

*Standing Committee on Estimates and Financial Operations — Seventy-seventh Report —
“2017–18 Budget Cycle—Part 2: Annual Report Hearings”*

Resumed from 4 April.

Motion

Hon ALANNA CLOHESY: I move —

That the report be noted.

I welcome the opportunity to talk about this report. I think the timing of this report is very good, because we are about to enter the 2019–20 budget cycle. This seventy-seventh report was from part 2 of the 2017–18 budget cycle, which is the annual report hearings. By “cycle”, I mean that when this committee was a new committee in this Parliament, it made a decision not to consider the annual reports of agencies or the budget in isolation, but to recognise that the state budget process operates in a cyclical form, and starts really from mid-November of the year prior, when the Department of Treasury actually starts the process of developing the state budget. Recognising that the state budget impacts on the annual report, and in between, there is the midyear review and other mechanisms, we agreed that it would be a good idea to look at it in a cycle rather than in isolation.

This report is about part 2 of the previous budget cycle. It is the report on the annual report hearings from the 2017–18 budget. As the next cycle is almost midway through, with the state budget being handed down on Thursday, the timing of discussing this report is quite useful.

I want to talk briefly about the process of these hearings, and then we will get into the content of what the committee examined and its approach to its examination in these hearings, as well as the other issues that were identified in the hearings. I want to talk specifically about the process for a couple of reasons. First, the process was a little bit different from other processes conducted by other committees in previous Parliaments in that the committee is always looking at ways to improve members’ participation and opportunity to scrutinise the annual reports or the state budget because of the role of this chamber, which is to review not only legislation but also the state budget.

The report details the committee’s approach to the annual report hearings. The committee attempted to make sure that members had a really good opportunity to look at the annual reports tabled in this place and to examine not only the individual reports of agencies, but also the systemic issues that the committee had identified prior to and during the hearings. The committee requested members to identify, as soon as possible after the annual reports were tabled in Parliament, which agencies they wanted to hear from. Most annual reports are tabled in this place by 30 September in the year following that budget. The committee attempted to provide members with enough time to consider the annual reports as they were progressively tabled and to identify which agencies they wanted to call.

The committee also tried to allow members enough opportunities to ask questions of each of the agencies relating to their budgets. It did that in a number of ways. The success of that approach is well documented in this report. For example, the committee invited members to ask questions of agencies based on their annual reports prior to the hearings. On the basis of those questions, some members made requests of the committee to invite particular agencies for those hearings. The success of that approach is highlighted by the number of questions that were asked. Overall, 55 agencies across the state government were asked 469 questions. For the most part, those questions were submitted electronically. Members also had opportunities to ask questions during the hearings. There were two bites of the cherry, if you like. If the agency or minister was not able to answer a question during the hearing, they were able to provide supplementary information. Immediately following the hearing, members could also submit questions. The success of that part of the process is documented in the report. Seventy-one supplementary questions were answered by agencies that were unable to answer questions during the hearing, and an additional 42 questions were asked after the hearings. That is a lot of questions. It is testament to the process of the scrutiny of the annual reports and also testament to the importance of transparency and accountability that we have a process like this in Western Australia. For the most part, members’ questions could be answered in a fair amount of detail.

As I said, in addition to that, a number of agencies were called. Some had a significant number of questions directed to them. On page 4 of the report, the committee reports on the total number of questions that particular agencies were asked. One would expect that a number of agencies might attract a lot of questions. I am referring to large agencies that have big budgets. The services they provide and the roles that they perform are really important to our society—for example, the Western Australia Police Force, the Department of Education and the Department of Health. One would expect them to have a lot of questions directed at them because they are big and they are important to our community. Members were also invited to ask questions of many agencies that are also important to our community but are not as large or do not provide everyday services; for example, the Forest Products Commission had 21 questions directed to it. On this occasion, the Forest Products Commission was not called to a hearing, though members will recall it has been called to previous hearings. The Forest Products Commission is

an important agency and plays a significant role, but it is not, in the scale of things, a very large agency. My point is that the range of agencies that members were able to call, and did call, was fairly significant.

That is a general introduction to the process. The evaluation that the committee undertook regarding the process suggested that most members found the process very accessible and useful to their needs in inquiring into the annual reports of state government agencies.

Hon TJORN SIBMA: It gives me some pleasure to endorse the preceding remarks and to speak about the seventy-seventh report of the Standing Committee on Estimates and Financial Operations titled “2017–18 Budget Cycle—Part 2: Annual Report Hearings”. Annual report hearings are important for the very reason earlier identified: they provide an opportunity for a deeper dive into the operations and performances of the agencies that are called. The sheer scale of agencies within the Western Australian jurisdiction does not permit, and can never permit, each individual agency being called separately and interrogated in a manner that some members might prefer. I presume that has largely driven the process, which I think is a very good one, that permits members three opportunities to put in questions related to either budget papers or annual reports and an opportunity to attend hearings as a participating member. A committee of this nature opens itself up to every other member of this house and, obviously, in so doing, opens itself up to the scrutiny and sometimes the criticism of other members of this house. As a new member, I found the feedback post the first budget estimate hearings to be particularly useful and constructive. I hope that it has led to a process that all members here are now broadly familiar, and largely confident, with.

The number of questions that were posed through the process last year is testament to the fact that this provides every member of this house with a useful avenue of inquiry to discharge their responsibilities to the fullest of their interest and to their responsibilities. I might add further, as the Deputy Chair of this committee, that although individual interactions or hearings can, on occasion, get ratty or testy, I will say that generally I was encouraged by the candour of a couple of ministers who appeared at the annual report hearings when they were held in November last year. Not to embarrass people, but I thought that the contributions made by the Minister for Environment were always useful, particularly in a representative capacity, and I found Minister MacTiernan’s reflections on the impost or the sheer practicality of rolling out machinery-of-government changes in her agency to be particularly instructive. The committee for some time now has adopted the practice, prior to hearings, of giving some consideration to what it precisely wants to extract from the exercise in a thematic sense. I think that is important, because with limited time it gives a focus to the inquiry that might not otherwise be obtained if it were to essentially become a free-for-all and people were just pursuing interests of their individual peculiarity. I want to outline that the view going into these hearings, from the perspective of the committee that organises it effectively on behalf of everybody else, is that we would continue to focus on the key performance indicators of agencies funded by the taxpayer. There was also a view that we would invite and scrutinise an agency that had not been called before or had not been called for some time. That materialised in calling the Art Gallery of Western Australia, which was particularly relevant, bearing in mind that it had had some adverse findings made against it and its management of the works of art within its estate.

Particularly, I reflect that annual report hearings, more than the annual budget estimates process, provide greater opportunities to interrogate the performance of government trading enterprises, largely because the funding mechanism for GTEs is different from the funding mechanism for departments of state. As we are about to see again, that will be reflected in the budget papers that will be tabled by the government tomorrow. In GTEs such as Western Power or Synergy and the like, we do not see resource agreements between those agencies and the Treasury, because there is no real drawdown to the same degree on the consolidated fund. We do not see individual service lines resourced or hypothecated across the forward estimates. We do not get a sense of the key issues impacting the agency in the way that they are articulated, for example, by the Western Australia Police Force or the Department of Health. We do not have that same level of expression and clarity and depth of information provided by GTEs in the budget papers. Therefore, when we look, for example, for what Synergy is doing or what Western Power is intending to do in the next financial year, we see effectively an asset investment program and hypothecated capital expenditure across the estimates. That is helpful macro-level information, but in terms of interrogating whether that money is being spent wisely and whether certain performance targets being met, we are none the wiser. We really have to wait, in fairness, for the annual report to be tabled three or four months later, however the timing of the year works, to get a sense of what that agency is doing.

What I do like about the budget papers is that there is a standardised boring format. Other than some of the text and obvious political characterisation, which both parties when in government indulge in when they speak about their programs—that is to be expected—fundamentally the numbers do not lie. There is uniformity in expectation about what kind of information is presented and in what format. All the underlying assumptions are the same. That provides a useful baseline for interrogation. What I am slightly dispirited about is that the annual reports—this applies to all agencies now—have to some degree become marketing documents. In the middle of those marketing documents are some financial statements—glossy pages, smiling people and great blandishments about individual agencies, corporate social responsibility programs and the like. That is fine, but there is not the same degree of

uniformity in presentation. I think that is a problem because that can also reflect a divergence in the seriousness of the information provided.

That is a long lead-in to what I am about to say. This slim-ish and elegant contribution by the committee refers a lot to process and the issues that were ventilated in the hearing process. However, it also makes a singular finding about the conduct of one GTE that I think the chamber should reflect on. I certainly think that that individual GTE should reflect on this with a degree of seriousness and gravity that, sadly, I must say has not been evident to date. That finding appears at the bottom of the executive summary. I will go into some depth about the issues later on, but finding 1 states —

Synergy exhibits a culturally entrenched ambivalence about its Statement of Corporate Intent responsibility.

That might seem slightly banal, but it is an artfully worded description of what I have found over the course of two years of dealing with Synergy to be a gross disrespect of the process of interrogation and that agency's accountability to the Parliament.

The CHAIR: Hon Tjorn Sibma.

Hon TJORN SIBMA: For some time now in this jurisdiction we have noted with a degree of alarm, a certain slovenliness, laziness and reluctance of government trading enterprises that are under a statutory obligation to table in this Parliament their statements of corporate intent in a timely manner. This unfortunately has some history. However, I think it rests with the culture of these institutions and the ministers who have portfolio responsibility for their oversight to take up the issue with a far greater degree of seriousness than has been the case. I want to reflect a little again on annual reports and why statements of corporate intent are important. Statements of corporate intent and the visibility of them are very important if we are to form any understanding at all about what the boards and the senior management of those GTEs have agreed upon with their ministers and the Treasurer about what that GTE will deliver for the people of Western Australia in the forward period. It is that simple: they are getting this money and they are going to do this. Largely speaking, these statements of corporate intent are late or the information provided within them is of little to no use. But working with what we have, we did attempt, both in the case of Synergy and Western Power, to get a sense of how they have performed this year against that statement of corporate intent, which was actually apparently there to direct them in their conduct. I will quote from an exchange during the hearing with Synergy, which appears on page 23 of the report. It points to the nature of annual reports to some degree. I will not name the individual, but when asked why Synergy is not reporting against what it effectively is funded to do and what the government thinks it should do, bearing in mind that the government owns it, largely regulates it and is in effect its underwriter, and whether Synergy has met the targets that it agreed it would meet, the chief financial officer of Synergy provided this answer —

We actually do not do comparatives against SCI targets in the annual report.

Synergy does not think that is what annual reports are there to do. Personally, I take a different view. I think it would be exceptionally useful to match performance against agreements and to understand whether the key performance indicators that we hope are specified in a statement of corporate intent have been met. If they have been met, fantastic, but if they have not been met, why is that? If they have been exceeded, well done, but why was that? Were the assumptions going into that process incorrect? If we are to derive any value at all from the process of interrogation of these large government trading enterprises, which have all the benefits of being government agencies—immune from takeover or bankruptcy—but take upon themselves a different level of accountability to Parliament and to the public, and frankly I might say, probably to the government on occasion as well, we need to do a deep dive into their corporate culture and actually understand whether that is the kind of regime that we want to permit to continue. I put it to members that we do not. Notwithstanding their corporate structure, they are duty-bound to abide by the statutory obligations that everybody else has to abide by.

In the course of seeking to understand whether Synergy had come anywhere close to meeting the targets that were set for it by Parliament, it saddens me to say that the information that Synergy provided to the committee referred to the wrong financial year. I will repeat that: Synergy was asked how it performed in the 2017–18 financial year, and it provided information related to the 2016–17 financial year. I find that indicative of an almost incomprehensible corporate slackness. There would be serious repercussions for an enterprise dealing with, for example, the Australian Stock Exchange or the Australian Securities and Investments Commission with the same level of, “She’ll be right; here are the figures. We’ll just send them in.” That is not the way the Parliament of Western Australia or its committees should be treated. That is not to invoke any special sense of entitlement; that is just to clarify our role in the dutiful examination of government expenditure on behalf of the people who fund it—our constituents.

In an exchange with the chief executive of Synergy, I sought to clarify a couple of things—firstly, why the statements of corporate intent are late. Other than just an admission that they were late, I got no further insight into the reasons for that. The second issue is unrelated to an amendment or erratum notice that Synergy had to put in

because it provided the wrong financial year information. That was actually tabled in the Legislative Assembly, not in this chamber, and there was no explanation as to why that mistake occurred—and for the moment we are none the wiser. The other issue might interest government members. I think for the first five sitting weeks of last year, in private members' business, there were certain injunctions about us taking note of the report of the special inquirer, Mr Langoulant, about all manner of things. Mr Langoulant also made some particularly sharp observations about the practices of government trading enterprises such as Synergy.

Consideration of report adjourned, pursuant to standing orders.

Progress reported and leave granted to sit again, pursuant to standing orders.

Sitting suspended from 4.15 to 4.30 pm