



The Parliamentary Public Accounts Committee: an Australian and New Zealand Perspective

AUSTRALIA

Acknowledgements

This baseline study has been prepared by KPMG's Government Advisory Services for the La Trobe University Public Sector Governance and Accountability Research Centre (PSGARC).

This report aims to identify the range of structures, responsibilities and working practices adopted by Public Accounts Committees (PACs) across Australia and New Zealand.

Our thanks go to the chairs and members of the PACs in Australia and New Zealand for participating in this baseline study and interviews.

We would also like to offer our thanks to the committee staff in each jurisdiction for the time and effort they have devoted in completing the baseline survey and participating in our post-survey interviews.

Their insights and foresights have helped us to produce a comprehensive picture of the structure, responsibilities and working practices of these committees.

Foreword

Although they have received very little attention from the general public and from academic researchers Parliamentary Public Accounts Committees (PACs) are the cornerstone to effective financial accountability and governance in the public sector.


Recognition of this fact has come recently with the first major work on the area being produced by David McGee in 2002 under the auspices of the Commonwealth Parliamentary Association. More recent overviews of the work of PACs have been done in 2004 by the CCAF-FCVI Inc from Canada and in 2005 from the World Bank Institute (see Stapenhurst et al, World Bank Policy Research Working Paper 3613). This work has sought to derive from Commonwealth countries the institutional factors which are most important to PAC success. The motivation behind this work is the belief that a key way to reduce corruption and to improve accountability is by strengthening parliamentary oversight through the work of the PAC and the Auditor-General.

The Public Sector Governance and Accountability Research Centre (PSAGRC) at La Trobe University Melbourne was established in 2004. The Centre was established in response to the perceived need for academic research and training expressed at the gathering of the Australasian Council of Public Accounts Committees in 2003. Upon establishment it was clear that there was no in-depth comparative study of PACs in Australia and New Zealand. Therefore, this was established as the Centre's first research goal in partnership with KPMG.

We believe that this project will be immensely valuable to everyone who is interested in understanding the nature and work of PACs in Australia and New Zealand. Moreover this will become an essential reference for PAC members in Australasia and around the world who seek to learn from and benchmark their own context and practices to the Australian and New Zealand approaches. We hope this will lead to similar studies of other jurisdictions, make a major contribution to better accountability and governance around the world and increase public awareness of the important and necessary place of good parliamentary financial oversight.

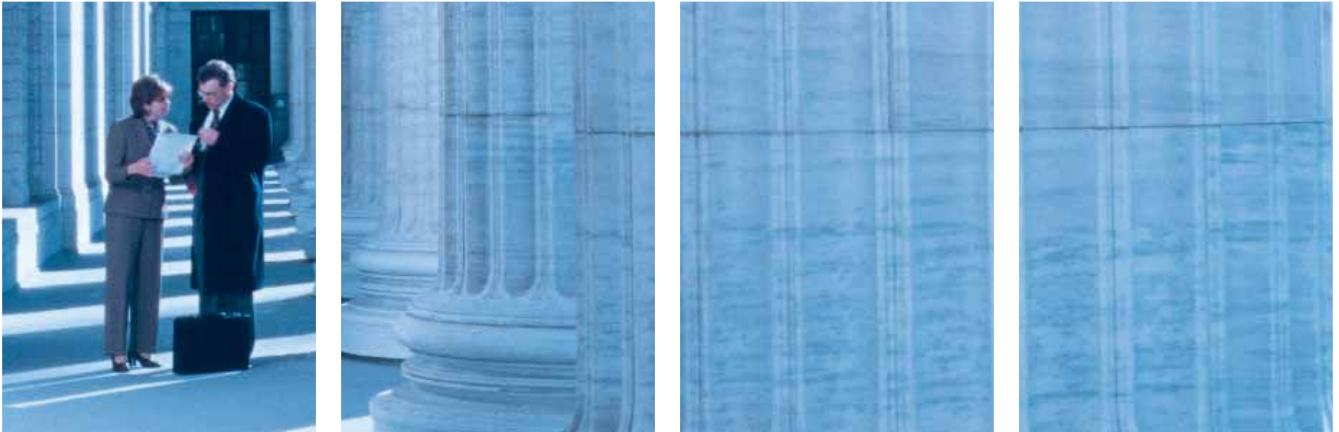


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Contents



Introduction	1
Structure of this report	3
1 Executive summary	4
2 Establishment and authority	8
3 Roles and responsibilities	11
4 Membership and leadership	17
5 Sources of inquiry	23
6 Working practices	26
7 Performance disclosure and evaluation	37
Appendix A. PACs included in the study	39
Appendix B. Notes on potential PAC KPIs	41
About us	43
Contact us	44

Introduction

KPMG's Government Advisory Services practice is pleased to present this baseline study into the structures, responsibilities and working practices of Parliamentary Public Accounts Committees (PACs) in Australia and New Zealand for the La Trobe University Public Sector Governance and Accountability Research Centre (PSGARC).

Within the parliamentary committee system, the PAC¹ is typically one of the oldest committees in operation and is generally one of the most significant committees of the Parliament.

Broadly speaking, the role of the PAC is to assist Parliament in holding the government to account for its use of public funds and resources, including through the examination of public accounts. As such, the PAC has a critical role in ensuring public sector accountability and effective governance.

In simplistic terms, the PAC has some similarity to an audit committee in a corporate or public sector entity:

- Reviewing financial accounts.
- Holding the executive to account.
- Maintaining an independent working relationship with external audit.
- Being accountable to the governing body.

All of the above are responsibilities shared by both committees. However, as highlighted throughout this report, the PAC also has many features and responsibilities in addition to, or different from, those of an ordinary audit committee.

Whether PACs operate effectively or not is very much dependent upon the capacity of their members and staff and the level of resources made available to them.

In recognition of this, the Australasian Council of Public Accounts Committees (ACPAC) resolved, at its biennial meeting in 2003, to develop a global network of PACs to share knowledge, improve cooperation, develop common standards for accountability and governance and to provide training and support. ACPAC is an 'umbrella' organisation representing the PACs of all of the Parliaments of Australia and New Zealand.

Following an approach from ACPAC, the PSGARC was launched in June 2004 to provide independent research, as well as training and support, for members of public accounts and similar committees throughout Australia, the Commonwealth, and countries in neighbouring regions.

¹ In some Australian jurisdictions and in New Zealand, the name 'Public Accounts Committee' is not used. However, within each jurisdiction, there is generally one, or at most two, committee(s) which carry out typical PAC responsibilities. Section 2.3 provides a listing of the committees included in this study.

In conjunction with the PSGARC, KPMG's Government Advisory Services has undertaken a baseline study into the structure, responsibilities and working practices of PACs in Australia and New Zealand. The study incorporates all eight Australian states and territories as well as the federal governments of Australia and New Zealand.

The baseline study has been compiled from a KPMG survey completed by all Australian and New Zealand PACs in 2005, which was then followed by a series of post-survey interviews with the PAC chairs, members and committee staff in several jurisdictions. A list of the participating PACs is provided at Appendix A.


This report identifies:

- The range of structures, responsibilities and working practices adopted by PACs across Australia and New Zealand.
- The extent to which these structures, responsibilities and practices differ across jurisdictions.
- Specific practices that other PACs may consider as 'good practice' for adoption in their own jurisdiction.

The report provides a reference point for PAC members, staff and interested observers in Australia, New Zealand and elsewhere when considering issues of best practice in PAC operations.



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Structure of this report

The remainder of this report is divided into the following chapters:

1. Executive summary	Summarises the baseline study into the structures, responsibilities and working practices of PACs in Australia and New Zealand.
2. Establishment and authority	Provides an overview of the legislative authority and Parliamentary representation for each of the 10 PACs covered in this study.
3. Roles and responsibilities	Details PAC roles and responsibilities in Australia and New Zealand, including their power to investigate, their right of access and the extent to which the PAC is involved in the operations of the Auditor-General.
4. Membership and leadership	Provides a comparative analysis of PAC membership and leadership in Australia and New Zealand.
5. Sources of inquiry	Provides an analysis of the sources of PAC activities in recent years as evidenced through the number and types of reports tabled by each PAC.
6. Working practices	Discusses the processes and working practices adopted by each PAC in initiating, carrying out and ultimately reporting PAC investigations to Parliament.
7. Performance disclosure and evaluation	Discusses the disclosures and mechanisms through which PACs demonstrate their own performance and accountability to the Parliament and the broader community.

Unless otherwise stated, statistics included in this study are as at December 2005.

1 Executive summary

The clear theme that emerged from the study can be described by the adage ‘one size does not fit all’. The current structure, responsibilities and working practices of each PAC have been influenced by a number of factors, including:

- the size and number of parliamentary houses
- the role of other committees
- relationships with Auditors-General past and present
- particular reforms and incidents of the past
- up to a century or more of PAC history and evolution.

With this in view, there is no one structure, terms of reference or set of working practices that can be described as the practice to follow in establishing and operating an effective PAC. There are however, a range of procedures and working practices that individual jurisdictions have developed or adopted that would be similarly beneficial to other jurisdictions in Australasia and elsewhere. A number of these are discussed throughout this report. There are also other procedures and practices that are currently unique to only one or two jurisdictions and would likely remain so but are just as important to the effective running of the PAC in those jurisdictions. These are also discussed.

A comparative analysis of the working practices of PACs across Australia and New Zealand requires an understanding of how each PAC was established and the powers and responsibilities that each has been given.

Establishment and authority

Similar to the parliamentary systems within which they operate, Australian and New Zealand PACs have their genesis in the Westminster system. The first Committee of Public Accounts was appointed in the United Kingdom (UK) in 1861. Whilst the UK committee was permanently established via a Standing Order, Australian Parliaments have adopted differing approaches to the establishment of PACs with six jurisdictions choosing to do so through an Act of Parliament.

Of the 10 jurisdictions covered in this study, six Parliaments are bicameral (i.e., two Houses of Parliament) whilst the remaining four Parliaments are unicameral. Of the bicameral Parliaments, three PACs are joint committees who draw their membership from, and report to, both Houses of Parliament. The remaining three PACs draw their membership from, and report to, the Lower House only². A joint committee appreciably provides greater breadth of representation and prospective membership, enabling members of both Houses to work together on the same matter. However, it

² This includes the South Australian Economic and Finance Committee and the Western Australian Public Accounts Committee. However, within these jurisdictions certain committees of the Upper House also undertake some functions typical of PACs. In South Australia, the Economic and Finance Committee is prohibited from inquiring into statutory authorities. Instead, the Upper House Statutory Authorities Review Committee undertakes this function. In Western Australia, the Upper House Estimates and Financial Operations Committee shares certain responsibilities associated with public accounts and public sector financial management, including interaction with the Auditor-General.

has also been argued that the Lower House is responsible for introducing money bills and, therefore, should be the House responsible for consideration of how the public account is used.

Roles and responsibilities

All of the Australian and New Zealand PACs have the mandate to review public accounts and Auditor-General reports and the power to investigate any items or matters in connection with those accounts or reports. In addition, all but one of the PACs have the capacity to initiate their own inquiries and, to a large extent, determine their own work priorities. These powers are generally unique among parliamentary committees and give the PAC a significant degree of independence from the executive arm of government.

The ability to undertake self-initiated inquiries is in addition to the referrals PACs may receive from Parliament and, in some jurisdictions, directly from a minister and / or the Auditor-General. As a general rule, PACs do not examine or report upon matters of government policy – rather they are focussed on the efficiency, economy and effectiveness of the implementation and administration of government policy, particularly from a financial management perspective. In practice, however, it is recognised that the distinction between policy and implementation can be blurred with study interviewees providing a range of views as to the extent their PAC is involved in scrutinising government policy. Nonetheless, there are a number of cases where PAC inquiries have directly or indirectly impacted on government policy.

The power of Australian and New Zealand PACs to access accounts, records and people is considerable, including the power to summon witnesses. The PACs' ability to hold accountable non-government organisations and private sector service providers administering public monies remains a continuing area of concern.

In addition to the ex post scrutiny of budget execution, a minority of PACs are also responsible for the ex ante scrutiny of budget estimates. In other jurisdictions, this role is instead undertaken by general purpose standing committees along portfolio lines or select committees established for each Budget.

As noted above, PACs generally have the review of Auditor-General reports as a core responsibility. However, there is significant diversity across jurisdictions in the extent to which the PAC is involved in the operations of the Auditor-General, ranging from little to no involvement, right up to the power to appoint the Auditor-General and participate in the scoping of individual Audit Office performance audits.

Reflecting the differing evolutionary paths taken by each PAC in Australia and New Zealand, several PACs, particularly in smaller jurisdictions, have responsibilities in addition to those typical of PACs, including for example, a review role in economic development and business regulation.

Membership and leadership

Of the 10 jurisdictions surveyed, PAC membership ranges from three members to 16 members. The most common PAC size is six members. In most jurisdictions, the party representation of PAC members is proportional to the party representation within Parliament. Across the 10 jurisdictions, the average parliamentary experience of PAC members is just over eight years.

In terms of skills and expertise, an understanding of public sector structures, administration and governance was considered to be the single most desirable skill-set above technical skills and financial acumen.

The chair is ultimately responsible for the effective operation of the PAC. In Australia and New Zealand, the large majority of PACs are chaired by a member of government, a practice that differs from the majority of Commonwealth countries. The primary rationale for having a government member as chair is the ability of the government chair to access and, if necessary, argue the merits of PAC recommendations with the government ministers responsible for responding to those recommendations.

Sources of inquiry

In recent years there has been significant diversity in the nature and sources of PAC inquiry between the different jurisdictions. The follow-up or further investigation of Auditor-General reports is (proportionately) the primary source of formal PAC inquiry in the Australian Capital Territory, New South Wales and the Australian Government and, to a lesser degree, Queensland and Victoria.

In recent years, most of the PACs have exercised their power to undertake inquiries of their own instigation (a power that is generally unique in the parliamentary committee system). On the other hand, there have only been a small number of inquiries instigated as a result of a referral from Parliament or a minister (excluding statutory referrals).

The PACs involved in the ex ante consideration of budget estimates, primarily New Zealand and Victoria, also conduct financial and performance reviews of how agencies have performed against their budgeted outcomes. This function is not typically undertaken by PACs without budget estimates responsibilities.

Working practices

Within Australia and New Zealand, PACs hold an average of 22 deliberative meetings and 12 hearings each year (excluding election years)³. Whilst sub committees are extensively used in Victoria and the Australian Government to help manage workloads, they are not typically established in other jurisdictions.

³ A deliberative meeting typically involves the consideration of a draft report or other committee business and is generally only attended by the members and officers of a committee. Hearings typically involve the taking of evidence during the conduct of inquiries and are often held in public.

Given time and resource limitations, each PAC must be selective in determining what inquiries to undertake. Priority must be given to referred inquiries. For other inquiries, priority may be given to inquiries where:

- there has been major disagreement between the Auditor-General and the auditee;
- the inquiry is considered to be in the public's interest;
- the activity being considered is significant in financial or other terms; and / or
- the Committee believes there is the potential to improve public administration more broadly (eg, across a range of portfolios).

In smaller jurisdictions (based on size of Parliament), the PAC would typically manage less than three inquiries at any one point in time as opposed to the larger jurisdictions, where the PAC typically manages between four and six inquiries concurrently. Typically, the duration of inquiries ranges from three months to in excess of a year.

Deliberative meetings are not open to the public while hearings are open to the public unless the PAC determines to take evidence *in camera*, which only occurs in limited circumstances.

In conducting inquiries, the PAC has considerable power to summons witnesses and access documentation. However, the need to summons witnesses is extremely rare with the vast majority of witnesses willing to assist PAC inquiries. While each PAC may invite or summons anyone to appear as a witness before an inquiry, government ministers are not by convention invited to appear as a witness in three of the 10 jurisdictions. In another three jurisdictions, the minister would only attend rarely. In the remaining four jurisdictions it is common practice for government ministers to attend committee inquiries.

The PAC's ability to undertake inquiries is limited by two factors, the availability of its members (who are also serving Members of Parliament) and the level of staffing resources available to assist the PAC. On the second matter, the average level of staffing resources available to each PAC is 3.1 staff (on a full-time-equivalent basis). This is a small number compared to the average internal audit function in a corporate or public sector entity. However, in most jurisdictions there is a close working relationship with the Auditor-General.

In drafting PAC reports, all jurisdictions have a strong commitment to achieving consensus in PAC findings and recommendations. While unanimous support is not required for a report to be released and while a number of jurisdictions have provisions in place for the incorporation of minority views, the prevalence of dissenting reports has been rare in recent years. This would indicate that the various PACs have been successful in adopting a bipartisan approach to Committee inquiries.

In the majority of jurisdictions, the Government is formally required to respond to PAC recommendations. The timeframe ranges from three to six months. However, in most jurisdictions PACs do not have formal processes in place to monitor and follow-up the implementation of agreed recommendations, with reliance placed on an informal monitoring role by Committee staff and/or the Auditor-General.

Performance disclosure and evaluation

In all Australian and New Zealand jurisdictions, the information on PAC operations is available via a dedicated PAC or parliamentary committees' website.

Seven of the 10 PACs covered in this survey also issue separate annual reports. The tabling of separate PAC annual reports is a practice not yet adopted in the majority of Commonwealth countries and can clearly be considered 'better practice'.

When surveyed, none of the PACs had received external assistance in reviewing their practices and procedures. However, self-assessment is generally considered to be an effective method of assessment for committees and the majority of PACs do this through their annual report.

The majority of PACs do not disclose quantifiable performance information, such as key performance indicators (KPIs).

2 Establishment and authority

The Australian and New Zealand Parliaments have their genesis in the Westminster system developed in the United Kingdom over centuries. The first Commonwealth PAC – the UK House of Commons Public Accounts Committee – was established by William Ewart Gladstone in 1861. Along with the creation of the UK Office of Comptroller and Auditor-General in 1866, another Gladstone initiative, the parliamentary audit and review function was established within the Westminster system. The public accounts committee and the Auditor-General were a key part of the set of arrangements by which Parliament gained control over government and continue to exercise that control to this day. These arrangements, described by Gladstone as the ‘circle of control’, include:

- the requirement for ministers and their departments to submit estimates to Parliament for approval
- the requirement for all monies to be expended in accordance with the appropriations set by Parliament
- the rendering of accounts to Parliament which are subject to audit by the Auditor-General
- the Parliament’s power to review budgets and subsequent expenditure through the Public Accounts Committee and, in most jurisdictions, separate Estimates Committees.

Not surprisingly, the establishment of PACs in Australia and New Zealand also drew on the experience of the UK parliamentary committee system.

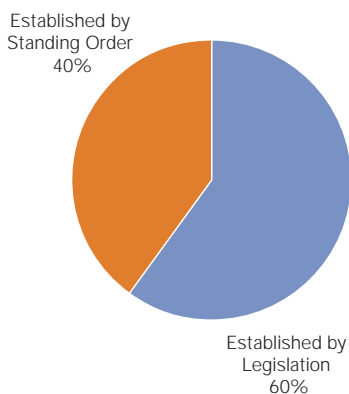
In Australia, a Victorian Public Accounts Committee was first established in 1895 and was soon followed by New South Wales in 1902 and the Australian Government in 1913⁴. Progressively, over the last century, other jurisdictions have also established PACs, the most recent being established in the last 20 years. In recent years, a number of PACs have also refined or amended their terms of reference to provide for changes in public sector financial management, funding and reporting.

In some Australian jurisdictions, the name ‘public accounts committee’ is not used. However, within each jurisdiction, there is generally one, or at most two, committees which carry out typical PAC responsibilities, including interaction with the Auditor-General.

4 Recent research undertaken by the Tasmanian Public Accounts Committee and reported to the PSGARC suggests that a six-member PAC was established in the Tasmanian Parliament as early as 1862. The current Tasmanian PAC structure was established under the *Public Accounts Committee Act 1970*.

In New Zealand, a PAC was first established in 1870. The Finance and Expenditure Committee now has primary responsibility for the functions normally expected of a PAC. The Finance and Expenditure Committee is one of 13 (permanent) select committees in the New Zealand Parliament.

Legislative authority for PACs by jurisdiction



This chapter provides an overview of the legislative authority and parliamentary representation for each of the PACs covered in this study.

2.1 Legislative authority

Whilst the UK Public Accounts Committee was permanently established via a Standing Order⁵, Australian Parliaments have adopted differing approaches to the establishment of PACs with six jurisdictions choosing to do so through an Act of Parliament. The remaining three jurisdictions and the New Zealand Parliament have followed the UK model of establishing a PAC through a parliamentary resolution governed by House Standing Orders.

Whilst there are differing requirements for amending Standing Orders vis-a-vis Acts of Parliament, both approaches are considered sufficient in practice for PACs to carry out their operations. It should also be noted that PACs established through a specific Act of Parliament must also comply with relevant House Standing Orders. These Standing Orders will usually cover more general committee matters, for example, the attendance of witnesses.

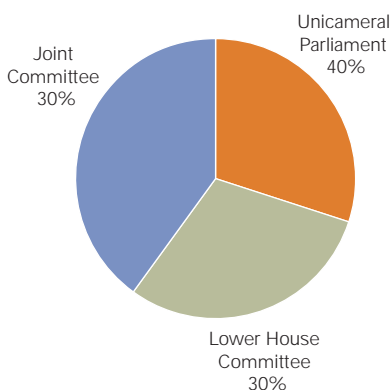
In a number of jurisdictions, the Audit Acts (that is, the primary legislation empowering the jurisdiction's Auditor-General) also contain sections giving the PAC specific powers or responsibilities in relation to the operations of the Auditor-General.

2.2 Parliamentary representation

Of the 10 jurisdictions covered in this study, six Parliaments are bicameral whilst the remaining four Parliaments are unicameral. Of the bicameral Parliaments, three PACs are joint committees who draw their membership from, and report to, both Houses of Parliament. The remaining three PACs draw their membership from, and report to, the Lower House only⁶.

Joint committees enable members of both Houses to work together on the same matter. However, an argument that has been made for limiting PAC membership to the Lower House is on the grounds that the Lower House is responsible for introducing money bills and, therefore, should be the House responsible for consideration of how the public account is used⁷.

House representation by jurisdiction



⁵ Standing Orders are the written rules of procedure which provide for the conduct of proceedings in the relevant House of Parliament.

⁶ As previously noted, in South Australia and Western Australia, certain committees of the Upper House also undertake certain functions typical of a PAC.

⁷ NSW Public Accounts Committee, *Report No -1/53 (144), History of the Committee 1902-2002*, September 2003, p51.

2.3 PAC authority and representation by jurisdiction

The following table summarises the legislative authority and referring House for each of the PACs covered in this study.

PAC type and enabling authority by jurisdiction

<i>Jurisdiction – PAC Name</i>	<i>Referring House</i>	<i>Committee Type (a)</i>	<i>Enabling Authority</i>
ACT – Standing Committee on Public Accounts (PAC)	Legislative Assembly (Unicameral)	Standing	Standing Orders of the Legislative Assembly. (PAC also has certain powers under the ACT Auditor-General Act 1996)
NSW – Public Accounts Committee (PAC)	Legislative Assembly	Statutory	Public Finance and Audit Act 1983
NT – Public Accounts Committee (PAC)	Legislative Assembly (Unicameral)	Standing	Standing Orders of the Legislative Assembly. (PAC also has certain powers under the NT Audit Act)
QLD – Public Accounts Committee (PAC)	Legislative Assembly (Unicameral)	Statutory	Parliament of Queensland Act 2001. (PAC also has certain powers under the QLD Financial Administration and Audit Act 1977)
SA – Economic and Finance Committee (EFC) Statutory Authorities Review Committee (SARC) (b)	Legislative Assembly Legislative Council	Statutory Statutory	Parliamentary Committees Act 1991. (The EFC also has a number of statutory functions under other legislation).
TAS – Public Accounts Committee (PAC)	Joint	Statutory	Public Accounts Committee Act 1970
VIC – Public Accounts and Estimates Committee (PAEC)	Joint	Statutory	Parliamentary Committees Act 2003 (PAEC also has certain powers under the Victorian Audit Act 1994 and Constitution Act 1975)
WA – Public Accounts Committee (PAC) Estimates and Financial Operations Committee (EFOC) (c)	Legislative Assembly Legislative Council	Standing Standing	Standing Orders of the Legislative Assembly Legislative Council Standing Orders (Schedule 1)
AUS – Joint Committee of Public Accounts and Audit (JCPAA)	Joint	Statutory	Public Accounts and Audit Committee Act 1951 (JCPAA also has certain powers under the Auditor-General Act 1997)
NZ – Finance and Expenditure Committee (FEC)	House of Representatives (Unicameral)	Standing	Standing Orders of the House of Representatives

(a) For the purposes of the above table, statutory committees are committees established by an Act of Parliament and standing committees are committees established under House Standing Orders. In New Zealand, the Finance and Expenditure Committee is referred to as a select committee (and is one of 13 permanent subject select committees).

- (b) Within the current South Australian committee structure, the Economic and Finance Committee (Legislative Assembly) undertakes certain functions typical of a PAC. However, the Economic and Finance Committee is prohibited from inquiring into statutory authorities. Instead, the Statutory Authorities Review Committee (Legislative Council) undertakes this function. As both Committees undertake certain functions typical of PACs, they are both covered in the discussion on roles and responsibilities (refer Chapter 3).

- (c) Within the current Western Australian committee structure, the Public Accounts Committee (Legislative Assembly) and the Estimates and Financial Operations Committee (Legislative Council) share certain responsibilities associated with public accounts and public sector financial management, including interaction with the Auditor-General. As both committees undertake certain functions typical of PACs, they are both covered in the discussion on roles and responsibilities (refer Chapter 3).

3 Roles and responsibilities

“The Committee is the Parliament’s watchdog, helping ensure that ... agencies are held to account for their use of public money”⁸.

The first Commonwealth PAC – the UK House of Commons Public Accounts Committee – was established “for the examination of the accounts showing the appropriation of the sums granted by Parliament to meet the public expenditure”⁹.

Since this time, the majority of PACs have grown in power and breadth of coverage to encompass public sector financial administration more broadly and, in more recent times, a greater role in the review and, in some jurisdictions, appointment of the Auditor-General.

This chapter provides an overview of the roles and responsibilities of current day PACs in Australia and New Zealand and includes an analysis of PACs:

- power to investigate and report
- right of access
- involvement in the examination of Government policy
- relationship with the Auditor-General
- additional responsibilities.

3.1.1 Power to investigate and report

A fundamental goal of the PAC is to enhance government accountability through the scrutiny of public sector financial administration, in particular, the ex post scrutiny of budget execution.

All of the PACs included in this study have the mandate to review public accounts and Auditor-General reports and the power to investigate any items or matters in connection with those accounts or reports. In some jurisdictions, the PACs have a mandate to scrutinise public administration more broadly. In addition, all but one of the PACs have the capacity to initiate their own inquiries and, to a large extent, determine their own work priorities. These powers are generally unique among parliamentary committees and gives the PAC a significant degree of independence from the Executive arm of Government.

The ability to undertake self-initiated inquiries is in addition to the referrals PACs may receive from Parliament and, in some jurisdictions, directly from a minister and / or the Auditor-General.

⁸ Australian Government Joint Committee of Public Accounts and Audit, *Duties and Powers of the JCPAA*, <http://www.aph.gov.au/house/committee/jpaa/about.htm>, 25/1/2006.

⁹ UK Committee of Public Accounts, *History and order of reference*, http://www.parliament.uk/parliamentary_committees/committee_of_public_accounts.cfm, 14/1/2006.

Authority to initiate inquiries by jurisdiction

	ACT	NSW	NT	QLD	SA	TAS	VIC	WA	AUS	NZ
The committee has the ability to undertake self-initiated inquiries.	✓	✓		✓	✓	✓	✓	✓	✓	✓
The committee undertakes inquiries referred by Parliament and / or a minister of the Crown.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

In addition to the *ex post* scrutiny of budget execution, several PACs are also responsible for the *ex ante* scrutiny of budget estimates. In other jurisdictions, the scrutiny of budget estimates is instead undertaken by general purpose standing committees along portfolio lines (for example, NSW and the Australian Government) or select committees established for each Budget (for example, ACT).

Proponents of the dual role of *ex ante* and *ex post* review argue that it enhances the committee’s understanding and ability to assist the Parliament and the public in assessing actual performance against planned budget outcomes. On the other hand, the consideration of budget estimates creates a significant increase in the committee’s workload. Opponents also argue that the consideration of budget estimates would be better undertaken by committees with portfolio expertise.

On this last point, the New Zealand Finance and Expenditure Committee has primary responsibility for the consideration of budget estimates but also has the authority to allocate this role to the other select committees and typically does so for entities outside of its portfolio expertise.

PAC involvement in *ex post* and *ex ante* scrutiny by jurisdiction

	ACT	NSW	NT	QLD	SA	TAS	VIC	WA	AUS	NZ
The committee has the authority to examine public accounts and public sector financial management (<i>ex post</i> scrutiny).	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
The committee has the authority to examine budget estimates (<i>ex ante</i> scrutiny).	(a)		✓ (b)				✓	✓ (c)		✓ (d)

(a) The Australian Capital Territory Public Accounts Committee has traditionally reviewed certain Bills for additional estimates. However, a separate Estimates Committee has primary responsibility for the scrutiny of budget estimates.

(b) The review of budget estimates in the Northern Territory is the responsibility of a separate select committee, known as the Estimates Committee. However, under the Estimates Committee’s terms of reference, its membership shall consist of the membership of the Public Accounts Committee.

- (c) Within the current Western Australian committee structure, the Public Accounts Committee (Legislative Assembly) and the Estimates and Financial Operations Committee (Legislative Council) share certain responsibilities associated with public accounts and public sector financial management, including interaction with the Auditor-General. The Estimates and Financial Operations Committee also has responsibility for the review of budget estimates.
- (d) Under the Standing Orders of the New Zealand House of Representatives, the Finance and Expenditure Committee may refer the consideration of budget estimates to other select committees and will typically do so according to the defined subject area of each select committee.

3.1.2 Right of access

As noted above, the power of Australian and New Zealand PACs to access accounts, records and people is considerable.

The power of the PAC is, however, generally limited to the scrutiny of public administration within Government, including government departments and agencies, statutory authorities, publicly owned enterprises and other public bodies over which the Government has control (typically the same organisations subject to audit by the Auditor-General)¹⁰.

The PAC's ability to hold accountable non-Government organisations and private sector service providers administering public monies remains a continuing area of debate. Where public monies are administered by these organisations, the focus of PAC activity is generally on the contract management and monitoring of the contracting Government agency.

In relation to the expenditure of the Parliament itself (eg, members entitlements), PAC scrutiny is generally undertaken through the examination of the relevant department responsible for supporting parliamentary operations.

3.1.3 Examination of Government policy

As a general rule, PACs do not examine or report upon matters of Government policy – rather they are focussed on the efficiency, economy and effectiveness of the implementation and administration of Government policy, particularly from a financial management perspective. However, this view is not shared by all jurisdictions. For example, the Victorian Public Accounts and Estimates Committee report that they regularly review and comment on government policy.

¹⁰ Within the current South Australian committee structure, the Economic and Finance Committee (EFC) (Legislative Assembly) undertakes certain functions typical of a Public Accounts Committee. However, the EFC is prohibited from inquiring into statutory authorities. Instead, the Statutory Authorities Review Committee (SARC) (Legislative Assembly) undertakes this function.

In most jurisdictions, the posture of not examining or commenting upon underlying policy has been adopted by convention rather than set in law. However, the enabling legislation for the NSW Public Accounts Committee explicitly prohibits the committee from examining or reporting upon a matter of Government policy unless the matter has been specifically referred to the committee by the Legislative Assembly or a minister.

Notwithstanding this posture, several PACs have commented on the practical difficulty in distinguishing effective public administration and financial management from policy issues. When questioned, study interviewees provided a range of views as to the extent their PAC is involved in examining government policy, with examples given where PAC recommendations led to a change in government policy.

Whether directly or indirectly, it is clear that PAC recommendations can have consequences for current or future policy directions.

3.1.4 Relationship with the Auditor-General

In most PACs, the review of Auditor-General reports is a key source of PAC inquiry. As one PAC has noted:

“An important aspect of the Committee’s work is to follow up on matters raised by the Auditor-General in various reports to the Parliament. The Auditor-General’s reports draw Parliament’s attention to financial concerns or issues relating to any public sector agency. The Committee can follow up these matters by virtue of its powers to hold public hearings and take evidence. In this way, matters raised by the Auditor-General are put under the microscope for the benefit of the Parliament and the community”.¹¹

In terms of the broader operations of the Auditor-General, there is significant diversity across jurisdictions in the extent of PAC involvement. The following table provides a comparison of the formal powers each PAC has in relation to their respective Auditor-General.

¹¹ Victorian Public Accounts and Estimates Committee, Functions of the Committee, <http://www.parliament.vic.gov.au/paec/functions.html>, 3/2/2006.

PAC relationship with the Auditor-General by jurisdiction

	ACT	NSW	NT	QLD	SA	TAS	VIC	WA	AUS	NZ
Auditor-General inquiries and reporting:										
The committee has formal responsibility for the examination of Auditor-General reports (a).	✓	✓	✓	✓	(b)	(b)	✓	✓	✓	(c)
The committee has the formal power to refer matters to the Auditor-General for examination.				✓	(b)		✓		✓	(c)
Appointment of Auditor-General:										
The committee must be formally consulted in the appointment of the Auditor-General; or				✓						(d)
The committee has the power to veto the appointment of the Auditor-General; or	✓	✓							✓	
The committee undertakes the selection process and recommends appointment of the Auditor-General.							✓			
Removal of Auditor-General:										
The committee must be formally consulted prior to a motion to remove the Auditor-General.				✓						(d)
Involvement in Audit Office Funding and Planning:										
The committee has formal responsibility for the consideration of Audit Office funding / budget estimates(e).	✓			✓			✓		✓	(d)
The committee must formally be consulted in determination of Audit Office priorities / annual planning.				✓			✓		✓	✓
Independent review of Audit Office:										
The committee is responsible, or must be formally consulted, in the appointment and removal of the independent auditor of the Audit Office.							✓		✓	
The committee is formally involved in the strategic review of Audit Office performance.		✓	✓	✓			✓		✓	
		every 3 yrs	every 3 yrs	every 5 yrs			every 3 yrs			

- (a) In most jurisdictions, the PAC is the only committee given responsibility to scrutinise Auditor-General reports. However, in some jurisdictions, other committees can and do scrutinise Auditor-General reports if the subject of an audit report is in the committee’s terms of reference or portfolio area. In the Australian Federal Government, other committees are required to advise the JCPAA in writing if they are seeking to review an audit report. This is required, in part, to remove duplication of workload.
- (b) In South Australia and Tasmania, the terms of reference for the PACs do not formally require the review of Auditor-General reports. The committees do however, maintain a working relationship with the Auditor-General.
- (c) While the examination of Auditor-General reports is within the New Zealand Finance and Expenditure Committee’s jurisdiction, the Finance and Expenditure Committee has examined only a small number of Auditor-General reports. It would also be rare that the committee would refer a matter to the Auditor-General for investigation.

- (d) The appointment, removal and appropriation of the New Zealand Auditor-General is the responsibility of a separate select committee, the Officers of Parliament Committee. This committee was established following a recommendation of the Finance and Expenditure Committee in 1989¹².
- (e) In some of the jurisdictions identified, the PAC must be formally consulted in the development of the Audit Office budget, however, the formal consideration of Audit Office estimates is the responsibility of a separately appointed estimates committee.

For those jurisdictions where there is a legislated requirement for the Auditor-General to consult with the PAC in the determination of the Audit Office's priorities and annual plans, the relevant legislation does not require the Auditor-General to adopt the committee's comments. That is, the PAC cannot direct the activities of the Auditor-General (nor the activities of the Independent Auditor of the Audit Office), it is only consulted. This is considered critical to the maintenance of the Auditor-General's independence. Where the Auditor-General has not adopted committee comments, in some jurisdictions the Auditor-General must disclose (for example, in the annual plan) the comments which have not been adopted.

It should be noted that the above table is limited to the formal powers and responsibilities of PACs as detailed in legislation or Standing Orders. Other PACs may undertake certain of these functions through informal convention.

Further to the above general responsibilities, a number of PACs have additional formal responsibilities or powers in relation to the Auditor-General. These responsibilities or powers are generally unique to one or a limited number of jurisdictions and include the following:

- Under the Victorian Audit Act, the Victorian Public Accounts and Estimates Committee has the authority to exempt the Victorian Auditor-General from legislative requirements that apply to government agencies on staff employment conditions and financial reporting practices. The Victorian Public Accounts and Estimates Committee must also be formally consulted in the scoping of individual Audit Office performance audits;
- Under the Queensland Audit Act, the Auditor-General is required to lodge a pecuniary interests statement with the Speaker of the Legislative Assembly. If requested by the Queensland Public Accounts Committee, the Speaker must provide a copy of the statement to the Committee;
- The Queensland and Australian Capital Territory Audit Acts explicitly provide for the Auditor-General to provide information to the PAC where the Auditor-General considers that it would be against the public interest to disclose sensitive information in a report; and

¹² NZ Finance and Expenditure Committee, *Report on the Inquiry into Officers of Parliament*, April 1989.

- The Australian Government Joint Committee of Public Accounts and Audit has the legislated authority to consider the level of fees determined by the Auditor-General.

3.1.5 Additional PAC responsibilities

Further to the above responsibilities typical of PACs, a number of PACs have additional and specific formal responsibilities or powers enshrined in their terms of reference. These formal powers are generally unique to one or a limited number of jurisdictions. Some of these additional responsibilities are described below.

Annual reporting guidelines

The annual reporting guidelines for government agencies and statutory authorities are generally set by the relevant treasury and / or finance department within each jurisdiction. The Australian Government Joint Committee of Public Accounts and Audit, the New South Wales Public Accounts Committee and the Australian Capital Territory Public Accounts Committee have formal roles under legislation in approving changes to agency annual reporting guidelines.

Financial reviews

In New Zealand, the Finance and Expenditure Committee is responsible for the annual conduct, or allocation to other Select Committees, of a financial review of each individual department, office of Parliament, crown entity, public organisation and state enterprise. The financial reviews compare the actual performance of an organisation in the previous financial year, as set out in its annual report and financial statements, with its expected performance as set out in the estimates, output plan and statement of intent for that year. Current operations are also examined. The Finance and Expenditure Committee is also required to examine and report on the annual consolidated financial statements for the New Zealand Government.

The Victorian Public Accounts and Estimates Committee undertakes a similar review as a follow-up to the committee's estimates review process.

Other responsibilities

Several PACs have responsibilities in addition to those typical of PACs. For example, the Australian Capital Territory Public Accounts Committee and the South Australian Economic and Finance Committee have the authority to investigate matters concerned with economic development and business regulation. These broader responsibilities may, in part, reflect the smaller Parliaments within which these committees operate.

In New Zealand, the Finance and Expenditure Committee has responsibility for the examination of several documents regarding fiscal and monetary policy. These documents include the Government's budget policy statement, fiscal strategy report, economic and fiscal updates and the statement on long-term fiscal position. The FEC also reviews the New Zealand Reserve Bank's three-monthly monetary policy statements.

4 Membership and leadership

In recent years, the composition of corporate and public sector audit committees has been a topic of much debate and regulatory involvement.

For example, the Australian Stock Exchange Corporate Governance Council's (ASXCGC) *Principles of Good Corporate Governance and Best Practice Recommendations* includes guidelines on the size, structure and representation of size of corporate audit committees, including the representation of independent members¹³. A recent KPMG survey found that “eighty-nine percent of companies had an audit committee composed in line with the ASXCGC's criteria”¹⁴. However, the ASXCGC has also made it clear, and the KPMG survey further found, that there is no “one size fits all”.

The same can be said of the Parliamentary PAC. Whilst the variants in PAC composition may be different to that of a corporate or public sector audit committee – requiring consideration of party representation and House representation (in bicameral Parliaments) rather than consideration of management versus independent representation – the key success factor remains the same. An effective committee is one that operates free of partisan agendas, is adequately resourced and is respected within government and the community.

This chapter provides a comparative analysis of PAC membership and leadership in Australia and New Zealand, including analysis of:

- membership size
- party representation
- house representation
- appointment and term of office for PAC members
- experience and training requirements
- committee service allowances
- the role of the PAC chair
- chair representation and
- appointment and term of office for the PAC chair.

¹³ ASX Corporate Governance Council, *Principles of Good Corporate Governance and Best Practice Recommendations*, Principle 4, Recommendation 4.3, March 2003.

¹⁴ KPMG, *Reporting against ASX Corporate Governance Council Guidelines – A Shift Towards Performance*, www.kpmg.com.au March 2005.

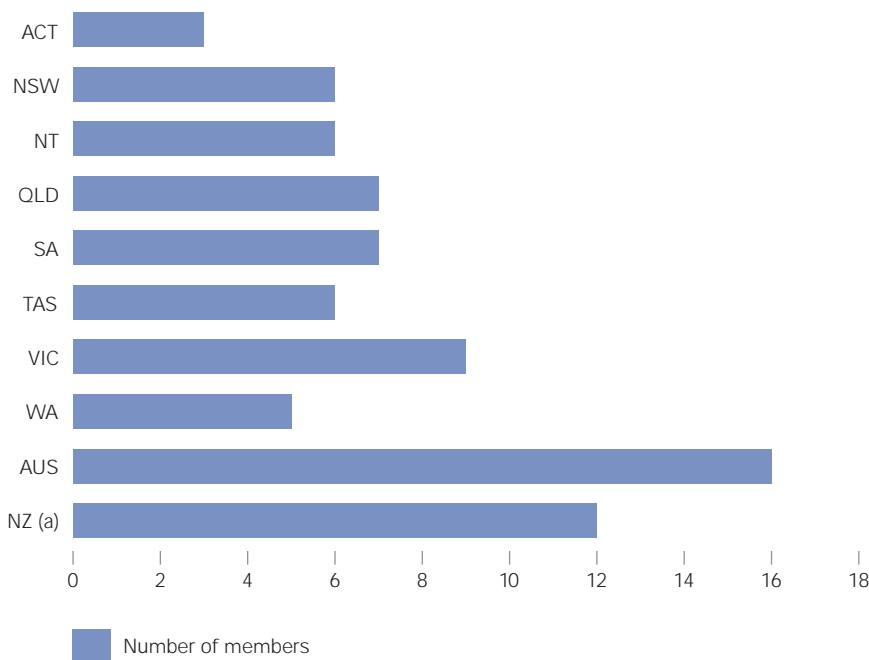
4.1 Membership

4.1.1 Size

Within Australia and New Zealand, the size of each PAC ranges from three members in the Australian Capital Territory Public Accounts Committee to 16 members in the Australian Government Joint Committee of Public Accounts and Audit. The most common number of members is six, with three PACs having this number of members.

In most cases, the relative number of PAC members is comparable to the relative size of the overall Parliaments when comparing between jurisdictions. New South Wales, with six members, is an exception to this rule with committee numbers less than that of similarly sized jurisdictions.

PAC membership numbers by jurisdiction



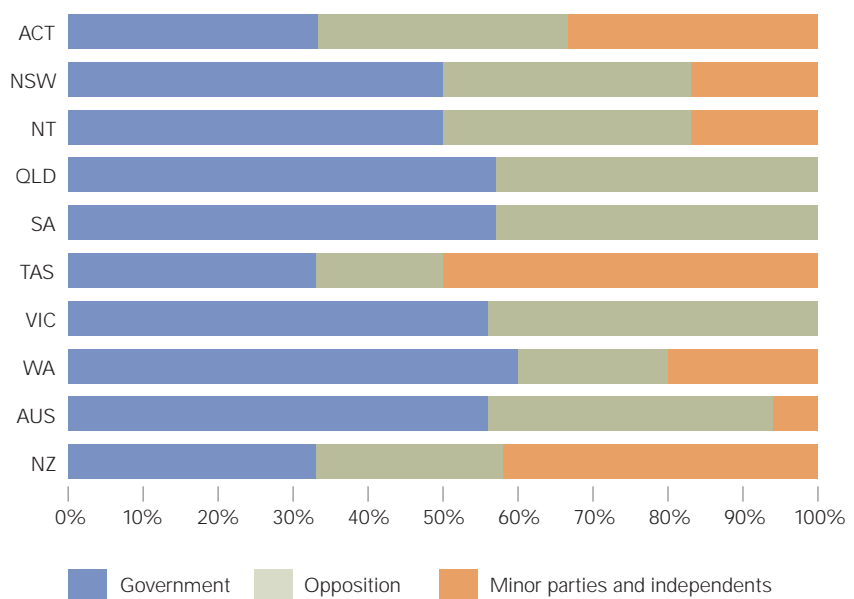
(a) Membership of the New Zealand Finance and Expenditure Committee grew to 13 in 2006.

Irrespective of the above, it is appropriate to consider the extent of each committees' responsibilities when comparing committee size. For example, the size of the Victorian Public Accounts and Estimates Committee, with nine members, reflects in part the committee's responsibility to scrutinise budget estimates and membership is drawn from both Houses of Parliament.

4.1.2 Party representation

In the majority of PACs, the overall membership of the PAC is proportional to party membership in the House(s) of Parliament. For seven of the 10 PACs covered in this study, Government members constitute fifty percent or more of total PAC members.

PAC membership party representation by jurisdiction

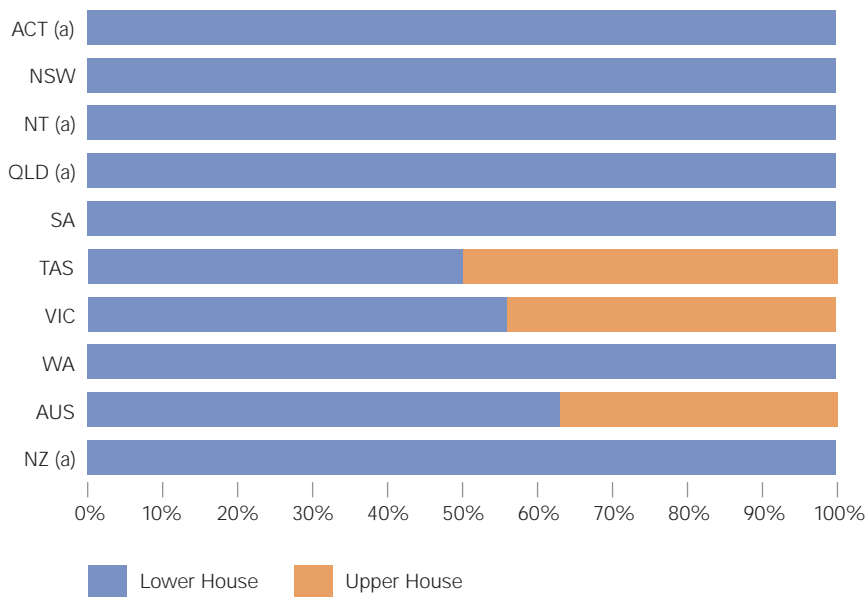


In most jurisdictions, the proportional party membership is not prescribed in legislation or standing orders; rather it is based on convention according to the ‘practice of the Parliament’. However, the enabling legislation for the Queensland Public Accounts Committee prescribes the respective number of members to be appointed by the leader of the Government and the leader of the opposition. Similarly, the Standing Orders for the New Zealand House of Representatives and the Australian Capital Territory Legislative Assembly prescribe that committee membership must be proportional to party membership in the House.

4.1.3 House representation

As previously detailed, three of the six PACs from bicameral Parliaments report to, and draw their membership from, the Lower House only. Of the three joint committees, two (Victoria and the Australian Government) have a majority of members drawn from the Lower House whilst the other committee (Tasmania) has equal representation from both Houses. In all three jurisdictions with joint representation, the number of members to be drawn from each House is prescribed in the enabling legislation for these committees.

PAC membership House representation by jurisdiction



(a) Unicameral Parliament.

4.1.4 Appointment and term of office

In Australia, the appointment of members to serve on PACs is done according to the “practices of the Parliament” and typically involves the nomination of members along party lines and appointment through a resolution of the House(s) of Parliament.

In New Zealand, the appointment of PAC members is the responsibility of a separate Business Committee. In practice, the role of the Business Committee is to ensure proportional party representation is followed, leaving it to the various Government parties to nominate individual members. The Business Committee can also appoint non-voting members.

Serving government ministers and Parliamentary secretaries do not serve on PACs in Australia and New Zealand. This practice aids in demonstrating the committees’ independence from the executive arm of government. It also reflects the role of ministers as an audience and respondent to PAC inquiries. In most jurisdictions, the practice is mandated in Statute or Standing Order.

Whilst government ministers do not serve on PACs, opposition members include shadow ministers in eight of the 10 committees covered in this study. In five of the committees, the opposition members include shadow treasurers and / or finance ministers. The seniority of opposition members reflects, in part, the pre-eminent status of the PAC as a parliamentary accountability mechanism.

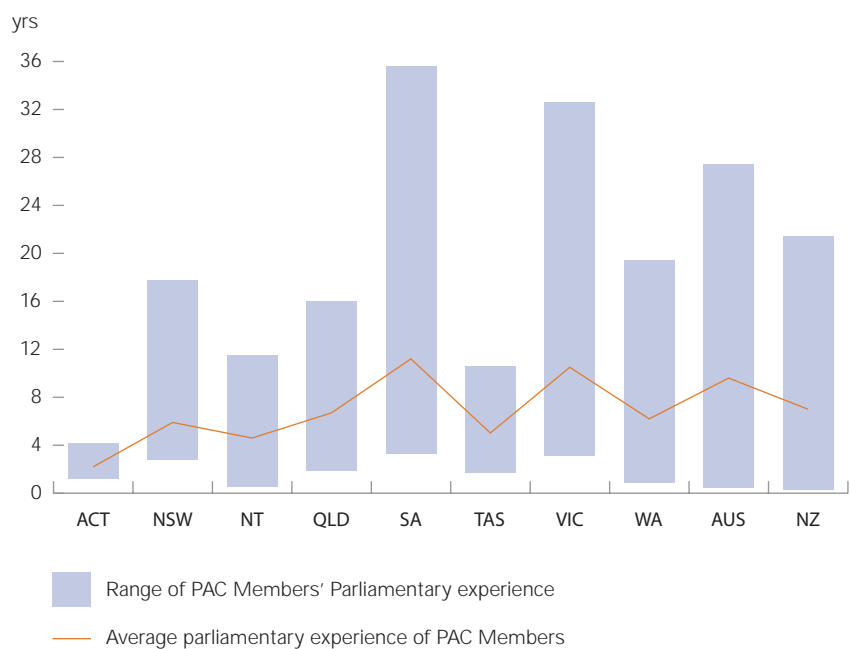
By convention, PAC members serve for the term of the Parliament with the committee dissolved when the Parliament itself is prorogued. There is no prohibition against reappointment in the next Parliament and reappointment is quite common.

4.1.5 Experience and training requirements

Across the 10 jurisdictions, the average parliamentary experience of PAC members is just over eight years (based on the date members first entered Parliament). Within most committees, there is significant diversity in the experience profile of committee members, ranging from members who first entered Parliament in the last election to one member who is currently serving his eleventh term in Parliament.

On average, the members of smaller jurisdictions have less parliamentary experience. This may reflect, in part, the smaller number of parliamentary members available to serve on the PAC with a higher proportion of more experienced parliamentary members having ministerial or other obligations precluding them from participating in the PAC.

Parliamentary experience of current PAC members (a)



(a) The length of Parliamentary experience has been based on the period since each current PAC member (as at December 2005) first entered Parliament. It should be noted that the ACT Parliament has only been in existence since 1989.

The diversity in experience is indicative of the differing role PAC involvement can play in a member's career – for new parliamentary members, the PAC provides opportunity for a broad knowledge of government operations and an opportunity to interact with and influence ministers. The PAC members with longer parliamentary experience include shadow ministers, former ministers or shadow ministers, and Parliamentarians who have a history of committee involvement. The involvement of PAC members with extensive parliamentary and committee experience also assists in ensuring continuity of knowledge and providing guidance and mentoring to less experienced members.

When questioned on what they consider to be the desirable areas of expertise of prospective PAC members, the majority of interviewees nominated an understanding of public sector administration as being the single most desirable skill-set. This would include an understanding of how the government and public sector agencies are structured, funded, managed and held accountable.

Financial acumen and an understanding of portfolio and cross-portfolio issues were identified as skill-sets that were considered 'nice to have' but were not considered essential for prospective committee members.

The following were identified as areas where initial and/or ongoing training support would likely assist committee members:

- public sector administration and accountability mechanisms (induction training)
- the responsibilities and working practices of the PAC and the Auditor-General (induction training)
- major changes in public and private sector governance and financial management arrangement (training as required).

4.1.6 Committee service allowances

In all jurisdictions, the PAC chair receives an allowance (alternatively referred to as additional salary) for leading the committee.

In a minority of jurisdictions, other committee members also receive an allowance for serving on the PAC. This allowance is less than the allowance afforded to the chair. In the majority of jurisdictions, other committee members do not receive a serving allowance but may receive sitting fees.

In all jurisdictions, committee members are entitled to an allowance for travel and related costs for committee related business. Depending on the jurisdiction, this may be a separate allowance or a claim against a general parliamentary travel allowance.

4.2 Leadership

4.2.1 Role of the PAC Chair

The Chair is ultimately responsible for the effective operation of the PAC. In fulfilling this role, the chair's responsibilities typically include:

- coordination of committee activity, including the setting of meeting agendas, as well as the drafting of inquiry terms of reference (in conjunction with committee staff)
- requesting records and papers or inviting persons to attend and give evidence before the PAC
- leading the examination of witnesses
- ruling on issues of procedure or relevance in committee hearings and administering an oath
- drafting committee reports (in conjunction with committee staff)
- signing minutes of meetings and committee reports
- tabling reports in Parliament
- issuing press releases and commenting to the media on committee reports
- formal responsibility for administration of the committee secretariat and the committee's budget.

In the majority of jurisdictions, the chair also has the casting vote. However, this is not true of all PACs. In the ACT, for example, the chair does not have a casting vote and split decisions are, by default, defeated.

In practice, the chair's role also extends to the following responsibilities, which are seen as being just as important to the effective operation of the PAC:

- encouraging committee members to adopt a bipartisan approach in their investigations so as to achieve consensus in PAC recommendations
- convincing ministers as to the merit of committee recommendations so as to maximise the number of recommendations implemented
- promoting the role of the committee, both within Parliament and within the wider community.

4.2.2 Representation

In the United Kingdom and in the majority of Commonwealth countries, PACs are chaired by members of the opposition. However, in Australia and New Zealand, the large majority of PACs are chaired by a member of government.

A stated advantage of having a government member as the PAC chair is the ability of the government member to access and, if necessary, argue the merits of PAC recommendations with the government ministers responsible for responding to those recommendations. It has also been argued that the recommendations of a PAC with a government chair are more likely to be seen as credible by the responding government of the day, rather than political ‘point-scoring’. On the other hand, it has been argued that a non-government chair is more independent and, as such, less likely to be influenced in directing the scope of committee inquiries and recommendations.

The two Parliaments with current non-government committee chairs are Tasmania and the Australian Capital Territory.

In most jurisdictions, the party representation of the Chair is not prescribed in legislation or Standing Orders; rather it is based on convention according to the ‘practice of the Parliament’. However, the Northern Territory Standing Orders mandate that a Government member be appointed as the Chair of the Northern Territory Public Accounts Committee.

For those jurisdictions with a government chair, a member of the opposition is generally appointed as deputy chair, again by convention. New South Wales is one exception to this, however, with government members appointed to both the chair and deputy chair role in the New South Wales Public Accounts Committee.

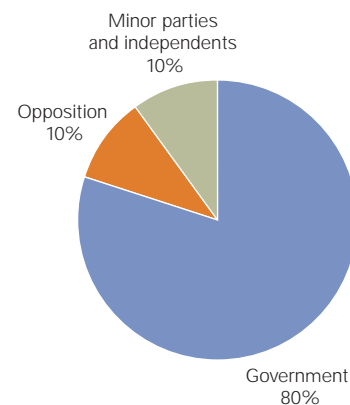
4.2.3 Appointment and term of office

In most Australian jurisdictions and in New Zealand, the PAC elects its own chair. The exception to this is Queensland, where the committee chair is nominated by the Leader of the House.

For those jurisdictions where the PAC elects its own chair, the election process typically takes place at the first meeting of the committee.

The chair is usually appointed by the committee for the duration of the Parliament, although it is possible for a motion of no confidence to be moved in the chair; and this could result in a change.

PAC Chair party representation by jurisdiction

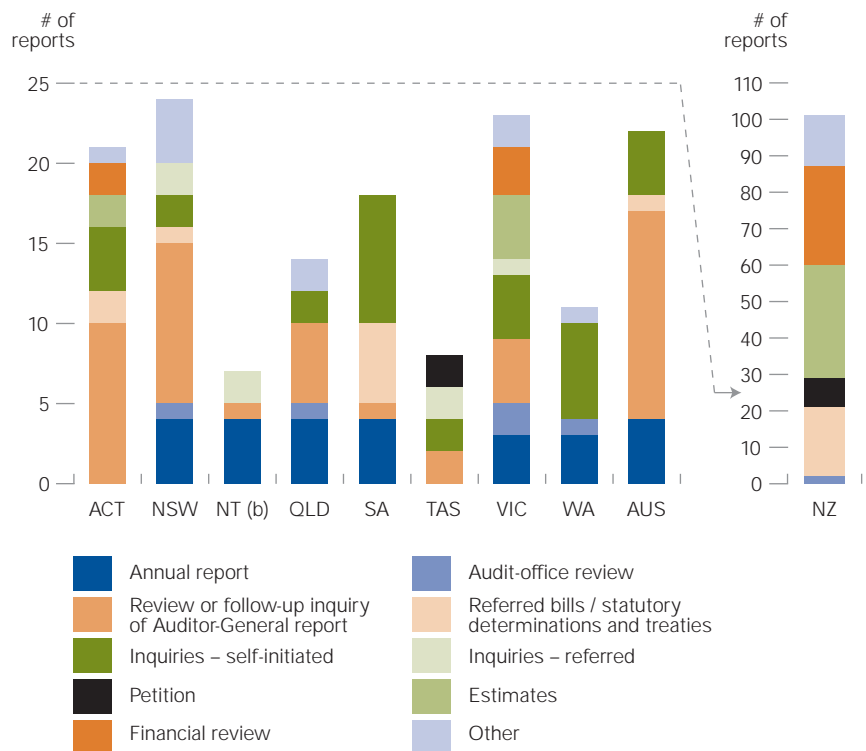


5 Sources of inquiry

As outlined in Chapter 3, there is broad consistency in the core powers and responsibilities of PACs within Australia and New Zealand. However, in exercising these powers and responsibilities, there is significant diversity in the nature and sources of PAC inquiry.

One indicator of PAC focus is the number and types of reports released by each committee. The following chart provides a snapshot of the different types of reports tabled by each committee over the four year period from 1 July 2001 to 30 June 2005.

Total number and focus of PAC reports for the four years 2001/02 to 2004/05 by jurisdiction



(a) For the purposes of this study, the reports¹⁵ issued by each PAC over the four year period have been separated into the following categories:

- *Annual reports* – These reports give an annual overview of a PAC’s operations, investigations and governance arrangements.
- *Audit Office review* – Includes reports pertaining to the selection of, or performance of, the Auditor-General.
- *Review or follow-up of Auditor-General reports* – Includes reports resulting from self initiated committee inquiries which had their genesis in an earlier report or investigation of the Auditor-General.

¹⁵ The number and types of Committee reports has been compiled from report information provided on the website of each PAC, with the report type classification based on a review of the terms of reference for each report.

- *Bills / Statutory determinations and treaties referred for consideration* – Some committees have a statutory or traditional responsibility to investigate certain Bills, statutory determinations, international treaties or other instruments prior to those instruments being enforced.
- *Inquiries – self-initiated* – Comprises investigations into subject areas where the investigation was instigated by the committee, on their own motion.
- *Inquiries – referred* – Comprises investigations into subject areas resulting from a parliamentary or ministerial referral.
- *Petitions* – Involves investigations which have resulted from a petition to the committee by a member of the public or a member of Parliament which does not have the power to refer.
- *Estimates* – Involves the *ex ante* scrutiny of estimates and / or budget policy statements.
- *Financial review* – Involves the *ex post* review of agencies actual performance against their budgeted outcomes.
- *Other* – includes reports resulting from study tours, ASPAC conferences and other discussion papers. This category also includes the New Zealand Finance and Expenditure Committee's quarterly review of the New Zealand Reserve Bank's Monetary Policy Statement.

(b) The number of reports released by the Northern Territory Public Accounts Committee excludes reports into the *ex ante* scrutiny of estimates as this is the responsibility of a separate select committee, known as the Estimates Committee. However, it should be noted that, under the Estimates Committee's terms of reference, its membership shall consist of the membership of the Public Accounts Committee.

For the four-year period, the number of reports released by each committee ranged from seven in the Northern Territory Public Accounts Committee (excluding reports associated with the scrutiny of estimates as detailed above) to just over 100 reports tabled by the New Zealand Finance and Expenditure Committee. On a per annum basis, this corresponds to a range of some two to 25 reports per annum.

However, the number of reports produced by each committee is not necessarily a comparable indicator of committee workload and focus. For example, both the Victorian Public Accounts and Estimates Committee and the New Zealand Finance and Expenditure Committee are involved in the *ex ante* scrutiny of budget estimates. Whilst the New Zealand Finance and Expenditure Committee tables a separate report for each department subject to review, the Victorian Public Accounts and Estimates Committee consolidates the review of all departments into a single report.

The more telling indicator of committee focus is the types of activities undertaken by each committee. An analysis of the types of reports issued by each of the 10 PACs over the four-year period would indicate the following:

- In proportionate terms, the follow-up or further investigation of Auditor-General reports is the primary source of PAC inquiry in the Australian Capital Territory, New South Wales, Queensland and the Australian Government and, to a lesser degree, Victoria (reflecting the Victorian Public Accounts and Estimates Committee's role in the scrutiny of estimates). On the other hand, in South Australia, Tasmania, Western Australia and New Zealand, the majority of PAC investigations have not had their genesis in a report of the Auditor-General. In stating this, it is appropriate to note that most PACs will review reports which have been issued by the Auditor-General – the above chart reflects the cases where PACs have decided to further investigate and report on a matter raised in a report of the Auditor-General.
- In the four financial years, most of the committees have exercised their power to undertake inquiries of their own instigation. On the other hand, and excluding statutory referrals (such as the statutory obligation of the South Australian Economic and Finance Committee to consider levy and other changes under certain Acts), there has only been a small number of inquiries completed as a result of Parliamentary or ministerial referral.
- The committees involved in the ex ante consideration of budget estimates, primarily New Zealand and Victoria¹⁶, also conduct financial and performance reviews of how agencies have performed against their budgeted outcomes. Other PACs do not undertake these financial reviews (other than as a consequence of other inquiries).
- Seven of the 10 committees covered in this survey issue separate annual reports (refer Chapter 7).
- Five of the 10 committees have tabled one or more reports in relation to the appointment, planning and / or performance of the Auditor-General during the four-year period. In certain other jurisdictions, such as the Australian Government and Victoria, the independent performance audit of the Auditor-General is tabled separately from PAC reports.
- With the exception of New Zealand, committee inquiries do not ordinarily originate in a request or petition from a member of the public or a public servant.

¹⁶ The ACT Public Accounts Committee has traditionally scrutinised Additional Estimates only. Furthermore, the chart does not include the reports issued by the Northern Territory Estimates Committee as this is a separate Committee within the Northern Territory Parliament, albeit that its members comprise the members of the Northern Territory Public Accounts Committee.

6 Working practices

In fulfilling its function, a corporate or public sector audit committee has three main avenues for investigation:

- reviewing the work of external audit
- calling executive management to account, including through attendance at audit committee meetings
- directing and reviewing the work of internal audit.

The Parliamentary PAC adopts similar avenues for investigation with an important exception, the absence of a parliamentary internal audit function per se. However, it can be argued that this investigative function is instead accommodated through:

- an expanded role for external audit through the performance audit function (although a critical distinction is the independence of the Auditor-General)
- an expanded role for the PAC itself through the committee inquiry. It is in this last role, in particular, that the support of the committee staff is vital.

Another distinguishing feature of the Parliamentary PAC is the level of openness under which it operates. Whilst corporate and public sector audit committees are increasingly facing expectations of disclosure, in particular around their governance practices, the majority of their work remains internal to the organisation within which they operate. For the Parliamentary PAC, its major business is conducted in public. The majority of its work is available to the public, including through public hearings and through the parliamentary reporting process. Only deliberative meetings of the committee and certain hearings are held *in camera*.

While Chapter 4 provided a snapshot of the recent sources of PAC activity in Australia and New Zealand, this chapter discusses the processes and working practices adopted by each committee in initiating, carrying out and ultimately reporting PAC investigations to Parliament. This includes the processes adopted in working with the Auditor-General, conducting meetings and inquiries, and calling witnesses. This chapter also covers the role and resourcing of the committee secretariat. The following topics are discussed:

- the scheduling and frequency of committee meetings and hearings
- the openness of PAC deliberations
- assessing witnesses and information
- working with the Auditor-General

- relationships with other PACs
- continuing the work of a previous PAC
- support available through the committee secretariat and externally
- committee funding and expenditure
- reporting committee findings and recommendations
- following up on inquiry recommendations through acceptance and implementation.

6.1 Committee meetings and hearings

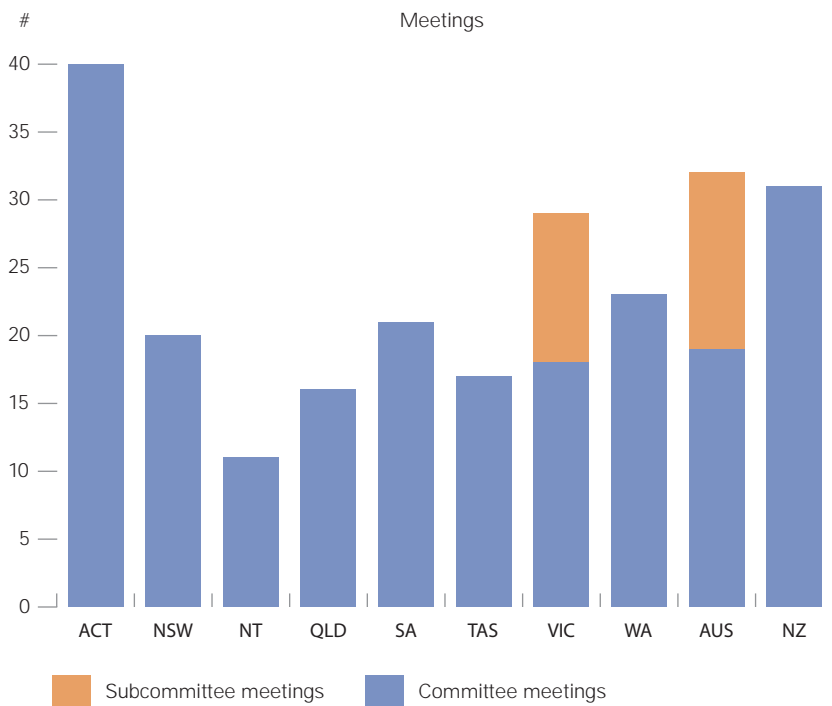
6.1.1 Scheduling and frequency of meetings and hearings

Within Australia and New Zealand, PACs hold an average of 22 deliberative meetings each year (excluding election years). The scheduling of committee meetings is generally determined by the chair in consultation with the other committee members with meetings scheduled six to 12 months in advance.

In most jurisdictions, a majority of deliberative meetings are held when members are together during the Parliamentary sitting weeks. However in some jurisdictions deliberative meetings cannot be held while Parliament is actually sitting unless leave has been granted by Parliament.

With the exception of Victoria and the Australian Government, sub-committees are established rarely and only on an ad hoc basis. The Victorian and Australian Government PACs have both established a standing sub-committee for the review of Auditor-General reports while the Victorian Public Accounts and Estimates Committee has also established standing sub-committees on staffing and the scoping of Audit Office performance audits (the Victorian Public Accounts and Estimates Committee has a statutory consultative role in the scoping of performance audits). In both jurisdictions, sub-committees are also commonly established to manage individual inquiries. Sub-committee reports are presented to the full committee for approval before tabling in Parliament. The average number of sub-committee meetings held each year in these jurisdictions is 12.

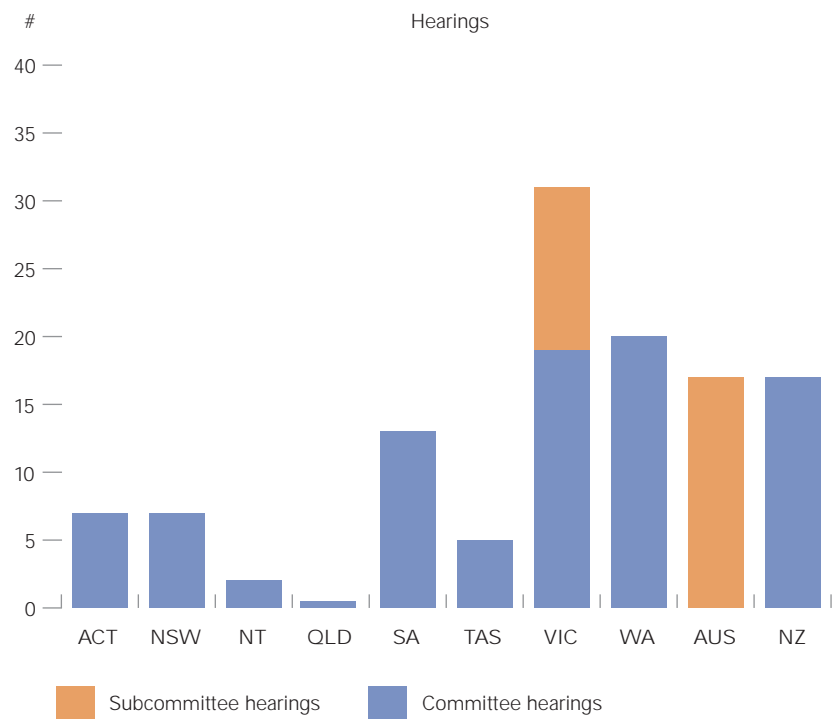
PAC meetings – Average number per year(a) by jurisdiction



(a) Average based on annual meetings and hearings over the period 2001/02 to 2004/05 excluding election years. In election years, PACs would typically be dissolved for a period surrounding the election resulting in less activity for that year.

In addition to deliberative meetings, the 10 committees held an average of 12 hearings each year (including sub-committee hearings). As shown in the following chart, the average number of hearings held by the Victorian and New Zealand PACs was 31 and 17 respectively. The size of these numbers reflects the additional responsibility these committees have in the examination of budget estimates. The number of hearings held by the Western Australian Public Accounts Committee averaged 20 over the same period, primarily due to a large number of hearings held for a couple of individual inquiries.

PAC hearings – Average number per year(a) by jurisdiction



(a) Average based on annual hearings over the period 2001/02 to 2004/05 excluding election years.

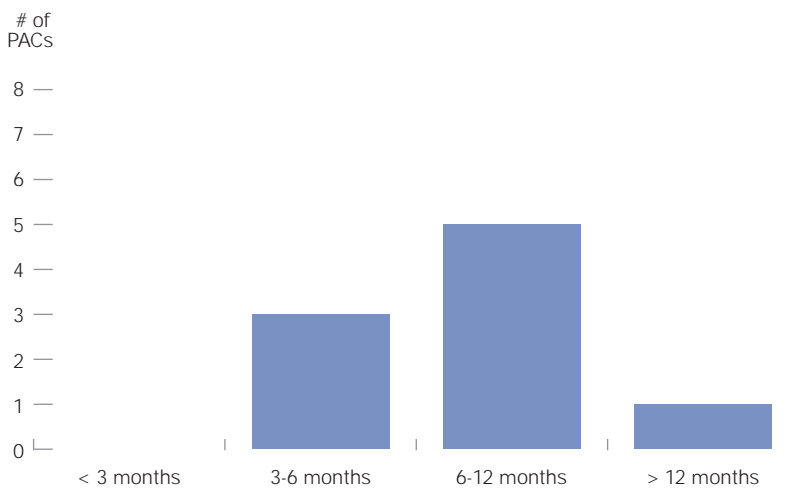
In determining what inquiries to undertake, priority must be given to Parliamentary referrals and statutory obligations. For other inquiries, the decision as to which inquiries to undertake is determined by the committee, cognisant of resource capabilities. This decision may be influenced by briefings of the Auditor-General or as a result of issues where the committee believes an inquiry would be in the public interest.

The determination of which Auditor-General reports to follow-up may be based on whether there has been major disagreement between the Auditor-General and the auditee, the significance of the activity to the public interest, the size of the activity in financial or other terms, and / or the potential to improve public administration more broadly.

The terms of reference for individual inquiries are determined by each committee, unless the inquiry follows a referral from Parliament or, in some jurisdictions, individual ministers or the Auditor-General. In these cases, the terms of reference are generally part of the referral. In drafting the terms of reference for non-referred inquiries, committees may seek briefings from the Auditor-General or relevant agencies, however, the decision is that of the committee members alone. Committee staff may assist by preparing a draft set of terms of reference.

In recent years, the average duration of committee inquiries (as represented by the time lag between agreement of the terms of reference and release of the report) has ranged from three months to in excess of one year. As an observation, it is typically in the smaller jurisdictions that the inquiries last for less than six months.

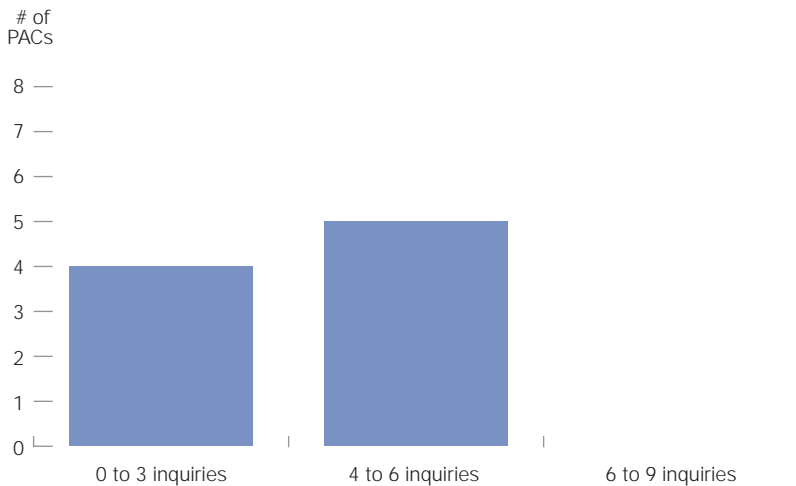
Average duration of PAC inquiries (a)



(a) Excludes scheduled annual inquiries such as consideration of budget estimates (where applicable).

The average number of inquiries that a committee would run concurrently ranges from one to six. Again, the smaller jurisdictions would typically manage less than three inquiries at any one point in time while the larger jurisdictions manage between four and six inquiries concurrently.

Average number of concurrent inquiries



6.1.2 Openness of PAC deliberations

In no jurisdiction are deliberative meetings open to the public. Hearings are open to the public unless the committee determines to take evidence *in camera*. This would generally occur in limited circumstances, for example, where the inquiry is handling matters of a confidential or commercially sensitive nature; where the evidence would reflect adversely on an individual; or where the PAC has agreed to a witness request to give evidence *in camera*.

6.1.3 Accessing witnesses and information

As discussed in Chapter three, Australian and New Zealand PACs have considerable power to access accounts, records and people. This includes the power to summon witnesses to appear before the committee and provide documentation. In the event that a witness fails to appear or documentation is not provided, the committee has to report the facts to both Houses of Parliament and the Parliament decides what action will be taken.

Having said this, PACs do not ordinarily summon witnesses. The normal practice is to invite witnesses to give evidence. As one PAC noted:

“most people are only too willing to assist committees and it is extremely rare for a committee to meet with non-cooperation on the part of a prospective witness.”¹⁷

Witnesses are afforded the same protection and privileges as those afforded to Parliament. As detailed above, a witness may seek to have their evidence heard *in camera*, however, it is up to the committee to agree to this. Witnesses are also normally afforded the right to review and correct transcripts of evidence.

The PAC's ability to invite or summon witness is not limited to departmental officials. Other parties that have been invited as witnesses include the Auditor-General, statutory authorities, government boards, interest groups, peak bodies, academics, specialists, non-government organisations, government service providers and individuals. In practice, the extent to which these parties are invited to appear as witnesses differs between jurisdictions.

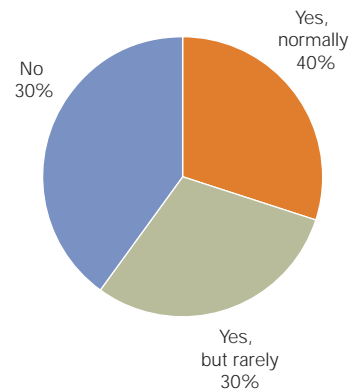
However, in relation to government ministers, differing practices have been adopted across the 10 jurisdictions with the attendance of ministers a normal occurrence in four jurisdictions, a practice that occurs rarely in another three jurisdictions and a practice that does not occur in the remaining three jurisdictions.

¹⁷ New Zealand Finance and Expenditure Committee, response to KPMG Survey, 8 August 2005.

An analysis of the different jurisdictions would suggest the following:

- a minister is more likely to attend a PAC hearing in smaller jurisdictions (ACT and Tasmania)
- ministers would also normally attend committee estimates hearings in those jurisdictions where the PAC has budget estimates responsibilities (Victoria and New Zealand)
- in larger jurisdictions where the PAC does not have estimates responsibilities, ministers do not, by convention, attend as witnesses. Where an inquiry involves a minister's area of responsibility, the departmental head or executive would instead normally attend the hearing. This reflects the department's role in implementing the Government's policy vis-a-vis the minister's role in setting policy. By convention, ministers do not attend committee hearings as witnesses in Queensland, New South Wales and the Australian Government
- in other jurisdictions, PACs do have the ability to invite or summon ministers but do so only rarely.

Attendance of government ministers as witnesses



6.1.4 Working with the Auditor-General

Chapter three provided an overview of each committee's formal roles and responsibilities in the operations of the Auditor-General. In an operational sense, a number of committees have also established ongoing working relationships with the Audit Office.

In some, but not all, jurisdictions, the PAC reviews all reports of the Auditor-General (for example, on a quarterly basis) before determining which reports require further PAC inquiry. In reality, only a small proportion of reports can be followed-up through formal inquiry.

In the majority of jurisdictions, the Auditor-General and / or audit office staff regularly brief the committee and committee staff and provide observers to committee hearings. The level of ongoing interaction would appear to be greater in the larger Australian jurisdictions.

For example, the New South Wales Public Accounts Committee facilitates briefing sessions by the Auditor-General for interested members of Parliament (not just the PAC) on Auditor-General's reports on the day they are tabled in Parliament. This practice has also been recently adopted in Victoria. The New South Wales PAC has also arranged for audit office staff to provide seminars on the Budget papers, financial reporting and auditing.

In some jurisdictions (including Victoria, Tasmania and the Australian Government), audit office staff are seconded to the committee secretariat to assist in inquiries (typically for several months).

In the Australian Government, there have also been instances where committee staff have been seconded to the audit office at times when parliament is prorogued.

6.1.5 Relationships with other PACs

The main channel of communication between PACs in Australia and New Zealand is through the biennial conferences of the Australasian Council of Public Accounts Committees (ACPAC). There are currently no formal protocols in place for communicating with other PACs where identified concerns / developments have cross-jurisdictional relevance.

6.1.6 Continuing the work of a previous PAC

In all jurisdictions, a PAC's tenure finishes when the Parliament is prorogued. At this point, any unfinished inquiries lapse. However, in all jurisdictions, the subsequent PAC may consider evidence taken by a prior committee as if it had taken that evidence itself. It is generally the case that referred inquiries continue to stand referred.

6.2 Access to resources and support

6.2.1 The PAC Secretariat and external support

In a large part, the PAC's ability to undertake inquiries is limited by two factors, the availability of its members (who are also serving Members of Parliament) and the level of staffing resources available to assist the committee.

The functions of the committee staff are many and varied and include:

- providing administrative support to the committee ensuring all work is managed within the committee's financial budget
- preparing meeting agendas and maintaining committee minutes
- advising the committee on procedural matters
- organising inquiries
- conducting research
- drafting reports and preparing briefing notes
- preparing tabling statements, speeches and media releases
- organising delegations and study tours

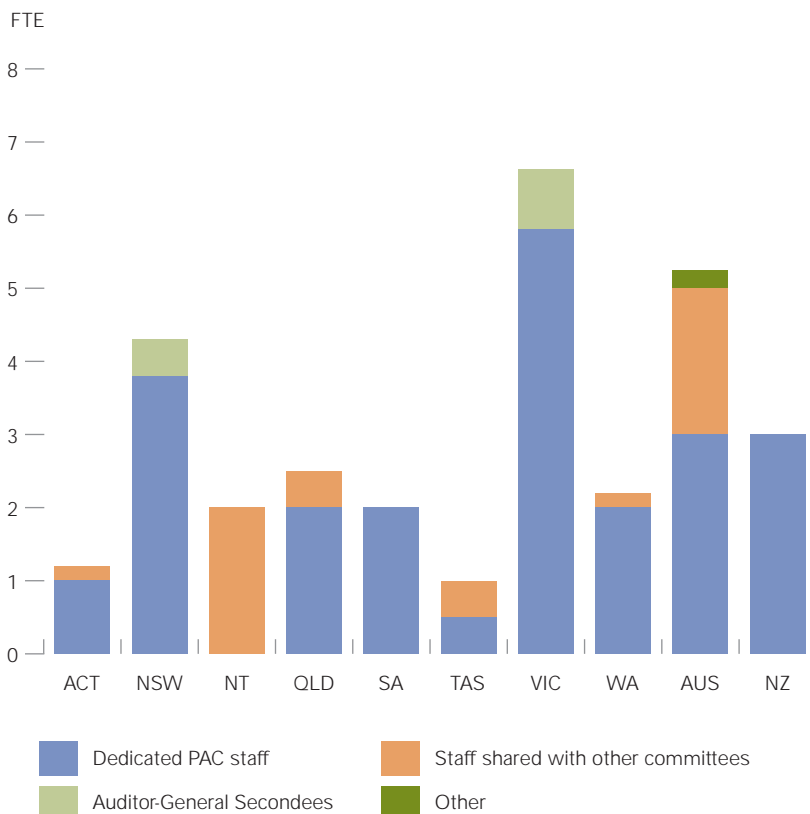
- liaising with government agencies, the Auditor-General and other interested parties.

In addition to the committee secretariat, a majority of PACs have used external resources to assist with, or advise on, particular inquiries, primarily secondees from the audit office and, to a lesser extent, from other government agencies such as those in the treasury and finance portfolio. From time to time, some committees have used external advisors, such as academics, to assist with particular inquiries.

One issue to be managed or avoided with the use of external advisors relates to the potential for perceived conflicts of interest where the advisor has a vested interest in a particular inquiry, for example, if the secondee was a representative of a departmental agency where the government agency was also a subject of the inquiry.

Based on 2004/05 figures, the level of staffing resources available to each committee ranged from one full-time-equivalent (FTE) resource to just under seven FTE. Appreciably, there is a close nexus between the comparative level of staffing resources and the size of the Parliament. Across the 10 jurisdictions, the average level of staffing resources available to each committee is three FTE. In large inquiries, PACs have called upon staff supporting other parliamentary committees or secondees to help manage the workload.

PAC staffing by jurisdiction



In all jurisdictions, committee staff are employed by the parliamentary department supporting the House of Representatives / Legislative Assembly. They are, as such, accountable to the Speaker of the House (through the Clerk of the House), rather than to a portfolio minister. This reflects the role of PACs in acting for the Parliament rather than for the government.

6.2.2 Funding and expenditure

PACs have little to no formal role in the determination of their annual budget. Ultimately, committee expenses (including staffing but excluding member's serving allowances) are funded through the appropriation for the relevant parliamentary department. Within this appropriation, the level of funding for all committees is a matter determined by the Presiding Officers of Parliament (and may involve consultation with committee chairs).

Where additional funding is required in a given year (as a result of additional or complicated inquiries for example) this is a matter negotiated with the Clerk. In recent years, the magnitude of committee expenses for the 10 jurisdictions covered in this study has ranged from less than \$100,000 to some \$700,000 per annum. This includes expenditure associated with committee staffing, travel costs associated with inquiries, conferences and study tours and administrative costs associated with the production and communication of PAC reports.

6.3 Reporting findings and recommendations

6.3.1 Achieving consensus

The inquiry report is the PAC's key deliverable and the benchmark upon which PAC effectiveness is judged.

In all jurisdictions, there is, appreciably, a desire that the PAC report has unanimous support from all committee members. This provides greater certainty in the Parliament as to the committee's findings and conclusions and, by extension, makes it more likely that the committee's recommendations will be accepted. As one PAC has noted

“It is the open public consultation and the ability of the Committee to provide for a shared hearing of evidence and subsequent deliberation in private that enables committees to, in most cases, table a unanimous report. It is the unanimity of the report and / or the quality of the evidence and conduct of the inquiry that enhances the status of a committee's report. This is the method by which such reports influence both government and the wider community”.¹⁸

When questioned on the approaches adopted to achieve consensus in PAC findings, a comment provided by more than one interviewee was that it was better to negotiate and compromise in the drafting of committee recommendations than to issue a report with dissenting views.

¹⁸ SA Economic and Finance Committee, *General Information*, December 2004, p14.

Committee reports are generally drafted by the committee staff in consultation with the chair. Reports are provided to the committee as a 'Chairs Report'. Once drafted, the report will be provided to all members of the committee for consideration and debate.

However, unanimous approval is not required for a report to be presented. In some jurisdictions, the Parliamentary Standing Orders provide for minority views to be incorporated into a PAC report and / or presented as a minority report. However, this is not the case in all jurisdictions. For example, in responding to the KPMG survey, the New South Wales Public Accounts Committee stated that:

"Neither the relevant Act nor Standing Orders provide for dissenting reports. The traditional view of the Legislative Assembly is that minority reports or other forms of protest or dissent are not allowed to be appended to a report of a committee, except by way of an appendix to committee minutes. This follows the practice in the House of Commons which is that what the House requires is the opinion of the committee – i.e. the opinion of the majority and not that of individual members. There are traditional methods of opposing a report such as proposing amendments to paragraphs or recommendations in the report including the calling of divisions or the proposing of a motion that dissent be noted in the minutes of the meeting. A member could also vote against the motion that the report be adopted".¹⁹

Across the 10 jurisdictions, the prevalence of dissenting reports or views has been rare in recent years. This would indicate that the various PACs have been successful in adopting a bipartisan approach to committee inquiries.

6.3.2 Reporting to Parliament and the wider community

PAC reports are reports to the Parliament. They are, therefore, tabled first in Parliament before any government minister receives them. In Australia and New Zealand, all reports are tabled in Parliament and, in most cases, while the Parliament is sitting. In all jurisdictions, it is permissible but rare that PAC reports are tabled out of session.

Once tabled, jurisdictions differ in the extent to which PAC reports are subject to wider debate in the Parliament. In the majority of jurisdictions, debate would normally only occur on major policy reports i.e. infrequently. In Victoria and South Australia, however, PAC reports are regularly referred to in Parliamentary debate. In Victoria, for example, thirty minutes is allocated to the debate of committee reports in each sitting week.

Chapter five provides an overview of the number and types of reports tabled by the various PACs in recent years.

¹⁹ NSW Public Accounts Committee, response to KPMG survey, May 2005.

The majority of PACs will also issue media releases at the time a report is tabled. Furthermore, as will be detailed in Chapter seven, all Australian and New Zealand PACs release PAC reports through the internet.

6.4 Following up on inquiry recommendations

6.4.1 Ministerial response

The PAC is accountable to, and reports to, the Parliament. However, it is the Government of the day that is responsible for responding to committee recommendations. While the majority of committee recommendations involve practices and procedures in individual or multiple public sector agencies, it is generally the responsibility of the government minister to respond

In the majority of jurisdictions, the government is formally required to respond to the recommendations contained in PAC reports. The timeframe ranges from three to six months with ministers encouraged or required to submit an explanatory statement if they need more time to respond.

Requiring Government to respond to PAC recommendations by jurisdiction

<i>Jurisdiction</i>	<i>Formal requirement for Government to respond to PAC recommendations</i>	<i>Timeframe</i>	<i>Authority</i>
ACT	✓	three months	Government policy
NSW	✓	six months	Government policy
NT	–		
QLD	✓	three months (a)	Statutory
SA	✓	four months	Statutory
TAS	–		
VIC	✓	six months	Statutory
WA	✓	three months	Standing order
AUS	✓	three months	Government policy
NZ	✓	three months	Standing order

(a) If the minister is unable to comply with this requirement, an interim response must be tabled setting out the reasons for not complying. A final ministerial response is required no later than six months

The responsibility for responding to PAC recommendations normally falls to the relevant portfolio minister, however, if the recommendation has policy and / or whole of government ramifications, the approval of the leader of the government or cabinet can be required before the minister formally responds. For example, in Victoria, government responses to the committee's recommendations are considered by cabinet.

In a number of jurisdictions, the administration of ministerial responses is coordinated by a central agency.

Government responses are typically tabled in Parliament, either by the relevant minister or the PAC chair.

6.4.2 Monitoring implementation

Ultimately, a PAC is only effective if its recommendations are implemented and if this is done in a timely manner.

In most jurisdictions, PACs do not have formal processes in place to monitor and follow-up the implementation of committee recommendations which have been agreed to by government. Typically, the committee staff attempt to monitor implementation and / or this is handled by the Auditor-General.

However, an approach adopted in the Australian Capital Territory (under a resolution of the Australian Capital Territory Legislative Assembly in April 2002) requires government agencies to disclose the status of government accepted PAC recommendations in their annual reports. The information to be reported includes a schedule outlining action that has been achieved and is in progress on the implementation of recommendations.

7 Performance disclosure and evaluation

In Australasia and elsewhere, organisations are increasingly encouraged to provide timely and detailed internet disclosure as to their governance and working practices. For the PAC, the internet also provides an opportunity for the timely and detailed communication of individual committee inquiries and findings.

Corporate and public sector entities are also expected to provide a detailed and transparent account to their stakeholders on the year in review through the release of the annual report. In Australia, a majority of PACs are now producing annual reports in their own right.

This chapter discusses the disclosures and mechanisms through which PACs in Australia and New Zealand demonstrate their own performance and accountability to the Parliament and the broader community.

7.1 Website disclosure

In all Australian and New Zealand jurisdictions, the following information on PAC operations is available via a dedicated PAC or parliamentary committees' website:

- terms of reference (some committees also provide a link to their enabling legislation)
- current members
- completed PAC reports from recent years (including in some cases transcripts of hearings)
- information on ongoing inquiries, including transcripts of public hearings
- contact details.

Certain PACs also provide website information in addition to the above. This information includes:

- ministerial responses to PAC reports (in Queensland, Victoria and the Australian Government)
- general information on committee working practices and procedures (in South Australia, Victoria and the Australian Government)
- guidance on making a submission or appearing before the committee (in a majority of PACs)
- a subscription service to receive email notification of PAC work / reports (in Queensland and Victoria).

In all jurisdictions, there is only limited disclosure of committee governance practices, including for example, committee processes on developing terms of reference, handling dissenting views, etc. It is, however, recognised that PAC practices and procedures are generally detailed elsewhere in Parliamentary Standing Orders or equivalent directives.

A full list of PAC websites is provided at Appendix A.

7.2 The annual report

Seven of the 10 PACs covered in this survey issue separate annual reports. For the remaining three PACs, there is some disclosure of committee activities in the annual report for the relevant Parliamentary department with committee support responsibilities.

Based on a review of the published 2004-05 annual reports, the disclosures included the following (which were common to the seven jurisdictions):

- an overview of PAC functions and membership
- a summary of tabled reports and work in progress
- government responses received to PAC recommendations
- other highlights for the year in review (eg, delegations, conferences)
- members attendance at meetings and hearings
- committee expenses and staffing summaries.

Other annual report disclosures for individual PACs included Auditor-General responses to Parliamentary audit priorities (Australian Government) and work plan targets for the coming year (Victoria).

7.3 Monitoring and reporting of PAC performance

A structured approach to performance assessment is a key principle of good governance. A practice of performance assessment can help in ensuring a PAC delivers on its terms of reference and continues to identify opportunities to improve effectiveness. When surveyed, none of the PACs had received external assistance in reviewing their practices and procedures. However, self-assessment is generally considered to be an effective method of assessment for committees.

As detailed above, seven of the Australian PACs report annually on their activities and achievements in separate annual reports.

The majority of PACs do not, however, disclose quantifiable performance information. An exception to this is the Victorian Public Accounts and Estimates Committee. The committee's annual report includes work plans and performance targets with an assessment of actual achievement against these targets. These targets include key performance indicators such as the percentage of recommendations accepted, the number of reports completed when planned and the number of submissions received.

This report provides a baseline study of current PAC practices in Australia and New Zealand. In researching PACs and similar committees during the study, a number of KPIs were identified with potential relevance to PACs (some of which are already reported by the Victorian Public Accounts and Estimates Committee). Whilst not part of the baseline study, a discussion of these KPIs has been included in Appendix B, including a discussion of both the information that can be conveyed by each KPI and the limitations of such measures when disclosed in isolation.

Appendix A. PACs included in the study

The following PACs have graciously provide time and information in the preparation of this baseline study

<i>Committee</i>	<i>Address</i>	<i>Survey participant</i>	<i>Post-survey interview</i>
ACT – Standing Committee on Public Accounts (PAC)	Legislative Assembly for the Australian Capital Territory Civic Square, London Circuit Canberra ACT 2601 http://www.parliament.act.gov.au/committees/	✓	✓
NSW – Public Accounts Committee (PAC)	Legislative Assembly Parliament House Macquarie Street Sydney NSW 2000 http://www.parliament.nsw.gov.au/publicaccounts	✓	✓
NT – Public Accounts Committee (PAC)	Northern Territory Legislative Assembly GPO Box 3721 Darwin NT 0801 http://www.nt.gov.au/lant/parliament/committees/pac/pac.shtml	✓	
QLD – Public Accounts Committee (PAC)	Queensland Parliament Parliament House Cnr of George and Alice Streets Brisbane QLD 4000 http://www.parliament.qld.gov.au/view/committees/committees.asp	✓	
SA – Economic and Finance Committee (EFC) Statutory Authorities Review Committee (SARC)	Parliament House North Terrace Adelaide SA 5000 http://www.parliament.sa.gov.au/committees/committee.asp	✓	✓
TAS – Public Accounts Committee (PAC)	Parliament House Hobart, Tasmania, 7000 http://www.parliament.tas.gov.au/ctee/pacc.htm	✓	✓
VIC – Public Accounts and Estimates Committee (PAEC)	Public Accounts and Estimates Committee Level 8, 35 Spring Street Melbourne VIC 3000 http://www.parliament.vic.gov.au/paec/	✓	✓
WA – Public Accounts Committee (PAC) Estimates and Financial Operations Committee (EFOC)	Parliament House Harvest Terrace PERTH WA 6000 http://www.parliament.wa.gov.au/web/newwebparl.nsf/iframewebpages/Committees+++Current	✓	✓
AUS – Joint Committee of Public Accounts and Audit (JCPAA)	Joint Committee of Public Accounts and Audit Department of the House of Representatives Parliament House Canberra ACT 2600 http://www.aph.gov.au/house/committee/jpaa/index.htm	✓	✓
NZ – Finance and Expenditure Committee (FEC)	New Zealand House of Representatives Parliament Buildings Wellington New Zealand http://www.clerk.parliament.govt.nz/Programme/Committees/	✓	

Appendix B. Notes on potential PAC KPIs

The following notes provide a sample of potential PAC key performance indicators (KPIs), including a discussion of both the information that can be conveyed by each KPI and the limitations of such measures when disclosed in isolation.

<i>Performance indicator</i>	<i>Information conveyed</i>	<i>Limitations</i>
<ul style="list-style-type: none"> Number and attendance of meetings / hearings 	<p>The number and attendance of PAC meetings provides a measure of workload and commitment, both at the committee level, and for individual members.</p> <p>The number of PAC hearings also provides a measure of PAC workload.</p>	<p>Whilst easily measurable, this indicator is, at best, an accountability measure, especially for individual members. It does not provide a measure of PAC output or effectiveness.</p>
<ul style="list-style-type: none"> Number of reports delivered 	<p>The number of reports delivered provides another measure of PAC workload but also provides a measure of what the PAC delivers.</p>	<p>The number of reports released is not necessarily indicative of the extent of PAC effort required. Rather, this is influenced by the size and complexity of individual inquiries.</p> <p>As noted in Chapter five, there is minimal value in undertaking jurisdictional comparisons of the number of reports. Rather, this indicator provides more value when assessed against plan or against previous years. In itself, the number of reports delivered provides very little, however, the extent to which this changes over time may indicate changes in the mix of PAC focus.</p>
<ul style="list-style-type: none"> Actual work completed (reports issued) compared to plan and budget 	<p>Achievement against plan is a standard measure of operational effectiveness.</p>	<p>As noted in Chapter 6.1, a PAC's ability to forward plan is limited, especially in jurisdictions where the number of referred inquiries is proportionately high.</p>
<ul style="list-style-type: none"> Timeliness of reporting (i.e., elapsed time from terms of reference to issue of report) 	<p>At its simplest, the shorter the duration between an issue occurring and a PAC releasing its recommendations to prevent a reoccurrence, the more likely it is that the PAC's recommendations are relevant and effective.</p>	<p>The duration of individual inquiries is influenced by a number of factors, both within and outside the committee's control. These include the complexity of the inquiry, the availability of witnesses and the parliamentary sitting period and electoral cycle.</p> <p>A more controllable indicator of PAC performance may be the elapsed time between the final PAC hearing and the release of the PAC's report.</p>
<ul style="list-style-type: none"> Percentage of recommendations accepted 	<p>The percentage of recommendations accepted is intended to indicate how effective a PAC is as an instigator of improvement.</p>	<p>As to what is an appropriate percentage target is a matter of contention.</p>

<i>Performance indicator</i>	<i>Information conveyed</i>	<i>Limitations</i>
<ul style="list-style-type: none"> Percentage of recommendations implemented 	Similar to the above indicator – however, the percentage of recommendations implemented is a stronger performance indicator than the percentage of recommendations accepted as it measures action rather than promise.	As discussed in Chapter 6.4.2, it is difficult to measure this indicator. Whilst most PACs have mechanisms in place for receiving and recording government responses, the PAC is generally reliant on follow-up inquiries by the Auditor-General, or the PAC itself, to determine whether and when PAC recommendations have been implemented.
<ul style="list-style-type: none"> Number of Parliamentary referrals 	This number of Parliamentary referrals may provide an indication as to the value ascribed to the committee by the broader Parliament.	The number of Parliamentary referrals may be influenced by a number of factors, including, for example, statutory requirements.
<ul style="list-style-type: none"> Number of repeat findings (eg, Results of Auditor-General follow-up audits; Results of follow-up PAC inquiry). 	Where a PAC or Auditor-General encounters a higher number of repeat findings (i.e., matters which were previously addressed in an earlier PAC inquiry), this may indicate that the recommendations have either not been implemented or, if implemented, have not been applied across government or the public sector.	This is a strong indicator of PAC effectiveness. However, as it generally requires follow-up inquiry, the performance indicator only provides limited and untimely coverage of PAC effectiveness.
<ul style="list-style-type: none"> Amount of measurable savings in public expenditure achieved as a direct result of PAC inquiries 	This indicator is a strong measure of PAC effectiveness, that is, what has the PAC achieved for the government as a whole?	This indicator is very difficult to measure and requires a whole of government approach. It would generally only be used for specific matters of ongoing interest.
<ul style="list-style-type: none"> Awareness of PAC reports (eg: number of references made in Parliament or media; number of website visits; number of downloaded or requested reports). 	This performance indicator is a useful gauge as to whether a PAC's inquiries are covering matters of interest to the broader community.	The extent and importance of public awareness is an arguable measure of PAC performance. An inquiry of less interest within the public domain may be of equal or more importance in terms of public administration and accountability.
<ul style="list-style-type: none"> Number of submissions received on PAC inquiries 	More than the above measure, this performance indicator is a useful gauge as to whether a PAC's inquiries are covering matters which are controversial in the broader community.	As per the above measure.
<ul style="list-style-type: none"> Parliament and public satisfaction with PAC effectiveness 	This measure, usually tracked through feedback or survey, provides an indication of a PAC's perceived effectiveness.	Similarly to the above two measures, stakeholder satisfaction is appreciably subjective. The Auditor-General represents an independent avenue of feedback utilised by a number of Australian and New Zealand PACs.

About us

KPMG's Government practice

KPMG offers a dedicated, multi-disciplinary team of professionals with extensive and practical experience of working with all levels of government. Our people come equipped with a deep understanding of the government sector and its environment, culture, policies and procedures.

Our Government practice has an established track record for helping government departments and agencies identify new and more effective approaches to managing their key issues and challenges. We have played a significant role in assisting agencies at the national and state levels undertake major financial management and human services reforms. We have also been key advisers to the public sector on restructuring the gas, electricity and transport industries.

Our services to government include:

- financial and management accounting services covering accrual accounting and output and outcome-based budget management
- internal audit services
- risk management services including identifying and managing information and business risk
- programme evaluation services
- financial advisory services including public/private partnerships
- general economic and commercial analysis services
- infrastructure reform and associated regulatory advice
- financial analysis and modelling including feasibility studies
- business process improvement services
- taxation compliance services.

Public Sector Governance and Accountability Research Centre

La Trobe University

The Public Sector Governance and Accountability Research Centre (PSGARC) located at La Trobe University's Bundoora Campus is an exciting new concept aimed at improving the capacity of elected representatives to carry out their role of scrutiny of the actions of executive government.

The PSGARC is international in outlook, and is a world first on two levels. Firstly, its primary focus is on legislators, rather than on the bureaucracy. Secondly, it involves both academics and legislators within the Centre so that it can offer 'peer' support to those wishing to use its services. This is because the Centre results from an initiative of legislators themselves.

La Trobe University was approached by the Australasian Council of Public Accounts Committees (ACPAC). ACPAC is an 'umbrella' organisation of Public Accounts Committees (PACs) with membership open to all Australasian Parliamentary PACs, including Australia, New Zealand, Papua New Guinea and Fiji. Associate membership is open to invited public accounts committees outside Australasia. Following the approach from ACPAC, the Council of the university resolved on 7 June 2004, to establish the Research Centre within the Faculty of Law and Management.

The aims of the PSGARC are to:

- conduct and promote research into issues of accountability and governance within the public sector, and especially of the role of Members of Parliament in these issues
- conduct seminars and training workshops for the members and staff of Public Accounts Committees, and especially for those of Australia, New Zealand and the Asia-Pacific region, aimed at promoting practice that contributes to accountability, openness and transparency of governments
- facilitate the study of such issues by staff and postgraduate students at La Trobe University.

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November 2006. VIC10522RAS.