STANDING COMMITTEE ON PUBLIC ACCOUNTS

Report on the 10th Biennial Conference of the Australasian Council of Public Accounts Committees (ACPAC)

JUNE 2009

Report 3

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Resolution of Appointment[1]

The ACT Legislative Assembly appointed the Standing Committee on Public Accounts on 9 December 2008 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.

[1] Legislative Assembly for the ACT, Minutes of Proceedings No. 2, Tuesday 9 December 2008, pp. 12–13.

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1 INTRODUCTION

1.1 On 22 April 2009, the Standing Committee on Public Accounts (the Committee) resolved to report on its recent participation and attendance at the 10th Biennial Conference of the Australasian Council of Public Accounts Committees (ACPAC).

1.2 The 2009 ACPAC Conference (the Conference) was hosted by the New Zealand Parliament's Finance and Expenditure Committee in Wellington from 15 to 17 April 2009.

1.3 One hundred and one New Zealand 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 New Zealand and Australian delegates, the Conference included representatives from the countries of: Fiji, Republic of Indonesia, Papua New Guinea, Solomon Islands, United Kingdom, Namibia, Vanuatu, Kiribati, Democratic Republic of Timor-Leste and South Africa. The delegates and observers that attended the Conference are listed at **Appendix A**.

1.4 The Standing Committee on Public Accounts and its Secretary represented the Legislative Assembly for the ACT at the Conference. The Conference coincides with the annual meeting of the Commonwealth, State and Territory Auditors-General and benefited greatly from their attendance and participation.

1.5 The theme of the Conference was: *Sharing lessons—seeking improved accountability—facing new challenges*. Given the current global economic climate and the unpredictable environment in which public accounts committees across the globe are now faced with, the Conference theme was very appropriate. The Conference Communiqué stated:

> It reflects the need for agile responses to unpredictable contingencies and a constant striving after better ways of discharging routine accountability functions. [2]

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[2] ACPAC 10th Biennial ACPAC Conference Communiqué, 17 April 2009.

1.6 New Zealand Parliament's Deputy Speaker, Mr Lindsay Tisch MP, and the ACPAC Chair, Mr Craig Foss MP, opened the Conference. The Conference then proceeded with a number of keynote addresses, presentation of papers, and interactive Auditors-General sessions.

1.7 Where available, copies of paper presentations and handouts from keynote addresses and interactive Auditors-General sessions can be obtained from the Committee office.

2 OVERVIEW OF CONFERENCE PROGRAM

2.1 The Conference program included a number of keynote addresses, presentation of papers and interactive Auditors-General panels. A summary of these follow.

Keynote addresses

2.2 *The importance of performance reporting, and the ability of public accounts committees to scrutinise the performance of Crown reporting entities*—Mr Kevin Brady, Controller and Auditor-General, New Zealand.

2.3 This address touched on a major aspect of public sector reform in New Zealand brought about through the Public Finance (State Sector Management) Bill. This reform represented the largest legislative change in New Zealand public management in the last decade. It included amendments to the *State Sector Act 2004*, in combination with the *Crown Entities Act 2004*, to extend the mandate of the State Services Commissioner beyond the public service to the state services to include crown entities as a whole.

2.4 The *Crown Entities Act 2004* clarifies governance and accountability to achieve better alignment between agencies and government objectives. It also provided a framework for integrating Crown entities into the rest of the state sector for a strengthened whole-of-government approach. The Act also created distinct categories and types of Crown entity and established standard governance requirements for each category.[3]

2.5 *The role of the United Kingdom's Public Accounts Committee*—Mr Edward Leigh MP, Chairman, Select Committee of Public Accounts, House of Commons, United Kingdom.

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[3] Weeks, P. & Pittard, M. (2007) *Public sector employment in the twenty-first century*, ANU E-Press.

2.6 This address provided an entertaining overview of the present United Kingdom's (UK) House of Commons Select Committee on Public Accounts contextualising its contemporary structure and function within the roles and responsibilities first set down by William Gladstone in 1861 when he proposed that a committee on public accounts be established to respond to a financial scandal involving the Duke of Wellington.

2.7 This address emphasised the importance of performance audits and that the United Kingdom National Audit Office (UKNAO) devotes 50 per cent of its resources to performance audits. It also highlighted the financial impact of performance audits, in that the UKNAO has a financial impact target to encourage it to focus on achieving beneficial change from its audit work but also to help measure its success in delivering such change. In its 2007–08 Annual report, the UKNAO commented:

> We increased our target to achieve £9 for every £1 of net expenditure, up from £8: £1 in 2006–07. We achieved the target with financial impacts of £656 million in 2007–08.[4]

2.8 This financial impact translates to a return of over £9 for every £1 spent running the UKNAO.[5]

2.9 In 2007, the UK Select Committee of Public Accounts celebrated the 150th anniversary of its commencement with the publication of *Holding Government to Account: 150 years of the Committee of Public Accounts*.[6]

2.10 *Freedom of information issues, and ensuring public accounts committees get the information they need for their jobs—the relevance of the Egan case beyond Australia*—Ms Nicola White, Head of the Legal Team, Office of the Controller and the Auditor-General, New Zealand.

2.11 Using the Egan cases—three courts decisions in the late 1990s generated by the refusal of the former NSW Treasurer, and leader of the NSW Government in the Legislative Council, to produce certain documents

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[4] UK National Audit Office, *2007–08 Annual Report*, p. 17.

[5] UK National Audit Office, *2007–08 Annual Report*, p. 17.

[6] UK House of Commons Select Committee of Public Accounts, www.parliament.UK/parliament_commitees/committee_of_public_accounts

ordered by the Council—this address explored responsible government, collective responsibility, cabinet confidentiality and the intersection of cabinet confidentiality with freedom of information.

2.12 A fundamental aspect of responsible government is the relationship between the Parliament and the executive arm of government. A principal aspect of this relationship is the role of, and powers of, Legislatures to review the conduct of executive government. Further, this relationship is influenced by the context of the day coupled with the fluid or evolving nature of large parts of the respective Constitution being convention and not law.

2.13 Responsible government and one of its important conventions—collective ministerial responsibility of cabinet—is a key aspect of the Egan litigation and as such is integral to any discussion concerning the power of a Parliament to send for persons, papers and records.[7]

2.14 In summary, the presentation examined the Egan cases to explore the legal basis for the Parliament's power to require government documents. The decision in *Egan v Chadwick* by the NSW Court of Appeal (1999) found that the power of the NSW Legislative Council to compel the executive to produce state papers did extend to documents for which a claim of legal professional privilege or public interest immunity had been made, with one limitation, the majority (Spigelman and Meagher) found the power was limited in the case of cabinet documents.[8] Priestly, however, found that there was no limitation to the power 'having arrived at a different understanding of the implications arising from the related principles of representative government and responsible government'[9] on the basis that:

> …no legal right to absolute secrecy is given to any group of men and women in government, the possibility of accountability can never be kept out of mind, and this can only be to the benefit of the people of a truly representative democracy.[10]

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[7] Duffy, B. Orders for papers and cabinet confidentiality post *Egan v Chadwick*, 2005.

[8] Griffith, G. *Egan v Chadwick and other recent developments in the powers of elected upper houses*, NSW Parliamentary Library Research Service, 1999; Duffy, B. Orders for papers and cabinet confidentiality post *Egan v Chadwick*, 2005.

[9] Griffith, G. *Egan v Chadwick and other recent developments in the powers of elected upper houses*, NSW Parliamentary Library Research Service, 1999.

[10] *Egan v Chadwick ORS* (1999) 46 NSWLR 563 at 595 per Priestly.

Papers presented

2.15 *Understanding Accountability*—Ms Caroline Le Couteur MLA, Chair, ACT Standing Committee on Public Accounts, Legislative Assembly for the ACT.

2.16 This paper discussed what accountability is and how it can include the consideration of sustainability issues for a public accounts committee. It then examined some of the issues that public accounts committees may encounter in looking at sustainability issues and concluded with suggesting some ways forward.

2.17 In summary, the paper advanced that public accounts committees have a role in holding governments to account, in particular, for financial and whole-of-government issues, such as sustainability. It suggested that public accounts committees have a role to play in holding the executive to account for the full range of their actions including the triple bottom line of financial, environmental and social issues which makes up sustainability.

2.18 A copy of Ms Le Couteur's paper and the PowerPoint that accompanied the paper presentation is at **Appendix B**.

2.19 *Executive Accountability to Parliament—Reality or Rhetoric?*—Adjunct Professor Peter Loney, Public Sector Governance and Accountability Research Centre, La Trobe University, Victoria.

This paper asked whether the accountability mechanisms that are currently in place lead to a fully informed Parliament. It argued that they do not and suggested where they are lacking and how they may be improved. It advanced that the introduction of improved scrutiny mechanisms would place a significant obligation on both sides of Parliament, in particular, that they must understand and accept the difference between accountability and responsibility.

2.20 *Practical issues facing public accounts-type committees in the smaller democratic nations*—Mr Quinton Clements, Deputy Director, Centre for Democratic Institutions, Australian National University (ANU).

2.21 This paper discussed the issues facing smaller nations with regard to holding executive government to account, the role of technical assistance and capacity building programs in strengthening public accounts-type committees and what bodies such as ACPAC can do to assist.

2.22 It noted that the national context is important in holding executive government to account and that there are no universal strategies, in that one size does not fit all.

2.23 *The challenge of implementing International Financial Reporting Standards (IFRS) in the public sector*—Mr Greg Schollum, Assistant Auditor-General, Accounting and Policy, Office of the Controller and Auditor-General, New Zealand.

2.24 This paper provided an overview of the fundamental premises on which the International Financial Reporting Standards (IFRS) are based, in that they have an overall profit seeking objective, transactions are invariably 'exchange' in nature, markets exist for these transactions to take place, asset value is largely determined by future cash flows and the key users of general purpose financial reports are analysts and regulators. It then discussed the application of these fundamental premises to the public sector context noting that the International Accounting Standards Board (IASB) has no mandate to consider public sector issues and that as a consequence, IFRS is not automatically suitable for most of the public sector.

2.25 Using the implementation of the IFRS to cover profit orientated and public benefit entities in New Zealand—NZ IFRS—it examined the challenges, benefits and disadvantages of implementation. It concluded by proposing that implementing IFRS had been a significant undertaking for the public sector; that IFRS needed to be appropriately adapted to the public sector; and in the NZ experience, the public sector had been the poor cousin. Consequently, it suggested that a major change is needed to standard setting for the public sector.

2.26 *Different models for optimising cooperation between Auditors-General, public accounts committees, and other accountability agencies*—Ms Sharon Grierson MP, Chair, Commonwealth Joint Committee of Public Accounts and Audit.

2.27 This paper discussed the origins of the relationship between public accounts committees and Auditors-General arising from the pattern of cooperation set down when the first public accounts committee was established in the UK House of Commons in 1861. It then discussed the contemporary application of this pattern of cooperation to the environment in which public accounts committees and their respective Auditors-General operate today.

2.28 *The appropriate role of public accounts committees in reviewing the work programme of audit offices*—Mr Craig Foss MP, Chairperson, Finance and Expenditure Committee, New Zealand.

2.29 This paper considered the appropriate role of public accounts committees in reviewing, on behalf of their Parliaments, the work programs of audit offices. It did this by using the New Zealand Parliament, as an example, and using it to demonstrate how a consultative relationship between Parliaments and audit offices can be developed while upholding the independence of audit-offices and Auditors-General.

2.30 *Enhancing public financial and performance reporting and accountability in Victoria, sharing the PAEC's achievements, including recent reforms to Victoria's public finance practices and legislation*—Mr Bob Stensholt MP, Chair, Public Accounts and Estimates Committee, Parliament of Victoria.

2.31 This paper provided an overview of the varied statutory responsibilities, and functions of the annual inquiry program, of the Victorian Public Accounts and Estimates Committee (PAEC). The Victorian PAEC is unique compared to other public accounts committees, in Australasia and other Westminster systems, in that it has statutory responsibilities in relation to budget estimates.

2.32 The paper highlighted proposed reforms to the Victorian Government's financial and reporting to Parliament that the PAEC is currently considering. This included: examination of the merit of accrual-based annual appropriation of funds for individual outcomes, the consideration of a separate appropriation authority relating to operating and capital expenditures, as well as multi-year appropriation authority for capital expenditure on the basis that capital projects require long planning and construction periods; and that Parliament and the community would benefit

from greater consistency in the reporting of performance information across the public sector.

2.33 *Public Accounts Committees and Public-Private Partnerships*—Hon. John Kobelke MLA, Chair, Public Accounts Committee, Parliament of Western Australia.

2.34 This paper discussed the issues surrounding the scrutiny of Public–Private Partnerships (PPP) and the implications this has for liberal democratic governance, in particular the Westminster tenet of accountability. It discussed the challenges and complexities associated with the capacity of public accounts committees to oversight PPPs. It noted that notwithstanding numerous examples of Australian PPPs which have not gone to plan, to date, no Australian public accounts committee has conducted an inquiry into a specific PPP. It suggested that this may be indicative of the inherent challenges associated with oversight and scrutiny.

2.35 Whilst noting that PPPs may have wide-ranging potential benefits, the paper suggested that any potential PPP should be subject to a set of stringent criteria prior to either party entering into an agreement. To emphasise the importance of why risk should be the central focus of any government wishing to enter into a PPP, it discussed, as a case study, the PPP between the Government of Western Australia and Western Liberty Group for the procurement and ongoing maintenance of the District Court building in Perth's central business district.

2.36 *Questions worth asking: Reviewing the South Australian Economic and Finance Committee's Inquiries into Franchising and Local Government Audits*—Mr Leon Bignell MP, Economic and Finance Committee, House of Assembly, Parliament of South Australia.

2.37 This paper discussed two inquiries by the South Australian Economic and Finance Committee (EFC)—the first, into local government audit and administrative accountability and, the second, into franchising laws (with an emphasis on current regulations)—to demonstrate the scope and capacity of the EFC to investigate and instigate a debate and effect some measure of real change across a wide range of economic, social and public governance fields.

2.38 *Issues for maintaining independence—A survey of Australia's public audit legislation*—Mr Des Pearson, Victorian Auditor-General, Victorian Auditor-General's Office (VAGO).

2.39 This paper discussed what independence means for public sector audit and the drivers for a 'review of the extent and application of independence in public sector audit' as being the contemporary pressures on accountability in Australia coupled with the increasing pace of reform. The paper provided an overview of research underway, surveying and rating Australian audit legislation against best practice and provided an analysis of the results. It concluded by proposing some directions for attention as the basis for further reforms.

2.40 *Improving Public Financial Accountability—The Way Forward—Enhancements in Government Reporting and Public Accountability*—Mr Paul McLeay MP, Chair, Public Accounts Committee, Parliament of NSW.

2.41 This paper is based on the findings of the NSW Public Accounts Committee's inquiry into State Plan reporting. Issues arising from the Committee's inquiry suggested that the changing focus of public financial accountability from expenditure to outcomes reporting for public expenditure requires more than a shift in reporting format.

2.42 It proposed that vigilance is required to avoid perverse incentives taking hold in performance management systems; that Parliament must be able to adapt to the new reporting frameworks by designing appropriate methods for oversight; methods of communicating and engaging with citizens needs to take into account priorities articulated by the community; and that measures against targets must be indicative of the true goals to be achieved.

2.43 *Ensuring PAC recommendations are implemented*—Hon. Jim Wilkinson MLC, Chair, Tasmanian Public Accounts Committee.

2.44 This paper divided into two parts, focused firstly, on the implications of Tasmania's new Audit Act and, secondly, considered the relationship between Tasmania's Public Accounts Committee and the Auditor-General.

2.45 The Tasmanian *Audit Act 2008* took effect on 1 March 2009 replacing previous audit provisions in the *Financial Management and Audit Act 1990*. The development of the new Audit Act involved consultation with the Auditor-General, all public sector entities, the Australasian Council of Auditors-General (ACAG) along with the consideration of audit legislation in other jurisdictions.

2.46 The paper highlighted aspects of the new Audit Act that will lead to improvements in governance and accountability, opportunities for enhancing the relationship between the Tasmanian Public Accounts Committee (PAC) and the Auditor-General and strengthening the likelihood that PAC recommendations will be implemented.

2.47 *Challenges in resourcing public accounts committees, especially when ad hoc expert technical assistance is required*—Hon. Timothy Bonga OL, MBE, MP, Chairperson, Papua New Guinea Public Accounts Committee, National Parliament of Papua New Guinea.

2.48 This paper discussed that while public accounts committees have a shared mandate and are confronted with common challenges they differ in size, in that membership and secretariat support staff numbers can vary from jurisdiction to jurisdiction.

2.49 The paper suggested that where public accounts committees have to deal with an issue of a technical nature this can present the greatest challenge in resourcing public accounts committees.

2.50 *Understanding Accountability on the Solomon Islands*—Mr Eric Muir, Acting Auditor-General, Solomon Islands Audit Office.

2.51 This paper discussed the context for accountability in the Solomon Islands, the role of the Solomon Islands Public Accounts Committee and Auditor-General in strengthening accountability, key factors hindering good governance and assisting with good governance. The paper concluded by summarising the key issues ahead for the PAC and the Office of the Auditor-General.

Interactive Auditors-General panels

2.52 *Balance of Risk and Rewards in PPPs*—Mr Peter Acherstraat (NSW Auditor-General), Mr Glenn Poole (Queensland Auditor-General), Mr Jeremy Lonsdale (Director-General, Performance Audit, National Audit Office, UK).

2.53 This interactive session discussed the various forms of public private partnerships and their respective alignment with different methods of procurement. This included an overview of economic and social PPPs and the treatment of assets and corresponding liabilities for each type including the public sector comparator. Discussion ensued in relation to risks with PPPs, risk identification and allocation, government guarantees and the role of the Auditor-General.

2.54 *Practical matters for the Constitution and operation of public accounts committees—what works well where*?—Mr Kevin Brady (Controller and Auditor-General), Mr George Sullimann (PNG Auditor-General), Mr Jeremy Lonsdale (Director-General, Performance Audit, National Audit Office, UK).

2.55 This interactive session emphasised that public accounts committees in Westminster countries are the Auditor-General's number one stakeholder and that the Government of the day does not respond to the Audit reports *per se* but to the public accounts committee. It further noted that public accounts committees need to cooperate with their respective Auditor-General and create an environment where both parties recognise the other's role.

2.56 Discussion ensued in relation to the pattern of cooperation between public accounts committees and Auditors-General, and that the protective and supportive role that public accounts committees extend to their respective Auditor-General is neither predictable nor regular but responsive to issues of the day.

2.57 *Trends in performance reporting—stakeholders need to understand what performance reporting is and why it is done*—Mr Ian McPhee (Auditor-General, Australian National Audit Office), Mr Peter Acherstraat (NSW Auditor-General), Mr Glenn Poole (Queensland Auditor-General).

2.58 This interactive session emphasised that performance reporting provides:

> …information that demonstrates accountability for the expenditure of public monies.[11]

2.59 It highlighted the importance of the relationship between financial and non-financial performance measures and the need for consistent and reliable data collection to support performance reporting.

2.60 Discussion ensued in relation to common limitations of performance reporting noting that performance information and its reporting often varies in type and quality, is limited in demonstrating cost efficiency and cost effectiveness, does not link costs to outputs and outcomes and in terms of providing evidence of value for money does not compare results with comparable data from other jurisdictions or similar organisations.

2.61 The forum noted the better practice principles for reporting performance as set out in the NSW Auditor-General's Better Practice Guide as useful standards for assessing performance reporting and for identifying opportunities for improvement. The principles suggest that performance reporting should:

- report objectives that are clear and measurable
- focus on results and outcomes
- discuss results against expectations
- be complete and informative
- explain changes over time
- provide evidence of value for money, and
- discuss risks, strategies and the external operating environment.[12]

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[11] NSW Auditor-General, *Reporting performance: A guide to preparing performance information for annual reports*, NSW Audit Office Better Practice Guide, November 2000, p. 2.

[12] NSW Auditor-General, *Reporting performance: A guide to preparing performance information for annual reports*, NSW Audit Office Better Practice Guide, November 2000, p. 2.

3 ACPAC GENERAL BUSINESS

ACPAC background

3.1 The Australasian Council of Public Accounts Committees (ACPAC), formed in 1989, facilitates the exchange of information and opinion relating to public accounts committees and discusses matters of mutual concern.

3.2 ACPAC meets every two years in conference with a mid-term meeting to discuss and agree on an agenda for the forthcoming conference and to discuss issues specifically pertaining to Australasian Committees.

3.3 In accordance with the ACPAC Constitution, the aims of ACPAC are:

- to facilitate the exchange of information and opinion relating to public accounts committees and to discuss matters of mutual concern
- to improve the quality and performance of public accounts committees in Australasia
- to liaise with Auditors-General so as to improve the effectiveness of both the Auditors and the Public Accounts Committees
- to communicate with individuals and organisations about matters of concern to public accountability, and
- to provide an educational service for the elected members of Parliament, the media and the general public as to the purpose and activities of public accounts committees.

Jurisdictional reports

3.4 Fourteen jurisdictional reports from associate and full members of ACPAC —providing a summary of activities undertaken over the period since the 9th Biennial Conference held in Canberra, April 2007—were presented at the Conference. The Committee's jurisdictional report is at **Appendix C**.

Summary of general business

3.5 The 2009 Conference was the first time both Vanuatu and Timor-Leste had attended an ACPAC Conference. The participation of the public accounts and finance committees from the National Parliaments of Vanuatu and Timor-Leste was sponsored by the Centre for Democratic Institutions (CDI).

3.6 The Kirabati Public Accounts Committee received associate membership of ACPAC. The 2009 Conference was the second time the Kiribati Public Accounts Committee had attended an ACPAC Conference with the first time being in 2003. The participation of the Kiribati Public Accounts Committee was funded by the United Nations Development Programme (UNDP) based in Suva. The Kirabati Auditor-General was also in attendance.

3.7 A new ACPAC representative to the Australian Accounting Standards Board (AASB) Consultative Group was appointed. The former delegate had been John-Paul Langbroek MP (now Queensland opposition leader). Mr Ninos Khoshaba MP from the NSW Public Accounts Committee was appointed as the new delegate.

3.8 The Tasmanian Public Accounts Committee will host the ACPAC mid-term meeting in 2010. The 11th Biennial ACPAC Conference in 2011 is to be jointly hosted by the Parliament of Western Australia's Public Accounts Committee and its Estimates and Financial Operations Committee.

ACPAC Communiqué

3.9 The Conference forum agreed to formalise a process for drafting and adopting a Communiqué as an official announcement regarding the Conference.

4 COMMITTEE COMMENTS

Conference program

4.1 The Conference program encouraged and facilitated thought provoking discussion along many contemporary issues of common interest to those working to promote and ensure accountability in the public sector. Of particular note was the appropriateness of the Conference theme given the unpredictable environment public accounts committees across the globe face today. As previously mentioned, the Conference theme reflected:

> …the need for agile responses to unpredictable contingencies and a constant striving after better ways of discharging routine accountability functions. [13]

4.2 The high quality and varied conference program, including the keynote addresses, presentations and accompanying papers, and interactive Auditors-General sessions were very informative and successfully addressed the Conference theme, *Sharing lessons—seeking improved accountability—facing new challenges*.

4.3 The themes that emerged from the Conference reinforced the following key issues:

- aspects of accountability and their meaning and application to Parliamentary processes
- maintaining and strengthening the relationships of public accounts committees with Auditors-General and Audit Offices
- the need for public accounts committees to be responsive to changing times including sustainability issues
- the importance of relevant, reliable and verifiable performance indicators and reporting standards for both financial and non-financial information

[13] ACPAC 10th Biennial ACPAC Conference Communiqué, 17 April 2009.

- the need to improve public awareness and education of all participants involved in the public accounts committee process
- maintaining and promoting the independence and integrity of public accounts committees and Auditors-General, and
- encouraging transparency by ensuring decisions and information are accessible to the public through a variety of applications.[14]

Delegates in attendance

4.4 The Committee was pleased to note the increasing representation of Parliaments from the Pacific in attendance at the Conference, along with the Chair of the United Kingdom's Select Committee of Public Accounts.

4.5 The Committee welcomes Kiribati Parliament's Public Accounts Committee as an associate member of ACPAC. The Committee is aware that, as part of the Commonwealth Parliamentary Association (CPA) Twinning Programme, the Legislative Assembly for the ACT is twinned with the Kiribati Parliament.

4.6 The Committee was also pleased to note that the attendance of the public accounts and finance committees from the National Parliaments of Vanuatu and Timor-Leste was the first time both Vanuatu and the Republic of Timor-Leste had participated in an ACPAC Conference.

4.7 The Committee is aware that Canberra has a friendship agreement with Dili—*The Canberra Dili Friendship Agreement*. The Agreement, an initiative of the Canberra Friends of Dili, signed by the Chief Minister Jon Stanhope in 2004, and reaffirmed in May 2006, aims to build friendship and mutual respect between Canberra and Dili and to promote educational, cultural, economic, humanitarian and sporting links between the two cities.[15]

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[14] ACPAC 10th Biennial ACPAC Conference Communiqué, 17 April 2009.

[15] Chief Minister's Department (CMD) Canberra's international relationships—Dili, Democratic Republic of Timor-Leste, accessed 11 May 2009, available at: www.cmd.act.gov.au/international/dili

4.8 The Committee notes the increasing international focus of ACPAC and discussions at the Conference regarding formalising the international nature of the ACPAC Biennial Conference.

Sustainability and public accounts committees

4.9 The Committee welcomes the inclusion of sustainability as an issue that public accounts committees need to be responsive to as part of the Conference Communiqué.[16] The Committee has observed that public accounts committees are dealing with sustainability at various levels. This includes, for example, the Tasmanian Public Accounts Committee which is currently conducting an inquiry into the efficiency and effectiveness of fox eradication programs in Tasmania and the NSW Public Accounts Committee which is currently conducting an inquiry into sustainable procurement.

4.10 The Committee suggests that there is a considerable role for targeted inquiries by a public accounts committees into sustainability issues and looks forward to further growth in this area across the work programs of public accounts committees. The Committee notes that the NSW Public Accounts Committee inquiry and report, *Sustainability Reporting in the NSW Public Sector*, advanced that there is a strong role for public accounts committees in oversighting governments' budgets and holding them to account on sustainability outcomes whilst also assisting with strategies to measure progress towards it.[17]

Relationship between public accounts committees and Auditors-General

4.11 One of the themes that emerged from the Conference was:

> Maintaining and strengthening the relationships of Public Accounts Committees with Auditors-General and Audit Offices.[18]

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[16] ACPAC 10th Biennial ACPAC Conference Communiqué, 17 April 2009.

[17] NSW PAC. 2005, *Sustainability Reporting in the NSW Public Sector*, Report No. 15/53 (158), November.

[18] ACPAC 10th Biennial ACPAC Conference Communiqué, 17 April 2009.

4.12 The work of the Auditor-General and the public accounts committee is central to parliamentary scrutiny. To some extent the public accounts committee and the Auditor-General can be seen as complementary bodies in Parliament's oversight and scrutiny functions.

4.13 As an officer of Parliament, the Auditor-General is independent of government and should have the resources to undertake in-depth studies. The subsequent review of the Auditor-General's reports by the public accounts committee further adds to the visibility and impact of these reports.

4.14 The Committee notes that undoubtedly the relationship is a two way process and is a critical part of public sector accountability. The Conference emphasised that the relationship between public accounts committees and their respective Auditor-General needs to be in good balance, on the one hand a cooperative, open and frank relationship but, on the other hand, one that respects and maintains appropriate independence.

Professional development

4.15 Pursuant to the ACPAC Constitution, amongst other things, one of the aims of ACPAC is to provide an education service for the elected Members of Parliament. The Committee notes that the opportunity to attend an ACPAC Biennial Conference is a worthwhile and valuable professional development opportunity for new and experienced Members of Parliament.

Performance measures

4.16 It is without debate that public accounts committees play a vital role in public sector accountability, in that they are an important:

> …part of the parliamentary infrastructure that helps ensure that governments account for their operating policies and actions, and their management and use of public resources.[19]

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[19] McGee, D.G. (2002) *The Overseers: Public Accounts Committees and Public Spending*, Pluto Press, London, p. 3.

4.17 In holding to account, the Committee notes a number of the conference addresses, paper presentations and interactive Auditors-General sessions, emphasised the increasing importance of non-financial performance measures, such as performance auditing.

4.18 As previously mentioned, the address by the Chairman of the UK House of Commons Select Committee of Public Accounts emphasised the importance of performance audit and that the United Kingdom National Audit Office devotes 50 per cent of its resources to performance audit.

5 CONCLUSION

5.1 The Committee sincerely thanks the New Zealand Finance and Expenditure Committee, and the New Zealand Parliament, for its warm welcome and outstanding efforts in hosting the 10th Biennial ACPAC Conference.

Caroline Le Couteur MLA

Chair

11 June 2009

APPENDIX A: 2009 Conference delegates

Australasian Council of Public Accounts Committees

Finance and Expenditure Committee, New Zealand

- Mr Craig Foss MP (Chairperson)
- Ms Amy Adams MP
- Mr David Bennett MP
- Mr Brendon Burns MP
- Mr Stuart Nash MP
- Mr Preseta Sam Lotu-liga MP
- Dr Russel Norman MP
- Mr Chris Tremain MP (Deputy Chairperson)
- Ms Lesley Ferguson, Senior Parliamentary Officer (Select Committees)
- Ms Meipara Poata, Clerk of the Committee
- Mr Bertrand Ngai, Parliamentary Officer (Report writer)

Commonwealth Joint Committee of Public Accounts and Audit

- Ms Sharon Grierson MP (Chair)
- Senator Guy Barnett
- Mr Shayne Neumann MP
- Mr Russell Chafer (Secretary)

Standing Committee on Public Accounts, Legislative Assembly for the ACT

- Ms Caroline Le Couteur MLA (Chair)
- Mr Brendan Smyth MLA (Deputy Chair)
- Ms Joy Burch MLA
- Ms Andréa Cullen (Secretary)

Public Accounts Committee, Parliament of NSW

- Mr Paul McLeay MP (Chair)
- Mr Nino Khoshaba MP
- Mr John Turner MP
- Mr Russell Keith, Committee Manager

Public Accounts Committee, Queensland Parliament

- Ms Deborah Jeffrey, Research Director

Economic and Finance Committee, House of Assembly, Parliament of South Australia

- Mr Leon Bignell MP (Chair)
- Mr Mitch Williams MP
- Dr Paul Lobban, Executive Officer

Statutory Authorities Review Committee, Legislative Council, Parliament of South Australia

- Hon. Terry Stephens MLC (Chair)
- Hon. Carmel Zollo MLC
- Mr Gareth Hickery, Committee Secretary

Public Accounts Committee, Parliament of Tasmania

- Hon. Jim Wilkinson MP (Chair)
- Hon. Ruth Forrest MP
- Mr Marinus Hidding MP
- Mr Steven Kons MP
- Hon. Sue Smith, President, Tasmanian Legislative Council
- Ms Heather Thurstans, Second Clerk-Assistant and Secretary

Public Accounts and Estimates Committee, Parliament of Victoria

- Mr Bob Stensholt MP (Chair)
- Mr Richard Dalla-Riva MLC
- Ms Janice Munt MP
- Mr Wade Noonan MP
- Ms Valerie Cheong, Executive Officer
- Ms Vicky Delgos, Senior Research Officer
- Mr Kristopher Waring, Senior Research Officer

Public Accounts Committee, Parliament of Western Australia

- Hon. John Kobelke MLA (Chair)
- Hon. Alan Carpenter MLA
- Mr Joe Francis MLA (Deputy Chair)
- Mr Tony Krsticevic MLA
- Mr Chris Tallentire MLA
- Mr Mathew Bates, Research Officer

Estimates and Financial Operations Committee, Legislative Council, Parliament of Western Australia

- Hon. Giz Watson (Chair)
- Hon. Sheila Mills
- Hon. Ken Travers (Deputy Chair)
- Ms Renae Jewell, Committee Clerk
- Mrs Lisa Peterson, Advisory Officer (General)

Public Accounts Committee, Papua New Guinea Parliament

- Hon. Timothy Bonga OL, MBE, MP (Chair)
- Hon. Malakai Tabar MP
- Mr Repe Rambe, Secretary

Invited guests

Committee "C", Finance and Economy, Timor-Leste Parliament

- Ms Maria Exposto (PSD) (Chair)
- Mr Aderito Hugo Fernandes (CNRT)
- Mr Rui Meneses (PD)
- Ms Cirpiana Pereira (Fretlin)

Committee of Public Accounts, House of Commons, United Kingdom

- Mr Edward Leigh MP (Chairman)

Public Accounts Committee, Kiribati Parliament

- Mr Kabetite Muetaka MP (Chair)
- Mr Kouramaere Kautoa MP
- Mr Mote Terukaio MP
- Mrs Terengaiti Awerika, Secretary to Committees

Public Accounts Committee, National Assembly, Parliament of Namibia

- Hon. Samuel Chief Ankama, Member
- Hon. Johan C De Waal, Member
- Mr Semi Bellems Mubukwanu, Committee Clerk
- Mr D.J. De Greeff, Treasury Representative
- Ms E.L. Theron, Treasury Representative

Parliament, Vanuatu

- Hon. Georges Andre Wells, Speaker of Parliament
- Mr Hilton Dunstan, Member
- Mr Lino Bulekuli dit Sacsac, Clerk of Parliament

Public Sector Governance and Research Centre, La Trobe University

- Dr Bill Stent (Chair)
- Adjunct Professor Peter Loney, Executive Director

Centre for Democratic Institutions, Australian National University

- Mr Quinton Clements, Deputy Director

New Zealand

- Mr Kevin Brady, Controller and Auditor-General
- Ms Phillippa Smith, Deputy Controller and Auditor-General
- Mr Stephen Walker, Executive Director, Audit New Zealand

Australian National Audit Office

- Mr Ian McPhee, Commonwealth Auditor-General

Australian Capital Territory (ACT) Audit Office

- Mrs Tu Pham, ACT Auditor-General

New South Wales (NSW) Audit Office

- Mr Peter Achterstraat, NSW Auditor-General

Queensland Audit Office

- Mr Glenn Poole, Queensland Auditor-General

Victorian Audit Office

- Mr Des Pearson, Victorian Auditor-General

Western Australian (WA) Audit Office

- Mr Colin Murphy, WA Auditor-General

Papua New Guinea (PNG) Audit Office

- Mr George Sullimann, PNG Auditor-General
- Mr John Hawley, seconded from Australian National Audit Office

Solomon Islands Office of the Auditor-General

- Mr Eric Muir, Acting Auditor-General

United Kingdom National Audit Office (UKNAO)

- Mr Jeremy Lonsdale, Director-General, Performance Audit

Kirabati Audit Office

- Mr Raimon Taake, Auditor-General

South Africa Audit Office

- Mr Cobus Botes, Senior Manager, Reputation and Stakeholder Management (Audit), Auditor-General's Office
- Ms Nikhopotseng Hlasa, Acting Executive Officer, Association of Public Accounts Committees (APAC), Capetown, South Africa

Vanuatu Office of the Auditor-General

- Ms Hamilton Moli, Senior Auditor, Office of the Auditor-General

Republic of Indonesia Audit Board

- Mr Sapto Amal Damandari, Board Member VI, Audit Board
- Mr Bambang Riyanto Ligs Sugiyanto, Audit Board

Observers

New Zealand Parliament

- Mr Lindsay Tisch, Deputy Speaker of the House of Representatives
- Ms Mary Harris, Clerk of the House of Representatives
- Mr David Wilson, Clerk Assistant (Select Committees), Office of the Clerk

APPENDIX B: Paper presented by Ms Caroline Le Couteur MLA

'Understanding Accountability'

Paper presentation by:

Ms Caroline Le Couteur MLA

Chair, ACT Standing Committee on Public Accounts

Legislative Assembly for the ACT

to the

Australasian Council of Public Accounts Committees (ACPAC)
10th Biennial Conference, 15 to 17 April 2009

Wellington, New Zealand

Wednesday 15 April 2009
Session 1—11:30am

Today, I want to talk about what accountability is and how this can include sustainability issues for a Public Accounts Committee. I will then go on to discuss some of the issues that Public Accounts Committees (PACs) may have in looking at sustainability issues and conclude with suggesting some ways forward.

This is my first term as a member of the ACT Legislative Assembly and thus my first term as a member of a Public Accounts Committee. So I'm still learning—and I hope to learn a lot at this conference. This paper is a work in progress from my point of view.

Accountability defined

In its absolute form, accountability entails a calling to account to some authority for one's actions.[20] Its original scope was narrow—'being called to account for the stewardship of funds'.

Today accountability is usually broader—as the Australian Public Service Commission said "In addition to being accountable to an external authority for the public money they oversee, public officials are also held to account for how this money has been spent, and for the quality of the decision-making that underpins such spending".[21] Or as Harry Evans, the Clerk to the Australian Senate has written:

> One of the principal functions of a legislative assembly is to ensure that the holders of the executive power are accountable, that is, that they are required to explain to the legislature and the public what they are doing with the power entrusted to them.[22]

Holding to account – the role of a Public Accounts Committee

Since Sir William Gladstone, the Chancellor of the Exchequer, proposed to the UK House of Commons in 1861 that a Select Committee on Public Accounts be established to oversight the raising and spending of public monies, the environment in which public accounts committees operate and the legislative and oversight responsibilities they are charged with has evolved.[23] They tend to have a broad oversight role which encompasses not only financial matters but may touch upon any issues relating to how the money is spent.

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[20] Jones, G.W. 1992, 'The Search for Local Accountability' in S. Leach (ed.), *Strengthening Local Government in the 1990s*, Longman, Essex.

[21] APSC. 2009, *Contemporary Government Challenges: Delivering performance and accountability*, 3 February.

[22] Evans, H. 2007, 'The Senate, Accountability and Government Control', Paper for the Australian Research Council Project—Strengthening Parliamentary Institutions, *Australian National University Parliamentary Studies Centre*, available at: http://www.aph.gov.au/Senate/pubs/evans/15692/index.htm

[23] Loney, P. 2005, 'Parliament and Accountability', 28 April, pp. 4–5.

In the Australian Capital Territory (ACT), our Public Accounts Committee's terms of reference, which I believe are fairly typical include:

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;

Point (ii) gives the Committee a wide remit to inquire into anything that the Government has spent money on. In practise where there is a specific committee dealing with that issue, that committee has the responsibility for holding the executive to account. A common exception to that rule is where the auditor-general has done a performance or some other than annual financial audit of an area.

However, PACs have a clear role in whole-of-government issues—and sustainability is the prime whole-of-government issue. Also relevant is that PACs—at least in principle if not always in practice, are not party political forums, so they are good places to account for long term issues affecting everyone such as sustainability.

Also in practice, whilst the mandates of public accounts committees are restricted to the ways in which the funds appropriated by Parliament are expended rather then the reasons for that expenditure—a role best described as evaluating projects and programs rather than of policies[24]—through prudent examination, scrutiny and reporting to Parliament, and its citizens, they can also hold governments to account for the full consequences of their policy , including social and ecological issues as well as financial and economic.

[24] Stent, W.R. 2004, '"Dry and Repulsive"—The Parliamentary Component of Supreme Audit Institutions', Department of Economics and Finance, La Trobe University, April, p. 5.

Through its *ex post* evaluation of government expenditure on projects and programs, public accounts committees also indicate how such expenditure could be 'more efficiently and effectively employed in the future'.[25] This opens the door for consideration of the longer term impact of government expenditure which should inevitably lead to consideration of sustainability.[26]

Sustainability

Most dictionaries define "sustainability" as the ability to continue an action without the risk of failure or collapse. The concept of 'sustainable development' was popularised in the 1987 report of the United Nations World Commission on Environment and Development – entitled *Our Common Future* by the Brundtland Commission. It defined sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs".[27]

Sustainability is normally seen as having three dimensions: environmental social and economic—the same dimensions as the classic triple bottom line. The economy can be seen as a subsystem of human society which is a subsystem of the totality of life on Earth (the biosphere). As the slogan says "No environment, no economy". Or as Herman Daly famously asked, "what use is a sawmill without a forest?".[28]

Now I could continue for the rest of my presentation discussing sustainability and issues such as climate change. These are important issues and I think that the world, including PACs, do not pay enough attention to them. But as this is a presentation at a PAC conference, so I will not dwell on the substantive sustainability issues.

PAC's do have to deal with the issues of what to account for and who to account to. The most narrow definition sees PAC's holding the government to account for financial performance to the voters of the day. But even financially PACs have moved beyond that, we all consider the out years financially.

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[25] Stent, W.R. 2004, '"Dry and Repulsive"—The Parliamentary Component of Supreme Audit Institutions', Department of Economics and Finance, La Trobe University, April, p. 10.

[26] Foskey, D. 2006, 'Sustainability reporting: getting through the road blocks', ACPAC Mid-Term Conference, 26–28 April.

[27] Brundtland, G. 1987, *Report of the World Commission on Environment and Development: Our Common Future*, UN World Commission on Environment and Development, 20 March, available at: http://www.un-documents.net/wced-ocf.htm

[28] Daly, H. & Cobb, J. 1989, *For the Common Good: Redirecting the Economy Toward Community, the Environment and a Sustainable Future*, Beacon Press, Boston, accessed from: http://en.wikipedia.org/wiki/Sustainability

Once you start looking deeply at most issues they are complex. For a fascinating example see a Nigerian parliamentary account of the effects of crude oil as the major source of revenue for the country. It brought with it major environmental, social and economic challenges. In order to address these problems, the Nigerian Parliament has strengthened its governance including the role of its PAC as well as developed policies for renewables and non-renewables energy sources.[29]

Valuing sustainability

Sustainability as discussed deals with environment and social issues as well as economic issues. We often try to value them in monetary terms so that we can aggregate them in some way.

The recent large reductions of perceived value of large banks and financial institutions due to the 'global financial crisis', or GFC shows that even valuation of purely financial assets is problematical. For physical assets with an established financial market, relative financial values can vary markedly over a short time. It took only five months for the price of oil to plummet from $US150 to under $US40 in the second part of 2008.[30]

Time issues

Given that our definition of sustainability involves future generations, how do we value things over time? We tend to value things that we have now more highly than things we may have in the future, a dollar now is worth more than a dollar in a year's time. This is partly because if we had that dollar we might be able to invest it profitably and it is risk free. If you wait a year the person who owes you the money might renege, or you might die. This leads to monetary values in the future being 'discounted' typically by the inverse of the interest rate. So, $100 in 30 years time is only worth $23 with a discount rate of 5%.

However, saying that something in the environmental sphere will only is valued at a quarter of how it is valued now in 30 years time does not seem right. We have no reason to think that people—possibly even ourselves—will value clean air, adequate water, biodiversity etc. less in the future than we do now.

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[29] http://www.un.org/esa/sustdev/sdissues/energy/op/parliamentarian_forum/okediran_nigeria.pdf
[30] http://www.oil-price.net/

As David Brower[31] has said:

> We don't inherit the earth from our ancestors we borrow it from our children.

And it is hard to believe that the marked decline in interest rates in Australia and elsewhere in the past year really corresponds to an equivalent increase in importance to goods and services in the future.

This issue has been considered in both the Stern[32] and Garnaut[33] reports into Climate Change, both of which used lower than normal (but not 0) discount rates for future costs and benefits.

Valuing resources

Many resources only have a market because of government regulation. For example, in the USA, the Clean Water Act was passed in the 1970s. Under it you have to get permission if you want to damage a wetland. And if you do damage a wetland then you have to compensate for the damage by creating, enhancing or restoring an equal or greater area of wetland of 'similar function and values' in the same watershed. The law is aiming for 'no net loss of wetlands'. This has created a market and therefore a value for wetlands, because developers sometimes want to do things where wetlands are and thus damage wetlands. They can then buy up other land and turn it into wetlands. There are private businesses that make their money by creating, enhancing and restoring wetlands and selling the resulting 'wetland credits' back to needy developers.[34]

And then getting even more imponderable, how do you value a species? We are in a time of mass species extinction so this is a real question.

Valuing waste or pollution

Valuing waste or pollution can be even harder. We know that pollution can have a significant negative value – just ask the owners and crew of the Pacific Adventurer. In early March this year, up to 100 tonnes of oil and 21 containers of ammonium nitrate were lost from the ship when it was battered by cyclonic seas off Moreton Island, Queensland.

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[31] Former Executive Director, Sierra Club; founder, Friends of the Earth; founder, League of Conservation Voters; founder, Earth Island Institute

[32] Stern, N. 2007, *Stern Review Report on the Economics of Climate Change*, HM Treasury, Great Britain, available at: http://www.hm-treasury.gov.uk/stern_review_report.htm

[33] Garnaut, R. 2008, *Garnaut Climate Change Review*, Cambridge University Press, available at: http://www.garnautreview.org.au/domino/Web_Notes/Garnaut/garnautweb.nsf

[34] World Watch Institute, 2008, *State of the World 2008*, p. 127, available at: http://www.worldwatch.org/node/5551

The Queensland Premier Mrs Anna Bligh said, "It may well be the worst environmental disaster Queensland has ever seen". The shipping company could be fined up to $1.5 million, while individuals concerned could be fined as much as $500, 000. In addition, the company could be required to pay for the cost of the clean up which will be many millions.[35]

However, this does not put a value on what has been lost. There will have been significant damage to surrounding eco systems. Martin Taylor from the World Wildlife Foundation (WWF) commented, that "It's a mass poisoning event, effectively". He went on to say that everything from fish and crabs to waterbirds, dugongs and dolphins, would feel the effects. No one is able to put a value on that damage.

Valuing pollution is also at the heart of the current debate in Australia on the Carbon Pollution Reduction Scheme. How much is a tonne of CO_2 worth? This then gets to the question of what policy goal are you trying to address. If you are not concerned about climate change then you probably don't put any value on CO_2 pollution as it is after all a naturally occurring substance. But if you want to move the world's atmosphere back to pre-industrial times so as to stabilise our climate then you will put a significant negative value on it.

Measuring all that we are interested in

As the sign hanging in Einstein's office said "Not everything that counts can be counted, and not everything that can be counted counts."[36]

Conventionally we use Gross Domestic Product (GDP)—the monetary value of everything traded in the economy as our overall measurement of how we are going. This has many problems, for example looking at the Pacific Adventurer again the cost of the clean up will boost Queensland's GDP but it could hardly be said to increase their well being. The GDP also does not differentiate between capital being used up, such as coal dug up, and income items.

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[35] http://portmacquarie.iprime.com.au/index.php/news/national-news/officials-detain-oil-spill-ship, 3457761

[36] Sign hanging in Einstein's office at Princeton source: http://rescomp.stanford.edu/~cheshire/EinsteinQuotes.html

An alternative measure has been proposed, the Genuine Progress Indicator or GPI. The GPI attempts to combines impacts of changes in the natural environment and in social conditions, and it incorporates impacts due to both changes in flows and changes in stocks.[37] A major advantage of the GPI is that it, like the GDP, is one figure and so can easily be compared. For many Western countries the GPI increased steadily through the 1950s and 1960s but has been pretty stagnant since the 1970s.[38]

Because of the difficulty of aggregating a large number of disparate indicators, Australian Bureau of Statistics (ABS) has created 'The Measures of Australia's Progress' (MAP). MAP presents indicators for areas covering health, education and training, work, national income, economic hardship, national wealth, productivity, the natural Landscape, air and atmosphere and crime. The third edition was released in 2008.[39] While it has had some publicity I think its complexity has lead to it not being used as much as it could.

How can PACs contribute?

In my opinion the most important thing PAC's can do is to be aware of the importance of sustainability. All (government) actions and expenditure may impact sustainability and it is important to be alert to issues and opportunities that may be presented.

One tool is to look at issues with a longer timeframe. A longer period always leads to sustainability issues. We should be looking at ten, fifty even one hundred year impacts of our actions.

Another area is to improving the annual reporting process to use consistent whole-of-government indicators. This enables comparisons between years, departments and hopefully jurisdictions. To do this, the work needs to be done to develop the indicators and reporting framework. If a good framework is used, it will engage the community and further improve accountability.

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[37] https://www.tai.org.au/file.php?file=DP14.pdf
[38] https://www.tai.org.au/file.php?file=NL25.pdf
[39] http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/1370.02006 (Reissue)?OpenDocument

One possible framework is the Global Reporting Initiative (GRI) which is the gold standard in corporate sustainability reporting. It is being adapted from corporate focus to a public sector focus which has more information about public community outcomes not just private corporate outcomes. GRI is being used by agencies such as the Australian's Department of Family and Community Services[40], and Department of Environment and Heritage[41] and the New Zealand Ministry for Environment.[42]

Other agencies are looking at other options such as State of the Environment reporting which typically uses a large number of indicators. At the Australia 2020 summit in 2007 the idea of indicators of how a community promotes and facilities 'wellness' and healthy lifestyles became part of the Summit Health Agenda. The Queensland government is about to start work on implementing it.[43] In Victoria there is the Community Indicators Project which has local government as its target audience.[44] The ACT uses a limited set of indicators such as water used and CO_2 produced in its annual reports. So a possible subject for the next ACPAC is 'Progress towards a consistent framework for sustainability reporting'.

As well as annual reporting it is important for PACs to require that all government programs should provide performance information that is complete and informative, linking costs and results to provide evidence of value for money. Complete information would include environmental and social impacts as well as financial.

There is a considerable role for targeted inquiries by a PAC into issues such as the current NSW inquiry into Sustainable Procurement. This follows their 2005 report on *Sustainability Reporting in the NSW Public Sector*, which suggested that there is a strong role for public accounts committees in oversighting governments' budgets and holding them to account on sustainability outcomes whilst also assisting with strategies to measure progress towards it.

Another vital role for PAC's is to lobby the executive to ensure that their auditor-general's are adequately resourced, especially with regard to expertise in sustainability as well as financial auditing.

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[40] Due to machinery of government changes now Department of Families, Housing, Community Services and Indigenous Affairs.

[41] Due to machinery of government changes now Department of Environment, Water, Heritage and the Arts.

[42] http://www.globalreporting.org/NR/rdonlyres/FAFD9A06-702A-4AA8-988C-979DBCCBC948/0/LeesonEtAlSustReortingByPublicSector.pdf

[43] http://www.griffith.edu.au/__data/assets/pdf_file/0009/124596/Woolcock-presentation.pdf

[44] http://www.communityindicators.net.au/

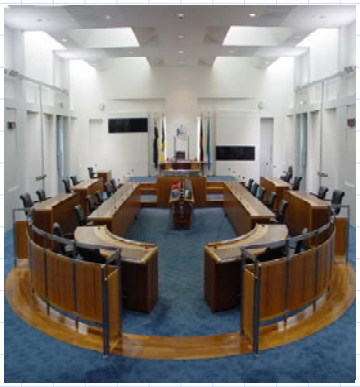
Conclusion

In conclusion, PACs role is to hold governments to account in particular for financial and whole of government issues. Sustainability is the number one whole of government issue. PACs can help hold the executive to account for the full range of their actions including the triple bottom line of financial, environmental and social issues which makes up sustainability.

'Understanding accountability'

Caroline Le Couteur MLA
Chair, ACT Standing Committee on Public Accounts
Legislative Assembly for the ACT

Accountability defined



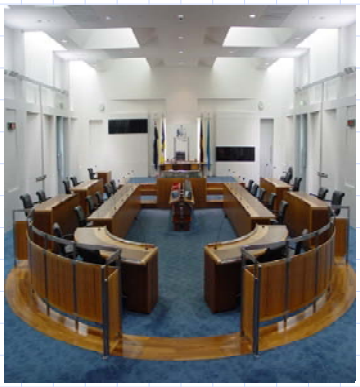
Absolute form – entails a calling to account to some authority for one's actions.

(Jones 1992)

Contemporary view – more than being called to account for the stewardship of funds but also how funds are spent and quality of decision-making that underpins such spending.

(Australian Public Service Commission 2008)

Accountability defined



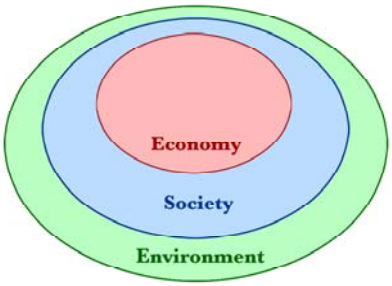
'One of the principal functions of a legislative assembly is to ensure that the holders of the executive power accountable, that is, they are required to explain to the legislature and the public what they are doing with the power entrusted to them.'

Harry Evans
Clerk, Australian Senate
2007

Holding to account

- parliamentary committees - key role in legislative oversight and scrutiny
- PAC mandate
  - Financial accountability
  - Whole of government
  - Performance audits
- *ex post* evaluation of government expenditure

Sustainability



Sustainability is ability continue action without risk of failure.

1. environmental
2. social
3. economic

Valuing sustainability

'We don't inherit the earth from our ancestors we borrow it from our children.'

David Brower

- How do we value over time?

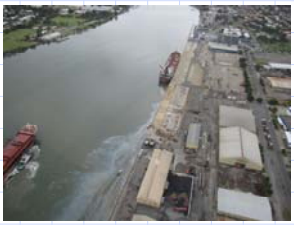
Valuing resources

- many resources only have a market due to government regulation, for e.g., Clean Water Act (USA)
- How do you value a species?

Valuing waste or pollution

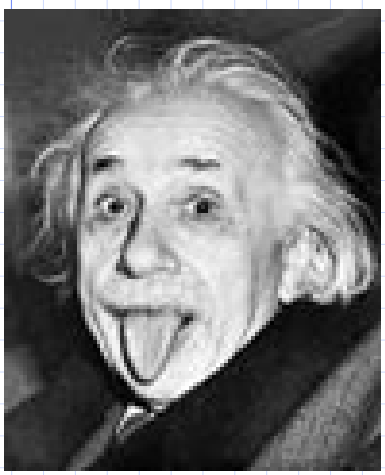
The oil slick from the Pacific Adventurer washing up on the beach at Moreton Island.

Pacific Adventurer cargo ship leaking oil from its berth in the Brisbane River



- pollution can have a significant negative value
- how much is a tonne of CO_2 worth?

Valuing what counts

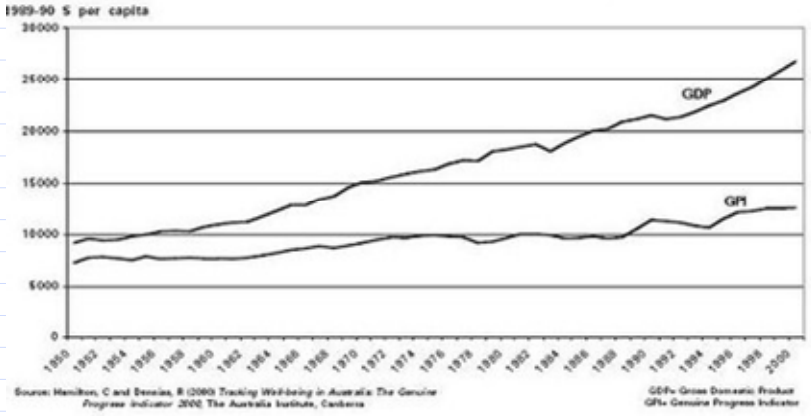


Not everything that counts can be counted, and not everything that can be counted counts.

(Albert Einstein)

Valuing sustainability

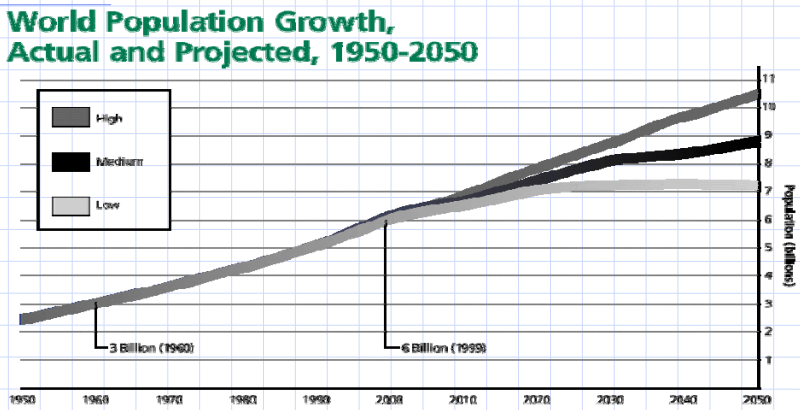
Figure 1 GDP and GPI per capita, Australia, 1950 to 2000



Source: Hamilton, C and Denniss, R (2000) Tracking Well-being in Australia: The Genuine Progress Indicator 2000. The Australia Institute, Canberra

GDP= Gross Domestic Product
GPI= Genuine Progress Indicator

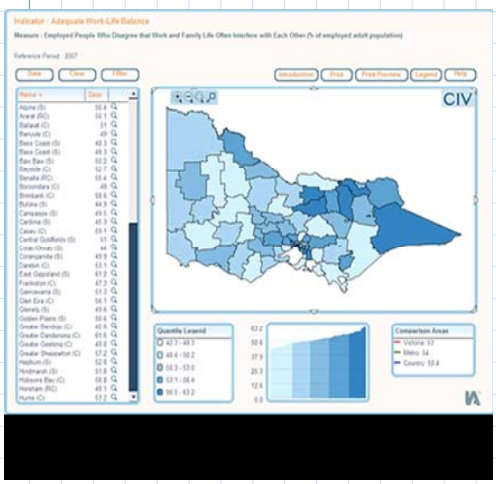
How can PACs contribute?



Source: United Nations, 1998, *World Population Prospects (The 1998 Revision)*

- Be aware of Sustainability issues
- time frame – 10 – 50 - 100 year accounting?

Ensure good sustainability indicators



State of Environment

Better sustainability ESD indicators

ESD

Wellness

Community Indicators

How can PACs contribute?

- Appropriate performance measures for programs
- Targeted inquires
- Sufficient resources for sustainability auditing

Concluding remarks

There is a strong role for public accounts committees to hold governments to account. **Accountability** for executive power encompasses social ecological and economic issues.

Questions?

APPENDIX C: ACT Standing Committee on Public Accounts Jurisdictional Report

ACT Standing Committee on Public Accounts

Jurisdictional Activity Report

for the

Australasian Council of Public Accounts Committees (ACPAC)

10th Biennial Conference

Wellington, New Zealand

15–17 April 2009

ACT Standing Committee on Public Accounts

- The ACT Standing Committee on Public Accounts (the Committee) is established by Assembly resolution and governed by standing orders.
- The Legislative authority for the Assembly to appoint committees and make rules governing the conduct of its business resides in the *Australian Capital Territory (Self-Government) Act 1988* (Commonwealth)[45] (the Self Government Act).
- The procedural authority for the appointment of committees is provided for in standing orders.

Resolution of appointment

(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.

Other responsibilities

Other responsibilities of the Committee include:

Auditor-General Act 1996

Under the *Auditor-General Act 1996*, the Committee has the following roles and responsibilities:

- a veto over the appointment of the Auditor-General (section 8)
- receive a special report from the Auditor-General containing information considered too sensitive to be provided in a report to the Legislative Assembly (section 19)

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[45] Section 24, *Australian Capital Territory (Self-Government) Act 1988* (Commonwealth)

- advise the Treasurer on the budget for the Auditor-General (sections 22, 22A)
- request an independent auditor to conduct a performance audit of the Auditor-General's operations (section 29), and
- be consulted over the appointment of an acting Auditor-General (schedule 1.5).

Legislation Act 2001

Under the *Legislation Act 2001* (section 228) the Committee is the 'default' committee for consideration of statutory appointments. While the Speaker nominates other committees for specific appointments the Committee considers a significant proportion and has an oversight role into the whole statutory appointment process.

Pursuant to the section 228, a minister is required to consult with the relevant standing committee of the Assembly when making appointments that are established by or under an Act. The Committee may make a recommendation to the Minister about the proposed appointment and in making the appointment the Minister must have regard to any recommendation received.

Government Procurement Act 2001

Under the *Government Procurement Act 2001* (section 39), each government entity must report any contracts over $20 000 that contain confidential text to the Committee. Reportable contracts cover two reporting periods—1 October to 31 March and 1 April to 30 September.

Annual Reports (Government Agencies) Act 2004

Under the *Annual Reports (Government Agencies) Act 2004*, before the responsible Minister can issue an annual report direction, the Minister must consult the Committee (section 8). The Committee may make a recommendation to the Minister about any proposed directions.

Committee membership

Ms Caroline Le Couteur MLA	Chair
Mr Brendan Smyth MLA	Deputy Chair
Ms Joy Burch MLA	

Highlights of selected committee activity

Following are highlights of selected activity undertaken by the Committee over the period since the 9th Biennial ACPAC Conference held in Canberra, April 2007.

Committee membership

The Committee has three members—comprising one government member; one opposition member; and one cross-bench member.

Since the last biennial ACPAC, the Committee's activity extends across the sixth and seventh Assemblies. The election on 18 October 2008 returned eight new members to the seventeen member Legislative Assembly—the seventh election since self-government in 1989. Further, the seventh election was the fifth ACT election to be conducted using the Hare-Clark electoral system.[46]

The results of the election saw a return to minority Labor government in the ACT with the cross-bench (ACT Greens) holding the balance of power. The composition of the current Assembly is: Australian Labor Party (seven members); Canberra Liberals (six members); and ACT Greens (four members).

The composition of the 7th Assembly Standing Committee on Public Accounts is: Ms Caroline Le Couteur MLA, Chair (ACT Greens); Mr Brendan Smyth MLA, Deputy Chair (Canberra Liberals); and Ms Joy Burch MLA (Australian Labor Party). The only continuing member is Mr Smyth; Ms Le Couteur and Ms Burch are new to the Committee and to the Assembly.

Achievements in 2007; 2008 and 2009

Since the last biennial ACPAC, the Committee has undertaken a number of significant inquiries and has tabled ten reports. Highlights of some of these are briefly discussed in this report.

- **Inquiry into Appropriation Bill 2008–09 (No. 3)**

The Committee has recently tabled its inquiry report (24 March 2009) into the ACT's third Appropriation Bill for 2008–09. The Committee is required to 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.

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[46] Green, A. 2008, 'Independents to be disadvantaged by ACT electoral changes', *Australian Broadcasting Corporation* (ABC), 28 March.

Appropriation Bill 2008-2009 (No. 3) (the third Appropriation Bill) was tabled in the Legislative Assembly on 26 February 2009 and referred to the Committee for inquiry.[47] The Committee's terms of reference were to inquire into and report on the additional appropriations contained in the Bill by Tuesday 24 March 2009.

The third Appropriation Bill provided what the Government called the 'Local Initiatives Package'—to provide additional investment in the buildings and facilities that are used to provide services to the ACT community.[48]

The Committee made 16 recommendations including that the Legislative Assembly pass the third Appropriation Bill. The Committee's report is available at: http://www.parliament.act.gov.au/committees/index1.asp?committee=116&inquiry=769

- **Review of Auditor-General's Report No. 4 of 2007: *Regulation of ACT Liquor Licences***

On 28 August 2008, the Committee presented its report on the Review of **Auditor-General's Report No. 4 of 2007: *Regulation of ACT Liquor Licences***

Auditor-General's Report No. 4 of 2007 was tabled in the Legislative Assembly on 21 August 2007. The objective of the audit was to:

> provide an independent opinion to the Legislative Assembly on whether the Department of Justice and Community safety has an effective and efficient regulatory program to encourage and promote responsibility in the sale and consumption of liquor.[49]

The audit opinion in the Report concluded that the 'licensing procedures adopted by JACs *[ACT Department of Justice and Community Safety]* were not sufficiently robust' and that there was 'significant scope to improve the effectiveness of the assessment process of application for licences and permits'. In examining the monitoring of compliance of liquor licensees the report found that 'it is doubtful that the current limited compliance activities were effective in promoting responsible consumption and sale of liquor'.[50]

The Committee's report primarily focused upon the role of licensees as this was the area that was subject to review by the Auditor-General. Whilst the Committee's report focused on the regulation of ACT liquor licences it also drew upon the broader

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[47] Legislative Assembly for the ACT, Minutes of Proceedings No. 10, Thursday 26 February 2009, pp. 115–116.

[48] Ms Gallagher MLA, Presentation speech—*Local Initiatives Package*, 26 February 2009, p. 3.

[49] ACT Auditor-General, 2007, Report No. 4 of 2007, p. 4.

[50] ACT Auditor-General, 2007, Report No. 4 of 2007.

issue of the use and abuse of alcohol in the ACT community. The Committee was of the view that regulation was not the only, or even the most important, method of addressing problem drinking. Community attitudes, parental responsibility, education campaigns and taxation are just some of the other issues that must be looked at to create a comprehensive picture of the problems and possible solutions.

In March 2008 the Attorney-General released a discussion paper on a review of the *Liquor Act 1975*. The Committee hopes that its recommendations will be considered as part of the Government's consideration of that review.

The Committee made 16 recommendations including:

- the investigation of granting rights and powers of liquor inspectors to all ACT police officers
- publication of the right to lodge a complaint about a licensed premise
- investigation of the *Liquor Act 1975* to provide for the establishment of Liquor Accords, and
- consideration be given to applying the same approach to addressing underage alcohol purchases as is applied to underage cigarette purchases.

The Committee's report is available at:
http://www.parliament.act.gov.au/committees/index1.asp?committee=56&inquiry=739
Auditor-General's report No. 4 of 2007 is available at:
http://www.audit.act.gov.au/reports2007.html

- **Review of Auditor-General's Report No. 5 of 2006: *Rhodium Asset Solutions Ltd***

On 21 August 2008, the Committee presented its report on the Review of **Auditor-General's Report No. 5 of 2006: *Rhodium Asset Solutions Ltd***

Auditor-General's Performance Audit Report No. 5 of 2006 was presented to the Legislative Assembly on 19 September 2006 and subsequently referred to the Committee for inquiry.

The Committee resolved to adopt the Audit Report as a formal reference after considering the Auditor-General's significant findings; the relevance to the ACT public sector, as a whole, of governance issues raised; and the community concern surrounding the matter.

The Audit Report examines the governance and accountability framework for Rhodium Asset Solutions Limited, a small business entity with about 30 staff in 2005-06, operating in a competitive market. Although the trigger for the audit was the concerns raised by a former staff member with the Board regarding certain

management practices, the audit extended beyond the specific issues raised, to an examination of the administrative and control framework.[51]

The Committee's report did not attempt to definitively conclude which parties were at fault, but rather, to identify where processes and practices were poor or poorly implemented. The Committee presented its report with the aim of highlighting the lessons that could be learned from these events and proposed some steps to mitigate the risk of such events recurring.

The Committee made 14 recommendations, some focusing on specific areas that should be addressed in the short term and others recommending a wider review of the *Territory-owned Corporations Act 1990* to address the concerns raised about the confusion of governance roles.

The Committee's report is available at:
http://www.parliament.act.gov.au/committees/index1.asp?committee=56&inquiry=706

Auditor-General's report No. 5 of 2006 is available at:
http://www.audit.act.gov.au/reports2006.html

- **Review of Auditor-General's Report No. 1 of 2006: *Regulation of Charitable Collections***

On the 21 August 2008, the Committee presented its report on the Review of **Auditor-General's Report No. 1 of 2006: *Regulation of Charitable Collections***

Auditor-General's Report No. 1 of 2006 was tabled in the Legislative Assembly on 28 March 2006 and consequently referred to the Committee for inquiry.[52]

The Auditor-General's Report presented the results of a performance audit that assessed whether:

- charitable collections and incorporated associations were being adequately monitored, and
- administration of their respective functions was consistent with the relevant acts.[53]

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[51] ACT Auditor-General, 2007, Report No. 5 of 2006.

[52] Legislative Assembly for the ACT, Sixth Assembly, Minutes of Proceedings, 28 March 2006, p. 597.

[53] ACT Auditor-General, 2007, Report No. 1 of 2006.

Given the sizeable amount of charitable donations given by Australians[54], the Committee was of the view that there was a legitimate interest in attempting to ensure that the non-profit organisations receiving such monies are genuine and manage received donations appropriately. The non-profit sector faces a tension between preventing the damage that a few 'bad apples' can do to the sector and promoting transparency on the one hand, and keeping compliance costs down on the other.[55]

The Committee's report noted that government regulation of fundraising organisations must strike a balance between protecting the public from fraudulent or incompetent fundraising and ensuring that compliance costs are not too burdensome for a sector that often relies upon volunteers for its workforce.

In terms of incorporated associations, the *Associations Incorporation Act 1991*(the Associations Act) provides a method of establishing a legal entity that has the ability to function in its own right and provides protection for its members from the debts and liabilities of the association. This approach is designed to be simple and inexpensive and is used by many sporting and community groups. The Auditor-General concluded that the incorporation process was reasonably efficient and timely and that monitoring was meeting the requirements of the Associations Act.

The Committee made three recommendations—one pertaining to charitable collections and two in relation to incorporated associations.

The Committee's report is available at:
http://www.parliament.act.gov.au/committees/index1.asp?committee=56&inquiry=558
Auditor-General's report No 1 of 2006 is available at:
http://www.audit.act.gov.au/reports2006.html

- **Inquiry into Land Valuation in the ACT**

On 8 April 2008, the Committee tabled its report inquiring into land valuation in the Australian Capital Territory (ACT).

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[54] The generosity of Australians was highlighted by the almost $400 million donated in response to the Boxing Day Tsunami of 2004. Charitable donations are not limited to specific events however. Even if money donated for Tsunami relief is excluded, in the twelve months to the end of January 2005, Australians gave $5.7 billion to a wide range of charitable bodies. Almost 87 per cent of the adult population gives to charity at an average of $424 per individual annually. A further $2 billion was provided to non-profit organisations via events and 'charity gambling' such as raffles and lotteries (Giving Australia, p. 46).

[55] Giving Australia, p. 46

The Committee has the ability to self refer matters and resolved to conduct an inquiry into the Territory's land valuation system following comment by the Administrative Appeals Tribunal (AAT) on the land valuation process. The AAT was critical of how land valuations were determined and how the Commissioner for ACT Revenue dealt with objections to valuations.

The Committee inquired into, and reported on, the valuation of land in the ACT to determine the clarity, efficiency, equity, accountability and transparency of a range of land tax/valuation aspects (as specified in the inquiry's terms of reference).

The interest in the ACT Community in the subject of land valuation was reflected in the range of written submissions received by the Committee and witnesses who appeared before the Committee in public hearings. As official valuations affect property sale prices and are used to determine both land tax and rates, there is a clear public interest in ensuring that the system meets criteria for clarity, efficiency, equity, accountability and transparency.

The Committee concluded that the ACT land valuation system was largely free of the errors and inconsistencies that were found in the NSW system by the NSW Ombudsman in 2005. The Committee, however, made some recommendations in its report on how to improve the accuracy and reliability of valuations in the ACT.

Improving communication with the public on valuation issues, particularly in the area of objections, was also the focus of a number of recommendations in the Committee's report. The Committee acknowledged that land valuation is a complex topic but was of the view that the Government could take steps to make this information, and the objections and appeals process, more user-friendly.

The Committee's report is available at:
http://www.parliament.act.gov.au/committees/index1.asp?committee=56&inquiry=179

Current inquiries

- **Inquiry into 2007–08 Annual and Financial Reports**

Annual reports of government agencies and departments, on tabling are referred to Assembly committees for inquiry as per a schedule determined by resolution of the Assembly. The Committee is presently inquiring into a number of referred annual and financial reports.

During its public hearing schedule, in addition to exploring compliance with the *Annual Reports (Government Agencies) Act 2004* and the *Chief Minister's Annual Report*

Directions, the Committee sought clarification on whole-of-government and agency issues.

The Committee has concluded its public hearing program and expects to consider its report shortly.

- **Review of Auditor-General's Reports**

As specified in its resolution of appointment, the Committee has a mandate to review Auditor-General reports and has the power to investigate any item or matters in connection with those reports. A key part of the Committee's work is the ongoing review of issues raised in the reports by the Auditor-General. The Committee is presently examining a number of Auditor-General's reports to determine whether they warrant further inquiry. As part of its consideration of these reports, the Committee receives briefings from the Auditor-General and relevant audit team members on each report. These briefings are a useful opportunity for the Committee to clarify and explore issues raised in the reports and ask detailed questions of the audit team.

ACT Auditor-General

- **Auditor-General's Performance Audit Program**

In its review of the *Auditor-General's Annual Report 2002-03*, the Committee recommended that it be consulted regarding the Auditor-General's annual performance audit program. The Auditor-General agreed with the recommendation and implemented a process for consultation.

During its review of the proposed forward audit program 2007–08, the Committee was pleased that this would include a 'performance audit follow-up' examining agency implementation of audit recommendations. This report—Report No. 2 of 2007: *Agency implementation of audit recommendations*—was tabled 14 June 2007.[56] The Committee notes that as part of the Auditor-General's performance audit program update (January 2009) a further follow up audit assessing progress in implementing recommendations in connection with performance audit report No. 4 of 2006: *Road Safety* is expected to be tabled in 2009.

[56] This review followed up recent performance audits, to assess whether agencies had addressed recommendations and findings arising from the audits, with a view to informing the Legislative Assembly for the ACT on progress towards implementation of recommendations.

- **Auditor-General's Budget**

Pursuant to section 22(1) of the *Auditor-General Act 1996* (the Act), the Committee considered the proposed appropriations for the ACT Audit Office for 2007–08 to 2010–11 and 2008–09 to 2011–12.

The Committee will shortly consider the draft estimates for the ACT Audit Office for the coming financial year in accordance with section 22 of the Act.

World Bank Institute/CPA/La Trobe University Summer school 2008

On 11 February 2008, the Committee hosted delegates from the World Bank Institute/Commonwealth Parliamentary Association (CPA) Residential Summer School for Parliamentary Public Accounts Committees coordinated by La Trobe University.

The main purpose of the Summer school was to provide guidance on parliamentary financial scrutiny and the role of public accounts committees for developing countries.

The delegation comprised 41 delegates, including Chairs and senior members of Public Accounts Committees, Auditors General, as well as parliamentary staff from Timor-Leste, Solomon Islands, Papua New Guinea, Autonomous Region of Bougainville, Ghana, Nigeria, Bangladesh and Indonesia. This made for a wide range of perspectives with the ACT, despite the formation of Bougainville's legislature, apparently still holding the title of the Commonwealth's smallest Public Accounts Committee while Indonesia has to manage an 83 member PAC.

The delegation was accompanied by staff from the Public Sector Governance and Accountability Research Centre at La Trobe University, the Commonwealth Parliamentary Association and the World Bank Institute.

During the visit the delegates were introduced to the Legislative Assembly's Committee System and had an opportunity to discuss the role of Public Accounts Committees with the Committee and the ACT Auditor-General's office. Issues discussed included creating a non-partisan environment focused on consensus within Public Accounts Committees and ways of getting Governments to address PAC recommendations. The Summer school is intended to strengthen the ability of Public Accounts Committees in developing countries to combat corruption and promote good governance.