

The Senate

Chairs' Committee

Response to Finance and Public Administration Committee's
Report on *Transparency and accountability of Commonwealth
funding and expenditure*

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Chairs' Committee response to Finance and Public Administration Committee's Report on Transparency and accountability of Commonwealth funding and expenditure

Introduction

1.1 On 1 March 2007 the Finance and Public Administration Committee's report on the inquiry into the *Transparency and accountability of Commonwealth funding and expenditure* was tabled. Within broader terms of reference the Senate had required the committee to examine 'measures to improve the Parliament's oversight of proposed and actual Commonwealth funding and expenditure'.¹ The report made 19 recommendations. Two of the recommendations identified work that could be undertaken by the Senate Standing Legislative and General Purpose Standing Committees. One of those recommendations (18) was that:

... the Committee Chairs' Group examine proposals made by the Auditor-General for measures to assist the Legislative and General Purpose Standing Committees in their consideration of the estimates.²

1.2 The Chairs' Committee, established under standing order 25 (10), constituting the chairs and deputy chairs of the legislative and general purpose standing committees and any Senate select committee, has the duty to consider and report on 'any matter relating to the operations of the committees. The Deputy President, as chair, called a meeting to discuss the recommendation.

Committee consideration

1.3 The Chairs' Committee met on 13 June to consider recommendation 18. It also discussed recommendations 8 and 17 from the Finance and Public Administration Committee's report. Prior to that meeting, the Deputy President had met with the secretaries of the standing committees, together with the Clerk Assistant (Committees) and the Senior Clerk of Committees to discuss practical measures that may be of assistance to committees in relation to all three recommendations. These discussions were outlined by the Deputy President at the Chairs' Committee meeting.

1.4 While only recommendation 18 of the Standing Committee on Finance and Public Administration's report on *Transparency and accountability of Commonwealth*

1 *Journals of the Senate*, 20 June 2006, p 2304

2 Standing Committee on Finance and Public Administration, *Transparency and accountability of Commonwealth public funding and expenditure*, March 2007, p 65

public funding and expenditure require a direct response by the Chairs' Committee, an indication of the Chairs' Committee's discussion in relation to the other recommendations considered is provided below.

Recommendation 8

1.5 Recommendation 8 was considered as it may have implications for the work of legislative and general purpose standing committees. It provides that:

... the Senate continue to seek clarification from the government as to which items the Government believes should be included in the different appropriation bills. The Senate should then form a view as to the appropriateness of the split. When any differences are resolved to the satisfaction of the Senate, the Department of Finance and Administration should be required to monitor and enforce the split.³

1.6 The Chairs' Committee was informed that at the recent Budget estimates hearings for the Standing Committee on Finance and Public Administration the Minister for Finance and Administration had indicated that he would be responding to the request for clarification. The committee noted a response had been provided.

1.7 At the meeting with secretaries it was noted that the Minister had indicated at the estimates hearing a willingness to negotiate on the matter. Secretaries also indicated that the committee secretariats were identifying expenditure in appropriation bills for the ordinary annual services of the Government that did not accord with the terms of the Compact of 1965.

Recommendation 17

1.8 The Chairs' Committee considered Recommendation 17 as it was considered to be linked to recommendation 18 and the work of legislative and general purpose standing committees. Recommendation 17 provides that:

... the Senate Standing Legislative and General Purpose Committees report as necessary in their reports on the estimates on the format and contents of the PBS and PAES that are referred to them.⁴

1.9 The Chairs' Committee discussed the difficulties in interpreting the PBS and PAES, particularly when trying to track a specific program. Many of these documents were regarded as financial mazes and comment by committees about the usefulness of the document may bring about improvement in the information provided and its format. It noted that committee secretaries had discussed the possibility of including changes to outcomes and outputs in the Chair's draft of the reports on estimates. It was acknowledged that the draft report considered by committees was the Chair's draft and

3 Standing Committee on Finance and Public Administration, Transparency and accountability of Commonwealth public funding and expenditure, March 2007, p 41

4 Standing Committee on Finance and Public Administration, Transparency and accountability of Commonwealth public funding and expenditure, March 2007, p 63

that drafting should be conducted in accordance with the standing orders and therefore the Chair's instructions. Some committees currently comment on these documents in estimates reports.

Recommendation 18

1.10 Recommendation 18 calls on the Chairs' Committee to examine the proposals made by the Auditor-General to assist committees in their consideration of estimates.

1.11 The Finance and Public Administration Committee's Report lists three possible tasks that the Auditor-General indicated could be undertaken to assist committees. In summary these are:

- Provide a briefing on contemporary issues affecting public administration;
- Provide a synopsis of recent audit activity for each portfolio, including a summary of recent performance reports tabled in the parliament and major issues that had arisen in the audit of the most recent financial statements; and
- Produce a newsletter for the committees which would 'capture some of the lessons' of ANAO's audit work that would be likely to be of general interest and application.

1.12 Each of the three proposals was discussed by the Chairs' Committee.

1.13 The Chairs' Committee noted that a briefing by Australian National Audit Office (ANAO) officers could be an oral briefing, necessitating a meeting of the committee, or a written briefing. It was currently open to a committee to seek a briefing from the department or ANAO in preparation for estimates hearings. The Foreign Affairs, Defence and Trade Committee, for example, had availed itself of a briefing by officers of the Department of Defence prior to the recent Budget estimates hearings.

1.14 While some concern was expressed about the need to assist new senators or those with little or no financial background to understand the budget process and financial statements, it was also noted that it was open to individual Senators to request a briefing from ANAO for themselves and their staff to assist with their preparation for estimates.

1.15 In discussing the proposal to provide a synopsis of recent audit activity the committee's attention was drawn to ANAO's work for the Joint Committee of Public Accounts and Audit. Quarterly, ANAO prepares a review of its audit reports which includes a synopsis of its work and identifies concerns. The secretaries agreed that that review could be sought from ANAO for those portfolios that the committee is responsible for. Secretaries could then draw the committee's attention to any comment of value. It was noted that this work relates to performance audits only – not to audits

of financial statements. It is also open to committees to seek the Auditor-General's comments on financial statements.

1.16 Consideration of the third proposal focused on the current newsletter prepared by ANAO for agencies entitled *AUDITfocus*. ANAO described the newsletter as seeking:

to capture some of the lessons from our audit work that are likely to be of general interest and application, and in this way make a positive contribution to better public administration.⁵

1.17 The most recent edition of this occasional publication includes brief comment on two reports of the Finance and Public Administration Committee, summaries and discussions of recent ANAO reports and a practice guide published by ANAO. It is readily available on the ANAO website⁶.

1.18 The committee agreed that the current informal relationship with the Auditor-General was working satisfactorily. While it did not support a uniform approach by all committees in the preparation for estimates, the proposal for the Auditor-General to provide a synopsis on audit reports to each secretary of a Legislative and General Purpose Standing Committee on recent performance audits relevant to their portfolios, together with any relevant comment, was acceptable.

Senator John Hogg
Chairman
20 June 2007

5 Australian National Audit Office Supplementary Submission 4b, pp1-2

6 See <http://www.anao.gov.au/director/publications/auditfocus.cfm>