



PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

114th Report to Parliament

PAEC Mid-Term Report

February 2013

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The Public Accounts and Estimates Committee of the 57th Parliament
Clockwise from top-left: Jill Hennessy MP, Martin Pakula MLC (Deputy Chair), Philip R. Davis MP (Chairman), David Morris MP, David O'Brien MLC, Robin Scott MP, Neil Angus MP.

Parliament of Victoria
Public Accounts and Estimates
Committee

PAEC Mid-Term Report

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CHAIRMAN'S FOREWORD

“The PAEC of the 57th Parliament remains committed to promoting continuous improvement in public sector accountability and administration in Victoria.”



I am pleased to present this mid-term report outlining the activities and achievements of the Public Accounts and Estimates Committee of the 57th Parliament. This mid-term report is a development from the previous practice and is the first time that the Committee has produced such a document. Although there is no statutory requirement to do so, past practice has seen the tabling of an Annual Report in September outlining the Committee's multiplicity of activities over the previous financial year.

The heavy work demands and limited resourcing of the Committee throughout 2012 resulted in a decision to produce this mid-term report in place of an annual report for the 2011-12 year.

This report provides an opportunity for the Committee, at the half-way mark of its term, to look back over the past two years and take stock of what has been produced.

The reports tabled by the Committee over the past two years are many and varied, covering a vast range of public sector activities,

operations and reporting practices. Areas covered in those reports include: investigation, analysis and commentary on departmental budget estimates and performance outcomes; review of the quality of annual reports prepared by government departments; progress made by public sector entities in implementing the Auditor-General's recommendations; and a major inquiry into public infrastructure management in Victoria.

In addition to its investigation and reporting activities, the Committee liaises with the Victorian Auditor-General's Office regarding its work plans and also has a role in relation to recommending the appointment of the Auditor-General, independent auditors of his Office and consideration of the Auditor-General's budget and annual plan.

One significant statutory responsibility, the recommendation of a new Auditor-General of Victoria, was exercised by the Committee during 2012. The recommendation for the appointment of Mr John Doyle as the new Auditor-General was accepted by the Governor in Council on 5 February 2013.

The past two years of the Committee's operation have presented a number of challenges, in terms of balancing the Committee's available resources with the required output, and also a number of highlights in terms of achievements. Of particular note was the tabling in December 2012

of the Committee's report on the *Inquiry into Effective Decision Making for the Successful Delivery of Infrastructure Projects*, which was referred to the Committee from the Legislative Assembly in May 2011. Another highlight of the period was the February 2012 report evaluating the quality of departmental annual reports for 2009-10 and 2010-11. This report contains a number of significant recommendations aimed at encouraging agencies to provide more informative annual reports in the future.

The PAEC of the 57th Parliament remains committed to promoting continuous improvement in public sector accountability and administration in Victoria.

The hard work, dedication and professionalism of both Committee members and staff of the Committee Secretariat have ensured that the Committee's output in the first two years of its term has been both substantial and of a high quality.

I commend this report to the Parliament and other persons in the community interested in public sector management in Victoria and commend the Committee's continuing role in providing scrutiny, accountability and assurance to the Parliament and the Victorian community.

A handwritten signature in black ink that reads "Philip R. Davis". The signature is written in a cursive, flowing style.

Philip R. Davis MP
Chairman

COMMITTEE MEMBERSHIP



Philip R. Davis MP
Chairman
Member for Eastern Victoria
Audit Sub-Committee



Martin Pakula MLC
Deputy Chair
Member for Western Metropolitan
Audit Sub-Committee



Neil Angus MP
Member for Forest Hill
Audit Sub-Committee



Jill Hennessy MP
Member for Altona



David Morris MP
Member for Mornington
Audit Sub-Committee



David O'Brien MLC
Member for Western Victoria



Robin Scott MP
Member for Preston
Audit Sub-Committee

INTRODUCTION

The work of the Committee represents an important component of public sector accountability in Victoria. The Committee's recommendations are aimed at promoting best practice and continuous improvement in public sector administration and management in the State.

The seven members of the Public Accounts and Estimates Committee of the 57th Parliament were appointed in the sitting week commencing 8 February 2011. The Committee has reached the mid-point of its four-year term.

This mid-term report has been prepared to provide the Parliament and the community with an overview of the achievements and activities of the Committee over the period February 2011 to December 2012.

The report outlines the Committee's achievements, activities and work in progress.

Since February 2011, the Committee has formally met 38 times, held 142 public hearings, and has tabled 14 reports in the Parliament. These 14 reports have included a total of 386 recommendations directed at improving public disclosure and reporting, resource management, administrative practices, and governance and monitoring processes. This represents a sizable workload for a Parliamentary Committee supported by a small Secretariat.

The Committee is pleased to note that to date support has been expressed for 75 per cent of the recommendations made by the Committee, whether in full, in part or in principle.

Of the remainder, the Government advised that some recommendations are "under review" (approximately 12 per cent). The Committee intends as part of its ongoing work to follow-up on the status of any key recommendations which were described by the Government as "under review".

In forming its conclusions and developing the recommendations for its reports, the Committee invites written submissions, answers from departments and agencies to specific questions, and conducts public hearings in order to take evidence from key witnesses. In some cases, Committee members have visited interstate and overseas organisations to investigate and identify relevant best practice policy and procedures in other similar jurisdictions.

The cost of this report was approximately \$12,800.

“...support has been expressed for 75 per cent of the recommendations made by the Committee...”

ACHIEVEMENTS

Since its appointment in February 2011, the Committee has tabled 14 reports.

These reports covered reviews of the budget estimates for 2011-12 and 2012-13, financial and performance outcomes for 2009-10 and 2010-11, departmental annual reports for 2009-10 and 2010-11 and follow-ups of a selection of performance audit reports of the Auditor-General.

In addition, the Committee tabled a report on its *Inquiry into Effective Decision Making for the Successful Delivery of Significant Infrastructure Projects*.

The Committee distributed questionnaires, held public hearings, received submissions and travelled interstate and overseas to gather evidence for these reports.

Recommendations supported by Government include: full support; support in principle; and support in part.



102ND REPORT

Report on the 2011-12 Budget Estimates – Part One

Date tabled: 1 June 2011; Recommendations: 9;

Recommendations supported: 100%

The recommendations in this report are aimed at enhanced information disclosure of Budget Papers and related reports. The report also provides an overview of the key aspects of the 2011-12 Budget and a summary of key issues raised at each of the 48 public hearings that the Committee held with the Presiding Officers of Parliament, Premier, Deputy Premier, Treasurer, Assistant Treasurer, Attorney-General and all Ministers between 6 May 2011 and 20 May 2011.



102ND REPORT

Report on the 2011-12 Budget Estimates – Part Two

Date tabled: 30 June 2011; Recommendations: 24;

Recommendations supported: 92%

Part Two of the *Report on the 2011-12 Budget Estimates* examines the departmental performance measures presented in the 2011-12 Budget Papers, and makes a number of recommendations for their improvement. The report also examines the performance measures that the Government proposed discontinuing or substantially altering in the 2011-12 Budget Papers.



102ND REPORT

Report on the 2011-12 Budget Estimates – Part Three

Date tabled: 14 September 2011; Recommendations: 90;

Recommendations supported: 66%

Part Three of this report provides a detailed analysis and recommendations relating to the budget estimates and forward estimates for the 2011-12 year. The analysis is based on: the Budget Papers; the budget estimates hearings; departments' responses to questionnaires from the Committee; Ministers' responses to questions on notice and requests for additional information.



103RD REPORT

2010-11 Annual Report

Date tabled: 14 September 2011; Recommendations: N/A

The Committee's 2010-11 Annual Report highlights the activities and Inquiries of the Public Accounts and Estimates Committee of the 56th Parliament together with the first five months of operation of the new Committee of the 57th Parliament.



104TH REPORT

Termination of the Independent Financial Auditor of the Victorian Auditor-General's Office Appointed by Parliament under Section 17 of the *Audit Act 1994*

Date tabled: 9 November 2011; Recommendations: 1;
Recommendations supported by Parliament: 100%

This report was tabled in the Legislative Assembly and the Legislative Council on 23 May 2012 and arose from a formal request for early termination of services received from Mr Peter Sexton, Audit Principal with WHK Howarth Melbourne, who had previously been appointed financial auditor of VAGO in May 2010. Mr Sexton's request came about due to a perceived conflict of interest, the details of which are covered in the report.

All PAEC reports can be downloaded as PDFs by following the *Publications* link or the relevant *Inquiry* link at: www.parliament.vic.gov.au/paec

ACHIEVEMENTS



105TH REPORT

Review of the Auditor-General's Report on Preparedness to Respond to Terrorism Incidents: Essential Services and Critical Infrastructure

Date tabled: 9 November 2011; Recommendations: 26;
Recommendations supported: 77%

The Auditor-General's report on *Preparedness to Respond to Terrorism Incidents: Essential services and critical infrastructure* was selected by the Committee for a follow-up Inquiry due to the significance of the findings and recommendations in terms of public interest and significance to the State's security and economy.

The Committee's conclusions on the adequacy of the Department of Premier and Cabinet's oversight arrangements affirm those expressed by the Auditor-General in his January 2009 report. The report's recommendations are aimed at assisting improvement in the future management of critical infrastructure protection arrangements across the Victorian public sector.



106TH REPORT

Review of the Auditor-General's Report on Access to Public Hospitals: Measuring Performance

Date tabled: 8 February 2012; Recommendations: 10;
Recommendations supported: 70%

The Auditor-General's report on *Access to Public Hospitals: Measuring Performance* recognised that the time taken to receive emergency and elective surgery care can significantly influence clinical outcomes for patients.

The Auditor-General examined the relevance, appropriateness and degree of fair representation across 12 access indicators for measuring performance in public hospitals. After examining the Auditor-General's findings, the Committee considered substantial remedial action was required by the Department of Health to restore public confidence in the performance data produced by public hospitals.



The Committee noted that a number of initiatives had commenced to address the Auditor-General's recommendations. The Committee's report advocates that continuing work at the national and State level should be aimed at the development of meaningful measures and targets which accurately reflect public hospital performance in the clinical treatment of patients.



107TH REPORT
Review of the 2009-10 and 2010-11 Annual Reports
Date tabled: 29 February 2012; Recommendations: 43;
Recommendations supported: 77%

The annual reports of government departments and agencies provide crucial information about the performance of entities which assists informed decision-making. They also provide public accountability and transparency over the use of public resources.

This report focusses on the information included and presented in annual reports from government departments and selected agencies and complements the Committee's *Report on the 2009-10 and 2010-11 Financial and Performance Outcomes*. The analysis and recommendations contained in the report are aimed at encouraging departments and agencies to provide more useful and informative annual reports in future years.

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ACHIEVEMENTS



108TH REPORT

Review of the Auditor-General's Reports January-June 2009 and Follow-Up of PAEC Reports 82, 86 and 91

Date tabled: 14 March 2012; Recommendations: 41;

Recommendations supported: 83%

This report includes status reviews of the following Auditor-General's performance audit reports:

- » *Management of School Funds* (May 2009);
- » *Withdrawal of Infringement Notices* (June 2009);
- » *Connecting Courts – the Integrated Courts Management System* (June 2009); and
- » *Implementing Victoria Police's Code of Practice for the Investigation of Family Violence* (June 2009).

The recommendations made by the Committee as a result of its follow-up are aimed at giving further impetus to improvements in public sector management in the areas reviewed.

Chapter 5 of the report also includes a review of the progress of actions taken by public sector departments and agencies on the recommendations made by the Committee in three of its earlier reports:

- » 82nd report: *Review of the Findings and Recommendations of the Auditor-General's Reports Tabled July 2006 – February 2007* (November 2008);
- » 86th report: *Review of the Findings and Recommendations of the Auditor-General's Reports 2007* (June 2009); and
- » 91st report: *Review of the Findings and Recommendations of the Auditor-General's Reports 2007-08* (September 2009).

As a result of this review, the Committee identified those issues and recommendations which have been satisfactorily actioned by public sector agencies and also those instances where responses and actions have been less than satisfactory.

The Committee found that a significant proportion of its past recommendations had been satisfactorily actioned by agencies.



109TH REPORT

Report on the 2009-10 and 2010-11 Financial and Performance Outcomes

Date tabled: 19 April 2012; Recommendations: 65;

Recommendations supported: 69%

This report highlights the many achievements of the Victorian public sector over 2009-10 and 2010-11 together with comment on how those achievements were reported. The report examines the Government's performance in a number of areas including:

- » overall financial performance;
- » comparison of actual income and expenditure to budget estimates;
- » delivery of outputs;
- » actual performance against targets; and
- » progress of asset investment projects.

The recommendations relate to the need for government entities to improve disclosure in their reporting. In its report, the Committee identified improvements which could be made to the Budget Papers, the Annual Financial Report for the State, and departmental annual reports to assist the Parliament and community in gaining a better understanding of intended outcomes and actual achievements.



110TH REPORT

Report on the Appointment of a Person to Conduct the Financial Audit of the Victorian Auditor-General's Office under Section 17 of the *Audit Act 1994*

Date tabled: 23 May 2012; Recommendations: 1;

Recommendations supported: 100%

This report arose from the need to appoint a replacement independent financial auditor following the resignation of Mr Peter Sexton, WHK Howarth Melbourne, in September 2011, due to a perceived conflict of interest. Following a selected tender process and an evaluation and selection process by a panel appointed by the Committee, the appointment of Mr Steven Bradby of Lawler Draper Dillon, Chartered Accountants, was recommended for a term of three years from 2012 to 2014.

All PAEC reports can be downloaded as PDFs by following the *Publications* link or the relevant *Inquiry* link at: www.parliament.vic.gov.au/paec



ACHIEVEMENTS



111TH REPORT

Report on the 2012-13 Budget Estimates – Part One

Date tabled: 6 June 2012; Recommendations: 5;

Recommendations supported: 80%

The Committee's annual Budget Estimates reports are designed to provide Members of the Parliament with a better understanding of the information presented in the Budget Papers.

As part of its examination, the Committee sent detailed questionnaires to departments and the Parliament and held 48 public hearings with Ministers and the Parliament's Presiding Officers. These sources of evidence provided a significant amount of information to supplement and further explain the 2012-13 Budget Papers.

Continuing a process started by the new Government in 2011-12, the Minister for Finance requested the opinion of the Committee in relation to performance measures that the Government is proposing to discontinue. Chapter 3 of this report includes the Committee's opinions.



111TH REPORT

Report on the 2012-13 Budget Estimates – Part Two

Date tabled: 12 September 2012; Recommendations: 54;

Government response is due in March 2013

Ensuring sufficient transparency in the Budget Papers is a key component of the Committee's annual work. Part Two of the Budget Estimates report provides an analysis and commentary on the plans and estimates detailed in the Budget Papers.

As a result of its work on the 2012-13 Budget Estimates, the Committee has made recommendations in a number of areas. The Committee believes that there is scope for additional disclosure in regards to savings measures, reprioritised funding and expenditure on public private partnerships. In other areas, such as asset investment and election commitment funding, the report notes that disclosure could be clearer and more uniform in its presentation.



112TH REPORT

Report on the Inquiry into Effective Decision Making for the Successful Delivery of Significant Infrastructure Projects

Date tabled: 12 December 2012; Recommendations: 17;
Government response is due in June 2013

On 5 May 2011, the Legislative Assembly requested the Committee to conduct an *Inquiry into Effective Decision Making for the Successful Delivery of Significant Infrastructure Projects*. The Inquiry's terms of reference focus on the competencies and skills required to successfully deliver major infrastructure projects but were also broad-ranging in terms of infrastructure project management generally.

The Committee sought specialised knowledge, experience and skills of public sector agencies, private sector organisations and academia. In addition, the Committee examined six of the State's recent major infrastructure projects to identify lessons to inform future decision-making and project implementation. The Committee's investigation of public sector project management in interstate and overseas jurisdictions also assisted in identifying reforms which could be beneficial if implemented in Victoria.

One of the issues brought to the attention of the Committee, which has been the subject of significant international research, is the impact of optimism bias and strategic misrepresentation in the planning of major projects. This can result in advice to decision-makers that is not objective and/or impartial.

The Committee's report considers that methods, such as reference class forecasting, which use similar projects as benchmarks, could assist in addressing the issue of overly optimistic and/or deliberately unrealistic project cost and delivery timeframes.

As a result of this Inquiry, the Committee recommended changes in the areas of infrastructure planning and project delivery in Victoria. Specifically:

- » a new advisory body to recommend priorities for infrastructure investment in Victoria;
- » a new "centre of excellence" for project development and delivery, focussed on ensuring Victoria has the requisite expertise and capability to successfully deliver major infrastructure projects; and
- » strengthening the oversight and accountability surrounding the delivery of major infrastructure projects in Victoria.

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ACTIVITIES

In undertaking its responsibilities and producing its reports and recommendations over the past two years, the Committee has been engaged in a number of activities.

These include the usual business of Committee and Sub-Committee meetings, evidence-gathering activities and professional development and information exchange activities.



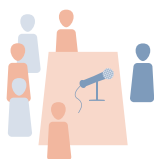
Committee Meetings

The full Committee meets on a regular basis. During 2011 and 2012, the Committee met on 38 occasions.

The Audit Sub-Committee, comprising five members from the full Committee, meets from time to time with staff from the Victorian Auditor-General's Office to discuss and comment on Performance Audit Specifications prepared by that Office.

The Audit Sub-Committee also considers the Auditor-General's annual budget and Annual Plan on behalf of the Parliament.

During 2011 and 2012, the Audit Sub-Committee met 12 times and discussed 57 separate Performance Audit Specifications.



Public Hearings

During 2011 and 2012, the Committee held 142 public hearings to gather evidence for its various inquiries.

In total, the Committee met with 564 witnesses, including Ministers, departmental Secretaries, senior departmental representatives, the Victorian Auditor-General, senior

representatives from the Victorian Auditor-General's Office, as well as representatives of private sector organisations as required.



Interstate and International Evidence Gathering

The *Inquiry into Effective Decision Making for the Successful Delivery of Significant Infrastructure Projects* required that the Committee seek evidence from relevant state, national and international jurisdictions. In late 2011 and early 2012, the Committee travelled to Perth, Adelaide, Canberra and Sydney, and met with representatives of 25 different organisations including Public Accounts Committees, Auditor-Generals' offices and relevant private sector and professional organisations.

In September 2012, following approval by the Parliament, the Committee also travelled internationally and met with representatives of 23 different organisations in Canada, the United Kingdom and France. These organisations included:

- » Public Accounts Committees;
- » government members;
- » Auditors-General;

- » private sector companies working in public infrastructure and public private partnerships; and
- » other public bodies and international organisations.



International Delegation Presentations

In February 2011, the Executive Officer, on behalf of the Committee, made a presentation to the WBI/CPA/Deakin University Summer Residency Program for Public Accounts Committees, presenting to delegates from Bangladesh, Kiribati, Limpopo, Pakistan, Samoa, Sri Lanka, Thailand, Tonga and Vanuatu.



Australasian Council of Public Accounts Committees (ACPAC)

In April 2011, the Committee attended the biennial conference of the Australasian Council of Public Accounts Committees in Western Australia.

Public Accounts Committees attended from Australia, New Zealand, New Guinea, the Solomon Islands, South Africa, Namibia, Indonesia, Malaysia and, for the first time, Timor Leste.

The conference provided the opportunity to discuss views and experiences across different jurisdictions, and offered a valuable professional development opportunity for members.

In May 2012, the Committee Chairman and Executive Officer attended the ACPAC mid-term meeting in Canberra.



2011-12 and 2012-13 Budget Briefing Seminars

Immediately following the release of the Victorian State Budget in May 2011 and May 2012, the Committee and the Department of Treasury and Finance co-hosted a briefing seminar for Parliamentarians on the Victorian Budget.

The Committee hosted the Seminars and the Chairman acted as convenor.

Briefings were presented by Mr Grant Hehir, Secretary (2011), Mr Dean Yates, Deputy Secretary, Budget and Financial Management (2011, 2012), and Ms Melissa Skilbeck, Deputy Secretary, Resource Management Reform (2012), Department of Treasury and Finance.

This event affords an early opportunity for Members of Parliament and their electorate staff to gain first-hand information on the Budget and to seek clarification on any aspects of the Budget from the representatives of the Department of Treasury and Finance.

INQUIRIES IN PROGRESS

The Committee's work in progress at 31 December 2012 is as follows.

Appointment of the New Victorian Auditor-General

On 8 August 2012, the then Victorian Auditor-General, Mr Des Pearson, notified the Governor of his decision to resign his position with effect from 14 December 2012. Under the *Constitution Act 1975*, the Committee has responsibility for recommending the appointment of a new Auditor-General to the Governor-in-Council.

The Committee commenced a recruitment and selection process, including:

- » the engagement of a specialist recruitment consultant selected by tender to assist the Committee; and
- » appointment of an Interview and Selection Panel which included independent experts.

Following a series of interviews of shortlisted candidates, the Committee reached a unanimous decision on one preferred candidate. On 11 December 2012, the Committee made its recommendation for the appointment of Mr John Doyle, Auditor General of British Columbia, Canada, as the new Auditor-General of Victoria.¹

The Committee will table a report in February 2013 regarding the appointment.

Inquiry into the 2011-12 Financial and Performance Outcomes

In November 2012, the Committee sent questionnaires to all departments in respect of its upcoming *Report on the 2011-12 Financial and Performance Outcomes*. The questionnaires focus on revenue, borrowings, output expenditure and asset investment outcomes.

Responses are due in late January 2013. A second questionnaire on the Annual Financial Report will be sent in February 2013. The report is due to be tabled in the Parliament in April 2013 and will include analysis and commentary on the responses received and seek to make recommendations aimed at improving the quality of public sector reporting, transparency and accountability.

¹ As at the date of publishing this mid-term report, the recommendation for appointment has been accepted by the Governor-in-Council.

APPENDIX

About the Public Accounts and Estimates Committee

The Public Accounts and Estimates Committee is a joint house investigatory committee of the Victorian Parliament constituted under the *Parliamentary Committees Act 2003*. The Committee has dual responsibilities for scrutinising both the public accounts and the budget estimates, which makes it unique in Australia and indeed in most other international jurisdictions with Westminster systems.

The Committee's responsibilities

Not only does the Committee have functions as a joint investigatory committee under the *Parliamentary Committees Act 2003*, the Committee has unique statutory oversight responsibilities regarding the Auditor-General under the *Constitution Act 1975* and the *Audit Act 1994*.

The responsibilities and functions of the Public Accounts and Estimates Committee are to inquire into, consider, and report to Parliament on:

- » any proposal, matter or thing concerned with public administration or public sector finances;
- » the annual estimates of receipts and payments and other budget papers and any supplementary estimates of receipts or payments presented to the Legislative Assembly and the Legislative Council;
- » any proposal, matter or thing that is relevant to its function and has been referred to the Committee by resolution of the Legislative Council or the Legislative Assembly or by order of the Governor in Council published in the Government Gazette; and
- » various statutory responsibilities in relation to the activities, performance and statutory functions of the Office of the Auditor-General under the *Audit Act 1994*.

The Committee is able to self-reference enquiries related to the above matters and has done so throughout its history.

The current Committee of the 57th Parliament was established as a seven-member committee by the *Parliamentary Legislation Amendment Act 2007*. The Committee has members from the Australian Labor Party, the Liberal Party and the National Party and both houses of the Parliament. Its Chairman, Philip R. Davis MP, and Deputy Chairman, Martin Pakula MLC, were elected to their respective positions on 10 February 2011.

Public accounts function

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

Reviewing financial and performance outcomes

The Committee undertakes a review of the financial and performance outcomes of each financial year for the public sector. It also carries out a planning and review process in October/November. The Committee then seeks information from departments on the outcomes of the previous financial year. This process involves questionnaires covering financial and performance outcomes sent to all departments as well as related agencies, and later, a specific questionnaire on the Financial Report for the State being sent to DTF and VAGO.

The review focuses on the operational and performance achievements of departments and material agencies and complements the Committee's other core function on the budget estimates. The review enhances the accountability of departments/agencies and aims to provide Parliament with meaningful information about how the financial and performance results achieved compared with the results expected or previously projected.

APPENDIX

In late 2010, the Parliament of Victoria was prorogued due to the State Election held in November of that year. As a result of the election and the establishment of a new Parliament and a new Public Accounts and Estimates Committee, the Committee deferred its report on the 2009-10 financial and performance outcomes. The 2009-10 outcomes were examined together with the 2010-11 outcomes and the report was tabled in April 2012.

Estimates function

Reviewing the budget papers and related documents

While striving to continually improve its structure and approach to achieve value for Parliament, which is a significant core function of the Committee, the Committee undertakes a detailed review of the Government's budget.

Before the Budget is released by the Treasurer, the Committee develops and forwards a questionnaire to all departments seeking additional information to and explanation of the details that will be provided in the budget papers.

Immediately following the delivery of the annual State Budget by the Treasurer in May, public hearings are held with the Premier, Deputy Premier, Attorney General, Treasurer, Assistant Treasurer, the Presiding Officers of Parliament and all Ministers and senior departmental and key agency officers.

Following public hearings, questions on notice and further clarification questions seeking additional information are sent to departments.

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

- » constructively contribute to improving the presentation of budget information to Parliament and the community of Victoria;

- » enhance Parliamentary debates on the Appropriation Bills;
- » facilitate a greater understanding and transparency of the budget estimates;
- » encourage clear, full and precise statements of the Government's objectives and planned budget outputs and outcomes; and
- » encourage economical, efficient and effective public administration of resources.

Auditing function

Auditor-General and VAGO

The Committee exercises functions in relation to:

- » recommending the appointment of the Auditor-General and the independent auditors of the Auditor-General (performance audit) and VAGO (financial and performance audits); and
- » considering and reporting to Parliament on the budget estimates and the annual plan of the Auditor-General's Office.

The Committee also:

- » has a consultative role in determining the objectives and terms of reference of performance audits, identifying any particular issues that need to be addressed as part of the audits and in advising the Auditor-General on the audit priorities for the year; and
- » can exempt, if necessary, the Auditor-General from any legislative requirements applicable to government agencies on staff employment conditions and financial reporting practices.



Reviewing reports of the Auditor-General

An important aspect of the Committee's work is to follow-up on matters raised by the Auditor-General in various reports to Parliament. The Auditor-General's reports draw Parliament's attention to financial concerns or issues of efficiency, effectiveness or value for money relating to public administration. The Committee is legislatively empowered to follow-up these matters and takes further evidence on the progress achieved by public sector agencies on the Auditor-General's recommendations.

During 2011 and 2012, the Committee of the 57th Parliament followed-up specific audit reports tabled in Parliament by the Auditor-General. The Committee prioritises these reports using various criteria including the seriousness of audit findings, public interest, risks, social impacts, criticality and unresolved disputes, materiality and opportunities to enhance accountability. The Committee retained a broad scope for its terms of reference, that is, to review any aspects of the findings and recommendations contained within those reports.

Committee references

On 5 May 2011, the Legislative Assembly referred a new inquiry to the Committee, *Inquiry into Effective Decision Making for the Successful Delivery of Significant Infrastructure Projects*.

The Committee's operations

The Committee's yearly program of activities, reviews and inquiries has its basis in statute. As part of its function as public accounts scrutineer on behalf of Parliament, its work program is largely generated by the budgetary cycle and the financial and related reporting activities of public-funded departments, entities and the Auditor-General.

To assist in the effective operation of its demanding work program, the Committee appoints Sub Committees such as its Audit Sub Committee to consider the performance audit specifications and other matters relating to the auditing functions of VAGO.

The Committee conducts public hearings for its inquiries into budget estimates and for its other specialised inquiries.

All reports and discussion papers are considered and finalised by the full Committee before being tabled in Parliament and then released for public distribution.

In the facilitation and execution of its intensive and varied program of research, inquiry-related activities and Parliamentary reporting for enhancing Government's public accountability, the Committee is assisted by a Secretariat, led by an Executive Officer. The Secretariat staff includes senior research officers, research officers, specialist advisors and administrative staff comprising a Business Support Officer and a Desktop Publisher.

The Committee's website is an extensive source of information on its roles and functions, members, details of past and current inquiries, hearing dates, transcripts of hearings, submissions from the public, electronic versions of the Committee's tabled reports and the Government's responses to any recommendations contained in those reports. The website address is: <www.parliament.vic.gov.au/paec>.

