



THIRTY-EIGHTH PARLIAMENT

REPORT 24
STANDING COMMITTEE ON ESTIMATES AND
FINANCIAL OPERATIONS
ANNUAL REPORT 2009

Presented by Hon Giz Watson MLC (Chair)

March 2010

STANDING COMMITTEE ON ESTIMATES AND FINANCIAL OPERATIONS

Date first appointed:

30 June 2005

Terms of Reference:

The following is an extract from Schedule 1 of the Legislative Council Standing Orders:

“2. Standing Committee on Estimates and Financial Operations

- 2.1 *An Estimates and Financial Operations Committee* is established.
- 2.2 The Committee consists of 5 Members, 3 of whom shall be non-government Members.
- 2.3 The functions of the Committee are to consider and report on -
 - (a) the estimates of expenditure laid before the Council each year;
 - (b) any matter relating to the financial administration of the State;
 - (c) any bill or other matter relating to the foregoing functions referred by the House;
 - (d) to consult regularly with the Auditor General and any person holding an office of a like character.”

Members as at the time of this report:

Hon Giz Watson MLC (Chair)

Hon Liz Behjat MLC (from 4/6/09)

Hon Ken Travers MLC (Deputy Chair 1/1/09 to 21/5/09)

Hon Philip Gardiner MLC (Deputy Chair from 4/6/09)

Hon Ljiljanna Ravlich MLC (from 4/6/09)

Hon Sheila Mills MLC (1/1/09-21/5/09)

Hon Brian Ellis MLC (1/1/09-21/5/09)

Hon Helen Morton MLC (1/1/09-21/5/09)

Staff as at the time of this report:

Lisa Peterson, Advisory Officer (General)

Renae Jewell, Committee Clerk

Address:

Parliament House, Perth WA 6000, Telephone (08) 9222 7222

lcco@parliament.wa.gov.au

Website: <http://www.parliament.wa.gov.au>

ISBN 978-1-921634-27-7

CONTENTS

REPORT.....	1
1 INTRODUCTION	1
History and Purpose	1
Membership	2
Staff	3
2 ACTIVITIES OF THE COMMITTEE DURING THE REPORT PERIOD	3
Estimates of Expenditure Review	3
2007/08 Budget Estimates Ongoing Hearings.....	4
2008/09 Budget Estimates Ongoing Hearings.....	4
2009/10 Budget Estimates Annual Hearings.....	4
2009/10 Budget Estimates Ongoing Hearings.....	5
Hearing with the Department of Treasury and Finance	8
Agency Annual Reports 2008/09	8
Budget of the Office of the Auditor General	9
Government Response	10
Follow-up to Report 12 Balga Works Program	10
Government Response	11
“Royalties for Regions” Policy	12
Public Sector Expenditure.....	13
Government Response.....	15
Conference	16
Miscellaneous.....	18
Auditor General	18
ACPAC 11 th Biennial Conference 2011	18
Joint Standing Committee on Audit	18
Oath/Affirmation by Members of Parliament appearing before a committee ...	19
Department of Health	19
3 STATISTICS	19
Reports Tabled	19
Special Reports Tabled	20
Meetings and Hearings.....	20
4 PLAN FOR 2010	21

REPORT OF THE STANDING COMMITTEE ON ESTIMATES AND FINANCIAL OPERATIONS

ANNUAL REPORT 2009

1 INTRODUCTION

- 1.1 This report provides an overview of the work of the Standing Committee on Estimates and Financial Operations (**Committee**) conducted during the Thirty-Eighth Parliament, between 1 January 2009 and 31 December 2009 (**report period**).

History and Purpose

- 1.2 On 30 June 2005 the Legislative Council (**Council**) appointed the Committee. The Committee is a standing committee, which means that its existence is not linked to a particular inquiry or to a particular time period and it continues until the Council decides otherwise.
- 1.3 Scrutiny of the estimates of expenditure and the financial operations of government is a major function of the Council. Since the establishment of the modern Legislative Council committee system in 1989, this function has been the responsibility of both standing finance committees (such as the Committee) and *ad hoc* Budget review committees (such as annually constituted estimates committees).
- 1.4 Review of the committee system in 1997 and again in 2005 led to changes in the area of the Council's consideration of the annual estimates of expenditure and the financial operations of Government, the most recent changes being reflected in the appointment of the Committee.
- 1.5 The functions of the Committee are to consider and report on matters relating to the estimates of expenditure laid before the Council each year and the financial administration of the State. The Committee's terms of reference are extremely broad, enabling the Committee to initiate investigations relating to any aspect of the financial administration of the State. This includes inquiry into any matter relating to past, current, proposed and future expenditure by the public sector.
- 1.6 The terms of reference of the Committee are:

2. *Estimates and Financial Operations Committee*

- 2.1 *An Estimates and Financial Operations Committee is established.*
- 2.2 *The Committee consists of 5 Members, 3 of whom shall be non-Government Members.*

2.3 *The functions of the Committee are to consider and report on -*

- (a) *the estimates of expenditure laid before the Council each year;*
- (b) *any matter relating to the financial administration of the State;*
- (c) *any Bill or other matter relating to the foregoing functions referred by the House; and*
- (d) *to consult regularly with the Auditor General and any person holding an office of a like character.*¹

Membership

1.7 The Committee comprises five Members of Parliament appointed by the Council.

1.8 During the report period the Committee comprised the following Members:

- Hon Giz Watson MLC (Chair) – 1 January to 21 May 2009; reappointed as Chair on 4 June 2009;
- Hon Ken Travers MLC (Deputy Chair) – 1 January to 21 May 2009; reappointed on 4 June 2009;
- Hon Sheila Mills MLC – 1 January to 21 May 2009;
- Hon Helen Morton MLC – 1 January to 21 May 2009;
- Hon Brian Ellis MLC – 1 January to 21 May 2009;
- Hon Philip Gardiner MLC (Deputy Chair) – from 4 June 2009;
- Hon Liz Behjat MLC – from 4 June 2009; and
- Hon Ljiljanna Ravlich MLC – from 4 June 2009.

1.9 It is significant to note that the Committee is required by the Standing Orders of the Council to have a non-Government majority.²

¹ Schedule 1, Standing Orders of the Legislative Council.

² Western Australia, Legislative Council, *Parliamentary Debates (Hansard)*, 30 June 2005, p3730.

Staff

- 1.10 The Committee is supported by the Legislative Council Committee Office. During the report period the Committee was staffed by: Lisa Peterson, Advisory Officer (General); Paul Grant, Clerk Assistant (Committees); Suzanne Veletta, Advisory Officer (General); Renae Jewell, Committee Clerk; Mark Warner, Committee Clerk; Jan Paniperis, Administration Officer; and Linda Omar, Committee Clerk.
- 1.11 The Committee extends its thanks to the staff of the Legislative Council Committee Office for their valuable assistance.

2 ACTIVITIES OF THE COMMITTEE DURING THE REPORT PERIOD
Estimates of Expenditure Review

- 2.1 Government revenue goes into the Consolidated Account³, which is the major source of funding for the State public sector.⁴ The ‘estimates of expenditure’ comprise the Appropriation (Consolidated Account) Bills and the supporting documentation (**Budget Papers**). On an annual basis these are presented to Parliament in order that the Government may access or ‘appropriate’ money from the Consolidated Account to fund expenditure by the Government over a given financial year.⁵
- 2.2 It is a function of the Committee to consider and report on the estimates of expenditure laid before the Council each year.
- 2.3 Historically in the Legislative Council annual budget estimates hearings were held over three to four days during which Members could ask questions relating to the Budget Papers. This has always provided an opportunity for the involvement of all Members of the Council not just the Members of a particular committee. Noting various criticisms about this process, the Committee has adopted an innovative procedure for the examination of the annual estimates of expenditure whereby the Committee holds estimates hearings throughout the year (**Ongoing Hearings**), as well as holding hearings on one to three consecutive days after the Budget Papers are tabled in the Council (**Annual Hearings**).
- 2.4 In the past the Committee has focused its inquiries on Budget Paper No 2 Statements (Volumes 1 to 3) which details the appropriations in accordance with the Appropriation Bills and provides financial and performance information for agencies receiving appropriations from the Consolidated Account.

³ Subsequent to the assent of the *Financial Management Act 2006* on 21 December 2006, the Consolidated Fund is now called the Consolidated Account.

⁴ The major revenue sources for the Western Australian Government include taxes, imposts, fines, rates, duties, royalties and Commonwealth Government grants: section 64, *Constitution Act 1889*; and section 8 of the *Financial Management Act 2006*.

⁵ Section 72, *Constitution Act 1889*.

2.5 To provide for a more comprehensive review of the estimates of expenditure the Committee has extended its inquiries to include:

- Budget Paper No. 3 - Economic and Fiscal Outlook;
- Government Mid-year Financial Projects Statement; and
- Agency Annual Reports.

2.6 Budget Paper No. 3 - Economic and Fiscal Outlook contains an analysis of the fiscal position of, and forecast results for, the public sector - the general government sector, public financial corporations and public non-financial corporations. It assesses the budget aggregates (such as the general government sector net operating balance) against the Government's financial targets. It also contains information relating to the economic position and outlook of the State upon which the fiscal projections are based, and also discusses revenue and expense measures introduced in the budget and developments in reform issues.

2.7 Government Mid-year Financial Projects Statement outlines developments in the State's economic and financial outlook since finalisation of the Budget.

2.8 Agency Annual Reports provide detailed information on the operations of an agency, which is a useful complement to Budget Paper No 2.

2007/08 Budget Estimates Ongoing Hearings

2.9 The Committee tabled its report in relation to the 2007/08 Budget Estimates Ongoing Hearings on 9 April 2009.⁶

2008/09 Budget Estimates Ongoing Hearings

2.10 The Committee did not hold any Ongoing Hearings in relation to the 2008/09 Budget Estimates during this report period. The Committee tabled its report in relation to the 2008/09 Budget Estimates Ongoing Hearings on 13 August 2009.⁷

2009/10 Budget Estimates Annual Hearings

2.11 The Committee held the Annual Hearings in relation to the 2009/10 Budget Estimates on 18 June 2009. The Committee heard from the following agencies:

- Transport

⁶ Western Australia, Legislative Council, Standing Committee on Estimates and Financial Operations, Report 17, *Budget Estimates 2007/08*, 9 April 2009.

⁷ Western Australia, Legislative Council, Standing Committee on Estimates and Financial Operations, Report 22, *Budget Estimates 2008/09*, 13 August 2009.

-
- Commissioner of Main Roads
 - WA Health
 - Environment and Conservation
 - Swan River Trust
 - Mines and Petroleum
 - Child Protection
 - Education and Training
 - Office of Energy
 - Verve Energy
 - Western Power

2.12 All Members of the Council were notified of the hearings and invited to participate.

2.13 All of the hearings were public and the proceedings were recorded by *Hansard*. Full transcripts of evidence taken at the hearings can be found at the Committee's web page.⁸

2.14 The Committee refers readers to its 23rd Report in relation to the 2009/10 Budget Estimates Annual Hearings for further information.⁹

2009/10 Budget Estimates Ongoing Hearings

2.15 The Committee conducted Ongoing Hearings in relation to the 2009/10 Budget Estimates during this report period. Table 1 below lists the agencies that appeared before the Committee.

⁸ <http://www.parliament.wa.gov.au/web/newwebparl.nsf/iframewebpages/Legislative+Council+-+Current+Committees>, (viewed on 25 March 2010).

⁹ Western Australia, Legislative Council, Standing Committee on Estimates and Financial Operations, Report 23, *Annual Hearings in Relation to the Budget Estimates 2009/10*, 8 September 2009.

Table 1

2009/10 Budget Ongoing Hearings

Department	Date of hearing
Waste Authority	29 June 2009
Auditor General	
Department of the Legislative Council	
Parliamentary Services Department	
Western Australia Police	27 July 2009
Heritage Council of Western Australia	
Department of Local Government (including Office of Multicultural Interests and Citizenship)	
Public Transport Authority	28 July 2009
Department of Corrective Services	
Department for Communities	
Department of Commerce (including Aboriginal Economic Development Unit and Science, Innovation and Business Division)	29 July 2009
Small Business Development Corporation	
Housing Authority	
Building Management and Works	
Tourism Western Australia	17 August 2009
Fremantle Port Authority	3 September 2009
Broome Port Authority	
Bunbury Port Authority	
Dampier Port Authority	
Esperance Port Authority	

Department	Date of hearing
Albany Port Authority	3 September 2009
Geraldton Port Authority	
Port Hedland Port Authority	
Office of the Information Commissioner	7 September 2009
Rottnest Island Authority	
Department of Sport and Recreation	
Department of State Development	
Department of Indigenous Affairs	
Department of Premier and Cabinet	21 September 2009
Peel Development Commission	12 October 2009
South West Development Commission	
Public Sector Commission	9 November 2009
Gascoyne Development Commission	2 December 2009
Goldfields Esperance Development Commission	
Great Southern Development Commission	
Kimberley Development Commission	
Pilbara Development Commission	
Pilbara Development Commission	4 December 2009
Mid West Development Commission	

2.16 All Members of the Council were notified of the hearings and invited to participate.

2.17 All of the hearings were public and the proceedings were recorded by *Hansard*. Full transcripts of evidence taken at the hearings can be found at the Committee's web page.¹⁰

¹⁰ <http://www.parliament.wa.gov.au/web/newwebparl.nsf/iframewebpages/Legislative+Council+-+Current+Committees>, (viewed on 25 March 2010).

Hearing with the Department of Treasury and Finance

- 2.18 The Committee held a public hearing with the Department of Treasury and Finance on 22 June 2009 in relation to Budget Paper No. 3. Issues canvassed at the hearing included the government strategy for management of net debt, the basis of figures contained within the budget papers, Budget Paper No. 3, the impact of the financial markets on State debt and revenue and the growth of expenditure in the budget.
- 2.19 The transcript of evidence taken at the hearing can be found at the Committee's web page.¹¹

Agency Annual Reports 2008/09

- 2.20 Annual reports are an important tool in assisting the public's understanding of the operations of government agencies, as well as ensuring financial and performance accountability to Parliament.
- 2.21 On the 14 September 2009 the Committee resolved to hold hearings into agency annual reports for 2008/09. This was the first year that the Committee has held such hearings. Table 2 below lists the agencies that appeared before the Committee during the report period.

Table 2

Agency Annual Report 2008/09 Hearings

Agency	Date
Department of Health	26 October 2009
Department of Environment and Conservation	
Tourism WA	
WA Police	27 October 2009
Department for Communities	
Office of Energy	
Department of Education	2 November 2009
Forest Products Commission	
Department of Fisheries	

¹¹ <http://www.parliament.wa.gov.au/web/newwebparl.nsf/iframewebpages/Legislative+Council+-+Current+Committees>, (viewed on 25 March 2010).

Agency	Date
Department of Racing, Gaming and Liquor	23 November 2009

- 2.22 All Members of the Council were notified of the hearings and invited to participate.
- 2.23 All of the hearings were public and the proceedings were recorded by *Hansard*. Full transcripts of evidence taken at the hearings can be found at the Committee’s web page.¹²

Budget of the Office of the Auditor General

- 2.24 The *Auditor General Act 2006* provides that it is a function of the Joint Standing Committee on Audit (**Joint Committee**) to make recommendations to the Treasurer in relation to the budget of the Office of the Auditor General (**OAG**) for a financial year.¹³ (The *Auditor General Act 2006* provides that a Joint Committee be established comprising of an equal number of members appointed by each House.¹⁴)
- 2.25 The Committee noted that the Joint Committee has yet to be established and that it is proposed that Members from the Committee be appointed to the Joint Committee.¹⁵ Thus, in the absence of the Joint Committee and in order to fulfil that function, the Committee resolved to provide the Auditor General with an opportunity to make a submission on the budget of the OAG for the 2009/10 financial year, with a view to making a recommendation to the Legislative Council and/or the Treasurer on the budget of the OAG.
- 2.26 The Committee tabled its report on 7 May 2009.¹⁶
- 2.27 The Committee in its report noted that the three per cent efficiency dividend would be applied to the budget of the OAG for 2009/10, resulting in a decrease in the appropriation for the OAG from 2008/09.
- 2.28 The Committee recognised that the OAG would be facing a number of additional audit challenges in the coming financial year including, increased risk factors associated with the efficiency dividend in public sector agencies, the Royalties for Regions Policy, the Commonwealth Government stimulus package, system control weaknesses

¹² <http://www.parliament.wa.gov.au/web/newwebparl.nsf/iframewebpages/Legislative+Council+-+Current+Committees>, (viewed on 25 March 2010).

¹³ Section 44, *Auditor General Act 2006*.

¹⁴ Section 43, *Auditor General Act 2006*.

¹⁵ Order of the Day No 387, Joint Standing Committee on Audit, 21 March 2007.

¹⁶ Western Australia, Legislative Council, Standing Committee on Estimates and Financial Operations, Report 18, *Budget of the Office of the Auditor General*, 7 May 2009.

identified by the OAG, the introduction of new agencies and the global financial crisis.

- 2.29 The Auditor General advised the Committee that these challenges will affect the OAG's resources and ability to meet desired outcomes. The imposition of a three per cent efficiency dividend would significantly restrict the OAG's capacity to meet these challenges.
- 2.30 The Committee noted that the Auditor General has an important role in assisting Parliament to oversee the performance of executive government, through the provision of independent and accurate information on the performance and financial management of public sector agencies and bodies. The Committee understood that the effect of a budget reduction for the OAG would be a decrease in the number of audits and performance examinations undertaken by the Office.
- 2.31 The Committee recommended that it is in the public interest that the budget of the OAG be maintained at least at the 2008/09 level to ensure accountability of Government agencies to the Parliament and the people of Western Australia.

Government Response

- 2.32 The Treasurer in a written response to the Committee's report agreed that the Auditor General would face a number of additional audit challenges in the coming financial year and that these challenges, in addition to the scheduled audits, may have some impact on the OAG's funding requirements.¹⁷
- 2.33 The Treasurer noted that the OAG's level of funding to deliver services has not been reduced in 2009/10 and in subsequent outyears. Also, the Government would anticipate that any additional cost pressures will be managed and absorbed within the OAG's existing appropriation with a continued risk management approach to be applied to its overall service delivery.¹⁸

Follow-up to Report 12 Balga Works Program

- 2.34 The Committee undertook a follow-up on the implementation by the Department of Education and Training (**Department**) of the recommendations made in the Committee's *Report No. 12: Balga Works Program (Report No. 12)*. The Committee tabled its follow-up report, Report 19 on 7 May 2009.¹⁹

¹⁷ Letter from Hon Troy Buswell MLA, Treasurer, 19 May 2009.

¹⁸ Letter from Hon Troy Buswell MLA, Treasurer, 19 May 2009.

¹⁹ Western Australia, Legislative Council, Standing Committee on Estimates and Financial Operations, Report 19, *Follow-up to Report 12 Balga Works Program*, 7 May 2009.

- 2.35 The Committee reported that the Director General of the Department proffered an apology for the inadequate management on the part of the Department in relation to the Balga Works Program. Further that the Department undertook to contact the former employees and to offer to meet with them and hear their views. This apology and undertaking was not put forward in the initial written response to Report No. 12 and was a direct result of the Committee follow-up. The Committee believes that this was a much needed step to address the impact of the failure of the Balga Works Program on the former staff and students of the Program.
- 2.36 The Committee's Report No. 12 identified a number of shortcomings in the operations of the Department in its handling of the Balga Works Program. The Committee noted in its report that the Department has acknowledged a number of inadequacies in its handling of the Balga Works Program.
- 2.37 The Committee discussed with the Department their written response to each of the recommendations of Report No. 12 that were applicable to the Department. Through this process the Committee was able to ascertain the progress of the Department in implementing the Committee's recommendations and also to clarify with the Department the Committee's intention and expectations.
- 2.38 The Committee also reported that corruption charges against Mr Mervyn Hammond, former Principal of Balga Senior High School were dropped primarily due to the inability of the Director of Public Prosecutions to establish beyond reasonable doubt that Mr Hammond had breached procedure for a criminal objective. Further, it was unlikely that a conviction would result in imprisonment.
- 2.39 The Committee in its report identified an apparent anomaly of public servants resigning and, thereby, avoiding any further penalty for alleged misconduct and recommended that the Attorney General investigate this.

Government Response

- 2.40 The Government response, as required under SO 337, advised that *the Public Sector Commission is currently preparing amendments to the disciplinary provisions as part of a range of amendments to the Act [Public Sector Management Act 1994]. This issue will be examined as part of that process.*²⁰

²⁰ Government Response to the Legislative Council Standing Committee on Estimates and Financial Operations, September 2009, p2.

“Royalties for Regions” Policy

2.41 On 1 December 2008, the Committee resolved to commence an inquiry into the “Royalties for Regions” policy (**Policy**). The Committee tabled its report on 13 May 2009.²¹

2.42 The terms of reference for the inquiry were:

The Committee is to inquire into and report upon the “Royalty for Regions” policy, including:

- a) to establish a clear understanding of the “Royalty for Regions” policy;*
- b) how the policy will operate and be administered;*
- c) what the Department of Treasury and Finance has done with respect to any modeling or cost-benefit analysis of the policy;*
- d) the implications of the policy, including but not limited to:*
 - the possible impacts of the policy on the State’s AAA credit rating;*
 - the possible impacts of the policy on the State’s budget; and*
 - the potential operational impact of the policy on government agencies.*
- e) any other relevant matter, including but not limited to:*
 - the ability of the government to adjust the policy in response to changing financial circumstances.*

2.43 In its inquiry the Committee was able to gain a basic understanding of the broad thrust of the Policy and the operation of the Royalties for Regions Fund, however, the Committee was unable to develop a clear understanding of the Policy as no details were provided on the legislative framework, the administration, and the implementation of the Policy.

2.44 The Committee learnt that the administration framework, key performance indicators and reporting framework for the Policy were still being developed. Substantial

²¹ Western Australia, Legislative Council, Standing Committee on Estimates and Financial Operations, Report 20, “Royalties for Regions” Policy, 13 May 2009.

funding had already been allocated under the Policy without these accountability measures being in place and prior to the completion of the legislative framework to govern the operation of the Policy.

- 2.45 The Committee was not able to ascertain what action the responsible agency was taking to ensure that the outcomes of the Policy could be measured against the stated aims of the Policy, and that the issues that prompted the development of the Policy were being adequately addressed.
- 2.46 The Committee noted in its report that it was too early to determine what the impact of the Policy will be on the State's budget and what the operational impact of the Policy will be on government agencies.
- 2.47 The Committee in its report noted that it supported the intent of the Policy of maintaining vibrant regional communities and the fair allocation of the State's resources to those regions. The Committee also noted that the Policy was still in the inception stage and that it believed it is essential that detail of the governance and accountability framework become evident early in the progress of implementation. The Committee will continue to monitor the implementation of the Policy.
- 2.48 The Committee recommended that the Government give consideration to the issues raised in the Committee's comments and observations throughout the Report.

Public Sector Expenditure

- 2.49 On 3 December 2008, the Committee resolved to commence an inquiry into Public Sector Expenditure. The Committee tabled its report on 19 May 2009.²²
- 2.50 The terms of reference for the inquiry were:

The Committee is to inquire into and report on Government measures to audit the operational and financial performance of the Western Australian public sector, and any other means by which efficiencies in public sector expenditure can be gained and all the circumstances surrounding the implementation of a three per cent efficiency dividend including -

- a) the impacts of a three per cent efficiency dividend on the general level of service delivery across all agencies; in particular any impacts on service delivery to regional areas;*
- b) consider alternative methods for achieving a three per cent reduction in government expenditure, including:*

²² Western Australia, Legislative Council, Standing Committee on Estimates and Financial Operations, Report 21, *Report on the Inquiry into Public Sector Expenditure*, 19 May 2009.

- i. the approach of the former Government;*
 - ii. whether certain agencies or functions of agencies should be exempt from the efficiency dividend; and*
 - iii. whether the rate of the dividend should vary according to agency size or function, and if so specific advice on which agencies or functions should contribute a disproportionate share of savings over the forward estimates.*
- c) whether a three per cent efficiency dividend has a disproportionate impact on smaller agencies, including whether or not smaller agencies are disadvantaged by poorer economies of scale or a relative inability to obtain funding for new policy proposals;*
 - d) what measures agencies are taking to implement a three per cent efficiency dividend, and the effect on their functions, performance and staffing arrangements;*
 - e) the impact of the current financial crisis on the state's economy and finances;*
 - f) the sustainability of the rate of growth in general government expenditure detailed in the 2008-09 budget;*
 - g) the sustainability of the forecast decrease in operating surplus detailed in the 2008-09 budget;*
 - h) the sustainability of the forecast increase in net debt detailed in the 2008-09 budget; and*
 - i) the impact of failing to fully implement a three per cent efficiency dividend on the operating surplus and net debt.*

2.51 The Committee gained an understanding of the Government's efficiency dividend and how particular government agencies were implementing the dividend. The efficiency dividend, effective from 1 January 2009, applied to all appropriation funded agencies with a full year savings from the dividend in excess of \$200,000. The report included a table listing the 59 agencies implementing the efficiency dividend and the savings targets of each agency.

2.52 The Committee heard evidence from Director Generals and Chief Executive Officers of fourteen government agencies on what measures their agency was taking to implement the efficiency dividend. The Committee also gained an understanding

about each agency's budget position, their current full time equivalent (FTE) number and the FTE cap imposed by the Government, and each agency's cost/demand pressures. Each agency's evidence is summarised in the report. A few agencies advised that they would not meet their efficiency dividend savings target in 2009/10. Most notably, the Director General of the Department of Health informed the Committee that they would achieve \$33.1 million (or 55 per cent) of their \$59.9 million 2008/09 dividend target, and the Director General of the Department of Education and Training advised that they would achieve \$28 million (or 61 per cent) of their \$45.6 million 2008/09 target. Some agencies, including the Department of Health, said they would recover any 2008/09 short fall in the out years. The Committee was not able to ascertain how other government agencies were implementing the efficiency dividend.

- 2.53 The Committee recommended that the Government consider excluding grants and fees for service in the efficiency dividend calculation base of agencies who receive grants and fees for service, such as the Department of Fisheries.
- 2.54 The majority of the Committee recommended that the OAG be exempt from the efficiency dividend. The Committee was concerned that the capacity of the OAG to provide an independent oversight of public sector funds would be compromised without adequate funding.
- 2.55 The Committee also recommended that the value of private donations, sponsorships and bequeaths be excluded from The Library Board of Western Australia's calculation base when imposing the three per cent efficiency dividend.
- 2.56 The Committee considered various aspects of the efficiency dividend, including the impact of an efficiency dividend on smaller agencies and alternative methods for achieving a reduction in government expenditure. The Committee's report records stakeholders' views on the efficiency dividend, how to achieve a reduction in expenditure and the evidence received from the Labor Party on the efficiency dividend.
- 2.57 The Committee received limited evidence on aspects of the State's financial position and the impact of failing to fully implement the efficiency dividend.
- 2.58 The Report attached a minority report from Hon Brian Ellis MLC.

Government Response

- 2.59 The Government response, as required by SO 337, advised that the source of funding for an agency's services was not considered relevant in the context of the objective of the three per cent efficiency dividend, which is to encourage government agencies to be more cost-efficient in their service delivery. Further, there were a number of agencies across the general government sector that receive funding from sources other

than Consolidated Account appropriations. Excluding these funding sources from the calculation of the efficiency dividend would result in a substantial reduction in savings over the forward estimates period, in the order of \$180 million. Thus the Government did not propose to make any further adjustments to agencies budgets in relation to the three per cent efficiency dividend.²³

2.60 The Government did not support the Committee's recommendation to exempt the OAG from the efficiency dividend.²⁴

Conference

2.61 The tenth biennial Australasian Council of Public Accounts Committees (ACPAC) Conference was held in Wellington, New Zealand, 15 - 17 April 2009. The theme of the conference was "Sharing lessons - seeking improved accountability - facing new challenges". The agenda is extracted below.

- Understanding accountability
- Executive Accountability to Parliament - Reality or Rhetoric?
- Practical matters for the Constitution and operation of public accounts committees - what works well where?
- Practical issues facing public accounts-type committees in smaller democratic nations
- The challenge of implementing International Financial Reporting Standards in the public sector
- The role of the United Kingdom's Public Accounts Committee
- The importance of performance reporting, and the ability of public accounts committees to scrutinise the performance of Crown reporting entities
- Trends in performance reporting - stakeholders need to understand what performance reporting is and why it is done
- Different models for optimising cooperation between auditors-general, public accounts committees, and other accountability agencies
- The appropriate role of public accounts committees in reviewing the work programme of audit offices

²³ Government Response from Hon Troy Buswell MLA, Treasurer, 13 July 2009 [Tabled Paper No 930].

²⁴ Government Response from Hon Troy Buswell MLA, Treasurer, 13 July 2009 [Tabled Paper No 930].

-
- Enhancing public financial and performance reporting and accountability in Victoria, sharing the Public Accounts and Estimates Committee's achievements, including recent reforms to Victoria's public finance practices and legislation
 - Public Accounts Committee's and public-private partnerships
 - Questions worth asking: reviewing the South Australian Economic and Finance Committee's inquiries into franchising and local government audits
 - Specific concerns of auditors-general and other officers charged with maintaining official accountability, including maintaining independence, proper resourcing and capacity, and issues arising from outsourcing services
 - Balance of risk and reward in public-private partnerships
 - Improving public financial accountability - the way forward - Enhancements in government reporting and public accountability
 - Freedom of information issues, and ensuring public accounts committees get the information they need to do for their jobs - the relevance of the Egan case beyond Australia
 - Ensuring PAC recommendations are implemented
 - Committee activity reports
 - ACPAC business (for ACPAC members only)
- 2.62 Representatives of committees from all Australian jurisdictions attended the conference (Members and staff) as well as representatives from overseas jurisdictions including New Zealand, United Kingdom, Namibia, Republic of Indonesia, Solomon Islands, Papua New Guinea, Vanuatu, Kiribati, Timor-Leste and South Africa. Auditor Generals from Australia and overseas also attended.
- 2.63 Hon Giz Watson MLC presented a report on the activities of the Committee at the conference.
- 2.64 The Committee attended the conference as a member of the ACPAC.
- 2.65 Hon Giz Watson MLC, Hon Ken Travers MLC, Hon Sheila Mills MLC, Lisa Peterson, Advisory Officer (General) and Renae Jewell, Committee Clerk travelled to Wellington to attend the conference. The total cost of travel for the Department of the Legislative Council was \$22,838.93.

Miscellaneous

Auditor General

2.66 The Committee met with the Auditor General on 17 August 2009. Issues discussed included compliance with the *Government Financial Responsibility Act 2000*, deferment of expenditure by an agency at year end, the effectiveness of key efficiency indicators and outcomes in the budget statements, Parliament's control over appropriation funding to agencies, agency fee setting, monitoring of the budget process, protocols for interaction between the OAG and the Committee, the current activities of the OAG, the integrity of the Budget Statements and if the Budget Statements were audited, Government compliance with the *Government Financial Responsibility Act 2000*, and fees/parking levy.

ACPAC 11th Biennial Conference 2011

2.67 In June 2009 the Presiding Officers gave approval for the Committee and the Legislative Assembly Public Accounts Committee to jointly host the 11th Biennial ACPAC conference in 2011.

Joint Standing Committee on Audit

2.68 Section 43 of the *Auditor General Act 2006* provides that '*The Houses of Parliament are to establish a Joint Standing Committee on Audit comprising an equal number of members appointed by each House*'.

2.69 The Committee noted that the Joint Standing Committee on Audit has not been established and considered that the Joint Standing Committee on Audit should be established without delay.

2.70 On 19 June 2009, in an effort to progress the establishment of the Joint Committee, the Committee wrote a number of letters²⁵ seeking support in establishing the Joint Standing Committee on Audit. The letter outlined the Committee's view on the importance of its establishment, the make up of the Joint Committee and its administration.

2.71 On 24 September 2009, Hon Norman Moore MLC, Leader of the House, moved a notice of motion for the establishment of the Joint Standing Committee on Audit. At the time of this report, the motion had yet to be debated in the House.

²⁵ The Committee wrote to the Premier, the Leader of the House in the Legislative Council, the Leader of the Opposition in the Legislative Council, the Leader of the National Party in the Legislative Council, the Leader of the Opposition, the Leader of the Parliamentary National Party and the Chair of the Legislative Assembly Public Accounts Committee.

Oath/Affirmation by Members of Parliament appearing before a committee

- 2.72 On 4 December 2007, the Legislative Council ordered that an oath or affirmation is to be administered to all witnesses appearing at any Legislative Council committee hearing.
- 2.73 On 15 September 2009 the Committee wrote to the Legislative Council Standing Committee on Procedure and Privileges requesting that it give consideration to whether Members appearing before a committee of the Legislative Council should be required to take the oath/affirmation.
- 2.74 The Committee noted that Members are not required to complete and sign the *Witness Information Sheet* due to the nature of the oath/affirmation taken by Members on assuming office and queried whether Members should be exempt from taking the oath/affirmation for this same reason.
- 2.75 The Procedure and Privileges Committee upon consideration of the matter tabled a report on 17 November 2009, recommending that the House revoke its order of 4 December 2007. The order instructed the Clerk of the Legislative Council and all Committee Chairs to administer an oath or affirmation to all witnesses at any Legislative Council committee hearing.²⁶ The House has yet to consider the report.

Department of Health

- 2.76 The Committee held a hearing with the Department of Health on 23 November 2009 in relation to the use by the Metropolitan Public Hospitals of \$24.9 million of restricted funds, including specific purpose grants money, to meet cashflow requirements during the 2008-09 financial year. The full transcript of evidence taken at the hearing can be found at the Committee’s web page.²⁷

3 STATISTICS

Reports Tabled

- 3.1 The Committee tabled nine reports during this report period. These are listed in the table below.

Table 3

Report Title	Tabled Date
Annual Report 2008	19 March 2009

²⁶ Western Australia, Legislative Council, Standing Committee on Procedure and Privileges, Report 20, *Administering the Oath or Affirmation to Witnesses in Committee Proceedings*, 17 November 2009.

²⁷ <http://www.parliament.wa.gov.au/web/newwebparl.nsf/iframewebpages/Legislative+Council+-+Current+Committees>, (viewed on 25 March 2010).

Report Title	Tabled Date
Interim Report on the Public Sector Expenditure Inquiry: Request for Member of the Legislative Assembly to Appear before the Committee	07 April 2009
Budget Estimates 2007/08	09 April 2009
Budget of the Office of the Auditor General	07 May 2009
Follow-up to Report 12 Balga Works Program	07 May 2009
“Royalties for Regions” Policy	13 May 2009
Report on the Inquiry into Public Sector Expenditure	19 May 2009
Budget Estimates 2008/09	13 August 2009
Annual Hearings in Relation to the Budget Estimates 2009/10	8 September 2009

Special Reports Tabled

3.2 The Committee tabled two special reports during this report period. These are listed in the table below.

Table 4

Report Title	Tabled Date
Special Report advising of 2009/10 Budget Estimates Annual Hearings	21 May 2009
Special Report advising of hearings in relation to Agency Annual Reports 2008/09	22 September 2009

Meetings and Hearings

3.3 The number of Committee meetings and hearings held by the Committee during 2009 is noted in the table below.

Table 5

Item	Number
Total number of meetings (including hearings)	51
Total number of hearings	89

Item	Number
Total number of hours of meetings	164
Number of hearings relating to the 2008/09 budget estimates	0
Number of hearings relating to the 2009/10 budget estimates	47

4 PLAN FOR 2010

4.1 In 2010 the Committee intends to:

- complete its consideration of the Budget Estimates for 2009/10;
- consider the Budget Estimates for 2010/11, including the expanded hearings as outlined at paragraph 2.5;
- continue hearings with departments, including those that the Committee did not hear from in 2009; and
- address any other matters that arise which fall within the Committee's terms of reference.



Hon Giz Watson MLC
Chair

Date: 1 April 2010