

# Chapter 6

## Improving Parliamentary oversight

6.1 If the budget documents were made more transparent and specific that alone would be a significant step towards improving the Parliament's oversight of Commonwealth funding and expenditure. Additionally, the Department of the Senate could adopt procedures to assist committees and senators in their consideration of these matters.

### Senate committees

#### *Consideration of Estimates*

6.2 As discussed in Chapter 5, the Senate Finance and Public Administration Committee tabled three reports on the PBS in 1997, 1999 and 2000. In its third report the Committee repeated a recommendation it had made in the previous reports, namely, that:

Senate legislation committees report in each budget estimates report on the adequacy of the PBS provided for their use and in each additional estimates report on the performance information examined.<sup>1</sup>

6.3 In Chapter 4 the Committee considered matters relating to the treatment of funds for the ordinary annual services of government and, in particular, different interpretations of the Compact of 1965. Professor Bartos was quoted in that Chapter as suggesting that Senate committees should themselves be aware of the significance of the Compact and raise it in their estimates at budget time.<sup>2</sup>

6.4 The Committee considers that it would assist the Senate's scrutiny of Commonwealth funding and expenditure if committees reported regularly on the above matters.

### Recommendation 17

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

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1 Senate Finance and Public Administration Legislation Committee, *The Format of the Portfolio Budget Statements: Third Report*, November 2000, p. 42.

2 Professor Bartos, *Submission 5*, p. 10.

### **Reports on Annual Reports**

6.6 ANAO pointed out that there is a strong emphasis in the current budgetary framework on the compatibility of the reporting documents, particularly the PBS, PAES and agencies' annual reports. ANAO submitted that compatibility between these documents is essential for the comparison of budgeted targets and those actually achieved.<sup>3</sup>

6.7 It would be useful therefore if Legislative and General Purpose Committees in their reports on annual reports checked that the reports accurately reflect the performance indicators in the PBSs and PAES. It would also be useful if they reported on comparisons of the final expenditure on outputs (or programs) with the estimates.

### **Role of the Auditor-General**

6.8 In response to an invitation by the Committee to nominate how ANAO might specifically assist Senate committees in the examination of estimates, ANAO suggested the following:

- The Auditor-General and senior staff could provide a briefing for the Committee on contemporary issues influencing public administration. There may also be advantages in the Department of Finance and Administration also participating in any such briefing, but that would be a matter for that Department and its Minister.
- We [ANAO] could produce a synopsis of recent audit activity for each portfolio including a summary of recent performance reports tables in the Parliament and major issues that arose in the audit of the most recent financial statements. This would ensure the Committee was aware of ANAO's audit activities on a portfolio basis. We could supplement this approach with additional briefing for the Committee or for individual members.
- ANAO currently produces a newsletter for agencies titled "Auditfocus". This newsletter seeks to capture some of the lessons from our audit work that are likely to be of general interest and application, and in this way make a positive contribution to better public administration. A similar document could be produced for Estimates Committees.<sup>4</sup>

6.9 The Committee considers that these suggestions, if implemented, should be of considerable assistance to the Senate committees.

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3 ANAO, *Supplementary Submission 4b*, [p. 15.]

4 ANAO, *Supplementary Submission 4b*, [p. 2.]

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## Recommendation 18

**6.10 The Committee recommends that the Committee Chairs Group examine proposals made by the Auditor-General for measures to assist the Legislative and General Purpose Standing Committees in their consideration of the estimates.**

### Committee staff

6.11 In response to a request from the Committee<sup>5</sup> that he consider how Senate staff might provide additional assistance to senators and committees in their scrutiny of expenditure, the Clerk stated that a number of procedures would be implemented, namely, that Senate committee staff would monitor the financial reports of government agencies to draw committees' attention to:

- new or amended special appropriations;
- the establishment of or changes to special accounts;
- statements of expenditure from the AMF;
- significant changes of programs and projects to outcomes, unusual or unexplained allocation of items to outcomes and other unexplained expenditure; and
- expenditures from Appropriation Bill (No. 1) which do not meet the test of ordinary annual services.<sup>6</sup>

6.12 The Clerk noted that committees could decide to pursue these matters or individual senators could decide whether to pursue them in the course of estimates hearings.

### Legislative changes

6.13 Measures to support scrutiny should be considered together with legislative changes which could be made to reassert the parliamentary process of approval of appropriations and their purposes.<sup>7</sup>

6.14 A number of witnesses suggested that there could be value in amending the Appropriation Acts.

6.15 The Committee discussed and supported in Chapter 4 an ANAO suggestion that there could be benefit in addressing in the Acts explicitly the difference between 'departmental' and 'administered' expenditure.<sup>8</sup>

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5 Senator Murray, *Committee Hansard*, 8 September 2006, p. F&PA pp 9-10.

6 Clerk of the Senate, *Supplementary Submission 1a*, pp 1-2.

7 Clerk of the Senate, *Submission 1a*, p. 3.

8 ANAO, *Submission 4*, p. 15.

6.16 Legislative changes could include the presentation of data under better defined outcomes (and/or under programs) in the Schedules to the Acts. As discussed in Chapter 3, the specification of the relevant terms and conditions (including common eligible receipts) for net appropriations could again be included in the Appropriation Acts, and the terms 'departmental' and 'administered' could be defined in the Acts.

6.17 The Acts could also be amended to ensure that amounts identified as departmental items must be expended against one or other of the specified outcomes (or programs).

6.18 Professor Lindell suggested that the Senate should insist:

... on the alteration in the words of s 7(2) in future *Appropriation Bills No. 1* so as to restore the need for any approved expenditure to be legally linked to, and connected with, a specific purpose or, to use the current language employed to reflect accrual budgeting, a specific 'outcome'. It hardly needs to be emphasised that the need to link expenditure with a defined purpose forms an essential part of the accountability for expenditure of public funds.<sup>9</sup>

6.19 It might be argued that a requirement that expenditure on departmental items must be against one or other of the nominated outcomes could adversely affect agencies' efficiency. It could be alleged, for example, that agencies would have less flexibility in the use of their appropriated resources than under the present arrangements, or, indeed, had under the running costs system. Against that, agencies should be able to retain a great deal of autonomy with regard to the application of their resources, but would not be able to allocate appropriated funds for purposes not specifically approved by the Parliament.

6.20 Professor Lindell submitted a pertinent quote from Alfred Deakin who stated in 1902 that:

An Appropriation is a definite parliamentary authority to spend money for a specified purpose. Annual Appropriation Acts usually enact that certain sums 'are hereby appropriated, and shall be issued and applied' for the purpose specified.<sup>10</sup>

6.21 It would of course be open to the government, as it is now, to bring additional appropriation bills before the Parliament if the need arose for additional appropriations beyond the scope of the AFM.

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9 Professor Lindell, *Submission 10*, p. 9.

10 P Brazil and B Mitchell (eds), *Opinions of the Attorneys-General of the Commonwealth of Australia* vol 1: 1901-1914, Opinion No. 48, 59 dated 25 February 1902, quoted in Professor Lindell, *Submission 10*, p. 5.

*Committee's conclusions*

6.22 The Committee expects that the measures discussed above would enhance and reinforce parliamentary control over Commonwealth public funding and expenditure.

**Recommendation 19**

**6.23 The Committee recommends that the Government ensure that future appropriation bills that the Senate cannot amend under the provisions of the Constitution restore the need for any approved expenditure to be legally linked to and connected with a specific outcome or purpose.**

