



# **PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE**

**SIXTY FIRST REPORT TO THE PARLIAMENT**

## **ANNUAL REPORT FOR 2003-2004**

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**Parliament of Victoria**

**Public Accounts and Estimates Committee**

*Annual Report for 2003-2004*

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## CHAIR'S REVIEW

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This annual report on the Committee's performance is an integral part of our accountability relationship with the Parliament. The information in this report provides a comprehensive picture of our actual performance against our corporate plan and expands upon the details included in the 2003-04 annual report of the Department of the Legislative Assembly.

The Committee's mission statement is, on behalf of the Parliament and the people of Victoria, to scrutinise and assess Government accountability and performance, and promote improvements where necessary. As information contained in this annual report will demonstrate, we believe that during 2003-04 we have delivered on our corporate mission.

In 2003-04 the Committee was very active, we completed six reports and four inquiries, which have yet to report. Our recommendations influenced Government decisions on a range of economic, social and environmental issues. We were particularly pleased that several departments have taken up our suggestions for improvements in their financial and performance reporting and this is reflected in the information included in the 2004-05 Budget Papers and in their 2003-04 annual reports.

Government acceptance of our recommendations continues at a high level (overall 82 per cent in 2003-04 and 90 per cent in the report on the 2003-04 budget estimates) and we believe this demonstrates the value of our reports. In addition, the Committee's reports – particularly the reviews of the budget estimates and budget outcomes – are frequently referred to by parliamentarians in debates in the Parliament and the information contained in those reports assists with the public scrutiny of Government performance. The Premier acknowledged at the 2004-05 estimates hearings that the Committee provides an important accountability role in Government.

The Committee and its secretariat appreciate the cooperation we received in 2003-04 from Ministers, senior departmental officers, the Auditor-General and the staff of the Victorian Auditor-General's Office in providing information, explanations and briefings. I also want to record our thanks to the many individuals and organisations that also assisted us by providing evidence in relation to our inquiries. This contribution significantly enhances the work of the Committee.

The Committee is preparing for some tough challenges over the next year to ensure that the Committee continues to fulfil its legislative mandate and meets the expectations of the Parliament and the Victorian community.

Next year, for the first time, the 2005-06 state budget will be prepared using the new International Financial Reporting Standards (IFRS) – it will be one of the first reports in the world prepared using these standards. In addition, the Government is moving to the harmonisation of the Generally Accepted Accounting Principles (GAAP) framework and the Government Finance Statistics (GFS) framework. Both

developments will have wide-ranging implications for reporting by public sector agencies and for whole of Government reporting. It will also have ramifications for Members of the Committee as we will need to expand our knowledge and skills to enable a thorough understanding of the financial implications.

In summing up, I wish to thank the other Members of the Public Accounts and Estimates Committee and the secretariat for their contribution to the work of the Committee over the past year. Their continued commitment and hard work gives me confidence that we will continue to provide the Parliament and the Victorian community with comprehensive analysis and information for assessing the performance of Government.

A handwritten signature in blue ink that reads "Campbell". The signature is written in a cursive, flowing style.

**Hon Christine Campbell, MP**

**Chair**

## **COMMITTEE MEMBERSHIP**

---

The Committee comprises nine members - five Government Members and four Opposition Members. By tradition, the Committee's Chair is a Government Member elected by the Committee while the Deputy Chair is an Opposition Member.

### **Hon. Christine Campbell, MP Chair**

Christine is a member of the following Sub-Committees:

- Follow-up of Auditor-General's reports (Chair)
- Scoping of performance audits (Chair)
- Corporate governance in the Victorian public sector
- Private sector investment in public infrastructure (Chair)
- Staffing (Chair)

### **Hon. Bill Forwood, MLC Deputy Chair**

Bill is a member of the following Sub-Committees:

- Scoping of performance audits
- Corporate governance in the Victorian public sector
- Private sector investment in public infrastructure
- Staffing

### **Hon. Bill Baxter, MLC**

Bill is a member of the following Sub-Committees:

- Follow-up of Auditor-General's reports
- Scoping of performance audits
- Private sector investment in public infrastructure

### **Mr Robert Clark, MP**

Robert is a member of the following Sub-Committees:

- Follow-up of Auditor-General's reports
- Private sector investment in public infrastructure

**Mr Luke Donnellan, MP**

Luke is a member of the following Sub-Committees:

- Scoping of performance audits
- Private sector investment in public infrastructure

**Ms Danielle Green, MP**

Danielle is a member of the following Sub-Committees:

- Corporate governance in the Victorian public sector
- Private sector investment in public infrastructure
- Staffing

**Mr James Merlino, MP**

James is a member of the following Sub-Committees:

- Follow-up of Auditor-General's reports
- Scoping of performance audits
- Private sector investment in public infrastructure

**Hon. Gordon Rich-Phillips, MLC**

Gordon is a member of the following Sub-Committees:

- Corporate governance in the Victorian public sector
- Private sector investment in public infrastructure

**Ms Glenyys Romanes, MLC**

Glenyys is a member of the following Sub-Committees:

- Follow-up of Auditor-General's reports
- Corporate governance in the Victorian public sector (Chair)
- Private sector investment in public infrastructure

## **CHAPTER 1: PURPOSE AND METHODS OF OPERATION**

---

The Public Accounts and Estimates Committee is a joint investigatory committee of the Victorian Parliament established by the *Parliamentary Committees Act 2003*.

The Committee is the oldest of its kind in Australia and unique in that it has the dual responsibility of scrutinising public accounts and budget estimates. It was established in 1895.

### **1.1 Functions**

The Committee investigates and reports to Parliament on matters associated with state financial management. Its functions under the *Parliamentary Committees 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; and
- (b) 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.

The *Audit Act* also outlines the responsibilities of the Committee in guarding the independence of the Auditor-General and in facilitating the Auditor-General's accountability to the Parliament.<sup>2</sup>

The following information outlines the Committee's three key functions: the traditional public accounts function, an estimates function and an auditing function.

#### **1.1.1 Public accounts function**

The Committee has two roles in this area:

- following up matters of concern raised in the reports of the Auditor-General; and
- undertaking general inquiries into some aspect of financial administration or public sector management.

An important aspect of the Committee's work is to follow up on matters raised by the Auditor-General in various reports to the Parliament. The Auditor-General's reports draw Parliament's attention to financial concerns or issues relating to any public sector agency. The Committee can follow up these matters by virtue of its powers to hold public hearings and take evidence. In this way, matters raised by the Auditor-General are scrutinised for the benefit of the Parliament and the community.

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<sup>2</sup> *Audit (Amendment) Act 1999* ss. 3, 9, 16 and 25

Throughout the year, the reports of the Auditor-General raised a number of issues on which the Committee either sought a briefing or investigated further. This process may involve issues across portfolios or individual agencies.

In addition to reviewing the reports of the Auditor-General, the Public Accounts and Estimates Committee undertakes a number of public interest inquiries throughout the year.

### **1.1.2 *Estimates function***

During the period May to June, the Committee holds public hearings to scrutinise the expenditure and activities of 41 portfolios and the Parliamentary Departments.

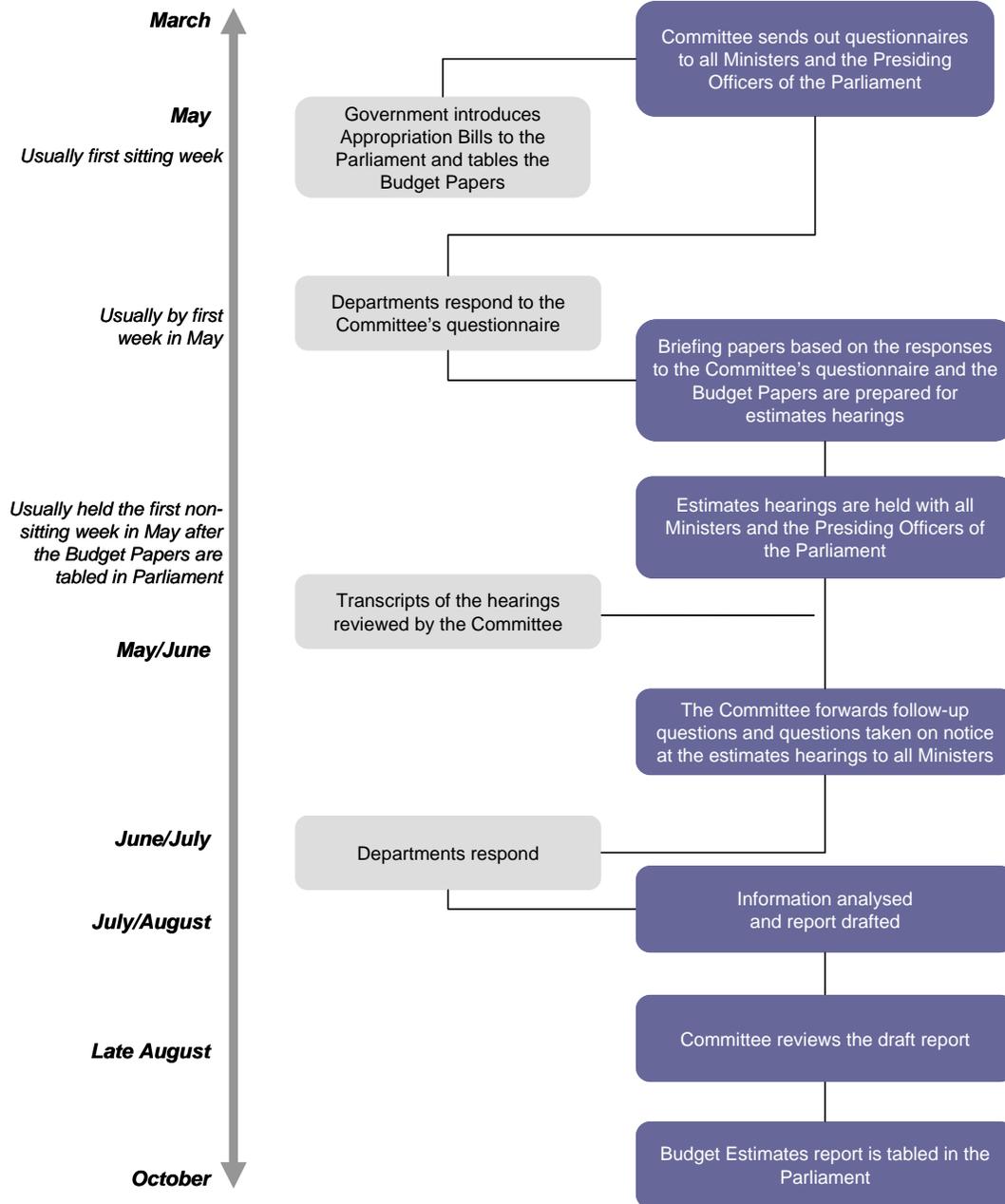
All Ministers and senior departmental officers are invited to appear before the Committee and are questioned on the proposed expenditure of departments for the next financial year.

Before the Budget is brought down by the Treasurer, the Committee forwards a questionnaire to all departments seeking information to supplement the details that will be contained in the Budget Papers. This information is analysed and background briefing papers are prepared that form the basis for many of the questions raised at the hearings.

The evidence given at the public hearings is reviewed and, where the Committee considers necessary, further information is sought. Exhibit 1.1 outlines the various stages of the Committee's review of the budget estimates.

Exhibit 1.1:

**PAEC review of the budget estimates process**



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

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

The Committee's report on the budget estimates is usually tabled in the spring session – in September or October each year.

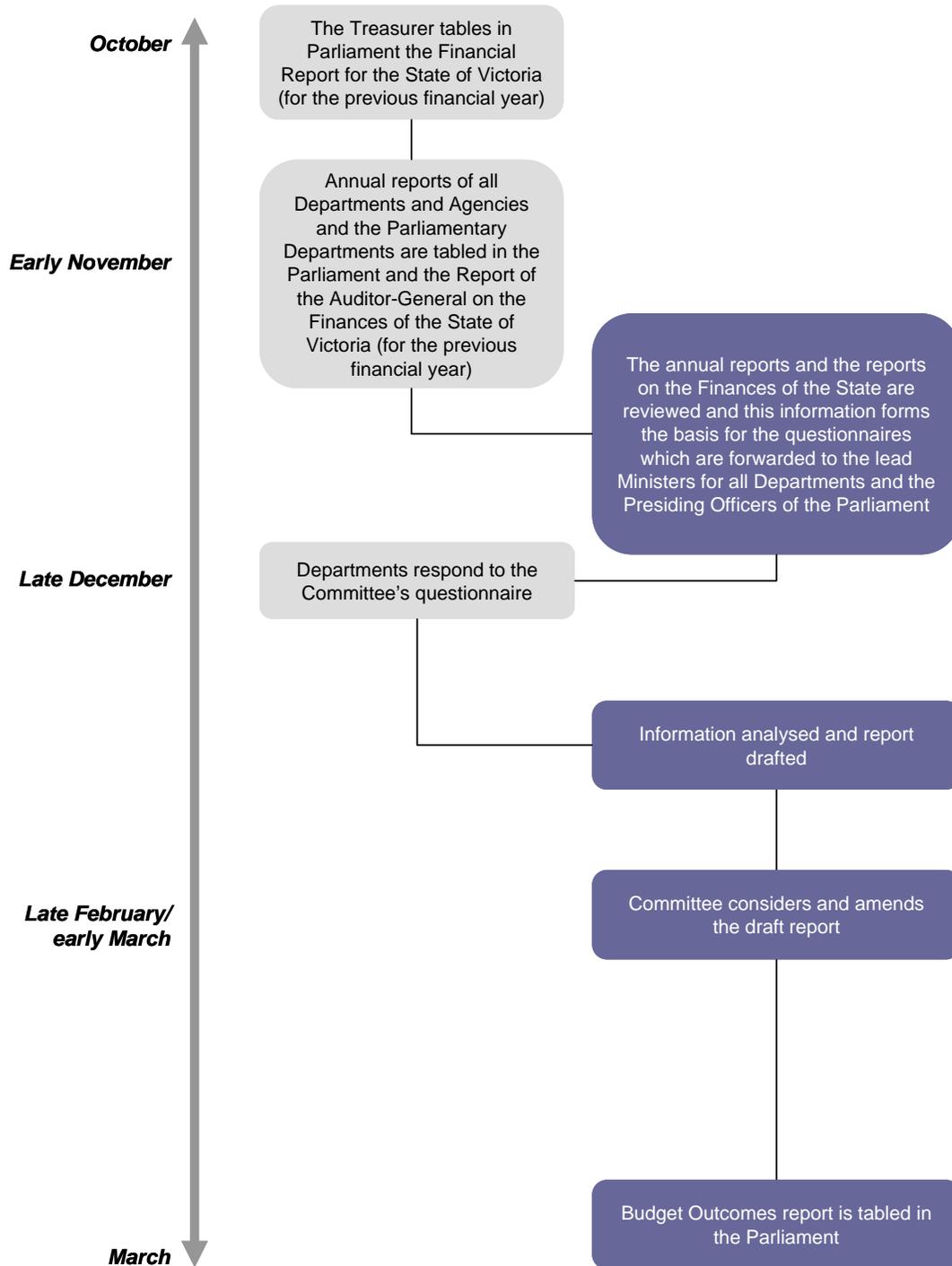
This process is then followed by a further review process in November with the Committee seeking information from departments on the outcomes of the previous financial year. This process involves a retrospective review of the annual reports of departments, the Government's Annual Financial Report, the Report of the Auditor-General on the Finances of the State of Victoria, and a review of departments corporate and business plans. Exhibit 1.2 outlines the various stages of the budget outcomes process.

This additional review process focuses on the operation and performance of departments over the previous financial year and complements the initial estimates review process.

The report on the Budget Outcomes is usually tabled in the autumn session, in late March or early April.

Exhibit 1.2:

**PAEC review of the budget outcomes process**



### **1.1.3 Auditing function**

An important function of the Committee is to act on behalf of the Parliament in relation to the Auditor-General and report to the Parliament on the Auditor-General.

The statutory responsibilities as outlined in the Audit Act, provide for the Committee to:

- recommend the appointment of the Auditor-General and the independent performance and financial auditors to review the Victorian Auditor-General's Office;
- consider the Victorian Auditor-General's Office budget estimates;
- review the Auditor-General's draft annual plan and, if necessary, provide comments on the plan to the Auditor-General prior to its finalisation and tabling in Parliament;
- have a consultative role in scoping performance audits and determining particular objectives of the audits and identifying any other particular matters that should be addressed;
- have a consultative role in determining performance audit priorities; and
- exempt, if ever deemed necessary, the Auditor-General from legislative requirements applicable to Government agencies on staff employment conditions and financial reporting practices.

During 2003–04, the Auditor-General and other members of the Office met with the Committee on several occasions to discuss:

- the Budget Estimates for the Victorian Auditor-General's Office for 2004–05;
- performance audit program for 2004–05;
- the Auditor-General's draft annual plan for 2004–05;
- proposed specifications, including planned objectives and scope, for all performance audits commenced during the year; and
- various reports tabled by the Auditor-General during the year.

## **1.2 Government responses to Committee reports**

The Committee has the power to make recommendations to the Parliament and the responsible Minister is required to respond within six months of the report being tabled.

Consideration of the Committee's recommendations is an integral part of the accountability process. The Committee records its appreciation to Ministers for their timely responses to the Committee's reports.

### 1.3 How the Committee operates

Because the Committee has the capacity to determine its own work program and priorities, it generally undertakes a number of inquiries concurrently. In 2003–04, six sub-committees were involved in reviewing the budget estimates or undertaking specific inquiries.

Generally, inquiries are advertised and the Committee invites interested individuals and organisations to make written submissions.

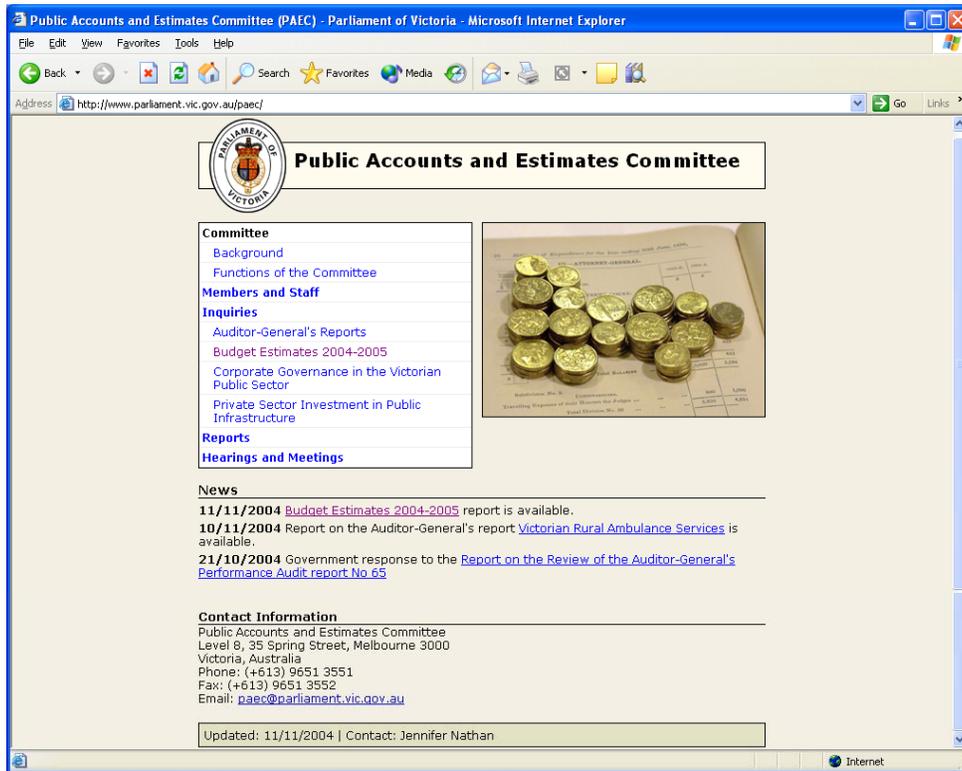
Most of the Committee's hearings, at which evidence is gathered, are open to the public and interested parties can access transcripts of those public hearings.

The Committee presents the results of inquiries in reports which are tabled in both Houses of Parliament. Copies are distributed to all Ministers, departments, industry and community organisations with an interest in the Inquiry and the reports are also available to the public.

The Public Accounts and Estimates Committee website provides background information on the Committee and its Members; details of current inquiries; meeting dates; electronic versions of the latest reports and Government responses to any recommendations contained in those reports.

During 2003-04 the PAEC web site was re-designed. The Committee's website address is: [www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec) In addition, members of the public can send submissions and requests for information electronically to [paec@parliament.vic.gov.au](mailto:paec@parliament.vic.gov.au)

## Exhibit 1.3: Public Accounts and Estimates Committee home page



## **CHAPTER 2: CORPORATE PLAN**

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To guide its work and provide a framework for the selection of Inquiry topics, the Committee has developed a corporate plan.

### **2.1 Vision and mission statement**

Making a difference for the people of Victoria by contributing to accountable and well-performing Government.

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

### **2.2 Working to improve public sector accountability and performance**

The Committee's primary purpose is to contribute to improved accountability and performance in the Victorian public service. The Committee achieves this by providing independent assessments to the Parliament and the public.

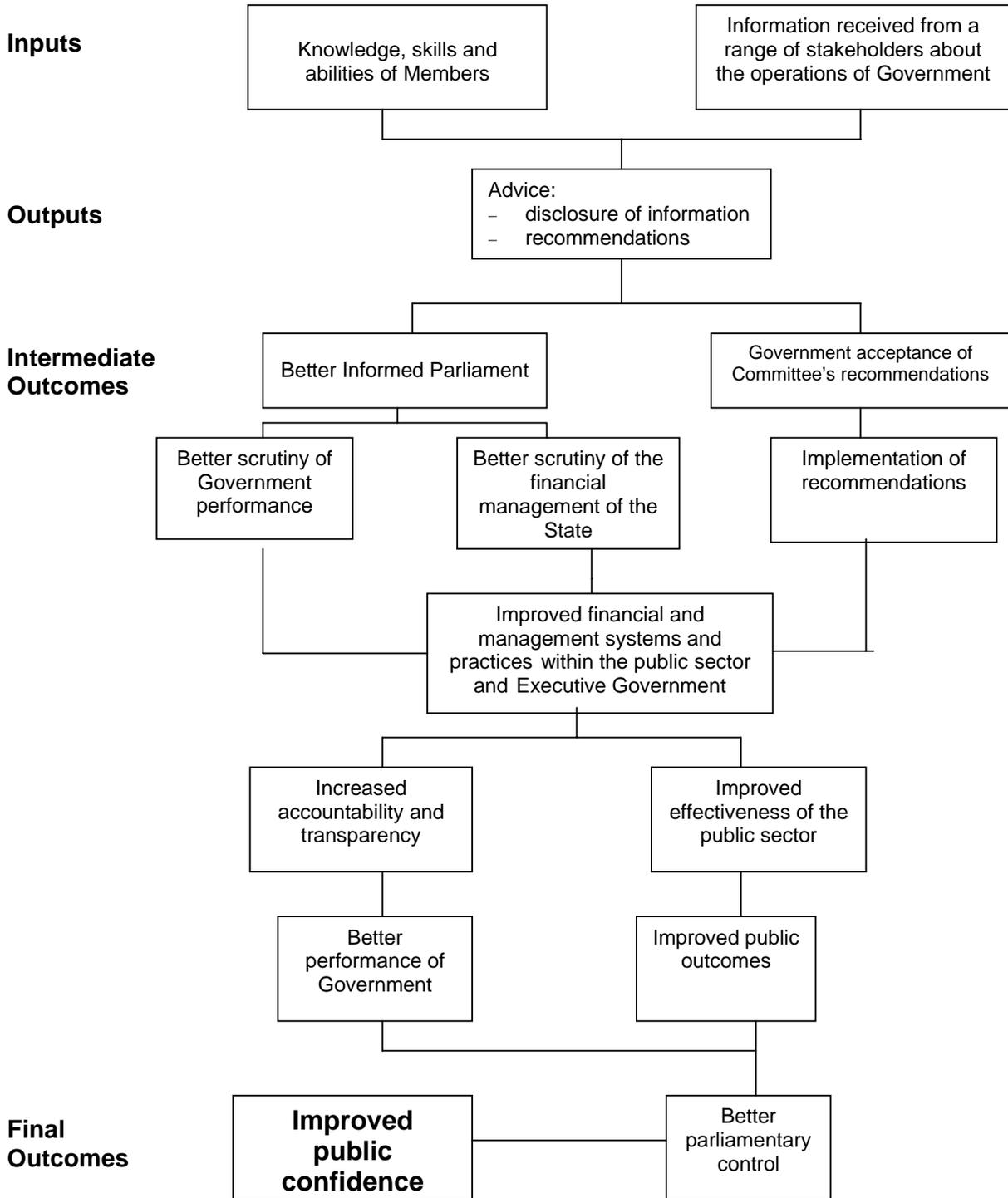
Under the authority of the Parliamentary Committees Act, the Audit Act and the *Constitution Act*, the Committee has a range of responsibilities. These responsibilities can be interpreted as setting the following objectives for the Committee:

- to encourage the economic, efficient and effective utilisation of public sector resources;
- to enhance the accountability of the Executive Government to the Parliament and the public; and
- to enhance the presentation and disclosure of information to Parliament and the public.

Our reports provide assurance to the Parliament on matters relating to past events or practices within the public sector, as well as offering suggestions for improving future public sector performance.

The Public Accounts and Estimates Committee plays a key accountability role in Government. Exhibit 2.1 outlines what the Committee does and the impact of our work.

**Exhibit 2.1: What the Committee does and the impact of our work**



## 2.3 Strategies

The strategies employed by the Committee to achieve its objectives include:

- examining significant public sector financial and management issues by:  
maintaining an awareness of key Government policy and public sector financial management issues; and  
reviewing:
  - (i) the implementation of Government policy; and
  - (ii) the effectiveness of public sector internal control and risk management systems;
- monitoring the impact and implementation of reports and activities of the Auditor-General and taking further action, if required;
- actively promoting any reforms needed to improve accountability and ensure that services provided by Government reflect value for money; and
- maintaining the Committee's credibility and relevance with Members of Parliament, the public sector and the public by producing timely and relevant quality reports on matters reviewed or investigated.

## 2.4 Performance measures

The Committee's performance during the year, as measured against the targets shown below, clearly demonstrates a period of mixed achievement.

While the number of reports completed met the target levels, some timeliness targets were not met and little progress was made with reviewing the backlog of Auditor-General's reports. The reasons for not meeting the expectations of the Committee in relation to these matters can be attributed to:

- the need to give priority to the budget estimates hearings during the period May to October; and
- the delay in recruiting staff to assist with the review of the budget estimates.

There continued to be a high level of interest in the Committee's reports, and their relevance and significance was acknowledged by political and media commentators, academics, parliamentarians and public sector agencies in a number of articles and forums.

The Committee set itself a high target for Government acceptance of its recommendations. The Committee is pleased to note that the majority of its recommendations have been accepted and acted on by the Government.

Exhibit 2.2 reports on the Committee's intended and actual performance in 2003-04.

**Exhibit 2.2: PAEC/Intended and Actual performance in 2003-04**

Strategy	Output	Target 2003-04	Actual 2003-04	Target 2004-2005
<p>Examine significant public sector financial and management issues by:</p> <p>(i) maintaining an awareness of key Government policies and public sector financial management views;</p> <p>(ii) reviewing:</p> <ul style="list-style-type: none"> <li>• the implementation of Government policy; and</li> <li>• the effectiveness of public sector internal control and risk management systems; and</li> </ul> <p>(iii) monitoring the impact and implementation of reports and activities of the Auditor-General and take further action if required.</p>	<p>Reports tabled in the Parliament.</p>	<p>Table in Parliament the annual estimates report.</p> <p>Undertake a review of Budget Outcomes for 2002-03.</p> <p>Complete five reports.</p> <p>Report on whole of Government issues relating to financial management.</p>	<p>Report on the Budget Estimates for 2003-04 tabled in the Parliament in September 2004.</p> <p>2004-05 Budget Estimates for all 41 portfolios and the Parliamentary Departments were examined at public hearings.</p> <p>Review of Budget Outcomes for 2002-03 for all departments completed and report tabled in April 2004.</p> <p>Four reports containing 211 recommendations were tabled.</p> <p>One report on the overseas study program was prepared and forwarded to the Presiding Officers.</p> <p>In the Review of Budget Outcomes for 2002-03 the Committee reported on:</p> <ul style="list-style-type: none"> <li>• unbudgeted funds;</li> <li>• stress related workers compensation claims;</li> <li>• performance bonuses paid to executive officers;</li> <li>• portfolio outcomes; and</li> <li>• the <i>Growing Victoria</i> framework.</li> </ul>	<p>Table by November 2004 the estimates report for 2004-05.</p> <p>All hearings to review the Budget Estimates for 2005-06 to be completed prior to 30 June 2005.</p> <p>Table by March 2005 the 2003-04 Budget Outcomes report.</p> <p>Eight reports to be tabled in the Parliament.</p> <p>Estimates Report for 2005-06 to review progress with implementing the new international Financial Reporting Standards and the GAAP and GFS framework.</p>



Strategy	Output	Target 2003-04	Actual 2003-04	Target 2004-2005
Actively promote any reforms necessary to improve accountability and the financial management of the State.	Reports include recommendations relating to financial management issues and accountability.	Achieve an acceptance rate of 75 per cent or better in respect of recommendations.	Regarding reports issued in 2003-2004, 82 per cent of recommendations were accepted or partly accepted or accepted in principle by the Government. All major recommendations were accepted.	Achieve an acceptance rate of 80 per cent or better in respect of recommendations. Continue to have all major recommendations accepted.
Maintain the Committee's credibility and relevance with Members of the Parliament, the public sector and the public by producing timely, focused and relevant quality reports on matters reviewed or investigated.	Implementation of initiatives aimed at enhancing confidence in the activities of the Committee.	<p>Ensure adequate representation by interested parties in relation to all inquiries.</p> <p>Conduct seminars for parliamentarians on financial management issues.</p> <p>Continue the practice of regular meetings and briefings with the Auditor-General.</p>	<p>A structured approach was adopted to requesting submissions to inquiries.</p> <p>The number of submissions increased for all inquiries.</p> <p>A seminar on the State Budget was held for parliamentarians and their staff.</p> <p>Meetings were held with the Victorian Auditor-General and senior officers from the Victorian Auditor-General's Office on matters relating to the specifications of performance audits; the Victorian Auditor-General's Office work plan and proposed budget and Committee inquiries.</p>	<p>Increase the number of submissions received by Committee inquiries.</p> <p>Make greater use of electronic media as a means of promoting awareness of inquiries and thus increase participation.</p> <p>No seminars to be held by the Committee due to budgetary considerations.</p> <p>Continue the practice of regular meetings and briefings with the Auditor-General.</p>

Strategy	Output	Target 2003-04	Actual 2003-04	Target 2004-2005
<p>Maintain the Committee's credibility and relevance with Members of the Parliament, the public sector and the public by producing timely, focused and relevant quality reports on matters reviewed or investigated.</p>	<p>Implementation of initiatives aimed at enhancing confidence in the activities of the Committee.</p>	<p>Continue to attend meetings of the Australasian Council of Public Accounts Committees (ACPAC) and keep abreast of developments with other relevant Committees.</p> <p>Present papers at major conferences relating to the work of the Committee.</p>	<p>Chair attended mid-term meeting of ACPAC and meetings were held with Members and staff from Parliamentary Committees in other jurisdictions.</p> <p>Four presentations were made at seminars and conferences.</p> <p>Eight briefings of overseas and interstate delegations were made.</p>	<p>Continue to advocate for the membership of ACPAC to be extended to other overseas Public Accounts Committees.</p> <p>Continue promoting reforms to the ACPAC constitution and ensuring that the conference continues to provide a valuable educative forum for Members and staff of Public Accounts Committees.</p> <p>Keep abreast of developments with other relevant Committees.</p> <p>Continue to make presentations at seminars and conferences.</p> <p>Continue to be involved in briefing overseas and interstate delegations.</p>

## **CHAPTER 3: REPORTS PRESENTED DURING THE YEAR**

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### **3.1 Report No. 54 Report on the 2003–04 Budget Estimates**

The report was tabled on 16 September 2003 in the Legislative Assembly and the Legislative Council.



*The Premier, Hon. Steve Bracks, MP and departmental staff at the budget estimates hearing*

#### **3.1.1 Committee's findings**

The Report on the 2003–04 Budget Estimates contained 81 recommendations, many of which were intended to further improve the presentation of information in the budget papers to ensure that they continue to enhance accountability and disclose relevant information.

Major recommendations included that:

- the Parliamentary Departments advertise externally all vacant positions in excess of six months;
- the Department of Education and Training establish baseline information and targets that identify current and anticipated apprentice and trainee completion rates to enable assessment of the outcomes of the completion bonus program;
- the Department of Human Services and the Department of Treasury and Finance undertake a review of the effectiveness of existing funding arrangements for hospitals, taking into account the recommendations of the

Auditor-General, and implementing strategies that will improve both the short and long term financial viability of public hospitals;

- the Department of Human Services closely monitor the effectiveness of the initiatives implemented to address the occupational health and safety concerns of disability workers and report on these matters in the department's annual report;
- the Department of Infrastructure, in cases where substantial financial adjustments occur, such as a major reclassification of operating expenditure to capital expenditure, include in the Budget Papers detailed information on the reasons for the adjustment;
- the Essential Services Commission undertake a review, within the next year, of the effectiveness of competition in the electricity and gas sectors;
- that Government contracts published on the web include a summary of the key performance indicators contained in the contracts;
- the Victorian WorkCover Authority review the effectiveness of the strategies to address the incidence of stress in the public sector workforce and report on this matter in its annual report;
- the Department of Sustainability and Environment review arrangements relating to the effectiveness of each water retailer's activities to promote community and industry awareness about water conservation and recycling;
- summary information and rates of return on capital received and projected in the form of dividends from the respective Government business enterprises be included in the Budget Papers;
- to enable Parliament to evaluate the total cost of rental accommodation, as compared with the capital costs involved in owning accommodation, consolidate information on all Government accommodation costs in the Budget Papers along with relevant performance measure and targets; and
- Aboriginal Affairs Victoria develop a comprehensive monitoring and evaluation framework for the Indigenous Community Capacity Building Program.

### **3.1.2 Government's response to the report**

The Government response to the 2003-04 Budget Estimates Report was received by the Committee on 16 March 2004 and tabled in the Legislative Assembly on 31 March 2004.

**Exhibit 3.1: Government's response to the 2003-04  
Budget Estimates report recommendations**

Department	Accept	Accept in part	Accept in principle	Under review	Reject	Total
Education and Training		2	4		2	7
Human Services	12		1			13
Infrastructure	6	3	1			10
Innovation, Industry and Regional Development	4	2		1		7
Justice	8	2	1		1	12
Premier and Cabinet	3		1	2		6
Primary Industries		3				3
Sustainability and Environment	3					3
Treasury and Finance	3	3	1			7
Victorian Communities	7	2			1	10
Parliamentary Departments	2				1	3
<b>Total</b>	<b>48</b>	<b>16</b>	<b>9</b>	<b>3</b>	<b>5</b>	<b>81</b>

The Government accepted or accepted in part; or accepted in principle 73 recommendations. Three of the Committee's recommendations are under review and 5 were not accepted.

### **3.2 Report on the evidence obtained overseas in connection with the inquiry into private sector investment in public infrastructure**

#### **3.2.1 Background to the Inquiry**

On 22 April 2003, the Public Accounts and Estimates Committee appointed a Sub-Committee to complete the inquiry, commenced by the previous Committee, into private sector investment in public infrastructure.

The third term of reference for the inquiry required the Sub-Committee to review international legislative and policy frameworks and practices regarding private sector investment in public infrastructure.

### **3.2.2 Committee's findings**

This report outlines the background for the inquiry and provides details of the context, purpose and scope of the overseas consultations.

The Committee anticipates tabling the report on the inquiry in March 2005.

### **3.3 Report No. 55 Report on the Review of the Auditor-General's performance report no.65 – Reducing Landfill: waste management by municipal councils**

The report was tabled in the Legislative Assembly on 1 April 2004 and in the Legislative Council on 20 April 2004.

#### **3.3.1 Committee's findings**

The report contains 21 recommendations that the Committee hopes will provide useful guidance to departments, statutory authorities and local Governments in improving waste management and sustainability in Victoria. Major recommendations included that:

- Government policy for waste management (that is, the *Towards Zero Waste Strategy*) formally recognise the role of local Government in waste management;
- EcoRecycle's *Towards Zero Waste Strategy* address and articulate cost sharing arrangements between state and Local Governments for the timely closure of unlicensed landfills;
- EcoRecycle's *Towards Zero Waste Strategy* address the issue of appropriate cost sharing by state and Local Governments and industry sectors for the provision of new landfills or residual waste treatment facilities;
- the Government and EcoRecycle, as a matter of urgency, finalise the *Towards Zero Waste Strategy*;
- the Office of Commonwealth Games Co-ordination give urgent consideration to finalising the contract for waste management so the successful contractor can maximise opportunities for achieving a zero-waste games; and
- the Department for Victorian Communities require all major sporting and community events being held in Victoria to consider waste management as part of their planning process.

### **3.3.2 Government's response to the report**

The Government's response to the report was tabled in the Legislative Assembly on 5 October 2004.

Of the 21 recommendations made by the Committee, 18 were accepted and 3 were partially accepted.

### **3.4 Report No. 56: Report on the 2002–2003 Budget Outcomes**

The report was tabled in the Legislative Assembly and in the Legislative Council on 22 April 2004.

#### **3.4.1 Committee's findings**

The report contains 106 recommendations, many of which are intended to improve the information included in the Budget Papers and departmental annual reports.

Major recommendations include that:

- the budget financial statements include a note disclosure for the category – other revenue –which discloses the key components;
- the Department of Treasury and Finance develop a process for consolidated reporting by departments on the progress made with whole of Government or cross agency major initiatives;
- the Parliamentary Departments provide detailed information of achievements against targets in their annual reports in a format consistent with the key performance measures recorded in the Budget Papers;
- in view of the significant level of additional funding that was required to maintain education and training services and enrolment growth during 2002-03, the Department of Education and Training review its budget development and management framework for schools to ensure a more accurate forecast of its budget estimates;
- the retention and participation rates of middle year (5-9) students be disclosed in the annual report of the Department of Education and Training;
- to assess the effectiveness of education initiatives and programs developed for Koori students, performance indicators be published in the annual report of the Department of Education and Training to separately identify attendance and retention rates of students at secondary and higher school levels;

- the Department of Human Services review existing data collection arrangements to ensure that information relating to actual performance information against targeted performance for all outputs is included in its annual report;
- the Department of Human Services monitor the cost pressures facing its contract providers to deliver services in accordance with their service agreements;
- the Department of Infrastructure undertake an independent survey to annually assess the progress made towards meeting the target of 20 per cent of travel in Melbourne by 2020 is taken on public transport.
- the Department of Innovation, Industry and Regional Development urgently review the adequacy of its budgeting framework and project planning to remedy the continuing trend in underspending of its available appropriation authority;
- to enhance the quality and usefulness of performance information disclosures, the Department of Innovation, Industry and Regional Development include in future annual reports actual to Budget cost outcomes for each output within the Output Groups and provide explanations for material variations in actual to target performance outcomes;
- the Department of Innovation, Industry and Regional Development include in its annual report additional information on the total funding provided for Science Technology and Innovation and expenditure commitments to date;
- the Department of Justice review the adequacy of existing infrastructure project management frameworks with the view to improving the timelines of its asset investment programs;
- the Department of Justice disclose in its annual report the budgeted and actual cost for the full range of outputs in the Justice portfolio;
- the Department of Premier and Cabinet conduct regular assessments of the operations of all departmental trust accounts to ensure they remain relevant and appropriate in the context of the current financial management and accountability framework;
- the Department of Primary Industries assess the impact of delays in the implementation of capital works in terms of future cost implications, the achievement of key performance targets and measures and the delivery of services and outputs;
- the Department of Sustainability and Environment more clearly identify in its annual report the key factors that have contributed to material variances in actual to budget financial outcomes;

- in addition to the disclosure of activities undertaken under the *Victorian Greenhouse Strategy*, the progress report include details of the costs incurred in implementing projects and the extent to which established targets and outcomes have been achieved; and
- the Department for Victorian Communities include in its annual report consolidated information on the disbursement of funds by licensed clubs to community organisations and activities.

### 3.4.2 Government's response to the report

The Government response was tabled in the Legislative Assembly on 14 October 2004.

Department	Accept	Accept in part	Accept in principle	Under review	Reject	Total(a)
Education and Training			8	2	5	15
Human Services	1	5		2	2	10
Infrastructure	2	1			1	4
Innovation, Industry and Regional Development	7		2		5	14
Justice	5	1		1		7
Premier and Cabinet	5	1			3	9
Primary Industries	3		4			7
Sustainability and Environment	9	2			1	12
Treasury and Finance	5	2		1	6	14
Victorian Communities	4		2		1	7
Parliamentary Departments	5					5
Auditor-General			2			2
<b>Total</b>	<b>46</b>	<b>12</b>	<b>18</b>	<b>6</b>	<b>24</b>	<b>106</b>

Of the Committee's 106 recommendations, 76 were accepted; accepted in part; or accepted in principle, by the Government. Six of the Committee's recommendations are under review and 24 were rejected.

### **3.5 Report No. 57: Report on the Appointment of Persons to conduct Financial and Performance Audits of the Victorian Auditor- General's Office**

The report was tabled in the Legislative Assembly and the Legislative Council on 26 May 2004.

#### **3.5.1 *Legislative requirements***

Pursuant to sections 17 to 19 of the *Audit Act* 1994, as amended, the Public Accounts and Estimates Committee is required to recommend to the Parliament the appointment of independent persons to conduct:

- an annual financial audit of the Victorian Auditor-General's Office; and
- a performance audit of the Victorian Auditor-General at least once every three years.

#### **3.5.2 *Committee's findings***

On 3 May 2004, the Committee appointed a Sub-Committee to review the tender proposals. The Committee received three tenders for the financial audit and four tenders for the performance audit.

The Committee recommended that the Legislative Council and the Legislative Assembly appoint Mr Terry Benfold of Pitcher Partners to conduct the financial audit of the Victorian Auditor-General's Office for the 2003-2004 financial year.

The Committee recommended that the Legislative Council and the Legislative Assembly appoint Mr John Phillips of Acumen Alliance to conduct the performance audit of the Victorian Auditor-General's Office.

#### **3.5.3 *Response to the report***

On 2 June 2004, the Parliament endorsed the appointment of Mr Benfold and Mr Phillips.

The report of the independent auditor on the *Performance Audit of the Victorian Auditor-General and the Victorian Auditor-General's Office* was tabled in the Legislative Assembly and the Legislative Council on 7 December 2004.

The Committee will commence a review of the report in March 2005.

## **CHAPTER 4: INQUIRIES IN PROGRESS**

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### **4.1 Budget Estimates for 2004-2005**

Prior to the presentation of the Budget in May 2004, the Committee forwarded a questionnaire to all departments to obtain additional information to assist with the review of the budget estimates for 2004–05.

During May and June 2004, public hearings have been held with the Premier and all Ministers. The Committee will report on its review in November 2004.

The Committee's report was subsequently tabled in the Parliament on 11 November 2004.

### **4.2 Inquiry into Corporate Governance in the Victorian Public Sector**

Victoria has experienced significant public sector reforms in recent years resulting in fundamental changes to the way Government services are planned, costed, delivered, monitored and reported. To facilitate these reforms, the Government has introduced a range of policy initiatives involving partnerships; contracting out; outsourcing and the corporatisation of Government business enterprises resulting in greater scope for business and commercial activity. However, little attention has been given to the impact of risk management and accountability as a consequence of these changes. The Committee has resolved to conduct an inquiry into corporate governance in the Victorian public sector.

The terms of reference for the inquiry require the Sub-Committee to:

- assess the existing corporate governance arrangements in the Victorian Public Sector and determine whether they are appropriate and effective in view of the significant reforms which have transformed the Victorian Public Sector, particularly in the use of alternative service delivery mechanisms;
- review the effectiveness of the present corporate governance and accountability arrangements for:
  - state owned enterprises and determine whether any improvements are required; and
  - partnership arrangements between the Victorian Public Sector and:
    - (i) the private sector;
    - (ii) not-for-profit organisations.
- review the effectiveness of the arrangements for monitoring and reporting on corporate governance issues in the Victorian Public Sector, particularly in terms of:

- the information that is publicly available on the performance of Government entities and the mechanisms available to allow the Parliament, consumers and the community to gain access to this information;
  - the information available about what services are offered to the community; and
  - the complaint mechanisms available to Members of Parliament, consumers and the community.
- review and seek advice on developments with corporate governance in other jurisdictions; and
  - determine what improvements, if any, need to be made to current corporate governance frameworks in the Victorian Public Sector.

This inquiry has been completed and work has commenced on preparing the draft report. It is expected that the report will be tabled in April 2005.

### **4.3 Inquiry into Private Sector Investment in Public Infrastructure**

The terms of reference for the inquiry require the Committee to:

- provide an overview of the various major infrastructure projects in Victoria that have involved private sector funding since 1990, with particular emphasis on issues relating to risk allocation and protection of the public interest;
- review and evaluate the expectations and outcomes of these projects in relation to the benefits and disadvantages to the community;
- review Victorian, Australian and International legislative and policy frameworks and practices regarding private sector investment in public infrastructure;
- examine the various Government models for evaluating and monitoring private investment in public infrastructure projects and the governance and accountability arrangements;
- review and evaluate mechanisms used by the Victorian Government to protect the public interest;
- review the mechanisms which the Victorian Government uses to evaluate the effectiveness of private sector investment in public infrastructure projects to determine whether they represent value for money for the Government and benefit the community;
- assess the framework for risk allocation between the public and private sectors and its application, with particular emphasis on how well risk is assessed, allocated and managed; and

- consider and report on any other relevant matters.

This inquiry has completed all its hearings and a draft report has been prepared. It is expected that the draft report will be considered by the Committee in February 2005.

#### **4.4 Legislative Framework for Statutory Independent Officers of Parliament**

As a result of representations from the Auditor-General, the Committee undertook an Inquiry into the need for an appropriate legislative framework for Victorian Officers of Parliament.

The terms of reference required the Committee to inquire into and report on:

1. An appropriate legislative framework for Victorian Officers of Parliament such as the Ombudsman, the Auditor-General and other statutory office-holders, that would recognise the special position of Statutory Officers of the Parliament in terms of their relationship with the Victorian Parliament but which also ensures that their greater autonomy is accompanied by very clear accountability requirements; and
2. developments in this area in other jurisdictions.

A number of hearings have been held and one further hearing will be held with the Ombudsman in February 2005.

It is expected that the report will be tabled in March 2005.

#### **4.5 Matters arising from reports of the Auditor-General**

In virtually all Parliaments in the Westminster system the Public Accounts Committee works closely with the Auditor-General. The form this co-operation takes varies, but almost always includes a review by the Committee of the reports published by the Auditor-General, and a follow up to those reports when the Committee considers it appropriate. This is the practice which is followed by this Committee.

As at 30 June 2004, the Committee was working on:

- No.51 Victorian Rural Ambulance Services — Fulfilling a vital community need;
- Services for people with an intellectual disability; and
- Parliamentary Control and Management of Appropriations.

The report on Rural Ambulance Services was tabled in the Parliament on 10 November 2004 and the report on Services for People with an Intellectual Disability is expected to be tabled on 16 December 2004. The report on Parliamentary Control and the Management of Appropriations is scheduled to be considered by the Committee in March 2005.

Report adopted by the Public Accounts and Estimates Committee at its meeting held on 13 December 2004 in the Legislative Council Committee Room at Parliament House, Melbourne.

## APPENDIX 1: COMMITTEE PERFORMANCE AT A GLANCE

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- 91 meetings held<sup>1</sup>
- 6 sub-committees active
- 340 witnesses gave evidence
- 35 public hearings held
- 4 reports tabled in Parliament
- 1 report prepared on the overseas study program and forwarded to the Presiding Officers and a copy placed in the Parliamentary Library

### Key Outcome measure

Number of Committee's recommendations agreed to, partly agreed to, or accepted in principle, by the Government.

Recommendations	2003-04 Target	2003-04 Actual	2004-05 Target
Number	180	211	220
Per cent	75	82	80

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<sup>1</sup> Includes meetings held overseas while taking evidence in connection with the Inquiry into private sector investment in public infrastructure



## APPENDIX 2: MEMBERS ATTENDANCE AT HEARINGS AND MEETINGS 2003–04

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<b>Full Committee</b>		
<b>No. of occasions Committee met:</b>	<b>39</b>	<b>No. of Meetings attended</b>
Hon. Christine Campbell, MP (Chair)		39
Hon. Bill Forwood, MLC		37
Hon. Bill Baxter, MLC		24
Mr Robert Clark, MP		34
Mr Luke Donnellan, MP		33
Ms Danielle Green, MP		34
Mr James Merlino, MP		35
Hon. Gordon Rich-Phillips, MLC		33
Ms Glenyys Romanes, MLC		37
<b>Public Hearings</b>	<b>22</b>	
<b>Private Meetings</b>	<b>17</b>	

<b>Sub-Committee on Scoping of Performance Audits</b>		
<b>No. of occasions Sub-Committee met:</b>	<b>4</b>	<b>No. of Meetings attended</b>
Hon. Christine Campbell, MP (Chair)		4
Hon. Bill Forwood, MLC		3
Hon. Bill Baxter, MLC		2
Mr Luke Donnellan, MP		2
Mr James Merlino, MP		3
<b>Private Meetings</b>	<b>4</b>	

<b>Sub-Committee on Corporate Governance in the Victorian Public Sector</b>		
<b>No. of occasions Sub-Committee met:</b>	<b>4</b>	<b>No. of Meetings attended</b>
Ms Glenyys Romanes, MLC (Chair)		4
Hon. Christine Campbell, MP		4
Hon. Bill Forwood, MLC		4
Ms Danielle Green, MP		4
Hon. Gordon Rich-Phillips, MLC		1
<b>Public Hearings</b>	<b>4</b>	

<b>Sub-Committee on Private Sector Investment in Public Infrastructure</b>		
<b>No. of occasions Sub-Committee met:</b>	<b>6</b>	<b>No. of Meetings attended</b>
Hon. Christine Campbell, MP (Chair)		6 (a)
Hon. Bill Forwood, MLC		6 (a)
Hon. Bill Baxter, MLC		6 (a)
Mr Robert Clark, MP		4 (b)
Mr Luke Donnellan, MP		4 (b)
Ms Danielle Green, MP		6 (a)
Mr James Merlino, MP		6 (a)
Hon. Gordon Rich-Phillips, MLC		5 (b)
Ms Glenyys Romanes, MLC		5 (b)
<b>Public Hearings</b>	<b>3</b>	
<b>Private Meetings</b>	<b>3 (a)</b>	

- (a) Does not include a number of private meetings held overseas while taking evidence in connection with the Inquiry
- (b) Did not participate in the overseas study program

<b>Sub-Committee on Follow up of Auditor-General's reports</b>		
<b>No. of occasions Sub-Committee met:</b>	<b>7</b>	<b>No. of Meetings attended</b>
Hon. Christine Campbell, MP (Chair)		7
Hon. Bill Forwood, MLC (a)		2
Hon. Bill Baxter, MLC		4
Mr Robert Clark, MP		4
Ms Danielle Green, MP		2
Mr James Merlino, MP		6
Ms Glenyys Romanes, MLC		7
<b>Public Hearings</b>	<b>6</b>	
<b>Private Meeting</b>	<b>1</b>	

- (a) Hon. Bill Forwood, MLC attended the meetings that took evidence in relation to the Follow-up Review of the Auditor-General's report on Services for people with an intellectual disability
- (b) Ms Danielle Green, MP attended the meetings that took evidence in relation to the Follow-up Review of the Auditor-General's report on Parliamentary control and management of appropriations

<b>Sub-Committee on Financial and Performance Audits of the Victorian Auditor-General's Office</b>		
<b>No. of occasions Sub-Committee met:</b>	<b>1</b>	<b>No. of Meetings attended</b>
Hon. Christine Campbell, MP (Chair)		1
Hon. Bill Baxter, MLC		1
Mr Robert Clark, MP		1
Mr James Merlino, MP		1
Ms Glenyys Romanes, MLC		1
<b>Private Meeting</b>	<b>1</b>	

<b>Sub-Committee on Staffing</b>		
<b>No. of occasions Sub-Committee met:</b>	<b>3</b>	<b>No. of Meetings attended</b>
Hon. Christine Campbell, MP (Chair)		3
Hon. Bill Forwood, MLC		3
Ms Danielle Green, MP		3
<b>Private Meetings</b>	<b>3</b>	



## APPENDIX 3: COMMITTEE EXPENDITURE

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The Committee's expenditure for 2003-04 was as follows:

	<b>Budget 2003-04 \$</b>	<b>Actual 2003-04 \$</b>	<b>Budget 2004-05 \$</b>
Members' Expense Allowance	8,600	8,476	9,800
Salaries and associated costs of the Secretariat	336,068	358,068	284,999
Administrative Expenses	56,400	53,223	45,000
Inquiries	306,203	310,303	354,702
<b>Total Expenditure</b>	<b>707,271</b>	<b>730,070 (a)</b>	<b>694,501</b>

(a) expenditure was 3.22 per cent over budget largely due to an unexpected adjustment that was required for long service leave for the staff of the secretariat.



## **APPENDIX 4: STAFFING ARRANGEMENTS FOR THE SECRETARIAT**

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During 2003-04 the Committee had the following core staff:

Ms Michele Cornwell	Executive Officer
Ms Jennifer Nathan	Assistant Executive Officer
Ms Joyce Wong	Office Manager – July to September
Ms Sue Jones	Office Manager – September to June
Ms Fleur Spriggs	Research Officer
Mr Kai Swoboda	Research Officer – commenced 31 July
Ms Pek Toh	Research Officer – commenced 4 September

The Committee has a policy of seconding officers from the Victorian Auditor General's Office to assist with the review of the budget estimates and outcomes. During the period under review, Ms Annette Cruz assisted with the review of the 2002-03 budget outcomes; Mr Steven Vlahos assisted with the review of the 2003-04 budget estimates and Mr Roger Farrer was the Principal Research Officer for the review of the 2004-05 budget estimates.

To assist with some of the more technical and complex issues that arise during an inquiry, the Committee seeks advice from a panel of specialists. The composition of the panel changes depending on the degree of specialisation and complexity of each inquiry.

During 2003–04, the Committee was assisted by the following advisers:

Mr Trevor Wood	Financial and auditing adviser
Mr John Chan Sew	Financial and public sector reform consultant

The Committee expresses its appreciation to the staff of the secretariat, the secondees and specialist advisers for their professionalism, skills and importantly their preparedness to take on challenges which provides the foundation upon which the Committee's success has been achieved.

The excellent service provided by the Hansard staff is also acknowledged.



