

Submission No. 4



PARLIAMENT OF AUSTRALIA
HOUSE OF REPRESENTATIVES

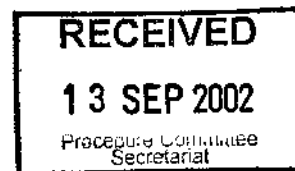
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OFFICE OF THE CLERK OF THE HOUSE

Ref: 02/299

13 September 2002

Mrs M May MP
Chair
Standing Committee on Procedure
House of Representatives
Parliament House
CANBERRA ACT 2600



Dear Mrs May

I refer to Ms Middlebrook's letter of 14 August 2002 inviting a submission to the Committee's inquiry into the adequacy of procedures for examining the estimates of expenditure. I note that the Committee does not intend taking a restrictive view of the term 'estimates' and suggestions on how the House and its committees can more effectively scrutinise the expenditure of public funds will be encompassed by the inquiry.

The attached submission makes a number of suggestions for ways in which the House can more effectively examine estimates or proposed public expenditure or more effectively scrutinise past expenditure. It includes suggestions for changes to existing scrutiny arrangements to enhance the consideration in detail stage of the Budget debate and provide for more systematic review by committees of annual reports.

In the Committee's deliberations, the wishes and time of Members and staffing resource issues, will need to be important considerations.

Yours sincerely

A handwritten signature in black ink, appearing to read "I C Harris".

I C HARRIS
Clerk of the House



INVESTOR IN PEOPLE

House of Representatives Standing Committee on Procedure

Inquiry into the adequacy of procedures for the House's examination of estimates of expenditure

Submission by the Clerk of the House

INTRODUCTION

This submission reviews current procedures for examination of estimates or proposed expenditure and presents support for the Procedure Committee's concerns over their adequacy. The submission puts forward suggestions for improving estimates consideration by providing more time and developing existing practices. It also looks at ways the existing committee system could contribute to the estimates process, further contribute to scrutiny of the expenditure of public funds, or provide input to Budget formulation. Options for change will need to reflect what Members want and find useful, and be realistic in the Australian context. Changes to existing scrutiny arrangements involving enhancement of the consideration in detail stage of the Budget debate and more systematic review of annual reports—are supported, in particular, for the Procedure Committee's consideration.

OVERVIEW OF THE BUDGET PROCESS

Under the Constitution, 'no money shall be drawn from the Treasury of the Commonwealth except under appropriation made by law'. Supporting the legislative process, is a well-established annual budget cycle and process.¹

With May Budgets, the budget cycle begins in November with a meeting of Senior Ministers, the Prime Minister, the Treasurer and the Minister for Finance and Administration, to establish policy priorities and strategy for the next financial year. On the basis of this review, agencies prepare Portfolio Budget Submissions. The Submissions detail new funding being requested for proposals and areas where savings can be made within an agency's area of responsibility.

The Expenditure Review Committee (ERC) of Cabinet considers all Submissions in March. Preparation of the budget documentation starts after the ERC process is completed. Agencies prepare Portfolio Budget Statements (PBS), which provide additional details and explanations of the Budget. The three appropriation bills, Appropriation Bill (No. 1), Appropriation Bill (No. 2), and the Appropriation (Parliamentary Departments) Bill are presented to the House on Budget night in May, and all Budget papers, including the PBS, are tabled in the Parliament on that night.²

¹ This section draws on the 'Commonwealth Budget – Overview' page on the Department of Finance and Administration web site.

² The PBS are currently not tabled in the House of Representatives.

The Parliamentary aspects of the annual Budget process centres on the passage through the House of the annual Appropriation Bill (No.1) that the Treasurer introduces on Budget day. The Treasurer's Budget speech is the ministerial second reading speech on the bill. The Budget debate then takes place on the question before the House that this bill 'be now read a second time'. This is a wide-ranging debate on public affairs in general and is not confined to the Appropriation Bill or to Budget measures. The 'estimates'—the details of proposed expenditure by government departments for the coming financial year—are debated at the next step in the bill's progress—the consideration in detail stage, when the House goes through the proposals department by department.

In recent years part of the Budget debate and the whole of the consideration in detail stage have been taken in the Main Committee, the House's second debating chamber.

Before 1994, Budget day was traditionally in August. It is now in May, unless, as happened in 1996, an election disrupts the normal calendar. This change has had the effect of reducing the period of time available for the passage of the Appropriation Bills through the House from two months to one month.³

While the House considers the Budget bills, in the Senate, proposed expenditures are referred to the Legislation Committees considering the estimates.

The Bills pass both Houses and are assented to before the end of the financial year.

Approximately six months after the Budget, the Government produces a Mid-Year Economic and Fiscal Outlook (MYEFO). This compares estimates to actual expenditure and provides an update on the budgetary position. At around the same time, the Additional Estimates process is undertaken, which enables portfolios to reassess funding requirements and if necessary submit requests for additional funding. The Additional Estimates are incorporated into Appropriation Bills (Nos. 3 and 4) and the Appropriation (Parliamentary Departments) Bill (No. 2). The Bills are introduced, debated in, and passed by, both Houses. The Senate Legislation Committees again scrutinise estimates of expenditure.

The final stages in the Budget process occur three months after the end of the financial year when the Final Budget Outcome documents are tabled in the Parliament and agencies table their annual reports including financial statements. The Budget Outcome document is required under the *Charter of Budget Honesty Act 1998* and provides information on the Government's fiscal outcomes for the financial year. The annual reports report on performance against PBS targets for the preceding financial year.

³ The Appropriation Bills must now be assented to before the start of the financial year on 1 July. Under traditional arrangements Supply Bills provided interim funds for the first 5 months of each financial year, which meant that the Appropriation Bills did not have to be passed until November.

THE HOUSE'S CONSIDERATION OF THE ESTIMATES

Current Procedures

The details of proposed expenditure by government departments and agencies for the coming financial year—'the estimates'—are contained in schedules of the Appropriation Bill. During the consideration in detail stage of the bill, the House goes through the schedules department by department, debating in each case the total proposed expenditure for the department. The question put from the chair is that 'the proposed expenditure be agreed to'.

The Minister for the department concerned, or in some cases another Minister or a Parliamentary Secretary representing the Minister, is the main government speaker. The opposition spokesperson for the portfolio (shadow minister) usually plays a central role in the debate, and other Members with an interest in the activities of the particular department also participate. Members speak for no more than 5 minutes at a time but may speak as many times as they wish. Departmental officials are present to advise the Minister, but take no part in debate themselves.

Consideration of the estimates in the House or Main Committee is not in-depth scrutiny. Debate usually covers departmental activity, or government policy in the particular subject area, rather than financial details.

The additional estimates appropriations are usually debated without a detail stage.

Estimates Committees in the House

Between 1979 and 1981 the House experimented with sessional orders providing for the proposed expenditure contained in Appropriation Bill (No. 1) to be considered in estimates committees.⁴

After the speech of the Leader of the Opposition on the motion for the second reading, the proposed expenditures or estimates were referred to an estimates committee. Such referral, which did not affect the second reading debate on the bill, was by motion on notice moved by a Minister. As constituted in 1980 there were 4 estimates committees, which could not vote on, but examined and reported upon proposed expenditures for the Parliament, Advance to the Minister for Finance and each Department of State. The proposed expenditures were divided between the committees by order of the House. The reports could contain a resolution or expression of opinion of the committee but could not vary the amount of a proposed expenditure.⁵

In addition to the Estimates Committees, the House of Representatives Standing Committee on Expenditure established in the 1970s and continuing through the 1980s

⁴ *House of Representatives Practice*, 4th ed., 2001, p 411

⁵ *House of Representatives Practice*, 1st ed, 1981, p 359

was required, *inter alia*, to consider any papers on public expenditure presented to the House and such of the estimates as it saw fit to examine.⁶

The experiment with estimates was successful in letting Members get an insight into departmental operations, and in letting departmental officials get an insight into Members' thinking. The complexity and scale of government operations has changed since then but even then the focus was on policy and program administration not estimates *per se*.

Joint Committee of Public Accounts and Audit

The Joint Committee of Public Accounts and Audit is required, *inter alia*, to:

- Examine the financial affairs of authorities of the Commonwealth;
- Review all reports of the Auditor-General that are tabled in each House of the Parliament;
- Increase parliamentary and public awareness of the financial and related operations of government; and
- Approve annual report requirements of Commonwealth departments.⁷

The Public Accounts Committee is required by its statute to make recommendations to the Houses and the Prime Minister on the draft estimates of the Australian National Audit Office. Otherwise it undertakes an *ex post facto* rather than an *ex ante* scrutiny role. This role is consistent with that mapped out by the House general purpose standing committees and, from the perspective of the House of Representatives, is perhaps a more effective application of parliamentary scrutiny.

EXPERIENCE OF OTHER PARLIAMENTS – UNITED KINGDOM AND CANADA

The financial procedures of the United Kingdom (UK), Canada and Australia, are similar reflecting their common origin in British parliamentary procedure. They reflect fundamental principles of Parliament's control of government finances by means of legislation, and the financial initiative of the Executive.

All three countries have the equivalent of main and supplementary estimates, debate and vote on the question that the proposed expenditure amount for each portfolio be agreed to, and presentation to the Parliament of agency forward plans and reports.

There are, however, variations in the detail of the financial procedures and in the processes for consideration of the estimates. In the House of Commons in the UK, the Liaison Committee of committee chairs selects which estimates are to be debated in the House. Debate is limited to a total of three 'Estimates' days, the remainder of the estimates being dealt with without debate. In the House of Commons in Canada, the detailed consideration of the estimates, both main and supplementary, is

⁶ *House of Representatives Practice*, 1st ed, 1981, p 36.

⁷ *House of Representatives Practice*, 4th ed, 2001, pp 612 – 613.

undertaken by standing committees. In Canada, committees have been responsible for reviewing the estimates since 1968. In both countries, committees have the power to determine their own agendas.

Attachment 1 gives details of the procedures for consideration of the estimates in the UK and Canada.

COMMENTS ON CURRENT HOUSE OF REPRESENTATIVES PROCEDURES FOR CONSIDERATION OF ESTIMATES

Unlike in the UK and Canada, House of Representatives (and joint) committee chairs and House committees do not currently play a role in the scrutiny of the estimates. Few House of Representatives committees have chosen to review annual reports as a matter of course or to review reports against PBS targets, but where they have done so it has been very effective.

In relation to the House of Representatives 'consideration in detail' scrutiny of the estimates, sometimes it can be seen to be effective. Members raise concerns or ask questions in their short speeches and the Minister responds, sometimes immediately, sometimes waiting until several other Members have spoken and then replying in succession.

However, on occasion debate can become a series of statements criticising or supporting the government, possibly with a fairly tenuous connection to the proposed expenditure being considered.

At times attendance of Members has been sparse, and it is not unknown for a Minister or Parliamentary Secretary not to be present. A Member may take advantage of the fact that no other Members are rising, or perhaps even present (apart from the whips on each side) to speak continually—that is for a series of 5 minutes speeches—in effect making a lengthy speech which although relevant to the portfolio in some way, is perhaps not closely connected to the estimates.

A weakness in the current procedure is the shortage of time—the bills presented in May have to pass both Houses before 30 June if the Government is to be able to function in the new financial year.

With most available time devoted to the Budget debate, the consideration of the estimates takes second place and little time is left for this. The estimates of a department, or several departments together, may be 'considered' in a few minutes. In 2002, because of time constraints, the expenditure of several departments was not considered in detail at all. No Member objected to the curtailment of the debate.

Timing of estimates consideration—traditional Budget arrangements compared to current arrangements

Attachment 2 gives details of Appropriation Bill (No. 1) proceedings since 1973. It shows the dates the bills were introduced and passed, and the time spent on debate at each stage.

The table below compares averages of the time spent debating Appropriation Bill No. 1 under current arrangements (1997–2002; May Budget, Main Committee) with traditional (1982–1993; August Budget) arrangements. (The intervening years 1994–1996 are excluded from the comparison as they are not representative.)

Time spent debating Appropriation Bill No. 1—comparison of August and May Budgets

		2nd reading in House (hours)	2nd reading in Main Committee (hours)	2nd reading total (hours)	Consideration in detail (hours)	Total debate (hours)
Averages August Budgets	1982-93	19		19	17	36
Averages May Budgets	1997-02	16	12	28	8	36

Observations

The referral of the Appropriation Bills to the Main Committee has enabled Budget proceedings to be completed in one month instead of two. However, current arrangements have provided exactly the same amount of hours in total for consideration of the Budget.

Main Committee time has been used for additional second reading debate, rather than for consideration in detail of the estimates.

Concerns that opportunities to consider the estimates have declined are soundly based. This is because the time spent on consideration of the estimates stage has significantly decreased.

OPTIONS TO IMPROVE SCRUTINY OF ESTIMATES

There are many options that could be considered to improve the House’s scrutiny of the Estimates. However, from a pragmatic perspective, options for change will need to be:

- what Members want and find useful;
- consistent with the Australian budgetary and parliamentary scrutiny context;
- realistic and not overly resource intensive.

Five potential options are:

1. Retain current procedure for consideration of estimates in the Main Committee but provide more time;
2. Modify current procedure for consideration of estimates in the Main Committee;
3. Refer estimates to committees, or as an alternative, brief committees on the estimates;

4. Increase scrutiny of departmental expenditure by committees outside the estimates process; and
5. Input to Budget formulation, through committee reports on expenditure priorities and issues.

1. Increasing the time available

Currently about 8 hours are available for the consideration in detail stage of the Budget debate (the second reading debate on Appropriation Bill (No. 1)).

Options to provide more hours include:

1. Provide additional time:
 - a) more sitting days;
 - b) more sittings of the Main Committee.
2. Redistribute time—reduce the Budget debate to allow more time for the detail stage:
 - a) conservative change—reduce the Budget debate to previous length to provide 20 hours for the detail stage;
 - b) radical change—reduce the Budget debate more drastically, for example to 6 hours (or less) to provide 30 hours (or more) for the detail stage.

Shortening the Budget debate

The Budget debate could be shortened considerably by restricting its scope (by removing the relevance exemption now applying), and perhaps setting a time limit. It is unlikely that Members would agree to major reductions unless other opportunities were provided.

Traditionally the Budget debate has not been restricted to the Appropriation Bill or to Budget matters, but has provided an annual opportunity for Members to talk generally on matters of concern to them. If this opportunity were removed in order to provide more time for estimates consideration, equivalent opportunities could be provided by other mechanisms. A similar amount of time made available regularly throughout the year might be more useful to Members. One way of doing this might be to have longer periods for Members' statements. Another way might be to have longer or more frequent Grievance debates (this would be appropriate historically, as the grievance debate had its origins in the financial procedures of the House).

It is worth noting that, before the introduction of the current arrangements for Private Members' Business in 1988, it was the practice of the House to suspend General Business (that is, the former equivalent Private Members' Business) until the Appropriation Bills had passed all stages. This practice was based on the view that the Appropriation Bill debates and General Business provided similar opportunities for Members to address the House on matters of concern to them, and that to have both at the same time was not necessary or was an inefficient use of the time of the House.

2. Improving existing estimates procedures

Current 'consideration in detail' procedures can be seen as working well when:

- The debate focuses on the estimates and addresses matters of substance.
- Proceedings are more an interchange between Members and the Minister of matters raised and response, rather than set speeches.
- The debate is well attended.

The following suggestions might make existing procedures more consistently productive:

- Provide for the House to prioritise estimates for consideration in detail, perhaps through the Liaison Committee of Chairs and Deputy Chairs.
- Ensure that the appropriate Ministers are present (perhaps the quorum requirement could be altered to include a Minister or a Parliamentary Secretary during consideration of estimates).
- Provide for the Minister/ Parliamentary Secretary to make an opening statement, for example, summarising proposed expenditure for his or her department, noting trends and changes and significant developments.
- Fix a time period for each department or group of departments and give sufficient advance warning to Members of the timetable.
- Encourage members of the appropriate standing committee to participate.
- Take advantage of the new intervention procedure.

3. Referral of estimates to committees

Another option for enabling improved consideration of the estimates would be to refer proposed expenditures to committees, which could take evidence and question Ministers and public servants directly. As has been mentioned, this has been tried experimentally before.

If the House wanted to follow this path, it would not be necessary to create estimates committees again, as existing standing orders provide for consideration of estimates by the subject specialist general purpose standing committees—subject to referral by the House or a Minister. The standing orders provide for any bill, vote, expenditure or other financial matter to be referred to the standing committees.

The estimates as such need not be referred. If another mechanism were adopted there would be less pressure to fast-track the process in order to get the Appropriation Bills to the Senate. For example, each department's PBS could be referred to the appropriate standing committee when it is tabled on Budget night, and committee proceedings conducted at the same time as the Budget debate.

However, House estimates committees would parallel and potentially duplicate the estimates scrutiny of Senate Legislation committees. The adversarial role adopted in these Senate committees would not be consistent with the role of House committees in undertaking constructive inquiries and agreeing to bi-partisan reports.

As an alternative proposition, the Government could agree to make Ministers or their officials available to brief general purpose standing committees on their proposed estimates following the reply to the Budget by the Leader of the Opposition, and before debate on the second reading resumes. This would amount to less than formal consideration and report, but would provide an opportunity for committee members to be briefed in full on the various elements in the budget before they contributed to the debate in the Chamber.

4. Scrutiny of departmental expenditure by committees outside the estimates process

There could be ways of involving House committees in the scrutiny of departmental expenditure other than by developing an estimates committee process. The House could instead devote more time to examining past expenditure.

Existing standing orders allow committee scrutiny of departmental expenditure by means of the automatic referral of annual reports and Auditor-General's reports to standing committees and this process needs to be encouraged. A number of the House general purpose standing committees have made very effective use of annual reports inquiries to support the scrutiny process, including the Economics, Finance and Public Administration Committee, the Communications, Transport and the Arts Committee and the Environment and Heritage Committee. At the start of the 40th Parliament, the Joint Standing Committee on Foreign Affairs, Defence and Trade and the Joint Standing Committee on the National Capital and External Territories have used the annual reports inquiry process very effectively to gain an overview of their portfolio departments and agencies, and an insight into their overall performance.

The Procedure Committee may wish to recommend sessional orders or changes to standing orders that might further encourage or ensure systematic review of annual reports. An option would be to require the House general purpose standing committees to undertake a review of the annual reports of their portfolio departments and agencies within a month of the maximum date for tabling of annual reports (currently 31 October), and to report within 90 days of that date. A review by all committees at the same time could have significant impact. As annual reports report on performance against PBS targets,⁸ the standing orders could also be amended to provide for the automatic referral of the PBS (not currently tabled in the House)—to be considered in conjunction with the annual and Auditor-General's reports, rather than separately considered at Budget time within time restraints. The standing orders could provide for the committees to meet as expenditure committees or provide for expenditure sub-committees. A distinctive role for the House could be developed outside the time restraints imposed by the estimates process. However, additional resources may be required if other committee activities are not to be affected.

The Procedure Committee may also wish to consider guidance for the conduct of annual reports reviews. A potential guide to reviewing the expenditure and performance of government agencies for House of Representatives general purpose standing committees and joint committees is attached (Attachment 3). The guide

⁸ Annual reports for a financial year address performance targets in the PBS tabled in May of the preceding financial year.

outlines the procedural authority for reviews of annual reports and the scope, timeframe, and possible analytical framework and outcomes for reviewing the expenditure and performance of government agencies.

The proposed reviews would be quite distinct from the existing statutory role of the Public Accounts and Audit Committee in considering and reporting on the financial accounts and statements of Commonwealth agencies. The time of Members and staffing resources would be important considerations in such a scenario.

5. Input to Budget formulation

Members, the House and Government now operate in a very complex world, and face challenges which mean that the traditional (and still important) Parliament/ executive dichotomy will not always be the basis of complete or optimal solutions.

The Procedure Committee may wish to consider whether Members would be interested in Committees' submitting documents, in the form of short reports to the House, to flag expenditure priorities or issues that Committees considered could warrant attention in the Budget context. It is not envisaged that there be an obligation on committees to report. Where a committee has chosen to report, however, the comments would need to be made very early in the Budget process, say by end October, and so have an input at an early stage, rather than a scrutiny role after the Budget was settled. There would also need to be recognition that most programs are funded on a rolling or special appropriations basis.

The House's committees have an excellent record of constructive inquiries and reports. These have often been critical but they have been able to advance thinking on policy issues and also enhance the parliamentary role. This process could enhance the very useful roles that House committees have performed, and reflect a further stage in our House's development.

CONCLUSION

The Procedure Committee's inquiry has provided an opportunity to review current estimates procedures and to consider their adequacy. Five potential options to improve scrutiny of the estimates are suggested, and two, in particular, are supported for the Procedure Committee's consideration. They build on existing scrutiny arrangements and involve enhancement of the consideration in detail stage of the Budget debate, and more systematic review by committees of annual reports. The wishes of Members, and staffing resource issues, are very important considerations.

CONSIDERATION OF THE ESTIMATES – PROCEDURES IN THE UNITED KINGDOM AND CANADA

UNITED KINGDOM

The House of Commons' consideration of the Estimates is divided into two categories, those chosen for debate on so-called Estimates days and the remainder which are dealt with formally.⁹

Under the Standing Orders, three days are provided for the consideration of Estimates recommended for debate by the Liaison Committee. The Liaison Committee, which includes the chairs of most select committees and a representative of the small parties, is responsible for determining which Estimates are considered on each of the three allotted days, the order in which they are considered, and the time allotted to consideration of each Estimate. The timing of the three days is flexible, although they must be taken before 5 August. The House can devote all three days to the Main Estimates or devote one, two or even or all three days to the Supplementary Estimates.

Each Estimate to be considered on an Estimates day is placed before the House by a motion, which states the amount to be granted, and the particular service or services for which the sum is demanded. Although it is the Liaison Committee which, subject to the agreement of the House, determines the order in which Estimates are to be considered on an allotted day, the proposal of any related motion must be made by a Minister. No amendment to a motion for the grant of a sum is in order which seeks to increase the total sum demanded. The normal relevancy rules apply to the debate. Under the Standing Orders, voting on individual estimates is deferred until 10pm on any allotted Estimates day.

Voting on the remaining estimates, that is, those Estimates not selected for debate on an Estimates day, is dealt with without debate, provided that at least two days' notice has been given and that the dates on which they are put down for consideration comply with certain deadlines at different stages of the session.

The House of Commons Procedure Committee recommended in 1999 that the Main Estimates together with the relevant departmental plan and, later in the year, the departmental report should automatically be referred to the relevant select committee. Committees should report back to the House on their examination of the departmental plans and the Estimates, within sixty days of the documents being referred, and the Government should be under an obligation to wait for a committee's report before the Estimates are voted. The purpose was to increase the emphasis on the important role select committees play in monitoring expenditure.¹⁰

⁹ *May's Parliamentary Practice*, 22nd ed., London: Butterworths, 1997, pp 754 – 758.

¹⁰ Select Committee on Procedure, Sixth Report of Session 1998-99: Procedure for Debate on the Government's Expenditure Plans, HC 295.

The Government did not agree to these recommendations. It responded that:

Since Select committees have the freedom to set their own agenda, committees already have power to examine and report on the Government's expenditure plans. The Government welcomes committee scrutiny of these plans. However, formal referral of Estimates and expenditure plans to Select Committees would reduce the committees' ability to determine their own priorities, and the Government is not persuaded that this would be desirable.¹¹

Canada

The Standing Orders of the House of Commons in Canada provide for detailed consideration of the Estimates, both Main and Supplementary, by standing committees. Each committee has referred to it those departmental and agency Votes which relate to its mandate. Programs whose funding and funding levels are already prescribed by statute are included with the Estimates, marked "S" or "Statutory". As these expenditures have already been approved by the passage of the appropriate legislation, they are not referred to committee for examination, but are provided for information purposes only.

The Estimates for each coming fiscal year are required to be tabled in the House and referred to standing committees no later than March 1 of each year. The Standing Orders do not impose an obligation on committees to consider the Estimates. Where a committee has chosen to study and report on the Estimates, however, it must report them back not later than May 31 of the fiscal year to which they apply. If a committee has not reported the Estimates back by that date, it is deemed to have done so, whether it has actually considered them or not. While considering the Main Estimates, committees are also empowered to consider the documents setting out expenditure plans and priorities in future years for the departments and agencies. The deadline for reporting on those plans and priorities is the final sitting day in June.

Supplementary Estimates are also referred, upon tabling in the House, to the appropriate standing committees. As with the Main Estimates, if a committee has not reported within the prescribed time, it is deemed to have done so.

Committees consider each Vote separately as a distinct motion, beginning with 'Vote 1' which covers general departmental administration or operations. Committees usually begin their examination of the Estimates by hearing from the appropriate Minister or the Parliamentary Secretary, accompanied by senior departmental officials. The questioning and discussion at this meeting is generally wide-ranging, although the rule of relevance does apply. Subsequent meetings, if any, are normally held with the senior departmental officials responsible for the areas and programs specifically dealt with in each Vote.

¹¹ Select Committee on Procedure First Special Report 1999-2000 Government response to the sixth Report of Session 1998-99: Procedure for Debate on the Government's Expenditure Plans.

When the committee has completed its consideration of the Estimates, each item is put to a vote separately. Restrictions exist on the power of a committee to amend the Estimates, reflecting the financial initiative of the Crown.¹²

Responsibility for reviewing the estimates was transferred to committees in 1968. Until 1983 and 1985 reforms when committees received the power to determine their own agendas, committees used the referral of estimates extensively to grill ministers and departmental staff and even to conduct mini-inquiries. With the adoption of the reforms, committees tended to use their new powers to work in policy and program areas. However, from 1994, following the authorisation of committees to make proposals on future expenditure, and the preparation of departmental planning documents, committees began to hold more meetings on estimates than they did previously. In 1997, the Liaison Committee of committee chairs stated (in a report on committee operations generally) that it was too early to assess whether committees would make effective use of this new information and authority¹³.

In a 1998 report—*The Business of Supply: Completing the Circle of Control*—the Standing Committee on Procedure and House Affairs stated:

If committees are going to do a better job of examining the Estimates, they need more opportunities to influence expenditure, more authority, and better information. Once improvements have been made, committees should be able to bring new attitudes and approaches to their study of the Estimates.¹⁴

¹² See *House of Commons Procedure and Practice*, Montreal, Chenelière/ McGraw-Hill, 2000, pp 870 – 872.

¹³ House of Commons, Canada, Report of the Liaison Committee, February 1997, pp 4-5.

¹⁴ Presented to the House on 10 December 1998, see *Journals*, p 1435, cited in *House of Commons Procedure and Practice*, Ibid, p 697.

Appropriation Bill (No.1)

Budget and committee/consideration in detail debates 1973-2002

<u>Year</u>	<u>Date introduced</u>	<u>Date 3rd reading agreed to</u>	<u>2nd reading total hours</u>	<i>of which</i> <u>2nd reading hours in Main Ctee</u>	<u>consideration in detail hours</u>	<u>Total debate hours</u>
1973	21 Aug	21 Nov	25		42	67
1974	17 Sep	31 Oct	22		34	56
1975	19 Aug	8 Oct	24		36	60 G
1976	17 Aug	20 Oct	30		30	60
1977	16 Aug	27 Oct	20		29	49
1978	15 Aug	26 Oct	14		29	43
1979	21 Aug	25 Oct	32		56 *	88
1980	19 Aug	12 Sep am	9		47 *	56
1981	18 Aug	21 Oct	22		66 *	88
1982	17 Aug	26 Oct	15		18	33
1983	23 Aug	13 Oct	17		20	37 S
1984	21 Aug	12 Sep	12		17	29
1985	20 Aug	17 Oct	22		17	39 S
1986	19 Aug	20 Oct	17		22	39
1987	15 Sep	8 Oct	15		17	32
1988	23 Aug	18 Oct	16		16	32
1989	15 Aug	4 Oct	24		16	40
1990	21 Aug	15 Oct	23		15	38
1991	20 Aug	10 Oct	22		13	35
1992	18 Aug	12 Oct	25		19	44
1993	17 Aug	6 Oct	<u>19</u>		<u>9</u>	<u>28 S G</u>
Average	82-93		19		17	36
1994	10 May	7 June	18		7	25
1995	9 May	6 June	22	5	2	24
1996	20 Aug	10 Oct	34	6	0	34 S G
1997	13 May	19 Jun	29	14	10	39 S G
1998	12 May	4 Jun	24	5	9	33 S
1999	11 May	23 Jun	34	15	9	43
2000	9 May	22 Jun	30	14	6	36 S
2001	22-May	21-Jun	22	12	10	32 S
2002	14-May	20-Jun	<u>28</u>	<u>13</u>	<u>6</u>	<u>34 S</u>
Average	97-02		28	12	8	36

* = Consideration in detail stage taken in Estimates Committees

S = Second reading amendment moved

G = Bill guillotined

Figures are rounded to whole hours

**GUIDE TO REVIEWING EXPENDITURE AND PERFORMANCE OF
GOVERNMENT AGENCIES — HOUSE OF REPRESENTATIVES
GENERAL PURPOSE STANDING COMMITTEES AND JOINT
COMMITTEES**

Procedural authority

Pursuant to Standing Order 324, general purpose standing committees of the House of Representatives are empowered to consider and report on the annual reports of government agencies, in accordance with a schedule presented by the Speaker of the House of Representatives.

The resolution of appointment for joint committees makes similar provision for joint committees to review annual reports from government agencies.

Annual reports stand referred to a committee for 'any inquiry a committee may wish to make'.

Time frame for such reviews

Standing Orders provide that committees can commence an inquiry concerning an annual report at any time up until the day on which the next annual report from that agency is presented to the House.

Standing Orders do not prescribe a reporting date for committees.

Scope of such reviews

Standing Orders do not limit the type of review that may be undertaken of an agencies annual report.

Committees have in the past used the annual report review power to:

- review the overall performance of an agency;
- review the policy intent underpinning government programs;
- review the administration of government programs; and
- review the implementation of recommendations made in previous committee reports about policy or administration.

The annual report review power could also support detailed consideration of the expenditure of public money. For example, consideration of an agencies end of financial year annual report against its beginning of year estimates of expenditure and outputs could reveal:

- how actual expenditure compares with its original estimates;
- how actual outputs compare with anticipated outputs; and

- how actual outputs contributed to the achieve of the Government's desired outcomes.

Proposed analytical framework for the consideration of expenditure

Committees could use the following analytical framework for reviewing the expenditure of public money.

Step 1 - review agency portfolio budget statements			
review proposed outputs	review estimated expenditure by output	review output targets & performance information	review government's desired outcomes
Step 2 - review agency annual report			
review outputs actually delivered	review actual expenditure by output	review output performance reporting	review contribution of outputs to outcome
Step 3 - examine agency Chief Executives			
seek explanation of any differences between proposed & actual outputs	seek explanation of any differences between estimates & actual expenditure	seek explanation of any variations in performance against targets	seek explanation of any variation between expected and actual contribution to outcome
Step 4 - report findings to Parliament			
comment on reasons for differences	comment on reasons for differences	comment on performance against targets	comment on achievement of outcome

This framework, or variations upon it, could be applied to any program of expenditure described in an agency annual report.

Outcomes from a review of expenditure

By reviewing the expenditure of public money, committees would be able to report to Parliament on:

- the accountability of agency management for delivering promised outputs;
- the accuracy and honesty of agency reporting and performance assessment;
- the price, effectiveness and quality of agency outputs; and
- the extent to which agency outputs contribute to the Government's stated outcomes.

If undertaken on an annual basis, committees would build a comprehensive understanding of agency performance and add significantly to the processes by which Parliament holds the Executive to account for its use of public money.