Legislative Assembly for the ACT

STANDING COMMITTEE ON PUBLIC ACCOUNTS

The 8th Biennial Conference of the Australasian Council of Public Accounts Committees

MARCH 2005

Report 1

Committee membership

Mr Richard Mulcahy, MLA (Chair)
Dr Deb Foskey, MLA (Deputy Chair)
Ms Karin MacDonald, MLA

Secretariat support

Secretary:	Ms Stephanie Mikac
Administration:	Mrs Judy Moutia

Contact information

Telephone: (02) 6205 0136
Facsimile: (02) 6205 0432

Email: committees@parliament.act.gov.au

Post: GPO Box 1020
CANBERRA ACT 2601

Website: www.parliament.act.gov.au/committees

Resolution of appointment

The Standing Committee on Public Accounts was appointed by the Legislative Assembly on 7 December 2004 to:

(i) examine:

(A) The accounts of the receipts and expenditure of the Australian Capital Territory and its authorities; and

(B) All reports of the Auditor-General which have been presented to the Assembly;

(ii) Report to the Assembly 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;

(iii) 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; and

(iv) Examine matters relating to economic and business development, small business, tourism, market and regulatory reform, public sector management, taxation and revenue and sustainability.

Terms of reference

Report to the Legislative Assembly, the Standing Committee on Public Accounts' recent participation in the 8th Biennial Conference of the Australasian Council of Public Accounts Committees (ACPAC).

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1 INTRODUCTION

1.1 On 10 February 2005, the Standing Committee on Public Accounts resolved to report on its recent participation and attendance at the 8th Biennial Conference of the Australasian Council of Public Accounts Committees (ACPAC).

1.2 The 2005 ACPAC conference was hosted by the Queensland Public Accounts Committee and held at the Queensland Parliament in Brisbane from 6 to 8 February.

1.3 One hundred and nine Australian and international delegates and observers attended the conference, including Members and staff of Public Accounts Committees, Auditors-General, academics and professional bodies. In addition to Australian delegates, the conference included representatives from the countries of: Fiji; Namibia; New Zealand; Papua New Guinea; Singapore; South Africa; and the United Kingdom. The delegates and observers that attended the conference are listed at Attachment A.

1.4 The Standing Committee on Public Accounts and its Secretary represented the ACT Legislative Assembly at the conference.

1.5 The theme of the conference was *Current Challenges Facing Public Accounts Committees*. The conference program can be found at Attachment B. The Honourable Demetrios (Jim) Fouras, Deputy Speaker and Mr Gary Fenlon MP, Chair, Queensland Public Accounts Committee, opened the conference. The conference then proceeded with the presentation of the papers outlined in Chapter 2.

2 PAPERS PRESENTED AT THE 2005 ACPAC CONFERENCE

2.1 *Does output based management add value and how do PACs get the information they need?* – Mr Richard Mulcahy MLA, Chair, ACT Public Accounts Committee.

The paper discusses the system of outputs based budgeting and management and its potential to achieve greater value for taxpayers funds. The paper can be found at Attachment C.

2.2 *The effect of performance indicators on the public sector* – Mr Bob Baldwin, MP (Chair, Joint Committee on Public Accounts and Audit, Commonwealth of Australia)

The paper discusses the committee's findings on the Commonwealth's new accountability framework, which is based on accruals outcomes, outputs and performance indicators. The paper also discusses the scrutiny of performance indicators by the Auditor-General, Parliament and the Joint Committee on Public Accounts and Audit.

2.3 *The role of the CFO in achieving public sector governance* – Mr David Pendleton, Chair, Public Sector Centre of Excellence, CPA Australia

The paper examines the evolving role of the Chief Financial Officer (CFO) within organisations in the post ENRON era of corporate collapse.

2.4 *Information and the public service – balancing privacy, confidentiality and accountability: Who is served by secrecy?* – The Honourable Jim Wilkinson MLC, Deputy Chair, Joint Standing Committee of Public Accounts, Tasmania

The paper examines the role of government and the public service and other oversight agencies, in balancing privacy, confidentiality and accountability considerations in making information available to the public.

2.5 *Trends in performance reporting* – Auditors-General Panel: Mr Wayne Cameron, Auditor-General, Victoria; Mrs Wendy Venter, Assistant Auditor-General, New Zealand; Mr Des Pearson, Auditor-General, Western Australia; Mr Shauket Fakie, Auditor-General, Republic of South Africa.

Each Auditor-General or Auditor-General representative presented jurisdictional specific information in relation to trends in performance reporting.

2.6 *Accountability issues relating to government outsourcing* – Professor Neal Ryan, Head of School of Management, Queensland University of Technology

This paper examines the accountability, transparency, performance management and risk issues for the public, private and not-for-profit sectors in contract management, outsourcing and privatisation by government.

2.7 *Improving governance and accountability including government corporations and heads of agencies* – Mr Clayton Cosgrove MP, Chair, Finance and Expenditure Committee, New Zealand

The paper outlines the recent legislative and non legislative changes to New Zealand's public management system.

2.8 *Accountability of non profit organisations: The Queensland chart of accounts project* – Professor Chris Ryan, Head of the School of Accounting and Professor Myles McGregor-Lowndes, Faculty of Business, Queensland University of Technology.

The presentation was aimed at providing information to delegates about the government funded chart of accounts project. The project is aimed at creating and implementing a standard financial framework for non profit organisations.

2.9 *Public Private Partnerships (PPP)* – The Honourable Christine Campbell MP, Chair, Public Accounts and Estimates Committee, Victoria

The presentation outlined the potential of public private partnerships in Australia, citing a number of Victorian examples.

2.10 *Risk Management – The relationship between planning, risk and accountability* – Mr Matt Brown MP, Chair, Public Accounts Committee, New South Wales

The paper explores the relationship between the public sector, accountability and risk management following the release of the new Australian standard of risk management, AS/NZS 4360:2004.

2.11 *International committee activity reports* – Republic of South Africa (RSA); Free State, RSA; Limpopo, RSA; North West Province, RSA; Western Cape, RSA; Gauteng, RSA.

The preceding jurisdictions provided information about the work of their public accounts or similar committees. Most of the committees attending the 2005 ACPAC conference provided a summary of the activities undertaken by their committees since the previous ACPAC in 2003.

2.12 The ACT's report outlines a summary of a selection of inquiries undertaken by the Fifth Assembly Standing Committee on Public Accounts. The ACT report can be found at Attachment D.

2.13 *Public liability changes* – Ms Gay Thompson MP, Chair, Economic and Finance Committee, South Australia

The paper examines the changes to public liability in the post World Trade Centre tragedy era.

2.14 *Report on the establishment of the Public Sector Governance and Accountability Research Centre* – Professor Kerry Jacobs, Director, Public Sector Governance and Accountability Research Centre, La Trobe University

The presentation provided information and a report on the work undertaken in establishing the Public Sector Governance and Accountability Research Centre (PSGRC). The PSGRC was established following a resolution at the previous ACPAC conference. The PSGRC is intended as the academic research base of the international body of public accounts or like committees to be known as the International Council of Public Accounts Committees (ICPAC).

3 ACPAC BUSINESS - RESOLUTIONS

3.1 Mr Matt Brown, Chair, NSW Public Accounts Committee proposed amendments to the ACPAC constitution. The amendments which were passed provide that the mid term meeting held in each alternate conference year is in effect a smaller version of the biennial conference. The amendments also allow for the attendance of all committee members to mid term meetings.

3.2 The following resolutions were passed by the ACPAC. That:

At the next ACPAC conference it would be decided via a motion whether to admit other countries as members of ACPAC;

Future conference and mid term meetings be hosted by the listed jurisdictions and are subject to review at any meeting of the ACPAC:

2006 Northern Territory – Mid term meeting

2007 Commonwealth and the ACT - Conference

2008 South Australia – Mid term meeting

2009 New Zealand – Conference

2010 Tasmania – Mid term meeting

2011 New South Wales – Conference

4 CONCLUSION

4.1 The Committee sincerely thanks the Queensland Public Accounts Committee, its Secretariat and the Queensland Parliament for its welcome and for its tremendous effort in organising the 2005 ACPAC Conference.

Richard J Mulcahy MLA
Chair

23 March 2005

ATTACHMENT A - 2005 ACPAC Conference delegates and observers

Queensland Public Accounts Committee

Mr Gary Fenlon MP (Chair)
Mr Marc Rowell MP (Deputy Chair)
Ms Bonny Barry MP
Ms Jan Jarratt MP
Mr John-Paul Langbroek MP
Mrs Rosemary Menkens MP
Mr Craig Wallace MP
Ms Leanne Clare (Research Director)
Ms Deborah Jeffrey (Senior Research Officer)

Australian Capital Territory Standing Committee on Public Accounts

Mr Richard Mulcahy MLA, (Chair)
Dr Deb Foskey MLA (Deputy Chair)
Ms Karin MacDonald MLA
Ms Stephanie Mikac (Secretary)

Commonwealth Joint Committee on Public Accounts and Audit

Mr Bob Baldwin MP (Chair)
Senator John Watson MP
Mr Russell Chafer (Secretary)

New South Wales Public Accounts Committee

Mr Matt Brown MP (Chair)
Mr Paul McLeahy MP (Vice Chair)
Ms Gladys Berejiklian MP
Mr Richard Torbay MP
Mr John Turner MP
Mr Steve Whan MP
Ms Vicki Buchbach (Committee Manager)

New Zealand Finance and Expenditure Committee

Mr Clayton Cosgrove MP (Chairman)
Mrs Pansy Wong MP
Ms Lesley Ferguson (Clerk)
Mr Matthew Louwrens (Parliamentary Officer/Report Writer)

Northern Territory Public Accounts Committee

Mr Terry Hanley (Secretary)

Papua New Guinea Permanent Parliamentary Committee on Public Accounts

Mr Jon Hickey MP (Chair)
Mr Repe Rambe (Secretary)

South Australian Economic and Finance Committee

Ms Gay Thompson MP (Presiding Member)
Dr Paul Lobban (Secretary)

Tasmanian Joint Standing Committee on Public Accounts

Hon. Tony Fletcher MLC (Chair)
Hon. Jim Wilkinson MLC (Deputy Chair)
Mr Will Hodgman MHA
Mr Graeme Sturges MHA
Ms Heather Thurstans (Secretary)

Victorian Public Accounts and Estimates Committee

Hon. Christine Campbell MP (Chair)
Hon. Bill Forwood MP (Deputy Chair)
Ms Michelle Cornwell (Executive Officer)

Australasian Council of Auditors-General

Queensland

Mr Glenn Poole (Auditor-General)
Mr Val Manera (Deputy Auditor-General)
Mr P Brahman (Assistant Auditor-General)
Mr John Harten (Assistant Auditor-General)
Mr Neil Jackson (Assistant Auditor-General)
Mr Eric Muir (Assistant Auditor-General)
Mr Paul Shipperley (Assistant Auditor-General)
Mr Brendan Worrall (Assistant Auditor-General)
Mr John Findlay (Director, Audit Policy and Reporting)

Australia

Mr Pat Barrett (Auditor-General)

Australian Capital Territory

Mrs Tu Pham (Auditor-General)

Fiji

Mr Eroni Vatuloka (Auditor-General)

New South Wales

Mr Bob Sendt (Auditor-General)

New Zealand

Mrs Wendy Venter (Assistant Auditor-General)
Mr John O'Connell (Director, Audit New Zealand)

Northern Territory

Mr Frank McGuiness (Auditor-General)

South Australia

Mr Simon O'Neill (Deputy Auditor-General)

Tasmania

Mr Mike Blake (Auditor-General)

Victoria

Mr Wayne Cameron (Auditor-General)

Western Australia

Mr Des Pearson (Auditor-General)
Dr Peter Wilkins (Executive Director, Business and Strategic Services)

Associate Public Accounts Committees

Free State Legislature, Republic of South Africa

Mr Abrie Oosthuizen (Chairperson)
Mr Peter Frewen
Mr Peter Maloka
Mr Modise Mokitlane
Ms Gertrude Mothupi
Mr Casper Nordier

Gauteng Provincial Legislature, Republic of South Africa

Mr Michael Seloane (Chairperson)
Professor Themba Sono

Limpopo Legislature, Republic of South Africa

Mr Sa'ad Cachalia (Chair)
Mr Michael Holford
Dr Hunadi Mateme
Mr Pitsi Moloto
Mr Machike Thobejane
Mr David Ghana (Secretariat)

North West Province, Republic of South Africa

Hon. Mavis Matladi (Chairperson)
Hon. Leroi Mahlakeng

Republic of Kiribati

Mr Kabetite Mwetaka (Chairman)

Republic of South Africa

Mr Pierre Gerber (Chairperson)
Mr Samson Ndou
Ms Tandie Tobias
Dr Soloman Van Dyk
Mr Lungisile Pakati (Official)

Singapore

Mr Leong Horn Kee (Chair)

Western Cape Provincial Parliament, Republic of South Africa

Mr John Gelderblom (Chair)
Mr Richard Dyantyi
Mr Grant Haskin
Mr Mzwandile Manjiya
Mr Gerrit Van Rensburg
Mr Johan Coetzee (Senior Committee Coordinator)

International Auditors-General

Namibia

Mr Junias Kandjeke (Auditor-General)
Mr Walter Barth (Deputy Auditor-General)

Republic of South Africa

Mr Shauket Fakie (Auditor-General)

United Kingdom

Mr Frank Grogan (Director-General)

Observers

Certified Practicing Accountants (CPA) Australia

Mr David Pendleton (Chair, Public Sector Centre of Excellence)
Mr Adam Awtry (Director, Public Sector Centre of Excellence)
Ms Anna D'Alessandro (Public Sector Policy Advisor)
Mr Geoff Hine (Principal Consultant, Walter Turnbull)

Public Administration and Finance Committee, Western Australia

Ms Jan Paniperis (Senior Committee Clerk)
Ms Anne Turner (Advisory Officer – Legal)

Public Bodies Review Committee, New South Wales

Mr Milton Orkopoulos MP (Chair)
Mr Alan Ashton MP
Ms Catherine Watson (Committee Manager)

Public Sector Governance and Accountability Research Centre, La Trobe University

Mr Peter Loney MP (Chair, Advisory Board)
Professor Kerry Jacobs (Director)
Dr Bill Stent (Executive Officer)

Statutory Authorities Review Committee, South Australia

Mr Gareth Hickery (Secretary)
Ms Jenny Cassidy (Research Officer)

ATTACHMENT B – 2005 ACPAC Conference Program

Sunday, 6 February 2005

Pre-conference function

Kookaburra River Queen Cocktail Party

5.30pm – 6.00pm	Board Kookaburra River Queen at Eagle Street Pier
6.00pm – 7.30pm	River Cruise Cocktail Party

Monday, 7 February 2005 – Day 1

8.00am – 9.00am	Conference Registration – Level 3, Parliamentary Annexe, then proceed to the Undumbi Room, Level 5, Parliamentary Annexe
9.00am – 9.15am	*Welcome and opening remarks* Hon Ray Hollis MP, Speaker of the Queensland Parliament Mr Gary Fenlon MP, Chair of Queensland Public Accounts Committee

Session 1

9.15am – 9.45am	*Government owned corporations – accountability* Presenter: Mr John Hickey MP, Chair of the Permanent Parliamentary Committee on Public Accounts, Papua New Guinea
9.45am – 10.15am	*Does output based management add value and how do PACs get the information they need from it* Presenter: Mr Richard Mulcahy MLA, Chair, Standing Committee on Public Accounts, Australian Capital Territory
10.15am – 10.45am	*Effect of performance indicators on the public sector* Presenter: Mr Bob Baldwin MP, Chair, Joint Committee of Public Accounts and Audit, Commonwealth
10.45am – 11.00am	Morning Tea – Colonnade, Level 5

Session 2

11.00am – 11.45am	Keynote Address – *The role of the CFO in achieving public sector governance* Mr David Pendleton, Chair, Public Sector Centre of Excellence, CPA Australia
11.45am – 12.15pm	Official photo – Steps to the Speaker's Green
12.15pm – 1.45pm	Lunch – Function Rooms A and B, Level 4

Monday, 7 February 2005 – Day 1 (continued)

Session 3

1.45pm – 2.15pm	*Information and the public service – balancing privacy, confidentiality and accountability* Presenter: Hon Jim Wilkinson MLC, Member, Joint Standing Committee of Public Accounts, Tasmania
2.15pm – 3.15pm	Auditors-General Panel - *Trends in performance reporting*
3.15pm – 3.30pm	Afternoon Tea – Colonnade, Level 5

Session 4

3.30pm – 4.15pm	Keynote Address – *Accountability issues relating to government outsourcing* Professor Neal Ryan, Head of School of Management, Queensland University of Technology

End Day 1

Monday, 7 February 2005 – Official Dinner

6.45pm – 7.30pm	Pre dinner drinks on the Speaker's Green, Parliament House
	Entertainment by 'Novalis' string quartet and Opera Queensland
7.45pm	Dinner – Function Rooms A and B, Level 5
8.30pm – 9.00pm	Guest Speaker – Her Honour Chief Judge Patricia Wolfe, District Court of Queensland
10.00pm	Close

Tuesday, 8 February 2005 – Day 2

Session 1

8.45am – 9.15am	*Improving governance and accountability including government corporations and heads of agencies* Presenter: Mr Clayton Cosgrove MP, Chair, Finance and Expenditure Committee, New Zealand
9.15am – 9.45am	*Risk management - issues about evaluation and effectiveness of outcomes including contracting out* Presenter: Mr Len Kiely MLA, Chair, Public Accounts Committee, Northern Territory

Tuesday, 8 February 2005 – Day 2 (continued)

9.45am – 10.45am	Keynote Address – *Accountability of non-profit organisations: The Queensland Chart of Accounts project* Associate Professor Chris Ryan, A/Head of School of Accounting, Queensland University of Technology and Professor Myles McGregor-Lowndes
10.45am – 11.00am	Morning Tea – Colonnade, Level 5

Session 2

11.00am – 11.30am	*Public private partnerships* Presenter: Hon Christine Campbell MP, Chair, Public Accounts and Estimates Committee, Victoria
11.30am – 12.00pm	*Risk management – the relationship between planning, risk and accountability* Presenter: Mr Matthew Brown MP, Chair, Public Accounts Committee, New South Wales
12.00pm – 12.45pm	International committee activity reports
12.45pm – 2.00pm	Lunch – Function Rooms A and B, Level 4

Session 3

2.00pm – 2.30pm	*Public liability changes* Presenter: Ms Gay Thompson MP, Chair, Economic and Finance Committee, South Australia

2.30pm – 3.15pm	Keynote Address – *Report on the establishment of the Public Sector Governance and Accountability Research Centre* Professor Kerry Jacobs, Director Public Sector Governance & Accountability Research Centre, La Trobe University
3.15pm – 3.30pm	Afternoon Tea – Colonnade, Level 5

Session 4

3.30pm – 4.30pm	ACPAC business and close conference

6.30pm – 9.30pm	Riverview Steak and Seafood BBQ, Level 7,

Parliamentary Annexe

ATTACHMENT C: Paper presented by Mr Richard Mulcahy MLA to ACPAC 2005

"DOES OUTPUTS-BASED MANAGEMENT ADD VALUE
AND
HOW DO PUBLIC ACCOUNTS COMMITTEES GET THE INFORMATION THEY NEED?"

ADDRESS BY

RICHARD MULCAHY, MLA
MEMBER FOR MOLONGLO
ACT LEGISLATIVE ASSEMBLY

TO THE

AUSTRALASIAN COUNCIL OF PUBLIC ACCOUNTS COMMITTEES CONFERENCE 2005

PARLIAMENT HOUSE, BRISBANE

MONDAY 7 FEBRUARY 2005

The essence of my remarks today is that although the system of outputs-based budgeting and management has great potential to achieve better value for taxpayers' funds, governments and parliaments have not used the tools available when it comes to actually doing the job.

The tools are in the tool kit but very few people know how to use them and even fewer seem interested in using them to best effect.

Public Accounts Committees **can** get the information they need but, when it comes to evaluating the usefulness of outputs and their capacity to add value, PACs first they have to know what they want and ask the right questions.

The ACT was the first jurisdiction in Australia to adopt outputs-based budgeting, supported by accrual budgeting and accounting, plus associated performance agreements for the delivery of those outputs.

Over the past nine years there has been a cautious and somewhat languid gaining of experience but I don't think there has been much progress since the earlier surge of reform.

I make these comments, and my observations to follow, from the point of view of one who – until very recently – was outside the system. Since I was only elected to the ACT Legislative Assembly in October of last year I don't pretend to have a detailed insider's knowledge of what happened, when and why.
But I have been a very keen observer and I see some salient lessons to be drawn from the time since outputs-based budgeting was introduced in the 1996-97 budget.

The concept of separating the dual roles of the government, both as a purchaser of goods and services on behalf of the community on one hand and – in many cases – as a producer of those goods and services on the other, is a very important one.

The separation is important because, on the purchaser side, it is based on consumer sovereignty. Ministers should see themselves as **customers** purchasing outputs on behalf of the community.

The success of outputs-based management and its capacity to add value, depends on the political side of the purchaser/producer relationship – that is, ministers – knowing what outputs contribute best to the outcomes the government wants

Governments pay for health services for delivery to its citizens to improve their health.

Governments pay for schooling services to provide people with essential skills and the opportunity to fulfil their personal potential and to be responsible citizens.

Governments pay for police services to improve public safety.

And they pay employees and contractors to keep the grass mown and enhance our public parks.

The significance of outputs-based management is that it focuses on what is done to achieve a purpose or outcome.

So, in the case of parks and gardens, instead of funding for the purchase of mowers and fuel and the payment of wages, the focus is on hectares of grass mown and the quality of the finished job.

In the case of schooling the focus is on results (broadly defined to reflect the community's aspirations) rather than equipment and teachers' jobs.

It is clear, then, that ministers must know what they want and should not simply accept what departments and agencies as producers serve up to them.

There is no doubt in my mind that, in principle, with funding based on desired results rather than expenditure on resources, there should be much more rigour in the management of scarce public funds. Enormous community benefits can flow in terms of greater responsiveness, greater accountability and higher quality services provided more efficiently. That's the potential for adding value.

Could outputs-based management add value? The answer is 'yes', it could. Focusing on outputs rather than inputs or processes gives purpose to what agencies do.If you know **why** something is being done you do it more effectively. You have a better understanding of what is required. And it is more likely that performance can be measured.

Does, in practice, outputs based management add value? Perhaps marginally. Perhaps not. For example, on the question of adding value, are our children better educated and more able to take their place in the world and make a contribution to society as a result of more money being spent per student?

Does spending more at the hospital actually improve patient outcomes?

The questions and answers are blurred by the fact that in the ACT we don't really have outputs-based management, despite the promising start.

The opportunity to do so – and to achieve the gains – has been allowed to slip.

As I see it, over the years the system has been largely captured by provider or producer interests, as distinct from those of the consumer. I believe this drift has occurred mainly because more recent governments – and I include Liberal as well as Labor – have not provided the discipline of an informed consumer insisting on exercising choice or clarifying precisely what they require and what they will not accept. Instead, ministers tend to see themselves primarily representing producer interests, that is, those of their department or agency.

The Labor Government jettisoned the purchaser/provider concept on the grounds that it pitched central agencies (responsible for getting value for money) against line agencies (responsible for providing services) and created friction within the public service. It seems that ministers were persuaded by their departments that harmony in the public service was more important than the discomfort which can flow from pressure to improve efficiency and accountability.

Parliamentary committees also must accept responsibility for the potential added value from outputs-based management being forgone. As the current Treasurer ruefully observed at the presentation of the ACT's 2004-05 budget, notwithstanding the focus of output/outcomes based budgeting on greater flexibility, increased accountability and responsibility for what is produced rather than being overly concerned with the processes of production, legislatures have maintained an interest in traditional line items. [Ted Quinlan MLA, Treasurer of the ACT, *Framework For Future Budget Presentation Discussion Paper*, p.12-13]

That is code for saying that legislatures (and their committees) have not been able to move beyond looking for incremental changes in expenditure from year to year, and haven't shown much interest in the bigger questions of "how?", "why?", "how much?" and "is there a better way?".

I would agree that committees reviewing the activities of government, such as Public Accounts Committees, Estimates Committees, committees examining annual reports and so on tend to concentrate on inputs and their cash cost. It is easy to do and has the perceived political advantage of revealing waste or rorting and may therefore embarrass the government.

From my observations as – until very recently – a non-politician, there is the temptation for members of committees to emulate Bronwyn Bishop or John Faulkner and strike fear into process-driven public servants for political gain without necessarily improving the quality of services delivered to the community.

At times there seems to be more short term political mileage in asking how many biros were used or what was spent on air travel and hire cars rather than what services were delivered, how efficiently they were delivered and how they benefited the community.

Similarly I believe there is too much concentration on process controls. Governments are nervous about being criticised so they try to protect themselves from prying questions. And if the line of those questions is expected to relate to whether all procedures were followed precisely (rather than used for guidance) or whether there was full compliance with policies on access and diversity, gender balance, training and development, OH and S and so on, then that is where the government will focus. And all the more so if the Government thinks that parliamentary committees will not show much interest in evaluating outputs and performance

The problem can be seen in the Chief Minister's Annual Reports Directions. They are voluminous, complex and largely unnecessary.
They reflect a very defensive attitude and focus on inputs, processes and compliance. But they don't relate to outputs and don't add value.

That is not to suggest that expenditure and decisions about the allocation of resources are not important. Clearly they are very important. But the focus of questions from (say) a Public Accounts Committee should be on the **purpose** of the expenditure or process and how effectively it contributes (that is, adds value) to the desired objective.

It's up to the committees of the parliament to set the tone of debate and to make it clear that they are much more interested in looking at reporting formats; performance indicators, benchmarks, targets and their relevance; incentives provided; and holding the government accountable, than chasing the minutiae of (say) compliance with an internal procedures manual of no interest to the public.

I would like to see committees of the parliament asking more questions along the lines of “how are we better off as a result of this program?”; “is there a better way to do it?”; “can we still do this in a hundred years time?”; “what should we stop doing?”.

Public Accounts Committees can work much more effectively if they set and signal to governments the sorts of issues they are interested in.

At the same time governments must recognise that attempts by its officers to thwart parliamentary committees – as we saw in the eleven point so-called ‘tactical approach’ circulated to government and political staff to undermine the 2003 Budget Estimates Committee – are totally unacceptable and will be punished.

I don’t see any problem with Public Accounts Committees getting the information they need. Questions on notice have to be answered and, if necessary, freedom of information legislation can be used. In practice, governments know that the more they try to cover up, the greater the zeal of the legislature, the media and the public to find the truth.

Public Accounts Committees could also provide some leadership by indicating well in advance of the Budget what sort of information they expect to be disclosed and how it should be presented.

In summary, outputs-based budgeting and management can be a very effective tool for adding value, but it is largely unused. This is where Public Accounts Committees can lead the way.

ATTACHMENT D – ACT ACTIVITY REPORT

Highlights of selected inquiries undertaken by the ACT Standing Committee on Public Accounts since 2003

Since the last ACPAC, the ACT Standing Committee on Public Accounts has undertaken a number of significant inquiries, a number of which are briefly discussed in this report. During the Fifth Assembly, the Committee broadened the terms of reference of a number of inquiries to include consideration of environmental and social implications and factors. This was a new approach to inquiries for the Committee and allowed the Committee more scope to examine emerging issues. The election on 20 October 2004 returned five new Members to the Assembly. The Government now holds a majority in the Assembly and in three of the six Standing Committees. The Public Accounts Committee does not have a Government majority. The new Committee consists of Mr Richard Mulcahy MLA (Chair), Dr Deb Foskey MLA (Deputy Chair) and Ms Karin MacDonald MLA. With the exception of Ms MacDonald, Mr Mulcahy and Dr Foskey are new to the Committee and to the Assembly. The Committee is currently undertaking a numer of inquiries into Auditor-General's reports and the annual reports of government agencies.

Review of Auditor-General's Report No 7 of 2002: Financial Audits with Years Ending to 30 June 2002

In September 2003, the Standing Committee on Public Accounts presented its report on the Review of Auditor-General's Report No 7 of 2002: Financial Audits with Years Ending to 30 June 2002. The Committee annually reviews the Auditor-General's examination of the Territory's consolidated financial statements. In its report, the Committee highlighted the Auditor-General's findings regarding the possible misuse of the Treasurer's Advance (TA) as provided for under the Financial Management Act (FMA). Consequently the Financial Management Amendment Bill 2003 (No 3) was presented to the Assembly and referred to the Committee for inquiry. The inquiry included examining the general questions of the requirements, purpose, structure, limitations, Ministerial and associated obligations relating to the Treasurer's Advance provisions of the *Financial Management Act 1996*, considering inter alia views from interested parties in the ACT and the operations of Treasurer's Advance provisions in other jurisdictions. Three of the four recommendations made by the Committee were related to amending the TA provisions of the FMA. The Bill was rejected by the Assembly with the Government presenting its own amending legislation, which took into account a number of issues raised by the Committee through its inquiry.

Revenue Raising Issues in the ACT

In February 2004, the Committee presented its report on Revenue Raising Issues in the ACT which was self referred on 22 May 2002. The Inquiry sought to examine revenue raising issues in the ACT with particular reference to:

1. The adequacy, equity, efficiency, certainty and sustainability of revenue raising in the ACT;
2. The impact of revenue raising on social equity, the environment and the overall economy of the Territory, in particular the employment and investment opportunities; and
3. The value for money of the cost-effectiveness of incentives, which involve forgoing revenue.

The Committee made 16 recommendations including exploring the possibility of adopting measures for revenue raising that would take greater account of social and environmental factors and implications.

Auditor-General's Report No 9 of 2003: Annual Management Report for the Year Ended 30 June 2003

Consideration and inclusion of social and environmental implications has been an area that the Committee has chosen to explore in a number of its inquiries in 2003-2004. Continuing in this vein was the Committee's review of the Auditor-General's annual report, the *Annual Management Report for the Year Ended 30 June 2003*. The Committee recommended that it be consulted regarding the Auditor-General's annual audit program and among other recommendations that the potential for a dedicated environmental and social Auditor position be considered. The ACT Audit Office put the Committee's first recommendation into practice. The purpose of the Committee's second recommendation was to enable greater use of subsection 12(3) of the Auditor-General Act, which provides for the inclusion of ecologically sustainable development within performance audits.

The General Agreement on Trade in Services (GATS) with special reference to the ACT

In August 2003, the Committee boldly undertook an inquiry into the General Agreement on Trade in Services (GATS) with special reference to the ACT. The inquiry examined the GATS with special reference to:

(1) The implications for governance in the ACT;
(2) The impact on regulation, funding and provision of essential services;
(3) The capacity for flexibility in local decision-making;
(4) Consultation with the community;
(5) Sustainability; and
(6) Any other related matter.

The inquiry was unique, as it had not been taken up by any other jurisdiction besides the Commonwealth. In addition to the GATS, the Committee also examined the possible impact of the Australia-United States Free Trade Agreement on the ACT and other similar trade agreements.