



PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

SIXTY FIFTH REPORT TO THE PARLIAMENT

ANNUAL REPORT FOR 2004-05

NOVEMBER 2005

Ordered to be
printed

By Authority
Government Printer for the State of Victoria

No. 155 Session 2003-05

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Address: Level 8
35 Spring Street
Melbourne Victoria 3000

Telephone: (03) 9651 3556

Facsimile: (03) 9651 3552

Email: paec@parliament.vic.gov.au

Internet: <http://www.parliament.vic.gov.au/paec>

Parliament of Victoria

Public Accounts and Estimates Committee

Annual Report for 2004-05

ISBN 0 9757060 7 1

CONTENTS

CHAIR'S REVIEW	1
CHAPTER 1: THE PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE	3
1.1 Background	3
1.2 The Committee's responsibilities	3
1.2.1 Public accounts function	4
1.2.2 Estimates function	4
1.2.3 Auditing function	5
1.2.4 How the Committee operates	6
CHAPTER 2: CORPORATE PLAN	7
2.1 Vision and mission statement	7
2.2 Working to improve public sector accountability and performance	7
2.3 Performance measures	7
CHAPTER 3: THE YEAR IN REVIEW	15
3.1 Report No. 59: Report on the 2004-05 Budget Estimates	15
3.1.1 Background to the report	15
3.1.2 Committee's findings	16
3.1.3 Government response to the report	19
3.2 Report No. 63: Report on the 2003-04 Budget Outcomes	21
3.2.1 Background to the report	21
3.2.2 Committee's findings	21
3.2.3 Government response to the report	23
3.3 Report No. 58: Report on the review of the Auditor-General's special report no. 51 – Victorian rural ambulance services: fulfilling a vital community need	24
3.3.1 Committee's findings	24
3.3.2 Government response to the report	25
3.4 Report No. 60: Report on the review of the Auditor-General's performance audit report on – Services for people with an intellectual disability	26

3.4.1	Committee’s findings	26
3.4.2	Government response to the report	28
3.4.3	Report No. 60: Easy English version of the key recommendations contained in the Committee’s report on – Services for people with an intellectual disability	29
3.5	Report No. 61: Annual Report for 2003-2004	30
3.6	Report No. 62: Report on Corporate Governance in the Victorian Public Sector	30
3.6.1	Background to the report	30
3.6.2	Committee’s findings	31
3.6.3	Government response to the report	33
CHAPTER 4:	WORK IN PROGRESS	35
4.1	Inquiry into parliamentary control and management of appropriations	35
4.2	Inquiry into the legislative framework for statutory independent officers of Parliament	35
4.3	Inquiry into the 2005-06 Budget Estimates	35
4.4	Report of the independent auditor on the performance audit of the Victorian Auditor-General and the Victorian Auditor-General’s Office	36
4.4.1	Background to the report	36
4.5	Inquiry into private sector investment in public infrastructure	37
4.5.1	Background to the report	37
4.6	Follow-up inquiries on Auditor-General’s reports.....	38
CHAPTER 5:	AUSTRALASIAN COUNCIL OF PUBLIC ACCOUNTS COMMITTEES.....	39
APPENDIX 1:	COMMITTEE PERFORMANCE AT A GLANCE 2004-05.....	41
APPENDIX 2:	COMMITTEE MEMBERSHIP 55TH PARLIAMENT	43
APPENDIX 3:	MEMBERS ATTENDANCE AT MEETINGS AND HEARINGS.....	45
APPENDIX 4:	PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE SECRETARIAT	49
APPENDIX 5:	BUDGET	51

CHAIR'S REVIEW

I am pleased to present the 2004-05 annual report of the Public Accounts and Estimates Committee. The presentation of this report is an important accountability mechanism by which Parliament and the public can assess the Committee's performance.

The Committee's performance can be judged principally by the quality of our reports, the recommendations they contain and the government's response to these recommendations. We also report against our corporate plan although much of what we believe is important to measure is beyond our control. We believe it is important, for example, to measure the extent to which government accepts and implements our recommendations. But the Committee does not control the result; we can only hope to influence the result through our work.

The Committee had a busy year in 2004-05 with the tabling of six reports containing 390 recommendations; completing two other inquiries; and commissioning the performance audit of the Victorian Auditor-General's Office. In addition, the Committee and its Sub-Committees held 59 meetings, briefed 14 overseas and interstate delegations, and met with the Auditor-General on numerous occasions to discuss the specifications for 12 performance audits and various matters raised in his reports to the Parliament. The government supported the majority (80 per cent) of the Committee's recommendations, which primarily related to improving governance, management and accountability practices within the Victorian public sector. The status of the recommendations is discussed later in this report.

This snapshot does not accurately assess the breadth of the Committee's statutory responsibilities or the complexity of our work. During the Committee's review of the government's 2004-05 budget (which represented expenditure of approximately \$28 billion and revenue of approximately \$28 billion) we also considered a myriad of complex policies, plans and strategies to assist us to gain an insight into how efficiently, effectively and economically the government has been providing services and programs to citizens.

Because this Committee undertakes, on behalf of the Parliament, an independent assessment of what government spends and what results it achieves, our work is important in holding the government accountable. In striving towards the Committee's goal of scrutinising and assessing government accountability and performance, and promoting improvements where necessary, the Committee faces two particularly difficult challenges.

One challenge is to ensure the Committee performs to the expectations of the Parliament and the community. This challenge is now more complex as the government adopts more complex international financial standards, and the Committee has to develop the expertise to grapple with these changes. A second challenge is to provide Parliament with robust assessments and advice on how well

government is managing its programs and services. Such assessments are particularly important as government continues to alter service delivery methods.

Finally, I wish to thank my colleagues on the Committee and the secretariat, professionally led by Michele Cornwell, for their hard work and commitment to the work of the Committee.

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

Hon. Christine Campbell, MP
Chair

CHAPTER 1: THE PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

1.1 Background

The Public Accounts and Estimates Committee is a joint investigatory committee of the Victorian Parliament constituted under the *Parliamentary Committees Act 2003*. The Committee is unique in Australia because it has the dual responsibility of scrutinising both the public accounts and the budget estimates.

The Committee comprises nine Members of Parliament, drawn from both Houses of Parliament and from all three political parties.

Its functions under the *Parliamentary Committees Act* are to inquire into, consider and report to Parliament on:¹

- 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; and
- audit priorities for the purposes of the *Audit Act 1994*.

The Public Accounts and Estimates Committee is also responsible for guarding the independence of the Auditor-General and in facilitating the Auditor-General's accountability to the Parliament.

1.2 The Committee's responsibilities

The responsibilities of the Committee can be divided into three areas:

- public accounts;
- estimates; and
- auditing.

¹ *Parliamentary Committees Act 2003*, s.14

1.2.1 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.

The Victorian Auditor-General has no power to require departments and agencies to implement recommendations contained in his reports. An important aspect of the Committee's work therefore, is to follow-up matters raised by the Auditor-General. These reports draw Parliament's attention to financial concerns or issues relating to any public sector agency. The Committee can follow-up these matters by using its powers to hold public hearings and take evidence. In this way, matters raised by the Auditor-General are scrutinised for the benefit of Parliament and the community.

Throughout the year, the Auditor-General raised a number of issues on which the Committee either sought a briefing or investigated further:

- drainage in metropolitan Melbourne;
- managing intellectual property in the public sector; and
- public transport franchising.

Reports followed up in the 2004-05 period were:

- Victorian rural ambulance services: fulfilling a vital community need;
- Services for people with an intellectual disability; and
- Parliamentary control and management of appropriations.

The Committee not only reviews the reports of the Auditor-General, it can also undertake inquiries of public interest, for example:

- corporate governance in the Victorian Public Sector; and
- the legislative framework for statutory independent officers of Parliament.

1.2.2 Estimates function

Parliament has a fundamental role in scrutinising the government's management of the state. To assist the Parliament in this role, the Committee has been delegated the responsibility for undertaking a detailed review of the budget estimates and revenues contained in the budget papers, and presenting a report on its findings to Parliament.

The Committee holds public hearings to scrutinise the expenditure and activities of 44 portfolios² and the Parliamentary Departments.

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

The evidence given at the public hearings is reviewed and further information is sought where the Committee considers it necessary.

A further review occurs in November, where the Committee seeks 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 and the report of the Auditor-General on Victoria's finances. This additional review focuses on the operation and performance of departments over the previous financial year and complements the initial estimates review process.

The Committee believes that the review of the budget estimates leads to increased information and greater transparency about the government's proposed revenue raising and spending activities. It also strengthens the government's accountability to Parliament and the community.

1.2.3 Auditing function

An important function of the Committee is to act on behalf of Parliament in relation to the Auditor-General and report to Parliament on the activities of the Auditor-General. Under the Audit Act and the Constitution Act, the Committee has a statutory responsibility to:

- recommend the appointment of the Auditor-General;³
- recommend independent performance and financial auditors to review the Victorian Auditor-General's Office;⁴
- consider the budget estimates of the Victorian Auditor-General's Office;⁵
- review the Auditor-General's draft annual plan, and provide comments on it to the Auditor-General prior to its finalisation and tabling in Parliament;⁶
- have a consultative role in scoping performance audits, determining particular objectives of audits and identifying any particular issues that should be addressed;⁷

² Includes Veterans' Affairs

³ *Constitution Act 1975* (as amended) s.94A

⁴ *Audit Act 1994* (as amended) s.17, s.19

⁵ *ibid.* s.7D(2)

⁶ *ibid.* s.7A

⁷ *ibid.* s.15(2)

- have a consultative role in determining performance audit priorities;⁸ and
- exempt the Auditor-General from legislative requirements that apply to government agencies on staff employment conditions and financial reporting practices, if deemed necessary.⁹

The Auditor-General and other members of the Office met with the Committee on several occasions during 2004-05 to discuss:

- the budget estimates for the Victorian Auditor-General's Office for 2005-06;
- the performance audit program for 2005-06;
- the Auditor-General's draft annual plan for 2005-06;
- the proposed specifications, including planned objectives and scope, for all performance audits commenced during the year.

1.2.4 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.

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

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

The Committee's website provides background information on its roles, functions and members, and provides details of current inquiries, meeting dates, electronic versions of the latest reports, and government responses to any recommendations contained in those reports.

The Committee's website address is: www.parliament.vic.gov.au/paec

The Committee also has an email address: paec@parliament.vic.gov.au so that members of the public can send submissions and request information electronically.

The cost of producing this report was approximately \$16,000.

⁸ *ibid.* s.7D(1)

⁹ *ibid.* s.7C

CHAPTER 2: CORPORATE PLAN

The Committee has developed a corporate plan to guide its work and provide a framework for the selection of inquiry topics. The corporate plan includes the Committee's vision and mission statement.

2.1 Vision and mission statement

The Committee's vision is:

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

The Committee's mission is:

On behalf of the Parliament and the people of Victoria, to scrutinise and assess government accountability and performance, and promote improvements where necessary.

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 Parliament and the public.

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

2.3 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;
- the loss of one research position; and

- the salaries and on-costs, fees and allowances component of the Public Accounts and Estimates Committee budget has risen from 34 per cent in 2002-03 to 83 per cent in 2004-05. This meant that there was less money available for Committee inquiries.

There continued to be a high level of interest in the Committee 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.

**Exhibit 2.1: Public Accounts and Estimates Committee
work plan and performance targets for 2004-05**

Strategy	Output	Target 2004-2005	Actual 2004-2005	Target 2005-2006
Examine significant public sector financial and management issues by: <ul style="list-style-type: none"> (i) maintaining Committee awareness of key government policies and public sector financial management activities, practices and views; (ii) reviewing: <ul style="list-style-type: none"> - the implementation of government policy; and - public sector internal control and risk management systems; and (iii) monitoring the impact of and government responses to reports and activities of the Auditor-General and take further action if required. 	Reports tabled in Parliament.	Table the 2004-2005 Budget Estimates report by November 2004. Complete all hearings to review the 2005-2006 Budget Estimates prior to 30 June 2005.	Tabled in November 2004. All hearings completed prior to 23 June 2005.	Table the 2005-2006 Budget Estimates report by November 2005. Complete all hearings to review the 2006-2007 Budget Estimates prior to 30 July 2006.
		Table the 2003-2004 Budget Outcomes report by March 2005. Reports to be completed and tabled in Parliament: <ul style="list-style-type: none"> • Victorian Rural Ambulance Services • Services for people with an intellectual disability • Corporate governance in the Victorian public sector • Parliamentary control and management of appropriations • Legislative framework for statutory independent officers of Parliament • Review of the 2004 report on the performance audit of the Victorian Auditor-General's Office • Public private partnerships 	Tabled in April 2005. Reports completed and tabled in Parliament prior to 30 June 2005: <ul style="list-style-type: none"> • Victorian Rural Ambulance Services • Services for people with an intellectual disability • Corporate governance in the Victorian public sector Draft reports prepared prior to 30 June 2005: <ul style="list-style-type: none"> • Parliamentary control and management of appropriations • Legislative framework for statutory independent officers of Parliament • Further work undertaken on the draft report on public private partnerships 	Table by March 2006: <ul style="list-style-type: none"> • Report on the 2004-2005 Budget Outcomes Table by September 2005: <ul style="list-style-type: none"> • Parliamentary control and management of appropriations Table by November 2005: <ul style="list-style-type: none"> • Legislative framework for statutory independent officers of Parliament Table by February 2006: <ul style="list-style-type: none"> • Review of the 2004 report on the performance audit of the Victorian Auditor-General's Office Table by April 2006: <ul style="list-style-type: none"> • Public private partnerships

Exhibit 2.1 – continued

Strategy	Output	Target 2004-2005	Actual 2004-2005	Target 2005-2006
Promote any reforms necessary to improve accountability and the financial management of the state.	Recommendations relating to financial management issues and accountability.	Achieve an acceptance rate of 80 per cent or better in respect of recommendations. Have all major recommendations implemented.	Eighty per cent or better acceptance rate of recommendations achieved in the majority of reports.	Achieve an acceptance rate of 80 per cent or better in respect of recommendations. Have all major recommendations implemented.
Increase awareness of, involvement in, and support for the Committee's activities by citizens, Members of Parliament and the public sector.	Timely and relevant communications with citizens, Members of Parliament and the public sector.	<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 to increase participation.</p> <p>Due to budget constraints the Committee reluctantly agreed that no seminars, including the Budget Briefing for Members of Parliament, were to be held.</p> <p>Continue the practice of regular meetings and briefings with the Auditor-General.</p>	<p>No new inquiries established.</p> <p>The number of visitor sessions to the Committee's web site increased from 4104 to 7957 (exhibit 2.3).</p> <p>Budget briefing sponsored by the Department of Treasury and Finance.</p> <p>Eight meetings and briefings held with the Auditor-General.</p>	<p>Increase awareness of new follow-up inquiries.</p> <p>Continue to enhance the Committee's web site.</p> <p>Organise the 2006-07 budget briefing for Members of Parliament and their staff.</p> <p>Continue the practice of regular meetings and briefings with the Auditor-General.</p>
	Implementation of initiatives to enhance confidence in the activities of the Committee.	<p>Continue to advocate for the membership of Australasian Council of Public Accounts Committees (ACPAC) to be extended to other overseas Public Accounts Committees.</p> <p>Continue promoting reforms to the ACPAC constitution, so that it continues to provide a valuable educative forum for Members and staff of PACs.</p>	<p>The Chair and Deputy Chair attended the ACPAC conference in Brisbane and supported proposals to expand the membership to PACs from all South Pacific Parliaments.</p> <p>The Chair attended a meeting with ACPAC Chairs in August 2004 that was instrumental in broadening the theme of the agenda to include some challenging issues.</p>	<p>At mid term meeting of ACPAC have constitution changed to provide for expanded membership.</p> <p>Contribute to the development of the agenda for the mid term meeting and assist with the organisation of the meeting.</p>

Exhibit 2.1 – *continued*

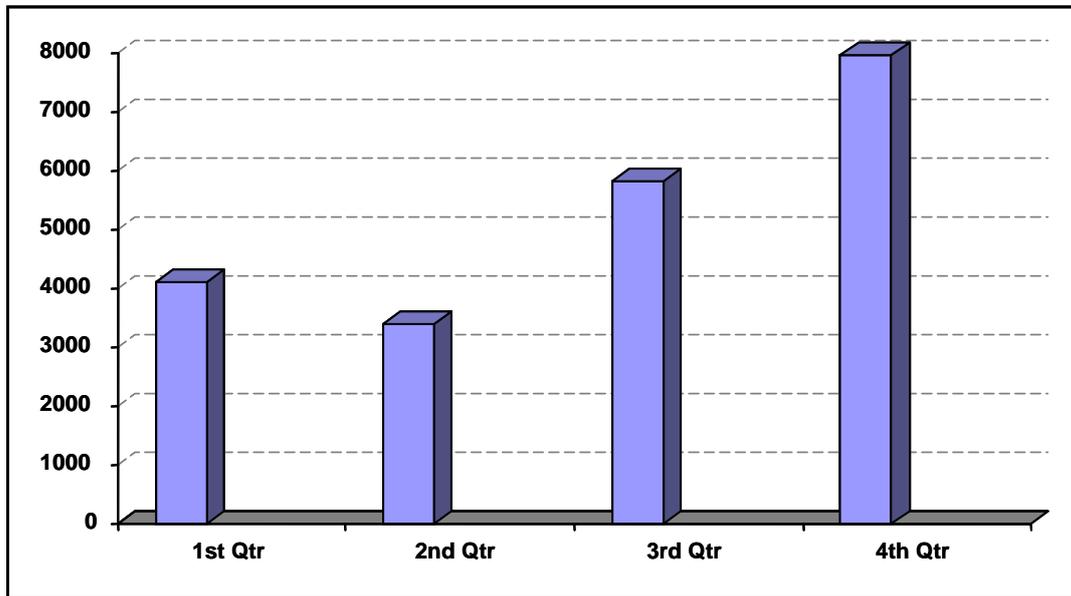
Strategy	Output	Target 2004-2005	Actual 2004-2005	Target 2005-2006
Increase awareness of, involvement in, and support for the Committee's activities by citizens, Members of Parliament and the public sector. <i>(continued)</i>	Implementation of initiatives to enhance confidence in the activities of the Committee. <i>(continued)</i>	<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 and/or academics.</p>	<p>Five meetings were held with interstate parliamentary committees.</p> <p>The Chair gave two presentations at conferences. The Chair, Deputy Chair and Executive Officer attended the national conference of the Australasian Council of Public Accounts Committees.</p> <p>Nine briefings/meetings were conducted for overseas and interstate delegations/academics.</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 and/or academics.</p>

**Exhibit 2.2: Summary of PAEC recommendations and government responses
2004-05**

Report	No. of recommendations	No. accepted, accepted in part, accepted in principle	Percentage accepted, accepted in part, accepted in principle	No. under review	Percentage under review	No. rejected	Percentage rejected
Report on 2004-2005 Budget Estimates	177	(a) 141	80	11	6	25	14
Inquiry into services for people with a disability	43	29	67	(b) 12	28	2	7
Inquiry into Rural Ambulance Services	21	18	86	-	-	3	14
Report on 2003-2004 Budget Outcomes	97	81	84	7	7	9	9
Total to date	338	269	80	30	10	39	10
Inquiry into corporate governance in the Victorian public sector	52	Response due in November 2005					
Total	390						
Target	220		80				

- Notes:
- (a) Some of the recommendations rejected by government were the same recommendation made to each government department. This may distort the total number of recommendations rejected
 - (b) The government is currently finalising its policy having regard to the community consultation on the Review of Disability Legislation – Report of recommendations, October 2003. The Committee’s recommendations will be considered in the development of the legislation

**Exhibit 2.3: Public Accounts and Estimates Committee
Number of visitor sessions to the
web site by quarter for 2005-06**



Source: Prepared by S Rosman, webmaster, Victorian Parliament, Webtrends, 6 July 2005

**Exhibit 2.4: Public Accounts and Estimates Committee
Web page - most requested pages**

1 st quarter	2 nd quarter	3 rd quarter	4 th quarter
2004-2005 Budget Estimates transcripts	Reports	Reports	Reports
Reports	Members	Hearings	Hearings
Members	Inquiry: Private investment into public infrastructure	Members	Members
Hearings	2004-2005 Budget Estimates	Inquiry: Corporate Governance	Inquiry: Corporate Governance
Inquiry: Private investment into public infrastructure	Hearings	2005-2006 Budget Estimates	2005-2006 Budget Estimates
2004-2005 Budget Estimates	Functions	2004-2005 Budget Estimates	2004-2005 Budget Estimates
Inquiry: Corporate Governance	Inquiry: Services for people with Intellectual disabilities	Inquiry: Private investment into public infrastructure	Inquiry: Private investment into public infrastructure
Inquiry: Reducing landfill	Inquiry: Corporate governance	Functions	Functions
Reports	Auditor-General's Reports	2005-2006 Budget Estimates transcripts	2005-2006 Budget Estimates transcripts

Source: Prepared by S Rosman, webmaster, Victorian Parliament, Webtrends, 6 July 2005

CHAPTER 3: THE YEAR IN REVIEW



*Some members of the Public Accounts and Estimates Committee from left to right:
Ms Glenyys Romanes, MLC, Mr James Merlino, MP, Hon. Christine Campbell, MP, (Chair)
Hon. Gordon Rich-Phillips, MLC, Hon. Bill Forwood, MLC, (Deputy Chair) Mr Robert Clark, MP*



*Remaining Members are:
Hon. Bill Baxter, MLC; Mr Adem Somyurek, MLC, Ms Danielle Green, MP*

3.1 Report No. 59: Report on the 2004-05 Budget Estimates

3.1.1 Background to the report

The passing of the Appropriation Bills by Parliament provides the government with the authority to raise taxes and appropriate expenditure from the Consolidated Fund for the forthcoming year. Two separate Appropriation Bills are presented to the Parliament: one relating to the operations of the Parliament and the Auditor-General and the other relating to general government activities.

The appropriation bills relating to 2004-05 were passed by Parliament on 27 May 2004 (*Appropriation (Parliament 2004-05) Act 2004*) and 10 June 2004 (*Appropriation (2004-05) Act 2004*) and provided for expenditure of \$23,426 million and revenue of \$28,985 million.

The budget estimates report is based on evidence presented at the Committee's estimates hearings as well as information contained in a range of documents including the budget papers, departmental responses to the Committee's budget estimates questionnaire, reports of the Auditor-General, departmental and portfolio agency annual reports and other public documents. Departments also provided specific

information in response to questions taken on notice at the estimates hearings or on issues subsequently raised by the Committee.

3.1.2 Committee's findings

The Committee's *Report on the 2004-05 Budget Estimates* contained 177 recommendations. The key recommendations are presented below:

The Committee recommends that:

- the Department of Education and Training:
 - provide a consolidated statement in its annual report of expenditure on school capital projects and maintenance programs that separately identifies budgeted and actual expenditure directed to the construction of new schools, upgrades, modernisation and maintenance programs;
 - include the amount of funding separately allocated to primary schools and secondary schools in the budget papers and in its annual report;
 - develop a centralised human resources management system that records the employment and cost of casual staff and identifies trends;
 - include in its annual report, the method used by regional offices to establish the priority list of schools in their region; the process used by the department in determining the merits of each school's capital needs based on the regional lists; and the amount of capital allocation for each school;
 - identify any changes in the budget papers with respect to any change in definition of performance measures from one budget to the next, so that meaningful year-on-year comparisons of performance indicators can be made.

The Committee recommends that:

- the Department of Treasury and Finance:
 - provide guidance to the Department of Human Services' major portfolio agencies to develop a more comprehensive reporting framework that allows for consistent reporting of occupational health and safety outcomes by each agency;
 - ensure public reporting on compliance and certification outcomes generated annually under the Financial Compliance Management Framework; and
 - the Transport Accident Commission and the Victorian WorkCover Authority ensure that future Australian Football League sponsorship arrangements do not limit their capacity to publicly disclose the cost of these arrangements.

The Committee recommends that:

- the Department of Human Services:
 - ensure that a sufficient number of health professionals are recruited into the public health system to complement the initiatives introduced to address the demand pressures;
 - ensure that effective arrangements are in place for planning and managing the supply of and demand for public dentists and associated support staff, so that services are provided where they are most needed;
 - develop strategies to address the increasing backlog of unmet critical need for home and community based living options for people with disabilities that considers creating incentives for a greater involvement by the non-government sector in service provision; investigate innovative home living options to provide alternative housing; and actively seek further funding from the Commonwealth Government for residential disability care in order to alleviate waiting times;
 - with the Victorian Property Group:
 - ... assist with identifying and selling Victorian Government sites that are suitable for residential aged care development;
 - ... encourage the building of aged care facilities that cater for high and lower levels of need and respite care for people with challenging behaviour;
 - ... collect data on the characteristics of the population choosing residential care, particularly related to choice of location, financial contribution and length of stay to assist with long term planning for these facilities;
 - ... regularly review the status of licences allocated in Victoria and bring to the attention of the Commonwealth Department of Health and Ageing any circumstances where there do not appear to be legitimate reasons for delays in the construction of new aged care facilities within the two year period; and

... continue to make representations to the Commonwealth Government about the need for funding arrangements that will provide for ongoing financial viability for existing and prospective aged care facility operators in Victoria.

The Committee recommends that:

- the Victorian Government:
 - publish a report that contains an assessment of the total impact of the Free Trade Agreement between the United States and Australia on Victoria, including the agriculture portfolio, after the Agreement has been operating for a sufficient period of time;
 - include details of any further quantifiable and non-quantifiable liabilities associated with Commonwealth Games related projects in the budget papers, in particular the nature of the types of potential liabilities that the government faces such as further guarantees made and legal action pending; and
 - observe the general principle that information should be made public unless there is a justifiable reason not to do so, when considering the withholding of information on the grounds of cabinet-in-confidence.

The Committee recommends that:

- the Department for Victorian Communities:
 - finalise its annual Aboriginal Affairs report as soon as possible and publicly release the document;
 - continue to measure the economic benefits associated with hosting major events and publicly release all studies commissioned to determine the economic impact of major events in Victoria; and
 - include a reconciliation of expenditure and revenue for that year in a format consistent with the government's whole of Games funding commitments in its 2004-05, 2005-06 and 2006-07 annual reports.

The Committee also recommends that:

- the Department of Justice:
 - develop a framework that provides the Auditor-General with total independence to audit the administrative systems and processes of the courts, as a matter of priority;
 - ensure that Victoria Police develop and report on a range of police services efficiency measures; continue to work within national frameworks to develop comparable efficiency indicators for police services; and include trend data over several years along with commentary on the various crime categories in its annual report;

- ensure that Victoria Police and the Department of Justice closely monitor the implementation of the new information technology contractual arrangements, including costs, to ensure that they meet performance expectations; and
- ensure that the Office for Workforce Development undertake a review of departmental processes used to assess exceptional or substantial performance as the basis of payment of performance incentive payments to Executive Officers, to ensure that a consistent and fair approach is adopted across government;
- the Department of Infrastructure investigate the reasons for the delays to the Regional Fast Rail Project, with a view to minimising the extent of any future contractor claims involving additional costs, that may be attributed to delays beyond the control of contractors;
- the Department of Innovation, Industry and Regional Development in collaboration with the Department of Education and Training conduct research into trends in apprenticeship numbers; devise new strategies to promote apprenticeships; and consider new incentives for employers to employ apprentices.

3.1.3 Government response to the report

A summary of the government's response to the Committee's inquiry into the 2004-05 Budget Estimates report is shown in exhibit 3.1:

**Exhibit 3.1: Government response to
Public Accounts and Estimates Committee report
on the 2004-05 Budget Estimates**

Department	Accepted	Accepted in part	Accepted in principle	Under review	Rejected	Total
Education and Training	-	-	8	0	9	17
Human Services	13	3	5	1	2	24
Infrastructure	6	0	0	3	0	9
Innovation, Industry and Regional Development	8	2	9	1	2	20
Justice	8	2	9	1	2	22
Premier and Cabinet	3	1	1	2	0	7
Primary Industries	2	1	3	0	1	7
Sustainability and Environment	6	4	0	0	1	12
Treasury and Finance	10	5	4	3	4	26
Victorian Communities	12	6	2	0	2	11
Parliamentary Departments	5	0	4	0	2	11
Total	73	22	46	11	25	177
Percentage	41	13	26	6	14	100

3.2 Report No. 63: Report on the 2003-04 Budget Outcomes

3.2.1 *Background to the report*

The Committee's review of the budget outcomes enhances the accountability of government departments and agencies, and provides Parliament and the community with more meaningful information about results achieved in 2003-04 compared with expectations. This follow-up process complements the Committee's initial review of the budget estimates.

The budget outcomes report is based on an analysis of the government's 2003-04 budget outcomes (consisting of \$27,353.7 million in expenditure and \$28,343.8 million in revenue) and on information contained in a range of documents. These documents include the annual reports of all departments and some portfolio agencies; the responses to the Committee's questionnaire; the Auditor-General's *Report on the Finances of the State for 2003-04* and other relevant reports; the 2003-04 Budget Papers; and the government's 2003-04 financial report.

3.2.2 *Committee's findings*

The Committee's *Report on the 2003-04 Budget Outcomes* contained 97 recommendations.

The Committee recommended that all departments include explanations of significant variations between performance targets and actual achievements in their annual reports. It also recommended that annual reports of departments include details of budget and actual costs for outputs; and that output performance reporting by departments encompass explanations of all significant output cost variations from the budget estimates.

The Committee made a number of other key recommendations, including that:

- the Department of Treasury and Finance:
 - report on the progress of projects funded through the Growing Victoria Infrastructure Reserve, and include the status of each project at the end of each financial year; a comparison of budget and actual capital expenditure for the financial year for each project; and project time frames and reasons for changes;
 - disclose details of Gateway reviews undertaken during the year and indicate the status of these projects against budget and timelines in its annual report to provide assurance that the state's major asset investment projects under the Gateway initiative are progressing in line with budget and the planned schedule;

- review the cost effectiveness of winding up the vehicle lease agreement with the Commonwealth Bank of Australia earlier than 2007-08; and
- with the Transport Accident Commission ensure that future Australian Football League sponsorship arrangements provide for public disclosure of the costs and benefits of these arrangements.
- the Presiding Officers give priority to developing and completing a new information technology strategic plan for Parliament.
- the Victorian Auditor-General's Office aim to employ no external audit service provider to carry out the same financial statement audits for longer than five years.
- the Department of Education and Training:
 - finalise implementation of strategies associated with the *Blueprint for Government Schools* framework and develop a performance measurement and reporting regime for outcomes delivered under this initiative; and
 - in conjunction with the Department of Treasury and Finance, ensure a practical financial audit and reporting regime is developed for school councils.
- the Department of Human Services give further attention to the admission of semi-urgent cases on the waiting lists of the major metropolitan hospitals within the clinically ideal time of 90 days.
- the Department of Infrastructure:
 - subject the future stages of the Regional Fast Rail Project to a rigorous monitoring regime to ensure that it is completed within current timelines and budgets, and that the planned outcomes are achieved and that all such information is reported in the department's 2004-05 annual report;
 - commission a mid term review of the effectiveness of the *Arrive Alive!* road safety strategy to ensure it achieves the target of a 20 per cent reduction in the number of deaths and serious injuries by 2007; and
 - commission a study to assess the true extent of fare evasion throughout Melbourne's tram system, with a view to continuously improving the existing Metcard system and addressing any weaknesses, before a decision is made on the public transport ticketing system beyond 2007.
- the Department of Innovation, Industry and Regional Development monitor the effectiveness of its international marketing campaigns in attracting international tourists to Victoria; and quantify the contribution of international tourism to enhancing Victoria's economic and social development in its annual report.

- the Department of Justice:
 - publish the results of the whole of government infringements review in its 2004-05 annual report, and any other reviews or initiatives aimed at improving collection of outstanding fines along with the expected financial outcomes for reducing outstanding fines; and
 - ensure Budget Information Paper No. 1 clearly identifies details of the prison capacity expansion program and related projects to facilitate transparency in the progress of the prison expansion program.
- the Victorian Commission for Gambling Regulation ensure licensees lodge community benefit statements for 2004-05 and beyond by 30 September each year.
- the Department of Premier and Cabinet review the process used by Arts Victoria to assess revenue and economic projections underpinning applications for arts funding, to ensure a more rigorous approach is adopted.
- the Department of Primary Industries closely monitor progress against each of the milestone stages to ensure compliance with the budget and, completion of timelines and quality standards, so the project is delivered efficiently and effectively.
- the Environment Protection Authority comply with the requirements of the *Financial Management Act 1994* for annual reporting, by producing a single annual report containing a report of operations and a financial report.
- the Department for Victorian Communities improve its budgetary practices for estimating the Commonwealth Games output costs and forecasting cash flow needs to reduce the incidence of contingency funding provided in the budget estimates for the Commonwealth Games output.

3.2.3 Government response to the report

The government tabled its response to the report in the Legislative Assembly on 4 October 2005. The total number of recommendations accepted, accepted in part or accepted in principle was 81 out of 97 recommendations or 84 per cent.

**Exhibit 3.2: Government response to
Public Accounts and Estimates Committee report
on the 2003-04 Budget Outcomes**

	Accepted	Accepted in part/principle	Under review	Rejected	Total
Total	51	30	7	9	97
Percentage	53	31	7	9	100

3.3 Report No. 58: Report on the review of the Auditor-General's special report no. 51 – Victorian rural ambulance services: fulfilling a vital community need

The Auditor-General tabled special report no. 51 – *Victorian rural ambulance services: fulfilling a vital community need*, in November 1997. This report assessed the efficiency and effectiveness of the delivery of emergency services by rural ambulance services to Victoria's rural and regional communities.

The audit report concluded that there were concerns about the financial viability of four of the five rural ambulance services. The services had a declining revenue base, strategic and financial planning was generally poor and major capital funding was needed to address ageing infrastructure, particularly in relation to critical communications systems. Further, high level performance benchmarks were absent, inefficient work practices were evident and there was a poor industrial environment.

Following a Committee request in March 2002, the Auditor-General provided the Committee on 24 June 2002 with a paper on the status of the recommendations contained in special report no. 51.

The Auditor-General concluded that although progress had been made in capital funding and communications systems, certain problems still remained unresolved.

The Committee's report on the review reiterated the Auditor-General's initial concerns.

3.3.1 Committee's findings

The Committee's report on Victorian rural ambulance services contained 21 recommendations with the key findings being that:

- The Department of Human Services:
 - fund Rural Ambulance Victoria on a full accrual basis inclusive of depreciation and employee entitlements;

- provide expert assistance to Rural Ambulance Victoria in negotiating a new enterprise agreement to address industrial practices that add substantially to overtime and allowance costs;
 - give priority to the funding of computerised information systems, including a computer assisted dispatch system that will enable Rural Ambulance Victoria to more efficiently, effectively and economically manage its resources for the benefit of the rural Victorian community;
 - provide the necessary funding for the full implementation of the Victorian Ambulance Clinical Information System; and
 - undertake a review of ambulance funding mechanisms elsewhere in Australia, with a view to determining whether the existing subscription scheme remains appropriate for Victoria.
- Rural Ambulance Victoria:
 - take action to ensure that its management of occupational health and safety, reflects best practice; and
 - investigate the incidence of sick leave and overtime at locations exhibiting levels in excess of average levels taken elsewhere across Victorian ambulance locations.
 - The Victorian Government:
 - provide funding for a Computer Aided Design (CAD) system for Rural Ambulance Victoria, as a matter of priority; and
 - undertake a feasibility study into the benefits and disadvantages of an amalgamation between Rural Ambulance Victoria and the Metropolitan Ambulance Service.

3.3.2 Government response to the report

The government response to the recommendations contained in the report was received on 27 July 2005. The government accepted 17 (81 per cent) of the Committee's 21 recommendations.

3.4 Report No. 60: Report on the review of the Auditor-General's performance audit report on – Services for people with an intellectual disability

The report itself is a thoroughgoing and very valuable analysis of the progress or otherwise which has been made since the Auditor-General's 2000 report on services for people with an intellectual disability. It also includes what are in our view highly pertinent comments and recommendations in relation to the government's proposals for changes to Victoria's disability legislation.¹⁰

In November 2000, the Auditor-General tabled his performance audit report on *Services for people with an intellectual disability*, which found significant scope for improvements in services and processes within the Department of Human Services. A follow-up review by the Auditor-General in 2003 found the department had made progress in implementing his recommendations, but had been slow in some areas, including the legislative review process.¹¹

In November 2003, the Public Accounts and Estimates Committee advised the Auditor-General of its intention to undertake a follow-up inquiry.

3.4.1 Committee's findings

The Committee's *Report on the review of the Auditor-General's performance audit report on Services for people with an intellectual disability*, contained 43 recommendations. Key recommendations are that:

- The Department of Human Services
 - determine the underlying reasons for delays in completing eligibility assessments, as provided for in Part 3 section 7 (1-3) of the *Intellectually Disabled Persons' Services Act* 1986, and take action to reduce the time taken to complete assessments;
 - investigate the potential benefits of providing specialist independent support workers with the capability of working individually with a person with an intellectual disability to help identify and communicate the individual's needs, desires and decisions. The trained support worker should be independent of family, the Department of Human Services and government decision making processes;

¹⁰ Sue Jackson, Executive Director, Council of Intellectual Disability Agencies, correspondence, 26 May 2005

¹¹ Victorian Auditor-General's Office, *Report on Public Sector Agencies*, June 2003, pp.76–85

- analyse the options for improving its ability to predict the needs of people with an intellectual disability and prevent crisis situations from occurring;
- improve the planning for improvements to services for people with an intellectual disability;
- take into account the significance of General Service Plans in the delivery of quality services to people with an intellectual disability;
- assess whether alternative supported accommodation options for residents in community residential units would better suit their needs;
- develop a policy and associated strategies to address the changed needs of ageing clients in community residential units;
- examine the reasons why some service providers are not preparing and updating Individual Program Plans for people with an intellectual disability, in accordance with departmental guidelines; and take action to redress this situation;
- ensure that community visitors have access to incident reports in all residential services provided for people with an intellectual disability;
- give consideration to introducing a formal assistant decision maker, where appropriate, for each person with an intellectual disability. The role of the assistant would be to facilitate communication and participation by a person with an intellectual disability in the decision making process to ensure the person’s rights are being advanced;
- ensure that arrangements in place for independent monitoring of services provided for people with an intellectual disability, include provisions that strengthen independence such as:
 - ... an obligation on the department to report to the monitoring agency on instances where recommendations are not acted on within six months and publish the reasons recommendations were not accepted;
 - ... the monitoring agency having the power under legislation to enter service providers’ premises and review client files; and
 - ... reports of the quality monitoring agency being publicly available;
- provide a consolidated report on services for people with a disability and report on the outcomes of the Victorian State Disability Plan. This report should:
 - ... include a range of objective performance measures that relate to the outcomes of services provided (or not provided) to the department’s potential clients; and
 - ... be publicly released on an annual basis in conjunction with the tabling of the Department of Human Services’ annual report in Parliament;

- ensure that the Office of the Senior Clinician is supported by multi-disciplinary staff which includes specialists from non-medical backgrounds who support a rights-based approach for people with an intellectual disability, as outlined in the Victorian State Disability Plan;
 - ensure that the new disability legislation gives people with an intellectual disability the right to seek an external review of their individual plans;
 - ensure that a proposal to establish a number of review and regulation bodies relating to services for people with an intellectual disability does not lead to fragmentation of the system; and
 - service users and their families are provided with clear information as to the appropriate review or regulation body to deal with specific issues.
- The Victorian Government:
 - ensure that the external review body to evaluate and monitor the systemic use of restrictive practices across all disability services, such as VCAT, be appropriately resourced with staff and Panels that have suitable specialist skills, are accessible to all and are affordable to clients and their advocates;
 - ensure that the proposed Disability Complaints Resolution Office has the power to initiate its own investigations;
 - ensure that the complaints body, such as the proposed Disability Complaints Resolution Office, is independent of the Department of Human Services; and
 - ensure that the proposed Disability Complaints Resolution Office has the power to examine the practices of service providers; and interview people with an intellectual disability, their parents, families and carers about their satisfaction with the complaints handling process.

3.4.2 Government response to the report

The government responded to the report on 16 June 2005. Sixty-seven per cent of recommendations were accepted, accepted in principle or accepted in part. Twelve recommendations are still under review and will be considered as part of the government's review of the disability legislation.

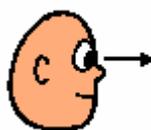
**Exhibit 3.3: Government response to
Public Accounts and Estimates Committee report on
the review of the Auditor-General's performance audit report on
Services for people with an intellectual disability**

	Accepted	Accepted in part/principle	Under review	Rejected	Total
Total	20	9	12	2	43
Percentage	46	21	28	5	100

3.4.3 Report No. 60: Easy English version of the key recommendations contained in the Committee's report on – Services for people with an intellectual disability

The Committee is to be particularly congratulated for its initiative in producing an Easy English version of the report which will help to ensure that people with cognitive impairment can access information and participate in decisions relevant for their lives and their futures. This is a ground breaking initiative. We are not aware of any previous instance in which a Parliamentary Committee has sought to produce such broadly accessibly information.¹²

Due to a number of requests the Committee undertook to prepare an Easy English version of the key recommendations contained in the Committee's report. This is an innovative approach which conveys in a pictorial form the essential content and key recommendations of the full report. An example from the Easy English version of the report is reproduced below:



The Public Accounts and Estimates Committee is a group of people whose job it is to check how the government spends its money. They are politicians. Some are members of the government and some are not.

¹² Sue Jackson, Executive Director, Council of Intellectual Disability Agencies, correspondence, 26 May 2005

3.5 Report No. 61: Annual Report for 2003-2004

The Committee's 2003-04 annual report received recognition from a number of influential overseas bodies including the Canadian Comprehensive Auditing Foundation which has recently completed a six year research project on parliamentary oversight, committees and relationships:

Clearly, again, Australia is at the front of that. The one state that really has a good practice (in achieving and demonstrating results) is the State of Victoria. I had mentioned them last year as well, but they've done even more things this year. In their 2003-04 annual report, they have actually identified performance measures now as well. In addition to doing their logic diagram...they have actual performance measures, some of which are the number of recommendations accepted or implemented, but also the number of seminars given to legislators on financial management, the completion of a particular hearing or the setting of goals for a particular hearing and then meeting those goals.¹³

The World Bank, in a research working paper on assessing the performance of Public Accounts Committees, commented:

The Victoria PAC has carefully thought out what it would like to achieve and how to get it done. The Committee's annual report has a chart depicting what the Committee does, and the impact of its work. The Victorian PAC is a leader in performance reporting for PACs.¹⁴

The report was tabled in the Legislative Council on 16 December 2004.

3.6 Report No. 62: Report on Corporate Governance in the Victorian Public Sector

3.6.1 Background to the report

During the past two decades the Victorian public sector has undergone significant reform in the interests of improving the efficiency, effectiveness, responsiveness and accountability of public services. These changes are not unique to the Victorian public sector but have drastically altered the way in which it works and have significant implications for governance.

¹³ Canadian Council of Public Accounts Committees 26th Annual Conference, Ontario, transcript, 22 August 2005, p.44

¹⁴ R. Stapenhurst, et al, *Scrutinizing Public Expenditures - Assessing the Performance of Public Accounts Committees*, World Bank Policy Research Working Papers, May 2005, at www.worldbank.org, accessed 27 October 2005, p.23

With the collapse of high profile corporations both in Australia and overseas, much of the recent debate has revolved around the best means of achieving effective and accountable governance in the private sector. However, the challenges faced by the Victorian Government in relation to corporate governance are no less significant. In fact, it can be argued that they are even greater than those confronted by the private sector because the public sector is more complex than the private sector

Good corporate governance arrangements are an essential precondition not only for accountability and performance but also for public confidence in the integrity of government.

3.6.2 Committee's findings

The report on corporate governance contained 52 recommendations. The key recommendations are that:

- entities established under the *State Owned Enterprises Act 1992* be limited to those providing goods or services on a commercial basis;
- the creation of new entities as state bodies under s.14 of the *State Owned Enterprises Act 1992* be limited to situations in which entities operate for only a limited (specified) time;
- legislative provisions relating to the payment of dividends by State Owned Enterprises and other agencies be amended to:
 - place a maximum limit on the value of dividends that an agency is required to pay, consistent with the requirements imposed by the *Corporations Act 2001* (Cwlth); and
 - provide greater transparency for the payment of dividends where the value of dividends exceeds after tax profit and retained earnings by providing for a 'special dividend'. These provisions could be modelled on the Tasmanian, Government Business Enterprises Act;
- the Victorian Government develop a framework for performance reporting that reflects better practice used in Canada and the United Kingdom, including as a minimum clear linkages between a statement of government outcomes and departmental and agency objectives/outcomes supported by measures of progress and measurable performance information;
- the Department of Treasury and Finance amend the financial reporting directions to require all public sector agencies to provide performance information and indicators in their annual reports commencing from the 2006-07 reporting period;
- the *Financial Management Act 1994* be amended to:
 - bring forward the release date for the annual financial report to mid-September, in line with the aims of the Department of Treasury and Finance;

- require the relevant Minister to table in Parliament an agency’s report of operations and audited financial statements within three months of the end of the reporting period; and
- provide for out-of-session tabling of annual reports up to three months after the end of the reporting period, modelled on the provisions applying to reports by the Auditor-General and parliamentary committees;
- the government amend agencies’ establishing legislation to provide for:
 - a single standard requiring all directions made to an entity governed by a board of management to be in writing; and
 - a single standard requiring public disclosure of written directions made to boards of management to be tabled in Parliament within five sitting days of being given to an agency, as well as being included in the agency’s annual report;
- the Attorney-General strengthen reporting requirements for public sector agencies under the Freedom of Information Act based on better practice in other jurisdictions such as South Australia;
- the Financial Management Act be amended to require agencies to publish the details of major contracts on the Victorian Government Purchasing Board’s contracts publishing web site;
- the requirement to publish the details of major contracts on the Victorian Government Purchasing Board’s contracts website in Financial Reporting Direction No. 12 be amended to apply to all entities defined as a public body under the *Financial Management Act 1994*;
- the *Financial Management Act 1994* be amended to require contracts (or sections in contracts) considered by agencies to be commercial-in-confidence to be forwarded to the Auditor-General for review within 21 days of signing the contract and provide three months for the Auditor-General to review the relevant documents;
- the Department of Premier and Cabinet develop and maintain a publicly available register of appointees to public sector agency boards that includes:
 - the agency/agencies to which the person is appointed;
 - the term of appointment for each agency to which the person is appointed; and
 - the position held on each board (chair, deputy chair, etc).
- the *Public Administration Act 2004* be amended to provide for the State Services Authority to monitor the process for all appointments to Victorian public sector boards of management, along the lines of the model of the UK Commissioner for Public Appointments.

3.6.3 *Government response to the report*

The government is due to respond to the report on 19 November 2005.

CHAPTER 4: WORK IN PROGRESS

4.1 Inquiry into parliamentary control and management of appropriations

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. At 30 June 2005, the Committee had completed its review and was about to consider a draft report on parliamentary control and management of appropriations.

The Committee's report was tabled on 15 September 2005.

4.2 Inquiry into the 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 including a final hearing with the Ombudsman in February 2005.

The draft report is being considered by the Committee and will be tabled in November 2005.

4.3 Inquiry into the 2005-06 Budget Estimates

Before the presentation of the budget in May 2005, the Committee forwarded a questionnaire to all departments to obtain additional information to assist with the review of the 2005-06 Budget Estimates.

During May and June 2005, public hearings were held with the Premier, all Ministers and the Presiding Officers. The draft report is being considered by the Committee and will report in November 2005.

4.4 Report of the independent auditor on the performance audit of the Victorian Auditor-General and the Victorian Auditor-General's Office

4.4.1 Background to the report

The Public Accounts and Estimates Committee is required by Section 19 of the *Audit Act* 1994 to arrange for a performance audit of the Victorian Auditor-General's Office to be undertaken. The review is to determine:

*...whether the Auditor-General and the Victorian Auditor-General's Office are achieving their objectives effectively and doing so economically and efficiently and in compliance with the Audit Act 1994.*¹⁵

Mr John Phillips of Acumen Alliance was appointed in accordance with the Act to undertake the review.

The audit was conducted in accordance with the requirements of the *Audit Act* 1994 and Statement of Auditing Standard AUS 806 'Performance Auditing' and other relevant Auditing Standards and professional statements. The review was wide ranging, covering a number of aspects of the processes and outputs of the Victorian Auditor-General's Office.

The report was tabled in the Legislative Assembly and the Legislative Council on 7 December 2004.

The Committee began a review of the report in October 2005 and expects to table its report in February 2006.

¹⁵ *Audit Act* 1994, s.19(1)

4.5 Inquiry into private sector investment in public infrastructure

4.5.1 *Background to the report*

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 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. While finalising the draft report has taken longer than the Committee would have preferred, it has been beneficial because during the past six months a number of studies and other reports from industry groups have been completed which have analysed the outcomes of some PPP arrangements. These reports provide useful background information and give the Committee a broader view of the framework that is required for successful public private partnerships. The Committee's report will be tabled as soon as possible.

4.6 Follow-up inquiries on Auditor-General's reports

No new follow-up inquiries on Auditor-General's reports were commenced in 2004-05 due to budgetary constraints.

CHAPTER 5: AUSTRALASIAN COUNCIL OF PUBLIC ACCOUNTS COMMITTEES

The 2005 Australasian Council of Public Accounts Committees (ACPAC) conference was hosted by the Queensland Public Accounts Committee and held at the Queensland Parliament in Brisbane from 6 to 8 February 2005. One hundred and nine Australian and international delegates and observers attended the conference, including members and staff of Public Accounts Committees, Auditors-General, academics and representatives of professional bodies. In addition to Australian delegates, the conference included representatives from Fiji, Namibia, New Zealand, Papua New Guinea, Singapore, South Africa and the United Kingdom.

The Committee's Chair (Hon. Christine Campbell, MP), Deputy Chair (Hon. Bill Forwood, MLC) and Executive Officer (Ms Michele Cornwell) represented the Victorian Public Accounts and Estimates Committee. The theme of the conference was current challenges facing Public Accounts Committees, and Ms Campbell gave a paper on public private partnerships.

The conference agreed to a number of changes to the ACPAC constitution, which provide for mid term meetings (usually held in each alternate conference year) to become a smaller version of the biennial conference, and allows for all Committee members to attend the mid term meetings. It was also agreed that the next ACPAC conference would consider a resolution to expand the membership of ACPAC to include a number of Public Accounts Committees or related Committees from Parliaments in the South Pacific.

The next ACPAC mid term meeting will be held in the Northern Territory in April 2006.

This report was adopted by the Public Accounts and Estimates Committee at its meeting held on 14 November 2005 in Meeting Room 4 at Parliament House, Melbourne.

APPENDIX 1: COMMITTEE PERFORMANCE AT A GLANCE 2004-05

Exhibit 1.1: Public Accounts and Estimates Committee

59	Meetings held
22	Public hearings held
6	Private hearings held
4	Sub-Committees active
247	Witnesses who gave evidence
6	Reports tabled
1	Report on the performance audit of the Victorian Auditor-General and the Victorian Auditor-General's Office commissioned
390	Recommendations made
14	Briefings/meetings held with overseas delegations and interstate parliamentary committees and academics

APPENDIX 2: COMMITTEE MEMBERSHIP 55TH PARLIAMENT

Hon. Christine Campbell, MP
Chair

Membership 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

Membership 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

Membership of the following Sub-Committees:

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

Mr Robert Clark, MP

Membership of the following Sub-Committees:

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

Mr Luke Donnellan, MP (*discharged from the Committee on 4 May 2005*)

Membership of the following Sub-Committees:

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

Ms Danielle Green, MP

Membership of the following Sub-Committees:

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

Mr James Merlino, MP

Membership of the following Sub-Committees:

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

Hon. Gordon Rich-Phillips, MLC

Membership of the following Sub-Committees:

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

Ms Glenyys Romanes, MLC

Membership 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

Mr Adem Somyurek, MLC (*appointed to the Committee on 5 May 2005*)

APPENDIX 3: MEMBERS ATTENDANCE AT MEETINGS AND HEARINGS

Member's name	Full Committee No. of private meetings attended	Full Committee No. of private hearings attended	Full Committee No. of public hearings attended	Sub-Committee No. of meetings and hearings attended
Hon. Christine Campbell, MP (Chair)	25	3	21	7
Hon. Bill Forwood, MLC (Deputy Chair)	19	3	19	4
Hon. Bill Baxter, MLC	11	3	9	3
Mr Robert Clark, MP	23	3	19	1
Mr Luke Donnellan, MP ¹⁶	13	1	1	-
Ms Danielle Green, MP	18	3	17	3
Mr James Merlino, MP	22	2	18	2
Hon. Gordon Rich-Phillips, MLC	14	1	14	-
Ms Glenyys Romanes, MLC	27	3	21	3
Mr Adem Somyurek, MLC ^{17 18}	3	-	18	-

Public Accounts and Estimates Committee Number of meetings and hearings Full Committee and Sub-Committees

Committee	
Number of private meetings	27
Number of private hearings	3
Number of public hearings	22
Sub-Committees	
Number of private meetings	4
Number of private hearings	3

¹⁶ Mr Luke Donnellan, MP was discharged from the Committee on 4 May 2005

¹⁷ Mr Adem Somyurek, MLC was appointed to the Committee on 5 May 2005

¹⁸ Mr Adem Somyurek, MLC is not a member of any Sub-Committee

**Public Accounts and Estimates Committee
Attendance at meetings and hearings**

**Sub-Committee on
Scoping of performance audits**

Hon. Christine Campbell, MP (Chair)	3
Hon. Bill Forwood, MLC	2
Hon. Bill Baxter, MLC	2
Mr Luke Donnellan, MP ¹⁹	1
Mr James Merlino, MP	1
Mr Robert Clark, MP ²⁰	1
Ms Danielle Green, MP ²¹	1
Ms Glenyys Romanes, MLC ²²	1
Private Meetings	3

**Sub-Committee on
Corporate governance in the Victorian public sector**

Ms Glenyys Romanes, MLC (Chair)	1
Hon. Christine Campbell, MP	1
Hon. Bill Forwood, MLC	1
Ms Danielle Green, MP	1
Hon. Gordon Rich-Phillips, MLC	-
Private Meetings	1

¹⁹ Discharged from the Committee on 4 May 2005

²⁰ Attended the meeting as observer

²¹ Attended the meeting as observer

²² Attended the meeting as observer

**Sub-Committee on
Follow-up of Auditor-General's reports**

Hon. Christine Campbell, MP (Chair)	1
Hon. Bill Baxter, MLC	1
Mr Robert Clark, MP	-
Mr James Merlino, MP	1
Ms Glenyys Romanes, MLC	1
Private Meetings	1

**Sub-Committee on
Staffing**

Hon. Christine Campbell, MP (Chair)	2
Hon. Bill Baxter, MLC	-
Hon. Bill Forwood, MLC	1
Ms Danielle Green, MP	1
Private Meetings	2

APPENDIX 4: PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE SECRETARIAT

The Committee is supported by a small secretariat comprising:

Executive Officer	Ms M Cornwell
Assistant Executive Officer	Ms J Nathan
Research Officers:	Mr I Claessen – Performance Auditor Ms P Toh – Financial Auditor Mr K Swoboda – Economist <i>(to 3 June 2005)</i> Mr M Newington – Financial Auditor <i>(9 June 2004 to 24 March 2005)</i>
Secondee from the Auditor-General's Office	Mr R Farrer <i>(from 19 April 2004 to 13 December 2004)</i> Mr P Stoppa <i>(from 10 February 2005 continuing)</i>
Specialist Advisor (part-time):	Mr T Wood
Office Manager:	Ms K Taylor <i>(from 15 December 2004)</i>

APPENDIX 5: BUDGET

The Committee's expenditure for 2004-05 was as follows:

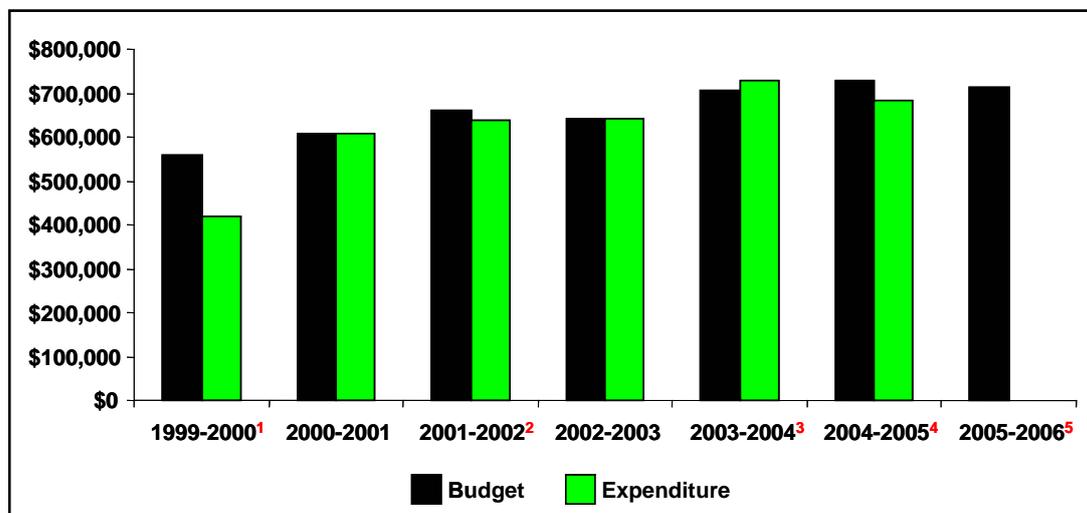
**Exhibit 5.1: Public Accounts and Estimates Committee
Budget and expenditure
2004-05 – 2005-06**

	Revised Budget 2004-05 (a)	Budget Actual 2004-05	Budget 2005-06
	\$	\$	\$
Members' expense allowance	11,000	20,349	22,000
Salaries and associated costs of the Secretariat	(b) 468,300	(b) 485,037	(b) 480,488
Administrative expenses	65,500	71,580	77,500
Inquiries	182,700	104,524	134,913
Total expenditure	727,500	(c) (d) 681,490	(e) 714,901

- Notes:
- (a) budget was originally \$694,501 and adjusted in May 2005 to include provision for the cost of the transition to the new staff classification system
 - (b) does not include cost of specialist advisor which has been included in inquiries
 - (c) expenditure was \$46,010 under budget because the amount to be allocated for long service leave for the staff of the secretariat was not advised by the Department of Parliamentary Services prior to 30 June 2005
 - (d) Members' allowances, staff salaries and related costs and specialist advisor's fees totalled \$566,772 or 83 per cent of the Committee's 2004-05 budget
 - (e) Members' allowances, staff salaries and related costs and specialist advisor's fees will total \$592,488 or 83 per cent of the Committee's 2005-06 budget

To cope with the volume of work the Committee increased its staffing by one full-time position early in 2004-05 but could not maintain this position because our budget in real terms has not kept pace with rising costs.

**Exhibit 5.2: Public Accounts and Estimates Committee
Budget and Expenditure
1999-2005**



- Notes:
- 1 This expenditure was \$140,227 less than budgeted as a result of a number of factors, including:
 - (a) there was no Committee activity during the period August to December 1999;
 - (b) the delay in appointing staff; and
 - (c) the postponement of some inquiries as a result of other priorities
 - 2 Election year:
Underspent by \$47,000 because advice was received that Committee would be over budget once long service leave costs were allocated – this was incorrect
 - 3 Includes salary on-costs
 - 4 Underspent by \$46,010 because advice was received that the Committee would be over budget once long service leave and superannuation costs were allocated – this was incorrect
 - 5 Reflects a reduction of \$12,599 on the revised budget for 2004-05

