

## **Current models of evaluation within parliamentary and government processes**

The aim of this chapter is to explore the use of evaluation by decision makers in the Commonwealth Parliament and Government. The Committee recognises that all Parliaments have a role in evaluation, but in this report discussion on the parliamentary role is confined to the Commonwealth Parliament. This chapter outlines the stated and perceived functions of relevant parliamentary and government bodies, and postulates functions that will be facilitated by the use of evaluation data, and some functions that may need to be modified to aid evaluation.

### **Role of Parliament in evaluation**

One of the primary functions of Parliament is 'to call to account those who do govern'.<sup>1</sup> Evaluation provides members with the basic data for their endeavours to ensure accountability.

Parliament has a dual role in evaluation. In the larger sense, it evaluates in the construction, amendment and criticism of Bills and budgets, and its developing committee system has undertaken, and is undertaking, evaluation of government activities at all levels. Parliament also has a role in translating evaluations into decisions—for example, in determining, as a result of demonstrated deficiencies or strengths, whether a program should be modified, terminated or boosted. Parliament should play an important part in ensuring that evaluation is conducted adequately. As was noted in Chapter 2 (see page 26), it seems doubtful that public sector programs will be systematically evaluated in the absence of a continuous program of oversight and review by Parliament and some Commonwealth agencies.

Some parliamentary committees are in fact evaluators in specific areas. They have been established for various reasons but principally because Parliament has specific interest in efficiency or effectiveness in particular areas or because the processes of Parliament as a whole can cope with certain functions only by delegating some work to committees. Committees could, given the opportunity and information, be important as program evaluators. In this context, their principal role is in the translation of inputs, including evaluation, into proposals.

Parliament has a fairly extensive system of committees. Some with interests in the health and welfare fields are:

1. House of Representatives Standing Committee on Expenditure
2. Joint Committee of Public Accounts
3. Parliamentary Standing Committee on Public Works
4. Senate Legislative and General Purpose Standing Committees:
  - (a) Standing Committee on Finance and Government Operations
  - (b) Standing Committee on Social Welfare
5. Senate Estimates Committees
6. House of Representatives Standing Committee on Aboriginal Affairs

The following sections note the stated powers and functions of each Committee, as well as each Committee's view of its own role. An assessment of the possibilities for evaluation within the work of each Committee is made also.

### *House of Representatives Standing Committee on Expenditure*

Paragraph 1 of the resolution of appointment of this Committee states:

That a Standing Committee be appointed to:

- (a) consider any papers on public expenditure presented to this House and such of the estimates as it sees fit to examine;
- (b) consider how, if at all, policies implied in the figures of expenditure and in the estimates may be carried out more economically;
- (c) examine the relationship between the costs and benefits of implementing government programs;
- (d) inquire into and report on any question in connection with public expenditure which is referred to it by this House.<sup>2</sup>

We note the emphasis placed on efficiency.

Established in April 1976, the Committee, in a report presented in October 1977, outlined what it saw as its functions:

After more than a year's experience it is possible to distinguish three broad types of functions, namely:

- examination and evaluation of the processes used in the planning, management and control of expenditure
- evaluation of programs to find out, among other things, whether there are alternative ways of attaining policy objectives more efficiently or at lower cost
- examination of programs and activities to find out if they are being administered with economy and efficiency.<sup>3</sup>

We have been informed that the work of the Standing Committee on Expenditure 'to date has been concerned more with evaluation of programs than examination of economy and efficiency or scrutiny of overall management and control of expenditure'.<sup>4</sup> Evaluation reports of the programs it has to examine would give it much of the information needed in its inquiries.

### *Joint Committee of Public Accounts*

The functions of the Joint Committee of Public Accounts are stated in section 8 of the *Public Accounts Committee Act 1951*:

The duties of the Committee are—

- (a) to examine the accounts of the receipts and expenditure of the Commonwealth and each statement and report transmitted to the Houses of the Parliament by the Auditor-General in pursuance of sub-section (1) of section fifty-three of the *Audit Act 1901–1950*;
- (b) to report to both Houses of the Parliament, with such comment as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Parliament should be directed;
- (c) to report to both Houses of the Parliament any alteration which the Committee thinks desirable in the form of the public accounts or in the method of keeping them, or in the mode of receipt, control, issue or payment of public moneys; and
- (d) to inquire into any question in connexion with the public accounts which is referred to it by either House of the Parliament, and to report to that House upon that question, and include such other duties as are assigned to the Committee by Joint Standing Orders approved by both Houses of the Parliament.

The Committee itself believes that its functions go beyond examining the accounts of departments. Mr R. Cleaver, a former Chairman, saw the role of the Committee as being primarily in the area of efficiency audit. In 1964 he said:

The Public Accounts Committee really operates in the field of an efficiency audit which means that it asks departmental officers appearing before it very much more difficult questions than it would if it confined itself solely to the accounts and Votes of the departments.<sup>5</sup>

The Auditor-General is now also taking on an efficiency audit role (see page 42). Though the Public Accounts Committee plays a valid watchdog role, its membership and staff resources do not allow it to carry out systematic evaluation in other than restricted areas of government administration. However, given that certain evaluation procedures were to be mandatory, the Committee would be important in ensuring that those procedures were carried out.

### *Parliamentary Standing Committee on Public Works*

The functions of the Public Works Committee are stated in section 17 of the *Public Works Committee Act 1969*:

- (1.) The Committee shall, as expeditiously as is practicable—
  - (a) consider each public work that is referred to it in accordance with this Act; and
  - (b) make a report to both Houses of the Parliament concerning the expedience of carrying out the work and concerning any other matters related to the work in respect of which the Committee thinks it desirable that the views of the Committee should be reported to those Houses,

and, for those purposes, shall do such things and make such inquiries as it thinks necessary.

(2.) The Committee may, in its report on a public work, recommend any alterations to the proposals for the work that, in its opinion, are necessary or desirable to ensure that the most effective use is made of the moneys to be expended on the work.

- (3.) In considering and reporting on a public work, the Committee shall have regard to—
  - (a) the stated purpose of the work and its suitability for that purpose;
  - (b) the necessity for, or the advisability of, carrying out the work;
  - (c) the most effective use that can be made, in the carrying out of the work, of the moneys to be expended on the work;
  - (d) where the work purports to be of a revenue-producing character, the amount of revenue that it may reasonably be expected to produce; and
  - (e) the present and prospective public value of the work.

The provisions contained in paragraphs (a), (b) and (c) of sub-section (3.) are notable for their relevance and specific application to evaluation.

In a letter to our Committee, the Chairman of the Public Works Committee stated that 'the basic rationale behind our inquiries is for the Committee to be satisfied that there is a need for a particular proposal to proceed'.<sup>6</sup> The examination of evaluation reports would enable the Public Works Committee to have the benefit of an objective process for the assessment of need in determining the adequacy of existing facilities and, therefore, the utility of a new works project. A more objective assessment of whether the proposed project was the most appropriate means of satisfying the need would thus be possible.

### *Senate Legislative and General Purpose Standing Committees*

The powers of all Senate Legislative and General Purpose Standing Committees are set out in paragraph (2.) of Senate Standing Order 36AA:

The Standing Committees appointed pursuant to paragraph (1.) shall be empowered to inquire into and report upon such matters as are referred to them by the Senate, including any Bills, Estimates or Statements of Expenditure, messages, petitions, inquiries or papers . . .

This means that, with the Senate's concurrence, and given adequate resources, committees could evaluate services or examine health and welfare evaluation reports and make recommendations thereon. Indeed, by reference from the Senate, committees have from time to time been required to evaluate various services including, for example, repatriation and the Australian Trade Commissioner Service. Two committees are particularly relevant to health and welfare services: the Standing Committee on Finance and Government Operations and the Standing Committee on Social Welfare.

#### SENATE STANDING COMMITTEE ON FINANCE AND GOVERNMENT OPERATIONS

The Senate Standing Committee on Finance and Government Operations outlined its perception of its role in a progress report presented on 14 September 1977:

We see great responsibility on this Committee to enhance the scrutiny by the Senate of public expenditure. In this context we envisage scrutiny of the reasons and methods of expenditure as well as the amount.<sup>7</sup>

If it is the intention of the Committee to scrutinise all public expenditure rather than just selected parts, it will inevitably involve itself in health and welfare matters. Evaluation reports would provide basic data for this function.

#### SENATE STANDING COMMITTEE ON SOCIAL WELFARE

This Committee believes that, as part of its oversight of health and welfare matters referred to it by the Senate from time to time, it has a potential role to play in the examination of health and welfare evaluation reports and in ensuring that adequate evaluations are carried out. Most program evaluations require substantial resources and expertise. They are therefore more properly carried out by the Administration itself or by appropriate consultants. This Committee's proper role is, rather, to encourage the performance of effective evaluation and the exploration and understanding of the implications of such activity.

#### *Senate Estimates Committees*

Under the provisions of Senate Standing Order 36AB, Estimates Committees—at present six in number unless otherwise ordered—are appointed at the commencement of each Parliament to consider the annual Estimates and the Additional Estimates. The annual Estimates and the Additional Estimates are then referred to these Committees by resolution of the Senate at the appropriate time. It is customary on each occasion for the resolution to fix a date by which the reports must be presented.<sup>8</sup> If adequate staff were provided for these Committees, they could have a definite role in examining evaluation studies and questioning departments about expenditure on programs, or parts of programs, in the light of the information provided by such studies. This would increase the influence of Estimates Committees enormously and would encourage the Executive and departmental officials to adopt evaluation as part of their decision-making processes.

However, efficiency of these Committees is limited at present by the rigid form of the Estimates. (See pages 43 to 46 for a more complete discussion on budget preparation as an evaluation mechanism.)

#### *House of Representatives Standing Committee on Aboriginal Affairs*

This Committee is appointed to inquire into, take evidence and report on:

- (a) the present circumstances of Aboriginal and Torres Strait Island people and the effect of policies and programs on them, and

- (b) such other matters relating to the Aboriginal and Torres Strait Island people as are referred to it by—
  - (i) resolution of the House, or
  - (ii) the Minister for Aboriginal Affairs.<sup>9</sup>

The Committee has presented reports on a number of matters, including conditions of the Yirrkala people, the Special Work Projects Scheme to provide employment and on-the-job training for Aboriginals, and alcohol problems of Aboriginals.<sup>10</sup> In the main, its reports have assessed needs, though the second report cited is in fact an evaluation.

### **Evaluation in the legislative process**

The examination of Bills in Parliament itself involves the use of evaluative data and, indeed, may of itself be an evaluation process. The introduction of a Bill into Parliament ostensibly denotes an action with an objective based on some assessment of needs, and may have been preceded by a course of action which has been the subject of an evaluation. Members are then required to convert evaluative data and reports into decisions.

However, at present, members often have to rely on insufficient and inadequate information produced by the Administration or on information hurriedly prepared by a research assistant or the Parliamentary Library. Furthermore, whatever evaluation is undertaken in Parliament ends when a measure is passed. Existing legislation is not normally subjected to ongoing parliamentary scrutiny, though an Act may undergo further evaluation if it has specific provisions requiring periodic amendment—for example, when the amount of a levy or subvention prescribed in that Act is to be changed—or if amendments for other purposes are being considered.

### *Sunset legislation*

Sunset legislation is a relatively new reform being developed in the United States of America. It is designed to increase the level of legislative control of public sector activities. Basically, the sunset concept is that agencies and programs periodically terminate and resume only after an evaluation and a legislative vote to re-establish them.

This can be brought about in two ways. Firstly, all new legislation establishing a program may stipulate a termination date (hence 'sunset') which will take effect unless the legislature takes positive action to continue the program. Secondly, an amending Act may specify a termination date, or various termination dates, for previously established programs authorised by a principal Act.

To date, proposals have involved reviewing programs every five to ten years. Consideration is given to the proper balance in the intervals between reviews to ensure that they are neither too short for a review to be effective nor so long as to allow problems to become entrenched. One criticism has been that program managers will spend their pre-review year justifying their performance or even artificially bolstering it.

At the end of 1978, some twenty-seven States had adopted some form of sunset legislation<sup>11</sup> and President Carter was supporting a draft Bill approved by the United States Senate in 1977 which sought to limit the life of most federal programs to five years, subject to review by House of Representatives and Senate committees which would be able to recommend reconstitution.<sup>12</sup> This Bill also provided for zero-base budgeting arrangements.

The review processes available to the congressional committees under the terms of the Bill are described as follows:

- The bill groups all federal programs by function and, with limited exemptions, sets a phased five-year schedule for the review of each function. For example, the functions included in the first year's review are national defense, recreational resources, farm income stabilization, disaster relief and insurance, health research and education and veterans housing.
- New budget authority for programs scheduled for review in a particular year would not be permitted until the House and Senate committees with legislative jurisdiction over the programs conduct their sunset review, or, in the language of the bill, a "*systematic evaluation . . . to determine if the merits of the program justify its continuation rather than termination*" or *its continuation at a different spending level. The review would include an assessment of whether the original program objectives have been achieved* [our italics]. If the House or Senate were unhappy with the thoroughness of a committee's review, it could reject the recommendation and send it back for more study.
- Before new budget authority could be granted, the authorizing committees would have to report to Congress on their reviews, including assessments of the consequences of eliminating programs or consolidating them with other programs and projections of the anticipated needs of the programs and when they might fulfill their objectives.
- If a program has not been reauthorized by the scheduled time, one-fifth of the Members of either chamber could file a bill that would receive expedited consideration to keep the program alive for one year. According to a Muskie aide, an extension resolution could be passed in subsequent years, but, as a practical matter, a program probably would not be extended indefinitely under this procedure. "From a practical standpoint, if the sunset review cannot pass in a year or two, that probably would mean there is not enough congressional or public support for the program," said James H. Davidson, counsel to the Senate Governmental Affairs Subcommittee on Intergovernmental Relations.<sup>13</sup>

The concept of sunset legislation has its basis in the same factors that have given rise to our report, namely the problems of regulatory failure and the inadequacy of legislative oversight caused by the increasing complexity of government (see Chapter 1). The practice of incremental budgeting—that is, examining only additions to the previous year's budget rather than the entire budget for each program—is often cited as a major reason for the adoption of sunset legislation. Further, by shifting the burden of proof from those who would terminate a program to those who would continue it, the advocates of sunset legislation hope to provide greater incentive for improved performance by individual programs.

Some sunset laws, such as the United States draft Bill discussed above, provide for programs with similar purposes to terminate at the same time. This requirement facilitates examination of the questions of goal duplication and of conflicting or contradictory goals. Sunset legislation need not be a case of 'to be, or not to be'. The process could end with a whole series of recommendations, ranging from 'improve please' to 'amalgamate or transfer functions' to 'abolish'.

Sunset legislation has also had some useful side effects such as revealing additional budgetary information. In Alabama, for example, US\$30 000 per annum was being spent on the development of a river bordering on Alabama, Florida and Georgia. A sunset review revealed that Georgia was not financing the development at all and Florida was spending money to stop it.<sup>14</sup>

In practice, sunset legislation has not, as yet, shown itself to be a potent legislative tool. In Colorado, in the first operative year of the statute, thirteen agencies were liable to be terminated unless they were saved by the legislature. Three boards regulating boxing, sanitariums and shorthand reporters were eliminated and agencies licensing barbers and beauticians were combined. Decisions on the most powerful agencies up for review were delayed for a year because lawmakers said they did not have time to study them fully.<sup>15</sup>

These events illustrate one of the major problems with sunset legislation: far from decreasing legislative and administrative workloads, it actually increases the number of decisions to be made. United States experience is particularly germane in this regard, as the responsibilities for review rest largely with extensively developed committee systems which are liberally staffed and powerful. Senator Harrison A. Williams has estimated that staff requirements for the full implementation of the review responsibilities of his Labor and Public Welfare Committee would cost an additional US\$1 million annually.<sup>16</sup>

Sunset legislation, therefore, costs money, and may be cost ineffective if implemented indiscriminately. Colorado, for example, found that the review of the first thirteen agencies cost some \$212 000—almost twenty times the \$11 000 saving achieved by approved cutbacks.<sup>17</sup> While cost cutting could be a worthwhile spin-off, sunset legislation per se is not a cost-cutting measure. It is a device designed to make government more efficient and accountable to the legislature. United States experience has shown that very few bureaucracies have, within themselves, the staff resources to enable them to prepare meaningful evaluation.

For sunset legislation to work, substantial changes in the priorities of legislators are required. Much time and effort will be involved in absorbing and understanding the contents of evaluative reports. It has been suggested that, to overcome this problem, legislators should make some kind of choice as to which programs should be examined in detail. This approach, however, would rob sunset legislation of one of its strongest features: its essential neutrality, accompanied by greater freedom from the politicking that would be involved in choosing some agencies or services and not others.

There has been similar criticism of a further suggestion made to avoid an immediate overload of bureaucratic and legislative resources. Since there may be a necessary learning process for both bureaucrats and legislators involved in the implementation of sunset legislation, some of the proponents have suggested that the sunset mechanism be phased in over several years. Such flexibility for the relief of workload is, however, open to manipulation—for example, by those who might use it to further a particular ideological stance.

Sunset legislation could also lose its credibility should it prove to be no more than another process sanctioning the status quo. Unless there is modified or terminated at least one program with a clientele that is strong politically, numerically or by reason of its security and permanence, it will soon seem to all that only vulnerable or inconsequential programs are likely to be threatened.

Sunset legislation cannot be a simple 'live-or-die' process. For example, neither the age pension nor quarantine procedures can really be threatened with termination, but the enabling legislation for each can be modified to take account of changes in need and of demonstrated inadequacies or loopholes. Sunset legislation must not be allowed to become just another paper requirement for bureaucracies. Its effectiveness hinges on the application of vigorous, appropriate evaluation. A number of objections to sunset legislation have been raised. While they do not detract from its usefulness, they do raise a number of issues that have to be taken into account in the implementation of sunset provisions.

Charges and criticisms that have been made include the following, which were made by Alan Rosenthal, of Rutgers University, at a sunset law conference in the United States in April 1977:

Sunset, Rosenthal charged, ignores recent advances in program evaluation by state legislatures, and instead substitutes a 'black-and-white, live-or-die, justify-your-damned-existence' approach.

'Not all programs or agencies need review, especially on a set schedule. Why review an agency if it's working okay? Legislators should choose—exercise judgment and discretion,' Rosenthal said.

'Bureaucracies will become disillusioned by the amount of paperwork engendered,' Rosenthal charged. 'Sunset will prove to be little more than a symbolic gesture to the public, reassuring them the legislature is at work even if it isn't. When the initial glow of congratulation wears off, the scene will be covered with litter—data and paper piled on high.'

The easiest alternatives to sunset, Rosenthal said, are to strengthen current legislative oversight and 'not to enact unneeded new programs'.<sup>18</sup>

Though evaluation may provide the rationale for termination, and sunset legislation the opportunity, termination may be difficult to achieve. Each program has its own body of support, and the general desire for more efficient, accountable government which gives rise to sunset legislation is likely to falter when a specific program is in question. A particularly apt Australian example of the faltering of this desire was the unsuccessful attempt—not in itself a sunset proposal—in 1976 to terminate the funeral benefit.

There is some precedent for sunset-type provisions in Australian Federal legislation. For example, the Darwin Reconstruction Act 1975, which provided for the establishment of the Darwin Reconstruction Commission, provided also that the Commission wind up its affairs after five years. In fact, the Commission was wound up by proclamation on 31 December 1977.

The Senate Standing Committee on Finance and Government Operations has said that it may in future recommend that an authority automatically terminate after a period unless specific reauthorising legislation is enacted. That Committee has also urged that the sunset concept become an integral feature of the creation of new authorities.<sup>19</sup>

Finally, the impediments to general evaluation apply equally to sunset legislation. Principally, these are lack of clear program objectives; of effective determination of need; of data; of evaluative skills; and of adequate tools for judging, say, the effect of a new health regulation on morbidity.

However, in summary, one can draw some conclusions from the foregoing pages. Sunset legislation could be one means of facilitating the use of evaluation in the decision-making processes of the legislature. Sunset legislation could provide a real incentive for program managers to examine their programs and for legislators to become fully involved in a process that is central to efficient, effective and accountable government. Care would be needed to ensure that an inordinate amount of time was not absorbed in the legislative process. The very real advantage of sunset legislation, however, is that legislators will at regular intervals become involved with the efficacy of programs.

### **Future use of evaluation in Parliament**

The parliamentary committee system and the legislative process itself have positive roles to play in facilitating adequate evaluation and scrutinising reports on the evaluation of health and welfare services. They must also translate the flow of data into decisions. At present, there is little systematic work done in the area by the Parliament or its committees.

Writing about parliamentary oversight of public sector expenditure, Paul F. Gross stated that, to mid 1978, there had been very little attempt to review major public health and welfare programs, to follow up past costly evaluations or inquiries, to identify the adequacy of the different types of evaluation in use by governments or to identify the evaluation capacities that Parliament may need to ensure accountability.



Preliminary studies by the Social Welfare Policy Secretariat have identified at least ninety programs providing income benefits or subsidies, nearly seventy service programs offering benefits in kind, by way of health, housing, food and community services, and nearly thirty programs that enhance economic opportunity by means of education and training.<sup>20</sup>

Because of the substantial amount of work involved in ensuring adequate oversight of government programs, it will be necessary for Parliament to make a definite commitment and to ensure that adequate evaluation is carried out and that the results are integrated with the decision-making process. It will not be sufficient for Parliament or its committees to review a few selected programs on an ad hoc basis. At the same time, neither Parliament nor its committees would have time or resources to undertake evaluation studies themselves. Evaluation must be an administrative responsibility. However, all reports on evaluation studies should be tabled and printed as parliamentary papers and be referred to appropriate committees of both Houses for consideration. The committees would then be able to examine them and report back, making such recommendations as they might see fit. The additional workload might well require a review of committee resources.

In the final analysis, Parliament must examine its own procedures to ascertain whether they need to be changed or extended to facilitate the use of evaluation reports.

### **Centralised control and evaluation in the Commonwealth Public Service**

The Department of the Treasury, the Department of Finance, the Department of the Prime Minister and Cabinet, the Public Service Board and the Auditor-General all have roles in centralised control and evaluation in the Commonwealth Public Service. The Social Welfare Policy Secretariat is a new body whose work could have a significant evaluation component.

#### *Department of the Treasury and Department of Finance*

The Treasury advises the Government in the areas of economic, fiscal and monetary policy. Within this broad role, it undertakes:

- a continuous assessment of current and future economic conditions and provides advice on appropriate policies including:

- budgetary policy—matters relating to expenditure, revenue and deficit/surplus and means of achieving overall budgetary objectives;

- monetary policy—matters relating to the control of the money supply, official interest rates etc;

- taxation policy—matters relating to the structure and level of taxation in relation both to budgetary needs and general economic effects;

- incomes and prices matters—providing advice on trends in income and price levels and on wages policy; and

- matters relating to economic development, growth and resource allocation and policies towards industry.<sup>21</sup>

This charter clearly gives Treasury a prominent role in central economic planning and evaluation. This role requires that it possess an understanding of the goals that governments wish to achieve, including health and welfare goals.<sup>22</sup> Clearly, this function and Treasury's historical role involve it to some degree in planning and evaluation at the service level, including giving advice as to appropriateness or effectiveness of individual programs, though this is nominally more the role of the Department of Finance. In this context, the following passages from evidence given to the House of

Representatives Standing Committee on Expenditure on behalf of Treasury are of interest:

**Mr HURFORD**—Who would make the decision that it is a joint responsibility? Suppose, for instance, it first came under notice to you that Finance should be involved, or it first came under notice to Finance that you should be involved. What are the processes?

**Sir Frederick Wheeler**—Common sense—I am not meaning to be flippant as I say that. We have not endeavoured to draw up a rule book which lays down what is of interest to Finance, what is of interest to Treasury, which is the primary interest, which is the minor interest. We just do not operate by a rule book.<sup>23</sup>

**Mr HURFORD**—Would you yourselves stimulate any questioning of the existence of some programs? Only in an informal way you might raise the question in the Treasurer's mind and then the rest of the running would have to be in his hands. Is that so?

**Sir Frederick Wheeler**—Both in the pre-split and in the post-split situation, if we feel that there is a question mark on a program which ought to receive ministerial attention, we do raise it, and of course so does Finance in particular raise it. Now what happens thereafter depends on what the Treasurer thinks and decides after he has considered the points put to him. If he decides the queries are worth sending on to Cabinet, well then he sends them on to Cabinet in the form of a Cabinet submission.<sup>24</sup>

While it may be a secondary role, this must involve Treasury in questions of need. Treasury—quite erroneously, in the Committee's view—saw this as being almost solely a political matter<sup>25</sup>, with perhaps some technical data input.<sup>26</sup> To the greatest extent possible, need should be measured objectively (see Chapter 4). The Committee is concerned that, because of a lack of statements of need (see page 56), Treasury is forced to make subjective recommendations to governments. Recommendations on program funding must have better bases than accumulated experience and subjective judgment.

The broad functions of the Department of Finance are stated in these terms:

The Department of Finance examines, reviews and evaluates governmental expenditure proposals and programs and collects and analyses forward estimates of expenditure and administers the Public Account.<sup>27</sup>

This Department certainly has a role in the evaluation and planning of health and welfare services. That role, of necessity, requires mainly a broad-brush approach, as the vast range of government expenditure virtually precludes detailed evaluations. When the Department does on occasion become involved in detailed evaluations, these are ad hoc.<sup>28</sup>

The broad-brush, ad hoc approach gives the Committee cause for concern, particularly because the bases necessary for proper and effective evaluation require definition and measurement, and goal statements are generally obtuse, unreliable or non-existent.<sup>29</sup> A lack of reliable parameters and resources for evaluation appears to force a process that is ad hoc in the sense that only programs facing a political or financial crisis are evaluated, and broad-brush in that the central departments such as Finance and Treasury are forced to make arbitrary value judgments based largely on information from numerous departments. The Committee notes that a large part of the information comes from those under scrutiny. There is some need to examine this situation.

Neither Department possesses the necessary resources or the will to send officers into departments to gather detailed data and undertake a precise evaluation. Both are forced to rely on whatever information other departments possess and see fit to pass on to them. The position of the Department of Finance is indicated in the following passage from evidence given by Mr R. W. Cole, its then Secretary:

**CHAIRMAN**— . . . . In fact you are a client for the information which other departments possess.

**Mr Cole**—Yes.

**CHAIRMAN**—The question then comes back to your perception of the quality of information which other departments possess.

**Mr Cole**—Frequently in these two areas and others there is not the ideal amount of information on which to base a decision. Probably that is more the case in these areas than most others. We have to do the best we can with what we have, but in many of these areas information is very hard to come by.<sup>30</sup>

In making bids for finance, departments rely on parliamentary, ministerial or administrative initiatives in setting objectives and standards. As a result, the quality of information going to central departments is poor and gives rise to hurried de facto or tacit evaluations.

### *Department of the Prime Minister and Cabinet*

The functions of the Department of the Prime Minister and Cabinet are stated in these terms:

Policy advising for the Prime Minister; secretariat services to Cabinet and its Committees; co-ordination of government administration; policy and program development and evaluation; relations and communications with the State Governments; Government ceremonial and hospitality.<sup>31</sup>

The evaluation role is new and is still being developed, and as yet has no clear definition. While the Department has stated that it does not intend to carry out evaluation itself<sup>32</sup>, there were, on the other hand, in late 1978, some indications that it will at least take a very central role in the selection of programs to be evaluated, as well as in the evaluations.

It must be noted that this is a very important Department in a position of great power. It has built up an extensive organisation to provide advice to the Prime Minister on budget proposals, program changes, new programs and a whole range of other activities. In the absence of clear definitions of goals, need and standards, and without program evaluation, that advice depends on a number of undefined value positions and tacit evaluations.

### *Public Service Board*

The Public Service Board's role is stated as follows:

As the central personnel authority for the Australian Public Service, the Public Service Board is responsible for ensuring the development of broadly common standards of pay, job classification, organisation, recruitment, staffing and terms and conditions of employment in the Service, and for devising means of effecting economies and promoting efficiency in the management and working of departments.<sup>33</sup>

While the Board may not have specific responsibility for evaluating individual programs, it does have a vital structural and procedural role to play. However, the Board, because of its functions in relation to efficiency and economy, tends to concentrate on staffing structures, classifications and job qualifications, though the provision of staff from what may be regarded as a fixed pool implies evaluation of performance.

The Board is involved in a very important part of the evaluation process, but it, like Treasury and the Department of Finance, relies heavily on departmental, ministerial and parliamentary initiatives for the provision of data, operational objectives and evaluation standards. Nevertheless, the Board appears to be moving in a very useful direction with its present emphasis on defining programs for forward staff estimates.

### *Auditor-General*

The Auditor-General is required by law to:

- (a) certify that amounts notified to him on instruments signed by the Minister for Finance are lawfully available for expenditure. When executed by the Governor-General such instruments, known as Governor-General's Warrants, become the authority to draw the amounts so notified from the Commonwealth Public Account;
- (b) examine the books and accounts relating to the collection and expenditure of the public moneys of the Commonwealth and to the custody and control of public stores;
- (c) deal, in the manner provided by the Act, with any irregularities that he may discover; and
- (d) report to the Parliament on the Minister for Finance's Statement of Receipts and Expenditure and on such other matters as he thinks desirable.<sup>34</sup>

The Auditor-General, therefore, has a very specific role in the evaluation of the efficiency of public organisations. The *Audit Amendment Act 1979*, which came into operation on 7 March 1979, also empowers him to undertake efficiency audits. A representative of the Auditor-General's Office indicated the approach that will be adopted:

#### Efficiency Audit Approach

Efficiency may be regarded as occupying the centre of a spectrum bounded at the 'upper' or strategic level by what is termed 'effectiveness', which is a measure, not always quantifiable, of how closely government objectives are being achieved and at the 'lower' or transaction level by compliance which is essentially concerned with the administration of funds appropriated or collected by the Government and its agencies.<sup>35</sup>

This new power could lead to a true evaluation function. However, it, too, would appear to rely on certain departmental, ministerial or parliamentary objectives. Its efficacy will have to be examined after the two-year trial period proposed.

### *Social Welfare Policy Secretariat*

On 19 December 1977, the Prime Minister announced the establishment of the Social Welfare Policy Secretariat, which is to work through a committee of Permanent Heads to the Social Welfare Policy Committee of Cabinet. The Permanent Heads Committee on Social Welfare, to which the Secretariat reports, is composed of the Permanent Heads of the Departments of the Prime Minister and Cabinet, Finance, Health, and Social Security.

The Secretariat is responsible to the Permanent Heads Committee for the provision of advice on, and the integrated development of plans, policies and programs in the broad fields of health and welfare. It will:

- Provide, or ensure the provision of support to the Social Welfare Policy Committee of Cabinet on matters in the broad field of health and welfare.
- Assist the Permanent Heads Committee on Social Welfare to carry out its functions, including those of any sub-committee it might establish.
- Ensure the co-ordinated development and review of health and welfare policy and ensure that appropriate research activities are directed to these ends.<sup>36</sup>

The practical requirements of these functions are still being assessed. However, there is a danger that the capacity of the Secretariat to deal with matters of substance could be reduced by the referral of trivial issues for its attention.

The Secretariat could have any number of important roles with regard to evaluation. Some of the possibilities suggest themselves as having high priority. For example, the Secretariat could:

1. assess the usefulness of our report for development of the evaluation function;

2. act as a consultant on evaluation procedures;
3. play an active role in delineating the policy implications of evaluation reports.

*Government budget process as an evaluation mechanism*

Such evaluation as is carried out at present is largely based on the need for continued funding. This is true for both government and non-government sectors. Central to this is the process surrounding the construction and negotiation of the annual budget. Neither the Federal budget nor the budgets of State governments, however, appear to be appropriate vehicles for evaluation. Indeed, they may require changes to facilitate evaluation exercises which are carried out separately from the budget process.

A budget is a developed response to the historical role of stewardship, and is designed to guard against careless, ill-informed or malevolent administrators. In the last forty years, budgets have also become major tools of economic policy. The primary developments in budget processes and presentation are those that have dealt with the macro-economic functions of budgets.

CENTRAL PROBLEMS

The Commonwealth budget is at present not a managers' budget: it is not geared for decision making at lower levels of planning. It is this aspect of the budget that concerns the Committee.

The budget, in its present form, cannot be an evaluation tool. While centralised evaluations can be carried out, on budgetary pretexts, by the Department of Finance and the Department of the Prime Minister and Cabinet, the limited resources of these Departments prevent systematic, continuing evaluations. The budget is brought down in a rigid line format which, while adequately identifying expenditure on items such as wages, stationery etc., does not allow an accurate assessment of the costs of particular programs or goal-attaining activities.

In Australia, the budget process is incremental; that is to say, the budget makers base their decisions about funding largely on criteria derived from previous levels of expenditure. Approximately 95 per cent of spending each year is related to existing programs.<sup>37</sup> As one writer has stated:

Because most of the budget is a product of previous decisions, the largest determining factor of the size and content of this year's budget is last year's budget. The budget is thus like an iceberg: By far the largest part of it is below the surface, outside the control of anyone. Long-ranging commitments have been made; this year's share is included as part of the annual budget. There are mandatory programs, such as veterans' pensions, whose expenses must be met. Powerful political support makes the inclusion of other activities inevitable. Budgeting, therefore, is incremental, not comprehensive . . . [Those] who make the budget are concerned with relatively small increments to an existing base.<sup>38</sup>

This situation has a number of implications:

1. Previous levels of expenditure are mostly taken for granted.
2. As budget preparation is carried out by large numbers of people and organisations possessed of incomplete information and drawn together by a central financial authority, it is a highly approximate activity, and an error of only 1 per cent represents, in the Commonwealth budget, for example, more than \$200m.
3. Official budgeting is an activity in which decisions are largely fair and appropriate rather than optimal.<sup>39</sup>

No country has yet moved far beyond incrementalism<sup>40</sup>, but the possibility of doing so is a challenge that needs to be taken up.

One new element that has been added to assist in planning is the forward estimate. It has, however, been described as a 'departmental wishing list'<sup>41</sup> and is consequently of little relevance to succeeding budgets.

#### SOME ATTEMPTED SOLUTIONS

Following the presentation of a White Paper in 1970, the British Government set up a system within the Civil Service, based on the Public Expenditure Review Committee and the Central Policy Review Staff, to undertake analysis and review of nominated programs. Under this scheme, the British Treasury tries to get departments to nominate selected programs for review. It aims at getting departments thinking about goals, origins and cost of policies. At present, the scheme is only a limited attempt to analyse some substantial expenditure 'just to see what happens'. As yet, it appears to have made no contribution to policy making.<sup>42</sup>

This approach formed the basis of the recommendations made by the Royal Commission on Australian Government Administration for the assumption of program review functions by the Department of the Prime Minister and Cabinet.<sup>43</sup> Though this development is useful, unless that Department is given extremely large resources its role can be only superficial or fragmentary.

Another approach uses zero base budgeting (ZBB). This is a managerial technique which requires that each agency or department justify every dollar of the budget allocation it seeks, as opposed to the incremental technique. One writer has described it in these terms:

ZBB focuses its activities on answering two basic questions (Phyrr [sic], 1977, p. 1): (a) Are the current activities efficient and effective? and (b) Should current activities be eliminated or reduced to fund higher priority new programs or to reduce the current budget?<sup>44</sup>

ZBB requires that each agency evaluate and review all programs and activities through four basic steps:

1. identification of decision packages, with defined objectives;
2. analysis of decision packages to allow ranking and evaluation by the establishment of a minimum budget level with possible add-ons to improve performance;
3. ranking of priorities for programs, their add-ons and alternative programs;
4. preparation of a detailed operating budget.<sup>45</sup>

The purpose is to allow for the elimination of low priority programs, for the shifting of resources to provide increased funding for high impact programs, and for the assessment of the benefits to be derived by retaining programs.<sup>46</sup> By analysing what would happen if programs were reduced to bare bones levels, these procedures provide opportunities for efficiency and effectiveness to be improved.

ZBB provides improved management information. Further, because it involves staff at the lowest levels, it gives employees a sense of participation in the budgetary process.<sup>47</sup> However, this Committee is not convinced that employees will have a significant role. ZBB has, on the other hand, raised problems of its own:

1. It requires much time, money and paperwork—too much, some contend.
2. Particularly in large organisations with disparate segments, the normal budget review process can entail thousands of decision packages. It is precisely for the reduction of the immense task of making so many decisions that the incremental budgeting method is used.

3. Data collection within an organisation may have to be modified to ensure collection in the appropriate decision package format.
4. The decision package ranking approach may become ineffective if the decision packages themselves have to be altered as funding levels change.<sup>48</sup>
5. Major efforts are required to educate lawmakers and bureaucrats in the technique.
6. Decision packages can be padded in anticipation of cuts.
7. Historical cost and performance data which are needed for decision packages are often not available.
8. Ranking can be manipulated by placing popular items lower than items less likely to receive funding.<sup>49</sup>

The whole concept has been criticised as the introduction of another technique to replace management by objectives, which had replaced the planning-programming-budgeting approach. The latest concept is alleged to differ only in degree from both its predecessors.<sup>50</sup>

The adoption of zero base budgeting is dependent on:

- (a) development of and adherence to a set of objectives for use in decision making;
- (b) the ability to develop meaningful objective criteria to incorporate in decision packages;
- (c) the collection of appropriate data; and
- (d) the ability to train administrators to think in non-traditional ways so that they will use the collected data to develop these packages.<sup>51</sup>

If these conditions are not fulfilled, ZBB will fail and thereby create more problems than exist with traditional budgeting, for ZBB is, at least in the short term, a cost-creating activity. Therefore, its implications should be fully explored before it is adopted.

ZBB does, however, provide opportunities for the decision-making process to offer for consideration alternatives and their implications; it also ensures that decision making is a more open and visible process. The need to present decision packages would ensure more evaluation than is carried out at present.

The Senate Estimates Committees are limited by the rigid form of the Estimates. Proposed expenditures are presented in a manner that takes little account of program costs and provides no specific information about the cost of a particular program. Program costs can be spread across a large number of line items with no information provided to show what fraction of the line item should be attributed to a particular program. It may even be impossible to tell how many line items are relevant to a particular program.

The form of the Estimates must be recast or extended so as to make clear what is spent to attain a particular goal. The cost of specific programs must be clearly stated in a form that shows current and capital costs and apportions on an appropriate basis costs such as rent and salaries.

Though the current form of the Commonwealth budget does not allow individual programs to be distinguished, it now appears that the program concept is to be used increasingly. Evaluation presupposes the recognition of discrete activities aimed at achieving a stated goal. Indeed, much of our report rests on the program concept. A program-based budget is more concerned with outputs than is a line-based budget. The Public Service Board, in its manpower estimations, already uses the program concept.

While we do not suggest that an entirely new budget framework be adopted, it is clear that, if the efficacy of government activities is to be established, the concept of goal-attaining program activity needs to be clarified and made part of the budgetary process. This step would also substantially increase budgetary information to Parliament and enhance parliamentary control over the budget.

### *Centralised evaluation functions*

Particularly in the last decade, the Commonwealth Parliament has undertaken limited experimentation with its forms and procedures to increase its effectiveness. It is now time for Parliament once again to look critically at stratagems that can improve its effectiveness in ensuring the accountability of agencies and departments.

One requirement is the establishment of appropriate Commonwealth administrative procedures for the assessment of progress toward stated goals. Central control authorities will have to perform new tasks in overseeing the evaluation function and these will enhance existing functions, particularly those related to co-ordination and control. Parliament will have to adopt new procedures to cope with a greater flow of more appropriate data, and members will require some education in the uses to which evaluation results may be put.

The Federal Administration appears to be well served by centralised overseer agencies. The Departments of the Prime Minister and Cabinet, Treasury and Finance, and the Public Service Board all fill this role. The Auditor-General also is involved in central oversight, and this will be particularly so with his new functions in efficiency auditing. The resources presently available to these authorities do not permit them to undertake systematic, comprehensive evaluation: they must rely on information supplied by authorities responsible for programs. In practice, then, the situation might be described, in computer jargon, as one of 'garbage in, garbage out'.

It is clear to this Committee that the evaluation process ought to be the responsibility of the department providing a program or service, perhaps with access to specialised units in the Commonwealth Public Service to which it can turn for help with specific evaluation exercises. Centralised authorities should have the task of examining such evaluations with a view to ensuring that they are adequately carried out and that there is an analysis of the overall policy ramifications.

While evaluation is probably always a threatening activity, it is less so when it becomes a matter of responsibility, and perhaps pride, for those who actually run the particular program. This also is in line with the recommendations of the Royal Commission on Australian Government Administration, which encourage some devolution of central responsibility.

Centralised, systematic evaluation, either through the budget process, or as a new central function, is neither practical nor possible. It is not practical, because it does not sufficiently involve the operative staff, and thus is ineffective and more intrusive and threatening than necessary. It is not possible, because the resources that would be required would be vast and remote from the sources of data.

The stewardship and economic roles of a budget are vital, but the problems of management and effective utilisation of vast public resources demand that the budget process take on a further role for which it has much potential. Federal and State budget formats must be developed in a way that will allow budget information to be used as a management tool. A budget must clearly show how much money is being spent towards the achievement of particular stated goals.



## Recommendations

Specifically in relation to budgeting, the Committee recommends:

1. That the Departments of Social Security and Health define their activities in program terms and apportion costs, including departmental overheads, accordingly.
2. That functional categories in the Commonwealth budget be further broken down to identify spending on individual government programs and to enable the cost of each program to be seen.
3. That the House of Representatives Standing Committee on Expenditure be invited to formulate proposals for changes or additions necessary for the Commonwealth budget to become a management tool more appropriate to monitoring of the attainment of policy goals.
4. That a Commonwealth department or a particular program be chosen for a trial of zero base budgeting, the trial to be fully costed and publicly documented.

On the more general issues, the Committee recommends:

1. That the Commonwealth Government ensure that all health and welfare evaluation reports presented by or to it be tabled and printed as parliamentary papers, and that State Governments be encouraged to do the same.
2. That evaluation reports tabled in the Commonwealth Parliament be referred to relevant committees of both Houses of the Parliament.
3. That a committee of the Parliament be asked to investigate the possible use of sunset provisions in legislation.
4. That the Department of the Prime Minister and Cabinet be charged with the responsibility for ensuring that adequate program evaluation is carried out by all Commonwealth authorities, and that it certify annually that the results of such evaluations have been properly reported to the Parliament.
5. That freedom of information legislation, when enacted, provide for access to all evaluation information, with adequate safeguards for the privacy of individuals.

## REFERENCES

1. H. V. Emy, *The Politics of Australian Democracy: Fundamentals in Dispute* (2nd edn, Melbourne, 1978), p. 382.
2. House of Representatives, *Votes and Proceedings 1976-77* (First Session of the Thirtieth Parliament), pp. 131-2.
3. House of Representatives Standing Committee on Expenditure, *A Year's Experience* (Parliamentary Paper no. 244 of 1977) (Canberra, 1977), p. 1.
4. Hon. K. M. Cairns, Chairman of the House of Representatives Standing Committee on Expenditure (letter to the Committee dated 28 September 1978).
5. D. N. Reid, Parliamentary Joint Committee of Public Accounts (unpublished paper, Australian Public Service Board, Canberra, Training Document No. 72/246), p. 5.
6. Mr M. H. Bungey, Chairman of the Parliamentary Standing Committee on Public Works (letter to the Committee dated 9 October 1978).
7. Senate Standing Committee on Finance and Government Operations, *Progress Report* (Parliamentary Paper no. 283 of 1977) (Canberra, 1977), p. 2.
8. Senate Standing Order 36AB, paras (1.), (2.), (16.).
9. House of Representatives, *Votes and Proceedings 1973-74* (First Session of the Twenty-Eighth Parliament), pp. 189-90.

10. House of Representatives Standing Committee on Aboriginal Affairs: *Present Conditions of Yirrkala People* (Parliamentary Paper no. 227 of 1974) (Canberra, 1974); *Aboriginal Unemployment: Special Work Projects* (Parliamentary Paper no. 295 of 1975) (Canberra, 1976); *Alcohol Problems of Aboriginals* (Final Report) (Parliamentary Paper no. 299 of 1977) (Canberra, 1977).
11. *U.S. News and World Report*, 29 May 1978, p. 45.
12. *Congressional Quarterly Weekly Report*, 16 July 1977, p. 1463.
13. J. Haverman, 'Taking up the Tools to Tame the Bureaucracy', *National Journal*, 2 April 1977, p. 519.
14. Neal R. Peirce & Jerry Hagstrom, 'Is it Time for the Sun to Set on Some State Sunset Proposals?', *National Journal*, 18 June 1977, p. 939.
15. Peirce & Hagstrom, *National Journal*, p. 938.
16. Robert D. Belm, 'The False Dawn of Sunset Laws', *Public Interest*, no. 49, Fall 1977, p. 107.
17. *U.S. News and World Report*, 29 May 1978, p. 46.
18. Peirce & Hagstrom, *National Journal*, p. 937.
19. Senate Standing Committee on Finance and Government Operations, *Statutory Authorities of the Commonwealth* (First Report) (Canberra, 1979), p. 92.
20. Paul F. Gross, Recent Evaluation Activity in Australia (paper prepared for the Committee, July 1978), p. 19.
21. *Commonwealth Government Directory 1978* (Canberra, 1978), p. 277.
22. *Transcript of Evidence*, p. 2724.
23. House of Representatives Standing Committee on Expenditure (Budget Estimates Inquiry), transcript of evidence (16 September 1977), p. 159.
24. House of Representatives Standing Committee on Expenditure (Budget Estimates Inquiry) (16 September 1977), p. 181.
25. *Transcript of Evidence*, p. 2735.
26. *Transcript of Evidence*, p. 2753.
27. *Commonwealth Government Directory 1978*, p. 143.
28. House of Representatives Standing Committee on Expenditure (Budget Estimates Inquiry) (19 August 1977), p. 14.
29. *Transcript of Evidence*, pp. 2498-500, 2502, 2513.
30. *Transcript of Evidence*, p. 2503.
31. *Commonwealth Government Directory 1978*, p. 223.
32. House of Representatives Standing Committee on Expenditure (Budget Estimates Inquiry) (7 October 1977), pp. 215-16.
33. *Commonwealth Government Directory 1978*, p. 227.
34. *Transcript of Evidence*, p. 2691.
35. *Transcript of Evidence*, p. 2692.
36. Social Welfare Policy Secretariat (background paper supplied to the Committee).
37. Emy, p. 441.
38. A. Wildavsky, 'The Annual Expenditure Investment', 33 *Public Interest* 83, 89 (1973), quoted in Anthony R. Licata, 'Zero-Base Sunset Review', *Harvard Journal on Legislation*, vol. 14:505, p. 519.
39. Emy, pp. 444-6.
40. Emy, p. 451.
41. Royal Commission on Australian Government Administration, 'Program Budgeting in the Australian Federal Government' (J. Cutt, Research Paper no. 43), in *Australian Government Administration* (Appendix, vol. one) (Parliamentary Paper no. 186 of 1976) (Canberra, 1977).
42. Emy, pp. 448-50.
43. House of Representatives, *Debates* (18 November 1976), p. 2899.
44. P. A. Pyhrr, 'The Zero-base approach to government budgeting', *Public Administration Review*, Jan.-Feb. 1977, cited in Gerald L. Otten, 'Zero-Based Budgeting: Implications for Social Services', *Administration in Social Work* 1, 4 (1977), p. 371.
45. Otten, *Administration in Social Work*, gives an example and details at pp. 371-3.

46. Otten, *Administration in Social Work*, pp. 374-5.
47. James D. Suver & Ray L. Brown, 'Where does zero-base budgeting work?', *Harvard Business Review*, Nov.-Dec. 1977, p. 80.
48. Suver & Brown, *Harvard Business Review*, pp. 80-3.
49. Licata, *Harvard Journal on Legislation*, p. 525.
50. Haverman, *National Journal*, p. 517.
51. Otten, *Administration in Social Work*, p. 377.