that is the context within which I raised the first part of my submission—just to be aware of the other independent officers and maybe take those into context when looking at the operation of the PBO.

The second part of my very brief submission really goes to the status and standing of the PBO in terms of the requirement to produce the set of financial statements and have them audited, and I make it clear in my submission that I am now amenable to a request I received from the PBO to undertake an audit by arrangement under my Act. That is my opening statement. I am happy to take any questions to clarify anything in my submission or any other questions.

The CHAIR: Thank you very much. Ms Vallence, MP.

Ms VALLENCE: Thank you very much, Mr Greaves. You recently observed in your major projects review that the government has a tendency to underestimate costs and overestimate benefits during projects conceptualisation and approval processes. In major state capital projects this can have consequences for Victorians—obviously things around delays in terms of infrastructure that is needed or increased costs to the taxpayer. To improve transparency about the cost associated with major projects, do you think there is a role for the Parliamentary Budget Officer to get access to this information through undertaking its budget updates?

Mr GREAVES: Look, could I first respond to that question just with a point of clarification. I think it is important. You refer to my recent review of major capital projects. That review is in progress. There has been no parliamentary report tabled in relation to that review. I published a dashboard on my website a week ago, which was simply the publicly available information extracted from budget paper 4 over the last four or five years. And your observation that I had made commentary in the review about overspends and overtime would not be a correct characterisation. If you read my website, what we actually say—and that was a part of our audit specification—is 'research indicates', so we were not attributing that particular commentary to the state government here, there or anywhere. It was simply a matter of fact stating that research would tell us that major capital projects quite often are subject to cost overruns and time overruns. I just wanted to make that clear for

the record. We have not made any finding or made any statement to that effect as it goes to the government's current or past capital programs in the context of your question.

Now, your question about whether or not I think it would be good for the PBO to be able to access that information and report on it. I think, again, I am careful that the PBO is not a part of the public sector and does not fall within my mandate. And I would certainly want to express a view about the public sector and its reporting on major capital projects, but I do not think I can express a view on the PBO and its role, given that the PBO is an independent officer of the Parliament separate to and a part of—we will come to that when we get to the financial reporting—the Parliament. And so I do not know if I am going to make you happy, but I do not think I can answer that question.

Ms VALLENCE: In terms of the public sector making that information available to the PBO, we understand from the PBO that there has been an issue with public sector information supply. Is that something that is critical to the PBO's performance, do you think?

Mr GREAVES: Well, again, I will frame my answer—

Ms VALLENCE: Or reporting on its budget.

Mr GREAVES: first in terms of my own access power. Whether the PBO has had trouble accessing public sector information, I am not aware. In terms of directly, I am obviously aware of the PBO's public reporting, but the extent that his office has had difficulty and the nature of that difficulty I cannot really pass commentary on. Certainly in the discharge of my own functions given my legislative objectives, my Act provides very clear access powers. That would be what I would observe in response to your question.

Something I said in my submission: if the committee is considering the legislation of the PBO, the powers and functions of the PBO, we have drawn to the committee's attention that, at least in the audit space, we have established internationally recognised frameworks of what are good features—if you like, a normative model of what a good audit office should be. And we have established through the Lima Declaration, which is cross-referenced in my submission, these principles of independence. And one of the principles of independence is about access powers.

Mr RIORDAN: Just on that—we have just got a minute and a half left—can I just follow up? You have powers to create a penalty if there is a lack of cooperation in asking questions. The PBO does not have that power. We have heard this morning of the lack of answers and timeliness from government agencies and departments. Is the power that you have a useful power in enabling you to be open and transparent and to get your commitment to the Parliament and the people of Victoria done?

Mr GREAVES: From my own perspective, given my own legislative functions, powers and objects, it is a useful power. It is not a power that I exercise. I think you are talking about my ability to issue an information-gathering notice, which is a coercive power.

Mr RIORDAN: Have you used that?

Mr GREAVES: I do not use that power. I reserve it, I treat it as a reserve power. I try to establish first and foremost a cooperative and productive relationship with the public sector.

Mr RIORDAN: I understand that, but do you think that the agencies themselves are cognisant of the fact that you have that in terms of their ability to cooperate?

Mr GREAVES: They certainly are aware of the coercive power and they would understand that if I needed to, I would exercise that power. But I cannot really comment about the PBO, given that—

Mr RIORDAN: No, I accept—

Mr GREAVES: they have different legislative objectives and functions.

Mr RIORDAN: I am seeking your experience in having that power because it has been alluded to that we do not have that with the PBO. The PBO has a responsibility to provide relevant and accurate data to taxpayers but most importantly to members of Parliament. Thank you.

The CHAIR: Thank you very much. Mr Limbrick.

Mr LIMBRICK: Thank you, Chair. I would like to just follow on with that for a minute. Could you maybe describe how that relationship works? We have heard from the PBO how their relationship with the different departments works; they are trying to set up MOUs and that sort of thing. I would be interested to hear how that relationship works from the Auditor-General's Office and what happens when there are issues with timeliness and things like that. How do you manage that sort of thing?

Mr GREAVES: Well, the contextual setting for that question is that we have been around 150 years and the PBO has been around for a very much shorter time frame—

Mr LIMBRICK: Indeed.

Mr GREAVES: and therefore we have a public sector and a public service that understands completely the role and powers and functions of the Auditor-General. So do I have trouble accessing information? On occasion I do. And it has been remarked—I mean, I do have this reserve power to issue an IGN or in fact an entry notice to go into a premise, which I have not needed to use because I have been able to work with the public sector in getting the information I need to do my audits. So yes, we do sometimes get some delays. Particularly in this last year with COVID a number of requests were made to delay responding to my information requests, and we acceded to most of those, but in the normal course of events, setting aside COVID, occasionally there will be a delay. It is up to my team and me to determine whether or not we think the delay is to try and prevent us from getting access to information we need, but generally the judgement is that it is not—it has got more to do with administrative effort, resources and availability. But suffice to say, we persist and we get all the information we need. However, the other contextual statement is that my time frames are set by myself effectively, and so if I am subject to delay, what it may mean is my report might be tabled a month or two months after I had hoped it would be tabled. The PBO obviously has a time-critical function in the context of elections, so the fact that they are subject to delays may in fact be more important in their operating setting than in mine.

Mr LIMBRICK: Thank you.

The CHAIR: Thank you. Mr Hibbins.

Mr HIBBINS: Thank you. Just briefly—I think we have covered a lot in terms of the VAGO's powers—could you just distil for the committee what your powers are in terms of getting information from departments, how you go about it and to what extent your powers can be compared to the powers of the PBO?

Mr GREAVES: Well, my powers in my Act gives me access to all public sector information at state and local government level, and my Act makes very clear, explicit reference to the fact that there is no restriction on me obtaining access to information regardless of any security classifications or other classifications in terms of confidentiality. So I routinely have access to cabinet-in-confidence information, and this is specifically mentioned in the Act. I think my Act says something to the effect that, notwithstanding or overriding any other Act and limitations that any other Act may impose, I have access to that information.

What my Act does is preclude me sometimes, and causes me to reflect on whether or not I would do so, from making any of that information publicly available. I have a public interest test to examine whether or not I would make the information that I obtain publicly available, and there are some restrictions there that I consider in terms of doing that. But beyond that, the way we go about obtaining information is we have a process, as the committee will be well aware, of setting up in a performance audit context a specification and consultation and engagement with the entities. So we are very open, we are very transparent, about exactly what it is we are interested in, what the lines of inquiry are. We issue a work plan and an audit plan, and everyone is fully informed about the subject matter and therefore everyone is really fully informed about the breadth, if you like, of the information which we are seeking. We engage very early in the audit process on issuing our information requests and our data requests. So it is about being clear, open and transparent at the front about what we are after, everyone understanding what the audit is about, and then asking for that information.

Mr HIBBINS: Thank you.

The CHAIR: Thank you, Mr Hibbins. Mr Richardson.

Mr RICHARDSON: Thank you, Chair, and thank you, Auditor-General, for your time today. I am interested in the context of any crossover or interactions that you have with the Parliamentary Budget Office. Obviously the publicly available information reports that you prepare would be a great source of advice and underpinnings of their assumptions, but is there any formal engagement or relationship that you have with the Parliamentary Budget Office?

Mr GREAVES: The only formal engagement or relationship goes to the audit of the PBO's financial information, and I allude to that in my submission. This is an area of concern for me and no doubt an area of concern for the PBO. Clearly the PBO is using public moneys and spending public moneys, and therefore that expenditure and the revenue should be reflected in the state's annual financial report. Therefore I have to engage in the auditing of that information.

Previously the PBO, I think, was utilising the services of Parliament and their service providers, so when I was doing my audit of the Parliament of Victoria it was a simple, pragmatic, practical thing to include within that and encompass within that looking at the transactions of the PBO. Now that the PBO has set themselves up separately in terms of their financial and HR systems, if I am to audit that information I now have to undertake a separate audit, separate from the Parliament of Victoria.

So this is where the issue of the status of the PBO, as it goes to the *Financial Management Act*, the *Public Administration Act* and the *Parliamentary Administration Act*, and I guess my observation and my technical advice is that we have created here a bit of a chimera. We have a PBO which does not fit within the FMA at all, that is excluded, I think, under the *Parliamentary Administration Act*, is created as an independent officer but then deliberately and exclusively excluded from being a parliamentary officer, which therefore means that the *Public Administration Act* is not captured or animated by it. So we have this strange beast of a PBO, which appears to, under its own Act, require it to produce an annual report of operations but not require it to produce a financial statement and have it audited.

Now, I would contrast the situation with my own organisation, where there is specific reference to my office being set up as an office that must produce an annual financial report and have it audited. So we have these differences between my office and the other independent offices of the Parliament and the PBO as it comes to financial reporting. I mentioned, I think back in about June or July last year, the PBO wrote to me and asked whether or not under my public purpose provisions of my *Audit Act* I would consider undertaking an audit by arrangement. My technical advice now is that I can do that and in fact I should do that, because technically under the accounting standards, while the PBO's financial information has been captured within the Parliament of Victoria up until now, that in fact is technically not strictly correct in terms of the accounting standards, because the PBO is not controlled by the Parliament—and that is made clear through the PBO Act.

The outcome of that is that the PBO could not produce any financial report, and there would be no requirement for the PBO to produce a financial report or have it audited. So I think it is positive that the PBO has reached out to me and asked for me to do an audit by arrangement and for them to voluntarily, effectively, produce a financial report. However, it may be that in the interests of transparency and accountability and for the avoidance of doubt the committee may be minded to think about whether or not the legislation of the PBO needs to be amended and that remedied.

Mr RICHARDSON: In preparation for your submission, Auditor-General, is that a bit of an anomaly in Victoria or is that across other jurisdictions?

Mr GREAVES: I cannot comment on other jurisdictions and how PBOs go, but I can certainly say it seems anomalous to me and would be anomalous in any other jurisdiction if that was the case. I mean, the underlying tenet or precept is that if you are spending public moneys, you should be accountable for the use of those moneys, and the financial report is the primary accountability document in conjunction with the report on operations. This is why these two things are always required to be tabled together, and of course when you look at the PBO's annual report on operations, he has taken it on himself to put some summary financial information in there, but unaudited and not required.

Mr RICHARDSON: I will just take you to I guess the functions of the PBO in terms of cost inputting together in quite a super-charged and time-sensitive environment some of the costings and the like. Obviously you would acknowledge, Auditor-General, that there is 100-plus years service in the office of the Auditor-General, but the PBO is quite recent—four years. Do you have concerns about their costings or what is then put

out publicly, that you are auditing longer term and how that interacts with some of the reports you will do and some of the assumptions that they make before you come to audit or into the future?

Mr GREAVES: No, I do not have any particular concern, particularly when we are talking about prospective financial information, which is really the role of the PBO, looking at policy costings. The reports there must by their nature be prospective in that they are predicting what the expenditure or revenue may be, but these things may never happen. I have the analogue in that I do an annual review of the estimated financial statements of the government where we look at the general government expenditure, the budget there. So we have an analogue, if you like, between some of the things we look at, although I would understand that the PBO's purview is broader than mine. My focus is on the GGS income and expenditure. But at the end of the day the budget itself is prospective financial information. My review opinion on that is qualified to that extent—that it is only a review opinion—and there will be different ideas about what the revenue or expenditure outcomes from particular policy settings may be. I do not see that that after the event would compromise or limit any other observation I may have. So, again, the analogy I would draw—and we are quite clear when we talk to Treasury and Finance about this in putting our review opinion into the state's estimated financial statements—is that even if we take a decision today on the best possible advice, on what we understand today, that may not be the same decision we take when we go and look at the annual financial report of the state after the event. So things change; this is just a fact of life. What we are interested in in the context of any forecast, any estimation of future revenue or expenditure, would be clear enunciation of the underlying assumptions and clarity about the risks in relation to those assumptions. I think that would hold for the state's financial statements, and it would probably hold for the PBO's own advice.

Mr RICHARDSON: Just in the final couple of minutes I have got, Auditor-General, obviously you submit an annual work plan, a long run-up of the work that you undertake. It is a different sort of setting for the Parliamentary Budget Office. What has been put forward to departments across the public service can be anything from a particular policy purview of a member of Parliament all the way through to the opposition policy. Do you think that there needs to be a greater understanding of the impacts on the departments in providing that information and the fact that they cannot predict—like the Auditor-General's functions—on an inquiry coming up or coming forth and that the timeliness argument there needs to be considered with the pressures that the departments and the public service are under already?

Mr GREAVES: Look, again, in responding to that I would not want to make direct observations about the arguments for or against timeliness pressures of departments as they go to the PBO's requests, because I do not understand the PBO's requests or the workload implicit in those. Obviously if the requests are more aligned with current government policy agendas, then there should be an underlying set of data that should be able to be tapped to respond to that. But my general observation is that we are all subject to different priorities and resource pressures, and it is simply a matter of prioritisation. This is what I have found throughout my career as Auditor-General. Organisations will tell me they do not have enough time or resources to do things. They do not necessarily demonstrate that, one, they are doing the best they can with their current time and resources, and then they do not really speak to then what their priorities are. So, you know, without speaking specifically to the success or otherwise of the PBO in obtaining information, if you are unable to obtain information, that would be a signal that that request has not been afforded priority. So to come back to an earlier question about how I approach it, if we are subject to delays, we have an escalation protocol within our audits whereby if I need to, I will talk to the secretary of the department about the delays we are experiencing. We rarely need to get to that situation, but certainly the team escalates. Now, obviously the PBO is a very small organisation. It may be the PBO are doing all of the engagement—I do not know—and therefore there is no-one else to escalate to, but that is how it works in my organisation.

Mr RICHARDSON: I think I have run out of time there. Thank you, Auditor-General.

The CHAIR: Thank you very much, and that concludes the time we have available for consideration with you today. We thank you very much for appearing before the committee today. The committee will follow up on any questions which were taken on notice in writing, and responses will be required within five working days of the committee's request. The committee will now take a short break before moving to consideration of its next witness. I declare this hearing adjourned. Thank you for your time, Auditor-General.

Witness withdrew.