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JOINT COMMITTEE
OF PUBLIC ACCOUNTS

Special Report

Proceedings of the Conference of
Commonwealth and State Public
Accounts Committees 1977

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JOINT COMMITTEE OF PUBLIC ACCOUNTS
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The House of Representatives appointed its members on 3 March 1976 and the Senate appointed its members on 4 March 1976.

- (1) Discharged 8.4.76
- (2) Appointed 8.4.76 elected Vice Chairman 29.4.76
- (3) Elected Vice-Chairman 16.3.76
Resigned as Vice-Chairman 29.4.76
- (4) Appointed (Ex-officio) 9.6.76
Discharged 13.9.77
- (5) Discharged 31.3.77
- (6) Appointed 31.3.77
- (7) Appointed (Ex-officio) 14.9.77

Senator, The Hon. C.L. Laucke,
President of the Senate,
Parliament House,
CANBERRA A.C.T.

The Rt. Hon. B.M. Snedden, Q.C., M.P.,
Speaker,
Parliament House,
CANBERRA A.C.T.

Dear Mr President,

Dear Mr Speaker,

On behalf of the Joint Committee of Public Accounts, I take pleasure in submitting the Report of the Conference of Commonwealth and State Public Accounts Committees held at the Commonwealth Centre, Sydney on 9 and 10 June 1977.

I would like to draw to your attention that this Conference was quite unique. For the first time in the history of our Federation a conference of all Public Accounts Committees of the Parliaments, State and Federal, was held. Our Committee believes that this is a significant achievement and demonstrates that there is scope for further development of closer relationships between the Parliaments of Australia.

Yours sincerely,

David M. Connolly
Chairman

M.J. Talberg
Secretary
Joint Committee of Public Accounts
Parliament House
CANBERRA A.C.T.

18 October 1977

C O N F E R E N C E O F
C O M M O N W E A L T H A N D S T A T E P U B L I C A C C O U N T S C O M M I T T E E S

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R E P O R T O F P R O C E E D I N G S

C O N T E N T S

	<u>Page</u>
. Participants in the Conference	1
. Summary of Observations from the Conference	5
. Report	7
1. Committee's Establishment and Structure	10
2. Inquiries General	11
3. Inquiries Particular	13
4. Assistance to Committees	14
5. Effectiveness of Committees	15
6. Efficiency Auditing	16
7. The Conference in Retrospect	18
. Appendixes	
A. Summary of Constitutions, Duties and methods of Operation	21
B. Efficiency Auditing - Text of Address to the Conference by:	
i. Mr D.R. Steele Craik, O.B.E. Commonwealth Auditor-General	34
ii. Mr G. Alison, M.L.A. (Queensland)	42

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PUBLIC ACCOUNTS COMMITTEES

(Held at the Commonwealth Centre, Sydney on 9 and 10 June 1977)

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Mr K.R. Doyle, M.L.A.

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Mr W.F.L. Reese, M.L.A.
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Tasmania:

Mr Robert Mather, M.H.A.
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Hon. Louis F. Bisdee, M.L.C.,
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South Australia:

Mr G.S. Keneally, M.P.

Mr J.W. Olson, M.P.

Mr W.E. Chapman, M.P.

Western Australia:

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Mr David M. Connolly, M.P.,
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Senator M.E. Lajovic
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* Mr M.J. Talberg
from 8 September 1977

SUMMARY OF OBSERVATIONS FROM THE CONFERENCE

- The function of Public Accounts Committees was to exercise Parliamentary scrutiny over the executive and administration with the objective of stimulating a more effective use of public funds.
- With the continuing growth of Government expenditure in real terms (increasing by almost 50 per cent in the past decade) there is a pressing need for scrutiny by Parliaments, State and Federal.
- It was hoped that the increasing emphasis placed by the Auditors-General on Efficiency Auditing rather than merely regulatory auditing would enable Public Accounts Committees to put more emphasis on the value for money inquiries.
- It was necessary to aim for greater co-ordination between State and Federal Public Accounts Committees to ensure adequate public accountability for expenditure across all spheres of Government.
- Departmental and ministerial co-operation was essential for the effective operation of Public Accounts Committees.
- Public Accounts Committees would benefit by the use of expert guidance either as permanent or seconded staff and the use of expert witnesses.
- It was considered important that effective guidelines for the selection of priorities for inquiry be developed.
- Public Accounts Committees generally accepted Government policy as a starting point for their investigations, and examined performance and the achievement of objectives within the context of that policy.
- Closer collaboration between Public Accounts Committees and the respective Auditors-General, Treasuries and Public Service Boards was essential to ensure more effective scrutiny.
- Closer co-operation and co-ordination between the Public Accounts Committees and other Parliamentary Committees concerned with the estimates of expenditure was essential for Parliamentary control over the Public Purse.
- Effective functioning of Public Accounts Committees and of Parliamentary scrutiny depended on a clear understanding by Members of Parliament of the budgetary processes. Committees should be concerned with the nature and comprehensibility of the financial information presented to the Parliament.

REPORT

The first Conference of Commonwealth and State Public Accounts Committees was held at the Commonwealth Centre, Chifley Square, Sydney on 9 and 10 June, 1977.

The Conference was opened by the Honourable Jack Renshaw, M.L.A., the Treasurer of New South Wales, who in his opening address said:

"Today I extend a very warm welcome to members of the Public Accounts Committees from other States to this, your first conference, in which you will have the opportunity of comparing notes and your experiences in the exercise of your duties as members of Public Accounts Committees for the benefit of the parliamentary system. I hope that visitors from the various States of the Commonwealth can spare a little time to have a look at the sights of Sydney, and will not rush back too quickly but will spend a dollar or two in this State, which might flow to the State revenues.

I have noticed with considerable interest the activities of Mr Connolly's Committee, because it has been associated with many activities of great national importance. Some years ago, on the previous occasion when you were here, I think certain investigations were taking place into the Australian Broadcasting Commission. I know that these committees are extremely hard working bodies. Reports from these committees show that a lot of time and energy has been spent in investigations carried out for the purpose of ensuring that the people in the parliamentary system and also the public are more adequately and properly informed. I am not so familiar with the work of the Committees in other States as I am with committee work in New South Wales, but we have certainly not attracted the same publicity as the Commonwealth has in relation to these activities and investigations in the public interest.

Inherent in all your operations, of course, is the fundamental principle of parliamentary control of the public purse. While many people may question the practical significance of that term, it still remains a basic tenet of our parliamentary system and our parliamentary exercise.

In regard to the operation of the budgetary system, I think we all accept that the community generally is concerned with three questions - how much is being spent, how effectively it is being spent, and finally how it is raised.

As I see it, Public Accounts Committees address themselves basically to the first question. The third question is of major concern to the Government of the day and the electorate, while the second, at least until recently,

has been left to what I might term selective treatment by specialists.

The last item on your agenda, Efficiency Auditing, is very much directed at this question, and I look forward to hearing from Mr Durick on the views you express. I personally feel that this particular matter is one of the most important issues that confront governments and administrations alike.

The Coombs Committee gave considerable attention to this matter and I understand the Commonwealth Government intends to extend the role of the Auditor-General to embrace this function. The recent visit by the American Controller of Accounts, for instance, focused on this particular issue.

Perhaps you will forgive me, in closing, if I make a general observation based on my 36 years of parliamentary service, including six or seven years as Treasurer of this State. As I look at the increasing scope of government activity, and the demands that this is making on human resources, I wonder whether we are not requiring too much information and tying up too many people in checking, cross-checking and counter-checking. What results do we achieve? Do we really save the taxpayer money or do we in fact inhibit initiative and retard the introduction of new and desirable procedures? If we do decide that further action is needed, then we should ensure that we avoid overlap and duplication and that our proposals are justifiable not only to ourselves but to the taxpayer in whose interests we earnestly labour.

With these thoughts, Mr Chairman, I now have great pleasure in wishing you well in your deliberations and in declaring this, your first Conference, officially opened."

Mr David M. Connolly, the Chairman of the Commonwealth Public Accounts Committee, Convenor and Chairman of the Conference, after thanking Mr Renshaw for opening the Conference, went on to say:

"We have come together, not only as members of different political parties, but also as the representatives of all the Parliaments of Australia. We have a shared purpose to give substance to Parliament's traditional responsibility for effectively reviewing the financial activities of the executive government so as to ensure that funds are spent as Parliament intended and that taxpayers do, in fact, get value for money.

I need hardly remind you that the over-riding duty of Parliament is to represent the interests of the electors and to ensure that the Executive makes and administers policy through the Public Service in a manner responsive to the needs of the community. The proper and efficient expenditure of public funds and the collection of revenue should therefore be of major concern, not only to parliaments but also to committees of this type.

During the Conference we shall be examining the mechanics of existing financial scrutiny, to see whether it can be improved. This has become pressing because there is growing disquiet in the electorate, a belief that taxes are excessive and that much revenue is being wasted on programs which do not achieve their objectives. It is extremely significant that in the last decade total government expenditure in real terms - that is, after accounting for inflation - has increased by some 46.5 per cent. While in theory the budgetary process allows Parliament to review expenditure, in fact, despite the massive increase in government activities, the Public Accounts Committee mechanism, first introduced into the House of Commons in 1861, has not been significantly reformed, and it is doubtful whether, in its present form, it can meet current responsibilities effectively. Unfortunately, the public at large has the impression that Parliament is little more than a venue for gladiatorial contests between opposing political parties and the public is unaware of the considerable work done behind the scenes by the committees of the Parliament. Nevertheless, provided that we are prepared to take the initiative, we will see a growth in the effectiveness of Public Accounts Committees, which are not only multi-party but also, in my experience, apolitical. Such committees have the unique opportunity to gain a deep insight into the workings of the Public Service and to examine actual expenditure of funds by conducting public hearings and publishing, when necessary, critical reports. Regrettably at present public accounts committees are not empowered to conduct objective non-partisan reviews of whether particular programs are the most efficient means of achieving desired policy objectives. This leads me to suggest that the theme for this Conference could well be: Improving the Public Accounts Committee's capacity to act as an effective parliamentary watchdog over public expenditure."

Following the opening addresses by the Treasurer of New South Wales, the Honourable J. Renshaw and the Chairman of the Conference, Mr David Connolly, the Conference proceeded through the following agenda items:

1. Committees - Establishment and Structure

There was an extended discussion on the various roles and terms of reference of Public Accounts Committees in Australia. It emerged that the roles and terms of reference of the Public Accounts Committees in the various States - with two exceptions - closely parallel those of the Commonwealth Public Accounts Committee set out in section of the Public Accounts Committee Act 1951. The exceptions are Queensland, which has no Committee, and New South Wales, where the Committee is limited to specific references apart from unauthorised expenditure.

There was also some discussion on the question of whether or not Public Accounts Committees were actually necessary, particularly when the roles of other accountability-oriented bodies, such as the Treasury, the Auditor-General, the Public Service Board and so on, were considered. It emerged very clearly in the discussion that Public Accounts Committees were complementary to these bodies in the Commonwealth and State spheres of Government, but also played a distinct and important role as the primary Parliamentary body concerned with accountability.

There was agreement that it was the unique function of Public Accounts Committees to assert the right of Parliament to scrutinise the Executive on the one hand, and the Public Service on the other, in order, as an ultimate objective, to improve "value for money" performance in the various expenditure, revenue, and regulatory activities of Government. This role was seen as requiring a very close working relationship with the various other bodies concerned with accountability.

There was much discussion on the ostensibly apolitical role of Public Accounts Committees. Delegates, without exception, accepted and strongly endorsed the view that Public Accounts Committees are responsible to Parliament and not to Government. It emerged that the Public Accounts Committee in Tasmania, following the British example, chose the Committee Chairman from the Opposition, and that in Victoria the majority of members of the Committee were from the Opposition. It was also made clear that although no formal attempt had been made to structure the apolitical nature of the Commonwealth Public Accounts Committee, the tradition of that Committee had been and remained strongly apolitical. Several examples were given where frank statements by Public Accounts Committees - which might be taken to imply criticism of Ministers or Government policy - had led to difficulties, but it was also generally agreed that these minor problems had in no serious way truncated the apolitical operations of Public Accounts Committees. It was stressed that Public Accounts Committees had not viewed the accountability role in a strictly negative sense, but had also attempted wherever possible to be constructive and positive, leading to restructuring and improvement in the performance of Government policy.

There was further discussion of whether Public Accounts Committees were simply another dimension of bureaucratic expansion, duplication and overlap. The question was raised whether the functions of the Committees, and the associated cost, had been extended beyond the useful returns in

some cases. While the point was strongly made that Public Accounts Committees had a unique and important role to play, it was also emphasised that bureaucratic growth for its own sake should not be tolerated, and that the staffing of Public Accounts Committees should be maintained at a level commensurate with maximum efficiency. There was a consensus that Public Accounts Committees could not undertake wider and deeper functions unless they had both a good secretariat and a good research staff.

Finally, there was some discussion of the whole question of Federal-State co-ordination in the work of Public Accounts Committees. Given the substantial flows of funds between spheres of Government, particularly from the Federal Government to the State Governments, the whole question arises of responsibility and accountability. It emerged that there was a case for co-ordination of Public Accounts Committees, there was agreement that co-ordinated activities had been very limited in the past and that prospects for vertical Commonwealth-States Public Accounts Committees examination of agreed subjects was worth further consideration.

2. Inquiries General

The first major issue which emerged in this session was the important role of the reports of the various Auditors-General as a primer of issues, of both a specific and general nature. It was pointed out by several participants that much of the advice contained in the reports of the Auditors-General was dated, because departments had already been contacted, and changes had been implemented or were in the course of implementation. The suggestion was made that there might be a case, if this did not exist already, for an on-going relationship, rather than a one off relationship of Public Accounts Committees with Auditors-General. Several illustrations were also given of useful co-operation between Public Accounts Committee and staff, not so much with the Auditor-General himself, but with specifically qualified staff within the Auditor-General's Office, who had developed a speciality in the various areas of Government activity.

A second issue was the distinction drawn by several Conference participants between horizontal and vertical inquiry subjects. Horizontal inquiries, by which a function was looked at across a range of government departments, emerged as much more difficult in nature than vertical inquiries where a specific function was looked at in a specific department or a department was examined as a whole. It became clear that horizontal inquiries were not simply directed at overlaps and duplication, but of the whole critical question of interdependencies between various aspects of government policy. In these areas the need for a skilled Committee staff which could generate a conceptual apparatus and provide the appropriate information increased sharply.

There was extended discussion on whether Public Accounts Committee hearings should be in public or in private. Substantial argument was presented by the various representatives of the State Public Accounts Committees in favour of private hearings, which, it was argued, promoted

franker evidence, encouraged the expression of judgement or opinion as well as of fact, and minimized the opportunity for grandstanding and theatrical performances. On the other hand, representatives of the Commonwealth Public Accounts Committee took the view that in public hearings the pressure on departments was greater, and that fuller and more detailed evidence was obtained. There was agreement that there weren't many differences of substance in the conduct of hearings and agreement further that the particular approach chosen should be that which appears likely to produce the type of evidence sought by the Committee. A secondary issue discussed under this general head was the question of whether witnesses should be put on oath, and how they should or should not be protected. Witnesses before State Public Accounts Committees were generally not on oath, although the option existed when they were giving their evidence in private. The Commonwealth Committee always required that its witnesses took the oath or affirmation.

A related issue which came up for discussion was the question of the appropriate level of witnesses to be interviewed. Some unease was expressed that departments had tended to downgrade the level of witnesses. However, it was agreed that in many instances relatively junior officers would have more knowledge of the details of the matter under inquiry than senior officers. It became apparent that there were difficulties here of protocol and the appropriate procedure for deciding upon whom to interview, in what order, and so on, and it became apparent again that there was a need to offer some sort of protection particularly within public service hierarchies in order to encourage frankness and honesty on the part of witnesses.

The important issue arose again in this session - and was to run throughout the Conference - of whether or not Public Accounts Committees should actually criticise Government policy. No clear answer emerged in this discussion, but it became apparent that the line between highlighting deficiencies in performance and implicitly or explicitly criticising Government policy, is, in fact, a very blurred one. It seemed likely, particularly in relation to the whole question of public or private hearings, that if hearings were in public, Public Accounts Committees would tend to be much more circumspect and perhaps restrained in raising issues of political sensitivity.

Although the discussion was focussed on a general discussion of inquiries, it was inevitable that many of the illustrations which emerged should be from specific inquiries. This triggered some discussion of whether or not Public Accounts Committees should study a series of small issues or a few large issues each year, or indeed a mixture. This question of the number and nature of issues to be studied raised again the question of the relationship of the Public Accounts Committee with Governments, and within a particular sphere of Government the relationship of the Public Accounts Committee to other Parliamentary committees which operate prior to, as well as after, budgetary decision. The historical posture of the Public Accounts Committees has been unequivocally after-the-event in nature, and the question arose as to whether Public Accounts Committees should co-ordinate their activities with, e.g. Parliamentary Estimates Committees which examined and evaluated expenditure intentions. The whole case for co-ordination between committees within and between the spheres of government, and before and after expenditure decisions, crystallised as the meeting proceeded.

3. Inquiries Particular

A large number of specific cases were discussed in this session, and a common thread running through the discussion of these issues was a sense of the less than satisfactory nature of a perspective which was wholly after-the-event in nature - the difficulty being trying to follow a cold trail. This suggested again the need for the co-ordination of Parliamentary Committees, with a prospective and retrospective nature, and for a closer examination of the relationship of Public Accounts Committees and their advisers to other accountability-oriented bodies, particularly Treasuries, Public Service Boards, and Auditors-General, in order to obtain a more complete perspective on "value for money" considerations.

A related issue which emerged concerned the transfer of funds between spheres of government and the possibility, through omission rather than commission, of the effective passing out of public accountability of major areas of expenditure of public funds. Expenditure by tertiary educational institutions appeared to fall into this category. Originally, for better or worse, the State Auditors-General and Public Accounts Committees appear to have had some system of control, whereas in the existing system of complete Federal funding of Universities and Colleges of Advanced Education, it appears that there is no direct public accountability at all except perhaps some rather general State Auditor-General overview of private auditing. The question of co-ordination between Commonwealth and State Auditors-General emerged as crucial in such cases.

There was some discussion on the question of the choice of issues for examination by the Public Accounts Committees. Several participants indicated that there was a tendency for members of committees to pick their own special interest areas perhaps to the exclusion of areas which could have been examined in a wider perspective. More important, the issue emerged that Public Accounts Committees tended to spread themselves too widely. The feeling was that if Committees got involved too heavily in a whole variety of issues, they might not be able to do a thorough job in any of them. There appeared to be a need for some strategy for the choice of priorities, two procedures for the selection of priorities were suggested - first, choice of an area with the highest pay-off or likely outcome, and, second, the choice of areas where, regardless of pay-off, there appeared to be an administrative mess or policy tangle. It emerged, in sum, on this issue that there was a need for a strategy of choosing an appropriate mix of small and large projects, and there was the suggestion that unless Public Accounts Committees evolved such a strategy for themselves, a strategy would in effect be imposed upon them by the very Public Service which it is their function to overview.

Finally, it emerged that Public Accounts Committees were taking a view in Australia of efficiency which went far beyond the traditional question of financial propriety, and stretched explicitly into "value for money" considerations. It became clear that Public Accounts

Committees in this area were ahead of the scope of the various Auditors-General, and the hope was expressed that the likely extension of the role of the Commonwealth Auditor-General, and ultimately his State counterparts into efficiency auditing would provide the information which would enable Public Accounts Committees to discharge their "value for money" inquiries more effectively.

4. Assistance to Committees

There was a detailed discussion of the case for, and the extent of, the permanent staff which should be used by Public Accounts Committees. There was considerable debate on the appropriateness of permanent staff of the Public Accounts Committees, but the view of a substantial majority of participants appeared to be that a permanent staff was necessary, and that permanent staff should be made up of parliamentary officers as distinct from public servants. The alternative argument was that Public Accounts Committees did not require a permanent staff, but could effectively use the staff of various departments as their own staff. It was clear that this latter view put a very heavy onus on members of the committee to form their own judgements on the evidence they were being given by people whose interests were obviously affected by the evidence. Such difficulties might be alleviated, it was felt, by the use by Public Accounts Committees of public service officers from Treasuries, Public Service Boards, and Auditors-General. The British Public Accounts Committee apparently had no permanent staff but used exclusively staff from the office of the Auditor-General. And, in the light of this British analogy, the compromise proposal which was discussed at length was the possibility of moving staff to Public Accounts Committees from the office of the Auditor-General and possibly from other accountability-oriented bodies, on a rotational or secondment basis, so that the staff of these bodies would come to understand the requirement of and the particular demands made by parliamentary committees.

The second major issue which emerged in this session was the use of expert witnesses to give evidence. Quite clearly the use of expert witnesses should be distinguished from the use of consultants who were paid to do a specific job and report back to the Committee. There seemed to be a broad sense that the use of expert witnesses to give evidence was entirely appropriate, whereas the use of paid consultants might raise some issues of propriety. There was some discussion of the extensive use made by the Joint Economic Committee of Congress in the United States of expert, and largely unpaid witnesses. The discussion of the use of expert witnesses raised again the question of a permanent staff for Public Accounts Committees, and there was agreement at the end of the session that expert resources of some sort, if not necessarily permanent officers attached to the Public Accounts Committee, were absolutely necessary for the effective functioning of the Committee.

Discussion persisted throughout this session on the question of staffing and expertise, and the point emerged that expert staffing was necessary as a counterweight to the dominance of Parliament by the Public Service, particularly if Public Accounts Committees were to

pursue in a serious manner the rather complex question of "value for money" consideration, as distinct from the relatively less complex examination of financial propriety. It was also argued that Public Accounts Committees in Australia should note the example in the United States, where substantial expert help was provided to individual members of Congress and to committees from the public purse.

5. Effectiveness of Committees

A large number of case studies were presented in this section, and this presentation was followed by extensive and fruitful discussion. The first major point which emerged was that the objectives of Public Accounts Committees are, in short, to stimulate efficiency and improve "value for money". The effective pursuit of the role of Public Accounts Committees therefore was seen as requiring an explicit context of departmental objectives in terms of which the whole efficiency auditing and "value for money" question could be seriously posed. A second issue which emerged from this session, and which had emerged on several occasions previously in the conference, was the question of whether Public Accounts Committees should question Government policy. A rather nice distinction emerged between the questioning of the policy of the current administration and that of previous administrations. It emerged that no Public Accounts Committee in Australia saw itself as required to question the objectives, strategies and priorities, and effectively the political posture of the current administration, but because of inertia and the existence of policies which had survived several administrations they might question the objectives and priorities of policies which represented such a legacy. In short, there appeared to be an important time dimension in the question of whether or not Public Accounts Committees should question policy.

There was a long and useful discussion on the means used by Public Accounts Committees to implement their conclusions and recommendations. A whole variety of points emerged. The first point was that of marketing and public relations. There was a consensus that reports should be comprehensible, accessible and readable, rather than archaic, esoteric and academic, in order that conclusions and recommendations be subject to the widest possible publicity. It emerged also that it was vital to emphasise the positive, constructive side of the subject under examination as well as the negative and critical side. It emerged as important to attempt to win the confidence and trust of Ministers and Permanent Heads of the departments under examination on whose co-operation, effective implementation largely depended. Close links were also felt to be necessary with other accountability-oriented bodies such as Treasuries and Public Service Boards. Some instances were cited of concern over the tardiness of Treasury Minutes or the failure of Public Service Boards to follow up recommendations. Further discussion emphasised the importance of persistence in follow-up procedures, so that a Public Accounts Committee would not abandon an issue until some satisfactory action had been taken. A closely related point, on which there was broad agreement, was that implementation required a sense of commitment to comprehensiveness rather than simply to brief and rather superficial examinations. The implementation of Treasury Minute procedures as used by the Commonwealth Public Accounts Committee was considered to be worth consideration by those State Committees which have not adopted such procedures.

6. Efficiency Auditing

Mr D.R. Steele Craik, the Auditor-General for the Commonwealth spoke to the Conference on the subject of efficiency auditing. He drew attention to the remarkable upsurge of interest in the activities of auditors in recent years in many countries around the world and outlined for the Conference what has occurred overseas in the audit area and the possibilities for change in Australia.

He pointed out that in his Office over the last few years there has been a move to look more closely at whether the Commonwealth is getting value for money expended and in the current year he has allocated 20 per cent of his staff resources to this type of audit which he referred to as operational auditing.

He informed the Conference that it was likely that his Office could be given the responsibility for conducting efficiency audits in the Commonwealth sphere. He drew a distinction between efficiency auditing and program auditing and stated that program auditing would almost certainly involve examining Government policy. He said that it was his firm view that an Auditor-General should not be involved in criticising Government policy as his impartiality could be at risk. He considered therefore that some other Government agency should undertake program audits and it appeared that the Department of the Prime Minister and Cabinet would carry out this function.

He told the Conference that the transition from the present financial auditing to efficiency auditing should not be difficult for his Office as it is a fairly logical step, although it will obviously require a good deal of retraining of his present Audit staff.

He also felt that through efficiency audits his Office could build up an understanding and liaison with the client departments and authorities by holding interviews with top financial management at the beginning of an audit, at mid-audit and also by conducting an exit interview at the completion of an audit to inform management of the results of the audit and give them the chance of reply before reporting.

He also stated that a recent review of internal audit in the Commonwealth sphere by the Public Service Board should lead to a better deployment of internal audit resources and an improvement in the standard of internal audit. If this should happen then he was confident that his Office could dispense with some of the financial auditing now undertaken and concentrate more on efficiency auditing.

Mr G. Alison, M.L.A., from the Queensland Parliament addressed the Conference on aspects of the Financial Administration and Audit Act, which was introduced into the Queensland Parliament in November 1976. The provisions of the Act will not take effect until 1 July 1978. The particular interest in the Act for the Conference was that it is the first legislation in Australia to initiate the concept of efficiency auditing.

Another aspect of particular interest to the Conference was the concept introduced in the Bill that Permanent Heads of departments would be appointed as "accountable officers" who would be required to account to Parliament for the financial administration of the appropriation for the services under the control of their departments. Each accountable officer would be required to submit annual appropriation accounts for his Department giving an accounting to Parliament for his stewardship, a system based on established practice and procedure in the United Kingdom.

In relation to the duties of the Queensland Auditor-General and his role in efficiency auditing, Mr Alison said that the Queensland Government proposes that a financial and compliance audit, which is basically the type of audit at present carried out by the Auditor-General, should continue. With regard to operational auditing¹, the Queensland Government accepts that Parliament needs assurance that management is in fact continually and effectively monitoring performance in all these areas. It firmly believes that a proper internal audit organisation should be set up in major departments to regularly monitor departmental performance. Insofar as the issues are predominantly matters of finance, the Queensland Government feels that the Auditor-General is the proper authority to examine such work and report to Parliament on its effectiveness. It also believes that in matters relating to the management of space and personnel the Public Service Board should be the authority to report to Parliament on such matters.

The Queensland Government concluded that the Auditor-General should not, at this stage, carry out the functions of auditing Government programs and that it would prefer to see departments concentrate upon developing work in the new field of internal evaluation.

A very important conclusion which emerged from the presentations by Mr Steele Craik and Mr Alison, a conclusion which indeed became almost a central guiding theme for the entire Conference, was that a central issue in financial administration in Australia was the imminent use by the Commonwealth Auditor-General, and presumably soon after by his State counterparts, of efficiency auditing, and the extent to which the same principles of efficiency auditing and reporting might be used across the various spheres of Government as an input to the deliberation of Public Accounts Committees. It was felt that ultimately what might be envisaged was co-operation and co-ordination in terms of methods, procedures and even flow of staff, and certainly flow of information between the operations of the Auditors-General in the various spheres of Government in Australia. This would correspond to, indeed would be a prerequisite of, successful co-operation between State and Federal Public Accounts Committees.

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1. Operational Auditing - which looks at the economy and efficiency of the departmental operations; the management of resources such as personnel, property, space and the like; and the adequacy and effectiveness of management information systems, administrative procedures and organisational structure.

A second crucial issue which emerged in both papers was that gradualism was of the highest importance and many examples were cited of the failure of administrative reforms in Australia and overseas which had been introduced too quickly. It was felt that questions of acceptability, the availability of personnel to handle and implement new ideas, and in many cases simply an adequate definition of the concepts involved, or required, time and careful development. The difficulty of defining productivity indices across a wide range of the various government departments was cited as a case where the gradual development of concepts and personnel was vital to the success of the enterprise.

7. The Conference in Retrospect

First, in summary terms, the Conference examined the structure and procedures of Public Accounts Committees in Australia. It was established that the New South Wales Committee was somewhat more circumscribed than the others, particularly in its capacity to initiate and pursue issues. The general picture in Australia in both the Federal and State spheres of government was of an apolitical body answerable to Parliament and not to Government. Indeed in many of their activities Public Accounts Committees might be seen as the political arm of the Auditor-General. The function of Public Accounts Committees emerged as the ascension of Parliamentary scrutiny and control over the Executive on the one hand and the Public Service on the other, with the ultimate objective being the improvement of "value for money" performance in the various expenditure, revenue and regulatory functions of Government.

Second, the public accountability question had fallen between two or more stools because in a Federal system with considerable transfers of funds across the various spheres of government, there existed major areas of expenditure which were related to grants and flows of funds between Governments. There was an appreciation of the need to add to the role of Public Accounts Committees which already cuts across political parties, a role to accept greater co-operation and co-ordination in the various spheres of Federal and State governments.

Third, procedures were considered to implement recommendations and findings of Public Accounts Committees. The crucial aspects of implementation which emerged were the ultimate dependence on departmental and ministerial good-will, and the importance of emphasising the positive or constructive as distinct from the negative or critical role which has in the past often been associated with Public Accounts Committees.

Fourth, the issue of the assistance required by Public Accounts Committees emerged as of the highest importance. There was agreement to rely on a more diverse set of expert opinions, and much discussion of alternative forms of staffing - the use of permanent staff of the parliamentary officer category, the possibility of using staff from the office of the Auditor-General, possibly even from other Public Service Departments, and the use of expert witnesses.

Fifth, there was considerable debate on the whole question of conducting hearings and investigations in public or private. There was agreement that the procedure used in a particular case should reflect the consensus of the committee in question as to how it could best obtain the evidence it needed to discharge its evaluative function.

Sixth, there was agreement that it was important to develop procedures for the selection of priorities, for choosing the appropriate types of small projects and larger projects and the appropriate balance of horizontal and vertical inquiries.

Seventh, the rather delicate issue of the relationship of Public Accounts Committees to the criticism of policy emerged as a theme running through the Conference. It was generally agreed that Public Accounts Committees had no business getting into criticising the strategy, objectives and priorities, i.e., the political posture, of a current administration. This did not mean however that they could not ask questions of the type: is this program effective? Given inertia, and the survival of programs from previous administrations it was considered appropriate that Public Accounts Committees should question the objectives and priorities of on-going policies which represented decisions of previous administrations.

Eighth, the relationship of Public Accounts Committees to the Office of the Auditor-General emerged also as a continuing theme of the Conference. The office of the various Auditors-General across Australia provided the major source of information to Public Accounts Committees, and what was particularly interesting to the Conference was the development of efficiency auditing in the office of the Commonwealth Auditor-General and in at least two States to date. It was hoped that these developments would provide the information base which would enable Public Accounts Committees to put more substance into the "value for money" posture which they have been adopting for several years in varying degrees across Australia. Relationships with the Auditors-General were found to be both formal and informal. It was found that there was a great deal of use of specific, functionally-oriented Auditors to advise Public Accounts Committees on special issues, and there was discussion of the possible use, perhaps on a rotational basis, of Auditors-General's staff by Public Accounts Committees.

Ninth, the Conference examined the relationship of Public Accounts Committees to other accountability-oriented bodies such as Treasuries and Public Service Boards. It was clear that close collaboration generally existed between Treasuries and Public Service Boards in sorting out problems which had been identified by Public Accounts Committees. However some concern was expressed at the tardiness with which these bodies had responded to the initiatives of Public Accounts Committees. The possibility existed again of using staff from these bodies on a rotational basis in the Public Accounts Committees. A final issue which emerged under this head was the need to define a relationship of Public Accounts Committees to those public instrumentalities - which might include Treasuries and Public Service Boards - which were looking at expenditure decisions before the event. It was felt that Public Accounts Committees could not function with full effectiveness if their perspectives were to be confined to after-the-event appraisal.

Tenth, an interesting issue which emerged was that of the relationship of Public Accounts Committees to other parliamentary bodies. There was some discussion of the relationship of the Commonwealth Public Accounts Committee to the House of Representatives Expenditure Committee, the latter appeared to see itself as addressing major issues on a more ad hoc basis. The question which arose was whether or not, as Mr Edward DuCann has suggested in Britain, the functions of the Expenditure Committee should be absorbed within the functions of the Public Accounts Committee and better procedures devised for relating major strategic studies and relatively less important practical studies. The whole prospective/retrospective question also arose in relation to the co-ordination of the activities of Public Accounts Committees with Parliamentary bodies such as the Senate Estimates Committees in the Commonwealth sphere of Government which looks at expenditure planning, the object of such co-ordination being the establishment of a perspective in relation to time and the avoidance of inquiries into problems which have been satisfactorily resolved.

Eleventh, the Conference turned to the whole question of the somewhat neglected function of Public Accounts Committees which has to do with recommending changes in the structures and procedures of the Budget and of presenting Government accounts, particularly the relationship of budgeting to expenditure planning. There was much discussion of whether Public Accounts Committees should become involved in suggesting fairly radical reclassification of the presentation of budget and public accounts on a functional basis, and indeed moving to the whole performance budgeting question, the specification of objectives, the whole question of forward estimates, and the general area of budgetary reform. Although no very precise conclusions emerged from this discussion, it became very clear again that the effective functioning of Public Accounts Committees depended on an understanding of and anticipation in the budgetary process, and therefore on a perspective which was more than simply after-the-event.

Finally, the Conference looked at the question of the whole comprehensibility of the budgetary process and the accounts which are made available to parliamentarians and the public. There was considerable diversity of opinion but in general there was concern that there was a certain mystique about the whole presentation of budget information and that far too much information was presented to make it possible for the average member of parliament to have any comprehension of the substance of particular expenditure decisions. There was agreement that communication and flow of information in this area were inadequate, and that Public Accounts Committees might concern themselves with the nature and comprehensibility of budgetary information.

It was generally agreed that the Conference had been an outstanding success and that all who had participated had obtained enormous benefits from the frank exchange of ideas that had taken place. It was also agreed that there would be tremendous value in holding a further Conference within a period of twelve months to follow up some of the ideas that had been put forward by Members. Accordingly, the Chairman of the Victorian Public Accounts Committee, on behalf of his Committee, offered to host the next Conference during the June recess in 1978.

APPENDIX A

PUBLIC ACCOUNTS COMMITTEES
SUMMARY OF CONSTITUTIONS, DUTIES AND METHODS OF OPERATION

- . Year Established
- . Legislative Authority
- . Duties
- . Constitution of Committee
 - .. Membership
 - .. Party Composition
 - .. Quorum
 - .. Sectional Committees
 - .. Power to take Evidence and Summon Witnesses
 - .. Witnesses
- . Method of Operation
 - .. Public Hearings
 - .. Continuity
 - .. Reporting
 - .. Minority Reports
 - .. Treasury Minutes
 - .. Observer Assistance
 - .. Frequency of Meetings
- . Secretariat

Vic., N.S.W. ... pp 22-25
C'wlth., S.A. ... pp 26-29
W.A., Tas ... pp 30-33

VICTORIA

NEW SOUTH WALES

Year Established	1895 1931 (not reappointed) 1955 (re-established)	1902
Legislative Authority	Parliamentary Committees Act 1968 and Standing Orders of the Legislative Assembly	

Duties	<u>Standing Order 220</u>	<u>Section 16(1)</u>
.	(a) To examine the accounts of the receipts and expenditure of the State and to bring under the notice of the House any items in those accounts or any circumstances connected with them which it may consider appropriate.	No similar duty although under s.16(1)(a) the Auditor-General may refer matters to the Committee
.	See above	No similar duty

.	(b) To report to the House any alteration which may appear desirable to be introduced in the form of or method of keeping the Public Accounts, or in the mode of receipt, control, issue, or payment of the public money;	No similar duty although Section 16(5) of the Audit Act provides that in the report submitted to the Legislative Assembly annually, appended to the Annual Report of the Auditor-General on the Public Accounts, the Committee may lay before the Legislative Assembly any suggestions arising out of any matters submitted for its inquiry which may appear desirable for the better conduct of the public business or keeping of the Public Accounts.
.	(c) To inquire into and report upon any questions which may have arisen in connexion with the Public Accounts;	
.	(e) To deal with any special references that may be made to them by the House	(a) Enquire into and report to the Legislative Assembly upon any question which may have arisen in connection with the Public Accounts and which may have been referred to the Committee, either by a

Minister of the Crown or by the Auditor-General or by a resolution of the Legislative Assembly

- (d) To inquire into and report to the House upon the investment of and dealings with the funds of Commissioners of the State Savings Bank of Victoria
- No similar duty
- (b) Enquire into and report to the Legislative Assembly upon all expenditure by a Minister of the Crown made without Parliamentary sanction or appropriation.

Legislative Assembly Committee

Constitution of Committee

• Membership S.O. 220 Eight (8)

23

- Party Composition
 - 4 Government
 - 3 Opposition
 - 1 Third Party
- Quorum S.O. 220 Three (3)
- Sectional Committees
 - No provision for sectional Committees

3 Government
2 Opposition

s.16 (2) Three (3)

No provision for sectional Committees

- Power to take evidence and summon witnesses
 - The Committee may take evidence on oath or affirmation (s.51), and send for persons, papers and records (S.O. 220)

The Committee may take evidence on oath or affirmation, summons witnesses and call for documents (s.16(4))

. Witnesses

Witnesses must attend if summoned and answer questions and produce documents as requested (s.16 (4) (b)).

Witnesses are not formally called before the Committee

Witnesses cannot be proceeded against for any defamatory evidence (s.51).

Method of Operation

. Public Hearings

In practice the Committee does not hold public hearings. However, strangers may be admitted or excluded at pleasure only when witnesses are being examined (S.O.200) and Members may be present at this stage but withdraw by courtesy when the Committee is deliberating (S.O.210)

Inquiries are made through the Secretary of the Committee to Departments

. Continuity

Similar provision as for Commonwealth Public Accounts Committee (s.5)

No specific reference to continuity

. Reporting

The Committee is required to report the result of its inquiries to the Legislative Assembly as soon as practicable (S.O.220).

The Committee is required to report on matters submitted during the year for inquiry and on all expenditure by a Minister of the Crown made without Parliamentary sanction or appropriation. This report is appended to the Auditor-General's Report (s. 16(5)).

Total Reports (excluding Treasury Minutes) since 1955 - 54 reports.

Usually 2 reports annually.

. Minority Reports

No specific reference, but S.O. 213 provides for voting in divisions to be recorded and listed in the report to the House S.O. 216 (b) has specific provision allowing Members to propose amendments.

No specific reference to minority reports

• Treasury Minutes

Reports are forwarded to Treasury and the Departments affected. The Departments supply comments direct to the Committee and copies of these comments are then forwarded by the Committee to Treasury. Treasury then prepares a minute incorporating Treasury and departmental comments which is considered by the Committee and presented to the House, with additional Committee comment where necessary.

No Treasury Minute procedure has been established.

• Observer Assistance

Observers have only been used on rare occasions.

No specific provision

25

• Frequency of Meetings

4 hours per week approximately 10 months of the year

Usually two meetings held during the Budget Session of Parliament

Secretariat

Secretary
Part-time research officer
Part-time stenographer

No full-time staff
• Officer of Treasury acts as Secretary

Year	1913
Established	1932 (abolished) 1951 (re-established)
Legislative Authority	Public Accounts Committee Act 1951 Public Accounts Committee Act 1972

Duties

Section 8

- (a) To examine the accounts of the receipts and expenditure of the Commonwealth and each statement and report transmitted to the Houses of the Parliament by the Auditor-General in pursuance of subsection (1) of section fifty-three of the Audit Act 1901-1950;
- (b) To report to both Houses of the Parliament, with such comment as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Parliament should be directed;
- (c) To report to both Houses of the Parliament any alteration which the Committee thinks desirable in the form of the public accounts or in the method of keeping them, or in the mode of receipt, control, issue or payment of public moneys; and
- (d) To inquire into any question in connexion with the public accounts which is referred to it by either House of the Parliament, and to report to that House upon that question,

Section 13

- (a) to examine the accounts of the receipts and expenditure of the State and each statement and report transmitted to the Houses of Parliament by the Auditor-General, pursuant to the Audit Act, 1921-1966 as amended
- (b) to report to the House of Assembly with such comment as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the House should be directed
- (c) to report to the House of Assembly any alteration which the Committee thinks desirable in the form of the public accounts or in the method of keeping them, or in the mode of receipt, control, issue or payment of public moneys; to inquire into and report to the House of Assembly on any question in connection with the public accounts of the State -
(i) on its own initiative;

- (ii) which is referred to it by a resolution of the House of Assembly; or
- (iii) which is referred to it by the Governor or by a Minister of the Crown.

No similar duty

No similar duty

No similar duty

No similar duty

Constitution of Committee	Joint Committee	House of Assembly Committee
Membership	s.5 Eleven (11) 3 Senate 7 House of Representatives 1 ex-officio (Chairman of Expenditure Committee)	s. 3 Five (5)
Party Composition	6 Government 4 Opposition 1 ex-officio (Government)	s. 3 Not more than 3 Government Not less than 2 Opposition
Quorum	s.7 Majority of members (6)	s. 7 Three (3) except when considering a report in which case Four (4)
Sectional Committees	s.9 Committee may appoint up to two Sectional Committees of not less than three members to inquire into and report to the Committee on any matter. Quorum of Sectional Committee is a majority of members.	No provision for sectional committees
Power to take evidence and summon witnesses	The Committee may take evidence on oath or affirmation (s.10), may summons witnesses (s.13) and issue warrants for witnesses failing to answer summons (s.14).	The Committee has the same power to summon and compel witnesses to attend and produce documents as a royal commission has under the Royal Commissions Act 1917 (s.14 of PAC Act).

• Witnesses Witnesses must attend if summoned (s.15), and answer and produce documents unless they have just cause (s.17).
Witnesses have the same privileges and protection as a witness in proceedings of the High Court (s.19). Witnesses are entitled to fees and travelling expenses (s. 20).

Method of Operation

• Public Hearings

All evidence taken by the Committee must be taken in public unless matter under consideration is regarded by the Committee as secret or confidential (s.11).

No specific reference to the nature of hearings is contained in the relevant Act.

28

• Continuity

Evidence taken before one Committee and not reported on before that Committee ceases to exist may be accepted by a subsequent Committee as if such evidence had been taken by it. (s. 12).

No specific reference to continuity

• Reporting

The Committee is required to report to the Parliament on any matters which it is of the opinion the attention of the Parliament should be directed (s. 8).

Reporting requirements are the same as for Commonwealth P.A.C. (S. 13)

Reports: 6 reports on "major" inquiries
2 on the Committee's method of operation

Total Reports tabled since 1951	- 165
Eleventh Committee	- 8
Tenth Committee	- 9
Ninth Committee	- 8

When Report is tabled the Minister is asked to advise in due course the action to be taken to deal with the Committee's recommendations.

• Minority Reports

No specific provision for a minority report although s. 7 provides for manner of voting by members to be recorded in minutes and in reports where voting is not unanimous and where required by a member.

No specific provision for minority reports

• Treasury Minutes
 Reports of the Committee are forwarded to the Treasurer who seeks details from Departments on action taken in respect of the Committee's conclusions. Departmental replies are then reported to Parliament in the form of a Treasury (Finance) Minute.

• Observer Assistance
 A Treasury Minute procedure (known as "Treasurer's Minute") similar to the Commonwealth Committee's procedure has been adopted and outlined in First and Ninth Reports of the Committee. The Treasurer expects the Minister, as the person closest to the situation, to conduct any detailed discussion with the Committee. The Treasurer will only comment on the broader questions of financial and managerial policy.

• Frequency Meetings
 The Committee is assisted at public hearings by Observers from Department of Finance, Auditor-General's Office and Public Service Board.

• Frequency Meetings
 During session - 2 meetings per week (usually one private and one public hearing)

• Frequency Meetings
 Out of session - As required, usually for public hearing

• Frequency Meetings
 During session - two meetings per week

• Frequency Meetings
 Out of session - one meeting per fortnight

-
- Secretariat
- Secretary
 - Stenographer
 - Secretary
 - Assistant Secretary
 - Research Officer
 - Project Officer
 - Clerical Assistant
 - Steno-Secretary
 - Typist (Sessional)

Year Established	1970	1970
Legislative Authority	Standing Orders of the Legislative Assembly	Public Accounts Committee Act 1970

Duties	<u>Standing Order 406B</u>	<u>Section 6</u>
	<p>• (a) To make such examination as the Committee deems necessary of the accounts showing the appropriation of sums from the Consolidated Revenue Fund and the General Loan Fund granted by Parliament to meet public expenditure.</p> <p>• (b) To Report to the House upon any items in the accounts referred to in paragraph (a) or any circumstances connected with them to which the Committee thinks the attention of the House should be directed.</p> <p>• No similar duty</p> <p>• (c) To inquire into and report to the House upon any question in connection with the said accounts which is referred to the Committee by resolution of the House.</p>	<p>(1)... to examine -</p> <p>(a) the accounts showing the appropriation of the sums granted by parliament to meet the public expenditure; and</p> <p>(b) such other accounts laid before Parliament as the Committee may think fit</p> <p>and to report to both Houses of Parliament, with such comment as it thinks fit, on any matter arising in connection with those accounts or in connection with the receipt of disbursement of the moneys to which they relate to which it is of the opinion the attention of Parliament should be drawn</p> <p>No similar duty</p> <p>(2) Where either House of Parliament refers to the Committee for examination any matter arising in connection with the accounts referred to in paragraph (a) of subsection (1) of this section, or any other accounts laid before Parliament, or in connection with the receipt or disbursement of the moneys to which</p>

any of those accounts relate, the Committee shall, as soon as practicable, carry out that examination, and report thereon to both Houses of Parliament, with such comments as it thinks fit

No similar duty
 No similar duty

No similar duty
 No similar duty

	Legislative Assembly Committee	Joint Committee
Constitution of Committee		
Membership	<u>S.O. 406A</u> Five (5)	<u>s.2</u> Six (6) 3 Legislative Council 3 Legislative Assembly
Party Composition	3 Government 2 Opposition	2 Government 1 Opposition 3 Independent
Quorum	Three (3)	<u>s.4</u> Four (4)
Sectional Committees	No provision for sectional Committees	No provision for sectional Committees
Power to take evidence and summon witnesses	The Committee has the power to send for persons, papers and records (S.O.406D) but may not take evidence on oath except in certain circumstances (S.O.393) provided for by law. Members of the House may be summoned (S.O.387) and may refuse to attend (S.O.363 and 388). The Committee advises the House of any refusal to attend (S.O. 389).	The Committee may summon witnesses to appear and produce documents and has all the power and authority of a Select Committee of the House of Assembly (s.7)

WESTERN AUSTRALIA

TASMANIA

<ul style="list-style-type: none"> • Witnesses 	<p>Witnesses are entitled to protection of the House in respect of evidence (S.O.394)</p> <p>Certain professional witnesses may be paid for attendance (S.O. 380).</p>	<p>Witnesses have the same protection and privileges as a witness in an action tried in the Supreme Court.</p> <p>Witnesses are entitled to fees and travelling expenses</p>
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Method of Operation

<ul style="list-style-type: none"> • Public Hearings 	<p>"Strangers" may be admitted when the Committee is examining witnesses but may be excluded on the request of any Member (S.O. 371). Other Members may attend except when the Committee is deliberating (S.O. 372).</p>	<p>All evidence is taken in private except where the Committee considers "there is good and sufficient reason to take evidence in public." (s.7(3)).</p>
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<ul style="list-style-type: none"> • Continuity 	<p>No specific reference to continuity</p>	<p>Similar provision as for Commonwealth Public Accounts Committee (s. 8).</p>
<ul style="list-style-type: none"> • Reporting 	<p>Time limit for reporting is fixed at the time the Committee is appointed although extension may be granted (S.O. 357). There is also provision for the Committee to report on its opinions, observations, proceedings or minutes of evidence from time to time (S.O. 366) Reports: 13 presented</p>	<p>The Committee is required to Report to both Houses of Parliament in relation to inquiries carried out in accordance with the Committees stated functions (s. 6).</p>
<ul style="list-style-type: none"> • Minority Reports 	<p>Manner in which members voted on a particular matter are recorded (S.O. 362) Provision is made for the addition of a protest or dissent to a Report (S.O. 375).</p>	<p>Manner in which members vote is to be recorded where a division is called for (s. 4(6)).</p>

• Treasury Minutes

Treasury Minute procedures are in operation

No Treasury Minute procedures are in operation

• Observer Assistance

The Chairman has the right to call on Audit and Treasury Departments to send officers to act as observers when witnesses are being examined.

Audit and Treasury Observers assist the Committee.

63

• Frequency Meetings

During session - one meeting per week

During session - one meeting per week

Out of session - no meetings but tours of inspection may be organized

Out of session - about one per fortnight.

Secretariat

Part-time Secretary (who is also Second Clerk Assistant and Serjeant-at-Arms)
Part-time Stenographer

• Secretary is appointed under s. 5 of the legislation. The Secretary is also Clerk Assistant.
• Part-time Stenographer

EFFICIENCY AUDITING

Text of Addresses to the Conference of Public Accounts
Committees by Mr D.R. Steele Craik, O.B.E., and
Mr G. Alison M.L.A. (Queensland)

MR D.R. STEELE CRAIK - I must say that I am in some difficulty on this subject as to knowing how long I should talk and, in a sense, what I should talk about. I will try to outline what appears to have occurred over recent years in other countries and their activities, and then turn to possibilities in Australia. There has been a remarkable upsurge of interest in audit activities over recent years. I find it hard to pinpoint the reason for this. It has been reflected in the Canadian inquiry into the function of the Canadian Auditor-General. It has been reflected in our own Royal Commission. It has also been reflected in the new Queensland Financial Administration and Audit Act. I suppose the best explanation I can give of this upsurge of interest is the feeling amongst a large body of taxpayers that governments are continuing to take a large proportion of their resources by way of taxes, both direct and indirect, and that there is also a feeling abroad that governments are not getting value for money in the expenditure they undertake.

Be that as it may, I think the results are with us and that there is quite a movement in bringing up to date Audit Acts. If I may say so, it is not before time. In the case of the Commonwealth, the Audit Act was the fourth Act passed by the infant Parliament. It was based largely on the Tasmanian Act of that time. I understand mainly because the first Auditor-General for the Commonwealth was the Auditor-General for Tasmania. The Act has been amended over the years from time to time, but basically it is an Act that imposes on the Auditor-General a requirement to ensure that regularity and compliance are observed. In fact, over the years it has been stressed in Parliament that the function of the Auditor-General is to ensure that every penny is properly spent. The attitude in a very exaggerated form is reflected in the comment I heard some time back of one of my predecessors who is alleged to have said that if Parliament appropriated \$1m to throw into Sydney Harbour, his job was to see that it was thrown into the Harbour, not to query the object of the expenditure.

But I think there has been a move in my own office over recent years to look more closely at value for money. Although there is some doubt as to legal authority for this, I think we have moved fairly rapidly, particularly in the area of procurement, to reporting cases where, on the face of it, the Commonwealth did not receive value for money. We have not yet been challenged on this move and I doubt whether the Parliament or the Public Accounts Committee would really be concerned if we moved in further. In fact last year, I allocated about 10 per cent of my auditing staff to what we call operational audits, which is looking to see whether value for money has been received in certain areas, and this year I am allocating 20 per cent of my resources to that area.

I was fortunate enough late last year to undertake a very quick trip around certain countries to see what activities were undertaken by audit offices and how they coped with efficiency auditing and program auditing.

Of course, the outstanding case is the General Accounting Office of the United States of America. I think we all know a good deal more than we did about the General Accounting Office as a result of the visit of Elmer Staats, the Comptroller-General, who went around the Commonwealth accompanied by Professor Cutt. Perhaps I should put it the other way and say that Professor Cutt was accompanied by Elmer Staats. As a result of this seminar, there has been a booklet published on Efficiency Audits in Government which contains 3 talks by Elmer Staats and a very excellent one by Professor Cutt. I commend it to you for examination if you are interested in this question. I think that the history of the General Accounting Office is quite interesting. It was created in 1921 as part of the legislative branch of government. In 1946 it had a staff of no fewer than 15 000. This staff was engaged primarily in line checking. In fact the Hoover Commission of 1949 criticised the General Accounting Office very severely.

It said that 'Instead of accomplishing an important task, the Agency has passed its time in checking millions of receipts and credits which have already been administratively checked and paid, and in splitting hairs about matters which were in order down to the tiniest detail'. It went on to say that 'The Congress should be very severe about the rarity of the substantial audit reports which have reached it from the General Accounting Office since its creation'. This led to a complete re-orientation of the General Accounting Office. In about 1951-52 they introduced what they call a comprehensive audit. There are 3 strands to the comprehensive audit - financial auditing, management operational or performance auditing, and program auditing, which is concerned with inquiring into the results or benefits from particular government programs. At present, the General Accounting Office has a staff of about 5000 only, as compared with the 15 000 in 1946. Elmer Staats said that they devote only about 10 per cent of their resources to financial auditing, or compliance auditing, and that the General Accounting Office produces for Congress and members of Congress something like 1600 reports a year. So it is a fairly large organisation. It is staffed mainly by accountants but it has quite a substantial mix of other skills - econometricians, statisticians, social scientists. So it can draw on a very wide range of expertise.

Canada is interesting in that, as I mentioned earlier, an independent inquiry was established there which reported in 1975. As a result a Bill was introduced into the House of Commons in November 1976 revising almost completely the financial administration of Canada and the role of the Auditor-General. The new Bill requires the Auditor-General to report when he has observed that 'departments and agencies either have expended money without due regard to economy and efficiency, or have not established satisfactory procedure to measure and report upon the effectiveness of programs where such procedures could be appropriately and reasonably implemented'. Interestingly enough, this type of legislation has been picked up by at least 2 provinces. Alberta and British Columbia have now introduced Bills into their Houses which follow fairly closely the Federal Bill. I received a note the other day telling me that Ontario is also looking at this question and is preparing to introduce a new audit Bill under which the provincial auditor will review and report on the systems designed to measure the economy, efficiency and effectiveness of programs. So there has been quite a marked change in Canada over the last few years. I do not know - perhaps Professor Cutt does - whether this Bill has been passed. I know that it was expected to be passed last month or so, but I have not heard about its ultimate fate.

Sweden has undertaken what it calls effectiveness audits over the last 10 years. I think it is important to remember that with Sweden there is a distinction between a ministry and an agency. I cannot claim fully to understand the system, but my broad understanding is that the ministries, which are comparatively small, are responsible for policy, and the agencies are concerned with the implementation of policy. The agencies are said to be completely independent. The ministries are audited by a group attached to the House Of Parliament. The agencies are audited by the National Audit Bureau. The agencies have been subject to these effectiveness audits. The National Audit Bureau has a staff of about 120 - again with quite a mixture of disciplines. Over a 10-year period, they have covered the whole of their agencies and when I was there they were contemplating their next 10-year program. They were not sure whether they would do it on a complete basis or on a selective basis, but one very interesting comment passed to me by the Swedes was that they felt that they had become very weak on financial auditing. They had only 3 chartered accountants on their staff. They felt that this was a marked weakness in their audit activities. They are responsible in an indirect way for internal auditing, but they feel they should have more direct control and expertise in the financial auditing. I think that it underlines the point that efficiency auditing flows from financial auditing.

Israel has been conducting a comprehensive type of audit over the last decade. All told it has a staff of about 500. There, interestingly enough, the great majority of their staff seem to be lawyers rather than accountants, and there is a great stress on legality of transactions. Nevertheless their audit reports are very good documents in which they point up inefficiencies in government administration.

In passing, there is an interesting combination of activities. The State Comptroller of Israel is also the Ombudsman and deals with about 500 or 600 complaints a week. He argues that the combination of the roles of Ombudsman and State Comptroller is a logical and sensible one. It appears to work very sensibly in Israel. I asked him how he coped with being both the Ombudsman and State Comptroller and he said that it was quite simple, that he worked from 6.30 a.m. to 9.30 a.m. on his ombudsman activities and the rest of the day and evening on his controller activities. I should perhaps stress that he is aged 68 and his term was renewed for another 4 years when I was there.

In New York State they have been conducting a comprehensive audit for some years now, and there an interesting situation developed under which one of their clients took them to court for imposing a comprehensive audit on them as the Act merely spoke of the State Comptroller conducting an audit, and the Supreme Court of New York State held that the word 'audit' should be interpreted in its modern sense. Therefore, the Comptroller was entitled to conduct a comprehensive audit within the terms of the modern definition of audit, so they had gone ahead without amending legislation to undertake both the efficiency and program audit as well as the financial audit.

All the staff of New York State are accountants; they have no other skills on the staff. They do engage consultants for particular tasks on a short term basis, and they claim that accountants are capable of undertaking efficiency and program audits and I must say that their reports bear this out. Their reports are comprehensive, good and critical, and they have had quite

some effect in New York State. They work on what they call analysis and inspection. They always try to find a comparable activity, either within the State itself or in other States, and then they draw up comparisons of the cost per unit, or some other measure of their own activity with the other activities and thereby come to conclusions. In addition, they make a great thing of inspection on the ground. If they are doing a railway, they have a look at how the railway carriages are cleaned. If they are doing a tollway, they see how tolls are physically collected and the arrangements there. And it appears to be a very effective organisation.

In the United Kingdom there has been no formal move, but there have been a couple of interesting recent developments. The London Times, in a leader, recently proposed that the Exchequer and Audit Department be redeployed to follow the United States practice of monitoring the quality of policy and managerial controls, and they suggested that only 10 per cent of their resources be reserved to what the Times called the comparatively trivial questions of propriety in retrospect. Only last week I received a copy of a pamphlet by Mr du Cann, who is Chairman of the Public Accounts Committee. This is a pamphlet called 'Parliament and Purse Strings', and he urges the creation of a new monitoring committee in Parliament to absorb both the Public Accounts Committee and the Expenditure Committee, and to assist this monitoring committee the staff of the Comptroller and Auditor-General should be enlarged and augmented on the lines of the General Accounting Office of the United States. It would be the duty of the Comptroller and Auditor-General to report to the monitoring committee on a continuous basis, and it would be the duty of the committee to report promptly thereafter to the Parliament. So there are rumblings in the United Kingdom I think, but I imagine it will be some time before any substantive action is taken as things seem to take a long time to move there.

That brings us, I think, to Queensland and I will not encroach on Mr Alison in describing the Queensland Act, except to say that in my view it is the most modern piece of audit legislation we have in Australia. It has some very interesting features, ones which I think we could all examine with profit, and it will be very interesting to see how it works out in practice.

As to the Commonwealth situation, we have had the report of the Royal Commission and it has looked at this question of administrative efficiency and the problem of review. What the Royal Commission recommended, amongst other things, was the establishment of a parliamentary committee primarily concerned with review of administrative efficiency and that the Public Service Act be amended to incorporate direct references to the responsibility of the departmental head to the Minister and to efficient and economical administration; the departments and statutory authorities to prepare annual reports with greater attention to the requirements of the essential conditions for effective parliamentary scrutiny of the activities of the administration; regular audits of efficiency in terms of financial, organisational and personnel management be carried out by the departments themselves and by the Auditor-General and these audits form the basis of action to improve efficiency by heads of departments, Ministers and Cabinet; the Auditor-General's reports on his efficiency audits be presented to the proposed parliamentary committee on administrative efficiency; and a small policy unit be established within the Department of Prime Minister and Cabinet to amongst other things assist in the evaluation of programs against the Government's objectives.

Early in December the Prime Minister announced that this last recommendation had been adopted and that a small policy unit would be established within the Department of Prime Minister and Cabinet to evaluate programs and their effectiveness. He also announced at the same time that the Government had adopted in principle the concept of efficiency audits and had asked a working party to report on what agencies should conduct these audits. That working party has reported and come out with certain recommendations, but as yet there has been no public announcement of what agency will be empowered to undertake efficiency audits. I suppose it is not unreal to suggest that it looks as though my organisation may well get the guernsey purely by a process of elimination, because the Public Service Board has told the Royal Commission quite clearly that it does not want a bar of efficiency audits. Perhaps I was silly enough in evidence before the Royal Commission to say that I thought that if efficiency audits should be undertaken I would be willing to undertake them and there seems to be no other keen starter, so I guess by default it may well come to us.

The possibility of our being charged with undertaking efficiency audits does raise a number of very real problems. The first is the fairly obvious one of what is the distinction between an efficiency audit and a program audit. I believe that I should not get mixed up in program audits, because immediately I think you are treading on policy issues and I feel that once the Auditor-General is mixed up in criticising government policy he is on pretty dangerous ground and some of his impartiality may be at stake. I know Professor Cutt holds different views, that he feels that the whole range of comprehensive audits should rest with the Auditor-General.

For better or worse, program audits will be undertaken by the Department of Prime Minister and Cabinet and the efficiency audits will be hived off, possibly to my organisation. So if it comes our way we will have to be extraordinarily careful that we avoid as far as possible, treading on policy questions and policy issues, although I think it will be inevitable that, in criticising the efficiency of a particular project, questions will naturally be asked, not by me but by other people, as to the effectiveness of a particular program. I guess one can do a lot by implication rather than direct reference.

The other point that I think needs to be mentioned, is the distinction between the Public Service Board's efficiency reviews and efficiency audits. The efficiency reviews as described by the Public Service Board are intended to stimulate and complement internal reviews of the efficiency of departmental management and operations, and they will be conducted in co-operation with the Department and be virtually an internal document to that Department, whereas the whole concept of undertaking efficiency audits is public reporting on the result of an efficiency audit, so that Parliament and a Parliamentary Committee and the public, will know that someone has formed a judgment as to how effectively an organisation is conducting itself.

The other point that I think will be very much in our mind is the question of transition from financial auditing to efficiency auditing. I believe it is a logical step, but it will require a good deal of retraining of my staff. I believe it can be done but it will require a fairly massive input of professional development over the next 12 months or 2 years. One thing that to me looms as very important, is the effectiveness of internal audits in departments and agencies. We in the Commonwealth, since about 1968,

have had internal audit units in departments and agencies. I have criticised it and my predecessors have criticised it fairly heavily from time to time, in our reports to Parliament. The Public Service Board initiated fairly recently, a review into the effectiveness of internal audit and I am very hopeful that that report will lead to a better deployment of internal audit resources and an improvement in the standard of internal audit. If that comes about, I feel confident that we can put to one side some of the financial auditing we now have to undertake, and concentrate more and more on efficiency audits. We will always be responsible for financial audits, but I think with a stronger internal audit we can redeploy our resources and I would hope, in the early stages at any rate, much within our existing staff establishment - maybe ceiling would be a different question - but within our existing staff establishment, take on board the responsibility for efficiency auditing. One question that will obviously be asked is what sort of skills we will need. I believe myself that we can develop from the existing accounting skills within my organisation. All my audit staff are professionally qualified. The younger ones of course are - with all respect to oldies like myself - much better qualified than we were. They are, for the most part, graduates of colleges or universities. I believe, with proper professional development and guidance, they can cope with this task and I am encouraged in this by the experience of New York State, to which I have referred already, and also the experience of the General Accounting Office.

I asked them how they fared and how they decided they needed new skills. I asked them whether these additional skills they had were essential and their response was: 'Well, we are really all accountants here. When we recruit people with other skills, such as econometricians, statisticians, and so on, when they see the line of the promotion in the organisation, they almost invariably turn round to do accounting. We would now say that all our staff are accountants, but some have additional skills, and these additional skills are important to us'. But they also made the point quite interestingly that these people with the extraneous skills, if I can use that term, only help them to do the job better than they were doing it earlier. In other words, right from the start they had mainly accountants and over the years they have burgeoned.

The other important lesson, and one that I have tried to emphasise as much as possible, because I believe it is important and must be understood, is that the development of efficiency auditing must be very slow. In the United States, as I mentioned, there was this reorientation in about 1952. The people in the General Accounting Office say quite frankly that it took them pretty well 10 years to find out what they were doing, and they stumbled along and learned by experience, so that they quite readily admit that it was not until about the mid-sixties that they became really effective. I would guess myself that it is only in the last 15 years that they have reached the standard of work and quality of reports that they have now.

I must say that in my recent visit there, I was impressed with what I can only describe as the intellectual confidence and stature of the senior staff of the General Accounting Office; they are quite confident they can tackle any problem, and their reports bear this out. For the most part their reports are of high quality, but they do emphasise it has been a long and slow learning process and I, for my part, if we find we do have efficiency audits, cannot stress enough that it will be as far as we are concerned, a slow

process. I would think that if in the first couple of years we could turn out 4 reports we will be doing well, and those reports will not embrace, say, the whole of the Defence Department, that would be quite impossible. We will probably knock off a section of a department or an agency and try to deal with that thoroughly and convincingly.

There will be a need for the development of a good deal of liaison between the Public Service Board, the Treasury, the Department of Finance and the control agencies, to try to develop performance measures of one sort or another. I do not believe it is possible to develop universal performance measures. I think the Government activities are so disparate that you just cannot get uniform measures of that kind, so it will be necessary probably, in co-operation with the control agencies and the departments concerned, to see what can be developed in the way of measures of effectiveness and economy within organisations and departments. And that again will be a slow business and largely a learning process. I should perhaps emphasise that I do not envisage anything elaborate emerging from this in the early stages.

The United States have done quite a lot on productivity indices within government. They now claim that something like 68 per cent of government is covered by these productivity indices. As an interesting sidelight, I was reading the minutes of a Congressional committee and Elmer Staats was giving evidence there. He was very active on the committee in charge of steering through these productivity indices. Some senator was sufficiently unkind to point out that only 15 per cent of the activities of the General Accounting Office were covered by these indices whereas some other departments had about 100 per cent. It was a very interesting explanation that he gave and a most convincing one.

I think that whoever undertakes efficiency audits will have to improve liaison with his clients. I believe that we as an organisation are being somewhat too secretive, if that is the word, that when my people go into a department or an agency the reaction is to whisper 'The auditors are here, keep out of their way and tell them nothing', which I believe is unfortunate. I have already instructed my staff that when they are undertaking a major audit, and this will apply more particularly in the event of efficiency audits coming our way but it now applies to financial audits, I want the branch head to interview the top financial management person in the department or agency to explain why we are coming in and what we propose doing and to arrange that in mid-audit there will be another interview when we will disclose what we have discovered, where we will give them the opportunity of remedying what we have found if we have found anything serious. Then there will be a closing interview, an exit interview, at the end of the audit when we will hand the organisation a draft of our report and say: 'We would like your comments on it'.

I propose that in that draft report if the department or agency has remedied matters that we found to be defective credit will be given to the agency. I would also be prepared if we found nothing in a department or agency to say so in fairly guarded terms. We obviously cannot come out and say a department is perfect merely because we found nothing, because there may be things we did not find. But at least I believe credit should be given where it is due, and if an organisation is efficient I should be prepared to stand up publicly or through the Parliament and say so. And I would hope that over a period this would mean that we can build up an

understanding and liaison with our clients that will assist the audit process and, more importantly, assist management in conducting an efficient organisation, and that is the purpose of audit as I see it.

Finally, I think I would propose that we would follow the United States system and when we complete an audit we would table a report in Parliament so that in time there would be a continuous flow of audit reports to the Parliament, which would no doubt pass them to the appropriate committee. In that way I think it would help to keep departments on their toes - it would certainly keep us on our toes - and also bring before Parliament regular reports of the efficiency of particular departments and organisations. It is worth noting, I think, that it is proposed by the Royal Commission that efficiency audits should apply not only to departmental operations, but also to statutory authorities. Now this does pose some problems in some particular areas - I think particularly those areas where statutory authorities are in direct competition with private enterprise. No doubt there may need to be special arrangements in cases like that. Efficiency Audits will also apply to Government-owned companies which, of course, includes Qantas in the Commonwealth sphere, and a number of other smaller companies. So the range of activity could be fairly high and it is only to be hoped, I think, that the organisation that does get the efficiency audit task, can show it is competent to undertake it, and produce reports that are of assistance both to management and to the Parliament in improving the effectiveness and efficiency of operations.

2. MR G. ALISON - I would like firstly to thank you sincerely for inviting an observer from Queensland. We are at an extremely interesting stage. Of course, as you are aware, we do not have a public accounts committee, but we have earlier this year introduced the Financial Administration and Audit Act about which I will be talking shortly. I have found the conference so far, as I am sure I will the rest of it, extremely interesting and extremely informative and I look forward to reporting back to the Premier.

The Financial Administration and Audit Act was first introduced into Parliament in November last year. During the first reading a memorandum was made available to members explaining not only the contents of the Bill but also the basic concepts to which regard was had in settling its contents. The Bill was then held over for detailed debate in the next sittings earlier this calendar year and passed all stages before the rise of Parliament in April. The provisions of the Act do not take effect until 1 July 1978. Regulations and Treasurer's instructions are being prepared at the present time.

There are 4 parts of the Bill as you will see including the preliminary, and the final section on general provisions. But there are 2 meaty parts: Part 2, financial administration, covers 10 divisions, namely the public accounts, departmental accounts, bank accounts, appropriation and supply, issue of public moneys, accountable offices, financial statements, investments, Treasurer's instructions and accounting manuals, unclaimed moneys. Under part 3, audit, the Auditor-General audits an annual report. I will be making some comments. The only 2 divisions I will be referring to, which I think you would be interested in, are division VI, accountable offices, and division IX, Treasurer's instructions and accounting manuals.

I would like to make a few comments on the basic concepts of the Act. The principles of Parliamentary control and accountability of the administration to Parliament are well recognised under the Westminster system. These basic principles were succinctly stated in the Report of the Independent Review Committee on the Office of the Auditor-General of Canada (Information Canada, Ottawa, March 1975, page 112), when the Review Committee reported that its recommendations were based on three underlying premises:

The first premise is that the administration is accountable to Parliament for the use of public funds, as it only receives money from taxes and other sources in trust for Parliament. It has a responsibility to see that moneys are properly collected; that assets are protected from loss; that expenditures are made only for purposes approved by Parliament; and that, in making such expenditures, care is taken to ensure that value for money is obtained.

The second premise is that in accepting this trust, the administration also accepts the responsibility for reporting to Parliament as to how it has been fulfilled. This involves presenting to Parliament complete and clearly understandable information as to moneys received and expended, and the changes in financial position during the year. The increasing complexity of government, the magnitude of transactions and the use of Crown corporations and working capital advances make this more difficult to achieve, but they do not invalidate the premise. On the contrary, proper reporting becomes even more important.

The third premise is that there must be an independent person, identified as the Auditor-General, who can assure Parliament that the information supplied by the administration is fair and represents complete reporting. This implies

that he should be free to report to Parliament where there has been a breach of trust in handling of public funds by the administration, or where the information supplied is less than fair and complete, and to bring to the attention of Parliament matters of concern that would otherwise pass unnoticed. To achieve this, Parliament must ensure that the Auditor-General can carry out his responsibilities without being subject to any possible pressure from the administration that would erode his independence.

These well-accepted principles are closely followed in the drafting of the Bill. Permanent Heads of departments will be appointed accountable officers except in some cases where officers in charge of sub-departments may be made accountable for votes relating to their sub-departments. Subject to his departmental Minister, each accountable officer will be required to account to Parliament for the financial administration of the appropriations for the services under the control of his department. He will be required to submit annual departmental appropriation accounts giving an accounting to Parliament of his stewardship. These accounts will be certified by the Auditor-General who will be responsible for seeing that these reports have been properly drawn up as to present a true and fair view - that they represent complete financial reporting. This system is based on established practice and procedure in the United Kingdom.

The Bill makes it clear that overall financial responsibility begins and ends with Parliament. Parliament appropriates moneys for the services of the State and it receives an accounting for such moneys through the Treasurer's Annual Statement which is presented and debated in the House. The departmental appropriation accounts will be appended to the Treasurer's Annual Statement. The reports made by the Auditor-General on the Treasurer's Annual Statement and the departmental and other accounts will assure the House of the integrity of financial accounting and reporting.

The Government recognised that a heavy duty of responsibility is placed upon accountable officers by the Bill. It also recognised that, in major departments, the accountable officer must be assisted by an independent appraisal activity within his department and directly responsible to him, if he is to monitor effectively the work of his officers in the various fields of activity for which he is responsible. In larger departments some of the responsibility thrown upon an accountable officer without assistance of such an activity might well be intolerable. Recognition of this position is fundamental in any large organisation and, indeed, has already been recognised in some major departments where a basic internal audit organisation has been established.

It is not sufficient that internal audit should be directed largely towards routine checking of individual transactions to verify their correctness and propriety. Indeed, the meticulous checking of every item and the pursuit of total accuracy can be expensive and needs itself to be examined for cost effectiveness. The role of the internal auditor in both public and private sectors has changed in recent years. His main task now is to provide for management a continuous review of the systems and controls to ensure that they are appropriate in changing circumstances and that they are adequate to ensure the efficient and economical conduct of the business. This emphasis on the study and appraisal of systems - although a degree of routine checking is still necessary to demonstrate that the systems are operating as intended - means that fewer staff are required but they need to be of high calibre and well trained.

There is one aspect of this work still to be developed in Queensland and that is measurement by the administration of 'value for money' in expenditure. It is envisaged that the internal audit function should be gradually developed to cover work in this field. Statutory recognition of the need for a complete system of internal audit in the major departments has been drawn up in the Bill.

The Government appreciated that financial restraints and the need to build up a body of expert staff will require progressive implementation of its proposals. Hence the Bill requires each Permanent Head to submit to the Public Service Board his proposals for the establishment and maintenance of an adequate internal audit organisation in his department. The Board will, from time to time, take the necessary action to establish and maintain the organisation. Even if progress in this field must necessarily be slow, the Government proposes to press ahead recognising that this should prove to be a fruitful avenue to ensure maximum public benefit at minimum cost to the public purse.

The Act provides a consolidated body of law governing both financial administration and audit. Financial control and audit are closely related matters; yet basically they are separate and distinct. Subject to ultimate control by the Legislative Assembly, financial control is the responsibility of the executive and administrative arms of Government, audit is the function of the Auditor-General with direct reporting responsibility to the Legislative arm of Government. In some countries the practice has been adopted of enacting two Bills - one covering the financial administration and the other covering audit practice.

There is obviously a need for a close relation between two functions and our Government felt that the position could best be met by one Act divided into two broad parts - financial administration and audit. This is especially so because the Act contains proposals for the establishment of some new approaches in financial control and accountability of departments. These proposals will require close co-operation between the Treasury Department, other departments and the Auditor-General's Department in their successful implementation. Having one Bill presents no major administrative difficulties.

The Act will not disturb the overall responsibility of Ministers for the conduct of their departments nor will it disturb the responsibility of the Public Service Board. The Board's functions include the inspection of departments in order to ensure that a proper standard of efficiency and economy is established and properly maintained regarding departmental operations, management of resources, such as personnel, property, space etc, and management information systems, administrative procedures, organisational structure and the like.

Another matter considered in the drafting of the Bill was whether cash or accrual accounting should be invoked in the State Government accounts. Parliamentary appropriation accounting employed in the United Kingdom, Commonwealth of Australia, all States of the Commonwealth and New Zealand is on a cash system. Some other countries have systems based on accrual accounting and the Queensland Government gave careful consideration as to which system was to be preferred.

The prime purpose of governmental accounting is to serve the requirements of Parliament and more particularly to ensure effective control by Parliament over public money. As parliamentary control is predicated on the operation of Consolidated Revenue Fund, constituted under the Constitution Act over cash account, and the regulation of the flow of cash received into and cash payments out of that fund, the Government was of the opinion that the public accounts should continue to be maintained on a cash system. Appropriations are made on a cash basis and accounts of departments in relation to appropriations are necessarily maintained on a cash basis.

The Queensland Government felt that it was not possible to lay down in detail in the Act the day-to-day administrative and other requirements for proper financial control and faithful recording of accounts. Hence the Bill is more concerned with the establishment of the basic accounts to be kept by departments and with financial principles. The detailed systems suitable for today may well be unsuited for tomorrow.

Recognising the constant need for review and the introduction of new systems and techniques to improve efficiency and keep costs to a minimum, the Bill requires that detailed accounting procedures shall be laid down by two broad means, namely -

- (a) requiring the Treasurer to prepare and issue Treasurer's instructions regarding the matters and things to be prescribed by regulation. These instructions will be for the guidance of accountable officers and will be concerned with the principles involved in Government accounting and financial practice and their application to departments; and
- (b) requiring each accountable officer to prepare and issue a departmental accounting manual setting out the precise details of the accounting system of his department and the forms, practices and procedures to be used or followed by officers or employees of that department in carrying out their duties related to financial administration. This accounting manual must, of course, be within the requirements set out in the Treasurer's instructions.

Prior to the passing of the Bill the Auditor-General had wide powers of direction and approval in matters of financial practice and procedure. It was considered that matters of this nature are matters for the administrative arm of Government and that the Auditor-General should not be required to lay down standards and then to report to Parliament on the standards which he has laid down. The Bill requires full consultation with the Auditor-General in the preparation of the Treasurer's instructions and the departmental accounting manuals and due regard must be had to any recommendations which he might make. However, the basic responsibility will now rest with the Treasurer and accountable officers who will have the benefit of the advice but not the direction of the Auditor-General. This new approach follows principles and practices already well established overseas and also in the Commonwealth and most Australian States.

Considerable thought was given by the State Government to what should be the functions of the Auditor-General. A comparative study of the laws of various legislatures shows that the duties vary considerably from place to

place and that some of these differences arise because of constitutional differences between the traditional Westminster system of government and the system in the country concerned. Perhaps the widest scope of duties is in the United States of America where the Comptroller and Auditor-General carries out three basic patterns of audit:

- (a) Financial and Compliance Auditing - which determines whether financial operations were properly conducted; whether there has been compliance with the relevant financial laws; and whether the financial statements are properly drawn up so as to present a true and fair view of the finances;
- (b) Operational Auditing - which looks at the economy and efficiency of the departmental operations; the management of resources such as personnel, property, space and the like; and the adequacy and effectiveness of management information systems, administrative procedures and organisational structure;
- (c) Program auditing - which seeks to ascertain where the desired results and benefits of Governmental programs are being achieved and objectives met; whether there are alternatives which might yield the desired results at lower costs.

The Queensland Government proposes that a financial and a compliance audit, which is basically the type of audit at present carried out by our Auditor-General, should continue. With regard to operational auditing our Government accepts that Parliament needs assurance that management is in fact continually and effectively monitoring performance in all these areas and the real issue seems to be who is best fitted to carry out such evaluation.

Our State Government is firmly of the opinion that a proper internal audit organisation should be set up in major departments to regularly monitor performance in all these fields. Insofar as the issues involved are predominantly matters of finance, the Government feels that the Auditor-General is the proper authority to examine such work and to report to Parliament on its effectiveness.

There are matters and issues which, while they have significant financial implications, may not be predominantly matters of finance, for example, management of space and personnel. Our Government feels that the Public Service Board has adequate powers in such matters and that the Board has the vehicle of its annual report to Parliament in which to draw Parliamentary attention to matters to which attention should be drawn. If, in the course of audit, matters requiring investigation in this latter field come to the Auditor-General's attention, the Government expects that the Auditor-General would draw the attention of the Public Service Board to such matters.

So far as program auditing is concerned our Government has concluded that this function is not properly the function of the Auditor-General, at least not at this stage. Our Government would prefer to see departments concentrate upon developing work in the new field of internal evaluation and control of expenditure with the Auditor-General taking an active role in operational auditing in those aspects where direct financial considerations are involved.

Under the present law in Queensland the accounts of the Auditor-General's Department are audited by an audit inspector of that department. In the United Kingdom this audit is conducted by a Treasury officer. In Canada it is performed by an officer of the Public Service Board nominated by the Treasury Board, but not employed in the financial administration of a department. Our Government felt that the principle of the Auditor-General examining his own departmental accounts is unacceptable. It has also been decided that the position would best be met by providing for the Governor-in-Council to appoint from time to time a person who is registered under the Public Accountants Registration Act to perform the audit of those accounts and for a copy of that audit report to be included in the Auditor-General's report to Parliament on the departmental and other accounts. Provision has been made in the Bill accordingly.

Division VI sets out the provisions defining the officers accountable to Parliament; the functions of those officers; and the means by which an internal audit organisation will be set up in departments to assist those officers properly to fulfil their obligations under the Bill. Clause 5 of the Act defines 'accountable officer'. I quote: 'Accountable officer means the Permanent Head or other officer appointed as an accountable officer under this Act.' There are only 2 clauses in division VI on accountable officers. I will read part of clause 35:

Subject to the appropriate Minister in this section, the Permanent Head of each Department shall be responsible for the financial administration of the appropriations for those services under the control of his Department, and be the accountable officer for those appropriations. Where the Treasurer so approves the officer-in-charge of a sub-department, branch or section of a department which keeps separate departmental accounts subsidiary to the public accounts shall be the accountable officer with respect to the appropriations relating to the services for which their sub-department, branch or section keeps those separate accounts.

Clause 35 makes it quite clear that each Permanent Head of a department, subject to his Minister, is to be the accountable officer for the financial administration of the appropriation for services under the control of his Department. Provision is made for an officer in charge of a sub-department, branch or section of a department to be appointed the accountable officer for certain votes.

Clause 36, which is the other clause in division VI, sets out the functions and duties of accountable officers. I will read a little part of that:

Every accountable officer (a) shall manage appropriations for the services with respect to the department under his control efficiently and economically and avoid waste and extravagance; (b) shall cause to be faithfully and properly kept in compliance with the prescribed requirements the several accounts of the department that are required to be kept by this Act or any other Act; (c) shall ensure (i) that procedures within the department are such as will at all times afford proper control over expenditure.

Sub-clauses (2) to (4) of clause 36 provide for the setting up and maintenance of effective internal audit organisations to aid and assist accountable officers in exercise of their duties under the Bill. I will read a little of sub-clause (2):

Immediately upon the passing of this Act and thereafter from time to time, each Permanent Head -

- (a) shall examine the nature and extent of the internal audit organisation if any in operation in his Department; and
- (b) shall upon the completion of that examination make out and furnish to the Public Service Board a report setting forth the action that in his opinion is necessary to be taken to ensure that an adequate internal audit organisation is established and maintained in his Department to assist him in the performance or discharge of the functions and duties conferred or imposed upon him by or under this Act.

On the Treasurer's instructions and accounting manuals, clause 44 under this division deals with the preparation and implementation of the Treasurer's instructions to accountable officers. I might refer to that briefly. Division IX too has only 2 clauses and clause 44 is Treasurer's instructions:

The Treasurer shall, from time to time, prepare and issue instructions to accountable officers with respect to the principles, practices and procedures to be observed in the establishment and keeping of departmental accounts, in this Act, called the Treasurer's Instruction, and may at any time amend, alter or vary instructions so issued. Before preparing and issuing or amending, altering or varying the Treasurer's instructions, the Treasurer shall consult with the Auditor-General and shall have regard to all recommendations made by the Auditor-General following such consultation.

On the Public Accounts Committee, analysis of the United Kingdom system shows that overall financial responsibility begins and ends with Parliament. Parliament gives legal sanction to the raising and spending of moneys and completes the cycle by examination, through its Select Committee on Public Accounts, of the appropriation and other accounts laid before Parliament and the Comptroller and Auditor-General's report.

The Treasury subsequently lays a Minute before Parliament setting out the action taken on the Committee's recommendations on which it may take further evidence from the Treasury and departments. Further, Parliament, through its Select Committee on Expenditure, scrutinises financial control in the light of present-day techniques of resource allocation and of economic planning programming and analysis. This Committee considers White Papers relative to forward five-year programs prepared by the Government for the whole of the public expenditure. Overall programs are compared by the Committee with the presentations in the White Papers. Sub-Committees examine in some depth various areas of expenditure not specifically related to estimates and out-turn.

Analysis of the system in the Commonwealth of Australia shows a somewhat similar approach. The American system has far-reaching methods of control based on principles which would not seem to be applicable under our Parliamentary system. The position in Queensland is, in my opinion, that Parliamentary control could be strengthened by the establishment of a Public Accounts Committee along the lines of the Public Accounts Committee of the United Kingdom House of Commons - a practice now followed by most countries under the Westminster system. The effectiveness of a Public Accounts Committee is measurable not so much by the attention its reports receive in Parliament but by the attention they receive in Government departments. As it has been put by one writer (Paul Einzig):

The mere fact that a committee exists and that the Auditor-General can invoke its assistance, fortifies the departmental accounting officers against the temptation to stray from the path of economy or of the financial regularity.

When our State Government finally makes the plunge to set up a Select Committee on Public Accounts there will be no need to amend this Act. The reason for this is that the usual practice in Queensland in appointing Parliamentary Committees is by action under the Standing Rules and Orders of the Legislative Assembly. It is felt that, in conformity with this practice, this is a matter for consideration under the Standing Rules and Orders.

This Act was developed following a searching review of the laws and practices relating to financial administration and audit of major countries and States with parliamentary, executive and administrative systems based on the Westminster pattern. This review encompassed law and practices in the United Kingdom, Canada, United States of America, New Zealand Commonwealth of Australia and each of the States of the Commonwealth. The financial systems employed in each of these countries and States are implants of the British system; but, since implantation, each system has grown independently and has been nourished by its own political climate.

Where the review indicated that practices of merit can be successfully grafted into the Queensland system, provision has been made in the Act to do so. It is believed that the principles incorporated in the Act will provide practices and procedures adequate for the needs of the State. Moreover, the Act has been drafted in such a way that it will be flexible and capable of meeting changing needs. This aim is seen particularly in the provisions for the setting up of internal audit organisation within the State Government departments. Statutory recognition of the need for a complete system of internal audit in the major departments has been drawn into the Bill and it is envisaged that the internal audit function should be gradually developed to cover work particularly in the 'value for money' or efficiency auditing.