PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

THIRTY-SIXTH REPORT TO PARLIAMENT

REPORT ON REFORMS FOR SCRUTINISING THE BUDGET ESTIMATES

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Report on Reforms for scrutinising the Budget Estimates
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PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE
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DUTIES OF THE COMMITTEE

The Public Accounts and Estimates Committee is a joint parliamentary committee constituted under the Parliamentary Committees Act 1968, as amended.

The Committee comprises ten Members of Parliament drawn from both Houses of Parliament and all political parties and includes an Independent Member.

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

(a) any proposal, matter or thing connected with public administration or public sector finances;

(b) the annual estimates or receipts and payments and other budget papers and supplementary estimates of receipts and payments presented to the Assembly and the Council.

In consultation with the Auditor-General, the Committee determines the objectives of performance audits and identifies any particular issues that need to be addressed during these audits.
Report on Reforms for scrutinising the Budget Estimates
1. Introduction

The annual review of the Budget Estimates is one of the most important functions of the Public Accounts and Estimates Committee. The estimates process provides the major opportunity for the Parliament, through the Committee, to assess the performance of the Victorian public sector and the administration of government policies and programs.

During the past three years, the process has evolved from eliciting basic information about government expenditure to a wide-ranging examination of expenditure with a focus on performance and outcomes. The effect is cumulative, in that an individual question may not have any significant impact, however the sum of questions and the process as a whole help to keep executive government accountable and place a great deal of information on the public record, on which judgements may be based.

2. An outline of the current arrangements

Following a briefing by officers of Department of Treasury and Finance on the proposed format of the budget papers, the Committee prepares an extensive questionnaire on government expenditure and departmental performance to supplement the aggregate information contained in the budget papers. This questionnaire is then forwarded to all departments in early April.

Questions are then prepared which are based on an analysis of the budget documents, the departmental responses to the questionnaire, relevant annual reports and reports from the Auditor-General and, if available, corporate plans. Ministers and senior departmental officers are then invited to attend public hearings where they are questioned by Members of the Public.
Accounts and Estimates Committee about the expenditure and performance of their departments.

In previous years, the Committee’s review of the budget estimates involved a review of:

- the outcomes for the financial year; and
- the estimates of expenditure for the following financial year.

However, when the decision was made in 1997 to bring down the Budget prior to the start of the financial year, it became difficult to question departments on their outcomes or to properly scrutinise financial or performance data because no actual measurement data for the current financial year was available. The Committee also did not have details of actual expenditure against estimates for the year or a draft annual report, containing detailed information on the achievements for the year. These difficulties were further compounded by the fact that, in some cases, corporate plans were not finalised by the time the estimates hearings commenced.

Without all of this information, it has been difficult for the Committee to undertake a meaningful review of the intentions and actual results of departments. Consequently, the Committee’s hearings on the estimates process are mainly concerned with reviewing the proposed expenditure for the next financial year and are unable to cover budget outcomes.

3. Problems with the present system

As identified in previous Committee reports\(^1\), there are a number of problems with the present estimates system. These include:

- most portfolios are allocated only two hours for their public hearings. This does not take into account:

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• the diversity and complexity of functions to be reviewed ie Department of Human Services which encompasses health, aged care, youth and community services, housing and aboriginal affairs;

• the level of expenditure involved ie Department of Human Services with a budget of $6.7 billion represents approximately 30 per cent of the Budget compared with Department of State Development with a budget of $238 million, which represents approximately 1 per cent of the budget;

• topicality and interests of Members in each portfolio;

  ❖ on average Committee Members only get to ask three or four questions at each estimates hearing therefore the emphasis is on political issues;

  ❖ some portfolios are only reviewed once in the life of the Parliament (ie every three years) for example police and emergency services, agriculture, environment and conservation, and Department of Premier and Cabinet;

  ❖ questions are unstructured rather than focussing on a systematic review of all output groups;

  ❖ budget documentation is now presented in output groups which can mean that three or four Ministers are responsible for the delivery of services funded by each output group;

  ❖ timetable for the estimates hearings presents a number of difficulties because a number of key supporting documents (ie corporate and business plans, final budget figures; and annual reports) are not available to assist with the scrutiny process; and

  ❖ the present arrangements permit only a cursory examination of the budget estimates.
4. **Estimates process in other jurisdictions**

Attached at Appendix 1 (page 9) is a schedule outlining the estimates committee process in other Parliaments.

The major differences with the Victorian system are:

- in most other jurisdictions, all ministerial portfolios are reviewed each year;
- the Premier, or the Ministerial representative in the Upper House (if the review is undertaken by the Legislative Council) appears before the relevant parliamentary committee;
- some parliamentary committees have access to corporate and business plans;
- some Parliaments, the Senate and the ACT Legislative Assembly have supplementary hearings later in the year to review final budget figures; departmental annual reports and to follow up issues raised in answers to questions taken on notice at the estimates hearings.

5. **Proposals for reforms**

5.1 **Two-phased process**

After reviewing developments in other jurisdictions, the Committee has resolved to introduce a two-phased estimates scrutiny process that would involve:

- estimates hearings between May and August with the Committee examining Ministers on the proposed expenditure of departments for the next financial year (for example 2000-2001); and

- a further review process in October and November with the Committee examining departmental officers on the outcomes of the previous financial year (for example, 1999-2000).
This will involve a retrospective review of the annual reports of departments, the government’s statement of budget outcomes, the financial report for the State, and a review of corporate and business plans.

The additional review process would focus on the operation and performance of agencies over the previous financial year and complement the initial estimates review process.

As far as possible, the Committee’s supplementary inquiries would be based on quick, relatively informal hearings and produce a short report for the Parliament.

The emphasis would be on reviewing outcomes and performance and providing constructive feedback. It would also provide an opportunity for agencies to publicise their achievements and for the Committee to review the form and content of annual reports.

This new process would enhance the accountability of agencies and give the Parliament more meaningful information about results achieved compared with the results intended by agencies.

5.2 All Ministers to attend

The Committee believes that by only inviting the major ministries (Treasury and Finance; Education; Health; and Transport) each year and then only the remaining portfolios once in the life of the Parliament, some areas of the public sector have had limited scrutiny undertaken of their activities or financial performance.

The problem was further exacerbated by the practice of inviting all Ministers responsible for a department to the same hearing (for example, Department of Infrastructure involved three Ministers). As only two or three hours were allocated for the hearing this meant that in some cases, such as with the Minister for Roads and Ports, little attention was focused on this portfolio as preference was given to the larger and perhaps more controversial portfolios such as Transport, or Planning and Local Government.
The Committee has resolved that in future all Ministers will be invited to attend separate estimates hearings.

5.3 Use of sub-committees

In the previous Parliament, the full Committee undertook the review of the budget estimates. This meant that individual Members could only ask three or possibly four questions within the timeframe allocated, with little opportunity to ask follow-up questions. With the Committee’s current membership of ten there will be even less opportunity for Members to ask questions, unless a more flexible time frame is adopted.

After considering a number of possibilities, the Committee has resolved to appoint a number of sub-committees (consisting of between four and ten Members) to review each ministerial portfolio. This arrangement will provide an opportunity for Members to ask more questions and to concentrate and specialise in an area of expenditure that is of greatest interest to them. The nomination of Members to various sub-committees does not preclude some Committee Members from being on a number of estimates sub-committees, or Committee Members attending other estimates hearings in which they are interested.

5.4 Allocation of time

In the past, each portfolio has been allocated a set amount of time, generally two hours. This has been most unsatisfactory because in the majority of cases there has only been sufficient time to ask general questions rather than systematically reviewing all output groups.

While the Committee has decided that in future it will determine the amount of time for each portfolio based on the number of output groups and the topicality of each portfolio, it is of the view that generally two to three hours will be adequate to review each portfolio.
5.5 Questions on Notice

In the past, questions could only be placed on notice if a Minister agreed to answer the question. In future, Committee Members will be able to put technical or complex questions on notice prior to the commencement, and at the conclusion, of the hearings.

Ministers will be expected to answer these questions within a reasonable period, for example 30 days.

5.6 Scheduling of estimates hearings

The estimates hearings will commence during the third week in May with hearings to be held during the period June to August. The Committee anticipates tabling its report on the Budget Estimates for 2000-2001 in October 2000.

6. Conclusion

The proposals outlined in this report represent significant reforms to the budget scrutiny process. The Committee believes that these new arrangements will improve accountability and provide more detailed information to the Parliament and the community on how well government policies, services and programs are being delivered.
Report on Reforms for scrutinising the Budget Estimates
APPENDIX 1

Review of Estimates Process in other Jurisdictions in Australia
(as at February 2000)