



## Introduction

### The House's power of financial scrutiny

- 1.1 The House's power to scrutinise government expenditure derives from the Constitution, which requires the Parliament to approve, by law, all expenditure of public money.<sup>1</sup>
- 1.2 The surveillance, appraisal and criticism of government administration is a recognised function of the House. *House of Representatives Practice* states the following:

It is the duty of the House to ensure that public money is spent in accordance with parliamentary approval and in the best interests of the taxpayer. The responsibility for scrutinising expenditure is inherent in the consideration of almost any matter which comes before the House. The most significant means by which the Government is held to account for its expenditure occurs during the consideration of the main Appropriation Bill each year. However the examination of public administration and accounts has to some extent been delegated to committees which have the means and time available for closer and more detailed scrutiny.<sup>2</sup>

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1 Constitution, s. 83— 'No money shall be drawn from the Treasury of the Commonwealth except under appropriation made by law.' Section 81 requires all revenues received by the Executive to be paid into the Consolidated Revenue Fund (i.e. the Treasury).

2 *House of Representatives Practice*, 4th edn, 2001, p. 38.

- 1.3 All Members of the House would subscribe to the first sentence of the quotation above. This duty is accepted by Members and expected by the community they represent.
- 1.4 To the Committee this function of the House is undisputed. This report is about the way the function is fulfilled—in particular, by the consideration of the annual appropriation bills and by the examination of public administration and accounts by committees.
- 1.5 The current significance of the annual appropriation process in the House can be questioned. The House does not now consider the detail of the appropriations to any serious extent. The appropriations are not referred to House committees, and examination by the House has in recent years been curtailed because insufficient time has been allocated.
- 1.6 The appropriations are of course considered by Senate committees, but this is a process in which Members of the House do not participate. This inquiry initially arose because of a desire by some Members, expressed to members of the Committee, to so participate.
- 1.7 Perhaps more importantly, Ministers who are Members of the House—that is, the majority of Ministers—are not subject to scrutiny by Senate committees.
- 1.8 The Committee has concluded that there should be further development of the financial scrutiny role of House committees, and this report makes recommendations to facilitate the committee scrutiny process. However, the Committee also sees a continuing and valuable role for the annual appropriation consideration in the House, and has made recommendations to improve its effectiveness.
- 1.9 There are other means of scrutiny that the Committee has not examined—for example, questions on and without notice, and the opportunities all Members have, by various procedural means, to raise any matter in the House. Some Members (interestingly, all of whom happen to be Ministers) have argued in submissions that these means and the existing appropriations and committee procedures are sufficient scrutiny. The Committee does not agree with this point of view. However, it does appreciate Ministers' desire that increased scrutiny processes should not place undue burdens on the resources of their departments and the time of the House.

## The scope and course of the inquiry

- 1.10 On 20 June 2002 the Standing Committee on Procedure resolved to inquire into the adequacy of procedures for the House's examination of the estimates of proposed expenditure in annual and additional appropriation bills and to suggest ways in which the role of the House in examining the estimates could be enhanced.
- 1.11 The committee has adopted a broad interpretation of its terms of reference to facilitate an exploration of all useful approaches to better financial scrutiny by the House. The scope of the inquiry has not been restricted to the 'estimates'—that is, the proposed expenditure as provided for in the annual and additional appropriation bills—but has extended to the performance of agencies as foreshadowed in their portfolio budget statements and reported in their annual reports.
- 1.12 The Committee wrote to all Members seeking their views on the subject of the inquiry and also sought submissions from the Clerk of the House and the Clerk of the Senate, and the Clerks of other Australasian Parliaments. To broaden the range of potential options, the Committee also sought information from two of the largest local councils (some of which have budgets of the same order as those of some small Parliaments)—Brisbane City Council and the Gold Coast City Council. An article was commissioned for the publication *About the House*, with the aim of inspiring a wider interest.
- 1.13 To obtain some more focussed views from the people who would be most closely involved with the implementation of any proposals for House estimates or expenditure committees, the Committee arranged a round table conference of the chairs and deputy chairs of House standing committees and joint committees. A similar session was held with committee secretaries.
- 1.14 The Committee considered a range of options for more effective scrutiny of the financial performance of the Government by Members of the House. After considering the evidence submitted to it and having surveyed alternative arrangements in other Parliaments, the Committee came to the conclusion that the most appropriate course was to focus on what is likely to be achievable within the constraints of the current framework. Thus, while some of the recommendations may be seen as innovative, none of them are radical. The Committee makes no claim that, in themselves, its proposals will ensure effective financial scrutiny by the House. Their purpose is basically to enable more effective financial scrutiny.

## Outline of the report

- 1.15 Chapter 2 presents relevant background information to place the subsequent chapters in context. The purpose of this report is to make recommendations to the House for change to its current procedures, which are well understood by present Members. However, Members are not necessarily familiar with processes that operated in the past which are relevant to the discussion, and some basic general information is also included here for what we hope will be a wider readership.
- 1.16 Chapter 3 covers the examination of the estimates in the House—that is, the consideration in detail stage of the main annual appropriation bill. In recent years these debates have been curtailed because of the time restraints which are imposed by the need to have the appropriation legislation introduced in mid-May agreed to by both Houses of the Parliament before the beginning of the financial year on 1 July. The central recommendation here, to separate the general budget debate from the second reading of the main appropriation bill, is aimed at making better use of the potential for ‘parallel processing’ afforded by the House’s second debating chamber, the Main Committee. Other recommendations are aimed at making these proceedings more effective and more useful to Members.
- 1.17 Chapter 4 covers the consideration of the annual estimates by House committees, and other options for greater scrutiny of government performance by House committees. The Committee recommends House estimates hearings by existing committees. In addition, the committee recommends that House committees undertake the annual and continuing scrutiny of the expenditure and performance of government departments and agencies. Recommendations here envisage the development of an existing model and its extension to all general purpose standing committees, subject to a review of the committees’ resources, staffing and workload.