LEGISLATIVE ASSEMBLY OF THE NORTHERN TERRITORY

PUBLIC ACCOUNTS COMMITTEE

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Country Liberal Party
Member for Karama. First elected 1983
Other Committees: House; Subordinate Legislation and Other Tabled Papers; Use and Abuse of Alcohol by the Community; Environment (Chairman).

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Australian Labor Party
Member for Wanguri. First elected 1989
Shadow Minister for Mines and Energy; Industries and Development; Trade Development Zone.
Other Committees: Constitutional Development; Environment; Publications.

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CHAIRMAN'S FOREWORD

The Northern Territory Public Accounts Committee was proud to host the Seventh Biennial Conference of Public Accounts Committees and the first to be held under the auspices of the Australasian Council of Public Accounts Committees.

It was especially pleasing to welcome delegates from Papua New Guinea, New Zealand and Canada, along with delegates from the Australian Parliaments.

Such conferences provide a useful and sometimes entertaining forum for the exchange of views and ideas on the current status and future direction of public accountability. I would like to place on record my appreciation to all those who attended the conference and contributed to its deliberations and also thank the staff of the Legislative Assembly for the tireless efforts they made in ensuring its success.

It is my view that such conferences and the consequent interactions between the various Parliaments are essential to the continued evolution of our system of government and that their continuation be strongly supported.

MICK PALMER, MLA
Chairman

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Sen Bronwyn Bishop
Prof R.W Walker

ATTENDEES

DELEGATES

Northern Territory Public Accounts Committee

Mr Mick Palmer, MLA, Chairman
Mr Syd Stirling, MLA, Member
Mr John Bailey, MLA, Member
Mr Eric Poole, MLA, Member
Ms Susanne Lee, Secretary

Queensland Public Accounts Committee

Mr Kenneth Hayward, MLA, Chairman
Mr Kenneth Davies, MLA, Member
Dr David Watson, MLA, Member
Mr Trevor Perrett, MLA, Member
Dr Kevin Lambkin, Research Director
Mr Jim Beh, Senior Auditor

New South Wales Public Accounts Committee

Ms Victoria Walker, Director

Australian Capital Territory

Mr Norman Jensen, MLA, Deputy Chairman
Ms Karin Malmberg, Secretary

Commonwealth Joint Parliamentary Committee

Senator J O W Watson, Vice Chairman

Mr E Fitzgibbon, MP, Member

Mr Trevor Rowe, Secretary

Ms Jennifer Blood, Deputy Secretary

Senator Bronwyn Bishop

Victoria

Hon Theo Theophanous, MLC, Chairman

Ms Susan Hocking, Director of Research

Mr Chris Theodoratos, Senior Research Officer

Tasmania

Mr Neil Robson, MHA, Chairman

Mr Richard Archer, MLC, Member

South Australia

Mr Kevin Hamilton, MHA, Chairman

Mr Heini Becker, MHA, Member

Mr Terence Groom, MHA, Member

Mr Robert Ritchie, Secretary

Western Australia

Mr John Bradshaw, MLA, Deputy Chairman
Mr Nick Catania, MLA, Chairman
Mr Max Trenorden, MLA, Member
Mr Michael Baker, Research Officer
Ms Jill Pyvis, Research Officer

New Zealand

Mr Peter Gresham, MP, Member

Papua New Guinea

Mr Henu Hesingut, Chairman
Mr Pushpanathan Sivendra, Secretary

Canada

Alberta:

Mr Barry Pashak, MLA, Chairman
Mr Tom Thurber, MLA, Member

North West Territories:

Mr Nick Sibbeston, MLA, Chairman

Australian Auditors-General

Mr Michael Jacobs, A/Auditor-General, Australia
Mr Ches Baragwanath, Victoria
Mr Elliott Isaacson, Northern Territory
Mr Patrick Nolan, Queensland
Mr James O'Neill, Australian Capital Territory
Mr Andy Yukich, Western Australia

ACADEMICS AND INVITEES

Prof Robert (Bob) Walker, University of NSW
Mr James Guthrie, University of NSW
Mr David Shand, Commissioner, Public Sector Management Commission, Queensland
Ms Dianne Hill, Dianne Hill & Co.
Mr John Drobot, MLA, Legislative Assembly, Alberta, Canada
Ms Clare Martin, ABC Radio
Ms Mary Seefried, Electoral and Administrative Review Commission

OPENING ADDRESS

BY

HON SHANE STONE, MLA

I am pleased to see that there is such a wide range of delegates attending this conference, not only from within Australia but from Canada, Papua New Guinea and New Zealand. You have come to the Territory at the very best time and I certainly hope that you enjoy your time here. I am pleased to endorse Mick's welcome. It is very important to us that we do host these conferences from time to time and that for those of you that have never been to the Territory, that perhaps you come up here and have a closer look at us and perhaps shatter some of those misconceptions that might exist elsewhere.

The role of a Public Accounts Committee as a watchdog over the operation of governments, is a vital one. Efficiency in the delivery of government services, a goal prized by the community the world over, certainly more so today, with the awareness in the community as to the accountability of government. However, as recent events in the Territory and throughout Australia clearly demonstrate, realistic efforts to identify and achieve efficiencies often produce a painful response. For many, efficiency is an excellent strategy while the nimbi principle applies and that nimbi principle, of course, is not in my backyard.

These days that syndrome appears to be running ramped striking everything from toxic waste incinerators to very fast trains and the provision of efficient services in education. As delegates from around Australia would appreciate, no exception to the very painful process of rationalisation in education at the present time. As the Territory Education Minister, I am one of the many who had to confront the issues in education at a time of diminishing budgets. Today in schools from Darwin to Alice Springs, from Hobart to Cairns, the cry from various individuals and interest groups is - "yes to be efficient, but not in my backyard", and sadly there is a threat of selfishness in our community that has contributed, not only to the economic decline of this nation, but hasten I say, to other parts of the western world which is as strong here as anywhere else.

Against this background, it is refreshing to attend here this morning to be reminded of the need to watch for waste in the community systems we administer and that society does value the efficient use of resources. It is timely that we have a Public Accounts Committee working actively to protect the public's investment in government services and that these committees have a wide brief allowing them to investigate practically any area of government operation.

Since 1988, the Northern Territory's own Public Accounts Committee has operated as a Standing Committee of the Territory Legislative Assembly. The scope of its duties is wide, ranging from examining all receipts and expenditure of the Northern Territory in the statements and reports of the Auditor-General to reporting on those accounts, identifying issues which should be considered by the Assembly and suggesting changes. It is also required to investigate and report back on any question of public accounts referred to it by the Assembly, the Northern Territory Administrator (equivalent of a State Governor), or a Minister. In its comparatively short history, the committee has handled several contentious issues with great dexterity and thoroughness and it is my view in the years to come, its contribution to monitoring Territory expenditure will grow significantly.

Its potential to contribute to the well being of our community is great and to highlight this point, I refer to a relevant conclusion from the Committee's 1988 Waste Watch Report, where they wrote:

> Given that a mere 1% improvement in efficiency of the public sector could produce savings of around $6m per annum, the matters of performance assessment and value for money must be fully addressed.

In the process of conducting that report, the Committee scrutinised a broad range of services. Its investigations range from expenditure on street lighting to procedures for reading water metres, to the advertising budgets of Tourist Bureau and the placement of staff in the Education Department. If the need for constant assessment and reassessment of our government expenditure and bureaucratic procedures goes on, in education for example, issues are identified by the committee and steps taken in 1988-89 and 1990 are being followed up yet again this year. I doubt any bureaucratic system will ever be 100% efficient to be realistic. Nevertheless, it is important we maintain the trend towards improved outcomes - outcomes

must be the focus of education for the future. The emphasis on everything that we do in education must be - outcomes. Along the way, governments confront the difficulties and the criticism as they do. Public Accounts Committees often play a central role in that process.

The NIMBI principle is just one of the difficult factors with which governments and their various agencies, including Public Accounts Committees, continue to grapple as they strive for more efficiency, accountability and effectiveness. In education, the Northern Territory has developed and adopted systems of management appraisal which the rest of the world has now been adopting. That may appear to be a brave statement. It may be of some interest to you to know that the current, I think you would call him the Secretary of Education in the Bush Administration, who was formerly a Governor of one of the American states, is one of the principle architects of what have subsequently been implemented here in the Northern Territory and it was by chance, because he came to a conference like this and stayed on and spent time with our department and therefore had the opportunity here to infact implement some strategies that are now subsequently being introduced elsewhere in the world.

Among other innovations, the Territory has given its unequivocal commitment to merit promotion policy, still considered new in some of our Australian states. Parents, principles and unions are involved in staff selection, external moderations included along with rigorous assessment in the promotion process. Our Masters Teachers Scheme, the first of its type in Australia, involves rigorous peer assessment. Unlike their equals in other states, Territory Master Teachers at the upper levels must regularly re-qualify to maintain their status. To report on the quality and outcomes of our Education system, the Territory employs a strong system of regular external assessment. Schools development is screened in early childhood levels. English and maths performance is assessed externally at Years 5 and 7 and external exams are conducted at Years 10 and 12. Feedback on student performance is passed on to parents, the Minister and the Legislative Assembly.

System-wide objectives are outlined through special publications which are distributed widely in the community and these have included directions for the 1980's Towards the 90's, Volumes 1 and 2 which have led to extensive community feedback.

Today, the Territory Education system, like others throughout Australia, is undergoing a significant restructuring. Here the changes are designed to re-establish levels of service and efficiency in the wake of a significant shift in the population and reductions in government incoming in recent years. School closures and a slight increase in the Student-Teacher ratio, are the most contentious issues and items amongst changes which have been brought into effect. Against the background of a poor financial outlook across this nation, the Territory Government has been careful to make cuts, which are necessary in the most responsible way.

In the 80's, new suburbs and communities were developed in various places throughout the Territory, and as a result, we spent a total of some $42m on new facilities to meet that demand, bearing in mind that our population, as we stand here now, is only 160,000 people. While the Territory taxpayer continued to contribute to new schools in Katherine, Palmerston and rural areas, school populations in other areas fell. For all the growth which occurred, the total school population of the Territory remained almost stationary. There, in effect, was a shift of population, not a decline in the school population. By the end of last year, 32.1% of student places in Darwin primary schools were vacant and to serve the best interest of all Territorians, we had to acknowledge that we had to make some changes. It would have been a sheer indulgence on the part of government not to make those changes.

Following recent school closures in the Australian Capital Territory, an authoritative study found a school with 500 students cost some $2 060 per student to run. The same school with only 150 students would cost the taxpayer $3 082 per student. In this way, responsible action can produce a savings in that community of some $1 002 per student per year.

In fact, not all the arguments are in favour of the school closure action taken by the Territory and other governments are economic. As a leading federation official stated: 'it is also accurate to say that some of the small schools cannot provide the depth of programs and the staff expertise that some of the larger schools can'. Similarly, the changes in the student-teacher class size formula which have been introduced, are also designed to reflect responsible management techniques in the current financial and educational environment. Even with the changes in place, Territory schools will remain among the best staffed in Australia. We have lifted our primary teacher/student ratio from 21-1 to 22-1.

These changes have delivered a savings in the order of $3.8m in the first year and further they reflect current educational trends throughout the world.

To quote a recent study on the impact of class sizes and indeed there has been some authoritative work undertaken in Canada, the United States and England, and following on further research conducted at our Australian National University in Canberra. Class sizes will not matter much for pupil achievement provided the size of the class falls within the range of 25 to 50 students. One hears that theme in that report time and again, and studies coming across my desk. Reductions in class size are costly and a school of 600 pupils with an average class size of 30 reducing class size to 25 would be expected to add 20% to recurrent costs, quite significant in anyone's budget.

The overall picture, however, is that through this inevitably painful process, and for those of you that are members of Parliament and have watched your own governments go through the process of restructuring education, you know that I do not understate the situation when I say that it is painful. I am confident that the Northern Territory will emerge with a school system far better suited to meet the needs of Territorians, as we head in to the next century.

Initiatives to be outlined by the Territory government in a consultative document Towards 2000, has been prepared by the Education Advisory Council. This comprises members of the community who advise the minister of the day on a whole range of educational issues. They will make a number of recommendations that hopefully government will be able to act on and achieve even further efficiencies in the time ahead. Ladies and Gentleman, the way ahead for education in all states is being guided through the Australian Education Council, which is developing new initiatives to promote accountability on a national scale. For our visitors from overseas, the Australian Education Council comprises the Ministers of Education of every Australian state and our colleagues in New Zealand.

A major review of post compulsory education is being prepared by the Australian Education Council, by a committee led by the Managing Director of IBM in Australia, Mr Brian Finn.

This report is indicative of the shared view among Australian Education Ministers regardless of their political colour, who are pressing the issue of accountability in education by promoting strong links and consultation with the private sector - the end users of the educational product.

The Finn Report is likely to be central to the emergence of important new strategies addressing vocational education and the employability of school leavers and I look forward, as do other Education Ministers around Australia, to that report with a great deal of enthusiasm because we too are interested more so in outcomes, results as the private sector is also interested.

Ladies and Gentleman, in closing, let me draw together the many straws that I have cast to you this morning. There is a central theme in the process of determining accountability, whether you are assessing the financial dealings of governments and their authorities or the performance of schools and students. Like educators considering the structure of a course, members of committees reviewing a particular facet of government expenditure must play minute attention to the process and by the end of the day, the big question is - 'what is the outcome?' For future progress in any area of government service, whether that be education, agriculture, health, road making, or whatever, we must look more often to the results we achieve and the outcomes we produce for our community. I wish you well in your deliberations and please declare this 7th Biennial Conference open. Thankyou.

REPORTS BY ATTENDING COMMITTEES

QUEENSLAND PARLIAMENTARY COMMITTEE OF PUBLIC ACCOUNTS

Since the Sixth Biennial Conference of Public Accounts Committees, there have been great changes in the composition of the Parliament of Queensland as everyone would know and the committee itself as a direct consequence of that. I succeeded Tony Elliott as Chairperson of the Public Accounts Committee and in fact I am the only MP who has served continuously on that committee since it was established in November 1988. The Queensland committee comprises seven MLAs, current members are myself as Chairperson, Ken Davies who is here today, Lorraine Bird and Dr John Flynn all representing the Labor Party, Dr David Watson the Deputy Leader of the Liberal Party in Queensland, who was coming this afternoon but is not now able to do so, Tony Elliott and Trevor Perrett who represent the National Party. Trevor is also here for the Conference. As I said before, unfortunately, due to Parliamentary sittings in Queensland our contingent today is certainly not complete and we regret that.

Since we last gathered in Brisbane, the Queensland Parliamentary Public Accounts Committee has been very busy. The committee has issued 10 reports and has examined the Administration of Drought Relief by the Queensland Department of Primary Industries, the Annual Reporting Standards of the Queensland Industry Development Corporation and other Statutory Bodies, the Timeliness in Tabling of Annual Reports of Statutory Bodies, the Financial Administration of Aboriginal and Island Councils (two reports being issued on that topic) and the Accountability of Government Companies.

Two years has been a very long time in Queensland and I want to take the time of the Conference today to report on our activities and expand on some of the experiences of the committee. These experiences have provided lessons for us and hopefully we can pass these on to other people concerned with Public Accounts Committees in Australia.

The major inquiry undertaken by the committee during the previous Parliament was the administration of drought relief by the Department of Primary Industries. That review, which commenced

on 30 March 1989, was prompted by concern about the operations of the road freight subsidy scheme in Queensland which is used for the transport of stock, fodder and water by drought declared primary producers. Now what was important about this inquiry is that it actually sprang from information contained in an internal departmental memo which was brought to the attention of the committee. The memo was written by the officer in the department who was in charge of the Drought Secretariat at that time. His name was Mr J J Daly, better known as Dan Daly, and he distributed this to his field officers throughout the state. The memo was subsequently leaked to the media shortly after the commencement of the committee's inquiry. Without explanation, Mr Daly was removed from his position. It is an important circumstance that I think Public Accounts Committees should be aware of evidence presented to the committee confirmed that Mr Daly was moved at the direction of the Minister who subsequently was reported as stating that the removal was, and I quote, 'because Mr Daly did not have the administrative skills for the job'.

The committee however found that he had a wealth of administrative and technical qualifications and experience for the job. I believe he had been working in the department for 30 odd years and he really knew a bit about what it was like to be a stock inspector right through to what he was doing with the Drought Secretariat. In this situation Mr Daly was accused of blowing the whistle even thought there was no evidence to support that contention. As well, his expressed concerns about the scheme were found to be accurate. So in this situation, he suffered from this accusation. Out of this we have seen the introduction of Whistle Blower Legislation in Queensland.

I think there is a great lesson in this for Public Accounts Committees. I think we should learn to understand that your use of a witness could have adverse affects on his or her career, that is the one lesson that we learnt. Unfortunately the Queensland committee ran into this problem in its very first inquiry. Since that time the committee has paid particular attention to its use of witnesses, their selection and the questions put to them and we understand now the potential for their contact with the committee to adversely affect their careers.

Another matter which the Public Accounts Committee had dealt with in the past two years is the issue of public versus private hearings for examining witnesses. Now my firm conclusion based on previous experience is that all hearings should be in public, and to that extent during my time as Chairman I have tried to stick to

this position. My reasons are clear, I believe that secrecy leads to problems for the committee. The secrecy itself can sometimes become a greater issue than the actual event.

I think media and political pressure can be placed very heavily on a Public Accounts Committee, an example being the Queensland committee's private hearings on the matter of the Queensland Industry Development Corporation. In this case evidence was given by former close associates of the QIDC. In the context of the highly charged nature of the political climate in Queensland at that time, any information given at these hearings was bound to be considered sensational by the media. When the media somehow gained access to the confidential transcripts of these hearings, individual committee members were blamed and the ensuing mistrust among committee members stifled rational committee activity. A political climate prevailed, committee members were asked to sign statutory declarations to the effect that they had not given the information to the press, many refused and the committee just split asunder. In the charged political atmosphere the statutory declarations themselves became a contentious issue. Staff were questioned as to whether they had any involvement in the events and the Parliament just buzzed with anticipation about what the next instalment would bring: would journalists be summonsed, would the police question individual MPs etc. So, it got away from what the Public Accounts Committee was on about. Politics took over for a period of time and some committee members developed a siege mentality refusing to place matters in the public domain. The problems compounded, a simple example being, one day when the committee split 4-3 deciding not to proceed on a particular matter concerning the QIDC, three of the committee issued a media release, saying that the committee had performed a white-wash on the issue. The lesson I learnt from this exercise is that committee business should be public business, except in the most extraordinary circumstances. Later in the paper I will talk about some examples of such extraordinary circumstances.

The committee's two reports on the Financial Administration of Queensland Aboriginal and Island Councils provided the committee with more learning exercises. I believe the committee succeeded with this very sensitive and difficult assignment. This inquiry arose out of the committee's review of the Auditor-General's report tabled in State Parliament. As a

committee, members were very aware of the need to avoid sensationalist claims, media hype and targeting of individuals. I think it is useful to detail the sort of inquiry process that we used in this very sensitive inquiry.

Firstly, public submissions were invited. Secondly, 14 Aboriginal and six islander communities were visited and council financial administration was discussed at meetings with councillors and/or staff. For the benefit of people who may be unaware of the Queensland situation, currently there are 14 Aboriginal communities which operate under what is called the 'deed of grant in trust arrangement'. There are also 17 islander communities which operate in the Torres Strait Island and northern peninsular area of Queensland. Meetings and discussions were held with the Aboriginal Clerks Association, and members and staff of the Aboriginal Co-ordinating Council and the Island Co-ordinating Council which I think was very important. Also, Trevor and Ken went to the Island Co-ordinating Council and the Aboriginal Co-ordinating Council, prior to myself visiting, so that people got an understanding of just what we were doing.

Thirdly, I specifically went and addressed the Aboriginal Co-ordinating Council about what our inquiry was all about, what our aims were, emphasizing the positive nature of such an inquiry. I also made a similar address to the Island Co-ordinating Council. Fourthly, extensive documentation and information was provided at the committee's request by the department together with verbal advice.

In this case the committee changed its usual modus operandi to the extent that there were no public hearings. Informal meetings were held with councillors and staff. I think the lesson to learn out of that is that you have just got to understand how you need to be flexible in your approach, in your dealings during inquiries and with the individuals that are involved in these inquiries. As I said before, I addressed the Aboriginal Co-ordinating Council and the Island Co-ordinating Council prior to our community visits in order to explain what the purpose of our inquiry was and this I believe made our task much easier.

During this inquiry I learnt the importance of using simple language, and as a committee we ensure that our reports are very readable and concise. I think one of the things that has always concerned me about Public Accounts Committee reports or for that matter, all sorts of reports that get delivered in Parliament, has always been the length of those reports. I believe that if they are

any more than a few pages very, few people are going to take the time to read them. That is certainly my personal experience and I know that is the experience of most MPs that I seem to have anything to do with, and most people for that matter. I do not think the public is interested or certainly able to read anything of any substantial length and certainly I know for sure that the media is not prepared to.

The research for the committee's report on the accountability of government companies was performed by the seconded officer to the committee. This was the first time that our committee had conducted an inquiry using such personnel and it proved very successful. I think it was very successful because the seconded officer was inculcated with our ethics and culture and was fully involved in every aspect of the committee's operations, even to the extent that his salary was paid out of the committee's budget rather than from the department from which he came. The committee meets on a weekly basis when Parliament sits. In the case of the seconded officer he came along to those meetings and contributed actively to the discussions and involved himself in the interchange between the Research Director and Parliamentarians who comprise our committee.

The advantages are obvious to my committee. It enabled us to undertake and complete the project quickly, which is an important thing I believe for Public Accounts Committees. More importantly though, we were able to gain extra insight by utilising the skills and knowledge of an officer from the Auditor-General's office. Our staff resources are not vast, we have a Research Director and a pool of secretarial assistants. The committee has discovered, I believe, a powerful resource in the use of seconded officers and we will use it again in the future.

In addition to the major inquiries dealt with over the last two years, from time to time the committee received unsolicited submissions from members of the public or parliamentarians seeking action by the committee on matters of concern. I wanted to raise this here today because I think it is something that happens to a lot of Public Accounts Committees and I am interested in the sort of methodology used to deal with such situations. We have developed a procedure, but I am certainly willing to learn and to see what other people do when they receive unsolicited submissions in the mail. Our committee deals with these submissions on a case by

case basis. Some are concerned directly with policy matters and are thus outside the committee's ambit. Some are more appropriately referred to other bodies and others are dealt with by referral to the appropriate minister.

The final matter I wish to raise concerns liaison with the Auditor-General. My committee subscribes very strongly to the view that a close relationship should exist between the committee and the Auditor-General. We believe that the close relationship is beneficial to both bodies and a co-ordinated approach improves the accountability process. I addressed a conference a couple of weeks ago where this matter was raised and I said I have recently noticed some academic thinking around that this relationship should be formal, for example, as in the House of Commons. I strongly subscribe to the position that an informal, rather than the formal relationship, should exist. I do that for a number of reasons. First, there needs to be clear separate roles of the committee and the Office of the Auditor-General in that accountability chain.

The second reason is my fear - maybe unjustified but I believe potentially justified - that an opportunity exists, given the resources of the Auditor-General's office, the activity, the way Auditor-General's offices operate, for the Auditor-General to dominate a particular public accounts committee. I think it is absolutely important that that role be informal because of its importance within the accountability chain.

Another issue which I would like to raise is the matter of government response to Public Accounts Committee reports. I would be interested to hear from other delegates as regards their government's response to matters raised in their reports. Is there any requirement for the government to respond? Queensland legislation on this is very clear. The relevant minister has to respond within six months to the recommendations that are put forward by the Public Accounts Committee. I think I can say that despite some of the lessons we have learnt that the responses from government have been positive to our recommendations. In most cases, I believe those recommendations have been acted upon.

Thank you very much delegates. I have taken the opportunity to use this address to raise some issues and some experiences of my committee. I hope some of the lessons that we have learnt, or we think we have learnt, are useful. I hope I have provided some food for thought and discussion.

On behalf of my committee, as I said before, Kenneth Davies and Trevor Perrett are in attendance, the Research Director, Dr Kevin Lambkin and our former officer on secondment from the Auditor-General's staff, Jim Beh, we appreciate the kind welcome we have been given to the Northern Territory.

NEW SOUTH WALES PUBLIC ACCOUNTS COMMITTEE

I would like to give you the greetings and best wishes from the New South Wales Public Accounts Committee except that the committee ceased to exist when Parliament was prorogued a couple of weeks ago, otherwise the members would have been with you. A number of the members did intend to come but this is a particularly interesting election in New South Wales. As you all probably know there has been a reduction of seats in the Lower House. 10 seats have gone and that has meant that all the electoral boundaries have been changed. And so for all the members it is a fairly volatile election. They thought it best to stay hard at work in their electorates. New South Wales goes to the polls on Saturday, so I daresay we will know before the end of this conference what the outcome is. But the members asked me to extend to you their best wishes, particularly to the Canadian visitors to the conference.

You may or may not know that three of our members went to the Canadian Conference of Public Accounts Committees in 1989 in Alberta. They were very interested at the time, in the way the Canadian Public Accounts Committees organised themselves and operated. I am sure we will hear a bit about this at this conference. Our three members came back to Australia, as some of you probably know, with some ideas for the formation of a council for Australian Public Accounts Committees which was put into effect at the Biennial Conference in Brisbane two years ago. The motion to establish the council of Public Accounts Committees was a direct outcome of their impression of the very constructive nature of the conference that they had seen in Canada. The Australian Council of Public Accounts Committees that we formally set up in Sydney last year when we passed the constitution, is really a direct inheritance of that Canadian experience of New South Wales members. They were Phillip Smiles, Allan Walsh and John Murray. Allan Walsh and John Murray went back to Newfoundland last year to the subsequent Canadian council conference and they have kept a good relationship with a number of the members and provincial Public Accounts Committees in Canada. In New South Wales we have had a number of visits from Ken Dye, the Canadian Auditor-General, who I think has just recently retired. We have certainly learnt a lot from the way his office operates.

It will be really interesting to hear from the Canadians in the next couple of days about the differences in the way they structure themselves. They have some very specific differences from Australian Public Accounts Committees. In particular, it will be good to hear about how their regional grouping, the equivalent of our Australian Council of Public Accounts Committees, is structured and their Canadian council and the sort of things that they do.

Because we have run a biennial conference for a number of years, I would be interested to see how we intersect that arrangement with our new Australasian Council of Public Accounts Committees (ACPAC). Are there publications we could do together the way the Canadians do, or are there other activities we can do. I would be interested for us to learn directly from the Canadians here about some of those joint enterprises of their Public Accounts Committees.

I want to talk briefly about our Public Accounts Committee, how it is different from some of the other Australian committees and details of some of the things that we have done in New South Wales since our last biennial conference.

As you probably know, our Public Accounts Committee was formed in 1902. It is quite an old one and it had two powers particularly given to it in 1902. One was to inquire into payments without parliamentary appropriation and the other was to inquire into matters referred to it from the Assembly, from Ministers or the Auditor-General. But, in fact, that first power was the only one really used at all for many years. Although various public accounts committees and chairmen put forward proposals for additional resources and for the powers to initiate inquiries, it was not until 1982 that the committee was given a reference from a minister, that was the Minister for Health, Mr Brereton. In 1982 the committee was given additional resources to undertake inquiries. That led to a very immediate change in the role of the Public Accounts Committee. I would like to talk about the reasons for that which I think are fairly common. The desire of Parliament itself to have more accountability to it from the executive and powers to oversight financial activities flowing from the budget through departmental expenditure. The Public Accounts Committee was given this power in 1982. Since that time the New South Wales Public Accounts Committee has been very active. It published 57

reports in nine years. It has held over 50 inquiries and has done a lot of other things, such as seminars and public education activities dealing with the role of Parliament and about the role of parliamentary scrutiny.

Since we met in May 1989, the New South Wales committee has done a further 13 reports. I would just like to take you briefly through those and comment on a couple of questions particularly in regard to witnesses, private and public hearings, government response to inquiries and parliamentary privilege.

Since May 1989 we have had four inquiries into single authorities. Some of these were quite famous or infamous.

The first was into the Darling Harbour Authority and that particularly raised some very powerful issues about meetings in-camera. There were quite a number of meetings held in-camera, not public hearings, and the reason for that was very specific. It was to do with the potential for intimidation of builders, building workers and employees. The sort of fast track development that had gone on at the Darling Harbour site to get it finished for the Bicentenary led to a lot of corner-cutting and different sorts of contractual arrangements. In fact, that inquiry of the Public Accounts Committee led to a Royal Commission into the building industry in New South Wales. A lot of the findings and matters were not really reflected in the transcripts or Minutes of Evidence because they were from private discussions, which the committee felt was necessary to protect the livelihood, and perhaps in some cases, the lives and safety of the witnesses. This has led to that whole question being examined by a Royal Commission. I think that was very much in the committee's mind at the time and formed the basis for that decision to have private hearings in many cases, rather than public.

The second major report into a specific organisation was into our brothers, our colleagues in the Auditor-General's Office. We published an inquiry into the Auditor-General's Office last year and all but four of our recommendations have been accepted by the government. They went through Parliament just a couple of weeks ago which will lead to, we believe, a more efficient and a more forward-looking Auditor-General's Office, and a rather different sort of structure and certainly to different sorts of powers for the Auditor-General himself.

The third inquiry into a single body was into the Lord Howe Island Board. Quite a small budget, a small board in itself, but a very good example of the sorts of problems of a number of statutory authorities and boards around New South Wales, and I daresay, in other states. A small, very isolated government body with an enormous range of administrative responsibilities and the sorts of problems that are endemic in trying to manage that sort of organisation efficiently.

The fourth was into the Forestry Commission. This was a very large report that captured a lot of media attention and a lot of interest, because it intersected with the current debate between environmentalists and the more economic rationalist position. It certainly took up national issues. Issues about economic management; about the effect on the import and export position in relation to forest products. It had a very broad canvas and we are very happy with it. We have not as yet received a formal response from the Minister but we certainly understand that it will give a lot of strength to his arm and to the new Commissioner for Forests to create some very constructive reform in the Forestry Commission.

In the last two years we have held a small number of inquiries into bits and pieces of various authorities. The most infamous was one in 1989 into the Visiting Medical Officers in the Department of Health. A very difficult nut to crack. We are still awaiting a response from the minister on that inquiry. In fact it is still subjudice. Taking on the doctors, I think the members would agree, is about the toughest thing they have ever done and although the committee was happy and proud of the report, it does not seem to have made much of a dent in their armour.

A couple of months ago we published a report into another very small matter but one that has quite a lot of metaphorical significance. It was into the Management of Juvenile Transport in the Department of Family and Community Services. How their transport services that move kids around from institutions to court and various places, is managed. We found a lot of problems there which the committee believed were probably endemic in government transport services. A lot of that report and its recommendations are phrased in a rather more forward looking way. The committee wanted to do a general inquiry into government transport but they never really pulled it off. The juvenile transport inquiry, though very small, has got a lot of

ramifications. We know that most government department heads read Public Accounts Committee reports with great interest and attempt to set their own houses in order in line with the report and we hope that it will have a particular effect.

We have done a number of inquiries into issues across the whole spectrum of authorities and departments. The first one was called: 'The Challenge of Accountability'. That was in 1989 which looked particularly at statutory authorities, their accountability and their reporting to the Parliament. It made a number of particular recommendations about improving accountability.

Just before Parliament rose, the committee tabled a report Payment Performance of Departments and Statutory Authorities. That was a reference from the Premier/Treasurer. Quite an interesting kind of small report. How do government departments and authorities pay their bills? Do they pay them on time, and if not, why not? Do their managers know? What we found in general was that the managers of departments really do not have a clue as to whether they are paying their accounts on time and in fact their accounting machinery in the main cannot tell them. Whereas in private enterprise you push a button and you would know whether you had accounts that were two months old, three months old, or six months old. The machinery set in place in most departments and authorities simply cannot do that. Public managers really do not have a clue and they are not meeting the Treasury requirements. That was quite an interesting inquiry. We had a lot of adventures with it. We sent questionnaires out to all departments and authorities and it really hurt them because they could not tell us, and when they discovered they could not tell us, they went to all sorts of ways of doing samples of this and that which obviously were not satisfactory. I think this report will have an interesting response from the Treasurer.

The other two reports that we have done recently, for those of you who read the New South Wales press, will know we have had massive and endless press coverage on these inquiries which were to do with local government. The first one was tabled a few months ago on Auditing in Local Government, looking at the machinery by which Councils appoint their auditors, the way that auditors operate; what sort of relationship they have with councils and clerks. The second one into local government was: Local Government Use of Legal Services. In New South Wales their legal expenses have risen in quite an extraordinary way. And again, the councils are unable to tell you why. They are not required under the Local Government Act in New South Wales to

disaggregate their legal costs. They tend to bury them under expenditure lines for health and building, or development, or what have you. We asked that our letters to councils went to their elected body rather than being dealt with by the administration. We had an enormous response from elected members who were interested in knowing what actually goes on with legal expenditure in their councils. There are problems there in that sometimes the council really should not consider matters that are subjudice. But at the same time the committee felt that very often councils make decisions that can be extremely costly because Aldermen are never informed about the consequences of these types of decisions. There is never a learning curve set up where Aldermen can look at the economic repercussions of decisions that they continually make.

That report has gone out and I think again it is going to have a very interesting effect on both the Minister for Local Government and on councils themselves. We had enormous resistance from councils to respond to questionnaires. A number of them sent us accounts for the time spent in answering our questionnaires. I imagine you would guess how we have treated these. Following the reports, we have had highly detailed responses from councils grateful that the committee worked from an observation point of their activities which they never had. We had a useful detachment which enabled us to make very constructive recommendations.

So far, I have given a broad canvas of our reports. The other report which you have all received is a report on a conference we held last year on Parliamentary Scrutiny. It is quite an interesting document and it draws together a whole range of ways in which Parliament scrutinises expenditure and the behaviour of departments. It includes papers from Temby at ICAC, the Ombudsman, the chairmen of various committees, and people within the Parliament looking at how Parliament scrutinises the behaviour of the public sector both in its day-to-day-work, in its committees, and in various machinery that it has set up. The report is in high demand.

I would like to report to you on other changes that we made in the last couple of years: We have set up a program of rolling reviews. Unlike a lot of other committees, the New South Wales committee never considers that its inquiries are closed. We have, over time, had a number of follow-up looks at various inquiries. We have done a number of follow-ups on police overtime, and corrective services sick leave. We have a philosophy that our reports are always open and every year we will review a number of former

reports. Reports are batched together according to subject matter. At the moment the committee is reviewing all the health inquiries that we have done to date. That is underway and will carry over into the next committee's work. We are also reviewing earlier inquiries into superannuation and TAFE.

Another major activity we have been engaged in the last couple of years has been public education. The Public Accounts Committee in New South Wales has always been a leader in the Parliament in a whole series of activities. We have always produced an annual report, for example, although our Parliament does not produce one however they are moving to do so. The committee has always felt it should provide an example because of its involvement in the annual reporting legislation document. In the last few years the New South Wales Public Accounts Committee has had a corporate plan. In its annual report the committee reports in terms of its conferences, all part of public education, but more importantly with the responsibility of Parliament itself and the role of Parliament.

I would like to respond briefly to a couple of the matters raised by our Queensland colleagues on the question of government to respond to Public Accounts Committee reports. The example I gave you earlier of the Visiting Medical Officers Inquiry completed in 1989, has still not had a response. About three months ago, the committee wrote to the Leader of the House asking that, for a trial period, standing orders could be varied to change the way in which Parliament deals with Public Accounts Committee reports. We requested that when a report is tabled, members are given a time, say within a month of tabling, to speak to the report and that within a month of it being tabled, there can be some discussion in the House of the report to involve other members. We requested that the ministerial response to the report, instead of being just simply posted to the chairman, should be tabled in Parliament itself. The committee's rationale is to involve the Parliament much more solidly in the activity of the Public Accounts Committee so that there is a sense in the House that the Public Accounts Committee belongs to the Parliament and that all MPs' can become involved in the operations and in the outcomes of inquiries.

As Ken Hayward mentioned, he gets lots of letters from various constituents, or various individuals, about activities of the Public Accounts Committee. We do too. But I would say the bulk of them came from MPs'. We get lots of letters from members both asking us to inquire into matters but also sometimes commenting on reports, and sometimes submissions to inquiries. The committee felt that it would be excellent to formalise that interest

in the day-to-day business of Parliament. We have not had a response from the Leader of the House so far.

The committee made an interesting response to the Attorney-General on the matter of parliamentary privilege and its affect on committees. The New South Wales Parliament has considered legislation on privilege. It has always been a fairly unstated matter in Parliament, as to what the extent of its privilege was. There was an inquiry in about 1983 into parliamentary privilege in New South Wales and that has just emerged as legislation in the last few weeks of this Parliament. The committee made a response to the discussion paper on this matter. We raised a couple of matters about committees where we felt that the legislation simply was not successfully dealing with some of our problems. One of them was to do with hearings outside the House. The parliamentary privilege legislation defined the parameters of Parliament and they were very much 'Macquarie Street, Sydney'. Our committee has always liked to go out into the state, not to have all its hearings in the centre of the CBD, and particularly in some inquiries such as VMOs, (Visiting Medical Officers) they visited hospitals all over New South Wales. In the local government inquiries, they also travelled across the state. They held a formal public hearing in a regional city and held informal public hearings gathering together various councils in various parts of the state. Technically they were not covered by parliamentary privilege in those matters. The committee has also held tele-conferences in the National Parks Inquiry which would not be covered by privilege under the legislation. I will close now and perhaps some of these matters will come up in questions later on. Thank you.

AUSTRALIAN CAPITAL TERRITORY

COMMITTEE OF PUBLIC ACCOUNTS

It gives me great pleasure to be representing our new self-governing Territory for the first time in a forum which I believe is rapidly gaining more input in the process of government accountability. I take this opportunity to provide the apologies of the Chairman of the committee, Rosemary Follett, who is currently in the process of looking at preselection for the next election within the Labor Party, and the other member of the committee Carmel Marr, who is the Chairman of our Subordinate Legislation Committee. There is a conference over in Perth at the moment and that is where Carmel is right now.

Like all other delegates from the deep south, we from the ACT have experienced the generous nature of our colleagues from the Territory, both members and Assembly staff. We certainly had a foretaste of what to expect when our brand new committee visited the Territory last year to talk to your committee, your Auditor-General and Treasury officials. Our parliaments have much in common - although I would suggest you seem to have got a much better financial deal than we did, and we are still seeking a reasonable, and more importantly, written documents on financial arrangements following self-government. We are still waiting for that piece of paper that says how it is going to be, maybe that will come later in the year.

The ACT gained self-government only two years ago with the first sitting of the ACT Legislative Assembly held on 11 May 1989. The Public Accounts Committee was one of the first committees established by the Assembly, being established on 23 May 1989, the second day of the new Assembly, or the first full day of our operations - the first day of course was taken up with the formalities of electing our first Chief Minister.

I note at the last conference held in Brisbane in May 1989, the ACT was represented by Mr Justice Rae Else-Mitchell, as the Committee was not formed until the following week. I also note from reading his report of that conference that his prediction that a Public Accounts Committee would be formed quickly was correct. However, he did suggest, at the time I believe, that a minister would probably chair that committee, but that of course did not materialise and we have followed the standard practice of non-ministers chairing committees.

Justice Else-Mitchell has continued to provide a valuable service to our community and our committee has had an opportunity to comment on his excellent report on the assets and public debt passed to us by the Commonwealth. Certainly we get some doozies there, but that is another story again. A report, it was clear he wrote using his long background on the Commonwealth Grants Commission.

The ACT Public Accounts Committee has a wide terms of reference, including the power to initiate its own references. For the record, our terms of reference are:

1. Examine:

   (a) the accounts of the receipts and expenditure of the Australian Capital Territory Executive;

   (b) the financial affairs of authorities of the Australian Capital Territory; and

   (c) all reports of the Auditor-General which have been laid before the Assembly.

2. Report to the Assembly, with such comments as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them to which the committee is of the opinion that the attention of the Assembly should be directed;

3. Inquire into any question in connection with the Public Accounts which is referred to it by the Assembly and to report to the Assembly on that question.

Before commencing on the activities of the committee over the past two years, I will outline the structure of the committee.

The ACT committee differs in one way from all other public accounts committees in Australia, in that, despite its short history, the practice has been for the committee to be chaired by the Leader of the Opposition. I believe that this is also the practice in Britain and Canada. I guess that was because we had a minority government at that time, and that was one of the first committees

appointed. That is how that process started. It was basically 12 against five and that was then followed on when the change of government occurred in December 1989.

The first committee comprised four members: the Leader of the Opposition (now the Chief Minister) as chair, one government backbencher and two non-government backbenchers, one of whom was deputy chair. This committee was formed during the period of a minority Labor government.

A change in government after seven months of self-government led to what can be termed the second committee. The current committee comprises three members and is also chaired by Rosemary Follett who was the former Chief Minister. The other two members are government backbenchers. I am the only member to have served on the committee since it was first formed.

The committee has faced a number of challenges since its formation two years ago, the most fundamental one being an increasing awareness of the concept of accountability and the differing nature of that accountability now that the ACT is self-governing and has 17 politicians to be badgered by the people of the ACT rather than the four in the past - and the need for that awareness to filter through to the ACT government service. Recent reports from the ACT Auditor-General have made some pointed comments about this issue, and I think that is pretty well known for the record. Our Auditor-General has an interesting style of writing which has kept the bureaucracy on its toes to put it politely.

Prior to self-government the ACT was administered as one part of the Commonwealth Department of Arts, Sport, the Environment, Tourism and Territories and traditionally was perceived as fairly low on the accountability totem pole.

The Public Accounts Committee sees that it has a major role to play in increasing awareness within the ACT government service, together with the other Assembly committees. These include the Estimates Committee (which I have chaired on two occasions since it was established) and the ACT Auditor-General. The Estimates Committee was established as a committee where all non-government members except the Speaker were on the committee and took part in committee deliberations. The second time it was a five member committee with all other members participating in accordance with our standing orders in the questioning of government officials. Unlike the federal system our

Estimates Committee formally questions every minister, so each minister and his senior officials is for the chop in that particular forum unlike the federal Parliament of course where not all ministers have that joy.

For the first year following self-government, the ACT contracted the services of the Commonwealth Auditor-General. But last year we established our own government audit office for the ACT and those of you here of course know Mr Jim O'Neill who holds that position. Our committee has a good working relationship with the Auditor-General and is required to review all his reports.

To date the committee has tabled four reports:

- ***Independent Advisory Committee Against Corruption***

  This inquiry was the first referred to the committee and was a somewhat unusual matter for the committee to examine. Following calls for the establishment of an independent advisory committee against corruption, the committee (not, however, whether one should be formed) recommended the formation of a low-cost part-time body without the wide-ranging powers of the ICAC in New South Wales, but a body similar to one that exists in Western Australia. Legislation to establish the ACT's ICAC is to be introduced during the next sitting of the Assembly and whistle blowing provisions have been included by the Attorney.

- ***Inquiry into the Priorities Review Board Review***

  The Priorities Review Board was established by the government to provide an independent review to determine priorities for the improvement of the management of the ACT public sector. The committee initiated an inquiry into this review, specifically to inquire into and report on the conduct and processes involved in the review, the costs involved and the use of consultants in the review. Consultants, I think, is probably an issue that most of us at some stage or other in our parliamentary committee inquiries have looked at either briefly or in some detail. The committee made a number of recommendations, primarily concerned with the use and engagement of consultants.

- ***1989-90 Budget Funding for an Additional Domestic Violence Refuge for Women***

  This inquiry, adopted by the committee following a question to the committee chair, during question time, examined, several issues surrounding the question of whether funds were included in the 1989-90 budget for the establishment of a domestic violence refuge. The committee chair had been the responsible minister at the time. Frankly, I suspect we spent more time on this issue than was warranted.

- ***Review of the Report of the Committee of Inquiry into the Assets and Public Debt of the Australian Capital Territory***

  During the first year of self-government an independent audit to determine the assets transferred to the Territory on self-government and the public debt associated with those assets was commissioned. The Assembly referred the report of the independent inquiry, chaired by Justice Rae Else-Mitchell, to the Public Accounts Committee for consideration. The committee was supportive of many of the findings and recommendations of the independent committee of inquiry. We made specific comments about the availability of the minutes and other records of that committee.

There was a difference between the treatment of records of the committee reviews of the deliberations from the Priority Review Board report and Justice Mitchell's report and I think the standard there was that minutes and other proceedings of such enquiries should be publicly and readily available and hopefully that will be something that will be followed through by the government and successive governments.

The committee is currently working on five references, three of which are audit reports, including two efficiency audits. You will recall that we are required by our terms of reference to consider all reports from the Auditor-General. There have been some well publicised issues relating to the financial problems of our Health Department which those of you who have read the Canberra Times will be familiar with. These problems have been identified by successive Auditors-General over a number of years and I think there are a few chickens about to come to roost in that region.

Another of the inquiries requires us to develop principles relating to appropriate financial administration and audit legislation for the ACT. Currently the ACT's audit and financial legislation is based very closely on the Commonwealth legislation, and we are waiting to receive a report on this from our Treasury and the ACT Law Office, plus action in the federal sphere, before finalising this report.

As I have already indicated, and as Mick has indicated, my presence here today formally recognises the newly formed ACT legislature as a full working Parliament and I look forward with interest to the papers being presented and of course the opportunity to learn from your experiences as members of these inquiry bodies.

Conferences such as these also establish valuable links between our Parliaments and committee staff, who I am sure we would all acknowledge without exception, provide sterling support to our work, often working to tight deadlines, well beyond the call of duty. I do not think there is any doubt that we would be lost, I would suggest, without the sterling support of the committee staff that we have.

In commenting on an issue raised by Ken Hayward from Queensland, we too have noted the limited response from government to our reports. Cabinet instructions do require timely responses to be prepared, and I would suggest that the government has a bit of work to do in this area. However, when tabled in the Assembly by the committee, they are spoken to by each of the members of the committee at the time and then the debate is adjourned by a minister, usually the responsible minister. The government then prepares its response, it is then tabled on the floor of the Assembly and onto the notice paper. What normally happens is debate is adjourned for members to consider the government response and it stays on the notice paper as Assembly business so it is basically something that can be brought up by the government at any stage. But, I think it is probably something that all governments have got to start looking very carefully at in these days of public accountability.

That is basically how we handle it in the ACT but I personally would like to see something along the lines suggested by New South Wales. Maybe a period of response for a Public Accounts Committee report or any committee report for that matter that is laid on the floor of the Assembly so that government is required to respond so that debate can continue. I think personally Assembly

committees in our case, and committees in all Parliaments, are a very important aspect of the business of government and the business of administration for all the people in the Territory and I think it behoves governments to very carefully consider committee reports.

Thanks very much. It has been a privilege and a pleasure to be here today, and I am looking forward to discussing at greater detail some of the issues that are going to be raised.

COMMONWEALTH PARLIAMENTARY COMMITTEE OF PUBLIC ACCOUNTS

We have 15 members on our committee. Eight from the government and seven from the opposition and the Chairman is always a member of the government. The Chairman at the moment, is Robert Tickner whom you met two years ago at the Brisbane conference. Robert has moved on to a ministerial position. Gary Punch is the new Chairman. But unfortunately, the election which decimated the New South Wales delegation has had an effect on the federal delegation. John Watson, who is Deputy Chairman of the committee, is coming tomorrow. Gary Punch could not get away. There is a close contest being waged in his federal electorate for a couple of state seats. I have to depart early tomorrow morning because I have the same problems back in a couple of my state electorates. But I am here now.

I am very pleased to have this opportunity to inform you of the work undertaken by the Commonwealth Public Accounts Committee since the last conference. At the time of the last conference of public accounts committees, the Commonwealth committee had just tabled its Report No. 296 on the Auditor-General and I have about three pages related to that matter. But I think that David Shand and the questions that followed his presentation on the Audit Office matters, were discussed in some detail and I think that I can safely by-pass that section of this report.

During the last two years the committee has tabled three reports on annual reports. The first report dealt with the failure of secretaries of Commonwealth departments to meet requirements for annual reporting as set down in the Public Services Act 1922. The second report presented the committee's findings and recommendations in relation to the guidelines for departmental annual reports, while the third report looked at the annual reporting guidelines used by Commonwealth statutory authorities. These guidelines had not been reviewed since they were first issued in 1982. However, I don't propose to say more about this particular report now as the Deputy Chairman of the committee, Senator John Watson, will talk about it tomorrow in some detail. For the moment, though, I would say that the second report to which I referred has led to the production of a greatly improved set of guidelines for departmental secretaries to use when preparing their

annual reports. I do not know that all the bureaucrats in Canberra are in agreement with the committee's views on our report but the next set of annual reports tabled in Parliament should, I believe, have more results information than has been customary. We will have to wait and see, I guess.

I should point out that, while the committee conducted this review of guidelines for departmental annual reports, it has an ongoing role in approving the guidelines after they have been prepared by the Prime Minister. This role for the committee is set out in the Public Service Act and basically means that any changes to the guidelines must be approved by the committee before being issued. This role also means that a significant amount of work be carried out by the committee and its secretariat quite separately, and in addition to its normal inquiry work.

Returning to the Inquiry into Departmental Reporting Guidelines for a minute, I should also say that the committee looked at what the Parliament should do with annual reports once they have been tabled. The committee's view was that the Parliament, and in particular the eight standing committees in the House of Representatives, should have the responsibility to regularly review departmental annual reports. Some reviewing already takes place by the Senate Standing Committees but it was felt that the House of Representatives committees should also participate. This would enhance accountability firstly by giving members an increased insight into the operations of departments, and secondly, by improving reporting through making parliamentary use of reports more visible. The Prime Minister has indicated his support for this proposal and said that a motion to give effect to it will be moved in the House of Representatives in the near future.

As important as annual reports are, they have not been the sole focus of the committee's attention since the last conference. The committee has tabled some 13 reports in the last two years covering a diverse range of subjects. Some of the subjects have been: The Management of Explosives by the Department of Defence. David Shand spoke about public hearings. With all these reports there have been concentrated public hearings but as well there have been numerous on-site inspections and things of that nature. We also looked at the poor management of the Commonwealth's off-set program; the use of consultants by Commonwealth departments and the establishment of an unofficial account by the Parliament's own computer division, the Parliamentary Information Systems Office, or as it is known in Canberra, PISO. Now the matter of PISO's so-called official account was referred to in some detail by

David and so I will not go through that again, but it is in the paper here. If that paper is published, people might learn more about an interesting exercise which was somewhat akin to a trial carried out by the Public Accounts Committee.

A final point to make about this particular inquiry is that it differed significantly from the committee's usual inquiries in that the terms of reference called for an assessment of specific individual roles and responsibilities with regard to the account. While evidence was taken, I know through affirmation, the committee remained firm in its view that it was not a court of law but we had to use a little bit of nous in working out which evidence to believe when the reports of the various people giving evidence conflicted widely. In passing, I would note that this particular reference came to the committee from the Senate. The Commonwealth Public Accounts Committee, while empowered by its Act to initiate its own inquiries, has no choice but to conduct inquiries referred to it by either the Senate or the House of Representatives.

In drawing to a close this summary of the work undertaken by the committee over the last two years, I would like to give you a feel for some of the committee's current inquiries.

First, the committee is conducting an Inquiry into Australia's Business Migration Program. This inquiry came about through concerns raised by members of the community and also concerns raised by the Auditor-General in his reports to Parliament. The Auditor-General criticised the program saying that its objectives were very broad and this made any performance assessment very difficult. The performances of accredited business migration agents was not adequately monitored and the post-settlement review of the activities of business migrants was most inadequate. That has been a very interesting inquiry. I am sure that when our report is brought down we will see significant changes in the current business migration program and some of us may not be surprised to see the axing of that program. When you consider that the program is supposed to bring into Australia up to $1000m each year, you will not be surprised at our concerns and the reason why we undertook that inquiry.

Throughout the inquiry the committee has remained concerned about the ability of the Department of Immigration, Local Government and Ethnic Affairs to measure the performance of the program. The committee has also been concerned about the Accredited Agents Scheme because the way it has been set up leaves it open to quite serious abuse. There has been a lot of

speculation in the media as to what the committee might recommend. Well, I should not really say much more than I have said, but the concerns are quite great. That report will be tabled within the next few weeks.

The Inquiry into the Business Migration Program is one of the more traditional types of inquiry undertaken by the Commonwealth Public Accounts Committee. But during the last couple of years, the committee has started a couple of inquiries which are looking at issues of more general concern. Examples are: an Inquiry into the Social Responsibilities of Government Business Enterprises and Statutory Authorities and a very interesting Inquiry into Research and Development in Australia. Senator Watson will talk about the Social Responsibilities Inquiry tomorrow morning if the timetable runs as we would hope. It is to some minds frontier material but I think that people here will find it most interesting. I note also that social responsibilities include the issue of community service obligations and this has been of particular interest to our colleagues in Victoria. For now I will say that the committee Inquiry into Research and Development involves the examination of the effectiveness in the level of government funding of research and development in both the public and the private sectors. As I have said, it is a very interesting inquiry because it requires some examination of policy matters and may be at the end of the day the committee will want to say something about policy. A report on this inquiry will be tabled in the forthcoming budget sittings.

What appeals to me is perhaps the most interesting inquiry with which I have been involved, is the one we are about to commence into a particular textile and clothing company, and I believe that inquiry will throw much light on the operations of the Australian Customs Office. I think David Shand would find that inquiry, which we are about to undertake, very interesting as well. It should stir more than the PISO Inquiry, I feel.

Well, that about does it for reporting to you about what the Commonwealth Public Accounts Committee has been up to since the 1987 Brisbane conference. The committee continues to focus its work on improving the accountability of the executive government to the Parliament. It is done through inquiries into specific government programs and activities and it is done through more general inquiries which are concerned about issues and principles. The last few years have seen numerous financial management reforms being introduced in the public sector

management and the work of the committee has been to ensure that the reforms have not led to a diminution of accountability. This challenge remains and it will be interesting to see what progress has occurred when the next conference of Public Accounts Committees is held.

TASMANIAN PARLIAMENTARY PUBLIC ACCOUNTS COMMITTEE

First and foremost we have been in operation since 1963 and we have six members on our committee, and incidentally, we do not have any staff. The six members include one from the government, one from the opposition, one from the greens, and three from the Legislative Council (which is the Upper House) and that is how we make sure that the government does not have control of our committee. Mr Dick Archer, who is with me today, is the vice-president of our committee and has been for a number of years and has an independent view which is very welcome on the committee. When I get on a podium like this I always like to talk about electoral reform, citizens' initiated referenda, banking reform and even fly fishing for trout. I was very pleased to hear that Mary Seefried was here and I heard someone refer to her as the Commissioner for Electoral Reform or whatever it is in Queensland, she tells me she is not, but she is very erudite on electoral matters.

We have been fighting for many years to get staff and we have been talking to the committee from New South Wales, and Queensland and they have been very informative and have helped us a lot. However, at the moment we still have no staff. We can co-opt or second but nevertheless we would like to have permanent staff for continuity purposes, if nothing else. Our Auditor-General and the members of the Public Accounts Committee in Tasmania have very cordial relations. We have had it that way over the years and it does not seem to be a hard thing to do. We anticipate this relationship to continue with the new Auditor-General who is soon to be appointed.

We have been in operation for approximately 28 years and it was only this year that we had our first public hearing. We have been told that public hearings are the best way to bring out the evidence of a bureaucrat and I was very interested to hear David Shand speaking about this. Our first public hearing was on the government's redundancy program. What happens is that whilst the witnesses are talking about how their agency conducts their redundancy program; sitting in the audience is the general manager, or whatever he is of the redundancy program, and

depending on the questions that we ask, they then call the other agencies that have not been interviewed yet and they tutor them on how to answer our questions. So I am not too sure whether public hearings are always the best.

The other thing is that whilst our public hearings were on, and we thought we would attract some media attention, we have been unlucky in that we were competing with the bribery royal commission and they sat on the same days as us. I do not think that I have found a press person yet that could not be tempted to go to the bribery hearings rather than ours.

At the moment we have got 19 jobs on our plate. It seems to me that both Houses of Parliament must have suddenly found us. I must say that when a job comes from one of the Houses of Parliament, it is usually of a partisan nature and it is up to our committee to make sure that it does not carry on in that partisan way. We definitely make it a non-partisan issue and I was pleased to hear David Shand speak about that.

Some years ago, we had a Public Accounts Committee that went on a trip to Queensland, flew home for the weekend and then went back again. They were very assiduous in their duties. The Premier of the day, he showed a terrific government response, put a clause in the Act to say that the Public Accounts Committee was not to travel outside the state. So now when we want to travel, we have to get a resolution to enable us travel. In a way, it has never really crimped us because the Public Accounts Committee is looked on with esteem by both Houses of Parliament and if we ever do want to travel, it is very easy, but we have to go through that process of getting both Houses of Parliament to agree to it.

At the beginning of this paper I was talking about monitoring a $100m redundancy scheme and we have found some very interesting things in that. I really did not know how the other half lived until I started looking at this redundancy scheme, and I can see a lot of people in the audience smiling. You really learn about human nature when you start talking about people being offered big golden handshakes etc, and what they will do and what they will not do.

I have had approximately 15 years as an MP with three of those years as a minister with seven portfolios and am rather a reformist by nature. In the second half of my address I would like to talk to you about what I see as some of the things that public accounts

committees discuss. We often go away to a private resort somewhere for a couple of days and contemplate our navels and talk about issues and I think that David Shand's address will be one of the issues that we will discuss in the future. As I have announced that I am not standing at the next election, I can practically say anything now without worrying about how it will reflect in the electorate.

One of the things that I believe should worry you at times is, and I do not know quite how you are going to get over it, is to know when you are being snowed. It is remarkable the number of people who come before a public accounts committee that are most articulate. They seem to have the job right in hand and they know everything about it, and when you check up later and get further evidence, you realise that what the person said was, a whole bag of rubbish. Quite honestly, I guess there must be some type of procedure that public accounts committees could follow to sort this out.

I heard David Shand mention lengthy reports and I think that is a very good subject to start talking about. Do we tend to justify ourselves? Do we write long reports just to justify ourselves to the other members of Parliament and other people? Should our reports be rather like the Auditors reports, or should they be a source of information for the members of Parliament and the public at large? Now I get lots of reports sent to me and quite honestly they are a wealth of information but I do not know how many people would read them, I really don't.

The other thing is the definition of accounts. I am sure all your legislation talks about accounts. Well, when I was a boy and studied accounting, an account was a page in ledger, it was easily described. If you look at accounts in your act you will see various definitions, but now with computers it is only a piece of electronic media. So what you have on the table of Parliament is a statement of those accounts and therefore I went to our Solicitor-General and I got a legal opinion. Honestly, it makes you think, when you look at what a legal opinion says about those accounts. I think you ought to have a look at your accounts to see whether you are doing the right thing.

Someone once said that we are the watch-dogs of the Parliament and we are the watch-dog for the people and I often wonder how that comes about. Whether we do it properly, or are we salutary only. Well, we are salutary in our case, because we have no staff or anything such as that. Are we paper and time wasters? Are we

simply press-feeders? Is there much information that comes from us to the members of Parliament and the public? I was very interested in David Shand again when he was talking about how public accounts committees might like to do some investigations of their own without public or private hearings ie. let them do a little bit of research on their own and produce a report. I think that is a marvellous point of view, it really is.

The last thing is, and we have brought it up before, is that we often find that we get into a corner particularly when we are talking about national parks and wildlife. Many of those things are funded jointly by the Commonwealth and the state. We find that when we have people before us, and if they ever want to escape any type of nasty question, they say, "oh well, that was funded by the Commonwealth". So it would be I believe, in the interests of all public accounts committees, that they have more liaison with the Commonwealth Parliamentary Public Accounts Committee, so that we can at least have a better definition of what we are talking about. Thank you.

VICTORIAN ECONOMIC AND BUDGET REVIEW COMMITTEE

It has been two years since I last attended the conference of the Public Accounts Committees and one of the things I can say is that a lot has happened in Victoria during that two years. We have had the State Bank and Tricontinental and the VEDC, just to mention three. But more importantly perhaps we have had at least four reports from our Auditor-General. And if I had to grade things, I am not sure that I would put those reports higher up in terms of their effect than some of the other things that I have just mentioned. But in there as well I think the Public Accounts Committee has also, in Victoria, begun to assert itself. It has brought down a number of very important reports during that time, some of which have been highly critical of the government, some of which have been critical of the Auditor-General and I will be talking about those reports tomorrow in my speech.

For today I just want to go over the way in which our committee is structured in Victoria which is different to many of the other states. One of the features of our system is that we have something called an 'Economic and Budget Review Committee' and the Public Accounts Committee is a subcommittee of that overarching committee. That has some benefits as well as some costs attached to it. The benefit is that the terms of reference which apply to the Economic and Budget Review Committee are by definition also the terms of reference of the Public Accounts Committee. As a result, the scope of the Public Accounts Committee is only limited by the overall EBRC in terms of what it can do. Now, the Economic and Budget Review Committee's mandate is very wide. Its functions include: the ability to inquire into, consider and report to Parliament on any proposal, matter or thing connected with public or private sector finances or with the economic development of the state. So it is a very wide term of reference.

As I said, we have got a Public Accounts Committee which is a standing committee, a subcommittee. We also have an estimates subcommittee of that overarching committee. So there are two fairly powerful subcommittees within the one structure. In addition, the Economic and Budget Review Committee can, and often does, set up special purpose subcommittees to examine specific references and these may not be just in the area of public

accounts type references. The most recent example of such a special purpose subcommittee resulted in a report tabled in Parliament in September 1990 called 'Electricity, Water and Gas - Limits of Debt'. We chose the words carefully because we were trying in that report to identify the limitations of debt and what debt could be useful as well as what the limit of debt of the authorities should be in the more narrow sense.

The EBRC is made up of 12 members of Parliament. Eight are from our Lower House and four are from the Upper House which reflects a relative size of each of the Houses. Six members come from the government and six members come from the opposition. However, the chairperson who is always a government member, has a casting vote. So that is how we ensure, if you like, government control. The power of the casting vote also extends to the subcommittees, so if there is a subcommittee that is of equal numbers, the chairperson of a subcommittee has a casting vote. There is some limitation in that because there is a tendency then to try and ensure where the subcommittees are of equal numbers, that the chairperson is always from the government's side which may not be the best formula for these things.

We had a number of members who were scheduled to come with us today and some from the opposition but unfortunately they have not been able to come, and I just want to indicate their apologies. The reason they could not come was that the opposition is actually having a meeting at this very time to decide the quantum leap in their strategy for bringing about an early election in Victoria. So they all had to be there for that reason.

Since the last public accounts conference we have produced two consolidated reports arising from the Auditor-General's reports on Ministerial Portfolios and we are currently working on a third. I think in Victoria that agencies now see this reporting process as an opportunity to put their case. On the one hand they also fear, as it were, or are concerned about further criticism by the committee, so it is a kind of double-edged sword from their point of view.

One of the issues that has arisen is witness protection. It has been raised earlier and it is certainly true that the use of witnesses can adversely affect their careers, as Ken was indicating earlier. One example from Victoria of that is that when the Economic and Budget Review Committee examined irregularities in the Education Department, our inquiry partly focused on very close questioning of the chief executive with respect to the decision-making process. She was bought in on two occasions; the

hearings were public. There were competing interests and motives in the questioning from members. I suppose it is true to say in that instance that most government members saw it as being in the interests of the government to protect the minister. Opposition members saw it as wanting to bring the minister to account. The trouble was that the interests of the EBRC or the Public Accounts Committee was to get to the bottom of what actually occurred and to suggest changes. That is really the nub of the problem. What happened was that unfortunately the inquiry became focused on an individual rather than on the issue, or on the process, or of how the irregular payments had come about. To indicate how that can have an affect if people are not really careful, I noticed that two days ago the opposition took the unprecedented step of advertising in "The Age" for a replacement to the Chief Executive Officer's position in the Education Ministry, even though they are still in opposition, which is not a bad move.

So that is the kind of very difficult circumstance that a public accounts committee can often get into. I do not know whether it is as much of a hot-house in other states as it is in Victoria, but from our experience, it certainly is that.

In addition to the roles I have already mentioned, the Public Accounts Committee also undertakes references by Governor-in-Council: references which relate to matters of public accountability. Examples of these inquiries are the recent ones we did on the $35m interest swap transaction and a report currently being prepared on community service obligations of government business enterprises. An example of a self-generated reference is the report which we produced on Program Budgeting in Victoria. We are kept very busy with all of these I can assure you. One of the interesting things about references that we either generated ourselves or that we got from government, is that quite often they are not in the form of going in to examine a specific issue of waste or inefficiency, but rather in terms of contributing to the debate in a number of important areas relating to public accountability. The Program Budgeting Report was of that nature. It was trying to contribute to the debate on program budgeting in terms of how it can be improved as a process. The community services obligation of government business enterprises is another such general issue report that we are examining.

The report on Program Budgeting was in fact successful. It was followed up by a seminar which was held in conjunction with the Australian Society of Accountants and that further added to our understanding of the issues in that area. What we did was try to

examine the strengths and weaknesses of the system of program budgeting which was implemented in Victoria initially in 1983-84. We focused strongly on such things as expenditure classification principles, the use of performance indicators and program evaluation.

The subcommittee's most recent report was a report that I have already mentioned known as the $35m Interest Swap Transaction. This report examined a transaction undertaken by the Treasurer of Victoria in June 1990 in an attempt to ensure that the expenditure of financing charges came within the annual appropriation. This report is an interesting case study. I think it does represent a landmark for the Public Accounts Committee and a landmark in many ways for the relationship between the Public Accounts Committee and the Auditor-General, of which I will speak more tomorrow.

From the point of view of evidence, however, one critical feature was that committee members wanted to examine the contract between the counter-party to the swap and the government. That raised a range of issues relating to commercial confidentiality with the government and the counter-party, in this case, an overseas bank, being concerned that they would either be identified or that what they considered to be a unique product would be made available in the market were it to be done in an open forum. We resolved that problem basically by having an in-camera examination with Treasury officials present and in the presence of Hansard to go over the contract. But the contract was shown to us; we were able to read it; and then it was withdrawn at the end of the proceedings. Record of the questions does appear in the Hansard transcript but it is an in-camera session. This report was critical from a point of view of the Public Accounts Committee. As I said, it was critical of the government and it found that $35m of public money had been appropriated without parliamentary authority.

The current work that we are doing centres around the latest report of the Auditor-General of April 1991, on Ministerial Portfolios. We are undertaking our investigations and the way we do it, is by trying to look at the major themes. We cannot possibly look at everything that the Auditor-General has raised, so we look at major themes and we usually do this in conjunction with the Auditor-General by getting suggestions from him, as well as developing our own list. I just want to quickly go over a couple of the things we are looking at. In the health area, we are investigating such issues as the charges paid by full-time salaried medical officers for the use of facilities in public hospitals, which is

an important issue where they get the use of those facilities and where they receive a fee as well for their private patients. So there is a range of complex accountability issues relating to that and the policies relating to the provision of government nursing home beds in Victoria.

Arising from an earlier report of the committee on the accountability of hospitals, there have been changes to the annual reporting requirements such that public hospitals must report to Parliament. In addition, there have been the introduction of the health services agreements between the Health Department and individual public hospitals. These agreements make public performance targets for each hospital in addition to more relevant cost data, such as cost per bed and so forth.

The Auditor-General's report of April 1991 drew attention to a number of bodies which are partly funded by the government and partly funded by revenue received from the sale of services. Many of these bodies are accumulating deficits which is a cause of some concern and it is an interesting area because of the fact that they are partly private and partly government. These bodies include such things as sports and entertainment complexes, national tennis centre, state film centre, Melbourne Theatre Company and so forth. I am interested in your committee's interest in speaking to delegates who have undertaken this kind of work where there is a mix of private and public, to see what sort of approaches are desirable in that area.

I mentioned earlier, the report on debt in the State Electricity Commission of Victoria, (gas and fuel) and Melbourne Metropolitan Board of Works. This report examined many issues relating to the capital requirements and operational efficiency of government business enterprises, and to that extent, it is somewhat different to examining departments. Given the high value placed by modern society on conservation and the importance of state debt, especially important in Victoria at the moment, and health of the economy, the level of operational efficiency and capital requirements of these government business enterprises, are critical to the whole government sector. I am currently involved in a caucus committee which is in fact looking at the financing options which we have with respect to one of our major power stations, and this is not only important work from the point of view of the State Electricity Commission, it is also important from the point of view of the whole government in terms of how you balance the budget and how you reduce state debt.

Increasingly, the role of corporatisation and equity financing for these government business enterprises is occupying the thoughts of many players in business and finance. The premier has indicated her interests, notwithstanding her socialist-left background, of at least examining equity financing alternatives to the current debt ways of financing. Indeed in Victoria the government is considering the whole question of developing guidelines for private equity investment in public infrastructure and given fiscal constraints the desire to continue to provide such infrastructure and job creation. I mention all of this because at least in our committee and in the Economic and Budget Review Committee, all of these things can come within the scope of our terms of reference.

The committee is also examining the role of community service obligations which has significant implications for the future corporatisation of enterprises. Apart from the financing issues of who should pay for community service obligations: the government or the government business enterprise, there are difficult questions of definitions. Committees are finding that there is a very fine dividing line between the role of a government business and a good corporate citizen, and in any case, how does one determine whether an activity is beyond that which a good corporate citizen would undertake in trying to decide what is or is not a community service obligation.

Another problem is that community service obligations appear to be something that are subject to government decision or government directive, and we are in great difficulty because we find that in the majority of cases there is no actual directive or decision that can be found. Nevertheless the government business enterprise appears to be following government policy.

Finally I would just like to make mention of the fact that the EBRC in Victoria has the other important function of an Estimates Sub-committee. That Estimates Sub-committee began its operations in April 1990. It is not like a traditional estimates committee in that it has worked and continues to work throughout the year. It also has a legislative framework of its own, although it does fall under our committee as a sub-committee. So, I am a member of both the Estimates Sub-committee and Chairman of the Public Accounts Committee. I do not think that the Estimates Committee is in fact, or has been as successful as one would hope.

It has turned out to be a major media event mainly because it always brings in ministers before the enquiries and always those ministers and government members attempt to support their minister and the other side has a tendency to want to attack the minister. So it turns out to be a highly charged political atmosphere. There is always media present, and as you can imagine, not much gets done. Indeed, sometimes as happened recently, one of the background papers from the research staff of that committee was actually tabled in Parliament by an opposition member which I think put that researcher in a very difficult position as he was named as the author of that particular background paper. Recently we had opposition members of the committee walk out of a meeting, so it is that kind of atmosphere.

As I have tried to show, the work of the EBRC is varied and wide-ranging. The committee attempts to play a constructive role, notwithstanding all the other things I said in the debate, the financial fortunes or misfortunes of Victoria in the 1990s. As chairperson I attempt to ensure that the debate is as well informed as possible within a fairly difficult political climate.

SOUTH AUSTRALIAN PUBLIC ACCOUNTS COMMITTEE

In the last two years, the South Australian Public Accounts Committee has produced reports on:-

- long service leave

and

- accountability of statutory authorities, government companies and non-government organisations in receipt of government funding.

The committee is currently inquiring into the management of cars and is reviewing government action on earlier reports. Extra effort is being made on this review because a bill to amend the parliamentary committee system has been introduced in the Legislative Council and is expected to pass in the next session of Parliament. The committee intends to produce Treasurer's Minute Reports on all previous reports for which this has not been done, before the life of the committee in its present form ends.

Accountability

In its 61st report, the committee reviewed the arrangements for accountability of statutory authorities, government companies and non-government bodies which receive government funds.

The committee noted that public interest in the accountability of these bodies has grown in concert with a world-wide trend towards a blurring of the boundaries between government and private enterprise sectors.

The committee found that more effective accountability structures were in place for statutory authorities than for government companies or non-government bodies using public funds. While there were a few exceptions, which were the subject of

recommendations by the committee, it was generally the case that the structural arrangements for accountability of statutory authorities were satisfactory.

Long Service Leave

In its 62nd report, the committee estimated the long service leave liability of the South Australian public sector to be in the order of $400m to $500m. Given the margin for error which had to be allowed because of the inadequacy of data available in many agencies, the committee considered its estimate to be reasonably consistent with Treasury's estimate which was $400m.

Hospitals and most 'non-commercial' government departments did not have adequate management information for long service leave. Education and Police departments, which are both labour intensive, were the biggest of the departments which had inadequate information.

The committee did not consider the size of the long service leave liability to be unduly excessive and noted that, if full cost replacement is required when someone takes long service leave, then the public purse benefits by agencies not requiring employees to take long service leave as it falls due.

It was found that long service leave liability could have been managed much better than it had been. In particular, significant opportunities to reduce long service leave liability at low cost had not been taken on occasions when there had been employee numbers in excess of requirements, as happens from time to time in the Education Department, for example.

The legislative framework governing long service leave was found to be complex and had caused confusion and errors. The committee's finding that the legislation needed to be simplified has been accepted by government.

The committee criticised a 'short-cut' method which Treasury had proposed for reporting long service leave expense. It was proposed that departments pay to Treasury 2 1/4% of wages as the estimated value of long service leave expense and that Treasury reimburse departments for cash payments made to employees in respect of long service leave. The committee demonstrated the large

inaccuracy in the estimate and certain other methodological flaws. Treasury has now agreed that proper accrual accounting techniques are the correct way to proceed.

Almost all of the committee's recommendations were accepted in the government's response.

Cars

The inquiry into the management of cars involves all government departments and statutory authorities under the purview of the committee.

The focus of the inquiry is on management information and the use which is made of it. Examination of the information received to date shows considerable variation in the quality of information held and in the use made of available information.

Follow-up of Previous Reports

Treasurer's Minutes Reports are being produced on a number of previous reports, chiefly dealing with:-

- management of assets and liabilities
- government car fleet management

and

- computing system management.

This activity includes follow-up on a report which had just been completed at the time of the Brisbane conference: A report on the Justice Information System: A major computing system for five departments concerned with the administration of justice. Subsequent to the committee's report, further development of the system was approved by government, for completion by mid-1992. Follow-up information received to date has led the committee to prepare questions for the Board of Management and central

government agencies which the committee recommended should keep the project under close scrutiny.

It is the committee's intention that, by mid-August, the report on its current inquiry into government car fleet management will be its only report for which a Treasurer's Minute Report has not been produced.

Parliamentary Committees Bill

A bill was introduced into the Legislative Council at the end of the last session. It will establish an 'Economic and Finance Committee' to take over the work of the Public Accounts Committee and the Industry Development Committee and for other purposes. The bill introduces a number of improvements when compared with the present Public Accounts Committee Act.

1. Two additional members. This may allow the formation of subcommittees as occurs in some other public accounts committees; notably:

   - Joint Parliamentary Committee of Public Accounts (Commonwealth);
   - Economic and Budget Review Committee (Victoria).

2. Broader scope. This includes:-

   (a) any matter concerned with finance or economic development;

   (b) any matter concerned with the structure, organisation and efficiency of any area of public sector operations or the ways in which efficiency and service delivery might be enhanced in any area of public sector operations;

   (c) any matter concerned with the operations of a particular state instrumentality or whether a particular state instrumentality should continue to exist or whether changes should be made to improve its efficiency and effectiveness;

(d) any matter concerned with regulation of business or other economic or financial activity or whether such regulation should be retained or modified in any area.

3. There will be four complementary parliamentary committees which in aggregate cover the full range of state government activities from a wide range of perspectives. The other three committees will be:-

- Environment and Resources Committee (incorporating Public Works Committee);
- Legislative Review Committee (covering law and order functions of government and incorporating Subordinate Legislation Committee);
- Social Development Committee (covering health, education and welfare, arts, culture and quality of life).

4. Provision is made explicitly for the committee, as it sees fit, to publish on a subject it is investigating prior to reporting to Parliament.

5. Ministerial responses to reports will be required with four months.

6. Sections of the Royal Commissions Act are incorporated. The bill, however, additionally states that the provision of certain Royal Commission powers 'does not derogate from the powers, privileges and immunities that a committee has as a committee of Parliament'.

7. The bill explicitly provides immunity from judicial review of the committee's proceedings, reports, recommendations and published documents.

The bill also contains a few problems but these are being reviewed. However, the overall effect of the bill, when it becomes law, will be to greatly strengthen the review role of Parliament generally and that of the Public Accounts Committee in particular.

Finally, Mr Chairman, in relation to government responses to Public Accounts Committee reports, our committee details the government's response or lack there of in subsequent reports.

In reference to unsolicited matters: They are referred to the committee as a whole for consideration and anonymous letters are tabled, but are not acted upon.

Thank you.

WEST AUSTRALIAN PUBLIC ACCOUNTS AND EXPENDITURE REVIEW COMMITTEE

In Western Australia the Public Accounts and Expenditure Review Committee is made up of five members and two research staff. Unfortunately two of our members were not able to come with us to this conference. They have other conferences in Perth. We have three representatives here, one Liberal member, one National Party member and myself as a Labor Party member. In Western Australia over the last two years really nothing has happened. It has been pretty boring. We have developed three industries: brown paper bags, stamp collections and gold bars, so apart from that nothing has happened.

Seriously, we in public accounts in Western Australia set up a program and focused on a small number of topics as we believe that is the best way to approach our investigations of areas we want to examine or have referred to us for examination. In the last three years we have had three major and very substantial investigations and reports. The first one was the report on computing in government. This report took a great deal of time and has been well received. It was the subject of an editorial in the national magazine "Computer World" and has required second printing. We were tickled pink about that. Not many Public Accounts Committee reports require second printing.

The inquiry grew out of allegations of cronyism, something we don't understand anything about, and the employment of computer consultants. As large sums of money are channelled into computers within the public sector, the committee decided a separate inquiry was warranted. The main emphasis of the reports was on:-

(1) the acquisition, development and operation of computer software and hardware by government departments and statutory authorities;

(2) the role played by the Department of Computing and Information Technology and;

(3) the use of outside consultants.

The committee made a number of significant recommendations including:-

Firstly, that the government establish a small specialised Policy and Planning Unit with representations from a broad cross section of government departments. This unit should develop government wide policies within the context of an overall state information technology plan and should provide a line of communication between central government and line agencies. However, the unit should not have a control function. What we found was that the particular department or particular entity was operating as a control body. The recommendation was to not go into the control function.

Secondly, the formation of the State Information Technology Plan becomes the first priority of any Information Technology Policy and Planning Unit established by government. This plan should outline the main issues facing the state public sector and should suggest strategies to meet them. Such a plan should be part of an ongoing process and should be reassessed regularly.

Thirdly, that the appointment of a Senior Executive Service be dependent on the successful completion of an approved Information Technology Management Awareness course and regular retraining courses should be undertaken.

Fourthly, that the government policy of purchasing is the best solution with no bias towards a particular architecture should be affirmed. The committee believes government tender requirements should not be seen as restrictive or restrictive of competition.

Fifthly, and what we thought was very important, that the Public Service Commission formulate a career structure with appropriate salary levels for Information Technology Professional staff along similar lines to that of other professional staff in the public service. We felt this was important because information technology experts could then be attracted to the public service and have a career path and obtain an appropriate remuneration; and finally that formal purchasing processes are immediately adopted to apply to services as they do in the purchasing of equipment.

The Department of Computer and Information Technology was abolished last year in line with committee recommendations and its functions have been reviewed. I am pleased to be able to report that the thrust of the committee's report has been accepted by government. We expect this will advance the service and value provided by computing to the West Australian public sector.

The second major report, and this was a very controversial report, was the State Government Insurance Commission. Financial transactions and solvency requirements of the State Government Insurance Corporation, SGIC, and the SGIO Corporation were the subject of extensive debate by Parliament and the committee, and the committee was directed by Parliament to examine these issues. The following terms of reference were adopted:-

(1) That the State Government Insurance Corporation has not complied with the requirements of the State Government Insurance Act of 1986;

(2) The State Government Insurance Corporation is in breach of the solvency margin required under the Insurance Act of 1973;

(3) That there have been no independent valuation of State Government Insurance Commission's assets and liabilities as required under the Insurance Act of 1973 and;

(4) The means by which the state government is going to honour its guarantee the State Government Insurance's $175m investment in the West Australian Government Holdings Limited which has become payable as a consequence of the winding up of the Petrochemical Industries Limited and;

(5) That he the Treasurer has made no effort to require the State Government Insurance Commission to be accountable in accordance with the recommendation of the Burke Commission of Accountability.

Our investigations found that the current liability valuation and financial disclosure arrangements for the insurance industry were not satisfactory.

The committee recommended that the process of quarterly solvency reporting be formally applied. As those of you who have had any experience in the insurance industry should know the private insurance companies are by necessity required to report monthly or quarterly to the Insurance Commission and we suggested that this apply to the SGIO, and the quarterly solvency calculation be reported to the minister. This would require amendment of the State Government Insurance Commission Regulations.

In addition, that the SGIO comply with de facto prudential solvency standards applied by the Commonwealth Insurance Commissioner to the insurance industry. A 30% solvency ratio was considered prudent by the Commissioner.

Finally, that when the Auditor-General appoints an auditor to the SGIO under the Financial Administration and Audit Act, the contract be given to a private sector auditor who has been approved by the Commonwealth Insurance Commissioner under the Insurance Act of 1973.

This investigation was, as I said to you at the beginning, quite controversial and there was some dissension within the committee concerning the interpretation of the evidence. A minority opinion held amongst other things, that the SGIO had failed to comply with the SGIC 1973 Act and was in breach of a required solvency margin and these issues were the subject of a minority report. The government has since initiated moves to corporatise the SGIO and SGIC which we expect will rectify the problems identified during the investigation. The SGIO and the SGIC will be operating on a fully commercial basis from July this year.

The third report which once again was quite long and fairly controversial was that on the State Superannuation Liability. This inquiry was established to investigate concerns raised by the Auditor-General. The committee considered many options and feasibility of fully funding the state's future superannuation liability.

In accordance with the evidence given by the majority of witnesses the committee found that fully funding the future liability would burden today's taxpayers and cause inequality between the generations of taxpayers. The inquiry found that state's unfunded superannuation liability would have reached approximately $8.5b by June 1990, if the government had not implemented the new Lump Sum Superannuation Scheme and transferred it in 1987

which means that when the demand for payment of a person's superannuation fell due, it was paid at that point rather than it go to a pension. Positive action by the government effectively reduced the projected liability to $3.9b.

The report stressed that a knowledge of major liabilities and appreciation of the future level of superannuation expenditure are essential for the effective management of the states financial resources. It made three major recommendations:-

(1) A consistent approach be adopted to reporting and disclosure of superannuation of liabilities by all government departments and statutory authorities. This will include the actuarial assessment of the state's future liability every three years;

(2) The amount expended annually by the state on superannuation payments be publicly disclosed and presented as a percentage of the total expenditure from the Consolidated Revenue Fund;

(3) That when an employee transfers from one statutory authority to another, the first employer bears the pro rata cost of accrued employee entitlements at the time the transfer is affected.

While a formal response has not yet been received, the inquiry has provided the impetus for some of the initiatives which are now taking place in the disclosure of financial information.

As I said to you at the beginning, it was a fairly long and drawn out procedure and that was the reason why there were only three major reports presented although there are ongoing investigations. The current investigations by our committee include a statutory obligation to annually review the competitive neutrality of the State Government Insurance Commission. This is to ensure that the Commission has not received any unfair or improper advantage or preference over its competitors. This year the committee has decided that the review will be undertaken by private sector consultants. We actually advertised and asked them to place tenders before the committee and have only just appointed the successful tenderer.

The committee is currently working on issues relating to the independence of the Auditor-General and we are monitoring the annual reporting of government departments and agencies to Parliament which will be the subject of my address tomorrow. One thing that I would like to comment on which was a part of a previous address, is response to reports issued. What response do we get from ministers to Public Accounts Committee reports and what action is taken about our reports. Have they, ministers and government, got any obligation to act on our reports? In Western Australia, when the committee's report recommends certain particular action to be taken, the minister shall as soon as practical but within three months report to the House as to the action if any he proposes.

If the committee is then not satisfied with what he intends doing, they can in fact apply a little bit of pressure that he should take other action. In Western Australia the procedure has been that immediately the report is lodged or is tabled in Parliament, the staff write to the relevant minister and inform him/her of his/her obligation to respond and tell us what action was taken. So, in fact it has worked quite well in Western Australia. At our last meeting we received a response from a report we tabled on Worker's Compensation and it came back in a form where the committee's recommendations were actually defined. The Minister responsible at that time had stated that the Task Force was to be set up and the response from the Task Force then gave us the action that they took which was in line with the recommendations made by the committee.

So that is the procedure that is adopted in Western Australia and I think is working quite well. The ministers and departments do have to respond to our recommendations within a time frame of three months, and then we can in fact tackle them if the responses to the committee do not agree with the response or the action that they are taking.

I must state that the members of the Public Accounts Committee Western Australia consider that these biennial conferences have provided the committee with insight and valuable ideas which have been used to increase our effectiveness. We are pursuing a higher public profile through the media now. I heard David Shand say that the media swamps us and does react to reports by committees. We in Western Australia feel that if we do have a higher public profile, or media profile, it gives us more standing which we can

use to tackle various areas and departments. We believe that a high media profile can be used to the advantage of Public Accounts Committees.

We also believe that the work done by Public Accounts Committee reports, and the reactions or pro-active work done, should be the subject of distribution in the community and we in fact encourage that members distribute the reports in their electorates.

The committee has adopted ideas from other states about witness management, maximising member contribution, and the employment of consultants and staff. We have implemented additional follow-up procedures to ensure that ministers respond fully to committee recommendations. I will just say again I think that Public Accounts Committees generally in Western Australia have not received the recognition that they should and we hope that the action that we are taking will in fact result in our committee receiving that recognition and profile. This will enable it to extract the information that we want from departments, and to receive respect so that when we do tackle various agencies, departments or particular personnel in those departments, we will get the proper answers in reply to our request. Thank you very much.

NEW ZEALAND FINANCE AND EXPENDITURE COMMITTEE

I understand that as the New Zealand representative at this conference, I am required to present some form of report from our Finance and Expenditure Select Committee, which would be our comparable committee with your Public Accounts Committees.

In doing this, I stress that I speak from the position of a very new member of Parliament, having been elected for the first time in October of last year.

However, although new to Parliament, I have had a career in public accounting, and am a fellow of the New Zealand Society of Accountants. For a long time I have had an interest in an improvement of the presentation of public accounts.

I must say that I find it a great stimulus and challenge to be involved in the process which is going on in New Zealand at the present time to bring reporting from the public sector more into line with what is expected from the private sector and I will make this the topic of my short address to you today.

The revised form of the public accounts for New Zealand arise from legislation entitled "The Public Finance Act 1989" introduced and passed by the previous Labour government.

It is interesting to re-visit the preamble to that Act which sets out the reason for the legislation.

This preamble reads as follows:-

> "An Act to amend the law governing the use of public financial resources and to that end to:-
>
> (a) provide a framework for Parliamentary scrutiny of the Government's management of the Crowns Assets and liabilities, including expenditure proposals and,
>
> (b) establish lines of responsibility for the use of public financial resources and,

(c) establish financial management incentives to encourage effective and efficient use of financial resources in Departments and Crown agencies and,

(d) specify the minimum financial reporting obligations of the Crown, Departments and Crown agencies and,

(e) safeguard public assets by providing statutory authority and control for the raising of loans, issuing of securities, giving of guarantees, operation of bank accounts, and investment of funds."

I am sure that you will all agree that these are worthy objectives for public accounting and I will give you some brief details as to how the New Zealand government will set about fulfilling these objectives.

The biggest change is that the financial reporting of all government departments is now required to be on an accrual basis rather than the previous cash system.

In addition to this, each Department now presents a balance sheet or statement of financial position setting out such obvious details as the particular classes of assets owned, details of liabilities under appropriate headings and reporting the net equity or taxpayers' funds which are employed in that department.

Having assembled the information from departments in this fashion enables it to be collated into a similar presentation for the government of New Zealand. An initial presentation for the six months ended 31 December 1990 has been made which sets out the departmental receipts and payments over that period and a statement of monetary assets and liabilities as at 31 December 1990. This does not of course constitute a balance sheet but it is proposed that there will be a full balance sheet prepared which includes all departmental assets as at 31 December 1991.

It should be noted that the reporting procedure seeks to cover the actual performance of the departments in addition to the financial results. This is done under the heading of what is termed "output performance" with the various outputs divided under headings such as, and I quote from the Department of Health reporting:-

"Policy Advice,

Contracts Negotiation, Management and Monitoring,

Administration of Benefits,

Disease and Pollution Surveillance Services,

Medicines Licensing, Inspection and Regulation,

Radiation Protection Licensing, Inspection and Regulation, and

Information Advisory Administrative Services."

Each one of these particular outputs is required within the estimates and financial accounts to be particularly described; to have the required outcome from the activity set out and to have a set of measures to assess the efficiency of the activity set out so that performance can be assessed against these measures.

So far I have spoken of reporting on financial and performance data from government departments.

There are two other areas of State or Crown activity which we propose to include in the public accounts and these are the activities of State owned enterprises and, what is termed in the Public Finance Act, Crown Agencies.

State owned enterprises are those activities previously conducted as or by government departments, which are now converted to independent trading enterprises under the state owned Enterprises Act. They are administered by an independent board of directors who have been and are appointed by government, and whose criteria is to act as a commercial entity with the objective of paying a financial dividend to the Crown.

The inclusion of the state owned enterprise activities in the public accounts, or the form of their inclusion is still the matter of some discussion turning on the point as to whether they should be accounted for on a total consolidation basis, or on an equity accounting basis.

It is interesting to note that there are no international accounting standards I understand, to cover this situation and in this respect and in many other respects pertaining to our public accounts. New Zealand is breaking new ground and particular accounting standards may well flow from what we are doing rather than be the initial determinator of our financial reporting.

Whilst the connotations of the inclusion of state owned enterprises are interesting and are deserving of rather more discussion than I will give them in the course of this address, I would like to concentrate on the other area of activity which I mentioned, that of Crown agencies.

Broadly speaking, Crown agencies are defined within our Public Finance Act as being entities over which the Crown is able to exercise control by a series of tests covering such areas as ownership of the share capital, or a proportion of it, the power to appoint the members of the governing body of the agency or the inter-dependence of that particular agency with the Crown.
Another factor which we are considering in respect to the definition of Crown agency is where certain entities have no residual owner other than the Crown in the event of their winding up or dissolution.

It is the intention that these Crown agencies be incorporated into the public accounts in the same manner as the government's own departments with the obvious results that their assets will be reported on our balance sheet as will their liabilities. So, the definition of what constitutes a Crown agency becomes a matter of considerable importance within the concept of preparation of public accounts which correctly show the total assets and liabilities, and the full operational statistics of the country.

A sub-committee of our Finance and Expenditure Select Committee has been appointed to carry out an investigation into the definition and ultimate reporting requirements for these Crown agencies and I am one of the two committee persons appointed to that sub-committee. The other party being the Honourable David Caygill, the previous Minister of Finance under the Labour government, who has undertaken to chair the sub-committee which is most appropriate as we are proceeding along the lines of legislation which he introduced.

We are finding the exercise of defining Crown agencies to be both challenging and interesting. We have dealt with such considerations as, "should the schools and hospitals of the country be picked up as Crown agencies" and therefore reported on the composite balance sheet.

It is clear that these activities are, and have been, virtually totally funded by the taxpayer and there is little argument that the assets, schools and hospitals are owned by the taxpayer and so should be incorporated into the public statement of accounts.

Our health system is run by what are known as Area Health Boards who are totally responsible for the administration of the hospital and medical facilities within their geographical area. Funding is derived from what we term "pobocks" or "payments on behalf of the Crown" paid out from the Department of Health under Vote Health.

In the case of schools, individual schools are now controlled by boards of trustees who have full autonomy for the management of the particular school and their funding is derived from bulk funding arrangements directed through the Ministry of Education.

Both in the cases of hospitals and schools, there are circumstances where income can be derived from sources other than the Crown, but these contributions are minor in comparison and there is no argument to the proposition that the assets of these entities and of course their liabilities, are properly shown in the public accounts.

There are many other agencies of government who are clearly just that and obviously should have their activities, assets and liabilities appropriately recorded within the public accounts, but there are a number of less obvious cases and our committee has spent a considerable time deliberating on these.

For example, we have in New Zealand various producer boards which basically owe their existence to the granting by government of coercive powers over the marketing of produce from their particular producers. Examples are the New Zealand Apple and Pear Board, and the New Zealand Dairy Board.

In both of these cases the government has legislated to give the producer boards control over the marketing of apples and pears and dairy products respectively and the question has arisen as to whether the granting of these coercive powers, without which the particular boards would have little authority or relevance, constitutes an inter-dependence with the Crown which would result in the justification for incorporating their activities in the public accounts.

The committee has heard evidence on this point and I believe it is likely that we will decide that the producer boards do not qualify as Crown agencies. However, we recognise that there is a responsibility on behalf of these boards to account to the Crown for their acquittance of the responsibilities under these so-called coercive powers.

This therefore raises the question of another level of reporting to the Crown from entities which do not qualify for inclusion in the public accounts in financial terms but none the less be required to report their performance. This could be incorporated in the performance reporting section of the public accounts or by way of some requirement to report to the appropriate minister which is basically the way which this is handled at present.

What I have given you is a very brief synopsis of the very major change that is taking place in the presentation of the public accounts in my country.

This change has and is still continuing to cause a great deal of work amongst the accountants in the government departments, Crown agencies, state owned enterprises etc. Therefore it begs the question, "What is it that we expect to gain as a result of the sophisticated, financial reporting which we aim to put forth?"

The advantages of adopting accrual accounting would be apparent I am sure to all of you.

Using the purely cash accounting system opens the way for manipulation of year-end payments and receipts to give a false position, but the most important change I consider as far as New Zealand is concerned, is the move to what is, in effect, full double entry accounting with the production of a balance sheet and the allocation of expenses and income between revenue and capital.

The production of what is to all intents and purposes a profit and loss amount for the country with capital movements excluded from it, has interesting connotations for the assessment of the performance of the incumbent government. Under a system such as this, it would be very difficult for a government to "fudge" the issue as to whether or not money was being borrowed to enhance the capital assets of the country or being used to pay the day to day running expenses.

The balance sheet for the country which will be produced as a result of this exercise may not have quite the same meaning as the balance sheet of a commercial entity depending on the method of valuation being used for the assets shown. An example of this is the roading system for the country which being paid for by the taxpayer is, of course, a considerable asset to the country and either in terms of historical cost depreciated or replacement value, represents a great deal of money. If the value of the roading system is to be shown in the assets, it will have a significant effect

on the net taxpayers' funds but it could hardly be recognised as an asset with a realisable value.

The balance sheet for the country will be of considerable assistance to lending institutions assessing the credit rating of the government, however they will not necessarily apply the same criteria as they would to a commercial organisation for the sorts of reasons which I alluded to in my reference to the capitalisation of the country's roading system. Probably the most basic advantage to be gained from the production of a balance sheet will be that it provides a benchmark year to year from which movements of capital in and out can be accurately assessed.

A further innovation proposed as a consequence of the production of departmental balance sheets is the concept of a capital charge in respect to government departments and ministries. The intention is to reflect the cost of assets employed in the activities of the particular entity and this is proposed to be done by imposing a charge at a given rate based on the net equity displayed in the balance sheet for the department or ministry. The exercise would be fiscally neutral as, of course, the government cannot raise money by levying itself so that the particular charges will, in theory, be covered by an increase in the departmental vote.

I use the words "in theory" because this will not always be so. If every charge was matched by a corresponding grant, then there would be no purpose to the exercise.

Where departments or ministries are able to make more efficient use of their assets, then the intention is that they will benefit from the asset charge regime with the opposite applying to those who are deemed inefficient. It is intended that this concept can be carried through to Crown agencies and provide incentives for efficient asset use to such activities as schools and hospitals.

It has to be said that the concept of the capital charge is still in its infancy and the appropriate criteria for determining rates of charge and methods of reimbursement have yet to be finalised. It should be recognised however that it is an exercise to promote the efficient use of capital invested so that if it achieves its objective it will be of considerable value to the Crown in total.

And so ladies and gentlemen, I have given you a very brief overview of some of the changes which are taking place in the public accounting system in New Zealand. Our intention is not to create a complicated accounting exercise but rather to produce

public accounts which are both comprehensive and comparable, which are reliable and easily interpreted, and which reflect and report on physical performance as well as financial performance.

As a new member of Parliament I am delighted to be part of this process as I am delighted to be here today, to visit for the first time your City of Darwin, and to join in this Public Accounts Conference and to benefit from the cross-flow of ideas that will emanate from this seminar.

NEW GUINEA PERMANENT PARLIAMENTARY COMMITTEE ON PUBLIC ACCOUNTS

It gives me great pleasure to present a report on the activities of the Permanent Parliamentary Committee on Public Accounts of the National Parliament of Papua New Guinea, since the last conference in May 1989.

The committee held inquiries into matters selected from the reports of the Auditor-General on eight provincial governments (which are similar to state governments in Australia), six public bodies, three national government departments and three provincial departments over the past two years.

The committee's inquiries in 1990 revealed that two public bodies had not furnished their financial statements to the Auditor-General's Office in time as required by the Public Finances (Management) Act 1986. The committee did not wish to inquire into the reports of the Auditor-General then available on those bodies as it considered them outdated, and decided to adopt a new approach by inquiring into matters of a current nature such as investments made by those bodies in 1989 and 1990.

My committee's new approach in holding inquiries into matters relating to public bodies and provincial governments which have not yet been reported on by the Auditor-General has resulted in the early exposure of serious shortcomings. These revelations have been brought to the attention of Secretaries of Provincial Governments and Managing Directors of Public Bodies and have served to keep them aware of their responsibilities and improve their performances. The general public has also been kept informed of the shortcomings through considerable media coverage.

My committee was compelled to adopt this approach which is in keeping with the legislation governing the committee, as the majority of provincial governments and public bodies were not furnishing their financial statements for audit on a timely basis, and some provincial governments and public bodies were furnishing replies to management letters issued by the Auditor-General's Office only after lengthy delays.

The situation regarding the accounting records of provincial governments is still unsatisfactory, and my committee will be making representations to the minister responsible, that the Department of Provincial Affairs play a more active role in ensuring that public monies are properly accounted for.

The committee's inquiries into the three National Government and three Provincial Departments revealed that there were several areas of concern such as non-compliance with the procedures laid down in the Financial Management Manual issued by the Department of Finance and Planning, and deficient accounting records. The reason for this is the acute shortage of skilled manpower.

My committee has brought up the matter of training Papua New Guinean accountants and auditors to the Minister and Secretary for Finance and Planning on a number of occasions, and is confident that there will be a marked increase in skilled manpower within the next three years.

Mr Chairman, thank you very much for giving me the opportunity to address the conference today, and I wish the delegates present all the best for the future in performing their roles as watch-dogs of public expenditure.

NORTHERN TERRITORY PUBLIC ACCOUNTS COMMITTEE

Firstly, we reported once again on the actual and contingent liabilities of the Northern Territory government and secondly, we reported on the Auditor-General's reports to the year 1987-88 and 1988-89.

In relation to the actual and contingent liabilities, the committee chose firstly to address itself to what we know as the Yulara and Sheraton projects, being the total Yulara development and the Darwin and Alice Springs Sheratons. The committee elected to report factually on the current position, without making subjective judgements as to their future commercial viability. Central to the committee's report and deliberations was the comparison of the original estimates of government contributions with the actual results.

For Yulara the original estimate of contributions up until 30 June 1990 was $45.9m, the result $57.4m. The Alice Springs Sheraton, it was estimated to have cost us till then $21.2m, the result was $35.3m. In the case of the Darwin Sheraton the estimation was $13m compared with the result of $28m.

Notwithstanding the extremities for example the pilot strike and a fairly hefty movement in interest rates, it became clear that the financial projections provided by the various consultants and upon which the decisions to proceed where based, where not particularly accurate. In the case of the Darwin Sheraton the committee found them to be grossly inaccurate.

However, the committee found that generally the actual and contingent liabilities of the Northern Territory government were well and adequately reported. That is not to say that we agreed as to what is an appropriate level of government debt, just that we believed it was being reported properly. In the last two years the Northern Territory Treasury has taken to producing a document entitled, 'Northern Territory Public Sector Debt', which sets out the total debt of the Northern Territory and makes a few comparisons. We found that to be a very useful document, and we have got no reason to question the accuracy of the figures contained in there.

In its Report No. 12, the committee reported on the annual reports of the Auditor-General for the years 1987-88 and 1988-89. In explaining what seems to be a lengthy delay in the timeliness of the committee's report, given that it was not tabled till May of this year, it is the practice of our committee not to report on the Auditor-General's report during the currency of those reports. That enables any departments that have been criticised or any instrumentalities that have come in for criticism from the Auditor-General to address the matters themselves over the currency of that report, and if the matters are still outstanding in the ensuing Auditor-General's report, then I believe it is time that the Public Accounts Committee comes in. Also, the Auditor-General's report for 1988-89 superseded the one for the previous year, and any works that we had done on that had to be taken into account the following year.

The Auditor made a number of recommendations, the major ones being addressed to the Legislative Assembly:-

1. that a review be undertaken to adopt any appropriate measures from developments elsewhere, which can improve the financial accountability arrangements in respect of Northern Territory government operations,

2. that a review be undertaken to determine the information needs of the users of government financial reports,

3. that a review be undertaken to determine the adequacy or otherwise of current annual reporting methods by departments in terms of their appropriateness, and

4. that a review be undertaken as to the adequacy or otherwise of the accountability and reporting arrangements which exist in respect of government owned companies, corporations, trusts.

The review should include consideration of such aspects as:-

(a) the processes for the creation or acquisition of such entities,

(b) statutory reporting requirements and,

(c) whether the Auditor-General should have an involvement in the audit function of those entities.

In relation to recommendations 1 and 3, the committee after the receipt and tabling of two consultants reports, (one from Professor Walker, and one from Nicholas Clarke and Associates) chose to recommend that a working group comprising of representatives of the four central agencies be charged with the responsibility for conducting the reviews as recommended by the Auditor-General.

In relation to the second recommendation of the Auditor-General which related to the user needs of government financial reports, the committee was of the opinion that in the view of the work recently undertaken by the Australian Accounting Research Foundation that it was not necessary to act further upon that recommendation.

In relation to the last recommendation the committee recommended firstly, that the Northern Territory Treasury establish a register of companies, corporations and trusts which the government has initiated or has a financial interest in. Secondly, that the Auditor-General for the Northern Territory be responsible for the audit of all companies, corporations and trusts in which the government maintains a controlling interest.

It further recommended that guidelines similar to those in use in Victoria be issued for the guidance of both public sector managers and the Auditor-General, and such guidelines be properly adhered to.

I firmly believe that it is very necessary that the Auditors-General in their respective jurisdictions, be responsible for the auditing of all government owned companies or all companies, trust etc, in which the government has a controlling interest. One of the witnesses before the committee put to the committee that somehow the Auditor-General by auditing the statements of those companies would impinge on the commercial viability or the commercial confidentiality of those organisations. I found that to be arrant nonsense. I just did not believe a word of it, and I am of the view that the Auditor-General auditing those corporations properly in commercial terms would act as would any normal commercial auditor, and would see his responsibility as not to affect the commercial viability of those corporations and yet, it is still his responsibility to report to the minister any aberrations or wrongdoings he found. I think it is a very important point, and it is one which I trust the Northern Territory government will take up.

The committee also undertook investigations into a couple of other matters, including the Northern Territory government's grants-in-aid scheme, which is controlled by two departments, basically the Department of Health and secondly, Youth, Sport and Recreation. The health grant-in-aid budget runs to something like $30m a year, and it was basically put out to community groups, and a lot of aboriginal centres run their own health services.

Given an election and what was termed here as Economic Estimates Review Committee, we still have got that one on the books but the Department of Health have now employed consultants of their own at the price of $1m, to tell them what we were going to tell them. We have let that one go for the time being. The second one was the purchasing and tendering procedures of the Northern Territory government. That was an interesting one in that every time we seemed to be getting anywhere they would have a review. So we would call witnesses before the committee and we would have a look at what they said, and get back to them, and they would tell us they have reviewed their procedures. They would tell us what their new procedures were, and then we would have a look at them. Then they would review them again, and it was a constant round of evidence and review. I think we got somewhere but I have retained the right to have a look at it again at sometime in the future.

I would like to turn to some issues raised by other delegates and make some comment. Ken Hayward from Queensland raised the matter of media interest in the proceedings and reports of the Public Accounts Committee.

In the Northern Territory the media interest is zero. It was put to me following our report on the Auditor-General's Annual Reports by a journalist that she did not understand what we said, she did not expect her listeners to understand what was said. She did not understand what the issues were so she was not going to report on it. A senior journalist in Darwin made certain comments in relation to the Yulara project and I picked him up on these comments, he said 'but I do not understand it'. I said to him 'you have had a four hour brief on the issue', he said, 'I still do not understand it'. I said, 'well if you do not understand it, do not comment on it, and if you are going to comment on it get it right'.

Ken also raised the issue of the relationship between public accounts committees and Auditors-General and I note Theo is doing a paper on that later. It is my belief that while needing to work closely with their respective Auditors-General some degree of

formality must be maintained between the committees, else you face the danger of merely parroting what the Auditor-General has to say without critically examining his/her reports. After all, Auditors-General are not the font of all knowledge fiscal and what they have to say should be balanced against other advices.

Ken and others also raised the matter of government responses to committee reports and the status of those references. There is no formal requirement in the Northern Territory for the government to respond to the reports of the Public Accounts Committee, but it has been our experience in the past that generally our reports are taken notice of and parts of them are acted upon. In relation to a reference of status following the report of the committee, it is my view that until such times that the reference lapses either by being removed by government or by prorogation, the committee reserves the right to reinvestigate it at any time.

Neil Robson raised the issue of public hearings versus in-camera session. Again it is my view that public hearings really achieve nothing, that they merely become a circus with some chief executive officer who obviously believes he would be better served doing something else than being at a committee hearing in centre ring and politicians trying to score points. Most of our useful information and most of our useful detailed information comes from in-camera hearings where your Chief Executive Officers and other witnesses are more relaxed and feel more at ease with the committee and feel somewhat more free to provide information that they would be wary of providing in public.

Finally, I would just like once again to thank you all for coming, to thank Sue Lee my Executive Assistant in organising this, also to thank all the staff at the Legislative Assembly, the convention catalyst's people, the people from the Beaufort Hotel and each and every one of you that has contributed so valuably to this conference. Thank you very much.

PUBLIC ACCOUNTS COMMITTEES - A BUREAUCRAT'S PERSPECTIVE

D A Shand

INTRODUCTION

With all the review and evaluation of government institutions it seems appropriate that someone review and evaluate the performance of public accounts committees. There do not seem to be clear accountability mechanisms for Public Accounts Committees. I would like to present a fairly wide ranging discussion of the ways in which public accounts committees or their equivalents may or may not be effective, drawing largely on my experience over the last 10 years with the Commonwealth and Victorian Public Accounts Committees as a committee staffer, academic observer and witness. Needles to say, the views expressed are my personal views. They are also those of a central agency bureaucrat whose work has focussed on promoting management reform and reviewing the effectiveness and efficiency of government agencies (rather than the more difficult task of line management). I aim to review the adequacy of public accounts committees' contribution to management improvement and efficiency and effectiveness of government agencies. In other words how great is your contribution to the important task of micro economic reform in the public sector? In my view, the contribution has been valuable, but overall inadequate.

ROLE OF PUBLIC ACCOUNTS COMMITTEES

The constitutional and public administration literature tells us that public accounts committees have a long-standing and major role in the accountability of the Executive to Parliament. The growth of influence of public accounts committees has to some extent paralleled the development of the role of Auditors-General. But whereas the House of Commons Public Accounts Committee has a long history going back to the last century, in the Commonwealth the committee was in abeyance from 1932 until reconstituted under its own Act in 1951. Queensland is relatively unique as a case in which a coalition government split apart, partly on differences over whether a public accounts committee was desirable. It is worth noting that the Westminster model involves a close relationship

between the House of Commons Public Accounts Committee and the Comptroller and Auditor-General. Although it is important, this connection is less strong in Australia than in the United Kingdom.

In many parliaments, public accounts committees are regarded as the "senior" committee of Parliament, sometimes causing jealousy or rivalry between them and other parliamentary committees. In most cases public accounts committees are constituted under a separate Act, as opposed to being merely standing committees constituted under Standing Orders and thus able to be changed or abolished more easily. The chairmanship of the Public Accounts Committee is generally regarded as a position of some influence or eminence and indeed in some cases a possible indication that the holder of the position is destined for higher things. (This is not quite the case in the House of Commons where the Chairman is always a senior Opposition Backbencher).

In that follow-up of Auditor-General's reports has been a major role of public accounts committees the scope of their work has thus been determined to some extent by the scope of the Auditor-General's reports, and the topics chosen by him for review. If an Auditor-General's Office is vigorous and proactive and takes a wide interpretation of its mandate, the chances of an effective public accounts committee are increased. The opposite is the case if the Auditor-General's report focuses only on minor matters of compliance or financial procedures, as happens in some states.

The traditional role of public accounts committees is thus seen as a review mechanism in cases of mal-administration or malfeasance identified by the Auditor-General (who of course has no executive powers to enforce his findings) to ensure as far as possible that matters are rectified or implemented. The synergy, or potential synergy, between Auditors-General and public accounts committees has been well recognised, although Auditors-General are always anxious to point out that they do not take directions from public accounts committees (or anyone) in developing their agenda and are independent of both Parliament and the Executive. A number of public accounts committees also have an explicit role to review the use of the budgetary contingency allowance, generally referred to as the Advance to the Treasurer in the case of the states, of fundamental importance to the financial accountability of governments. This role, together with review of Auditor-General's reports constitutes the "traditional" public accounts function, which can be seen as essentially ex-post review, or as some might cynically suggest "shutting the stable door after the horse has bolted".

This description may, however, give an incorrect impression of public accounts committees as essentially having an inquisitorial and reactive role. Under this role they would call wrong doers to account and censure them with the full force of publicity and the associated disapproval of the public and the media. Recent examples in the Commonwealth have included the discovery that certain Parliamentary officers misapplied the proceeds from the sale of various computing equipment amounting to some $90,000 to unauthorised purposes (and also involving some travel by them, but not amounting to private gain) and the inquiry into tendering procedures of the Antarctic Division. But these cases are relatively rare given the fairly high standards of probity in the Commonwealth and occupy a small amount of the Public Accounts Committee's time. Naturally such inquiries attract media attention. The press is always interested in the high drama of human failings and evidence of the well known or assumed venality of public servants.

In many cases public accounts committees also have a formal power to report on or examine the format of the public accounts. From my experience on the Australian Public Sector Accounting Standards Board (PSASB) Public Accounts Committees have generally shown little interest in financial reporting issues. There have been some exceptions, however; the Commonwealth Public Accounts Committee's 1982 Report No. 199 on Financial Reporting was an important step in encouraging the professional accounting bodies to establish the PSASB (although the committee has shown little interest in these issues since) and in some states committees have examined Auditor-General's qualifications to annual financial statements.

Some committees also have formal powers to examine budget estimates, but in most parliaments this is done by separate committees. In practice, this function is generally not focussed on issues of performance of agencies, but on broader political agendas, as discussed later.

In practice public accounts committees may get into much broader areas of public administration which involve a more ex ante approach. They may look at the efficiency of activities of certain areas. They may look at broad management or accountability issues such as the need for improved annual reporting, the training needs of senior management in the public sector and so forth. Naturally, there are certain bounds within which they are supposed to stay. Thus they are not generally supposed to get into areas of

government "policy" although in practice it is fairly hard to define the boundaries. Nevertheless the formal or classic view of their role appears to be that they should be reviewing the adequacy of administration as opposed to questioning the appropriateness of policy. It is presumably for this reason that public servants rather than ministers appear before them.

Generally public accounts committees appear satisfied with this definition of their role. However, an important issue is the extent to which committees may be able to initiate their own enquiries on any matters which they perceive as relevant or the extent to which they are confined to dealing with matters raised in an Auditor-General's report or with matters specifically referred to them by the government. It is fair to say that in some cases governments have perceived it as important to be able to control the agenda of committees, given the media attention the committee's name may evoke.

If public accounts committees exist to hold the Executive accountable to Parliament, a major question must be accountability for what. Accountability for compliance with legal requirements is a well accepted and obvious aspect of accountability. It includes adherence to Appropriation legislation. Accountability in terms of performance or achieving value for money is a more difficult but some might suggest more important aspect of accountability which committees are increasingly pursuing. This ties in with the general thrust towards performance oriented management in the public sector and the adoption of generic management styles and procedures going under the name of results oriented management or risk management or whatever.

But we should not pursue accountability for its own sake. In the longer term this accountability, if it operates effectively, must be translated into improved performance by government organisations both in terms of legal compliance and performance issues. The acid test of public accounts committees is thus the extent to which they contribute towards the improvements of the operations of government organisations both in terms of legal compliance and in terms of performance or value for money. While it is not possible to make definitive judgements, I do at least have some suggestions as to how I believe the performance of public accounts committees themselves can be improved in terms of the performance objective.

OTHER PARLIAMENTARY COMMITTEES

A feature of parliaments' greater concern with accountability of government organisations in recent years has been the establishment of more elaborate parliamentary committee systems, whereas in previous years the public accounts committee may have been the only or one of very few parliamentary committees. Depending on your points of view, such committees may be regarded as competitive or complementary. For example in the Commonwealth House of Representatives Standing Committee on Expenditure which was established in 1981 under the Fraser government pursued a quite ambitious program of review of management and administrative matters in the public sector. Its successor body, the House of Representatives Standing Committee on Finance and Public Administration also liaises closely with the public accounts committee, its Chairman being an ex-officio member of that committee. The establishment of the Commonwealth of a fairly elaborate Senate committee system also illustrates this trend. The Senate Committee on Finance and Government Operations, now called the Senate Committee on Finance and Public Administration has investigated many areas of financial administration and public sector management generally, examples being the series of reports on Commonwealth Statutory Authorities when the committee was chaired by Senator Peter Rae in the late 1970s, to more recent reports on government companies and their reporting requirements, annual reporting by Commonwealth organisations, the Commonwealth Efficiency Scrutiny Program and the Commonwealth Senior Executive Service (SES).

In addition, there has been the suggestion in the Commonwealth that the various Senate standing committees covering various functional areas look at financial management or administration issues concerning organisations falling within their area; for example the Standing Committee on Health might review aspects of the operations of the Department of Health and the Committee on Defence and Foreign Affairs and Trade might examine the operations or aspects thereof of the Department of Defence. The Commonwealth has also seen the rise of a system of estimates committees designed to review the estimates requests of Commonwealth agencies and to report back to the Chamber as part of the process of the consideration of the appropriation bills. These now only exist in the Senate, the House of Representatives having decided to abandon its parallel system of estimates committees in 1982 after only one year's operation. In practice a review of estimates will always involve an examination of past

activities and performance and to this extent there is some overlap with public accounts committees. Indeed the Victorian committee has a formal estimates role which in practice it found difficult to use, perhaps not having a feeling for what sort of issues it might choose to examine as part of this process. In the Commonwealth the value of Senate estimates committees is questionable; at least in terms of the performance objective. There is generally little questioning of past performance but instead the opportunity is used to pursue matters of general policy debate which have little to do directly with performance issues and the level of appropriation sought. In short, the committee examination becomes akin to the parliamentary debate on the proposed appropriations - as broad ranging as people want them to be rather than concerned with issues of management or administration focussing on performance. The Senate Estimates Committees have also suffered from lack of continuity of staff.

In Victoria the Liberal government in 1981 established a Public Bodies Review Committee because of a concern about the proliferation in the number of public bodies. That committee has a role to review the need for and the effectiveness and efficiency of individual public bodies in Victoria. In the past, it also examined a number of general framework issues concerning statutory bodies such as their financial structure and their accounting, auditing and reporting requirements.

In short the committee field in some governments is now much more crowded than it used to be. But there is probably more than enough work for all the committees to do.

WORKLOAD AND RESOURCING

A related issue to the scope of activity is the overall intensity or level of their committee. The level of activity will depend both on the number of committee members and on the level of staffing resources they are allocated. The Commonwealth Public Accounts Committee has always been relatively well resourced and until recently had an additional staffing allocation compared with other parliamentary committees reflecting its so called status as a "senior" parliamentary committee. The changes in recent years to give it only the same staffing level as other select committees have reflected internal jealousies within the parliamentary system rather than any government desire to curtail its activities. Nevertheless it still remains relatively well resourced, undertaking up to six to eight enquiries at any one particular time with a professional staff

of up to a dozen including people borrowed from departments to service the various sub-committees that are formed for each inquiry. With a membership of 15 members, there is plenty of scope for sub-committee work. Obviously such is not the case with the New South Wales Public Accounts Committee which has only five members. The latter committee has tended to take a rather more focused approach to its reviews; I think it would be fair to say that the Commonwealth Public Accounts Committee at various times has bitten off far more than it can chew, let alone digest. It has at time pursued a vast range of matters, in some cases getting into issues of great administrative detail which its members in reality are neither interested in nor particularly qualified to comment on. The enthusiasm of members and staff has sometimes outrun its resources and available time. I return to this issue later.

This brings me to some more detailed comments on the question of staffing. These comments would apply equally to any parliamentary committee. Obviously, appropriate staffing arrangements are critical to the success of any committee and these staffing arrangements must provide for adequate continuity of professional staff. This now seems reasonably well recognised in all parliaments but did not used to be. When I joined the Victorian Public Accounts and Expenditure Review Committee as its first Director of Research, I was the first person employed from outside a parliamentary background as a committee staffer. Previously, the committee had been serviced by parliamentary officers who had joined the parliamentary service, generally on leaving school, although a number had obtained tertiary qualifications through part-time study. After starting as a committee assistant their career path would see them moving to a committee secretary position and later on to positions such as clerk of the papers, bills officer, sergeant-at-arms, deputy clerk or even eventually the great heights of Clerk of the Assembly or the Legislative Council. Their skills were in knowledge of standing orders and other process issues rather that in the subject matter being considered by the committee. As such the committees really had no professional support and had to do their own thinking on all issues. My committee used to meet three days a week during non-sitting weeks for just over an hour during which time they would consider any replies received from departments to queries concerning matters raised in the Auditor-General's reports. Staff would hand out these replies which would be passed from hand to hand for the committee to form on the spot judgements as to whether or not anything further was required. A somewhat excessive concern with process was reflected by the fact that nobody had thought to copy and circulate these documents to members before the meeting.

The explanation I received was that these documents were privileged documents and could not be copied without the express approval of the Speaker or somebody similar. Needles to say the quality of the review work that went on by the committee was fairly limited. It goes without saying that there were some professional tensions between the professional staff and the parliamentary staff including the fact that whenever the committee traveled on an investigation it was necessary for the committee secretary to travel with the committee to keep the minutes. Several times when funds were short the secretary would travel with the committee but the research staff working on the investigation could not. Keeping the minutes consisted simply of recording the commencing and closing times and the names of members present so that members could obtain their daily sitting fee. In fact this was the reason why the committee met three times a week for just over an hour - they were paid a flat fee for each sitting provided each sitting was a minimum of one hour. They preferred to do this rather than to have one meeting of three hours duration of which they could properly discuss issues.

I do not want to give the impression that the committee was a Mickey mouse outfit or that all committees operate like this. I simply use this to illustrate the difficulties committees work under if they do not have adequate professional staffing resources. But we may need to remind ourselves of these "bad old days" which reflected lack of professional support staff, a limitation some committees still labour under. In general most state public accounts committees are not richly staffed and this limited their effectiveness.

Professional staff may be partly drawn from relevant departments (the ones I have always been involved in have been keen to lend people to work on these committees because of the personal development which it provides - and not to act as eyes and ears of the department), academia or wherever. They may stay for the duration of one inquiry or be a longer term committee resource staying a year or two or three. They should, however, move on after that period of time before they become a permanent fixture so as to enable each committee to refresh its insights. Committees also need an adequate continuity of staffing. Nothing is more frustrating to people dealing with committees than to have to continually explain things again.

SOME ISSUES IN COMMITTEE EFFECTIVENESS

(a) Committee of Members

It goes without saying that quite apart from professional staffing resources committees effectiveness also depends on the commitment of members. If they do not do their homework and read the material that is prepared for them, this soon becomes obvious to the public service. As such departments will put less urgency and effort into their dealings with the committee which may reduce its impact.

(b) Continuity of Operations

There is sometimes a difficulty in continuity of committee operations. With the frequency of elections in the Commonwealth, committee inquiries often get interrupted and after an election, a new committee with different interests may choose not to pursue a particular topic. During my time in Victoria with a Victorian State Election electing a new Labor government in March 1982, the new committee structure was not set in place until August of that year. Fortunately, I was able to find useful employment during that five month period, partly in working with the Commonwealth Public Accounts Committee.

(c) Non Partisan Approach

It seems generally agreed that committees operate at their best in a non-partisan mode. Obviously this is not always possible, or even desirable. In a non-partisan situation, members can apply their own commonsense and brain power to the issue at hand without having to role play. I sense many members find this a welcome relief from other parliamentary activities. The scope for non-partisanship is clearly greater in areas where neither party has a clearly articulated policy; this will tend to be in the broad scope ex ante topic areas. The non-partisan nature of the House of Commons Committee is illustrated as mentioned previously by the fact that its Chairman is invariably a leading opposition backbencher. In New Zealand it has been traditional for the Public Expenditure Committee's sub-committees to be chaired by members of the opposition

and this has also been the experience in Victoria. My major experience of partisanship on a committee topic was with the Victorian committee's review of the need for a new floating repair dock for the Port of Melbourne. Consultants commissioned by the committee came to the conclusion that such a project would not be economically viable no matter what criteria one applied. Government members of the committee were under strong pressure from the union movement to endorse a new dry dock, some of them even being threatened with loss of preselection if they did not support the purchase of a new dry dock at public expense. As the Director of Research I had to write a committee report refuting the consultant's conclusions on quite spurious grounds. Needless to say the members were not happy to be put in this position. But both parties play this game! The final judgement in the quality of the report was that the government chose to ignore its recommendation to purchase a new dock. In another way a very useful review of the Hawke government's efficiency scrutiny program, the Senate Committee on Finance and Public Administration produced a split report with government members proclaiming the significant efficiency gains that the program had produced and the opposition members saying precisely the opposite. I doubt that any of them fully believed in their own position, but once one side decided to be partisan the other side had to do so also.

(d) Hearings or Research?

Given their semi-judicial role, some committees appear constrained by the need to form their conclusions based on formal evidence. This must limit the quality of reports because of the extent to which the full picture cannot be obtained from formal hearings.

(e) Follow Up of Committee Reports

Appropriate mechanisms for follow up is obviously a key factor in the effectiveness of committee reports. In most governments there is a formal requirement, either under parliamentary standing orders, legislation or simple policy decisions that there be an official government response to committee reports within a defined period of time. In the commonwealth a government response is required to all

Parliamentary Committee reports within six months. This has been more observed in the breach than should be the case. In the case of the Public Accounts Committee there is also a formal Finance Minute system under which the Department of Finance co-ordinates a government wide response to matters raised in Public Accounts Committee reports. These do not involve ministers, only department, on the assumption that the committee would have been addressing only administrative matters on which it is appropriate departments respond directly to it. With the wider scope of committee work, there is in some cases now a requirement for a government as opposed to a departmental response on these reports and this is provided separately. Of concern is not just follow up, but whether the Executive agrees to and acts on the committee's recommendations and which is the ultimate commentary on committee effectiveness, as I discuss later.

PARLIAMENTARY OVERKILL?

Certainly in the Commonwealth the overall level of parliamentary committee activity remains high - some cynical public servants might say too high. There may be a question of how much parliamentary review activity should be on at any one point in time. The Inspector-General of the Commonwealth Department of Defence tells me that at any one point in time his department would normally be working on material for at least twenty different inquiries effecting the Department of Defence, proceeding in different parliamentary committees. There is an issue, of when enough is enough. Perhaps I am showing too much of my bureaucrat side when I say that managers must be allowed to have time to get on with the job. The activities of parliamentary committees do impose resource costs on the operations of government and not all parliamentary committees are sufficiently cognizant of this, or if they are, do not consider it relevant to their agenda.

MEDIA ATTENTION

Public accounts committees generally have a high media profile, but only as long as they are looking at things the media is interested in - malfeasance, inefficiency or some human interest story. Generally the media gives great support to public accounts committees. They are always seen as right and their reports are always written up favourably in editorials. This uncritical attitude to the work of committees by the media and the public is disappointing. It may also encourage sloppy committee work. With the greatest of respect it is important not to accord parliamentary committee reports (or Auditors-General Reports for that matter) the status of holy writ. The judgments of Parliamentary Committees or in some cases their staff are significant but in the final analysis they are only opinions or judgements. Opposing views of public servants or minister may be equally worth listening to.

A recent Commonwealth Public Accounts Committee report reviewing the operation of the Australian Audit Office (now ANAO) was prepared to uncritically accept all the complaints of the Auditor-General concerning lack of resources and lack of independence etc. The report received glowing praise from an uncritical media. It advocated a massive increase in funding for the office. Yet the government chose to reject most of the recommendations on the grounds, that they were not supported by the facts. A subsequent independent review commissioned by the government in response to the report found opportunities for substantial improvements in the efficiency and effectiveness of the ANAO - and no need for the additional resources recommended.

The media is much less interested in proceedings when committees deal with less tangible or more technical issues. The first report issued when I joined the Victorian committee was a very detailed report on the management of computing within the Victorian government. It was a report of very great significance and in my view raised some very important and constructive suggestions. However, because it dealt with a somewhat technical area of administration the press could not find an interesting angle and ignored it. That is not to say that it did not have a significant influence on the future management of the Victorian Public Service. But there is no point in committees pursuing such topics if they are after media points rather than pursuing long term and sober issues of public sector management. Arguably some of the best work of committees in the sense of being the most influential

in terms of promoting change are contained in reports which receive the least media attention. For example, recent reports by the Senate Committee on Finance and Public Administration on Government Companies and their reporting requirements and on annual reporting by government organisations were very detailed, well researched, constructive and considered reports on the issues, reflecting perhaps slightly different agenda of senators compared with those of members of the House of Representatives. Yet they were largely ignored by the media. On the other hand a report on annual reporting by the Public Accounts Committee criticising a number of departments for failure to adhere to some detailed aspects of annual reporting guidelines received mega attention, partly because it contained criticism of departments and partly because the committee had chosen to call a number of departmental secretaries before it and to berate them for their non-observance of some of these requirements. (Interestingly the department which was the most criticised by the committee, the Department of Administrative Services won the RAIPA Annual Report Awards Scheme that year because its report was such a high quality document irrespective of failure to observe every detailed aspect of the guidelines.)

Perhaps I am being unduly cynical or unfair to committees. Nevertheless the point I make is a serious one. There is inevitably a requirement to produce headlines to give the impression of achieving results or getting runs on the board. Of course this does not apply only to Public Accounts Committees - it also applies to Auditors-General and even to organisations such as my own Commission! While I doubt that committees generally allow their agenda to be media driven, this can sometimes happen. If pursued too far, it will undermine any long term contribution to efficiency and effectiveness improvement.

COMMITTEE CONTRIBUTIONS TO MANAGEMENT IMPROVEMENT

At the beginning of this paper I indicated that I saw this as the major test of Public Accounts Committees, as it ought to be their main objective. There is the potential for committees to unknowingly work against the management reforms being promoted to governments. An important aspect of these reforms is encouraging and requiring managers to focus on results, and in tandem to reduce detailed prescriptive processes which must be

followed. It requires managers to move away from a compliance mentality which is concerned with following set procedures or rules, to be more concerned with getting value for money. These procedures or rules may have been laid down to protect "probity" but after a period of time rules can become ends in themselves and their original purpose may have become irrelevant. However, it is easier for a manager to demonstrate compliance with a whole lot of procedures than to demonstrate that results have been produced. For example, a manager may be more easily able to demonstrate that all the requirements for public tendering have been observed than to prove how much public money has been saved by the application of modern purchasing techniques. This concern with results as opposed to processes goes under a number of generic terms including those awful words risk management.

If parliamentary committees, and in the same way Auditors-General, focus their reviews on detailed matters of compliance rather than performance, they may encourage the alleged worst features of old style public administration, namely red tape, protecting ones backside and endemic buck passing. The government and departments need to explain risk management very carefully to parliamentary committees. For example, there are particular dangers in Queensland in a post-Fitzgerald environment that we may encourage an excessive emphasis on writing new rules to protect probity and backsides, rather than with more streamlined processes which will produce good government services and obtain value for money for the taxpayer.

It can be seen, therefore, that I have some concerns about the topics chosen for review by some committees, or more precisely the particular angles of certain topics which the committee might chose to pursue. I have already referred to what I see as the undesirable tendency to pursue matters of administrative detail. In fact I would encourage committees, to increase their effectiveness, to seek, to pick issues which are:-

(a) important in terms of the magnitude of the impact on the taxpayer or the consumers of government programs i.e. the significance of the effectiveness and efficiency issues

(b) significant in terms of the extent to which probity or propriety has been compromised. There is a material difference between failing to get the requisite number of quotes for a purchase and actual fraud

(c) across the board issues which would apply to a range of departments and which can be reviewed either on an across the board basis or using one department for demonstration effect.

As a general proposition I would encourage other committees not to spread their attention too widely and to spend a considerable amount of both their staffing resources and their own time to carefully analysing just which issues they might most profitably investigate. This work planning, I believe, pays great dividends in the longer run. In general, most committees could deal with a more rigorous focus on fewer issues and focus on the strategic aspects of the issues rather than the masses of administrative trivia which often accompany them.

Unfortunately, many committees are not well informed on what is going on in the public sector and what issues they might more profitably address. To some extent this will of course reflect the limitations and the approach of Auditors-General. For example, it is interesting that the Commonwealth Public Accounts Committee spent so much time investigating a probity issue concerning $90,000 worth of computer sales but failed to investigate the expenditure by the Department of Foreign Affairs and Trade of over $10m on an overseas post accounting system (undertaken against the strong advice of the Department of Finance) which was abandoned without trace several years later. Committee members and staff could desirably do more networking with certain central agencies such as Treasury or Department of Finance to obtain this information, with informal briefings being provided to committee staff or members, rather than them rely so much on the reports of the Auditor-General. In general, committees and their staff are not adequately linked or tuned into what is happening in the bureaucracy.

CONCLUSION

You may be surprised if I conclude by saying that I come to praise public accounts committees not to bury them. I hope it does not sound too gratuitous, however, for me to ask you to consider your credibility, not in the eyes of the media but in the eyes of seasoned professional bureaucrats. Probably you do not regard such people as among your client group. Most bureaucrats are committed to

more efficient and effective government. But I would assert that most senior bureaucrats would be more than delighted to have their area of activity reviewed by a public accounts committee if they believed it were from a constructive focus. Most of us believe in and like what we are doing and are delighted when somebody takes interest in what to others might seem somewhat boring bureaucratic activity. But we naturally resent any approach which presumes us as inefficient or uncaring of our responsibilities before an inquiry has concluded or which follows a "gotcha" approach.

Above all, I invite you to consider the extent to which you really are friends of the taxpayer and consumers of government programs, assuming that this is one of your major role. Are you sufficiently vigorously hunting out inefficiency and ineffectiveness which will involve quite difficult, complex and even, in some cases, boring reviews. Or are you more interested in the easy targets of failure to observe regulations or minor breaches of probity, which will excite media attention. Again, let me be gratuitous. Credibility of public accounts committees would be enhanced were you to show the same enthusiasm for reviewing the expenditures of your own parliamentary organisation as for other areas of government. Most parliaments reflect very poor management practices, significant overstaffing and little accountability. Yet attempts by central budget agencies to bring Parliamentary expenditure under control are generally strongly resisted by Parliamentary officers, strongly encouraged by you as their Parliamentary clients. If you are to have credibility as friends of the taxpayer you might wish to consider doing some work at home.

QUESTIONS

Mr ROBSON (Tasmania): In the last part where you were talking about the overseas post-accounting computer system and they wasted $10m, one of the worries of all public accounts committees is what is government policy. So in that example which you gave us, was that government policy?

Mr SHAND: We are faced with this problem, aren't we, that you are not supposed to get into policy questions and the question is what the hell is meant by policy. It is fair to say that no one can define the boundary very clearly between policy and administration. In practice we define it where we want it based, I think, on a good commonsense understanding as to what the appropriate boundaries of public accounts committees are.

It is a similar issue - I might say without going on too long, Neil - for Auditors-General about what is meant by efficiency and effectiveness questions. To what extent should you get into these broader performance issues? It seems to me that both public accounts committees and Auditors-General have to respond in the same sort of way. We accept a commonsense consensus, if you like, about how far it is appropriate for them to go. If you go over the line, you will be pulled back.

My view on the particular example that you have raised is that I think the implementation of a new overseas post accounting system is very clearly an administrative question. It is a management question. I do not believe it is a matter which would involve government policy in the sense that you would normally describe government policy. You could argue about that. The government, could, of course, in answer to a parliamentary question say: 'I am not prepared to answer that. That is a policy matter'. And you could argue with them that it wasn't policy. There is no clear cut answer. It seems to me that it is the sort of thing you would normally expect a bureaucrat rather than a minister to take responsibility for. That is not to say that the minister does not take, in the final analysis, responsibility for all the activities and management of that particular department.

If you were talking about the effectiveness of programs, then you are getting into more difficult areas. But matters like accounting, computerisation, paying bills, annual reporting, etc could stray into policy questions. What it means, I think, is that governments will let you go as far as they want to, or are prepared to, or as seems reasonable. You could have the minister say: 'Because I made that decision, that's policy by definition'. But if it is an administrative question, it might well be appropriately subject to review. It seems to me, increasingly, that taking the Commonwealth as the example, the sorts of issues being raised in public accounts committees reports, require a formal response from ministers rather than a formal response from departments. I do not see that as a problem and so far I do not think ministers see it as a problem. But if they think you are getting too far into policy questions, they will blow the whistle. So in short, I think it is a matter of commonsense consensus. You cannot define it but I think all of us have a fairly reasonable feel as to how far it is appropriate for committees to go and how far it is appropriate for Auditors-General to go in terms of looking at some of those matters.

Mr JENSEN: David, do you have any views on the use by committees of specialists to assist them in their inquiries in addition to their normal research staff?

Mr SHAND: I think it is crucial if you want to do your own research. Some of the stuff that you do of course piggybacks on where the spade work has been done by somebody else, like the Auditor-General. You can piggyback on that quite easily, I think, with your own committee staff. I believe if a committee is seeking to do its own in depth research into an issue, generally speaking it will. But generally, I believe it will need professional expertise in that particular area. That may well be where some committees have had problems in, I think, developing very well researched reports on topics that are original which they have chose themselves because they have not in fact good technical input.

For example, the Public Accounts Committee in the Commonwealth used to have to examine every proposed computer purchase before it could be approved and I think the committee got its own panel of experts which are called on to give it technical advice on those sorts of things. It could not have done the role without it in my particular view. But I mean don't go overboard. In general if you choose to pursue an original topic where somebody else has not developed the groundwork for you, I believe you should seriously think about getting your own professional research resources to do it.

Mr JENSEN: Just one of the problems with that is the budget and who has control of it.

Mr SHAND: That certainly is an issue but nobody has an open budget. I mean it is the same issue as control by the Executive of the Auditor-General's budget and how far that should be prepared to go and there is no doubt that parliamentary committees have to argue for their funds, as they should.

One of the issues which came up in the Commonwealth was of course the funding of the Auditor-General's office being determined by the Department of Finance, whose budget was already being determined by the Executive. And the same issue is the funding of parliamentary committees.

It seems to me that what ought to happen in terms of the funding of parliamentary committees is that Parliaments get a block allocation for its running expenses and it is up to Parliament to decide where its priorities are. The problem has been in the Commonwealth, I

think, that parliamentary officers have not been very willing to make hard decisions on priorities. We always said if you put the Public Accounts Committee into competition with the parliamentary refreshment rooms, that's good. They can decide how much they want to spend on refreshment rooms and how much they want to spend on parliamentary committee staff. That is a judgement which parliaments ought to be big enough to make if they are really concerned about managing their own resources.

So I do not believe we should talk about specific allocations or appropriations by the Executive to public accounts committees. I believe we should talk about block allocations by the Executive to Parliament and Parliament can then decide what its own priorities are in terms of its functions.

Mr HESSINGUT: The concept of a Public Accounts Committee being used to investigate Parliament is a very interesting one because I wonder how many Commonwealth nations have ever had their Public Accounts Committee investigating their Parliament. In other words, we go around to clean up the backyards of other government departments and statutory authorities, however, we have never got around to cleaning up our own backyard.

Mr SHAND: That is a very good comment. I do not know of any that have done it but certainly in Victoria we bring in the Auditor-General. I think there was an efficiency audit done at the request of the Speaker, which I am sure came up with some interesting conclusions. I do not think it was ever published and I have no idea if it was acted on. But there is that particular precedent. You might in fact invite the Auditor-General to do a review of the efficiency of Parliament as opposed to the Public Accounts Committee doing it itself. Or dare I say, in the Queensland environment, the Public Sector Management Commission could do a review of Parliament, but they are outside our terms of reference under the Act. So we can't.

Ms WALKER: The comment I make is that the New South Wales Public Accounts Committee had a recommendation to inquire into the Legislative Assembly. There was a lot of unease obviously among the parliamentary staff about what shape it might take. It is on the books that it has not been done mainly because it has been overtaken by other more urgent jobs. I think it will probably remain on the books because there was a very interesting inquiry into the Victorian Parliament the results of which were published a few months ago. The inquiry was done by consultants and I thought the published report might allay any fears the New South

Wales Parliament has as to what the scale or scope of such an inquiry might be.

I also disagree with a number of things that David Shand said and I wonder if I might just raise one of them. I feel that very often matters come up in the Auditor-General's report that are probably up to two or three years old and I think the Auditor-General would like to pursue his own inquiries rather than let the Public Accounts Committees have a go at them and consequently you do not hear about inquiries through the Auditor-General's reports. In New South Wales, contrary to what you said, the scope of our work is not determined by the Auditor-General's report. It forms a backdrop and we do a very systematic follow up of the report. But for our major inquiries, we generally get wind of them in other places. If you read our report into the Auditor-General, we did suggest machinery whereby the red rule reports that go from the Auditor-General to the client departments should come out more publicly. I do not think our committee wanted to have them in the office. They are very highly political documents that might affect the bipartisanship of the committee. The committee wanted access to information about problems in departments but it was thought this could be made available through Treasury or through the Auditor-General if they wanted to take on an inquiry.

I would be interested in your comments about how a Public Accounts Committee that wanted to get into the action a lot earlier, could possibly do that given the current timing and machinery of the Auditor-General's report. I have just talked about how we go about doing it in New South Wales.

Mr SHAND: Could I just answer that point now. I accept that point and I think it is quite valid. It is becoming more difficult, of course, because Auditors-General themselves are moving away from a 'gotcha' philosophy. Auditors-General are, I think, following an approach under which they are prepared to give the agency some time to fix the matter up before they really give them the bullet, particularly if it is not a major matter. To the extent that is occurring that means that what is coming out in Auditors-General reports may in fact be even more out of date. I would simply nevertheless reassert the point. There is, in a lot of states, I think, a real problem about the traditional Public Accounts Committee role. Certainly in the Commonwealth it has been two and three years in some cases. That is because the bureaucracy has been slow to respond to the formal matters raised by Public Accounts Committee reports and, in fact, quite often this is not followed up. It would be most useful for your committee to get

into the action earlier and that is why I stress the point about getting a feel for which issues are emerging, and those that might appropriately require a bit of a shove along from a Parliamentary Public Accounts Committee.

Ms WALKER: But I do not see that would work, because of the territoralism. I mean the Auditor-General's department will not publish information and will allow departments time to put themselves in order. I think Treasury, singularly, has territorial interest and although we do not have a Department of Finance in New South Wales, we have other administration areas like the Office of Public Management. I would say there is a highly competitive environment between them and the Public Accounts Committee and competition for ideas for future inquiries is intense and you will often find we will publish the Terms of Reference of our inquiry and other places will modify those Terms of Reference or parameters to suit their inquiry.

Mr SHAND: It may well be that there are some central agencies which do not want to share their information with anybody. In the Commonwealth we have had a fairly long tradition of being willing to talk to people outside and, in fact, there are lots of things where we, as bureaucrats in central agencies, would welcome an extra shove from Public Accounts Committees. In very few cases does that impact on the government politically. In fact a lot of the reform work that goes on should be sold as a virtue rather than being sold as a problem.

Obviously New South Wales has a rather closed bureaucracy, and I think, traditionally, you have had a fairly closed bureaucracy here in the Northern Territory.

Mr RITCHIE: You will appreciate that there is a close association of Public Accounts Committees and it gives me absolutely no joy at all to be critical of even a small part of David's frank, thoughtful and very interesting presentation. However, while agreeing wholeheartedly that informal information is very important for determining the directions in which a committee may want to go, I have to take exception to the recommendation that informally obtained hearsay be used in the formation of judgements when you are writing reports and I want to refer the issue back to David to think about more carefully and respond again. It is my opinion that the committee is really putting the reputations of very senior public servants on the line when it brings down its reports, and it should do so with evidence and argument that is irrefutable.

If we are going to nail hides to the wall it should be done properly and it should not be done on the basis of hearsay.

Mr SHAND: Well let me respond to that. I would be concerned if a lot of reports were actually looking at subject matters, which might, as you say, put individual public servants reputations on the line. I do not think there are many issues that a Public Accounts Committee would look at which would have that particular implication.

When you talk about informal and hearsay, I mean there is nothing wrong with going and talking to somebody who knows a lot about a topic and listening to what they say and picking it up and using that information to form your own opinion rather than have to call somebody before the committee and put them under oath, or whatever the procedure is and take evidence from them.

I do not believe that the quality of information that you can get from talking to people is necessarily poor, I just would not call it hearsay. May be in a situation where somebody is on trial, the rare Public Accounts Committee activity which is of a necessarily inquisitorial nature, such as; 'why did you misapply the proceeds of this $90,000 worth of computer sales', that is appropriate for it to be done very formerly, but I suggest most of the issues which public accounts committees would look at do not involve that degree of formality at all.

I was critical of Report No. 296 of the Commonwealth. I think if committee staff had been permitted to go out and talk to bureaucrats and get a perspective of the performance of the Australian Audit Office, you call that hearsay? Well it is not hearsay. I mean they have got the views on an informal and confidential basis from the people being required to stand up and publicly say what they think about something. May be we are too cowardly, as bureaucrats in some cases, as we are not prepared to stand up and say the things that we should say. May be we do not always get asked the right questions. Basically, we are there as bureaucrats to speak when we are spoken to. We are not there to give an address to the committee which would say; 'have you thought of this?'

I am just encouraging committees to think about getting information from a wider range of sources and I believe it is not necessarily low quality information, simply because it involves a less formal process for obtaining it.

Mr JACOBS: I do hesitate to comment on David's continual references to Report No. 296, but I think I did read it and I am not sure David did.

Mr SHAND: Oh yes I read it.

Mr JACOBS: Okay, but I will tell you about a particular point that you have mentioned in respect of funding. I do have to say that the committee did say specifically that it had not looked at the offices own ability to fund an increase in resources for performance auditing. The follow up Sheraton review, which was supported strongly by the Audit office, was looking at that specifically. I think the gist of the committee's recommendation on additional resources was simply to get more performance auditing work done and it specifically said that in its report.

The other point I would like to make quite clear just in case you are putting too much of your argument on the basis of Report No. 296, is that the Sheraton Review did support almost all of the other recommendations of Report No. 296. The last point I would like to make is that there was a lot of criticism of the Audit Office by government departments in their submissions, may be not as much as you would have liked to have seen. So I do not disagree with any of the messages you are giving David, but I just would not like to argue too much about that single report.

Mr SHAND: Okay look, I accept that comment. I did read Report No. 296, I wrote the government's response to it, so I am fairly familiar with it, although I do admit it is a year or so ago since I did it. I would simply say that I thought that the report was very uncritical and was quick to accept the alleged need for additional resources which had been promoted by the Australian National Audit Office. I cannot imagine a proper review of an agency, whether it is the Audit Office or anybody, simply being a good review, if all it does is to recommend additional resources without examining the capacity of the organisation to reform itself internally to provide those additional resources.

In other words it was almost a Clayton's Review. It did not in fact review how well the organisation was performing, except to say that its major problem was lack of funding. I think that was particularly unfortunate. They should have looked at questions of productivity and efficiency gain which I think can be achieved internally and that is why I made the comments that I did. You are correct about the Sheraton Review, Tom Sheraton, being the Auditor-General, of South Australia who was commissioned by the government to do

a review of the committee's recommendations. A lot of the recommendations were supported of course, including for example the fact that the Auditor-General should be the auditor of all government organisations and not just some of them, particularly all government companies and all government business enterprises. Nevertheless, on one of the major issues which was picked up by the media and for which of course my previous department was strongly attacked, was inadequate funding of the office which was the flavour that everybody got and I believe that was absolutely wrong.

I do not believe it was factual and I do not believe that the report properly identified the internal efficiencies or otherwise of the operations of the office. Anyway, we could have a long argument about Report No. 296. As you can see it hit pretty close to the bone as far as I was concerned because it said that in fact my Department of Finance was compromising the efficiency of the Audit Office by not giving them enough money which I thought was an outrageous thing to say.

Mr BRADSHAW: Do you think Public Accounts Committees would be more effective if the majority of members came from the opposition rather than the government, from the angle that there may be issues that are not taken up because it may be controversial and embarrass the government?

Mr SHAND: I do not know enough about the internal workings of committees when they come down to develop their work agenda. In answer to your first question, I do not think it would make a great deal of difference whether you had a majority of opposition or not. I very much doubt the government would ever allow it to happen, because it would want ultimately to have some sort of control over what might happen. I do believe that committees probably could spend more time looking at their work programs before they actually implement them. It is like an audit, you spend a great deal of time planning the audit rather than actually implementing it. You need to identify firstly what the key issues are and I think there is an analogy there for public accounts committees. Although it might seem unproductive work, if you did more background research and analysis in developing your work program, it would probably repay dividends in the longer run.

The planning of your work activity I think is of fundamental importance.

Mr HAMILTON: Public hearings are a very good mechanism for getting members involved in issues and even getting them to think about them rather than presenting them with say written briefing papers or written material and for my part it seems to me that is one of their major advantages as opposed to other means of gathering information.

Also, just one more point. History has shown that public hearings have been the predominant means of gathering information and I would like your comments on both of these issues.

Mr SHAND: Look do not get me wrong, I think public hearings are very important and I think particularly if you are doing some broad scope reviews of the efficiency and the effectiveness of government operations or government agencies, you cannot do it without getting a viewpoint from the clients of the organisation. We are trying to tell all government organisations these days that they have clients even though they might not recognise it, and that you have got to get out and talk to the clients, give them an opportunity for an input even though they might in fact, be scattered all over the state, especially in a state like Queensland. So I think the public hearings process is very important, as it is a very useful way for the committee to get around and to talk to people who are effected by particular government programs.

What I am really trying to say is that I do not believe that you should accept it as the source of all of your information and that it is very important that committee staff prepare well researched documentation which committee's members read at their leisure and consider as a group when they come to formulate recommendations, but you simply cannot, I cannot envisage, a committee being really effective if it seeks to do the great bulk of its work in public hearings.

There has got to be a lot more work done behind the scenes in terms of reading and so forth, that is what I am really trying to say.

Mr THEOPHANOUS: One of the concerns I have relates to the performance of public accounts committees.

Committee performance tends to be judged on the number and quality of the reports they produce.

[NOTE: THE ABOVE COMMENT HAS BEEN ABBREVIATED BECAUSE IT WAS LARGELY INAUDIBLE]

The second problem I have is of a bureaucrat being contacted informally. Your comments on both of these issues would be appreciated.

This raises the question of who should contact the individual informally, if it is going to be a member of the staff, then the problem comes down to who that member of staff reports to and the nature of the conversation and so forth.

If it is going to be members themselves, then it comes down to the problem of which members, opposition or the government. In our situation where we did have an opposition member in fact contact someone in the bureaucracy, that they either knew or found and asked them questions about a very sensitive matter we were examining, the consequence of that was, the bureaucrat immediately wanted to protect himself. So he immediately wrote a memo to his superior which identified him as being somebody that had been contacted by a member of the opposition. The department concerned, then wrote to us and told us what a terrible thing this was and complained about it bitterly and we then finished up having it raised at a public hearing where both the member and the person that was contacted were put under considerable pressure.

Mr SHAND: Let me comment on that latter matter first. I mean, most governments have codes of conduct for public servants which do set down certain sorts of rules which are supposed to govern the way you relate to members of Parliament. It is not uncommon and certainly our general approach was always, unless there was an obvious reason for not doing it, that you would provide the information and in most cases they were not controversial or sensitive. If I were being approached concerning a matter before a committee, I would expect as a bureaucrat, for it to come from the committee staff. I would be more than happy to sit down with any individual member of the committee who was authorised in a sense by the committee to discuss that issue with me.

I certainly would not sit down and discuss a matter before the committee with a member of a committee as an individual. Now that may differ in different states, you have got different rules of conduct, but that seems to me to be the sensible way to proceed. Members of Parliament, individually, have certain rights of access to the bureaucracy for information, there is FOI, all that other stuff, but in general, the approach to an individual query from a member, if it was on a matter where there was no reason why they should not know it, we would provide the information willingly.

But as I say, if it was on a committee matter, I would expect only to talk to the committee member who was authorised to do so by the committee. I would not talk to any member of the committee as an individual who was simply on a fishing expedition.

To come to the first point you made about the performance of Public Accounts Committees, I mean, of course you are quite right, performance measurement of any government institution is a difficult process and in most cases you have got to talk about a raft of performance measurements rather than any single one. We are not talking about a clear cut measure of performance we are just talking about getting a better feel, or a better handle on the overall level of performance. I would say obviously one thing that committees would look at would be the number of recommendations which have been accepted by government. That is an obvious one, but is a very inadequate measure of committee performance. It depends on whether they are on significant matters or not.

In the longer term if you took a poll of some senior bureaucrats you would get some useful responses too. I am not saying that our perception of you is what necessarily counts with you, but you will find a lot of bureaucrats who have great respect for committees which do work in a professional and objective way and which identify issues which we regard as a fair cop in the sense that they are things which need fixing up. Very few of us feel we have a lot to hide, we would be prepared to do an evaluation of Public Accounts Committees which could be part of your own process of assessing your performance, if you are prepared to regard us as one of your clients and I think we are really one of your clients but not the only ones.

So you are quite right, there is no single answer as to how you would measure the performance of parliamentary committees, but I have to say Mick, I cannot agree with your comment that an election is something which really holds a parliamentary committee accountable, it is a pretty rough and ready mechanism. I would suspect that there would be very few elections decided on the effectiveness of Public Accounts Committees, although it was an influence in Queensland at one time, but in general, I think that it is drawing a long bow to talk about elections as being a commentary on Public Accounts Committees effectiveness.

Mr ROWE: I must say, I guess as a late comer to the committee, I do not feel too attached to some of the criticism you have levelled at the committee.

I wanted to make the comment that at the federal level, there are now some committees embarking on new ways of collecting evidence and that includes the conducting of seminars, conferences and workshops and they are proving to be a very productive means of gathering information. It seems to me that if you are going to go too far in terms of relying on informal evidence and information, then at the end of the day you leave yourself open to some sort of criticism. For example, if a public accounts committee was to have some sort of inquiry into the Department of Finance and yet write its report based on informal evidence, it just would not stand up at the end of the day. So there is a bit of tension there, and I do not know it would be resolved.

I did want to ask you about any ideas you might have about how the work of committees might be assessed. I can assure you that, at least in the Secretariat of our committee, that is something we consider a good deal of the time as to how we measure the benefits of the work that the committee does. I am not sure that we will ever come down with a definite way of doing it, but I wanted to make the comment in relation to a committee's report into PSIO, (the Parliamentary Information Systems Office). This is where $88,100 was put into the account of a private firm. It was a bit like a court case and it was not a particularly pleasant inquiry to be engaged in, but at the end of the day, it has led to some benefits in the administration of the Parliament. Internal audit is now going to be a feature of parliamentary administration and there are some things like that which I suspect may not have happened if it had not been for that inquiry.

Mr SHAND: I do not know that I gave the impression that I was against these sorts of inquiries. What I was trying to say is that the sort of inquiry where you do have that very informal inquisitorial role, because somebody is on the line as having breached the rules, they are very much the exception rather than the rule in terms of parliamentary committee inquiries. In those particular cases, it needs to be done properly because with formal evidence and swearing of witnesses and because somebody's reputation is at stake, it will be obvious if the facts were sustained, that they would be severely criticised in a Public Parliamentary Committee Report. So I think that is entirely appropriate.

On your comment about seminars and workshops I think that is an excellent way of getting information particularly on broad management issues. However, your comment that if you had proceeded with your inquiry into the Department of Finance you would have needed to have most of that in formal evidence, I am

not at all sure about that. I mean I think you could go around and talk to all sorts of people about the Department of Finance and come up with your conclusions. It does not have to be given on oath for you to form a particular opinion. If you have spoken to a large number of people, if you have had seminars, round table discussions on the performance of the Department of Finance or if you had gone and visited other Departments of Finance or State Treasuries, or Chief Executives and/or even Department of Finance staff, about the Department of Finance, I do not think you could have done that on evidence. I think the staff and committee members could do some of the work on an informal basis.

In the final analysis, it is a matter of whether or not you have got a report which hangs together. But I do not believe that a report can only hang together because you have actually got formal written evidence from somebody which said something. I mean I believe you can form your own conclusions based on good evidence, and good evidence does not have to necessarily be given under oath in a formal hearing as I see it. We, the Department of Finance and all the central agencies, would have welcomed a review and would not have objected to you speaking to other departments and not necessarily having formal hearings on us. I think you have got to have a good report which stands up to scrutiny but no information is perfect. You have got to make a judgement as to how solid the information is just as Auditors-General do. They do not take all of their information on a formal oath, they ferret around and talk to people particularly on the efficiency audit side of matters. You would have to say that it is a truism that in efficiency auditing the quality of, and the reliability of the information is, generally speaking, less than you would find in a financial audit because you are dealing with less hard and fast matters. You are dealing with impressions and judgements.

There is nothing wrong with people making judgements in reports as long as they are based on some research and some discussions and if you can justify it. What I am trying to say Trevor, is that there is still too much concern about formal evidence and not enough about getting good information in other ways.

Mr TRENORDEN: Our committee is currently reviewing its Committee Secretariat operations. Our Parliament suggests that we should be investigating the feasibility of consultants v in-house staff. Have you got a comment on this matter?

Mr SHAND: I think you should aim for a mixture. It is always useful to have professional bureaucrats there working for you. I mean it is pretty common for committees nowadays to have almost semi-permanently somebody from the Audit Office working there at any one point in time. I think that is valuable. My own Department of Finance used to provide staff for Public Accounts Committee inquiries and I think you should also aim to get people from elsewhere in the bureaucracy. If you are reviewing a particular agency, you might want to get someone from that particular agency. It is not so much where they come from but the ease with which you can get them and the cost involved. We thought about charging the Public Accounts Committee for the resources we provided them but we decided not to in the end.

I think the bureaucracies, generally speaking, are prepared to supply free resources to public accounts committees. Getting people from outside is fine as well, as long as they are going to be able to contribute something. It is very much an individual question, as to what they know about the topic. What are you looking for? You are looking for people who have got analytical skills, and who can write properly (that is pretty hard to find these days) but there is some generic things you are looking for ...

Mr TRENORDEN (interjecting): Surely you have to have some continuity between reports and between parliaments too, I would suggest.

Mr SHAND: I think the committee needs an ongoing permanent core of staff and I think it needs people who come in for particular inquiries and then go back to whatever else they are doing, it needs a judicious mix.

I also would say without sounding too gratuitous that I believe committee staff, this permanent core, should turn over every four or five years or so. I think there have been problems with committees who have had secretaries or directors who have been there for years and I think have got stale and perhaps stymied the development of the committee in some ways. I think you need permanent staff but permanent staff in the sense that they do not stay longer than four or five years.

ANNUAL REPORTING AND THE PARLIAMENT

Nick Catania

This discussion paper does not present the culmination of a detailed investigation of the annual reporting requirements of Parliament, rather it is the beginning in which the committee identifies issues which will need to be addressed before the Parliament will be totally satisfied with the quality of the reports that are presented to it.

The paper's main theme is that Parliament is the primary target audience for annual reports and government bodies have a responsibility to ensure that is the needs of Parliament that must be met first and foremost. Similarly, Parliament has a responsibility to ensure that its needs are clearly identified and are understood by bureaucracy. It is also up to Parliament to monitor compliance with annual reporting requirements. The committee contends that at this stage the Parliament is adopting ad hoc and ineffective control mechanisms and needs to do more before it can reasonably expect reporting standards to meet its requirements.

The paper recognises the importance that is now attached to performance measurement and reporting in annual reporting process by the readers of reports. The committee acknowledges that this emphasis on outcomes represents a change in the traditional reporting practice of looking simply at inputs and processes. There is now an explicit requirement for agencies to identify objectives and to attempt to measure and report on the success they have had in achieving those objectives. The advent of program budgeting will assist greatly in the process of identifying objectives or targets and has already begun to have an impact on how government activity is reported. The committee believes that the Parliament has a significant role to play in ensuring that this new emphasis is reflected in all annual reports.

The committee has not interviewed people in the field but has at this stage, relied on the findings and on evidence given to other inquiries and studies, particularly in New South Wales and the Commonwealth. The committee intends to use the current information base as a starting point for its inquiry and hopes that the issues raised in this paper may spark discussion and comment which will add to the committee's understanding of this very important issue.

In order to gain an overview of the Parliament's current and potential needs in relation to annual reporting, the committee undertook a short questionnaire-type survey of all members of Parliament. The committee considers itself to be a representative of the Parliament and will seek to help more clearly define the needs of parliamentarians.

In addition to providing a description of government activities an index of the use of resources, annual reports are now seen as a method of assessing performance of government agencies. Not only are departments required to use the resources at their disposal in compliance with legislative and regulatory requirements, they are now expected to identify specific objectives and to show how well they have achieved these objectives.

Annual reports that do not provide the user with information that will allow assessment of achievements of objectives are no longer considered to have much value.

It should be noted that the committee considers there has been a significant improvement in the standards of public sector reporting over the past few years.

This improvement has not only in the level of presentation, but in the relevance of the information. In those two areas we have found certainly the standards of public reporting has been much higher in the last two years, that is, the level of presentation and the relevance of the information. Agencies will always, and indeed should, put their activities in the most positive possible terms. However, there is now evidence of genuine attempts to provide useful and accessible information. By defining objectives for the organisation as a whole and the objectives and programs and sub-programs, agencies are beginning to make assessments possible.

This improvement is, of course, not universal; nor does it indicate that agencies which are reporting well can do no more. It does need to be acknowledged, though, that some agencies are on the right track.

ISSUES FOR DISCUSSION

Here I intend to discuss a few of the issues that the committee has identified at this stage as central of the annual reporting process from a parliamentary point of view. These include:-

1. The audience for annual reports, which must be the Parliament and the current level of parliamentary scrutiny and input into annual reporting.

2. The timeliness of annual reports.

3. Some content issues - in particular the significant shift in emphasis to performance assessment.

Let us have a look at the first point:-

THE AUDIENCE

The committee considers it essential that the public sector keeps clearly in mind that Parliament is the primary audience and the needs of any other audience must be secondary. Public relations and management spin-offs are important and valid but should not compromise the fundamental purpose of the reports.

LACK OF PARLIAMENTARY REVIEW

One of the reasons for the confusion about who the audience is, the lack of systematic reviews by Parliament of annual reports and the consequent lack of feedback to agencies. Parliamentary intervention tend to be spasmodic, unstructured and largely invisible to those responsible for preparing the documents.

The lack of visible feedback seems to leave the impression that annual reports are prepared, expensively produced and presented to Parliament only to be thrown into a dark cupboard in Parliament House, never to be used at all.

The committee's own experience and that of the other members surveyed is that annual reports are in fact used. In fact, all members responding to the committee's survey said that they did refer to annual reports with almost half, in fact 41% saying that they did so regularly or constantly.

The misconception that annual reports are ignored has implications, not only for the morale of the people producing them, but for the quality of the reports and the compliance with the legislative requirements. A natural response to a perception of the futility of ones labour is to be less stringent with the accuracy and timeliness of the reports produced.

Parliament's challenge is to systematically and visibly show that these reports will be used and will be scrutinised. In Western Australia we have the Lonnie Awards for Excellence in Annual Reporting. It constitutes Parliament's only input into government bodies or public bodies annual reports. The adjudicative panel awards gold certificates for outstanding reports, silver certificates for very good to excellent reports, bronze certificates for very good reports. And the overall winner receives the Lonnie Memorial Trophy for the best annual report.

The parliamentary input into the Lonnie Panel through Chairman of the Public Accounts and Expenditure Review Committee has not in the past been backed up with work done by the committee. The Chairman has largely represented the Parliament as an MLA rather than as Chairman of the major accountability vehicle of the Parliament.

It is hoped that following the committee's current inquiry with a change in operation that the committee intends, that Parliament will have a more effective input into the annual reports awards.

In addition to the increase in effective presence of the Lonnie Awards, the Public Accounts and Expenditure Review Committee intend:-

1. to establish an electronic database capable of monitoring the compliance of agencies with the timeliness requirements of the legislation;

2. establish a series of rolling reviews of random reports where reports will be reviewed in detail and the officers responsible for their production interviewed.

Another form of systematic scrutiny by Parliament which would be effective in the use of annual reports by MPs' is in the estimates committees which were introduced into the Legislative Assembly for the first time last year. This would provide an indirect but wide ranging mechanism for reviewing reports.

The use of annual reports during the estimates committees has two main advantages:-

1. it would provide information for members which help with their questions and would reduce the need for some questions to be asked at all;

2. it would ensure that the annual reports used in estimates committees would be carefully scrutinised.

The committee intends to investigate whether or not consideration be given to amendments to the legislative requirements to enable members of Parliament to receive draft annual reports prior to the sitting of estimates committees probably early in September.

There is, I believe, and perhaps the Canadian representatives here will provide us with more information, a system in Canada which allows the MPs' to use unaudited accounts in their estimates committees; that is, the accounts that are presented to the ministers, they are certified but unaudited and they use those accounts then for any discussion during estimates debates.

It is not enough for Parliament to say that reports are inadequate. It needs to provide more guidance about what it requires from annual reports.

While 'sign posts' exist for departments, such as legislation and the Treasurer's Instructions, and even award criteria as provided by the Lonnie Awards, there has been little parliamentary guidance as to what annual reports should contain.

Any guidelines covering the detailed requirements of annual reporting, whoever produces them, will require extensive consultation and far more investigation than the committee has been able to undertake to date.

However, in the broadest terms annual reports should provide:-

1. objectives;

2. results achieved and progress towards achievement;

3. resources used;

4. reasons for delays, amendments, deferments or cancellation.

In addition to guidelines, a manual or handbook may also assist by consolidating the requirements that are presently scattered throughout the various pieces of legislation in the Treasurer's instructions.

TIMELINESS

Many agencies appear to believe that their reports do not need to be provided on time. This attitude is not only unacceptable because it constitutes a disregard for the law, but can greatly reduce the usefulness of the report when they are provided as the information may be out of date. As the Senate Standing Committee put it:-

> 'Without timeliness, information loses much of its relevance, its quality and its usefulness as a tool of accountability'.

It is therefore essential that timeliness obligations are met.

In addition to the lack of parliamentary scrutiny, there appears to be few sanctions available to ensure compliance apart from drastic measures available to Parliament under legislation.

The New South Wales Public Accounts Committee in its report entitled 'The Challenge of Accountability' offered two useful suggestions.

1. Firstly, that the departmental head or statutory body, that is the accountable officer under the FA & A Act, be required to include in the annual report by way of the letter of transmittal to the minister, an explanation of why the annual report was not presented to the minister on time. This explanation should include why no application for extension was made as well as the reasons why it was not submitted within the required period.

2. A second recommendation made by the New South Wales committee related to the Westminster tradition of ministerial responsibility and recommended that when tabling the report the minister be required to draw the attention of the Parliament to any report which is tabled later than the tabling deadline; state the length of the delay; and explain the reasons for the delay.

As suggested earlier, the current level of noncompliance means that some information provided in annual reports is irrelevant. Equally significant, there are wider implications as stated by the Commonwealth Joint Parliamentary Committee of Public Accounts, and I quote there again:-

> 'Noncompliance is a threat to one of the basic concepts of democracy - that is the people's representatives and not unelected officials who have the ultimate authority and responsibility and who are in turn accountable to the people'.

The Public Accounts and Expenditure Review Committee agrees with this view and intends to urge the Parliament to set in place mechanism to ensure compliance.

STANDARDISATION

One of the results of that survey amongst the members of Parliament was an aspect of discussion which was very important. Some stated there was a need for standardisation. It is contentious, I suppose, but it did come up regularly in the replies to the questionnaire. It was argued by some members that there should be some level of standardisation which would assist in the reading

of annual reports. 44% of respondents believe there should be some level of standardisation. In fact, some 15% believed reports should be completely standardised.

Conversely about a third of members argued that reports would not be improved by standardisation. Three major reasons put forward:-

1. tendency for standards to be established based on the lowest common denominator resulting in less information being forthcoming, rather than more;

2. government activity was too diverse to make standardisation possible;

3. legislation and regulatory framework provide standard requirements already.

On this latter point, the committee remains unconvinced. The Financial Administration and Audit Act and the Treasury's Instruction 901, do outline basic requirements but do not provide much of a guide to the most effective way to produce an annual report. Most significantly perhaps, these informal guidelines are scattered throughout the state's statutes and therefore are inaccessible. A consolidation of all guidelines into a manual provide not only all of the requirements in one place, but would perhaps even provide agencies with innovative ideas which may aid in the development of reporting. I think that is a very important point: To have a complete manual or a complete guideline.

However, the committee does consider that other arguments against standardisation are compelling. Perhaps standardisation of such things as table of contents, executive summary and language though may be worth investigation.

FINANCIAL STATEMENTS

The area of financial statements that was singled out by most members as being unsatisfactory was the reporting of sources and applications of funds. Again, this seems to indicate an emphasis on value for money and performance assessment. 30% of respondents listed this area alone, while another 15% included it amongst other areas of concern.

Some comments were a reflection of the difficulties that some members had in following the financial statements. This may be in part due to their own lack of accounting skills. However, it should be remembered that annual reports are aimed at parliamentarians and the public, and not at accountants. While the Auditor-General's role is to ensure that the financial statements are accurate and in accordance with the requirements, it should also be possible to make them at least comprehensible to the lay person.

MAIN FOCUS OF MEMBERS - PERFORMANCE MEASUREMENT

The largest single focus of the respondents to the committee's survey was on text relating to objectives and achievements.

This emphasis on performance, that is achievements of objectives, reflects a management trend generally and is certainly not startling. It does, however, indicate that lengthy, self-eulogising text within annual reports does not address specific performance issues, and would no longer be acceptable to most members of Parliament. It is also necessary to acknowledge that these changes in expectations are obviously recognised by the bureaucracy as evidenced by the improvements in reporting standards.

The committee's survey revealed that generally there is a belief that the current level of performance measurement for reporting is adequate. Only 24% of respondents stated that the performance indicators currently being provided allow a satisfactory assessment of performance. A further 45% indicated that performance indicators were only occasionally satisfactory and 15% said they were never adequate.

Members were sceptical about the indicators used arguing that agents would always used indicators which cast them in a favourable light.

In addition to the concerns raised by the members, the committee is aware of ongoing differences in approach between immediate and past and present Auditor-Generals.

The immediate past Auditor-General, Mr Alan Smith said, and I quote:-

> 'Criteria for presenting and auditing financial statements exist in generally accepted accounting and auditing standards and practices that have developed and refined through many years of practical experience'. As noted in my first report this is not the case with performance measurement...'

The current requirements ask the Auditor-General to give:-

> '... what amounts to a subjective view which can be at odds with the chief executive officer ... Without clear identification of what is required (that is, answering the 'what should be' question) it is almost impossible to conduct an audit function as there is nothing against which the chief executive's assertions can be measured. Any comment will be subjective and possible gratuitous'.

By contrast the current Acting Auditor-General, Mr Neville Smith, intends to (no relation by the way) audit the performance indicators as provided against the stated objectives.

The committee considers that such comments by the Auditor-General will be useful as professional opinions but they will not have the authority of an audit opinion.

The problem is that the current legislative framework establishes unreal expectations of performance indicators. The requirements that performance indicators be produced and audited as a sole visible measure of performance produces an expectation of assessment that in many cases can never be met. Performance indicators will in some cases always be limited and are essentially artificial measuring tools. Yet they are looked to universally to provide an insight into the effectiveness of a department in achieving desired outcomes.

The current legislative framework therefore gives performance indicators more authority than they perhaps deserve. They cannot be accurate measures of efficiency in many cases. Some government activities will always require more qualitative analysis than can be given by performance indicators.

PERFORMANCE INDICATORS THEMSELVES

The committee is of the view that performance indicators are a useful tool for management and could provide some guide as to ongoing performance.

The current level of performance measurement tends to focus on efficiency which relates at best to the relation between inputs and outputs, rather than on outcomes.

In addition to the limitations that current over-reliance on performance indicators have as a means of measuring bureaucratic performance there are dangers too. In order to meet the requirements of performance measurements as it now stands, agencies may begin to undertake programs based, not on their objectives, but on the program's measurability by performance indicators.

The committee considers that it is essential that no performance measurement system defines what programs are undertaken and which are not.

Finally, I would like to make some observation about the performance indicators as they currently exist. Performance indicators can represent a valuable tool essentially for management but also for the reader. However, to do so they need to be more than meaningless figures.

To make performance indicators meaningful, information should be in some way comparative. Comparing data over time, with other states or countries or with private sector organisations will put the performance indicators in some kind of context enabling the reader to assess the performance against some measurable criteria. Without such a context, performance indicators - even when they are more than measures of input - become simply numbers or words on a page and their value is greatly diminished.

ROLE OF CENTRAL AGENCIES

Of performance assessment in general, there needs to be a considerable emphasis placed on performance evaluation as well as the current emphasis on monitoring. Here, central agencies, the Auditor-General and parliamentary committees like the Public Accounts and Expenditure Review Committee can all play a part.

In the United Kingdom a financial management group (FMG) has established a policy (or program) evaluation unit.

> 'The role of the financial management group is essentially missionary. It is trying to encourage departments to develop a regular system for policy evaluation whereby each year a selected number of topics are subject to a thorough review.
>
> It does this by promoting examples of good practice, design guidelines, initiating case studies and working with departments to develop evaluation procedures'.

CENTRAL AGENCIES ROLE IN WA

Informal discussion with the main central agencies in Western Australia have not revealed a similar focus to this stage. The committee believes that central agencies can assist best by providing advice and by ensuring that examples of good practice are widely communicated.

ALTERNATIVE AUDIT APPROACH

Audit too can play a significant role in the development of 'effectiveness' evaluation. In Sweden, for example, the National Audit Bureau initiates dialogues with agencies on matters relating to objectives and have in place monitoring systems that monitor success in achieving these objectives. Similarly in Canada, comprehensive auditing aims at ensuring that departments have adequate monitoring systems in place.

The committee will, during the course of this inquiry also discuss with the Office of the Auditor-General such ideas as 'horizontal' audits - looking at programs instead of agencies, and the current skills of the Office of the Auditor-General and what developments are needed to meet the new emphasis on effectiveness.

CONCLUSIONS

In conclusion, the committee acknowledges that there has been a significant improvement in the presentation of annual reports in the Western Australian public sector over the past few years. There has been a shift in emphasis to reporting based on programs and objectives, which reflects a general administrative change. The information being presented is beginning to reflect the focus on performance and achievement of objectives. The committee believes that these improvements should be applauded and that the agents who have provided the reporting standards deserve credit. The Lonnie Awards provide such recognition and are therefore responsible for a significant improvement in public sector reporting.

However, the committee considers there are issues relating to annual reporting which require urgent attention. Firstly, there needs to be a clearer commitment to the process from the Parliament. This commitment may include providing clearly defined guidelines about what is required within annual reports, providing monitoring systems for ensuring compliance with all of the requirements of annual reporting legislation and it may include the establishment of a valuation system which will ensure that all departments have an equal chance of having their reports reviewed in depth and their officers interviewed about the contents and presentation of these reports.

The Public Accounts and Expenditure Review Committee sees a role for itself in representing the Parliament in this commitment. During the course of the committee's planned inquiry, the committee intends canvassing these and other aspects of possible future parliamentary input into the annual reporting with the Auditor-General, senior public servants and other parliamentarians.

There is also a need for a review of current legislative requirements, particularly regarding timeliness of reports in the light of changes to parliamentary practice and the auditing of performance indicators, which gives somewhat misleading authority to performance indicators.

In addition, the committee is keen to see a more co-ordinated approach to reporting by the bureaucracy and the Office of the Auditor-General. The central institutional arrangements that currently oversee annual reporting within the public sector appear ill-defined and somewhat. disjointed. There is a need for a single

entity to take responsibility for ensuring that reports meet the legislative requirements and provide relevant and useful information.

The committee intends, through its inquiry into public sector annual reporting, to discuss these matters with the people involved in the production, presentation, auditing and reading of annual reports. It is hoped that the committee's final report will help to clarify and define the needs of the Parliament and will identify ways in which these needs can be met.

This presentation is only a summary of the whole report which the committee hopes to be able to complete in time to present to the Spring session of Parliament in Western Australia.

QUESTIONS

Mr PALMER: I would just like to make a couple of observations. You spoke about the standardisation, or the possibility of standardising annual reports. I believe there should be some degree of standardisation just so that you can compare the performance of one department to another department. I know it is difficult to compare health with education for example, but we need to be able to make comparisons so as to judge the performance of the various instrumentalities.

You also spoke about performance indicators. One of the problems I have, is that the annual reports are made in retrospect hence the potential for setting performance indicators in retrospect. Are they merely just an indicator of where the department thought it did well for the year and it sets the performance indicators around their best performing divisions or branches, or were they properly set prior to the commencement of the year. I would like to see performance indicators for one year published in the previous year's annual report so that at least it gives a fair view of how they performed against those indicators.

Mr CATANIA: I do not disagree with that Mick.

First, let us take your point on standardisation. I think there is a good argument for certain sections of all annual reports to be standardised, eg. the reporting of the Executive Officer, use of resources, staff etc. There is a place for part standardisation. I think it would be difficult to have a totally standardised Annual

Report because of (as you said) the diversity of departments and their functions. I think that many members commented in the survey that standardisation would hamstring some of the departments and would make, in effect, the comparisons and performance assessments difficult.

I do not disagree with comparisons and their relevance. However, what we found in reports in the past was that by the time you receive those reports, you cannot make any use of them or even if you do have them in time, they are irrelevant anyway.

Mr JENSEN: In the ACT objectives and performance indicators are included in our budget papers when they are presented to the Assembly, so at the time that the budget material is put on the Table we know what the various programs are trying to achieve and in fact the Estimates Committee uses those as a guide if you like as to part of its deliberations.

Mr CATANIA: Can I ask you, is it a total report or is it a qualified report?

Mr JENSEN: The objectives and performance indicators are identified in the budget and also they are in most cases included in the Annual Report as well. So it is possible to compare them to make sure that they have not been slipping in the good ones and forgetting about the bad ones.

THE FORMAT OF THE PUBLIC ACCOUNTS

Kevin Hamilton

As often happens at conferences, the working title of a paper, in this case, "The Format of the Public Accounts", is not the best description of the contents. This paper deals with the inadequacies of the Public Accounts financial statements from the viewpoint of a reader who wishes to learn the financial position for the whole of government in any sovereign state.

This paper does not address the Federal Government's capacity to influence money supply and, to that extent at least, has only limited application to the federal level of government. Its focus is on the state level of government.

The list of functions of Public Accounts Committees generally includes reporting on the format of the Public Accounts. This paper suggests changes to improve the public accounts and associated changes to produce consolidated financial reports for the whole of government, not just the budget sector.

Although the ideas expressed are not new or revolutionary, I thought there was value in consolidating them in a single statement for consideration by Public Accounts Committees.

For parliamentary democracies in the Westminster tradition, governments operate on a year-to-year basis in accord with the appropriation of funds by the Parliament.

Government departments are expected to fulfil the government's policies and spend no more than the appropriated funds. In this context, "funds" has been taken to mean "cash". In other contexts, however, "funds" has a broader meaning. In a "sources and uses of funds statement" a company may include all the elements of working capital in the definition of funds; including variation in the value of trade creditors.

In government reporting by Australian states, however, with the exception of New South Wales, an increase in indebtedness to suppliers would not be recorded in the accounts of a government department. It may be argued that this is reasonable for government departments because wages and salaries make up such

a large portion of total expenditure that accrual adjustments to goods and services lines are not material. Consider education which makes up 50% or 30% of budget, depending on whether you count health. Wages and salaries make up about 90% of the recurrent budget for education and goods and services comprise the other 10%.

An argument for the non-materiality of accruals associated with goods and services, because of the very high proportion of the wages and salaries component, begs the question regarding non-cash expenses relating to personnel, long service leave and superannuation.

These can exceed 10% of the recurrent cash budget and are clearly material.

Also material, even for the predominantly personnel departments such as education and health, is the depreciation of assets. This may be in the order of 10% of the recurrent cash budget if asset values are measured in terms of current value.

The business of government, however, extends far beyond the activities of government departments. This phenomenon was described by Chief Justice Mason, in the Western Australian Sacred Lands case (Bropho v State of Western Australia and another):

> "the activities of the executive government reach into almost all aspects of commercial, industrial and developmental endeavour and ... it is a commonplace for governmental commercial, industrial and developmental instrumentalities and their servants and agents ... to compete and have commercial dealings on the same basis as private enterprise."

Government business enterprises, which operate outside the budget presented to Parliament, have budgetary significance in a number of ways.

> First: As a source of revenue for the budget, they contribute to an expectation of a stream of cash being available in future years. This contributes to an expectation that established levels of government services can be continued.

Second: They entail a risk of not performing well and failing to make the expected contribution or even of having to call on government guarantees.

Government business enterprises may operate under direct ministerial control but it is often the case that they are under only limited control of a minister or none at all. If they fail, however, public opinion holds the government to blame.

It is against this background that I propose to examine the adequacy of the financial report on the Public Accounts: the traditional Treasurer's Report.

The Treasurer's Report, in its overview form, starts with the "balance" brought forward and ends with the surplus or deficit for the year and the new "balance".

The attention of the political press usually is directed to the size of the surplus or deficit.

Far less attention is given to the amount borrowed to achieve the aforementioned result. This amount is published but seems to escape attention because it does not appear as the bottom line. It is, however, almost universally of far greater size than the declared surplus or deficit.

No attention at all is given to the items which are not included in the report; namely:-

- long service leave expense (to the extent that it is not represented by long service leave payments),
- superannuation expense (to the extent that it is not represented by superannuation payments),
- change in the amount owed to suppliers,
- change in the value of inventories,
- change in the average level of risk that there will be a call on government guarantees.

The Treasurer's Report is a summary statement of the balances and cash movements of the Treasurer's Accounts, together with supporting statements summarising cash transactions in government departments.

The Westminster traditions require a reporting of cash expenditure to permit its comparison with Parliament's appropriation.

The traditional Treasurer's Report meets that requirement.

It does not, however, meet fully the requirements of the present day in which:-

> "the activities of the executive government reach into almost all aspects of commercial, industrial and development endeavour".

The Treasurer's Report does not reflect all the economic activities of the budget section and it excludes government agencies outside the budget sector.

A number of states, including Victoria, recognising the need for improved reporting within the budget sector, have introduced supplementary reports in government program format. These reports allow individual departments to record some significant expenditures which disappear or are transferred elsewhere upon consolidation; for example:-

- superannuation expense,
- office accommodation cost,
- national interest expense of capital.

Only New South Wales, however, has made a wholehearted commitment to accrual accounting.

The shift to accrual accounting is an important advance for two reasons.

- First, it involves the publication of balance sheets. This is a major improvement in public accountability. Managers additionally become publicly accountable for their stewardship of assets and liabilities under their control, instead of only being accountable for their expenditure within parliamentary appropriation.

- Second, the opportunity is established for improved management information and improved management at middle levels. This is not guaranteed, however. Accountants have the capacity to introduce annual reports in accrual terms while retaining their cash system of accounting for internal monthly reports for management and Treasury.

I believe, however, that there are five factors which in time will drive any halfhearted adoption of accrual reporting to a fully developed system in which middle level managers regularly receive financial reports in accrual form. Those five factors are:-

(1) if the highest levels of management are held accountable for their stewardship of assets and liabilities, then their demands on middle-level managers will in turn lead to demands on accounts for better regular information, in accrual form;

(2) non-financial managers are becoming, and as a group will continue to become better educated in management and will demand monthly accounting information in accrual form because they will recognise that it is a more reliable indicator of how they are going financially;

(3) the Public Sector Accounting Standards Board has already published an exposure draft recommending that local government bodies adopt accrual accounting. It is only a matter of time before accrual accounting becomes the adopted professional standard for state governments;

(4) a far higher proportion of recruits to the clerical officer ranks in finance sections are now graduate accountants. As a group, they are more likely than their predecessors to accept a change from the

traditional single-entry cash-based accounting systems of government departments. Indeed, with the confidence and aspirations engendered by their professional qualifications, they are likely to be grass-roots advocates of accrual accounting;

(5) computers set up for traditional single-entry cash-based accounting systems in government departments are arguably one of the major blocks to change to an accrual accounting system. Eventually these systems will have to be replaced and that will provide an opportunity to install commercial systems which provide accrual information for monthly reports.

I have spent some time in the consideration of accrual accounting in relation to middle management. That is appropriate because improved public accountability should not be an end in itself. There is little value in being able to hold senior levels of management accountable if the middle level managers do not have the regular information required to improve the performance of an organisation.

I turn now to consideration of the whole of government, not just the budget sector.

A consolidated report for the whole of government would reflect the full size of the Crown, in terms of economic activities and balance sheet.

Consolidation would remove inter-agency transactions and show the over-all effect of the interaction between the Crown and the community. For example, the largest single cost for the South Australian Engineering and Water Supply Department in a typical year is the cost of electricity for pumping water from the Murray River. Conversely, the largest single source of revenue for the Electricity Trust of South Australia is that obtained from pumping water for the Water Supply Department. With these inter-agency transactions removed from the consolidated statement, the charges on the community for electricity and water become clearer. Furthermore, the expansion or contraction of the whole of government could be easily monitored.

Publication of consolidated balance sheets would allow year by year comparison, exposing clearly the extent to which government

was building or stripping its net assets. This is important but, by itself may not be enough. There is a need for community education, to alert the public to the hollow log phenomenon and draw attention to good or poor husbandry of assets and management of liabilities. We are all familiar with tough budgets immediately after an election and electorally accommodating budgets immediately prior to elections. If there is any chance of responsible development in this area, it is the public accounts committees which are well placed to provide leadership.

Earlier, I mentioned government guarantees.

Guarantees are a peculiarity of government, not generally shared by the commercial world.

While presentation of operating statements in accrual form, accompanied by balance sheets, would improve accountability of governments, exposure to risks through sheets. Something else is required to ensure appropriate information is published on risk exposure through government guarantees.

There are, however, some problems associated with publication of comprehensive information on government guarantees.

- Some guarantees, for example to grain marketing boards, may have no limit. If guaranteed amounts are to be aggregated, there are problems for accountants in adding infinity to infinity. There is another issue which is more fundamental than the accounting problem. That is, whether governments should be providing unlimited guarantees. Attempts to bring this information into the arena of public accountability may introduce to public debate the more fundamental issue of unlimited guarantees.

- Some guarantees may underwrite private enterprise business loans, in order to assist businesses which are at some time in difficulty but are of importance to the regional economy. Publication of full details could destabilise such business, have the opposite effect to that intended by the provision of the guarantee and even lead to a calling on the guarantee.

In spite of the problems, some thought should be given to publication of information which provides any necessary commercial confidentiality yet reveals the extent of government guarantees and the estimated probability that they may be called

upon. Not only are the aggregates at particular times important but the change from year to year is important information regarding the performance of a government.

The Queensland Treasurer publishes a summary of state contingent liability on account of guaranteed financial arrangements of statutory and other bodies. This list, which covers guarantees in aggregate in the order of ten billion dollars, does not include a number of significant guarantees, such as for Suncorp Insurance. The important point is that if one state can publish its guarantees, then so can the others.

Now I come to the point where I take the idea already presented and suggest a new format for the Public Accounts and associated changes to improve public accountability.

First: Parliamentary appropriation should continue to be on a cash basis.

Second: The financial reports for all government agencies and for whole of government should be in accrual form and financial reports should include balance sheets.

Third: Financial reports should include a cash flow statement which may be compared with Parliamentary appropriation to show the budget sector operations have been conducted within the cash constraints imposed by Parliament.

Fourth: The budget estimates for the coming year should be provided to Parliament in accrual form for noting and the budgeted cash requirement of the budget sector should be incorporated in the Appropriation Bill. A motion to note budget estimates in accrual form would allow debate on the non-cash items incorporated into the budget.

Fifth: In addition to the budgets and financial reports for the budget sector, a consolidated report should be prepared for all government agencies. It is acknowledged that this may not be ready in time for the budget session of Parliament but it should be presented to Parliament at the earliest opportunity.

Sixth: The nature and extent of government guarantees should be reported to Parliament, with appropriate care being taken to both protect commercial confidentiality and meet the need of the Parliament and the public to know what the government is doing.

COMMENT

Professor WALKER: I agree with most of what Kevin was saying I just sound a cautionary note. I would not like anyone to think accrual accounting is a panacea. After all, one only has to look at the recent experience with Bond, Budget, Hookers, Girvan, Quintex and all of the other corporations, to recognise that just introducing accrual accounting does not improve accountability. You can have just as much creative accounting in the public sector as you can in the private sector. In fact, sitting around here and hearing the anecdotes, I think there is probably more. Introducing accrual accounting at departmental level is likely to lead to the same kind of manipulation of accounting results as we have seen with corporations, especially if you have got government departments sharing facilities or using facilities provided by another. You are going to have transfer prices, cost allocations, and you are going to have results being predetermined in some ways by central agencies. And in that event you could see all kinds of dysfunctional consequences where the results of departments are affected because they are being charged with expenses which are not really controllable by the managers themselves.

Also accrual accounting can create allusions of prosperity and financial success when that may not always exist, or it can be used to manipulate judgements made about pricing. In New South Wales we have recently seen the Roads and Transit Authority revalue its roads and bridges upwards by a world record figure of $53,000m, and the minister issued a press release saying that this made our debt equity ratio 1 to 43 which is better than any Australian company's. Well, by the end of the day, I think these kinds of numbers are going to be used to legitimise price increases - one will wait and see. Now it seems to me that accrual accounting is just as amenable to manipulation in the public sector as in the private sector.

Just a quick second point. I was interested in the comments about whole of government accounting and I agree that it would be desirable to have some kind of consolidated statement for whole of

government. I am not sure about how you are going to value the assets along the way, but I would make one point that a lot of the public debate about this issue seems to have been picking up what the accounting profession has been advocating and I think many of the people there have not looked too closely at what happens in the public sector. I would like to certainly see whole of government accounting, but I think probably a higher priority might be to look at the way in which governments report on their budget sector. References have already been made to something I wrote recently about the difference between New South Wales and Victoria, where New South Wales was reporting a budget surplus, but if you calculate their budget results in the same basis as Victoria, you get a deficit of $1700m, and it seems to me that is a priority to sort out the cash based accounting and reporting on budget estimates before we start trying to add new tricks to the bag of devices we report.

Thirdly, when we start talking about consolidation accounting it seems to me that perhaps then a higher priority for the use of accrual accounting is to make sure that the things that we report on in consolidated statements also match what is in the budget results. Instead of doing whole of government reporting, I would like to see accrual accounting linked with the budget sector so that you have got the opportunity both to look at cash based reports and estimates of the budget level and the equivalent in accrual terms, because most of the creative accounting tricks that get on really involve intersector transfers between the budget sector and the non-budget sector and just introducing accrual accounting for whole of government to my mind is still going to leave that as an area for fun and games.

QUESTIONS

Mr BAKER: I had one question, are you suggesting that estimates of whether or not guarantees will be likely to be called upon should be presented. How would you imagine that estimate would be made, and who would make it? Would the department itself estimate whether that guarantee was going to be called upon or the government or would there be an independent estimate?

Mr HAMILTON: I would imagine it would be the government that would be estimating the guarantee.

Mr ISAACSON: Mr Chairman, are you going to correct the Speaker about the other member who is reporting contingent liabilities and guarantees. I seem to think the Northern Territory was missed out and I think, you are well in a position to report that that is not so.

Mr HAMILTON: If that would be the case, Mr Chairman, I would apologise to Northern Territorians.

THE ADOPTION OF CORPORATE FORMS FOR GOVERNMENT BUSINESS UNDERTAKINGS - ACCOUNTABILITY ISSUES FOR THE 1990s

James Guthrie

1. INTRODUCTION

The purpose of the presentation today is to identify several accountability issues associated with public business enterprises (PBE) in the 1990s.

The main argument is that as public business enterprises change form from departments, to statutory authorities, to corporations, and are finally privatised bodies, then also the norms, concepts, practice of accounting, auditing and accountability will also change in response to these developments.

In charting these developments, I believe a critical point has now been reached in which choices must be made between accountability regimes based upon the premise of 'the discipline of the market', or based upon 'parliamentary accountability'. Both provide different accountability arrangements for public business enterprises.

In the conclusion, at the heart of the discussion over the status and operation of public enterprises lies a contest between the executive and Parliament concerning the redefinition of traditional accountability and the revised rules and mechanisms associated with accountability to Parliament.

2. THE DEVELOPMENT OF PUBLIC ENTERPRISES

Government activity can be undertaken in a variety of different government entities. Entities with a "commercial" orientation could be organised within a departmental, statutory authority, corporate or other form.

What are "commercial" or "business" government entities is of course something that has changed through time.

Public business enterprises are not of recent origin but are a matter of historical development. The early colonial needs and desires for national and community services created an environment in which the government financed and undertook activities which private enterprise was not willing to undertake (Evatt, 1989).

In Australia many of the basic utilities of a monopoly character (eg; water, electricity, roads, ports and airports) were established and financed by a system of public business ownership.

Public business enterprises have social or political objectives, such as:

- to regulate price charging;
- to develop resources that might otherwise remain latent;
- to assist in national defence; and
- to provide essential community services that otherwise would not have been provided by private capital and the market.

The finances of many public business enterprises are not reflected within budget documents and are outside the ambit of the state budgetary process. Many of these organisations' finances are only recorded in their own annual reports and statistical documents (eg; government borrowing and National Accounts).

Within Australia at present approximately 25 per cent of total government assets associated with public business enterprises are within the federal sphere (eg; Qantas, Australian Airlines, Commonwealth Bank, Telecom and Australian National Line) and the rest are within state and local government spheres.

In the various state governments and territories, public business enterprises cover such activities as energy provision, transport, insurance and banking, whilst local government activity is more related to the local environment (eg; abattoirs and the arts).

Several links exist between public business enterprises and central government and Parliament. First is their existence.

Second are the accountability links to the executive and Parliament; and third are the financial and operating links.

A public business enterprises might have expected in its past to have received assistance in the form of:

- operating subsidies;
- capital towards asset installations;
- repayment of outstanding special loans or liabilities; and
- access to government guaranteed borrowings.

Now public business enterprises are considered to be part of the commonwealth (Wells, 1990), that is the public has a vested interest in the ownership and operation of these enterprises from two perspectives; as owners, and in certain circumstances, as customers of their service or products.

The development of government business enterprises in Australia has been different from other nation states (Wiltshire, 1990). For example, there are few cases of nationalised industries or mixed capital ownership within Australia. Once case of mixed capital ownership was the joint activities after the second world war of extracting and refining oil from shale. Also, unlike America there has not been a history of private capital injection into natural monopolies such as energy, harbours and transport industries.

In summary public business enterprises are undertaken within the three levels within Australia. Because of their objectives, charters, legal relationships, type of activities and financial reporting and accountability links.

Several characteristics can be gleaned from a reading of the historical development of public business enterprises.

First, public business enterprises are responsible to a minister and may or may not fall under the ambit of the administration arrangements of that minister's department.

Second, they may reside inside Treasury's orbit and be part of the annual budgetary processes (eg; ports and harbours) or are outside the budgetary process and reside outside the Treasury orbit (eg; Electricity Commissions, SSBs and GIOs).

Third, capital investments and lines of credit must be undertaken within the government public sector borrowing requirements and treasury guidelines.

Fourth, public business enterprises historically have possessed social or political objectives over and above the market requirement for profitability on capital investment and maintenance of net worth.

3. PARLIAMENTARY INTEREST

Since the early 1970s there has been a renewed interest in the management and finance of public business enterprises. In the federal sphere the activity ranged from the Royal Commission on the Australian Government Administration (RCAGA, 1976) and policy statements (Kerin 1986; Walsh 1987; Evans 1988) to Parliamentary committees' interests (JCPA 1988; 1991a; 1991b; SSCFPA, 1989; 1991). Also in various states and territories there has been a similar litany of inquiry reports, recommendations, and proposed and actual legislative changes.

For instance, since the early 1970s Parliamentary reports include those listed in Figure 1.

Figure 1

Parliamentary Interest in Annual Reporting

1976	Coombs (Chair), Royal Commission on the Australian Government Administration;
1979	Commonwealth Joint Committee on Publications, 'Annual Reports of Commonwealth Departments and Authorities';
1981	'Final Reports of the (Inter-departmental) Working Party on the Public Sector Accounting and Reporting Standards' (NSW);

1982	Commonwealth Joint Committee of Public Accounts (JCPA) 199th Report, 'The form and Standard of Financial Statements of Commonwealth Undertakings';
1983	Public Accounts Committee of the New South Wales Parliament recommends an Annual Report Act (Seventh Report of PAC);
1984	Annual Reports (Statutory Bodies) Act (NSW);
1986	JCPA 262nd Report, 'Guidelines for Annual Reports';
1989	Senate Standing Committee on Finance and Public Administration (SSCFPA), 'The Timeliness and Quality of Annual Reports';
1989	JCPA 304 Report, 'Guidelines for Departmental Annual Reports';
1989	SSCFPA, 'Government Companies and their Reporting Requirements';

RECENT ACTIVITIES

1991	QLD PAC Accountability of Government Companies, Report No. 9;
1991	JCPA Annual Reporting Guidelines for Statutory Authorities, Report No. 309;
1991	JCPA, Annual Reporting Guidelines for Statutory Authorities, Report No. 309;
1991	SSCFPA, Estimates Committee Documentation and Procedures;
1991	NTPAC Public Accounts Report No. 12;
1991	JCPA 'The Social Responsibility of Commonwealth Statutory Authorities and Government Business Enterprises'.

In 1989 there was a watershed inquiry by the SSCFPA into government owned companies (GOCs) and their reporting requirements. This detailed inquiry found an upsurge in the use of companies which had led to a serious gap in the ability of Parliament to carry out its proper function of scrutiny. The major thrust of the recommendations suggested the need for a strengthened accountability for certain government organisations.

Coates (1990) outlines the major issues in accounting, auditing and accountability associated with government owned companies identified by the SSCFPA (1989). The four main issues explored were:-

1. How great, precisely, is the extent of governments' involvement in companies?

2. What approval processes must be gone through to acquire, or establish or participate in the companies?

3. For what kinds of activities (if any) are companies better suited to perform as conventional statutory authorities?

4. Is there provision for proper accountability by the companies to Parliament?

The first and second questions concerned the extent and approval processes associated with GOCs and were descriptive in nature. The SSCFPA report found significant problems in describing the number and type of GOCs and also a confused regime of approval mechanisms.

The third and fourth questions concerned the reasons for incorporation and the provision for accountability to Parliament. These questions were contentious and contestable. The committee found that a redefined accountability regime was being forged by the executive for GOCs, placing emphasis upon financial performance and market forces, rather than on traditional concerns with compliance, probity, financial processes, and political and social accountability issues.

Several recent attempts at Parliamentary scrutiny highlight the complexity of the issues and myriad of 'solutions' being offered. These include inquiries by the Commonwealth, State and Territory Parliaments to review aspects of public business enterprises, including:-

NT PAC (1991), Public Accounts Report No. 12 (May 1991);

QLD PAC (1991), Accountability of Government Companies, Report No. 9;

JCPA (1991), Annual Reporting Guidelines for Statutory Authorities, Report No. 309;

SSCFPA (1991), Estimates Committee Documentation and Procedures, (April 1991); and

JCPA (1991, forthcoming), 'The Social Responsibility of Commonwealth Statutory Authorities and Government Business Enterprises'.

In summary, parliamentary interest in public business enterprises has waxed and waned and, as a SSCFPA (1991 p.75) recent report observed, '(the) scrutiny of government business enterprises by standing committees to date has been sporadic and limited in scope'.

4. REGULATORY FRAMEWORKS

Various regulatory models have been applied and proposed for public business enterprises (see Figure 2). Also there has been a waxing and waning in Parliamentary and political interest in the operations and accountability of these organisations.

Figure 2

Evolution of PBEs during the Twentieth Century

-- Departments

to

-- Statutory Authorities

to

-- Corporatisation

to

-- Privatisation

In the above scheme which indicates that public business enterprises move from departments, to statutory authorities to corporatisation is meant to be only a prototype model of what is a complicated story. In practice, government business entities have moved from statutory authorities to departments (see Johnson and Rix, 1991, p.95). The following is a generalisation which only portrays the most striking strand of development, but this is not the only one.

Originating in the use of the department form, public business enterprises in the early part of the century moved to a single statute model. The single statute provided standard financial and accountability procedures, as well as governance structures.

By the 1930s this blanket enactment had been replaced by separate legislative acts for each entity (eg; a statutory authority with specific managerial and financial structures laid down within).

In the Commonwealth in the late 1980s there was a push towards the adoption of corporate type structures for certain public business enterprises. This process is known as corporatisation.

In practice the various governments in Australia have adopted different terminology and characteristics by which to classify public sector activities. Also public business enterprises are evolving and ever changing. This use of different terminology and the rate of change can be confusing, as there is no agreed upon standard or Commonwealth statistical definition.

The following classification schema is used:-

- commercialisation (process of introducing commercial management principles, practices and accountability regimes);
- corporatisation (use of a corporate form for legal, governance, management, accounting and accountability purposes for the running of public sector business activities); and
- privatisation (the selling of part or all of a corporatised public sector entity to private capital).

As public business enterprises change form along the continuum of departments, to statutory authorities, to government owned corporations, and finally to privatisation, also the accounting, auditing and accountability arrangements change, as these arrangements are different for each form (see Guthrie 1989; Walker 1989; English and Guthrie, 1990; Johnson and Rix 1991).

To illustrate this, Table 10.1 is reproduced from Johnson and Rix (1991, p.113). This Table (1) highlights the different accounting and auditing rules which are applied to the statutory authority and to companies (sic).

Table 1

Accounting and Audit Rule

Applied to Statutory Authorities and Companies

	Statutory Authorities	Companies
Financial Reports	As specified; usually accrual accounting	Balance sheet, & loss statement (which necessitates use of accrual accounting)
Distribution	Parliament; some libraries; some on request	Shareholders; also placed on public record (except for certain exempt proprietary companies); may not be tabled in Parliament
Accounting Methods	Usually unspecified; usually Australian Accounting Standards	Approved accounting standards rules specified in Schedule 5 of the Corporations Law
Auditor	Auditor-General	Auditor-General or agent; or private sector auditor
Audit Reporting	Audit of:- - financial statements - compliance issues - performance (elective)	Audit of financial mandate statements only

5. THE RECENT TREND

In the 1990s the single regulatory framework model is once again gaining vogue; there are two streams to these developments. The first stream is the incorporatisation or developments. The first stream is the introduction of specific Acts (for example, in NSW the public business enterprises Act), where several have been required to reorganise their governance, managerial and financial structures in line with the requirements of the Act (Walker, 1989).

The use of corporate structures and techniques for the structuring and operations of public business enterprises has mean that a prototype model is evolving, which includes separate legal entities status, boards of directors, accrual accounting, private sector audit and annual reporting requirements.

The recent trend towards the wider use of the corporate form as a vehicle for conducting the business of government can be expected to create several accountability tensions.

Traditionally the main mechanism for accountability is the link between Parliament and the statutory corporation via the responsible minister, to whom Parliament may direct any inquiries. Annual reports, accompanied by statements of account, are usually required to be tabled in Parliament, via the responsible minister. Financial accountability links are established when the Auditor-General reviews the accounts and reports directly to Parliament upon those accounts. Social and political accountability links are established via the minister and parliamentary scrutiny.

The following sub-section lists five areas of concern:-

- financial reporting;
- the provision of auditing services;
- performance review mechanisms; the identification and calculation of community service obligations;
- and other accountability issues.

Within each area there are several questions for which "solutions" are not pre-given, but must be constructed, which will affect the application and functioning of accountability to Parliament. These are listed in the following:-

A. Financial Reporting

- the content and format of annual reports;
- the distribution of annual reports;
- the accounting methods to be used and who get to set the 'standards' of good practice;
- the timing of reports;
- the content and form of financial and non-financial information;
- annual reporting to Parliament;
- is statutory backing required for financial reporting to cover all government entities?
- who should provide guidelines (the Executive government and approval by Parliamentary committee)?
- should there be different reporting requirements for various categories of government entities?, and
- how can parliamentary scrutiny be formalised and enhanced?

B. Provision of Auditing Services

- how should the auditor be appointed? (independence)
- how should the auditor be paid for the work undertaken? (resourcing)
- should the role of the auditor be extended to include reporting on performance indicators and performance? (mandate and scope)
- should all audit reports be directed at management, the responsible Minister of Parliament? (reporting process)
- what audit standards are appropriate for the conduct of compliance and performance auditing? (standards) and

- to what extent should public sector audit work be undertaken by private sector auditors? (access)

C. *Performance Review Mechanisms*

- is a financial account sufficient to fulfil the accountability requirements of government business enterprises?
- how will rate of return be calculated?
- what pricing policy is to be adopted for the services of government business enterprises?
- how are asset and liabilities to be recognised, measured and reported?
- what other type of information is required to judge 'performance'?
- what type of account should be provided to the Parliament and the public about the performance of government business enterprises?
- which organisation is responsible for performance review? (ie; Treasury, Premier and Cabinet, Auditor-General, Parliamentary Committee, etc).

D. *The Identification & Calculation of Community Service Obligations*

- what are the political and social accountability requirements for government business enterprises?
- what services or activities within government bodies represent CSOs?
- who will and how are the CSOs to be identified?
- what price is going to be placed on these and who pays for CSO?

- what government GBE does not have a CSO? and
- should the basis for identifying and calculating the cost of CSOs be subject to guidelines and disclosed in annual reports?

E. Other Accountability Issues

- redefined ministerial responsibility;
- departmental administrative arrangements' influence;
- the requirement for legislative authority to establish these bodies;
- the use of partnerships, limited liability status, subsidiaries, exempt proprietary status, or trusts;
- the oversight of the financial practices for public business entities (ability to freely borrow, overseas loans, government guaranteed debt, payment of dividends, repayment of previous government loans, special 'productivity dividends');
- regulation of increases in charges and pricing;
- the repayment of taking over of government business enterprises' debts by the government;
- the distancing of government business enterprises from the public sector and ministers;
- market failures and corporate collapses in the private sector; and
- the lack of parliamentary scrutiny of the accountability regimes and processes.

As highlighted in the above list, there are various questions available to policy makers, executive government, managers and the parliamentarians. What is central to this process is the remoulding of accountability regimes, which is at the heart of debates about corporatisation and privatisation.

6. IMPLICATIONS OF CORPORATISATION FOR ACCOUNTABILITY

This section will briefly explore the trend within governments in Australia to redefine public sector accountability of public business enterprises. According to this redefinition, financial discipline and efficiency are the central tenants of a new accountability regime.

A recent book on the electricity industry (Johnson and Rix 1991, p.3 102) stated that:-

> the trend towards corporatisation ... is based on the confusion which exists between financial accountability, such as is provided (however inadequately) through the relevant sections of the companies code (or its equivalent), and the necessary political and social accountability expected of authorities in a Westminster-style parliamentary democracy. Put simply, decisions regarding the proper legal or constitutional form for public authorities should take account of their special situation arising from their public ownership.

A focus upon just the financial accountability of these public business enterprises raises several issues. For instance, in a company model of accounting and financial reporting, the commercial accrual accounting system with its balance sheet and profit and loss statement provides only a guide to 'profitability' or 'net worth'. It needs to be recognised that public sector corporations, although to all appearances business instrumentalities, are often agencies for the obtainment of social and political objectives. These objects can override the consideration for profitability (return on investment).

Conventional accounting is limited. Three limiting factors are explored here. First, the lack of measurement of achievements of social and political objectives. Second, the focus upon net worth, when many public business enterprises are greater than the sum of their financial worth (ability to sell assets at a point of time). Many public business enterprises are concerned with spreading the cost and benefits over the whole community as a means of protection against domestic and international economic fluctuations. These common economic resources are used for the common wealth rather than for private appropriation.

The infrastructure developed and managed within the public sector assures access to clean water and sewerage systems, to roads and communications and power networks, and national parks or sporting facilities. There are also the rights and legitimacy of the state via laws, administration procedures and actual arrangements. Accounting, and especially accounting in monetary terms, does not take account of these common asset attributes.

The third factor concerns the inability of the balance sheet and profit and loss statement to provide a link between government policy and the objectives of business undertakings and their actual performance during the year, other than in the purely arbitrary presentation of figures.

Parliamentarians should not be satisfied with just a financial accountability (however adequate), but should also consider the necessary political and social accountability for these public business enterprises. While the corporate form may allow these enterprises to compete on a more equal basis commercially, it does not guarantee, in fact it may be incompatible with, the preservation of a broader range of economic and social responsibilities, over and above profit making. Some of these responsibilities were, historically, part of the rationale for the establishment of these enterprises in earlier decades. Other responsibilities have been added later (eg; pace-setting role in Affirmative Action and occupational health and safety training) but are not less important (Guthrie, 1991).

In summary, there needs to be regular and systematic scrutiny of public business enterprises on behalf of the ultimate owners of the bodies and the guarantors of their debt - the Australian people. This should be done via the Parliamentary process and there needs to be a formal linkage between off-budget agencies and the scrutiny committees of Parliament.

7. FORCES DRIVING CHANGE

Australian policy making during the 1980s was dominated by economic rationalism (Wells 1990; Pusey 1991) and manageralism (Yeatman 1987; Guthrie and Parker 1990) philosophies and associated values, and these have influenced the promotion and changing characteristics of organisational structures in government (Guthrie, 1991).

Because of the changing characteristics of these organisational structures, management, accounting and other technologies have been promoted as some of the vehicles by which these philosophies have been put into practice. For instance, in accounting and its attendant focus on financial calculations, money exchange, measurability of individual work place activities and financial reporting of an organisation have dominated. These changes imply a dramatic change in the focus and modus operandi of public sector activities.

The push for commercialisation, corporatisation and privatisation has its roots in the economic perspective of economic rationalism. Pusey's 1991 intensive survey of federal senior executives service found that:-

> almost everything that happens in Canberra today is premised on the assumption that there is a hierarchical order ... that given primacy to the economic system, and second place to politics and the political system, and third place to a residual view of society that is seen as some kind of stubbornly resisting sludge that in various ways inhibits and obstructs the economy.

The current wave of macro and micro economic reforms is lead by the belief that 'market mechanisms' and 'private sector business practices' should prevail upon 'rational decision making' within the public sector.

As was noted in the body of the paper, as public business enterprises change their form along the continuum of departments, to statutory authorities, to government owned corporations and finally to privatisation, there are significant differences between the accounting, auditing and accountability arrangements under each form. Indeed the wider use of the corporate form or privatisation as a vehicle for conducting the business of public business enterprises can be expected to weaken arrangements for accountability within the public sector.

In the Australian system of government, ministers and public servants are accountable to the Parliament for the use of the public resources with which they have been entrusted. The Parliament, representing the resource providers, has a responsibility to ensure that the resources are wisely used and safeguarded. The parliamentary committees' scrutiny (eg;

Public Accounts Committees) of government activity and stewardship are one of the means of meeting this responsibility.

The brief survey of Parliamentary inquiries and other activities (see section 3) found considerable parliamentary concern about several important accountability issues associated with public business enterprises; especially as more entities are corporatised. These bodies have not been subject to regular parliamentary review in the past. The timeliness and quality of annual reports from these bodies has been questioned. Other accountability aspects have been raised, especially public business enterprises' performance reporting.

In the 1990s a choice must be made between accountability regimes based on the premise of 'the discipline of the market' or based upon 'Parliamentary accountability'. Both provide different accountability arrangements for public business enterprises.

At the heart of discussions over the status and operation of public business enterprises lies a contest between the executive and Parliament about the redefinition of traditional accountability, and revised rules and mechanism associated with parliamentary accountability.

HANDOUT

Social Responsibilities are those activities which may:

- not have purely financial implications;
- be community service obligations required of certain government bodies;
- be required of government entities and would not normally be imposed on or required of a purely commercial entity in a similar enterprise;
- be perceived social objectives incorporated in the organisation's corporate plan;
- have been adopted voluntarily by an organisation; or
- be other activities which are considered by government entities as social responsibilities.

Social responsibility activities could include:-

Environment

Pollution control
Prevention or repair of environmental damage
Conservation of natural resources
Other environment disclosures

Fair business practices

Employment of minorities
Advancement of minorities
Employment of women
Advancement of women
Employment of other special interest groups

Energy

Conservation
Energy efficiency of products
Other energy related disclosures

Products

Safety
Reducing pollution from product use
Other product related disclosures

Service provision

Remote areas
Disadvantaged groups

Support for minority businesses
Socially responsible practices abroad
Other statements on fair business practices

Human resources

Employee health & safety
Employee training
Other human resource disclosures

Disabled groups

Community involvement

Community activities
Health related activities
Education and the arts
Other community activity disclosures

Other social responsibility disclosures

Other disclosures
Additional information

Source: R Gray, D Owen and K Maunders, Corporate Social Reporting, Prentice Hall International. London, 1987, p.24.

SURVEY OF PRIVATE SECTOR ANNUAL REPORTS

A survey was made of the most recent annual reports of 13 Australian businesses, selected to cover the full range of types of business and to include, where possible, prize winners in the Australian Business (formerly AIM) Annual Reports Awards. The businesses selected were:-

AGC Ltd 1989
Amcor Limited 1990
Australian Stock Exchange 1990
Coles Myer Ltd 1990
CSR Ltd 1990
ICI Australia Limited 1989
Kern Corporation Limited 1990
Mayne Nickless Ltd 1990
National Australia Bank Ltd 1989
Placer Pacific Ltd 1989
QBE Insurance Group Ltd 1990
SEAS Sapfor Limited 1990
St George Building Society Ltd 1990

The survey showed that, with one exception, some information about the performance of social responsibilities was provided by all the businesses. The points below summarise the subject matter of this information:-

- 11 companies covered issues relating to their staff such as affirmative action, training, industrial relations, superannuation, and occupational health and safety;

- eight reported on their involvement with local and the wider Australian community through sponsorship of such activities as cultural events and medical research and the provision of scholarships and fellowships;

- six included social responsibilities among their companies' objectives; these objectives concerned the companies' human resources philosophies and their intentions to be good corporate citizens;

- three discussed issues relating to business integrity, the use of codes of conduct and regulation; and

- six covered environmental concerns.

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John Watson

Following on from James Guthrie's remarks which have set the context for our consideration today of accountability issues relating to government business undertakings, I would like to discuss the work being done in this area by the Joint Committee of Public Accounts.

But before embarking on that exercise - as parliamentarians we always like a good debate - I have to take issue with three matters that were raised yesterday by David Shand. Unfortunately due to other commitments I was unable to be present to take the matter more directly with him. But to get the record straight, Report No. 199 which I chaired was something of a landmark in terms of the move towards greater accountability.

David indicated that although the Joint Committee of Public Accounts showed an initial burst of enthusiasm for a Government Standards Authority, that seems to have waned. May I add that on at least 22 occasions I have tried to get on to that accounting standards board, but was unsuccessful. Obviously, there are people who are undoubtedly more talented than members of the Joint Committee of Public Accounts. That issue should not be confused with a lack of interest.

Secondly, I feel that a printer's error must have occurred when Mr Shand was referring to Report No. 296 in that he said that the government accepted a few of the JCPA's recommendations. In fact, the reverse was the case. The government accepted practically all our recommendations. The only ones they knocked back were essentially those relating to the need for additional finance after Tom Sheridan's subsequent report to Government. Several millions of dollars by way of additional resources was granted by the government.

Finally, Mr Shand attacked the JCPA on an unnecessary examination into PISO, the Parliamentary Information Systems Office, on the basis that it only involved some $90,000 and that there were far greater issues that the committee should look at.

In support of the reasons why Joint Committee of Public Accounts looked into that particular PISO was that within the heart of the Parliament things went dreadfully wrong. Initially, the Committee did not know that the sum involved was $90,000.

If we had not undertaken this inquiry, we could have been criticised for keeping matters within the club, within the Parliament. We were not prepared to overlook the sum involved and not criticise one of our own establishments, where things went dreadfully wrong. There was no proper minute taking, no internal control, and no internal audit. There was an inappropriate line of communication and reporting and so on.

But apart from that, there had to be a number of messages go out, both to the private and public sector. Firstly, in the private sector, a firm took upon itself the acceptance of Commonwealth moneys into its own private bank account and then allowed disbursement of the money without proper authorisation. In fact money there was that when private enterprise deals with government they need to act with a degree of propriety; they need to know the rules.

It was not good enough for officers within PISO not to know - particularly in senior positions - what was required of them, and furthermore, those officers chose not to be informed.

PISO was an important report and although it did involve perhaps as much money as an investigation into say foreign affairs may have involved, there was an issue of keeping our credibility and a need to be prepared to criticise areas where things went dreadfully wrong right int the heart of the Parliament.

During the present Parliament, the committee has been undertaking two inquires which impact on the accountability of government business undertakings. These are:-

- the Inquiry into Annual Reporting Guidelines for Statutory Authorities, the report of which was tabled last week (JCPA Report 309); and

- the Inquiry into the Social Responsibilities of Commonwealth Statutory Authorities and Government Business Enterprises.

In the committee's view, the annual report lies at the heart of the accountability process and is one of the most important vehicles for effective parliamentary scrutiny. The committee initiated its Inquiry into Annual Reporting Guidelines for Statutory Authorities in the context of, and in response to, the significant public sector reforms that occurred during the 1980s.

The present Commonwealth *Guidelines for the Content, Preparation and Presentation of Annual Reports by Statutory Authorities* were issued in November 1982. However, since that time the guidelines have been neither updated nor re-issued to reflect the major changes to the reporting requirements of all Commonwealth entities.

At the beginning of the inquiry, it became abundantly clear to the committee that the current 1982 guidelines are out of date and do not adequately reflect the changes that have taken place in both the present day administrative environment and the legislative framework within which Commonwealth government entities operate.

As you would all be aware, statutory authorities have generally been afforded more management autonomy and flexibility in financial administration than departments. This is particularly the case in the light of the ongoing reforms to public sector management and since the issue of the government's *Policy Guidelines for Commonwealth Statutory Authorities and Government Business Enterprises* in October 1987.

But in the committee's view, this increased autonomy and flexibility give rise to an even greater need for detailed and proper reporting by statutory authorities of their performance to fulfil their accountability requirements to Parliament and through Parliament to the public at large.

Accordingly, in its 309th Report, the committee strongly endorsed the existence of guidelines which laid the foundation for statutory authorities to prepare high quality annual reports and focus on the meaningful reporting of both financial and non-financial performance. Furthermore, the committee is of the view that no statutory authority - large or small, commercial or budget-dependent - should be exempt from meeting the minimum requirements set down by annual reporting guidelines.

The committee is particularly concerned that while many statutory authorities have specific annual reporting provisions in the Acts by which they are established and others are subject to the annual reporting provisions of the *Audit Act 1901*, there is no consistent or all embracing legislative requirement for every statutory authority to report to Parliament annually.

The fact that there is no statutory backing for the annual reporting guidelines for statutory authorities is incongruous with the existence of statutory backing for the departmental annual reporting guidelines, by virtue of the *Public Service Act 1922*, and the requirements of the Companies Code in relation to annual reporting by private sector companies.

In the committee's view, the most effective way to ensure that there is a minimum level of quality information presented by all statutory authorities to Parliament each year is to give new annual reporting guidelines statutory backing and it has recommended accordingly.

Furthermore, in line with the current practice for the guidelines for departmental annual reports, the committee has recommended that the statutory authority guidelines, and any amendments made to them from time to time, be approved by the Joint Committee of Public Accounts.

The committee has also recommended that new annual reporting guidelines for statutory authorities be prepared by the Department of the Prime Minister and Cabinet and that the Department be responsible for an annual review and update of the guidelines.

There is a vast array of bodies that can be classified as statutory authorities and as part of the Inquiry the committee closely examined the classes of statutory authorities to which the annual reporting guidelines should apply. The committee has recommended that there should be one set of annual reporting guidelines for statutory authorities and that these new guidelines should clearly state the categories of statutory authorities to which they apply. These categories should include:-

- government business enterprises;
- statutory marketing authorities;
- other commercial statutory authorities; and
- non-commercial statutory authorities.

Furthermore, the committee recommended that the guidelines should be presented on two levels:-

- the first covering broad issues applicable to all authorities with an emphasis on accountability requirements for both financial and non-financial information; and

- the second level divided into sections relevant to particular categories of statutory authorities which outline the reporting requirements applicable to each category.

The committee believes that these recommendations will clarify the present state of confusion surrounding the annual reporting requirements for statutory authorities.

All statutory authorities are accountable to Parliament for their performance and, as I have already mentioned, the reporting of performance takes on added importance in the context of the recent reforms in public sector management.

In the light of the reforms, the committee concluded that the current annual reporting guidelines for statutory authorities do not adequately emphasise the importance of results-oriented reporting.

The committee considers that currently there is inadequate guidance from central commonwealth departments for production of performance information by agencies but readily recognises that development of quality information is a dynamic process and is still in its relative infancy.

Against this background, the committee recommended that all statutory authorities be required to report on non-financial performance in their annual reports, providing as a minimum, an outline of program objectives and of desired results together with a description of key performance indicators. Comparative data over successive years should be presented where relevant.

During the inquiry, the committee paid particular attention to the situation of statutory authorities with commercial operations. With the aim of improving the quality and timeliness of information to Parliament, the committee has recommended that such authorities be required to present to the relevant minister on a half-yearly basis, interim reports on financial position. Furthermore, all statutory authorities should be required to report critical events which have a material affect on financial position to relevant ministers as they occur.

An issue addressed by the committee when considering the possibility of one set of general guidelines applicable to all types of

statutory authorities was that of protection of commercial-in-confidence information. The requirement for government business enterprises and statutory marketing authorities to prepare both corporate and annual plans for the approval of their relevant Minister ensures, to some extent, that commercial-in-confidence information is considered by the Executive.

Under the Westminster model of government, however, for adequate accountability to be preserved, Executive Government must be accountable to Parliament. The annual report of any statutory authority is a report prepared by the Chief Executive Officer of that authority, to Parliament through the Minister. While the committee acknowledges that the corporate planning exercise is an essential management reporting function, there is a fear that authorities may use corporate planning as a convenient excuse to reduce the level of information provided to the public in annual reports.

The committee therefore considers that there needs to be a mechanism established to ensure that only true commercial-in-confidence material is suppressed from publication and has recommended that stronger consideration be given to the treatment and disclosure in annual reports of commercially sensitive information.

Parliamentary scrutiny of annual reports is an essential link in the accountability chain. Such scrutiny can have direct benefit in improving the accuracy of information provided in annual reports and in promoting adherence to annual reporting guidelines. The committee also recognises a need for direct feedback to authorities from Parliament about the type of information presented in annual reports. Without such feedback, reporting entities are left in the dark about the quality of the information they have provided, how useful it is and how and where it could be expanded upon. Accordingly, the committee made a number of specific recommendations to bring about enhanced scrutiny by the Parliament.

In Report 309, the committee endeavoured to set the major parameters for the drafting of new guidelines for annual reporting by statutory authorities. While the report does not address all detailed issues in annual reporting, it identifies the critical matters that should be included in annual reports.

The committee regards this report as providing the overdue impetus for new annual reporting guidelines for statutory authorities. More importantly, the committee views the report as the foundation for the creation of relevant annual reporting guidelines within a framework of constant review and revision.

The inquiry into the social Responsibilities of Statutory Authorities and Government Business Enterprises compliments the Inquiry into the Annual Reporting Guidelines for Statutory Authorities. The focus of the Social Responsibilities Inquiry is on the measurement and reporting of the performance of their social responsibilities. The Inquiry has not yet finished so, in my remarks about it today, I will confine myself to talking about some of the issues that it has raised.

The first task of the committee was to more clearly define the term, 'social responsibilities'. In this task the committee drew on the work of Gray and his colleagues. As you will see from the hand-out that I have made available, Gray and his colleagues have suggested that social responsibilities are those activities which:-

- may not have purely financial implications;
- may be community service obligations required of certain government bodies;
- may be required of government entities and would not normally be imposed on or required of a purely commercial entity in a similar enterprise;
- may be perceived social objectives incorporated in the organisation's corporate plan;
- may have been adopted voluntarily by an organisation; or
- may be other activities which are considered by government entities as social responsibilities.

It is clear that social responsibility activities cover a wide spectrum and include matters such as: the environment, energy, fair business practices, products service provision, human resources and community involvement. The hand out provides greater detail about what each of these areas of social responsibilities might encompass.

If one wanted to summarise what social responsibilities are, one might say that they entail providing a degree of protection to the vulnerable and ensuring the proper use of resources.

The committee also established at an early stage that social responsibilities differ in their impact on the work of statutory authorities from one type of authority to another. Some of the budget-independent statutory authorities, in their submissions to the inquiry, claimed that the whole reason for their existence was to perform certain social responsibilities that the government had seen fit to undertake. Running libraries, art galleries and museums are examples of such social responsibilities.

For the commercially-oriented statutory authority on the other hand, the main focus of attention is obviously on their commercial operations and their social responsibilities are considerations that inform the manner in which they carry out their business. As the subject of this session of the conference is government business undertakings, I will leave aside the social responsibilities of the budget-dependent statutory authorities and concentrate in what follows on government business enterprises or government business enterprises.

To put the matter in context, I will say a few words about reporting on the social responsibilities of commercial enterprises in the private and public sectors. During the 1970s and 1980s, interest in reporting performance of social responsibilities in company annual reports grew, especially in the United State. The topics most usually covered were the environment, energy, human resources, products and community involvement, with human resources generally receiving most attention.

A survey by the committee of the most recent annual reports of the 13 leading Australian companies showed that all but one reported on one aspect or another of their performance of their social responsibilities. Nearly half the companies surveyed included socially responsible behaviour among their corporate objectives. A second hand-out I have distributed provides more detail about this survey.

It is in this climate in the Australian business world that the committee is considering the need for commonwealth government business enterprises to report on the performance of their social responsibilities. The need for Commonwealth government business enterprises to report on the performance of their social responsibilities is also a necessary requirement following from the

1987 reforms of government business enterprises in which they were given greater autonomy for their operations. One of the trade-offs for greater autonomy must be a stronger requirement for accountability on the part of the government business enterprises.

I would now like to outline for you some of the issues with which the committee is grappling.

The first relates to the task of measuring performance. The principles by which performance measures should be chosen are well known and the outputs of government business enterprises are well suited to being measured. Take the case of Australia Post as an example: each year it reports, among other measures, the percentage of letters being delivered within the advertised times and the percentage arriving one day late.

Work involving research or policy is, however, much harder to measure. As the Australian Institute of Family Studies pointed out to us, the impact of research may well not be seen for several years. We need to recognise the measurement difficulties involved in some cases and the slowness with which systems that will provide meaningful measurement can be put in place.

We also need to recognise that some social responsibilities simply cannot be measured directly or in easily quantifiable terms. How, for example, does one measure the extent to which a government business enterprise is acting as a good corporate citizen? As the Commonwealth Auditor-General pointed out to the committee, this is an example of a responsibility whose implementation relies on the appointment of the right people to the board and does not lend itself to being checked upon in the pages of annual reports.

Another of the committee's tasks has been to consider how the *value* of socially responsible behaviour may be measured. We have looked at both the cost of being socially responsible and the value of that socially responsible behaviour to the recipient.

It is clear that it is generally easier to cost the provision of a service of this kind than it is to measure the benefits. At best, the benefits can often be described only in qualitative terms. Take, for example, the case of an elderly woman who lives alone and relies extensively on the telephone to keep in touch her with her friends and family. We can calculate the cost of providing and maintaining that telephone. But can we attach a monetary value to the extent to which her telephone contacts increase the quality of her life and easy contact with her carers precludes the necessity of

institutionalising her?

We are left trying to balance the 'harder' data provided by financial performance measures with the 'softer' data of a qualitative approach. We see the same dilemma in the approaches of the Department of Finance and the Department of the Arts, Sport, the Environment, Tourism and Territories to the value of museums and art galleries. The first one produced a publication titled, 'What Price Heritage?, and the second one titled, 'What Value Heritage?'

Community service obligations (CSOs) are a specific type of social responsibility that is imposed by the government on a government business enterprise, requiring the government business enterprise to undertake to provide some of its services at less than the cost of providing them. With the current emphasis on evaluating the efficiency of the public sector, the cost of government business enterprises of meeting their CSOs has been a topic of much interest.

One of the most detailed costing exercises of this kind - and a world first, we understand - has been carried out by Telecom Australia and relates to its CSO to provide access to a standard telephone service to all Australians on an equitable basis. What has been learnt from this process is the need for a very clear definition of what that CSO is and how complex a task it is to identify which services are being provided at less than cost when they are carried in the same network as profitable services. Australia Post faces some of these same problems in its current exercise to cost its CSOs.

Not surprisingly, given the relative youth of the arts of measuring and evaluating performance, there is no generally accepted framework for social accounting. There are attempts being made, however, to produce such frameworks and, in a recently published volume, Roger Wettenhall and Colm O Nuallain describe a system of performance evaluation for public enterprises which has been employed in Pakistan and Korea and is being extended to Bangladesh and Venezuela. The system includes mechanisms to recognise non-commercial as well as commercial objectives and to take long term planning into account. [1]

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1. R Wettenhall and C O Nuallain (eds). Public Enterprise Performance Evaluation: Seven Country Studies, International Institute of Administrative Sciences, Brussels, 1990.

Finally, I want to say a few words about reporting the performance of social responsibilities. The committee's Report 309 on the Annual Reporting Guidelines for Statutory Authorities, which I talked about earlier, recommends that statutory authorities and government business enterprises should, like departments of state, report in their annual reports on their equal employment and occupational health and safety programs and actions with environmental impacts in terms of energy use and major physical developments.

In the course of the public hearings for the Social Responsibilities Inquiry, we have explored the methods available for measuring in these areas and have also considered whether industrial democracy plans and achievements and the input of consumer consultative and other community groups to the operations of government business enterprises should also be included. The committee expects to report on the outcomes of the inquiry early in the coming Budget Session of Parliament.

WORKSHOP SESSION RESULTS

Mr JACOBS: The first topic was "Performance Review Mechanism". The first question really that the group was concerned about was what is a government business enterprise and that took a great deal of explaining to the Canadians, however, we had the fortune of the Public Accounts Committee's Report to explain what a government business enterprise is and the answer is there is a list of them. So on examination of the list, we now knew what a government business enterprise was.

Answer to the first question, no! Financial accounts are not sufficient to satisfy the accountability requirements government business enterprises primarily because they have no simple financial measure. They seem to be characterised by the fact that they do have social obligations and you cannot measure these directly by financial means. The point was made, that in respect of even a fully commercial organisation, simple statements of financial accounts are not sufficient, what shareholders are particularly concerned with is the long term life of the company and that is not covered simply by the financial statement. What they are particularly interested in is what is the future of the company and that means more substantial reporting by the Chairman of the company on what the market situation is of the company and that is not covered simply by the accounts either. So a financial account is not sufficient.

The second question on how a rate of return was calculated, we had no answer here because of the problems with rate of return on assets where there is really no sensible way at the moment of working out the valuation of assets in government business enterprises, so we do not have an answer on that.

We basically thought the most crucial question in this was question six or the second last dot point. What type of accounts should be provided to the Parliament and the public about the performance of government business enterprises? We basically came to the conclusion that the various models around the world including New Zealand and Canada should be looked at much more carefully than they have been so far and that there should be some form of service or performance reporting, similar say to the statement of servicing reporting that currently New Zealand produces or something along those lines Also that the information should be

independently audited. Any aspects which are relevant to the performance should get some independence about themselves for instance in terms of assets they should use actuaries and not local determinations of values, so there should be some professional actuarial advice on things that are crucial to the performance information.

In terms of the organisation responsible for performance review it was found all of the above and at least another dozen should be involved in performance review, maybe leaning on the Auditor-General or the Audit Reports as a primary source. There did seem to be some problems with accounting standards currently applied to government enterprises and that was left a bit open given that we were whipped back into position. Thank you.

Mr LAMBKIN: Could I call on Ches Baragwanath to report on Group B discussion of the Identification and Calculation of Community Service Obligations?

Mr BARAGWANATH: Well I am afraid I am going to disappoint everybody here. We did look at the emerging issue and all I can say is we did not come up with very many answers, but we came up with a lot more questions.

The first issue we looked at of 'what are the political and social accountability requirements for government business enterprises', there was a bit of unanimity in the meeting. We did consider that there should be more than pure financial accountability and it was not sufficient for an organisation just to report a bottom line profit, that we felt that there was a need for them to report to Parliament against a range of objectives not only financial but also social and economic.

Second question is 'what services or activities within government bodies represents CSOs and trying to distil the collective wisdom of the group in a few lines is a pretty difficult task. I think if I read it correctly we felt that it would vary from individual organisations to individual organisation, there was no easy answer. One of the points that was made was we felt that we would have to guard against a propensity of some organisations to say, well look we are making a profit with the provision of such and such service, but we are not making a profit over here, so that is a community service obligation, so we felt that we should not allow an easy cop out.

Third issue was 'who will and how are the CSOs to be identified'. We felt that there was a need for a single statutory framework for CSOs to be set by the legislature and within that statutory framework the organisation concerned should develop a mission statement, saying what CSOs it intends to provide and then it will report back to Parliament against the achievement of those objectives.

The next one, 'what price is going to be placed on these and who pays for CSOs. Well it was like a veritable tower of babble I do not think we came up with an answer on that, the only thing that we felt that it would be encumbered on the organisation to at least detail the cost of the CSOs so people could make a decision, a political decision perhaps as to the payment of them.

Next question, 'what government business enterprise does not have a community service obligation'. Well the only ones that we could identify where those government business enterprises who were in strict commercial competition with private sector organisations and we felt if they did exist, well may be they should not.

And the final question, 'should the basis for identifying and calculating the cost of CSOs be subject to guidelines and disclosed in an annual report', and at least there was some unanimity on that and we all agreed that it should be the case. Thank you.

Mr LAMBKIN: Thanks Ches. Could I ask Elliott Isaacson to report Group C discussion of the Provision of Auditing Services?

Mr ISAACSON: The first question we tackled was the, 'how should an auditor be appointed', with the emphasis on independence of course. The appointment should be by Parliament and that we had a quarry that the method of funding was considered critical to the maintenance of true independence.

The second question on 'how should an auditor be paid for the work undertaken', and given that the Auditor-General's mandate to auditors it is critical the auditees should pay on a user-pay basis.

Question 3, 'should the role of the auditor be extended to include reporting and performance in the code' as in performance that is mandate and scope. The group felt that efficiency audit should be part of the Auditor-General's mandate. The resourcing, however,

is a problem because of the immensity of the task and an audit on effective administration of government policy should perhaps be considered as part of the Auditors-General mandate. Now that one may tickle some fancies it has certainly been an area which Auditors-General have backed away from for obvious reasons, but the fact that certain policies are made, someone down the track needs to know that they are being effectively administered.

Question 4, 'should all Audit Reports be directed at management, the responsible minister or Parliament?' Well there was only one answer for that one and that was Parliament.

'What audit standards are appropriate for the conduct of compliance and performance auditing?' We had rather a long discussion on this and I do not know what we really came up with an effective answer because the accounting fraternity at large is still very much discussing this question, but a general synopsis would be that public money should be subject to standards which are consistent. I think the extension comment on that case is that generally speaking the mandate undertaken by Auditors-General would necessarily have a supplementary compliance auditing as a body of their work plan which may not be consistent with private sector auditing.

'To what extent should public sector audit work be undertaken by private sector auditors?' This we did not have a great deal of discussion on, the answer was fairly apparent that this work should only be taken on by contract but under the argus of the Auditor-General. They were our comments Mr Chairman.

Mr LAMBKIN: Thank you Elliott. Could I ask Trevor Rowe now from Group D to report on Financial Reporting.

Mr ROWE: My name is Trevor Rowe. I was the Chairman of our group, Senator John Watson was our secretary. In real life he is the Chairman and I am the secretary and I know where my bread is buttered, so I am here. I told him he was supposed to report back and he said no, you report back.

We had the topic number 8, 'Financial Reporting'. There are a great list of headings there and in the time that we had we did not get through that many of them. We did have a look at the content and format of Annual Reports, the timing of reports, there was some discussion about financial information and how frequently it should be reported to the Parliament, some discussion of annual reporting to Parliament and also a bit of discussion about

parliamentary scrutiny and how it might be formalised. So I will just run through some of the things that we came up with in our discussion.

One of the most important comments made is that if there is an issue for the future its the Parliament and what does the Parliament want to know. Some of the things that were raised were the scale of indebtedness and also a need to know on the government business enterprise side about the scale of dividend payment. Also under the heading of scale of indebtedness there was some view that there was a need to know about trends and not just to get information in isolation but to be able to see patterns and where organisations were heading and also to be able to draw comparisons between organisations.

Another issue raised was the valuation of liabilities and assets. Some members I think it was Pat Nolan raised the problem of valuation, say valuations based in the rural sector and how there can be great fluctuations and there is a need perhaps to have Parliament being presented with a range of values rather than just specific values which are not really true representations.

On the issue of timing of reports, there was a little bit of difference of opinion about the merits of Annual Reports and what should be in Annual Reports and we discussed at some length the question of six monthly reports. This is something that has been discussed by the Commonwealth Public Accounts Committee and in our group this morning we talked about the possible need to have interim financial reporting and we considered parallels with the Australian Stock Exchange. I think it is fair to say there was some sort of consensus that to have six monthly unaudited Financial Reporting to the Parliament would be a desirable thing, but there was some debate as to how that should be worked out in the final analysis.

In terms of formalising the roles of the Public Accounts Committees, and this is something that might be discussed later on today and it relates to the six monthly reporting, there is perhaps a need to look at the system used by the Australian Stock Exchange. I think it is the status system which enables data to be fed in and to be quickly analysed and there is perhaps a role there for parliaments or Public Accounts Committees to be able to hive off this information and to make good use of it.

Another issue raised was that of the scale and time of dividend payments. This was raised by Victoria Walker from New South Wales, Victoria illustrated with an example with ELCOM I think it

is in New South Wales who held over a dividend payment from one year to the next because of the restructuring in process and this related back to Treasury planning and the fact that there was some change going on, but people did not know what was happening. The point that comes out from this particular discussion though, is that there is perhaps a need to have more information from Treasuries about financial planning, so that government business enterprises are not faced with the problem of having problems with their infrastructure funding. Well I think at that point I will finish, thank you.

Mr LAMBKIN: Thanks very much Trevor, could I ask Jim O'Neill to present Group E findings.

Mr O'NEILL: Good day. I should explain why I am up here. The first thing we did since we had E and that is, "the other and everything else that did not fit, fitted in there", we decided to have six co-chairpersons and one secretary and I am it.

Anyhow, out of all of that E stuff, we came up with two major points. One we thought legislation was most important, we found that it was fairly variable depending on legislation, historical factors etc. For example it exists in New Zealand and the ACT, while in Queensland it is at the stage of green papers, other states may be in different situations. But we were unanimous in the fact that legislation is necessary but the model depends on several factors, for example ownership. In the case of the ACT everything is 100% owned by the government and therefore we can have a specific type of legislation. In other areas may be there is a need for an Act with general requirements and then a separate Act for each body within the body. In the Commonwealth at one stage many of the bodies called up specific areas for the auditor which specified their accountability responsibilities and perhaps there is a need for a schedule arrangement whereby you can have a basic legislation and call up the various bodies that are created and apply them to the schedule. But I think I detected a note elsewhere in the conference that the greatest problem was defining the bodies and finding them in terms of various categories, corporations, statutory authorities and subsidiary companies.

The second major one we came to was the problems about oversight and responsibility of ministers, the problems of parliamentary scrutiny and departmental administrative influences. Some of the things that we thought were most important to cover were; borrowing and guarantee powers and the limits on the oversight of ministers and parliamentary accounts committees etc.

We thought there should be set up a register of bodies by categorisation. We looked at the question of sunset clauses. There had been several problems with these, for example in New South Wales now Parliament's prorogued, it is not unexpected that one or two might find themselves going out of existence before the new Parliament comes in. Our colleague from South Australia made the point that a bill was raced in at 10 am with Parliament due to sit or to cease sitting at 10.30 am to renew it otherwise it just went into limbo, people had overlooked it for whatever reason.

The other point we looked at was that ministers should be grateful for the oversight that committees etc give them because they can be at risk from various activities of bodies that they are just not aware of or have not been told. Another point was the bodies are given roles, for example, in Australia the Wheat and the Wool Board and they must be fully accountable because really they are no more than creatures of the legislature no matter what they have been set up for and how commercial or non-commercial they are required to be.

We had concern about departmental influences because they are usually often hidden in the bureaucratic processes and people need to be weaseled out or winkled out. There needs to be a clear definition of roles and responsibilities and not so much of this 'yes minister' bit and in regard to all of that our group did not have all the answers either. Thank you.

Mr LAMBKIN: Thank you very much Jim, Group F had an unknown quantity, I will ask Chris Theodoratos to report on their discussions on that subject.

Mr THEODORATOS: Thank you, given the fact that we did not have any specific topic to report back on we just undertook a general discussion relating to government bodies and general issues regarding control and how this may relate back to the capacity of a Public Accounts Committee to enquire into such bodies. We generally took a state approach and my comrade from South Australia suggested that there was some concern by the Public Accounts Committee there that they did not have the capacity to inquire into other bodies because they were not audited by the Auditor-General. This was of particular concern given the performance of the Work Cover Scheme in South Australia and it is a topic that public accounts there would like to look into.

In Queensland, our counterparts there found that they had a substantial problem in determining the overall existence and number of government companies and this was of concern to them because not all were subject to audit by the Auditor-General and subsequently they were not able to inquire into them. The Queenslanders have undertaken a study and a series of recommendations have come out that study which stated that government companies should be audited by the Auditor-General or if not by the Auditor-General by someone appointed by the Auditor-General. Also that such bodies should report to Parliament and their power should be consistent with the ministerial body under which they were established.

In Victoria our Public Accounts Committee has quite wide ranging powers and it can inquire into any Annual Report that is tabled before Parliament or any body that is audited by the Auditor-General. Just as a practical example in our inquiry of 1990 there was some difficulty in accountability given in the public hospitals sphere where public hospitals had set up private companies, trusts and foundations and the like and because of that, they did not necessarily come under the ambit of the Auditor-General. The accounting standard AAS24 will put that matter to rest and as part of its 1991 inquiry, the Public Accounts Committee will be looking at certain government companies and trying to determine whether it was logical that they should be set up in the fields that they were set up in.

Western Australia has, under their Financial Administration and Audit Act and certain regulations, a requirement that statutory authorities and their related companies and or subsidiaries, report to Parliament and therefore are audited by the Auditor-General and as such can then be subject to a Public Accounts Inquiry. The Northern Territorians are similar to Victoria in the sense that they can inquire into anybody that is audited by the Auditor-General. Thanks.

Mr LAMBKIN: Thank you Chris, before the final report and summary I would like to express the appreciation of the conference to James Guthrie who put together those discussion points and I think they have led to some thought. I know the meeting I was in we roved around a bit but I think we got somewhere in the end.

I would now like to introduce Senator Bronwyn Bishop who, together with Professor Bob Walker, will be summarising this session.

SENATOR BISHOP: First of all the question of "the adoption of corporate forms of government business undertakings: accountability issues for the 1990s" raises the whole question of the political purpose of government business enterprises and what should be the way in which they are treated in the 90s and the way we treat the entire question of accountability of pseudo private sector enterprises. By creating government business enterprises and acknowledging their existence and giving them some sort of different status, it automatically raises the question of "is there a change in the accountability structure?" For my purposes, I make a strong distinction, and a mutable distinction, between the private sector and the public sector for terms of accountability and I believe that accountability is different for those two sectors.

Firstly, in the private sector you as an individual make a choice what you will do with your after tax dollars, where you will spend it and how you will spend it. If you choose to enter the stock market and buy a share in a listed company you make that choice and if you do not like the way it is behaving or conducting itself, you may vote with your feet, sell your shares, and put your money somewhere else. You have no such choice with regard to the public sector. Via the taxation system money is compulsory acquired by government. As a matter of policy the government then makes decisions on how it will spend the taxpayers money, therefore, all those dollars that are collected in must be accountable to the Parliament, because the Parliament represents in John Watson's terms, the people who supply the source of funds.

Now by creating a corporation, some people argued that you are somehow diverted away from that distinction. You are not. It is still taxpayers dollars that sets up Australia Post or Telecom, or any other of the government business enterprises and it is still government policy that overall determines how that money is placed. Now you may say that the Board of Directors and the structure that is put in place allows for a different form of decision making which is not executive decision making. That is true, but it in no way removes that entity in my mind and I suggest from many others minds, the fact that it remains in the public sector and therefore must be subject to public sector scrutiny.

Well in turn what does that mean? That means that it must be subject to the mandate of the Auditor-General. The Auditor-General is the pivotal person or office in the whole process of accountability. If the Auditor-General is not strong, then the whole process can break down because it is through the Auditor-General, and the committees of scrutiny, that you get a

proper debate in the Parliament about the expenditure of public moneys. Now one of the serious problems that has risen from the creation of government business enterprises and the like by, whatever name they are called, has meant that the scrutiny process is breaking down. There was an attempt, a very serious attempt to change the cultural way of regarding those entities was to change. First of all we had the proposition, and I must say David Shand was one of those at the forefront of trying to implement this thinking, that somehow governments and Parliament should only be interested in outcomes. We should not both ourselves with the process by which you came to that outcome. I reject that categorically, because processes in fact determine outcomes.

We fought very strongly, some of us, against that proposition and I think at the end of the day we were successful. The other proposition that was put around or gained favour, was that corporations government business enterprises, ought to be allowed to go outside the Governor-General and seek an auditor who came from the private sector, one of the big six, and that the reason for that was that they would gain in their audit fee, an additional service, the consulting service about management organisational structures and the like which is not part of the Auditor-General's function they said. Again we resisted that very strongly because the degree of accountability is different because it is that compulsorily acquired taxpayers dollar that is doing the business and you cannot say, "I am sorry", I do not like the way Telecom is being conducted I will sell my shares. You just cannot do it. Therefore the mandate of the Governor-General was paramount.

I turn now to our report on the Auditor-General. I like its title. We gave its title quite deliberately, 'The Ally of the People and the Parliament', because that is the role of the Auditor-General. He is there to assist the Parliament, be informed, and the people be informed through the debate in that Parliament.

Let me give you an example of an Auditor-General's report dealing with the Department of Industry, Technology and Commerce with which I dealt with very recently in the Senate Estimates Committees. Interesting case. The Auditor-General in doing his audit found that the department had first run out of money for a particular purpose and sort an advance from the Minister for Finance. The advance was knocked back by the Department of Finance, so, instead of realising that the money could not be spent on this particular item they instead took money out of a different appropriation and spent that money on the purpose that they wished to use it for, ie it was illegal. The constitution says that

government departments may only spend money as it is appropriated. The department had knowingly and willingly breached the law including the Audit Act and when questioned in the Public Accounts Committee we got a marvellous answer from a senior public servant that said: 'It is only technicality and we have a legitimate difference of opinion with the Auditor-General'. I am sorry that will not do, and I am sure that the person who made that statement will subsequently come to regret having made that statement.

As we go further to look at the question of what are the habits and the cultures that are developing, we have become very much attuned to the expression, 'let the managers manage'. I have no quarrel with that, there are great talents within the public sector which are at least the equal of the talent that lies in the private sector. But, it is the system that does not allow those people to come to the fore and really use their talents to the fullest.

So, we have got the question of what is the desired outcome of what should happen to government business enterprises. From my point of view, privatisation is the obvious answer. It then goes into the private sector and it is dealt with as any other activity in the private sector and the whole question of Auditor-General's mandates and scrutiny does not come into play. That in turn would mean that for those sections that do remain within the public sector, that we ought to be looking at contracts for tenure for people in the public service all the way down the line. That we would look at the implementation of full accrual accounting, that we would draw on experiences from near neighbours including New Zealand, where, if you look at their experience with Telecom, it is really quite remarkable.

Just to give you a very quick example, they have gone through the corporatisation process under the chairmanship of Sir Ronald Trotter, who will tell you himself that the most important job he had to do as Chairman of a government business enterprise, was to make sure it got privatised. The head of that organisation who was recruited from the United Kingdom, a most impressive man, has achieved a reduction of a workforce in Telecom from 28,000 down to 14,000 and they are headed for 10,000. They are looking to what has got to be the standard for the 90s, best international practice, and that is the target for all to meet. If you look at best international practice in telecommunications companies, you will see that there is a rule of thumb for the number of employees per number of collections or lines that operate in that system. New Zealand is approaching it, we are way over in Australia.

As an outcome the cost for instance, now of a toll call from New Zealand to Australia is 99 cents New Zealand, that is 75 cents Australian. The cost of a call from Australia to New Zealand, we are crossing the same Tasman, is in fact $1.50 Australian, and that tells you exactly what the cost that we are bearing in a structure such as Telecom, where the lines of management are basically designed on union demarcation lines. So there are many lessons, if it were privatised of course, a whole different code would come into operation.

The question of accountability and the way government regards it, and I will almost conclude on this I think, is best outlined in a letter that Kym Beazley now Minister for Transport and Communications wrote to the Chairman of The Senate Estimates Committee. Now, I said that the importance of the scrutiny committees, that is the Estimates Committees, the Public Accounts Committee, the various Standing Committees which do scrutinise expenditure is being slowly pushed out if the Executive Government could have its way. Minister Beazley wrote to the Chairman and said that during additional estimates hearings, Senator Michael Bowen had raised the issue of statutory corporations coming before the committee. He was concerned that the only opportunity the Senate would have to examine the Federal Airports Corporation for instance, a statutory corporation in question at the time, in any detail, was the short time available for discussion of its annual report, and that in our parliamentary system is five minutes.

He then goes on to say that the former Deputy President and Chairman of Committees, Senator Haymer and the Clerk of the Parliament, were both of the view that we could only deal with matters, before the Senate Estimates Committees where there was an actual appropriation. So he goes on to say: 'Under the government business enterprise reforms, with the emphasis now on the commercial nature of enterprises, the agreement of the corporate plan with the government and the payment of dividends and taxes, a number of the portfolio enterprises are questioning whether they should be subject to additional scrutiny from the Estimates Committee'. He then went on to say: 'I see significant advantages in adopting a set of principles under which it would be clear to all interested parties, which agencies are expected to appear and (which are not)'.

He therefore went on to say: "Who would appear", because they had either appropriated sums or were community service obligations. He listed those who would appear and then said: 'Qantas, Australian Airlines, Federal Airports Corporation,

Overseas Telecommunications Commission and the Australian National Line would not have attended. I will provide you with the list of those agencies which will attend this year's committee hearings in due course'. Now that is an executive action, an executive decision that says, these people are now off-limits for scrutiny.

Now that situation simply will not do. In this latest round of hearings I wrote to the minister concerning somebody who had been pushed off budget and asked if those people would appear. The minister did accede to my request and we did illicit some useful information. But the tendency, the acceptance that somehow a government business enterprise is outside the scrutiny of Parliament, must not be accepted. It is the sorts of people who are at this conference today who are going to have that responsibility, who will have to ensure that the accountability process, as long as a government business enterprise is using public money, remains within public scrutiny.

In airing this question today, I am grateful that we have had the opportunity to address that problem and hopefully all of us will remain vigilant.

Mr LAMBKIN: Thank you very much Senator Bishop. In final summary now I would like to ask Professor Bob Walker to come forward.

Mr WALKER: Well the theme of the discussion concerns the adoption of corporate forms for the government business undertakings and overall I suppose the general argument for using the term "corporatise" and to talk about corporatising business enterprises is being geared towards trying to make them more competitive or perhaps as a prelude to privatisation.

A colleague of mine from the London School of Economics explained to me that in the UK the idea was to corporatise an organisation. Then you got people in there to tickle the profit, and push it upwards a bit instead of having all these business enterprises just breaking even. You wrote down assets, reduced you depreciation, did all the things that people can do in the private sector. Then you sold it off and got a good amount of money for it. Mrs Thatcher at least had the sense to try and privatise a lot of enterprises during a boom. After privatisation when things went bad, he said, then you sack the Chairman, and go on from there. That was the third stage at which they had reached when I last talked to him.

The theme of corporatisation seems to involve mixed ideas. Statutory authorities are already bodies corporate. They are already corporations in one sense and what people are talking about seems to be either one of four things, or a mix of all of those. To change to the nature of ministerial responsibilities, it is often suggested that you set up a board and the corporation is responsible to the board which insulates the minister from being responsible for it. Well, that works as far as the community is prepared to accept it and we have seen cases where corporations have incurred major losses and ministers have resigned anyway.

It is also then suggested that corporatisation might involve a change in the legal form to reduce the red tape that is associated with the existing government regulations. It suggested that you might simply adopt the Companies Code, now Corporations Law, structures for running government business enterprises. Or, it might even be used to state that corporatisation involves specifying the goals of a business enterprises instead of providing a service and trying to break even. Often the suggestion is that a government business enterprise has been given the goal of maximising profits, or maximising its net worth. So, it is a re-statement of the mission of a government business enterprise and associated with that is the idea that, instead of giving managers mixed objectives to make a profit and to provide a service, they can be told to maximise their profits, or the net worth of the organisation, and that if any community service obligations are associated with that, the government will bring them out into the open, and make separate payments for those.

I am a bit sceptical about some of those arguments. First, lets talk about corporate conduct. If you translate a government business enterprise into a private sector model, this is very attractive to the managers because they see themselves with increased salaries and the opportunity to consume perquisites which might not be available under their present regulatory regime. It seems to me that is important and that the public sector look carefully at these models. In the private sector if Lorrie Connell lends himself $300m, people are scandalised that he has not broken any law. If Ron Briely is happy to hire a plane and take his directors off to watch a test match shareholders can ask questions about that, and in fact have and did not get an answer. But, that is accepted as part and parcel of what happens in the private sector. To my mind that sort of conduct is not acceptable for a public sector organisation, and I suspect the community would not accept it.

In the private sector, there is no formal obligation under our existing laws for boards to set levels of delegations for company directors on what they can do. It was suggested that Alan Bond used to get out of bed in the morning and pump the whole company. One of the imminent QCs who is on the board of Bell, explained that Robert Holmes-a-Court used to get involved in half billion dollar deals and tell the directors afterwards. There is a classic case of a company called Tulloch Lodge which lent $55m to a $2 shelf company in the Cook Islands as part of Alan Bond's foray into Italian real estate and when Tommy Smith was asked what this was all about he said: 'Don't ask me, I just train the horses'.

The point is I think that in the private sector there are serious anomalies in the way in which we have established rules for corporate governments, and I do not think it is appropriate for those omissions and mistakes to be repeated in the public sector. I have got the view that if you are going to corporatise, then it is appropriate to have special legislation to establish ground rules for corporate governments for the public sector. I do not think it is sufficient to use private sector models, I think it is important to have restrictions on related party transactions and have formal requirements for delegations to directors or chief executive officers. The question of whether this type of process actually brings things out to the open is also I think very questionable.

At the moment, questions about the pricing practices of government business enterprises, are properly and legitimately matters that can be addressed by Parliament. If you start corporatising an organisation and establishing a separate board, then the outcome is that the board itself is responsible for prices and the argument will be raised that these questions can't be addressed in Parliament. Rather, ministers may set up little boards to regulate pricing, which is what we have seen in some states, or it might be suggested that pricing practices will be negotiated between the minister and the corporation itself.

So the point I am suggesting is that the theme of corporatisation may have this effect of shifting matters, which might properly be regarded as part of political debate in the public domain, behind closed doors. Likewise when it comes to talking about community service obligations. Lets make clear the scale of the manipulation that can go on in that case.

Reference was made earlier to Telecom. As I recall, the Bureau of Transport and Communications priced these community service obligations of providing a regional telephone service at $200m. Telecom put the figure at $800m. There is a lot of room to manoeuvre on how you calculate these figures. Take a simple example, if we are talking about a railway service, what is the community service obligation here. Now in some states you could say it is running a passenger service which makes a loss. The whole thing is a community service obligation. Or you could say that it is may be running particular branch lines which are unprofitable or it could be running a service after 10pm, or it could be leaving the lights on in the railway station after 10pm. It could be stopping at a particular station where there aren't many passengers. The concept of community service obligation can be interpreted whichever you like and likewise the figures can be costed whichever way you like.

So to my mind the idea of corporatising, giving an organisation commercial goals, and then saying we will be upfront in deciding what will make open payments for CSOs, is really just again, shifting things from the public gaze behind closed doors. I have a few misgivings telling you these sorts of things because it is probably pretty boring. I once was teaching auditors how to maintain internal controls and everybody was bored, so I changed the lecture to 10 ways to defraud your employer, and everyone was quite interested. The trouble is two of my students are now facing charges.

If we are going to corporatise a government business enterprise, the suggestion was raised that we might follow private sector models and I was interested to hear from Trevor Rowe that there was reference to the frequency of reporting. In the private sector organisations, listed companies, report to the Stock Exchange. I will just mention the point that recent proposals in the private sector are for half yearly audited financial statements not the full grown audit report but for a kind of negative assurance from the auditors saying, here are the half yearly results, we know of no reason why we want to qualify the accounts for breaches of accounting. So there is an idea of giving half yearly reports by all listed companies to the market. I am not sure that if you are going that route, why the same precept shouldn't be applied in the public sector. The proposals are there for a half yearly profit and loss statements a balance sheet and cash flow statements.

One other point I might just throw in, is that reference to questions about the social responsibilities of government business enterprises. Clearly it is very hard to distinguish the difference between a community service obligation and what might be good citizenship in some cases. I would suggest to you that the debate is also opening up other questions about the audit function. Now, in the private sector at the moment, an auditor is only responsible for expressing an opinion on the financial information being presented to shareholders in the market and to report about breaches of the Companies Code. Well, that responsibility has recently been widened by accident because the parliamentary draughtsman put a comma in the wrong place, and now private sector auditors have to report if they have identified breaches of the rules regarding warehousing of shares and so forth, in takeover situations; something which cropped up in Ariadnen and Rothwells and Spedley.

The point that I am driving at is that there is a widening view in the private sector that an auditor should report to people about illegal acts that he encounters, evidence of illegal activity, and so forth. Already the public sector auditor views the function of reporting on compliance far more broadly than a private sector auditor does. But, the question that comes to my mind is that could compliance auditing in the public sector be viewed as involving a report about breaches of things like environmental and pollution controls. If it is known that government business enterprises are not complying, then may be those kinds of things could be reported publicly.

Well, as I said a lot of the themes talking about corporatisation are geared towards the prospect of privatisation and the last point I would just like to make is that clearly every business enterprise that is owned by government was originally set up with a view of not simply making a profit, but providing a community service. There are different views about whether government, having provided the seed money should sell off that enterprise once it is up and running, and apply the seed money to some new enterprise.

But, I just make the point that some proposals for privatisation in Australia, to my mind, seem to be largely influenced by accounting affects rather than real affects. I am reminded of the stories of, perhaps apocryphal, about the directors of United States Steel in America, when they said: 'Well, are we here to make steel or a profit', and they decided that they were there to make a profit.

The Australian version seems to be that entrepreneurs said: 'Are we here to make steel or make a profit, or simply to report we are making a profit'. In the public sector the same thing applies. Privatising an organisation involves getting a once off inflow of cash which can reduce your deficit and show a surplus, because we are using cash based accounting in most of our public sector reporting for the budget sector.

To my mind I have looked at quite a few privatisation proposals, and all other things being equal these can actually be bad commercial deals. They can have an accounting affect, but in the long run they can be a bad deal if the present value of the projected cash flows that you are getting from selling, is less than what you would get if you are holding. I say that this is particularly the case in the commonwealth arena, where I do not think that much regard has been had to the second order affects on the commonwealth taxation revenue because a private sector purchaser of business can revalue assets, restate liabilities, reduce his tax and hence ultimately reduce the tax revenue flow to the commonwealth.

All in all, it seems to me that if the debate about privatisation is to be actively promoted by the economic rationalists, it is desirable that the economic rationalists do their sums correctly, and I think I have got some concerns about the way it has been done so far.

AUDITING IN THE AFTERMATH OF THE FITZGERALD COMMISSION OF INQUIRY

Ches Baragwanath

I am delighted to return to Darwin. The first time I arrived here was 16 years which was a couple of weeks after a certain lady went through Darwin and wreaked considerable havoc. I must admit that Darwin has changed considerably since those days. I was walking along the cliff face over the road the other day and I can recall quite vividly when I was a member of the Darwin Rotary Club in 1975-76 we had a program to beautify the foreshore. So I can assure you there is a lot of Baragwanath blood, sweat and tears over the road, which probably accounts for the lush growth. However, enough of my gardening exploits.

I welcome the opportunity to address you this morning on a topic which I believe merits discussion even though I acknowledge it is somewhat controversial particularly in a forum such as this. I feel to some extent I am going to have to vary carefully traverse my way through a mine field. The general topic is 'Auditing in the Aftermath of the Fitzgerald Committee of Inquiry", but I would like to pay particular emphasis on the Auditor-General's role in the audit of ministerial expenses, as you can appreciate certainly a mine field. It is a fairly sensitive issue and I think it is one unfortunately on which the public have already rendered their verdict and all ministers and all parliamentarians in Australia have been found guilty.

Last night I was sitting in the piano bar enjoying a quiet mineral water and I noticed there was a copy of the Financial Review of last Wednesday there. I was skimming through it and I came across two very interesting letters to the Editor, the first is headed 'how to rein in ministerial cost', in which we have an aggrieved Queensland taxpayer writing to the editor. I will read out his letter:

> "Sir, the escalating costs of our state and federal government has really begun to concern me and as a taxpayer and as a hard worker who has never received anything free from the government in my life I feel I have a right not only to complain but also to demand a better service from our Cabinet ministers. All too often we have read in the papers

> recently of gross misuse of taxpayers moneys by state and federal ministers of both political persuasions.
>
> Recently, we heard of a minister who used a government car to take his pet dog to the kennels,"

well I think it is actually an ex-minister, then he goes on and so on, and he finishes up by saying:-

> "as we all know there is no such thing as a free lunch, it is about time our politicians learnt that as well."

Well, last Wednesday's Financial Review must have been bash a politician day, because on the same page there is an extract from a report of 50 years ago which I will read out to you:-

> "In a sphere of wartime Australia our parliamentary watchdogs were especially on the alert for abuses of privilege. Mr Arthur Calwell, Labor Victoria raised the question of the ministerial use of cars. Reports had been circulating that some minister's use of cars had been out of proportion to the sacrifices expected from the general public by the extension of car petrol rationing"

and so on and so on,

> "Calwell's move caused a minor stir in ministerial circles"
> one newspaper said,
>
> "but little else appeared to be done to stem the alleged abuses."

so as I said definitely bash a politician day.

The report on the Fitzgerald Inquiry or to give it its full name, 'The Commission of Inquiry into Possible Illegal Activities and Associated Police Misconduct', which was released in July 1989, served as a timely reminder to many people in positions of

authority, particularly politician but also senior public servants as to what should constitute acceptable standards of behaviour whilst in public office. The findings of the inquiry generated an immense level of interest in the community in response to the revelations of the extent and levels of alleged impropriety and corruption and I think you would all agree that the newspapers and the media had a ball.

The Fitzgerald Report has reaffirmed the growing insistence that acceptance of power and responsibility must also mean an obligation to account for the use of that power and an acceptance of the consequences of action taken. This principle applies every bit as much in the public sector as it does in the private sector perhaps, even more so, and I was very interested in Senator Bronwyn Bishop's comments this morning that all taxpayers are basically captive shareholders in the affairs of the state and unless you are prepared to migrate out of the country you are stuck with what you have got, whereas if you were a shareholder in BHP and are not impressed with their performance you can dispose of your shares.

I think public accountability has certainly in the last few years become of real concern to the community and I would say that probably it is the major issue confronting the public sector in the next decade. Undoubtedly the underlying message contained in the Fitzgerald Report is the need for greater public scrutiny of accountability by politicians and public officials. In this regard the Fitzgerald Report recommended the role of an Auditor-General should be to concentrate on the discovery of errors or improprieties in the general decision making process, but in suggesting this Fitzgerald did acknowledge that prudently, and I stress the word 'prudently' audit staff in the past have not probed too deeply into subjective areas such as whether expenditure declared to be for an official function was in fact for a private gathering.

Several Queensland ministers now have been convicted in the courts in relation to fraudulent ministerial expense claims. The charges bought arose from the Fitzgerald Inquiry which concluded that, 'ministers have not been subjected to external controls and supervision normally imposed upon public servants'. Mr Fitzgerald went on to recommend, 'that special additional controls are needed for politicians and senior officials whose positions and authority render internal measures to prevent and detect impropriety particularly ineffectual'. He foresaw an important role for the Auditor-General in this respect as he commented that; 'it is

essential for the Auditor-General to conduct a detailed audit of ministerial expenditure at least once a year to ensure ministerial guidelines are followed and report on this to parliament'. As the elected members of a government, ministers are automatically and inextricably linked in the accountability cycle, accordingly giving that scenario, I would like to pose two questions to you this morning.

Firstly, should an Auditor-General probe deeply into the nature and level of ministerial expenditures? And secondly, should parliament in a bipartisan manner establish a code of conduct specifying guidelines and the required methods of accountability for ministerial expenses? Both of these questions in my opinion deserve further consideration. I think it is more than apparent that the checks and balances applying to those holding public office and power have been called into question in the light of the events in Queensland and the susceptibility of ministers and senior public officials to untoward influences. In approaching this matter one should first ask what ideal or norm are we attempting to achieve when we seek greater accountability from ministers and public officials.

I think the actions of government, politicians and bureaucrats who have been given power have the potential to effect us all in some way and for some time to come, and we have a right to know to what extent governments and public officials are accountable and what the ramification these actions are likely to have, so that we as taxpayers and constituents can assess performance. Stewardship is a concept which has been handed down to us over the centuries, it denotes the giving and receiving of a trust, the responsibility for managing the finances or property of another personal group. We are probably more accustomed to hearing it used in the context of management of the affairs of a church or of an English country estate or the running of a horse race, but it has also been applied to the need for accountability in respect of ministerial expenses.

In our society people generally believe that the taking of the role of a steward also applies acceptance of the need to discharge that role. In the government sphere the various management roles are undertaken by Cabinet, various ministers, Chief Administrators and the subordinate managers. Accountability involves those acting as stewards of the affairs of state reporting and explaining to the people through parliament their use of the power and resources placed at their disposal. As a result, greater criticism tends to be levelled at ministers and Chief Administrators if they are seen to be improperly entertaining other individuals and organisations,

because the funds they expended are regarded as belonging to the taxpayer and that letter I quoted from our friend up in Queensland is indicative of that kind of mind set.

I can appreciate Mr Fitzgerald's concerns on this issue which I referred to earlier. It may conceivably be put to an Auditor-General that if this was ultimately the taxpayers money being spent and misused, why were we not informed sooner that there was irregularities? The difficulty unfortunately is of course - how does an Auditor-General determine what should be considered to be irregular. As an Auditor-General required to audit ministerial expenditures, I can also complete this task properly if ministers were obliged to account for their expenditures in an annual return submitted to the parliament. I gather that system is now being introduced in Queensland. If this were to occur I could attest as to whether the annual return was a true reflection of the actual expenditure incurred. In situations where this form of accountability is not yet in existence I believe that it is incumbent upon parliament to move to require the lodgement of such returns in future.

Such an initiative would go a long way to ensuring that ministers became accountable for their expenses of office in a similar manner to which they presently account for any pecuniary interests. From an audit perspective the verification of ministerial expenditure against an annual return is a reasonably straightforward exercise. This exercise however does not provide comfort either to the parliament or the taxpayer as to whether the expenditure was reasonable or necessarily incurred. This is where the major difficulty arises. I personally feel that it would be unrealistic for myself or any of my fellow Auditor-Generals to comment on the reasonableness of ministerial expenditure. This is an inherently subjective exercise which would be fraught with the danger of an Auditor-General possibly compromising his independence. Essentially it would place an Auditor-General on a tightrope and you can perhaps appreciate why Auditor-Generals have collectively turned a blind eye to this issue.

I think we have all been able in the past to rationalise that blind eye approach by suggesting that the quantum of funds spent by ministers on entertainment etc are not particularly material "dollar wise" and I think you would also appreciate that whilst they might not be material "dollar wise" they are certainly material "risk wise" as I think the previous Queensland government found out. I think however Auditor-Generals have used the materiality threshold as a bit of a cop out in the past.

I would like to ask you to think about what do you consider to be an appropriate level of spending on entertainment, for example by a minister, a chief administrator, or dare I say it an Auditor-General. If a minister wishes to entertain on official business, is it up to an Auditor-General to determine whether he should offer his guest eight year old scotch, 12 year old scotch, 21 year old scotch, or a bottle of Corio. We need to consider whether ministers and chief administrators should indeed be regarded any differently to their responsible counterparts in the private sector and I stress the word 'responsible' because I think as Professor Walker pointed out in this area the sky appears to be the limit. Christopher Skase, for example, who equipped his office with baby blue marble imported at great expense from overseas, had a fleet of corporate jets. There is certainly a difference between the behaviour in the private sector and the public sector.

The comments made by Mr Fitzgerald in relation to ministerial accountability for official expenditures are understandable given the situation which appeared from my distance to exist in Queensland. I think however that the Fitzgerald recommendations pose a real dilemma even for the most scrupulous minister or chief administrator. I think there is no doubt in my mind that when you look at Mr Fitzgerald's palette that he only had two colours, black and white and there were no shades of grey. It certainly is an area where I think there is a considerable potential for a government to be embarrassed and a situation recently arose in Victoria in relation to a leak of the alleged entertainment expenses of one particular senior minister. In this case perhaps the problem lies not with the minister concerned but with the present system which does not require full public disclosure. This dichotomy illustrates the predicament that has to be faced by politicians from both sides of the parliament, which somehow urgently needs to be resolved if public faith in the ministerial accountability process and parliaments is to be restored.

What can we learn from these problems? Are we prepared to take time to reassess the way we want our ministers and chief administrators to operate, to determine the ethical values we expect to be followed, and how best they can make sure that these are followed. I think one positive outcome of discussing this issue here today, is that there is a more strident questioning of the quality of ministerial accountability, and the extent and nature of information provided to the parliament and taxpayers. The power and control by any means philosophy, which has prevailed for so long, is now being put under the spotlight, because suddenly the

consequences are having to be faced as we have seen in Queensland.

If you have read any of my reports for the Victorian parliament you will realise that I have strong views about the responsibility of public sector officials and about the connection between public audit and public accountability. Nevertheless in relation to this issue I think that politicians need to consider regulating themselves to a greater extent in a commonsense and bipartisan manner. I would like to stress the word 'commonsense'. I think Mr Fitzgerald approached his task with considerable reforming zeal and I have heard it argued that the inquiry was more in the nature of an inquisition. I noted last week that the Federal government will consider establishing a code of ethics for federal members of parliament in a bid to restore public faith in politicians. I sincerely hope that the proposed code will embrace greater accountability provisions than those which currently exist. If effective there is no reason to suggest why this exercise could not be emulated by the states and territories.

There is no doubt in my mind that public faith in our parliaments does need to be restored and if any of you had the opportunity to read this week's Bulletin, you will find that politicians are ranked slightly ahead of used car salesmen. As I have said on this subject I am charting my way through a minefield.

A review by an Auditor-General of ministerial expenses should never be intended to be partial to one political party or another. The external auditor of government is there to provide an impartial, independent assessment and to offer to the parliament as a whole any recommendations which emanate from his audit examinations. As a consequence I feel that it is fundamental to proper accountability that every Auditor-General not only be independent and exercise independence of thought and action, but also be seen to be independent. This means ensuring the parties on both sides of the political spectrum must be aware that an Auditor-General must not be placed in a position which might jeopardise the objectivity or impartiality of an audit review. For this very reason I think that an Auditor-General's role when reviewing ministerial expenses should be confined solely to an attestation of the incurrence of the expenditure and not extend to reviewing its reasonableness. This latter role should be left for parliament to evaluate and to introduce self monitoring processes.

I think the onus lies on politicians from both sides of the political fence to make a positive contribution to ensuring the parliament sets down the parameters for acceptable standards relating to ministerial expenditures and establish a mechanism for their proper accountability. That means firstly - clearly identifying parameters for ministers and those individuals given responsibility to authorize and incur entertainment expenses and expenses of office. Secondly, having clear definitions of accountability requirements applying at ministerial and chief administrator level and ensuring that these responsibilities are met through tabling of an annual ministerial expenditure return in the parliament, as in my opinion information is accountability and finally giving firm emphasis to the parliamentary processes in the accountability chain. I was interested in talking to our delegates from Alberta that said one of the issues that attracts the most attention in the Senate Review of Estimates is actually ministerial expenses.

In conclusion you all know the old saying that it is all fair in love and war, I think I would also argue that all is fair in politics. Unless acceptable standards are set by parliament on a bipartisan approach ministers will always be subject to cheap shots by political opponents as this is one area that the press and public will run with. I think if public confidence is to be restored parliament needs to introduce some form of self-monitoring and regulatory process, and as an Auditor-General I would like to bow from the field. Thank you.

QUESTIONS

Mr CATANIA: On what level would you rank the credibility of auditors and accountants on a scale of one to 10.

Mr BARAGWANATH: When I think of all the current inquiries that are going around I think the credibility of auditors is probably at an all time low. You have probably all heard of the audit expectation gap, and there is not a Royal Commission going on in Australia at the moment where the auditing profession will not be subject to some criticism. The auditing profession have been criticised in respect of the Rothwell's Inquiry, the State Bank of South Australia Inquiry, and the Tricontinental State Bank of Victoria Inquiry. I just might make the point by the way, I am not the auditor of Tricontinental or the State Bank.

I make the point that it is very easy for an opposition to launch a cheap shot against the minister and the press will run with it. I think governments are more likely to be brought down by ministers abusing expenses than on political and philosophical grounds, because that is the thing that gets the run in the press. There needs to be a bipartisan approach where both parties agree as to what is an appropriate level of expenditure and an appropriate process for monitoring it.

Mr WALKER: How do you determine what is ministerial expenditure or simply a proper outlay by a statutory authority or department?

Mr BARAGWANATH: I must admit that is a major problem. It is very difficult to put a boundary around ministerial expenses, some are paid by the minister's office, others are paid by departments that come underneath his bailiwick and to get a listing of them from one source would be an impossibility.

Mr GRESHAM: Just a question relating to our experiences in New Zealand on ministerial responsibility applied to the advertising of government programs. We have had in the past, as have governments of various countries, programs, extensive public relations programs, undertaken to advertise our policies. Now do you have a preference as Auditor-General as to your role in vetting the validity of those sorts of programs. Are they in fact a due process informing the public or are they in fact public relations operations undertaken by the particular government of the time. Do you see you have a role in that and how would you acquit it?

Mr BARAGWANATH: It is a very vexed question, not only in New Zealand but also in Australia. I do not think there would be one parliamentary area that does not employ considerable public relations and media firms to represent them. I think in the federal area they are known as the Animals. Once again that is a very subjective area as to whether a campaign in the press is to further the interests of the party in power or to advertise a government program. I gather Brian Tyler the New Zealand Auditor-General did run foul of the New Zealand government when he suggested that a considerable amount of money that was spent on such a process was more to further political ends rather than in the interest of the taxpayer. But as I said a very subjective area and I would suggest that probably there are very few Auditor-Generals as brave as Brian Tyler. We would probably decide that there are other more important areas to look at.

Dr LAMBKIN: We have been told the guidelines are much stricter now and I would like to debate this with the ministers, and the backbenchers as well.

Stories are still appearing in the paper about gravy trains, members doing this and members doing that and I wondered whether the reason for that (I am looking for the reason why criticism still occurs) is that the guidelines are still not tough enough or is it simply that the criticism is unfair or is it the lack of realisation on behalf of members about the obligations they do have when they become public figures.

Mr BARAGWANATH: I think it is probably a combination of those but I think you will never stop the individual writing to the paper expressing concern at ministerial expenses. I was reading in a book the other day on public accountability in which Aristotle advocated that to prevent politicians ripping off the system all public money should be issued in public on the steps of the Treasury. You could just imagine what would happen on public sector pay day with Paul Keating standing on the steps of Parliament House doling out gold coins. I should not say gold coins; at the rate we are paid they would probably be copper ones. I really do not know what the answer is, but I will be very interested to see what happens in the federal sphere. I understand that this issue is being pushed by an independent member Ted Mack who is looking for a code of conduct and if we have that code of conduct it should be accepted on a bipartisan approach.

I mean any politician who wants to get his name in the paper, particularly one in opposition will always be able to unearth some minor peccadillo and the newspapers will run with it. I know when I bring out my annual report to parliament - I brought one out in April and it was 490 odd pages. It had a significant index and a list of what I felt were the significant issues - I had a ring from the major political journalist of a Melbourne paper who wanted to know what the major issues were so I went through them. Then she said to me: 'But where is the dirt?' I mean that is the kind of attitude you are confronted with.

Mr NOLAN: I have listed to Ches' comments with a great deal of interest and I have no problems with anything that has been said. But I just thought you may wish, for those of you who have in mind to do something in terms of ministerial expenses or the like, to get an appreciation of some of the mechanical matters which have happened in the Queensland scene.

Ches referred to the setting of standards by parliament on a bipartisan basis. Although we do not actually have that in Queensland, we do have some guidelines, very detailed ones though. They comprise about 17 principles and then each of the principles are expanded upon by detailed notes for the information of the minister concerned. Bob Walker referred to Ches the question: 'How do you determine which of these is a reasonable or a legitimate ministerial expense?' We have within those guidelines items which are both positives, that is to say, these are ministerial expenses, and we have items which are declared not to be ministerial expenses. So it is quite a comprehensive document. And unless you do have something like that, if you just deal in general principles, you might as well have nothing. You have to have very detailed precise information available to the minister for his protection, and from a selfish viewpoint, for the Auditor-General to have something to audit against. That covers that bipartisan side of it where the Ahern National Government originally set up these details. They were almost complete at the time of the defeat of the Cooper Government and those guidelines, and the detail prescriptions which came with them, were accepted by the Goss Labor Government with very modest modifications.

It may be of interest to you that I thought - I do not know whether it is part of the post-Fitzgerald hysteria - we are looking at the ministers - in a way the Speaker is a form of quasi-minister in that he is, if, for want of a better term, a minister of the Parliament as it were. I had discussions with Kevin Lindgard who was the then National Party Speaker, and later with Jim Foress who followed him as Speaker when the National Party Government was defeated. Both Kevin and Jim agreed to very similar, but modified guidelines specifically for the purposes of the Speaker and to have these guidelines applied to their costs and for them to produce an annual report audited by me which will also be tabled in the Parliament. So we not only have the ministers covered but we have the Speaker covered and that was not by my tub-thumping, but just by reasoned discussion with both of those persons and they both agreed for the need for it.

One of the traps, if any of you intend doing anything about this, largely speaking in Queensland, is that there have been about 18 ministers for the last decade or so. The kind of situation that an Auditor-General is faced with - and we do check the ministerial expenses every year, including the periods which came up in Fitzgerald and a lot of the information which was raised in Fitzgerald were matters which had already been queried by us and referred through to try to develop these guidelines to give us

something to audit against. But one of the worst features of an Auditor-General trying to do something with ministerial expenses is that you have got 18 ministers, 18 departmental accountants and 18 heads of departments who are looking at these, interpreting the guidelines differently and making the Auditor-General's job even worse than it is under normal circumstances. What developed out of that is that we now have a Ministerial Expenditure Unit which is attached to the Treasury which processes every ministerial expense. It does so in a consistent basis. It makes my job a hell of a lot easier and it is constantly reviewed by them and by us for consistency and reasonableness of expenditure.

I mention these things that they may be of some interest to the committees and it may just give you an appreciation of the detail and the mechanics of the system as it now works in Queensland.

Mr BARAGWANATH: I would just like to make one final comment too. I have got a vested interest in this myself. As I said down there in Victoria recently, we had one senior minister being heavily criticised for his alcohol bill and the fact that he was buying bottles of scotch at $65 a bottle. I have got a liquor cabinet in my room and when it blew up in the press, I said to my secretary: 'How much did I spend on booze last year?' She came in to see me and she said: 'You have spent $122, which is not too bad'. I said: 'I do not think it is bad, but I can imagine the headlines Boozie Victorian Auditor-General'. You are really in a no-win situation.

Mr TRENORDEN: I was quite interested in your dissertation too. In Western Australia we have got another Royal Commission going on and we have a situation where a public body, the State Insurance Commission, paid nearly $600m of public moneys for a window of opportunity, to one individual. That happened a number of years ago. It caused a fair bit of pain in the community. We also had a situation where an ex-premier was given a car worth probably $25,000 and that darn near caused a riot. It is a difficult position for an auditor to decide what is reasonable or not. Where I think the difficulty lies is that we have a public that is looking at a system that, in Western Australia, has blown considerable amounts of public money and you have had an Auditor-General sitting over it. And I am not trying to have a shot at the Auditor-General, but you also had ministers saying: 'This has all been audited by the Auditor-General therefore it is alright'. You also have the Auditor-General quite rightfully saying in his reports that he cannot verify certain positions. But in the end, the results you talk about ie. these letters to the press, occur. And I do not think it matters if we talk about ministerial expenses or the operations of

government spending taxpayers funds. In the end, I just do not see where we are going to change this perception that you have talked about.

Mr BARAGWANATH: I think probably it would certainly take some time to change, it dates back to Aristotle and probably even before that. I think there is a need for a bipartisan approach and I am very interested to see what will come out in the federal area. I think ministers are now very easy prey for a cheap-shot and without wanting to square off for my Western Australian counterpart, he might have raised these issues. I am not too sure.

Mr TRENORDEN: He did.

PUBLIC ACCOUNTS COMMITTEE
NORTHWEST TERRITORIES, CANADA

Nick Sibbeston

I want to thank you for your invitation to be here. I am enjoying my visit, and the opportunity it affords me to meet all of you, and to see some of your beautiful country.

To understand the work of our Public Accounts Committee, you must first know something about the Northwest Territories, and about our form of government - which is unique in Canada. So, I will tell you about the Northwest Territories and our government - and then I will describe the Public Accounts Committee and its work.

Along with Yukon, our neighbouring territory to the west, the Northwest Territories is that part of Canada located above the 60th parallel - the dividing line that run east and west along the top of the Canadian provinces.

The Northwest Territories is a vast geographic area, even by Australian standards. It covers some 3.3 million square kilometres, and makes up a little more than a third of the land mass of Canada. From an Australian perspective, the Northwest Territories is a little larger than the combined areas of your Northern Territory and Queensland.

Yet, our total population is a little less than that of the Northern Territory. We have 52,000 people living in some 53 widely scattered communities.

The majority of our people are aboriginal peoples. We have two major aboriginal groups, the Inuit and the Dene-Metis. Together they make up 58% of the population.

The Inuit are the largest aboriginal group. They make up 35% of the population. Their traditional home is in the east and north, above the tree line, in the Arctic Region we call the Barrens.

The Dene people and the Metis people of mixed Dene and European ancestry, make up 23% of the population. We live in the west, mostly up and down the Mackenzie Valley, in the forested sub-arctic region that scientists call the taiga.

The remaining 42% of our population are non-aboriginal people, mostly of European ancestry. Most of them live in the larger centres, the largest of which is Yellowknife, our capital - a city of 14,000 on the north shore of Great Slave Lake.

We have a very young population, and a high birth rate. At the present rate of growth, the population of Canada will double in about 83 years. Our population in the Northwest Territories will double in 33 years.

OUR GOVERNMENT

As you might expect, our unique situation requires a unique form of government.

Unlike the rest of Canada, the NWT does not have a "party-system" of government. Our system is based upon the principle of consensus - the traditional form of decision-making among our aboriginal peoples.

Each one of the 24 MLAs is elected as an independent. After an election, we come together, select a government leader, and choose seven of our members to form a cabinet. The government leader then assigns portfolios.

We are the only jurisdiction in Canada where the majority of elected members are aboriginal people. And, as a government, we recognise the importance of our aboriginal peoples. In addition to English and French, our Assembly has designated six additional native languages as "official languages" for the Northwest Territories.

Though some of us outside government think of ourselves as "being in the opposition", the Northwest Territories does not have an opposition as such - in the sense of a "government in waiting". We are not trying to get "their people out" so we can get "our people in". (Presumably, since we elected the members of government from among our own members, they are "our people".

There are, of course the usual tensions between government members and non-government members. But there is also a closer working relationship than one finds elsewhere.

Those of us "outside government" outnumber the government members. The government is dependent upon the non-government members for the success of its legislative agenda, and indeed for its very existence. Understandably our government is often seen by politicians in the rest of Canada as a sort of "permanent minority government".

Now I will take a few more minutes to tell you about our Public Accounts Committee and its work.

THE ROLE OF THE PUBLIC ACCOUNTS COMMITTEE

Our Public Accounts Committee is very much like public accounts committees in other jurisdictions throughout Canada. Our role is to hold government accountable for its expenditures.

Our committee has seven members. Unlike other jurisdictions in Canada, however, there are no government members on the committee. This gives us more freedom than PACs have in other jurisdictions to examine what we want to examine, and say what we want to say.

After government prepares the Public Accounts, they are audited by the federal Auditor-General of Canada, who is a servant of the House. Our committee then reviews matters reported on by the Auditor-General, as well as any other matters related to government spending that we choose to review. We have the right to investigate all past, current and committed expenditures of government departments, crown corporations and organisations receiving funds from government.

Typically, our PAC holds two days of public hearings as soon as possible after the end of the fiscal year. We summon witnesses, in most cases deputy ministers from the various departments under review - review the Auditor-General's comments with them, and write up our report with recommendations. Our report is then tabled in the House.

GOVERNMENT EXPENDITURES

Even though we come from a very small jurisdiction, government expenditures per capita are much higher than they are in the rest of Canada.

The majority of our communities have a very limited economic base. Many of our people still live a lifestyle of hunting, fishing and trapping. But the Animal Rights Movement, and the ban on sealskins have seriously hindered our traditional economy. Today, many more of our people are dependent upon government to help supplement the income they receive from hunting and trapping.

The government of the Northwest Territories has an annual budget of about $1b. About 85% of this comes from the federal government.

Together with the federal government, our government spends about $16,400 on every man, woman and child living in the Territories. For a comparison, government spending in the lower provinces comes to about $4,600 per person.

Obviously, the people of the Northwest Territories are highly dependent upon government dollars. And we, the members of the PAC are fully aware of our responsibility to ensure that government is receiving value for money.

TRENDS

I would like to comment briefly on three trends that have occurred in our work over the past several years.

First, in the past we tended to use a scattergun approach. We tried to review and comment upon a wide range of expenditures among various departments. Now we are concentrating upon fewer areas - but exploring them in much more detail. This new emphasis requires us to meet more frequently to do some longer range planning - in cooperation with the Auditor-General's staff.

Second, there is a clear trend towards a "value for money" approach. We are moving beyond the expenditures and probing the reasons behind them. We do not have a mandate to question policy; but we are asking for clarifications of that policy so we have a context for examining government spending decisions.

Third, we are expanding the scope of our investigations. In the past we concentrated on examining spending within government departments. Now we are moving out to include Crown corporations and some of the new boards and agencies that have developed as a result of government's desire to decentralize.

As we look to the future, the challenges for our committee will be even greater than they have been in the past.

The Northwest Territories is entering a period of significant change. Both the Inuit and the Dene-Metis are in the midst of land claims negotiations. There is a good possibility that the Territories will divide over the next ten years - giving both the Inuit and the Dene-Metis their own homelands. There will be significant constitutional development - as we all try to recognise the special rights of our native peoples to govern themselves, while protecting the rights that all of our citizens enjoy under the Canadian Constitution and Charter of Rights.

How will our government chart a course through these rough waters? We are not sure. But we do know that our Public Accounts Committee will be there to make sure government stays on course.

Thank you.

AN OVERVIEW OF THE PUBLIC ACCOUNTABILITY PROCESS IN CANADA WITH A SPECIAL EMPHASIS ON CANADIAN PUBLIC ACCOUNTS COMMITTEE

Barry Pashak

I would like to say good afternoon to all the delegates and guests at this, the 7th Biennial Conference of Australian Public Accounts Committees. I am absolutely delighted to be here of course and to have this opportunity to participate in your deliberations, and to meet new acquaintances. Also, to experience this really beautiful and fascinating part of the world. I am sure that in saying that I am also speaking for all of the other Canadians that are here with me this afternoon and I would like to take a moment just to introduce them to you.

First of all, also on our Public Accounts Committee in Alberta, is Mr Tom Thurber. He is traveling here with his wife, Jessie. He represents a rural constituency and he is a member of our governing party.

Also a member of the governing party, but representing our Legislative Offices Committee, is John Drobot. He is here with his wife, Gladys, and their two daughters.

I should have mentioned that Tom Thurber had been here some 30 years ago. He was in the Canadian Navy and was here at the time that the Queen visited Australia as part of that visit.

Also with us is Tom Sigurdson, who is my colleague in the legislature. He is part of our caucus. We are New Democrats. He is here with his wife, Cynthia Verbonac and he is also a member of the Legislative Offices Committee.

I might also mention, though, that all four of us are members of our Public Accounts Committee.

Also with us is a representative from the Northwest Territories of Canada, Mr Nick Sibbeston. He is here with his wife, Karen. Just to give you an idea of the contrast between where we are now and what it is like where we live, it is snowing in his city of Yellowknife.

My wife is with me, Dr Alexandra Pett. So on their behalf, I would like to extend a sincere thank you to all of you for having us here and especially the government and members of the Northern Territory for their most generous hospitality.

I thought maybe it might be important just to spend a minute just looking at the process by which I came to be here. It may have something that is relevant to your national organisation here.

I was first elected in 1986 and immediately I was appointed to chair the Public Accounts Committee. That also meant that I was the second vice-president of our national association, the Canadian Council of Public Accounts Committees, which meant in turn that three years later I was going to be the president and I would have the opportunity of hosting the Canadian Council of Public Accounts Committees Annual Convention. And, it so happened that just prior to that our Auditor-General had made contact with your Auditor-General and had extended an invitation for Australian Auditors-General and members of public accounts committees to consider at least coming to Canada and sharing in our conferences. Whereas you have a biennial conference, we have annual conference. And, so our Secretary of our Canadian Public Accounts Committee did contact some of the Australian delegations and we were very delighted and pleased when a very enthusiastic group of delegates from New South Wales showed up. I would guess that you probably know most of these people: Phillip Smiles, John Murray and Alan Walsh. They also brought along with them the Clerk of their Parliament.

We hold our conferences in conjunction with the Auditor-General's and so also John Taylor, your Auditor-General was there. We do a number of things in common, we have at least one joint session and we socialise together.....

You have had distributed to you a document called, 'Comparative Jurisdictional Survey'. I do not know whether you have had a chance to look at it. You might find it a kind of a complicated document to go through and I thought maybe before I get into my remarks proper, I could just provide you with a bit of an overview. This document was put together by Craig James, who is actually the Clerk of Committees of our government in British Columbia. But he also acts as an Honorary Clerk to our Canadian Council of Public Accounts Committees.

What we had previously done beginning in 1986 - and this is an activity that you might want to consider doing yourselves - we put

together a document called: 'Guidelines for Public Accounts Committees in Canada'. This document contains well over 100 recommendations which we think would allow public accounts committees to function more effectively. Previously there had been another document prepared by another accounting organisation in Canada called 'The Canadian Comprehensive Audit Foundation' and they also made some recommendations with respect to public accounts. This document really is a survey of all of our member jurisdictions to see to what extent they have embraced the suggestions that are outlined in these two other reports. So I think for your purposes, the main items of interest would be the introduction as it gives some idea of what our Canadian Public Accounts Committees do.

The recommendations are important in terms of how we think that public accounts committees should operate, so I think in essence then that this was a considerably worthwhile exercise for us to produce this document, 'Guidelines for Public Accounts Committees in Canada'. I think there are some really good suggestions in there and if you want a copy of the guidelines please leave your name with the chair, or your host and I will get copies of this document to you. I would certainly be interested in getting your reaction to this document.

With respect to my prepared remarks; they are relatively brief. I think I will stick to the script in the interest of accuracy. First of all, I would like to provide a brief review of public accounts committees in Canada by highlighting their main similarities and differences. And I want to say as well that I think you are light years ahead of us in Canada in terms of the way your public accounts committees operate. We have got much to learn from you and I think you have got very little to learn from us. We have only one committee in Canada, to my knowledge, that has the legislative mandate to bring witnesses before it and really inquire, in any intensive way, into areas of government spending.

Essentially then in Canada we have the 10 provinces, the federal government and two territories. Our public accounts committees range in size from five to 21 members. The chairman in virtually every instance is a member of the opposition and in some provinces the chairman will receive a small stipend. Most of our committees have little or no research support and in most cases the primary witnesses that appear before the committees are Cabinet ministers. In some, they are high civil servants.

Most of our committees review expenditure as presented in the public accounts and examine these expenditures with respect to any reservations that are made in the Auditor-General's annual reports. The committees only hold a limited number of meetings and generally the meetings are of short duration and are only held while we are in session. Members are really severely limited in the kinds of questions that they can place. In fact they are limited in the total number of questions that they can put to a minister. In the amount of time that is available a member is fortunate if he can get in one question and two supplementals of the minister. So you can see that it does not provide for very much in-depth investigation of any issue that is before the committee.

The history of fiscal responsibility in Canada is relatively short. Our first Auditor-General was appointed in 1878, but the convention of appointing a member of the opposition as Chairman of the Public Accounts Committee was not established until 1958. To this day what our federal parliament and our provincial legislatures do with committee and Auditor-General's report, is not laid down by statute. Customs and the government's economic priorities dictate the degree of effectiveness of public accountability in our parliamentary bodies. In other words, the process is open to an interpretation and it is exclusive of the electorate. Not only in my view is this less than democratic, it also invites poor management of government funds. Let me draw some example to try and illustrate these points. I am going to chose these examples from the jurisdiction which I am most familiar, Alberta. And, of course, remember I am a member of the opposition. Maybe the government members might like to go out for coffee right now. Maybe they will get a chance to rebut later, who knows.

While in Alberta we are not directed, as I have pointed out a situation that is typical of our public accounts in general, we are not directed by statute or legislation, but by a very brief standing order.

Our committee is comprised of a very cumbersome 21 members, 15 of whom are government members, and who in the absence of an Act, really determine proceedings. At our very first meeting of our session they will determine exactly what it is we do, by majority vote. The committee regularly decrees that Cabinet ministers and whoever the Cabinet ministers want to bring with them, like their senior department officials, appear before the committee and that each member is allowed one question and two supplementals. The role of the Chair, which is my role, is really limited to doing

nothing more than arranging a list of people who are going to ask questions and restricting questions to the fiscal year under review.

Our committee only meets during session. Funding is not provided to do otherwise. And, because our sessions are short, we are lucky if we review more than six of our 25 government departments annually. So for me this system has no room for depth or effectiveness. Of course that is one of the reasons why I am here. I am really interested in seeing how your public accounts legislation works and the fact that you have public accounts legislation, I think, is critical.

Let me proceed to examine some situations that I think would call for greater investigation by committees and then I am going to look at reforms that I think would be necessary to allow more effective investigations to go forward. In a sense I am trying to build a case on the need for reform.

In our legislature, for example, loans and loan guarantees are made to private firms without any legislative approval. In one notorious case we advanced a total of $67m to an entrepreneur by the name of Peter Parkington to support a meat plant, Gainers Limited, which has since gone into receivership. Now we have no effective legislative means of reviewing the master agreement that was entered into between the government and this entrepreneur Parkington.

In the mid-1980s the government wasted millions in what I consider to be a 'sweetheart' deal with a property development company, Olympia and York, to build for government lease, subjectively again, unneeded office space. In addition, the government rented this space for $18 per square foot when the going rate was $10 per square foot.

In all, as opposition estimates, the government has lost well over a billion dollars in misguided financial ventures since 1985. Maybe some of this sounds familiar to you, I do not know. These lessons range from $291m associated with the privatisation of our previously provincially-owned telephone system to a $5m loan guarantee for a barge to support an educational project in Indonesia that has since collapsed.

Of the 66 companies that are listed either in budget documents from the public accounts as having received ad hoc financial assistance - that is financial assistance in excess of $100 000 from the government - some 30 companies have either gone out of

business when taken over the by government, lost taxpayers' dollars, or suffered some combination of all of those. So it seems to me that most of these situations cry out for in-depth examination and I think that is a role that public accounts committees could usefully play.

A particular problem of public accountability in Alberta and an issue that was raised in last year's Auditor-General's report, concerns entities that are called 'Crown-controlled corporations'. These are by definition corporations that are more than 50% owned by the government, but less than 100%. Our organisations that are owned 100% by the government of course have all the reports completely tabled in the legislature and we can examine them. Even if one share is owned by some outside individual, they are not included in the public accounts and therefore public accountability is limited to a review by the Auditor-General of just the working papers and reports of these entities. So a number of these corporations are in deep financial difficulty and of course the province as well. Hundreds of millions of dollars.

The Auditor-General recommended in his report, and I will just quote:-

> 'That the Public Accounts Committee consider the question of Crown-controlled organisations and consult with the provincial Treasurer with a view to making recommendations to the Legislative Assembly on any necessary legislative amendments to achieve appropriate accountability, including the disclosure of financial statements'.

Now my colleague, Mr Sigurdson, moved that the Public Accounts Committee adopt this recommendation and it was, of course, defeated because we are a minority in the committee.

So, public accounts committees, it seems to me, could also go beyond that. They could do in-depth investigations of concerns raised by the Auditor-General in his reports. And I think that if sufficient resources were available, public accounts committees, in co-operation with the Auditor's office, could inquire into major areas of government expenditure from a value-for-money perspective. And we have heard much about that at this conference.

Where do we go from here? Well, last session I introduced a Bill in the Alberta legislature that if passed would give our Public

Accounts Committee the kind of power that I would like it to have. The Bill was modeled on your Australian legislation but it also incorporated recommendations from those guidelines from public accounts committees in Canada that I previously commented on.

This Bill that I brought before the legislature would ensure a closer relationship with the Auditor-General. It provided for full-time research and support staff and it also would empower the committee to examine evidence of departmental mismanagement. The Bill would allow the committee to bring the management practices of civil servants under scrutiny. It would permit witnesses to be brought before the committee under oath if necessary. It provided for review of the consequences of government spending. It also contained a very controversial recommendation that would empower committees to examine proposed expenditure. I am not completely sure that it is a role that public accounts committees should play. However, Ontario, which is our largest and most populous province, is able to carry on these kinds of investigations.

The Ontario government helped the City of Toronto build a major athletic facility which cost about $1b in taxpayer and private money. Because the Ontario Public Accounts Committee was able to review the planning, the committee members feel quite strongly that they were able to save the taxpayer some $100m. In any event, I am not sure that it is a role that public accounts should be getting into, that is, looking at future expenditures. If this bill were in place there would be preventative measures taken towards the mismanagement of funds instead of expensive after-the-fact solutions. That is the rationale for looking at future proposed expenditure.

In short the bottom line of my proposed Public Accounts Bill was to apply a rigorous value for money examination of all facets of government spending. Unless a non-partisan operation is assured, and unless the committee addresses administration only and not policy, the entire process, as I think you are all ware, becomes bogged down. You can really get involved in partisan politics. That is why I propose that the committee be kept to a manageable 11 members. Now after hearing what you have had to say I think maybe five or seven at the most would be a more appropriate number. I think the committee should meet on an ongoing basis outside of session, that the ratio of party members in the committee be proportional to the number of elected members, we do that at the time, and that is alright with me, and that only those members who demonstrate their determination to improve accountability should be on the committee.

To ensure the non-politicisation of the process, I think it is also important that the committee not be empowered to call Cabinet ministers as witnesses. That is when you get into the politics, it seems to me. Because after all it is fiscal management that is under scrutiny and not a minister's political agenda.

The advantages of a working non-partisan public accounts legislation in my view would be numerous. Many taxpayers it seems to me, wonder year after year why it is that governments get away with squandering such vast sums, and as popular wisdom says it does not seem to matter who is in power. I think the answer is perhaps painfully obvious; there are no hard and fast systems, at least in Canada, to safeguard the public purse. With public accounts legislation the public would not only be assured that their tax money is safeguarded but, it seems to me, significant savings could be achieved, government departments could learn from their mistakes, and government would be less inclined to make foolish financial commitments if they knew that the results would be under public scrutiny at some later point.

In conclusion, I would just like to say again, thank you for your attention this afternoon, and thank you for your kind invitation to make this presentation, and I welcome any comments or discussion that you might want to get into.

QUESTIONS

Ms WALKER: Are there any other activities carried out by your National Council of PACs apart from these types of questionnaires?

Mr PASHAK: Our time at our last few sessions has been basically taken up with the guidelines, and as you can appreciate they are really quite controversial because the guidelines propose changes that are far in excess to where any of our committees are, at this point in time. So, that all of our committee members were asked to take these back to their respective legislatures and see what the legislatures wanted to do with them. Our national council of course has no power so that most of the legislatures either rejected them or ..., the status of this document is that it is just a working paper but we are going to continue, I guess, at our national council meetings, to continue to work on the document and refine it. Hopefully, as a result of attending conferences like this I will get more ideas of about what we can do to further improve this kind of document and hopefully the whole accountability process.

Mr THURBER: Thank you for recognising me, and I wonder if it would be of any value for me to add a little bit to what our Chairman has mentioned here.

First of all I would like to confirm that Mr Pashak is a very good Chairman, although he does come from the Opposition, and at times I am sure that you are all aware that the Opposition's arithmetic and the government's arithmetic are somehow figured in a little different manner. So, I would have to point out some of the areas where we may be different from you, but not necessarily worse or better.

In our system in Alberta, all of our Crown corporations present an annual report. They are directly responsible to Cabinet on an ongoing basis. So this is one area that we may be a little bit different than you, and that may be at an advantage to some extent, because I have heard a lot of conversation around here today, worrying about that particular thing, and it has given some Cabinet ministers in problems. Also the minister's expenditures, the office expenditures are part of the estimates. They are brought up as an ongoing thing during our estimate discussions which takes us 25 days to go through. Hence they are questionable and certainly the Auditor-General comes in very strongly and makes recommendations that should be carried out.

One place that I would like to dwell on for a second, the packing house by the name of Gainers was brought up by our honourable Chairman. The government did repossess this. This man happened to owe a lot money and it was under a guaranteed program. When you have a program set up, if people qualify then they are eligible for certain guarantees or grants. While I do agree that it appears that somebody has taken a bath on this, the government did repossess it and as a result we have preserved 1,200 jobs in the area. We have also preserved the integrity of a packing house in that particular portion of Alberta, which needed to be there. There are some other functional things that have to be worked out, but this packing house is for sale now, so if anybody wants to buy, why certainly it is there. That is one thing that I just wanted to mention. When you are dealing with the numbers on guarantees and on the failures of guarantees, I guess you can pick a number anywhere you want. If you pick all of the guarantees and loans given in our province, (since 1986 we got involved in a massive diversification to try and keep the economy going) certainly you are going to have some failures.

Our numbers do not quite jibe with the oppositions, we are saying that there is 3% to 4% failure on a total dollar basis. This range of guarantees, you have to remember went through small business, it went through agriculture, it went through large business and put into all sectors of the economy and we have come out of it with some pulpmill, some forestry diversifications, some agriculture diversifications, and on the whole it has been a very healthy thing. I think even my honourable friend would agree with me that Alberta is probably the only bright economy spot in North America today. I just wanted to make that clear.

Mr ISAACSON: I would be interested to have comment on the reality of perhaps the committee deciding to take on a pro-active investigation. You mentioned one for instance in the Olympic Bowl, I think that is what you called it, of several billions. Does something of that magnitude have special funding, because obviously the resources of the committee itself could not envisage that in depth and expensive investigation which presumably you would have had to call in private sector consultants. Can you make a comment on that type of incident.

Mr PASHAK: I think you are referring to a Sky Dome that I mentioned in Toronto. Well the Ontario committee has resources at its disposal. It does have at least a two person research group that supports it, I am really not quite sure just how they conducted that investigation actually. I would assume that they met with government committees brought in government bureaucrats who were involved in discussions with the private sector and reviewed those documents and may be listened to what other financial experts had to say, then made recommendations that were adopted by the government.

There is a unique situation in Ontario that permitted that committee to have that kind of power and scope. We had a minority government situation in Ontario in the mid-1980s. Previously Ontario had a governing party of a progressive conservative party for a long period of time. The Liberals and Democrats together, in the mid-80s election, had more members but in order to govern one of the conditions of working out an agreement was that they would have a public account committee that would have those kinds of investigative and ranging powers. That situation was fortunate, I guess in Ontario terms, to get a committee with that kind of power.

Frankly I am going to really be interested to see what happens now that we have a new Democratic Party government in Ontario. One

of the champions for a reform on our Canadian Council of Public Accounts Committees and one of the people very instrumental in producing this document is now a Cabinet minister in the Ontario government, and I am waiting with baited breath to see if reforms that he advocated while a member of the Opposition, are now going to be implemented in Ontario.

Ms WALKER: Would you care to comment Barry, and bearing in mind that Tom said that these corporations do report individually to Parliament, you obviously had some idea as to how perhaps that system could have been improved. Could you use the flexibility given to you at this conference to give us something of your ideas which you were not able to bring out in a committee dominated by a government.

Mr PASHAK: In actual fact, our Auditor-General can review Crown corporations as such, they are roughly equivalent. I take it your government business enterprises are wholly owned by the taxpayers and so there is no problem with having their full financial statements tabled and reviewed by the Auditor-General.

The problem for the Auditor-General was with these other entities that are not Crown corporations because one share is owned privately. The government can own 99.9% of the shares but that other .1% is owned privately, then they fit into another category, and their reports are not tabled in the legislature, and the Auditor-General is just concerned that their reports should all be tabled in the legislature as well.

In fact, if you are interested I did bring a copy of the annual report of our Auditor-General and he lists all of the entities that he reviews, so in addition to all the government departments, he does all of the universities, the hospitals, all of our regulatory agencies. There are three pages of entities listed here that the Auditor-General reviews and whose reports are all filed in the legislature.

Mr GRESHAM: Is it not possible that out of those entities of which your Crown or your state, (the taxpayer) owns a varying proportion that there could be significant liabilities arising which are not actually reported.

Mr PASHAK: Well that is right. That is clearly the issue here I think. It came up this morning I think with one of your Auditor-Generals who made the same point. Who should really bring attention to these situations. Should it be the

Auditor-General or should it be the Public Accounts Committee. It is obvious that someone has to bring these situations out into the public so that they can be examined, not so much to punish, well may be if there is a case of malfeasance or wrongdoing, but certainly to prevent, so that you can learn from things, so you can prevent them from happening in the future. Our Auditor-General, I mean I am very impressed by him as a gentleman and he is very conscientious and he has sometimes been forced, though, into the public spotlight over these kinds of questions. I think that he feels that it could compromise some of the work that he does in the more strictly accounting sector of his reporting, because, it is not that he would change his behaviour, but then the perception of what he is doing in the public mind would change. I think he would prefer to signal where there are problems in the accounts of the province, but I think he would really like to see is some other group come over and dig into those issues in some greater depth.

Is this close to what you are getting at?

Mr GRESHAM: It is very apt in our situation. We are concerned that there is this question of reporting the total Crown or State which includes assets and liabilities in which the taxpayer has, by right, an interest and of course all contingent liabilities. It is exactly what you would expect to report if you were a corporate identity in the public sector, reporting either on a consolidated or equity accounting basis. That is where some of the bigger decisions turn, as to whether you do fully consolidate equity accounts in those areas, and unless the state is on accrual accounting double entry balance sheet type, there is no good running through that premise. That what it comes down to I believe. It is horrifying to think of the somewhat hidden contingencies and some are less than contingencies, they are actualities which are not being reported by various state organisations.

Mr PASHAK: Or at least organisations which the state has a considerable degree of state or public money tied up. To go back to some comments that Tom made, and I do not want to rehash debates that take place in our legislature. I was not really referring so much to the consequences of expenditures, I was trying to make the case that it is very difficult to get at the nature of these agreements. When we try to probe loan agreements for example, in the legislature, the response that we always get from Cabinet ministers, 'is no, that is a matter of business confidentiality, and to release that information would damage the prospects of the business that is involved in these issues'. Frankly I do not buy that. Maybe somebody that has a business background can tell me that it

is essential that it be in place, but I think it is the way of trying to justify hiding information that maybe damaging to the government but certainly it is information that I think should be part of the public record. It is public dollars that are involved, and the public should know how their monies are being spent.

I don't know if that is an issue here in Australia.

Mr POOLE: Only, if you are not in government.

Mr PASHAK: Right, well may be it will never be thus, but I don't know. I guess may be that is the real challenge for people who are concerned about the public accountability process. How do you find some way of cutting through all of that so that issues can be made part of the public record, to be brought out into the light of public scrutiny.

If we cannot do that, are we accomplishing any real purpose. I happen to think that in Alberta in spite of the fact that I was very critical of what we do in our public accounts committee, I think that our existence can be justified, just on the basis of the fact that we do go into meetings with Cabinet ministers, and we do take with us the Auditor-General's report. The Auditor-General does make a series of recommendations about how public accountability could be improved in different departments, and we asked Cabinet ministers what they are doing to implement the Auditor-General's recommendation. I think that it means that we accomplished some good, but it is very limited in terms of what I think public accounts committees could do, and I think it is very limited in terms of what I have heard over the last two days in terms of what your public accounts committees here in Australia are capable of doing. Have I put your public accounts committees on too high a pedestal, relative to what actually happens. I certainly would be interested in getting into some kind of informal discussion on those issues.

Mr PALMER: Are there any more questions of Barry? Did any of the other Canadian delegates want to make a brief contribution?

Mr DROBOT: ... One of the factors with Parkington loan, the $55m loan guarantee and the $12m loan, the reason that we want to get that master agreement is to see exactly what happened. Here is a chap that has a packing plant that he purchased. It happens to be located just a stones through away from my constituency office, most of those people that work at the packing plant live in my constituency. What we feel happened, was that in 1986 there was a very wicked labour strike at the plant, and we

suspect that the government in order to reduce some of the ugliness and the violence that was on the picket line made a sweetheart deal and included in that sweetheart deal was the $55m loan guarantee.

We cannot access that information. When Peter Parkington who was the owner of the company suggested that the master agreement be made available, the government took him to court and brought the subjudice rule that says that you cannot discuss it in the legislature because it is now before the courts, although it is sitting in the dock somewhere waiting to have a date, so that we can examine the documents. So we are a far cry away from having open accountability. Tom also mentioned the fact that 96%-97% of those people that have their loans guaranteed, pay back their loans. Indeed they do but what he is talking about are some of those very small loans that are made to students. That is part of our guarantee program, so if you were to exclude the student loans who by and large pay back their obligation to the province, you have got the very large loans out there, the $55m, the $12m, the $202m with the Novatel Corporation. Those are the areas of accountability that we have got to be able to access those papers on.

Mr PASHAK: I suppose on behalf of the Canadian Council Public Accounts Committees I could also say that if any of you are interested in attending one of our future conferences that we would be more than delighted to host you in whatever way we could. We certainly appreciated the visit of the delegation for New South Wales. This year we are meeting in Winnipeg in August and I think in one year from now we will be meeting in Vancouver, and that might influence your decision somewhat.

THE RELATIONSHIP BETWEEN PUBLIC ACCOUNTS COMMITTEES AND AUDITORS-GENERAL

Hon Theo Theophanous, MLC

They did not tell me before I agreed to do this that I would have a panel of six Auditors-General listening in on my speech, which is probably just as well because had I known that I may not have written it in the way that it is written, but it is a very important question because as all of you know having a good relationship with the Auditor-General is critical to both the operations of the Auditor-General and to the operations of Public Accounts Committees.

Accountability of government agencies is central to the aim of the both the Economic and Budget Review Committee in Victoria and the Auditor-General, the outcome of successfully pursuing this aim is a more efficient and effective public sector. Both the committee and the Auditor-General are often confronted by government and by public sector agencies, yet the Economic and Budget Review Committee and the Auditor-General have very different structures, roles and internal dynamics.

The nature and quality of the relationship between them is critical if effective auditing and protection of the public accounts is to occur, yet little is understood about how they interact and how the relationship between them has developed at least in Victoria. The purpose of this paper is to examine the relationship between the Economic and Budget Review Committee and the Public Accounts Sub-Committee and the Victorian Auditor-General. This relationship has been variously described as complex, friendly, supportive, tense, confrontationist. The relationship of the committee to the Auditor-General I have ventured to say is all of these things at various times - or at least can be - I prefer to describe it as dynamic.

What I will try to do in this paper is to look at major factors which affect this relationship using some anecdotal examples, the aim is to examine these major factors which actually affect the relationship. I am not going to go too much into the structural relationships or formal relationships that we have because I think it is more important to discuss the issues. Let me just begin with a

short description of the functions of the Economic and Budget Review Committee. As I have said earlier it has a very broad term of reference, its functions include the ability to inquire into, consider and report to Parliament on any proposal matter or thing connected with public or private sector finances, or with the economic development of the State. In line with our other investigatory committees set up in Victoria it also has the power to inquire into, consider, and report to the Parliament on any annual report or other document relevant to the functions of the committee, which is required to be laid before Parliament by an Act. So it is a very broad term of reference.

Although the Economic and Budget Review Committee I think had fairly modest beginnings concentrating mainly on government and council references in the period 1982 to 1985 the committee has emerged as a powerful force in the Victorian system. Two important Standing Sub-Committees, the Public Accounts Sub-Committee and the Estimates Sub-Committee, undertake important work in scrutinising the budget estimates and in following up issues in the Auditor-General's Reports and they therefore contribute to increased accountability in government, hopefully. It is part of my argument that these wide ranging powers have not been extensively used until fairly recently but when the committee is working effectively it can be a powerful partner to the Auditor-General in ensuring efficiency and effectiveness. As I have said in recent years the Public Accounts Committee has asserted itself more and to quote the Auditor-General himself it has had; 'a greater involvement in the examination of the issues raised by audit'.

I believe this to be a consequence of the will of members on both sides of politics on the committee to compromise in a way which puts the interests of the public account at least partly above that of party politics. From a point of view of government members we have found that to defend the indefensible when a forthright approach is called for, is to leave the government more not less vulnerable, hopefully this lesson once learned will become a tradition. Obviously the standing and assertiveness of the Public Accounts Committee affects its relationship with the Auditor-General. The existence of a strong and independent Public Accounts Committee and Auditor-General leads in my view to stronger even more dynamic relationships between them and this in my view is for the public good.

I want to now consider three major factors or issues which affect the Public Accounts Committee's relationship with the Auditor-General. The first relates to what I have called the committee's role as a mediator. The Public Accounts Sub-Committee plays a dual role while conducting inquires into Auditor-General's Reports. The first aspect of the committee's role is to examine the issues which have led to criticisms by the Auditor-General and to encourage public sector agencies to take heed of what the committee considers to be a legitimate criticism made of the Auditor-General including acting promptly to correct efficiencies. However, all too commonly agencies have treated audit observations in a purely defensive manner and have failed to act on committee recommendations. Some appear to have made the judgement that it is easier to write off a brief episode of adverse publicity at the time the Auditor-General's report is published than it is to take serious action to remedy the problems.

The committee intends to make life harder for such agencies. Obviously this first role of the Public Accounts Committee can only strengthen its relationship with the Auditor-General, but the committee is not a mere cheer squad for the Auditor-General. There are issues where there are legitimate differences of opinion between the Auditor-General and agencies under audit in respect of appropriate reporting or management practices. Moreover I do not think it is any criticism of the Auditor-General's office to say that the Auditor-General does not invariably get it right, no one does, consequently there is an important second role for the committee in reviewing important matters which are the subject of dispute between the Auditor-General and particular agencies. In the interest of balance our committee has in the past criticised both agencies and the Auditor-General's Report on particular issues.

In Victoria the task of evaluating both sides is aided significantly by the fact that the Auditor-General publishes detailed responses by agencies to criticisms in his report. I think this is a practice that ought to be followed by other states. As a result of the committee's mediating role government agencies are ambivalent to the committee. They see it as a useful forum where they can say that they have been unfairly treated in the Auditor-General's Reports and to put their side of the argument at public hearing, but they are also acutely aware that the Public Accounts Committee can be yet another powerful critic alongside of the Auditor-General. These opposing set of dynamics which I have discussed namely being a partner to the Auditor-General in our joining goal of ensuring efficiency and effectiveness, having the powers to hold public hearings and being seen as a potential critic as well as a forum to

criticise the Auditor-General's findings, all of those three factors affects the Public Accounts Committee's relationship with the Auditor-General in carrying out work of the committee.

I want to briefly illustrate the difficulties of the Public Accounts Committee's mediating role. In 1990 some of the agencies appearing before the committee were highly critical of what they saw as misleading or incomplete information provided in the Auditor-General's Report and even raised questions about the presentation or balance in his report. Some might say that this is standard practice on the part of agencies and typical of the whingeing which occurs whenever the Auditor-General's Report is tabled. However, as I stated in my Chairperson's introduction it is essential that the estimates published by the Auditor-General are accurate to within a reasonable margin since in many cases they have a public impact and have become the subject of intense media interest. I do however value the efforts of the Auditor-General in making such estimates and in fact defend them, indeed I believe that estimates are all too frequently not provided by some Auditors-General who rely on more generalised commentary.

It is my contention the criticism of the Auditor-General by the committee when he thinks this is justified in no way compromises his office or leads to continued inefficiencies by agencies. This is consistent with my earlier stated views that criticism of government agencies in an open way is less painful to governments than covering up waste and inefficiency. It is however important for the Auditor-General to get it reasonably right. When the Auditor-General reported that $7.8m in irregular payments had occurred within the Ministry of Education and this was picked up and highlighted in the media, as the agencies themselves expressed, it is small consolation if this is determined later to be only $2.3m in a subsequent report of the Public Accounts Committee.

It is not in my view a sufficient counter argument to say that the only thing that counts is that irregular payments occurred and not the estimate. Clearly this sort of criticism of the Auditor-General can lead to strained relations with the Economic and Budget Review Committee or the Public Accounts Committee. However, as I have said in my view it is a great strength of the Victorian system that we have a strong and fiercely independent Auditor-General and an emerging respected and independent Public Accounts Committee. Whatever differences we might have this is of great importance if agencies are to be brought to account for waste and inefficiency and if they are to be forced to effectively evaluate their performance. Indeed in Victoria we have developed

our own process for reviewing Auditors-General Reports which includes an initial in-camera hearing with the Auditor-General where we seek to cooperate with him in determining matters for investigation. This is following hearings with agencies, their responses are provided to the Auditor-General and a final public hearing with the Auditor-General allows him to have the last word, prior to us having the last word of course.

The second major factor which affects the Public Accounts Committee's relationship with the Auditor-General I want to discuss relates to the dividing line between reviewing waste and inefficiency and what might be interpreted as reviewing government policy. It is my contention that once the Auditor-General is perceived by committee members to have wandered into the area of government policy it creates both an internal strain within the committee and strains relationships with the Auditor-General. Although the Victorian Auditor-General is specifically excluded from questioning the merits of policy objectives of the government by legislation there are significant problems in interpreting this limitation. Policy objectives is defined in the Act as 'including any policy objective of the government contained in a record of a policy decision of Cabinet, a policy direction of a minister, a policy statement in any budget paper, or any other document evidencing a policy decision of the Cabinet or minister'.

In one sense any criticism by the Auditor-General of waste and inefficiency includes an implied criticism of that government policy and the catch-cry is "if it does not work, may be it should be changed", may be the policy should be changed. The problem is that oppositions can and often do criticise the government policy which has led to the waste or inefficiency rather than the waste and/or inefficiency itself. This is not crucial in my view, the real difficulty is not in the above case, it arises when the Auditor-General is attempting to do his job compares government programs with other programs operating in a seemingly more efficient way in other jurisdictions or more importantly in the private sector.

When the Auditor-General found considerable inefficiencies in school cleaning within the Ministry of Education he needed an objective means to measure the extent of this inefficiency. The measure he chose was a comparison with the use of private sector cleaners, thus the measure of inefficiency was the estimated savings that could be achieved if private sector cleaners were used. The Public Accounts Committee questioned the level of estimated

savings which the Auditor-General had identified because it did not take into account award conditions. From the point of view of my argument the critical point is, that in the context of a government policy which supports salaried school cleaners, is it appropriate for the Auditor-General to indicate that the job could be done for less by the private sector. Indeed it has been argued that salaried cleaners provide other services such as caretaking which would not be provided by contractors.

The above example raises two questions, first, whether the choice of means to meet a basic policy objective is itself also a policy objective and thus not subject to questioning by audit and second, whether audit should recommend detailed remedies in terms of alternative means to reach desired outcomes. In the case above the desired outcome is efficient school cleaning however, the choice of means of achieving this is also clearly a policy decision. The problem really is that the choice of different means in this instance may have other social costs not immediately evident. Industrial disruption, a change to school culture, unemployment and so on. These factors are balanced in formulating or changing government policy.

I should say that both the Public Accounts Committee and the Auditor-General were concerned to increase efficiency in the above case and as a result of our reports, notwithstanding whatever observations we made about the Auditor-General's findings, substantial savings were achieved in subsequent years. The point however is that the observations of the Auditor-General in the above case did lead to strained relationships within the committee around the issue of whether the government policy was appropriate and should be criticised by the Public Accounts Committee as opposed to criticising the waste. Inevitably this also affects the Public Accounts Committee's relationship with the Auditor-General.

The third factor I want to look at which affects the Public Accounts Committee's relationship to the Auditor-General is the Public Accounts Committee's preparedness to bring down reports which are truly critical of government actions showing some independence. Credible reports which may require some courage on the part of government and opposition members alike helps strengthen relationships within the committee, it also builds respect from the Auditor-General. I say also opposition members because as we have found there needs to be compromise from both sides. The opposition members must resist party pressure to get the minister just like government members must resist pressure to

cover up. I venture to say that when we are doing our job the Auditor-General respects the committee even if we occasionally criticise aspects of his report. The Public Accounts Committee's emerging independence was I think highlighted in the recent report to Parliament in the $35m interest swap transaction. This report also had the effect of strengthening the relationship of the committee with the Auditor-General.

It is useful for me to spend a little time explaining some features of that report which in many ways is a landmark for the Public Accounts Committee in Victoria. The interest swap transaction inquiry arose from the Auditor-General's criticism of a transaction undertaken by the Treasurer of Victoria in June 1990. The Auditor-General was critical of the interest swap transaction from two points of view. First, in his opinion the $35m up front payment should have been considered as a borrowing and secondly, the $35m should not have been netted off against other financing charges. The committee investigated the Auditor-General's criticisms and came up with the following conclusions.

The committee found that as a result of the swap $35m of expenditure occurred in 1989-90 financial year without parliamentary authority. The committee found that the netting off of the up front payment was based on erroneous external accounting advice and without reference to legal advice. Moreover we found that Treasury officers gave advice to the Treasurer which was flawed and did not give adequate attention to the legal and constitutional aspects of the accounting treatment of the transaction. For these reasons the report does not run away from criticising these and many other aspects of the swap transaction, including the lack of adequate advice and action by Treasury officers, the present practice of exceeding appropriations during the financial year and the fact that such transactions and other zero coupon transactions involve an effective deferral of financial obligations into the future.

During the course of the inquiry the committee received extensive support from the Audit Office in the form of a detailed briefing for the committee at a public hearing, extensive written responses to correspondence with Treasury and informal briefings with the committee staff. Most importantly as I said in my Chairperson's introduction the inquiry confirmed that $35m had been spent without parliamentary authority and members from both sides of politics were prepared to say that this had occurred. In the best traditions of Public Accounts Committees, members believed that protecting the interests of the public account in this instance were

paramount at least. It is important to note that this particular inquiry and report took place after the report which we did on the Auditor-General's Report which was to some extent critical of the Auditor-General and for that reason I think it does show that we can be both critical and independent.

It would be remiss of me to present this paper without examining the new role which the committee has been given in recent legislation. That role is in auditing the Auditor-General. The legislation introduced in June 1990 gives the committee the role of recommending the appointment of an auditor to conduct a performance audit of the Auditor-General. This should not be confused with the normal appointment of an Auditor which in other jurisdictions is often appointed by the Governor. The provision in the Audit Act is that an audit shall be conducted under this section at least once every three years to determine whether the Auditor-General is achieving his/her objectives and doing so economically and efficiently and in compliance with this Act. The Act also provides a role for the Economic and Budget Review Committee in:-

1. deterring the terms and conditions under which such an auditor is to be appointed;

2. determining the remunerations of the auditor; and

3. giving directions on the conduct of the audit,

and clearly the third one is of utmost importance.

The committee is currently initiating the performance audit of the Auditor-General. At this point advice has been sought from the Commonwealth Ministry of Finance on the procedures used to select the independent auditor for the audit of the National Audit Office. The committee is considering the directions that the auditor should take in undertaking the performance audit. There are some difficult questions to consider such as:-

1. the extent that the auditor should examine the use of audit staff versus contracting by the Office of the Auditor-General;

2. the resources allocated to performance audits by the Auditor-General; and

3. the overall level of resources available to the Auditor-General.

This new function of the Economic and Budget Review Committee has increased the responsibility of the committee and opened up new challenges. It will not be easy but I am convinced that the committee is the proper body to recommend an auditor and give directions on the conduct of the audit. I also think it is important for the Auditor-General to be audited. This can only strengthen his office and in the end strengthens the Auditor-General's relationships with the Economic and Budget Review Committee.

What I have provided is an overview of the very complex factors which had led to the development of a stronger independent Public Accounts Committee in Victoria and the way this has affected the relationship of that committee with the Auditor-General. As I have said the relationship is now more dynamic and capable of responding to the challenge of auditing and protecting the public account by ensuring increased deficiency effectiveness and economy in the operation of government agencies. I have described the relationship as dynamic. The Auditor-General has described this relationship as maturing. As my committee has often, but not always, done in the past I blow to his greater wisdom. Thank you very much.

QUESTIONS

Mr BARAGWANATH: I think Theo did raise one very interesting point which I think is a problem that is faced by most Auditors-General. I think it is incumbent on all Auditors-General to stay out of the political arena and certainly not get into the area of criticising government policy. If I read Theo correctly, what he was saying was that if the government decides that schools will be cleaned by internal staff, that is a government policy. Now I think myself that creates a lot of problems because basically anything the government does is automatically policy and that is going to put so many boundaries around the Auditors-General. We will not be doing anything. So I would be just interested in what people think about the question of: What is government policy and what is not?

Mr THEOPHANOUS: As you have said, this is a difficult question. Obviously, it is true that not everything government does is a result of government policy. Some things just happen without

governments even knowing about them, I think. Or things just tick along as it were. However, I think in this particular instance it could be reasonably construed that this particular action on the part of the government in continuing to employ salaried people in schools was, to a very large extent, a government policy. The reason I say that is that there were calls upon the government to take different actions and some media debate. It was, I think, made clear by ministry officers that this was a matter of government policy but more generally in the wider community and in the wider political community, I think it is fairly well understood that there are ideological political differences that divide the parties and it would not take a genius to figure out that this is one of those issues that divides the Labor Party from the opposition.

Mr BARAGWANATH: Theo, I said this morning on my address on ministerial expenses, that I was trying to navigate through a minefield. If in planning an audit I have got to give consideration to what the administration say is government policy and what the various ideological factions say is government policy. I think I will confine my activities in future to checking the petty cash.

Mr THEOPHANOUS: I think the point I was making was that when one looks at inefficiency one can look at it as an internal issue, that is, looking at the inefficiency and make some judgement about whether that inefficiency is correct, or not. There are a number of instruments that can be used to measure inefficiency. It is one step beyond measurement instruments, performance indicators and so forth, in measuring inefficiency to go to the next step of making comparisons with what might be able to achieve using a different means. And all I would say is that if someone is going to suggest the different means, then one ought to be careful that the means suggested is not something which might be a part of government policy.

Whilst I accept some of what you are saying, Ches, that it is a difficult task, I do think that the standard procedure is to look at the performance indicators to establish your own measurement of performance if need be, your own surveys; your own methodologies and so forth. But it is one step beyond that to say maybe it could be done better in the private sector. I think that comparison puts the argument in a different light.

Mr PALMER: I think, Ches and Theo that here you have a problem in defining just what is government policy and what are administrative arrangements. Certainly in the case of cleaning of schools, I would assume it was government policy to have clean

schools, and after that it is an administrative matter and a matter of effectiveness or efficiency.

Mr HAYWARD: Look, one of the things I would like to find out and I was not sure whether you made it clear or not, was, from the point of view of your committee, whether or not you are allowed to examine matters of government policy. In the Queensland situation our committee is specifically excluded from doing such things under its Act. And just as a comment I can say that has caused some difficulty because it can tend to be a very blurred area which I think we are experiencing now in this discussion here, as to what is government policy and what is not government policy. It is something that we as a committee, both in the first committee and in the second committee, have had some difficulty, as my colleagues who are sitting here would agree in completely addressing. I think it is blurred. But what I am interested in finding out, given that ours is specifically excluded: What is the situation for your committee in Victoria? Are you allowed to examine matters of government policy?

Mr THEOPHANOUS: There is no legislative impediment as far as I know to us looking at policy and I think that we have in fact in the past looked at policy in a wide range of areas that we have examined. We have certainly made the sorts of comparisons of means that I have already indicated, but it might not be appropriate for an Auditor-General to do. But even if we have done that, I think it is somewhat different for a body made up of politicians to make those comparisons of means. It is for an Auditor-General to criticise implicitly government policy. Just from the obvious fact that if you get an unanimous report which has got a political context to it, then that report is to some extent accepted by both sides of politics by definition. When we did the Debt Report on government business enterprises we in fact had a minority report and a majority report. There is no doubt that the minority reports at least, if not the majority report, were concerned with policy because they were suggesting other ways of financing the operations of the SECV, including the use of equity.

So we have no legislative restriction. We have taken the view on the committee that we ought to try and stay away from it, but we don't always. I am not sure that we should always stay away from it because I think sometimes it is important for parliamentary committees to actually make suggestions about how policy can be improved.

Mr JENSEN: It seems to me that we run the risk of being in a 'Catch 22' situation here at the moment because one way out of this conundrum would be for the auditor to flag an issue and then for the Public Accounts Committee to examine that issue. But in fact it could still be seen as a report supporting government policy because of the government majority on that report. So at one stage you are saying: 'The Auditor-General should not look at policy'. You are saying that you have got a problem with the committee looking at it because you end up with a 'government' support. Maybe it is a role for the Auditor-General to conduct an 'efficiency audit' on the particular practice we are talking about. Although I think we have picked a pretty difficult problem here because cleaning of schools, it may be government policy to have clean schools, but you could get into an argument over privatisation of that process versus public provision of the service. Now that is definitely a policy issue. So there is a few minefields out there, I would think. And it is a matter of what suits each particular organisation, I would suggest.

Mr NOLAN: Just adding a little bit to that policy consideration. One of the things that I found at a conference which I attended where we were discussing both the law and the convention of Auditors-General not reporting upon matters of policy and not taking up issues relating to policy. The tack taken was that the subject was broken up into two areas. That is to say, there are those matters which are the policies of government and there are those matters which are the instruments of those policies. So the idea was that an Auditor-General would examine those matters which are instruments of the policy, but not those matters which are the policy themselves. Now that sounded a very simple kind of proposition, but it immediately failed when we considered that if a proposition was put to a minister, and one of the instruments was the way in which that policy would be carried out, and the minister approved it, you then get into very tenuous grounds where you could say: 'Okay, the minister has approved it. It has become policy'. So the kind of feeling that then arises out of that is that if you take this instrument of policy attitude, all that a department or agency of state needs to do is to slip it up to the minister, or to Cabinet, and get it approved by either Cabinet or the minister and it then gets outside of the ambit of the duties of the Auditor-General and I think that would be an unsatisfactory situation. I guess all I am saying is having discussed it at some length and with a great deal of mental heat with some people of real competence, we came up with a no result.

Mr THEOPHANOUS: Can I just say that it is exactly what I was referring to. I do not think you can just have the aim of the policy as being government policy. The means is quite often government policy too. It is not good enough to say our aim is to supply electricity to the people of Victoria in the most efficient and effective way and then leave the rest up to the agency. I mean there is a question, for instance, whether you want a private company to do it, or whether you want a public company to do it. And you could not in any way imagine a situation where you just simply leave the question of whether privatisation occurred, as the means of achieving an end, up to the agency.

Mr NOLAN: Can I add to the confusion? I have got here a report of the Commonwealth Auditors-General; the most recent conference of Commonwealth Auditors-General. They suggest that where ministers are involved in the administration of policy, that is this particular question that has been raised here, they too fall within the scope of an audit. The formulation and implementation of policy and how well it meets its objectives are considered legitimate areas for audit. It is basically an area of great contention.

Mr RITCHIE: With the point raised by Pat, we have encountered it at the committee level before, rather than at Auditor-General level and where we have had these situations of some decision being taken that becomes government policy and we are interested in it, we just fall back one step exactly and say: 'Let us have a look at the Administrative Act that gave rise to the advice'. And we go through that in detail.

Mr DAVIES: I just cannot see any difficulty with an Auditor-General pointing out or using as a performance indicator, something that is happening in another sector. I have not read the report but I just cannot see any difficulty with the Auditor-General using that figure as a performance indicator and basically saying: 'If you did it that way, you would save $3m or $5m or whatever'. But then it is over to the government to decide whether they are going to use that performance indicator, or whether they are going to stay with it the way they were carrying out before. Just a comment.

Mr THEOPHANOUS: I guess I was making a distinction between a performance indicator and an alternative means. I was saying that when the alternative means is a matter of policy, then using the alternative means as a performance indicator has the danger of impinging into policy. The simple example was that if the policy

was to have salaried school cleaners, then to say it could be done cheaper by private means, may or may not be true. But whether it is true or not, there may be other policy reasons for which the government wants to use salaried cleaners. It might be because of other extraneous factors, like the culture of the school, or whatever, where I mentioned before.

Mr DAVIES: They then have the option though to stay with the system as it was, rather than change. That is my point.

Mr THEOPHANOUS: But then if the Auditor-General is going to suggest an alternative means and say: 'You could do it cheaper this way. However, it is up to you to consider that and you will have to take into account a whole lot of other extraneous factors about your policy'. I mean, I think it is getting into the wrong area.

Mr JENSEN: I can see us getting exactly into the area of identifying the costs of the policy and then it becomes a question of whether that is, or not, within the Auditor-General's ambit. For some jurisdictions it may well be within the ambit of the Auditor-General to identify the cost of a particular policy and not debate it.

Mr THEOPHANOUS: I agree that the cost ought to be identified and I agree that performance indicators ought to be used to identify that. The only issue that arises, (I do not have a problem of comparing similar programs using the same means in another jurisdiction if that occurred,) but there is a difficulty when you are concerned about using a different means altogether. I think there is a problem there if that means is a matter of government policy, and therein lies the problem of trying to identify whether it is or whether it isn't.

Mr O'NEILL: Just one thing that has not come through where I come from, and that is, that Auditors-General serve the people and their elected representatives. That is the Parliament. And that is not the government. Now I would think that should there be the unlikely event that there be a change of government down in Victoria, that the incoming government might at some time in the distant future, welcome Ches' report recycled. That is the difficulty I see.

Mr THEOPHANOUS: The problem with the particular issue is that the opposition has basically taken the recommendation and formed it as part of their policy. So we have an opposition policy which is based on that suggestion of contractors in that area and a

government policy which says: 'We want to do it a different way'.

Mr JENSEN: Surely the point really is that if the Auditor-General makes a comment in his report about a particular issue suggesting there may be a better way to do it, it is up to the government to answer that response when it tables its comments on the Auditor-General's report. When the Auditor-General actually provides its report to the Public Accounts Committee, there is an opportunity for the Auditor-General to comment on responses from government in the cases we have found in the ACT. For example, it was suggested that cars could be handled in a different way. It is up to the government to then make its response and we as a Public Accounts Committee can comment on it, and then it is up to the Parliament if you like, to make their final assessment of it. And it may end up as somebody else's policy, as you have just suggested.

Mr THEOPHANOUS: I guess the dividing line is that there may be a better way.

Mr HAYWARD: Theo, this situation you referred to - and I made some notes at the time about this. I think you said there is a legislation through the Victorian Parliament concerning this issue of auditing the Auditor-General. Have I got that right?

Mr THEOPHANOUS: Yes.

Mr HAYWARD: Okay. What I am interested in to know is you could expand on that a bit. What are we talking about there, auditing the Auditor-General's report as such, or are we talking about auditing his office? Just what are we doing? And when the recommendations come down from this other auditor, I do not know whether you have actually had a report yet, I am not really in touch with what happens in other states, or what goes on. The notion that I have got is that the Auditor-General is independent and reports to Parliament and I am interested to know that if the Auditor's report is critical of the Auditor-General, what happens then?

Mr THEOPHANOUS: Well, that is a good question. Yes, it is a full audit of the Office of the Auditor-General and we have to decide exactly what should be undertaken in that audit as our role from ... (interrupted)

Mr HAYWARD: You mean that as a Public Accounts Committee you decide, or that the Parliament decides?

Mr THEOPHANOUS: No. The Public Accounts Committee decides what sort of direction to give to the auditor. We do not do the audit ourselves. We select the auditor and then we give the auditor direction. And he will audit the Auditor-General's Office in terms of effectiveness, efficiency and other matters. And I hope he does not recommend that it should be done by a private auditor.

Mr BARAGWANATH: Is it government policy to have a salaried Auditor-General?

Mr THEOPHANOUS: It certainly is.

Mr BARAGWANATH: You would not allow him to criticise government policy.

Mr THEOPHANOUS: That is right.

Mr PALMER: Just one final comment and directed at you, Ken. I think it is probably a good topic for the next council meeting in Brisbane.

Mr YUKICH: Who audits the auditor?

Anonymous: God?.

Mr THEOPHANOUS: It is the same question as who audits the Public Accounts Committee, or who checks on the Public Accounts Committee. It is the same sort of question.

Mr PALMER: It should not need to be checked on.

Mr THEOPHANOUS: Shouldn't need to be.

Mr BRADSHAW: That question on who audits the Auditor-General. In Western Australia a private sector audit firm audits the Auditor-General and not on performance auditing, but financial statements and controls, as well as performance indicators.

Mr THEOPHANOUS: This is new territory for us, so I am not sure. We may be able to report at the next public accounts committee meeting of how we went. But it will be a full performance audit of the Auditor-General's Office.

Mr HAYWARD: Theo, sorry, I know that you want to close. But is that to be done on a yearly basis or is that just to be a one-off thing?

Mr THEOPHANOUS: Under the legislation it must be done at least once every three years.

MEDIA REVIEW

Clare Martin

I did feel a bit guilty coming to wrap this conference up after the variety of comments that have been made about the media, and our tunneled vision, over the past couple of days. Comments that the media is only interested in 'sensational events' and not the measured and thorough deliberations and investigations of either Auditors-General, or of Public Accounts Committees.

I have to admit though that in some respects those accusations are right. The Darwin media - and I did do a bit of urging - has totally ignored your collective presence here over the last couple of days. This simply adds more fuel to your collective arguments that we are only after the sensational. I can further add insult to that by adding that when I asked some of my ABC colleagues - many who have been journalists here for the best part of a decade - what they knew about public accounts committees, only one said they knew anything other than a tiny bit.

In a historical perspective it seemed almost a tragedy that after years of battle that it took the Territory Public Accounts Committee to get established, that it has made such a marginal impact on those who report its activities. And that sad state of affairs was reflected in our own files at the ABC. We did not have a file. And at the Parliamentary Library where there were three press clippings in their file.

It took five years from 1981 to 1986 to actually get our Public Accounts Committee up and at least temporarily running. Another two years to get it to a permanent status. And it was a hard fought battle with the opposition putting every conceivable argument that they could muster to try and persuade the government to agree. Opposition Labor have a constant cry that the government, first Paul Everingham's government and then Ian Tuxworth's governments, were unaccountable. There was a whole spate of activities at the time going from casino acquisition to the building of five star hotels. All happening in the name of Territory tourism but all being carried out with the government's financial cards being played very close to its chest. The government refused to make its financial commitments and its actual and contingent liabilities public. In the end, of course, the liabilities provided to be millions of dollars and whether we should still be paying for

tourist villages and hotels when areas like health and education, are suffering quite substantial cuts, is still a major issue of contention and still produces irate letters to our one and only newspaper. And I predict, will still be election fodder, in three years time as it was in our election last year.

But back in 1986 the opposition in their attempts to have a Public Accounts Committee established, even tried the argument that if the Territory was more publicly accountable in managing its finances, then the Commonwealth might not be so inclined to slash our funding. And we are very heavily dependent on Commonwealth funding.

It was the years of Senator Peter Walsh, who we know and love, and it was when he was Finance Minister in Canberra. His basic theory at the time was that Australia could get on fairly well without air-conditioners for the Territory. It was one of the arguments that was then put to try and establish a Public Accounts Committee.

The CLP government in those pre-PAC years had a very curious antagonism towards such a beast as a public accounts committee. Our present Chief Minister actually retorted in a parliamentary debate, and I quote: 'That if the opposition wanted information about how the government spent its money, then they just simply have to get into government. There was no other way'. I can only hope that the Chief Minister is now beginning to change his heart on that. The irony of course for Marshall Perron, our Chief Minister, was that when Steve Hatton took over as Chief Minister in May 1986, he turned his government's position on public accounts committees around and with a final touch of irony, Marshall Perron, was the first Chairman of the Territory's Public Accounts Committee.

This conference has reinforced the importance of the Public Accounts Committee, even though the media are not here. And thankfully the argument has moved on from whether they should or should not exist, to just how much responsibility the PAC should have and the emphasis on the 1990s on value for money in government.

The growing importance of the PAC has been outlined by a number of speakers who have constantly referred to the poor image of governments and our politicians; that we vote them into office; give them power and responsibility; but then they show little accountability in carrying out those powers. Ches Baragwarnath,

you must have many people getting your name wrong and I do apologise again. Ches said this morning in his address on ministerial expenses in the post-Fitzgerald era ... He again focused on the importance of the PAC and the role it could have in keeping the parliamentary and ministerial bastards honest, to use that famous Don Chip phrase. I liked his description of ministerial expenses not being in the realm of big dollars, but in the realm of big risk. And there is a very pertinent Territory example of that. Back in 1986 when Ian Tuxworth was Chief Minister, it was shown that he had claimed nearly $10,000 worth of traveling allowances which he was not entitled to. Now, $10,000 is not an enormously large sum of money, at least when you compare it with traveling allowances that were subsequently claimed by Paul Keating and Barry Unsworth in New South Wales. But such was public outrage that he was vilified and his parliamentary colleagues dumped him because of it.

As with Queensland since Fitzgerald, Tuxworth had not committed a big financial sin. And as we have seen with ex-government ministers in Queensland, it was not an enormous sum of money that actually did them in, in the end. But the Territory public wanted their Chief Minister accountable in that. It has been suggested if Ian Tuxworth had claimed a $1m, then he would have got away with it. But the sum of $10,000 was such an accessible sum to your average Territorian, that they were outraged.

Which brings me on to my next point and may be one for a conference like this to ponder, or perhaps at this stage in retrospect. Why is it that our Territory Public Accounts Committee makes such a tiny impact on the Territory consciousness? And it seems to me, after listening to a number of speakers, that it suffers from many of the handicaps that PACs are now being urged to throw off.

First, its size and its staffing. There are only five members and as far as the government is concerned, membership of a PAC is for those who do not make the ministry. There are only 14 members in the government and nine of those are ministers. So those who do not make the ministry hardly view a public accounts committee appointment as a bonus. And also is the staff. There is a tiny support staff for our Public Accounts Committee.

Secondly, our committee suffers like other public accounts committees from only being able to report on and inquire into subjects referred to it. It cannot initiate any inquiries. Even when they make recommendations, the Parliament only has to note

them. An example: The Auditor-General recently recommended that he be able to audit all government business enterprises. The Public Accounts Committee agreed, but the government said 'no'. It was interesting to note that Senator Bronwyn Bishop in her address this morning was very emphatic. She said that all government business enterprises must come within public scrutiny. Another example here in the Territory is our Land Corporation. It simply has no accountability to the public.

A final point. There is a perception here in the Territory that PAC reports do not challenge the government and the general impression is that they are merely favourable. It is this final point that I think makes the PAC and its investigations receive little attention from the Territory and at this stage there is a long way to go to achieve that. Thank you.

QUESTIONS

Mr BECKER: Do you think that the Northern Territory Public Accounts Committee leadership has been remiss in that promoting the role of the Public Accounts Committee in the Territory, as the Public Accounts Committee has done in New South Wales. When a report is released in New South Wales the whole of the committee is presented to the media, and in South Australia during my term of office we adopted a high profile for self preservation, it was the only way we could survive.

Ms MARTIN: The simple answer really is yes.

Mr HAYWARD: You made a statement in concluding about how you would like to see the Northern Territory Public Accounts Committee chaired by a member of the Opposition as it would probably then operate better. I am interested in your rationale as to why you would think that and why you would use the UK example, because I really do not necessarily think that the UK example is a satisfactory example at all. I am interested to know why you would think, what your rationale is for it.

Ms MARTIN: The situation in the Territory is that we had until the last election we had a very small opposition, very small resources, and even now its members are only nine, which does not mean that it has an awful lot of power. The impression, and this is fairly widely felt in the media, is that the PAC is consistently given

reports that are favourable to the government, and that they are not carrying out the kind of functions that I have been hearing you all talk about over the last two days, that a PAC can achieve. It seemed to me that if you had an opposition member as Chairman of the PAC then there might be this perception in the community and in the media that what they are presenting is taking a more challenging line to the government. I have to say that I do not know how the British system worked, it just seemed that the idea that they had the opposition member as Chairman would at least start on the road to having the Public Accounts Committee here make more of an impact.

Mr GRESHAM: I would like your thoughts on the suggestion that: Is what you want a better functioning PAC or is it what your taxpayers require ... In other words are you managing to achieve what you want by an imperfect accounting system, which I suggest we probably all have, and a watchdog PAC or are far more informed by a much better functioning and all embracing accounting system albeit with or without a PAC to be the watchdog.

Ms MARTIN: Well, having to admit to a certain level of ignorance about PACs like many of my colleagues, it would seem that the general impression that I am getting from this conference is that public accounts committees have a very viable and valid role and one that should be expanded as we go into a time of value for money. I would like to see the PAC be in strong position and to be seen to be linking the kind of public interests to what is happening in government. I think the PAC has a very strong role there.

I think that once you start talking about statutory changes, you start leaving the public behind in many ways. I think a public accounts committee is a very important way of doing that, of keeping the public in contact, and keeping the media aware of what is going on. You might say that it is the media being a bit simplistic or its the public being a bit simple, but I think that is what you are faced with.

As financial issues become more complicated, and we have seen that here in Australia we have press conferences where financial journalists talk to the Treasurer Paul Keating in terms that nobody else can understand. There is a role in government increasingly for some body like a public accounts committee to be able to bridge the gap.

Mr DAVIES: I would just like to say, that it is not the role of the PAC to do the job of opposition.

Ms MARTIN: No, I do not think I was implying that it was the role of the PAC to do the role of the opposition but from a Territory point of view, the more checks and balances that there are on government here, I think the happier the public would feel.

Mr POOLE: I basically want to make a similar point. The opposition in the Northern Territory has the opportunity to make a discenting report when the PAC puts its report if they want to and the mere fact that they haven't to date surely would validate that the PAC is being investigative.

Ms MARTIN: How do you explain then, Eric why the media does not take that much note of the PAC.

Mr POOLE: That gets back to the original point that the media is only interested in the sensation of the day and if the report merely validates the performance of government on that particular subject, as being correct, then the media is not interested.

Ms MARTIN: That is a long argument, we will have it some other time.

Mr ROWE: Given what has been said just now, do you think that your presence at this conference will affect the way that you report things in the future?

Ms MARTIN: It certainly raised consciousness around the ABC. I mean I was asking lots of questions of what people knew and because I had to do some reading and listen to what was happening here for two days, it certainly raised my consciousness about the potential of a PAC and awareness of what it can be. Yes. In ABC terms yes, I think it will change things, I am just sorry that nobody came from the media.

Mr HAMILTON: What do the public accounts committees themselves do to raise their public consciousness out there in the community? I am aware that the New South Wales Public Accounts Committee does in putting out leaflets and indeed having the whole of their committee around when the chairman releases a report. Further I understand in New South Wales that members of the PAC can themselves, within their own electorate, issue press statements. I would just like your comment.

Ms MARTIN: Our fax machine waits for that kind of thing, and I do not think we have had a situation, have we, where the entire

PAC has had a press conference. No, there you are, it has not happened.

Mr BARAGWANATH: In the United States they have televised hearings of the equivalent of the public accounts committee. How long do you think it will be before the media and network magnates realise that they have got potentially one of the best rating shows ever. I think some of the Public Accounts Committee hearings I have been to, and there has been quite a free flowing discussion and really it has got the potential to rival Neighbours.

Ms MARTIN: The government has only just been persuaded to televise Parliament, and people are starting to appreciate what good television question time is. I think it is going to take a little bit of absorption and those other kinds of things are definitely down the line. I think it has taken near a decade for the federal Parliament to be televised. It is not exactly fast moving.

Mr GRESHAM: Our committee meetings are televised and it is often the Opposition here who use it as a tool. If they can put someone through the hoops obviously it is more in their interests to do it than it is for government members. They will elect the media and the channels they will be there, and it does make pretty gripping viewing sometimes.

Mr BECKER: Perhaps public hearings would be the best, but the big problem we had in South Australia when I was Chairman of public hearings, we were not covered by parliamentary privilege. So we had to be very careful in the questions we phrased to the witnesses and not imply any reflection on the witness, whether he might not be telling the truth or whatever.

We took that risk in the public interest. Now, I do not know what the other states have in their act in relation to parliamentary privilege and protection, but I think public hearings was the best way, because eventually the media did turn up to get a 90 second grab during the hearing.

Mr HAMILTON: Could I just extend on that too, because as Chairman of a PAC I express concern that if I ask a question and then my colleagues ask a series of seemingly unrelated questions, it could be construed as an attack upon the witness, and therefore subject to the committee or individual members of the committee being thrown into court. We took this matter up with the premier but we were not given the full protection that the committee wants, and I think that inhibits the committee in many ways. Particularly

where we could say to a witness, are you telling lies. I mean to really nail the witness and that is the real problem. Not to attack the witness, but to ask a blunt question. I think that is a difficulty that we have in South Australia.

Mr JENSEN: In the ACT we are actually covered under the Commonwealth Parliamentary Privileges Legislation. Also a lot of our committee hearings that are public are in fact attended by the media, both print, radio and television, but people sit and actually take notes and write stories or run articles in the ABC News for example.

Ms MARTIN: Do you feel that you get unfairly treated by the media?

Mr JENSEN: I do not think it is a matter of getting unfairly treated. I think the media in the ACT have reasonable interest in the goings on in the Assembly Committees and it certainly gets quite a clear run in our various parts of the media in the ACT. We have not had any press conferences where we have all sat together and spoken about the report in question.

Mr PALMER: Just rising to my defence for a moment. I think what Clare said there really illustrated a problem we all have and that is the name of the committees - Public Accounts Committee. I put the emphasis on the committees looking at the public accounts. They are not public committees looking at the government accounts. I think there is a major misconception in the Territory media that I am there for the benefit of the media, and if I do not perform to their expectations, if I do not criticise government longly, roundly and openly then perhaps I am not performing.

A further problem is of course that they do not read the reports. You give them the reports, you also give them copies of what you said in the House and they do not read them. You deliver your tabling speech, you go and talk to the media, and you say, 'Do you have any questions to ask', and they look at you and say, 'I don't understand a word you said,' and you say, 'Well there is the report, there is my speech, go away and read it', and they tell you, 'well I am too busy, I have got 15 inches of column to write in the next week, and I could not possibly fit it in between breakfast and lunch', and thus you get no coverage.

Just finally on that, I am not there to be covered by the media. If I do not get covered from the media from one year's end to the next year's start I really do not care about it.

All I look back on was the results of the committee and looking from the time the committee started to where we are today, there are any number of initiatives government have put in place, that have resulted from the recommendations of my committee. I believe that is the true test of the work and value of the committee. What happens as a result of your recommendations in the areas that you are looking at. Just in closing I think Nick wanted to say a few words.

EPILOGUE

Mr SIBBESTON: I have come a long way to come to your conference from Northern Canada, North West Territories and I have enjoyed very much your conference here. In our part of Canada, the North West Territories we are not a province, we are simply a Territory, much I suppose like Northern Territory here. We have only had a Public Accounts Committee for the last six or seven years and so to a certain extent I guess when I hear your discussions, you are obviously much more developed and we are in our infancy in comparison to what has gone here.

It has been a learning experience for me and I am very glad that our Assembly spent the money to send me here, so I will be reporting and talking about the things that I have learnt here in the past few days.

I have a small little gift for your Chairman, for the invitation that had been sent to us. I think the invitation came as a result of some Australian delegates that attended the Newfoundland National Conference in Canada last summer. We expressed interest in coming, and low and behold this winter a letter came to us, and so we took the opportunity to come to your country. We thank you very much.

I just want to give you a small gift to remind you of this conference and our participation and attendance here. It is a picture, and I will just explain that it is made by one of our Aboriginal artists. It is made out of moose hair, the hair that is on this part of the moose is moosehair tufting so I will just present to you Mick.

I should say too, that I have got a number of publications of our Territories, our 1990 annual report and information on our Assembly if anybody is interested.

Mr PALMER: Thanks Nick, if you ever are in need of any more moose hair I suggest that you talk to Bob Walker.

Mr ARCHER: As the sole remaining Tasmanian here, and as the Deputy Chairman of our Public Accounts Committee. I just wanted to take the opportunity of thanking the Northern Territory for having put on a wonderful show for us here. This is my first conference, and as Neil Robson has gone and no-one else is likely to be interested enough to report back home, all .I would do is