



**THIRTY-SEVENTH PARLIAMENT**

**REPORT 2**

**STANDING COMMITTEE ON ESTIMATES AND  
FINANCIAL OPERATIONS**

**ANNUAL REPORT 2005**

Presented by Hon Giz Watson MLC (Chair)

December 2005

## STANDING COMMITTEE ON ESTIMATES AND FINANCIAL OPERATIONS

### **Date first appointed:**

June 30 2005

### **Terms of Reference:**

The following is an extract from Schedule 1 of the Legislative Council Standing Orders:

#### **“2. Estimates and Financial Operations Committee**

2.1 *An Estimates and Financial Operations Committee* is established.

2.2 The Committee consists of 5 Members, 3 of whom shall be non-Government Members.

2.3 The functions of the Committee are to consider and report on -

- (a) the estimates of expenditure laid before the Council each year;
- (b) any matter relating to the financial administration of the State;
- (c) any Bill or other matter relating to the foregoing functions referred by the House; and
- (d) to consult regularly with the Auditor General and any person holding an office of a like character.

### **Members as at the time of this inquiry:**

Hon Giz Watson MLC (Chair)

Hon Nigel Hallett MLC

Hon Shelley Archer MLC

Hon Ken Travers MLC (Deputy Chair)

Hon Anthony Fels MLC

### **Staff as at the time of this inquiry:**

Lisa Hanna, Advisory Officer (General)

Jan Paniperis, Senior Committee Clerk

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## REPORT OF THE STANDING COMMITTEE ON ESTIMATES AND FINANCIAL OPERATIONS

### ANNUAL REPORT 2005

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#### 1 INTRODUCTION

- 1.1 Prior to the Thirty-Sixth Parliament, it was the usual practice for the Governor, on advice from the Executive, to prorogue and reopen Parliament in August each year. Reflecting this practice, parliamentary committees prepared sessional reports to report to the Legislative Council on their work during that period.
- 1.2 In June 2003, the Government indicated that it did not intend to continue to ask the Governor to prorogue on an annual basis, and prorogation did not occur in August 2003 or August 2004 during the Thirty-Sixth Parliament. Consequently, in the Thirty-Seventh Parliament, parliamentary committees of the Legislative Council will table annual reports relating to their work during the calendar year.

#### 2 ESTABLISHMENT

- 2.1 On June 30 2005 the Legislative Council (**Council**) appointed the Estimates and Financial Operations Committee (**Committee**). The Committee is a standing committee, which means that its existence is not linked to a particular inquiry or to a particular time period and it continues until the Council decides otherwise.
- 2.2 The terms of reference of the Committee are:<sup>1</sup>

##### *2. Estimates and Financial Operations Committee*

- 2.1 An Estimates and Financial Operations Committee is established.*
- 2.2 The Committee consists of 5 Members, 3 of whom shall be non-Government Members.*
- 2.3 The functions of the Committee are to consider and report on -*
- (a) the estimates of expenditure laid before the Council each year;*
  - (b) any matter relating to the financial administration of the State;*

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<sup>1</sup> Schedule 1, Standing Orders of the Legislative Council.

- (c) any Bill or other matter relating to the foregoing functions referred by the House; and
- (d) to consult regularly with the Auditor General and any person holding an office of a like character.

### 3 MEMBERSHIP

- 3.1 The Members of the Committee are: Hons Giz Watson (Chair); Ken Travers (Deputy Chair); Shelley Archer; Anthony Fels; and Nigel Hallett MLCs.
- 3.2 The terms of reference provide that the Committee has a non-Government majority, which is considered by the Council to be appropriate for the scrutiny of government operations.<sup>2</sup>

### 4 STAFF

- 4.1 The Committee is supported by the Legislative Council Committee Office. During this report period the Committee was staffed by Lisa Hanna, Advisory Officer (General) and Jan Paniperis, Senior Committee Clerk.

### 5 BACKGROUND TO THE COMMITTEE

#### Previous committees

- 5.1 Scrutiny of the estimates of expenditure and the financial operations of government is a major function of the Council.<sup>3</sup> Since the establishment of the modern Council committee system in 1989, this function has been the responsibility of both standing committees and *ad hoc* Budget review committees (such as annually constituted estimates committees).
- 5.2 From 1989-2001 the former Standing Committee on Estimates and Financial Operations (**former Committee**) had the function of considering the estimates of expenditure laid before the Council each year and also to consider and report on any matter relating to the financial administration of the State. The Committee's terms of reference are a reflection of the mandate of the former Committee.
- 5.3 The former Committee reported annually on the Government's estimates of expenditure, examined the financial aspects of Bills and other matters referred by the Council, and conducted inquiries into a diverse range of matters, including:

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<sup>2</sup> Western Australia, Legislative Council, *Parliamentary Debates (Hansard)*, June 30 2005, p3730.

<sup>3</sup> The Council is often referred to as the 'house of review' because one of its functions involves monitoring and reviewing legislation and scrutinising the government's budget and the administration of government departments and other public agencies.

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- 5.3.1 the allocation and expenditure of financial resources within the prison system;
  - 5.3.2 a review as to whether the Goldfields Gas Pipeline tariffs were 'fair and reasonable' as required under section 22(1) of the *Goldfields Gas Pipeline Agreement Act 1994*; and
  - 5.3.3 the expenditure of public funds on the provision of health services in the Kimberley region generally, and in Kimberley Aboriginal communities specifically.
- 5.4 As part of a series of changes to the Council committee system in the Thirty-Sixth Parliament the former Committee was terminated and its functions were divided between other committees:
- 5.4.1 the function of considering matters relating to the financial administration of the State was given to the Standing Committee on Public Administration and Finance; and
  - 5.4.2 the function of consideration of the annual estimates of expenditure was given to the Estimates Committee, being a Committee of the whole House established each year by Sessional Orders.

#### **Review of the committee system**

- 5.5 At the commencement of the Thirty-Seventh Parliament a review of the operations of the Council committee system was undertaken by Hon George Cash MLC, Chairman of Committees (**Cash Report**).<sup>4</sup>
- 5.6 A number of issues relating to the operations of the previous annual Estimates Committee were raised. In particular, the Cash Report noted the dissatisfaction of some Members with the process for consideration of the budget papers employed by the Council in the previous Parliament, as Members considered they were not able to deal effectively with the scrutiny of the budget in that forum. Also noted was the view of some Members that financial accountability of departments to Parliament had been reduced by the combination in the one committee of both the scrutiny of public administration and finance.<sup>5</sup>
- 5.7 The Cash Report recommended that consideration be given to ensuring that a standing committee of the Council be provided with the mandate to examine the expenditure of public monies.

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<sup>4</sup> Hon George Cash MLC, Chairman of Committees, Legislative Council of Western Australia, *Reflections on the Legislative Council Committee System and its Operations during the Thirty-Sixth Parliament: Discussions with the Chairs and Deputy Chairs of Parliamentary Committees*, May 2005.

<sup>5</sup> That is, the former Standing Committee on Public Administration and Finance. Refer to Cash Report, pp46-50.

5.8 The establishment of the Committee has arisen from the Council's desire to provide a more effective forum for the scrutiny of the budget and government financial operations and allow Members to go into some detailed examination of budget expenditure and department annual reports.

## **6 TERMS OF REFERENCE**

6.1 The Committee's terms of reference are to consider and report on -

- a) the estimates of expenditure laid before the Council each year;
- b) any matter relating to the financial administration of the State;
- c) any Bill or other matter relating to the foregoing functions referred by the House; and
- d) to consult regularly with the Auditor General and any person holding an office of a like character.

6.2 The Committee's terms of reference are extremely broad, enabling the Committee to initiate investigations relating to any aspect of the financial administration of the State. This includes inquiry into any matter relating to past, current, proposed and future expenditure by the public sector.

### **The estimates of expenditure laid before the Council each year**

6.3 Government revenue goes into the Consolidated Revenue Fund, which is the major source of funding for the State public sector.<sup>6</sup> In order that government may lawfully expend these funds, Parliament must grant its approval.<sup>7</sup> In fact, except in a few specific instances where Treasurer's advances may be authorised, no payment shall be made for expenditure in respect of the Consolidated Revenue Fund except under appropriation made by an Act.<sup>8</sup>

6.4 Therefore, on an annual basis the Appropriation (Consolidated Revenue Fund) Bills are presented to Parliament in order that it may access or 'appropriate' money from the Consolidated Revenue Fund to fund expenditure by the Government over a given financial year.<sup>9</sup> Supporting documentation (Budget Papers) detailing the proposed appropriation are presented with the Bill. These are known as the 'estimates of

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<sup>6</sup> The major revenue sources for the Western Australian Government include taxes, imposts, fines, rates, duties, royalties and Commonwealth Government grants: section 64, *Constitution Act 1889*, and section 6, *Financial Administration and Audit Act 1985*.

<sup>7</sup> Section 72, *Constitution Act 1889*.

<sup>8</sup> Section 23, *Financial Administration and Audit Act 1985*.

<sup>9</sup> Section 72, *Constitution Act 1889*.



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expenditure'. If the appropriation Bills are not passed, the funds required for the State government and its agencies and departments cannot be provided.

- 6.5 It is a function of the Committee to consider and report to the Council on the estimates of expenditure laid before the Council each year.

**Any matter relating to the financial administration of the State**

- 6.6 The Committee may conduct inquiries into the financial administration of government departments and agencies (and other bodies funded by the Government) including their performance, processes and the outcomes of their policies and programs.

**Any Bill or other matter relating to the foregoing functions referred by the House**

- 6.7 The Committee's terms of reference require it to consider and report on any Bill or other matter referred by the Council. The Bill or other matter must relate to the estimates of expenditure or to the financial administration of the State. This reinforces the primary focus of the Committee. However, it is always open for the Council to expressly refer other Bills and matters to the Committee if it so desires.

**To consult regularly with the Auditor General and any person holding an office of a like character**

*The Auditor General*

- 6.8 The Auditor General is an independent auditor of the Western Australian public sector. The position is established under the *Financial Administration and Audit Act 1985*. The Auditor General, through the Office of the Auditor General, has the function of performance auditing the public sector. The Office of the Auditor General's Internet site states:

*Our clients are the Parliament, Western Australian public sector agencies, and ultimately the people of Western Australia. In its widest context the Office serves the public interest - since the Auditor General is a key provider of independent and impartial information on public sector accountability and performance to the Parliament. He has a responsibility to the community as its 'watchdog'.*

...

*The Auditor General scrutinises the public sector to see there has not been waste of taxpayers' resources and that government agencies*

*deliver services in an equitable, efficient and effective manner to the benefit of all Western Australians.*<sup>10</sup>

- 6.9 The Auditor General, as a public sector auditor, has a key role in the process of gathering information about government activities and ensuring accountability of government entities to the Parliament. The Auditor General independently examines the use of public funds in terms of financial management, lawfulness, efficiency and effectiveness.
- 6.10 The objectives and functions of the Committee and the Auditor General in assessing the utilisation of public money are similar to a certain degree. In this respect, regular consultation with the Auditor General may assist the Committee greatly when conducting financial scrutiny of government. In particular the Auditor General may assist the Committee in identifying problem areas and identifying potential future lines of inquiry. It is anticipated that there will be a close working relationship between the Committee and the Office of the Auditor General.

## **7 PURPOSE AND DIRECTION**

- 7.1 The Committee, being newly established, during this report period focused on defining its purpose and direction.

### **Briefing from the Auditor General**

- 7.2 On August 22 2005, the Committee received a briefing from the Auditor General. The Committee found this meeting to be beneficial, particularly for obtaining a greater understanding of the role and the current activities of the Office of the Auditor General as well as identifying potential future lines of inquiry.

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

- 7.3 On August 29 2005, the Committee received a briefing from the Department of Treasury and Finance on the Budget Papers and the budget process. The Committee found this meeting to be beneficial in obtaining a greater understanding of the budget process. It is anticipated that the Committee will receive regular briefings and information from the Department of Treasury and Finance.

### **Briefing from Hon George Cash MLC**

- 7.4 On August 29 2005, the Committee received a briefing from Hon George Cash MLC. The briefing provided valuable information on the background and purpose of the Committee in the context of the Cash Report and his former role as Chairman of the sessional Estimates Committee.

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<sup>10</sup> <http://www.audit.wa.gov.au/insideoag/index.html> (current at November 30 2005).

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**Questionnaire to Members of the Legislative Council**

7.5 To assist the Committee in ensuring that its estimates program is relevant and effective, the Committee distributed a questionnaire to all Members of the Legislative Council, to canvass their views on their expectations of the estimates process and what outcomes they would like that process to achieve. This information was used in developing the Committee's Budget Estimates Hearings program. The Committee thanks those Members who responded.

**Views of other like committees**

7.6 The Committee canvassed the views of like committees from other jurisdictions on how they approach their work (see paragraphs 11.3 to 11.5 below).

**8 MATTERS CONSIDERED BY THE COMMITTEE THAT DID NOT RESULT IN AN INQUIRY OR REPORT****Western Power**

8.1 The Committee undertook preliminary inquiries into the cost of the supply of electricity to regional and rural areas of Western Australia. On November 7 2005, the Committee held a hearing with representatives from Western Power and the Office of Energy on the issue. The Committee has not at this time resolved whether or not to undertake further inquiry.

**2005/2006 Budget estimates hearing - Department of the Legislative Council**

8.2 On November 28 2005, the Committee held its first 2005/2006 Budget estimates hearing with the Department of the Legislative Council. The Committee will report on the budget estimates hearings in 2006.

**9 BUDGET ESTIMATES HEARINGS PROGRAM**

9.1 The Committee carefully considered its program in relation to the annual estimates of expenditure (and financial administration of the State), in order to ensure that it is relevant and effective. The Committee has adopted a program involving:

- a) three to four consecutive days of hearings after the Budget Papers are tabled in the Council; and
- b) hearings conducted regularly throughout the year.

### **Three to four consecutive days of hearings after the Budget Papers are tabled in the Council**

- 9.2 Three to four consecutive days of budget estimates hearings will be held between the time of the tabling of the Budget Papers and the passing of the Appropriation (Consolidated Revenue Fund) Bills by the Council.
- 9.3 The final list of agencies that are to appear is to be determined by the Committee, but will include:
- the Department of the Legislative Council and the Parliamentary Services Department;
  - the agencies that come under the portfolios of Ministers in the Council;
  - the Health Department, the Police Service, the Department of Planning and Infrastructure, Main Roads Western Australia, the Department of Conservation and Land Management, the Department of Environment and the Department of Premier and Cabinet; and
  - five other agencies per annum and two public non-financial corporations or public financial corporations.
- 9.4 The Department of Treasury and Finance will be invited to appear to provide the Committee with an overview of the Budget. All Members of the Council will be encouraged to participate in the hearings.

### **Hearings throughout the year**

- 9.5 Hearings with other select agencies (to be determined by the Committee) will be held throughout the year. The hearings will be one day per month in March, April, May, August, September and October. All Members of the Council will be encouraged to participate in the hearings.

## **10 REPORTS TABLED**

- 10.1 The Committee tabled one report during this report period in relation to the Legislative Council Financial Processes and Procedures.<sup>11</sup>
- 10.2 The Report, tabled on October 20 2005, outlined the changes being put in place by the Department of the Legislative Council to increase the accountability of the Department so as to ensure the integrity of the Council.

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<sup>11</sup> Western Australia, Legislative Council, Standing Committee on Estimates and Financial Operations, Report 1, *Legislative Council Financial Process and Procedures*, October 20 2005.

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## 11 TRAVEL

### Conference

11.1 The Australasian Study of Parliament Group (ASPG) Annual Conference 2005 was held on October 6-8 2005 in Sydney. The theme of the conference was *Parliament and Accountability in the 21<sup>st</sup> Century: the Role of Parliamentary Oversight Committees*. The agenda is extracted below:

(1) 'General overview of Parliament and accountability in the 21<sup>st</sup> century and parliamentary oversight of agencies role and the development of oversight committees'. Specifically:

- NSW parliamentary committees and integrity oversight: comparing public sector agency news media and non government agencies perspectives;
- Governing the Government: The paradoxical place of the Public Accounts Committees; and
- Parliamentary Oversight of Parliamentary Committees - a Post Uhrig perspective.<sup>12</sup>

(2) Parliamentary oversight from the agency perspective - presentations by:

- New South Wales Ombudsman; and
- New South Wales Deputy Auditor General.

(3) Parliamentary oversight from the Parliament's perspective - presentations by Chairmen of the:

- New South Wales Parliamentary Committee on the Independent Commission Against Corruption;
- Western Australian Joint Standing Committee on the Corruption and Crime Commission; and
- Queensland Parliamentary Crime and Misconduct Commission.

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<sup>12</sup> 'Uhrig' refers to Mr John Uhrig AC who conducted a *Review of the Corporate Governance of Statutory Authorities and Office Holders* in 2003. This Commonwealth review was an examination of structures for good governance, including relationships between statutory authorities and the responsible Minister, the Parliament and the public, including business. A key task was to develop a broad template of governance principles that, subject to consideration by government, might be extended to all statutory authorities and office holders. As part of the process of developing that broad template, the review was asked to consider the governance structures of a number of specific statutory authorities and best practice corporate governance structures in both the public and private sectors.

- (4) Parliamentary oversight from other perspectives:
- Intelligence oversight and the war on terrorism;
  - The Scrutiny of government agencies by Parliamentary Joint Committees;
  - Officers of Parliament - the New Zealand Model; and
  - The development of the New Zealand committees' roles in terms of accountability and oversight.
- (5) The role of Parliamentary committee witnesses in the foundation of Australia.

11.2 Hons Giz Watson, Ken Travers and Anthony Fels MLCs and Lisa Hanna, Advisory Officer (General), travelled to Sydney to attend the conference. Hons Ken Travers and Anthony Fels MLCs were not funded by the Department of the Legislative Council for this travel. The total cost of travel for the Department of the Legislative Council was \$3,721.60.

#### **Meetings with committees from other jurisdictions**

- 11.3 While in Sydney for the ASPG conference, the Committee took the opportunity to meet with Members and staff of similar committees from other jurisdictions to discuss the scope of, and approach to, their work.
- 11.4 Meetings were held at the New South Wales (NSW) Parliament in Sydney with representatives of the following committees:
- three NSW Legislative Council General Purpose standing committees (GPSC): Ms Amanda Fazio, Chair, GPSC No 3; Ms Patricia Forsythe, Chair, GPSC No 2; and Ms Sylvia Hale, Deputy Chair, GPSC No 4;<sup>13</sup>
  - NSW Legislative Assembly Public Accounts Committee: Steve Whan, Member; Vicki Buchbach, Committee Manager; and Jackie Ohlin, Senior Committee Officer; and
  - the Tasmanian Joint Standing Committee on Public Accounts: Hon Sue Smith MLC, Member; Heather Thurstans, Secretary; and Sue McLeod, Clerk of Committees.

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<sup>13</sup> In NSW there are five (5) General Purpose standing committees of the Legislative Council which are established to inquire into and report on: any matters referred by the House; the expenditure, performance or effectiveness of any department of government, statutory body or corporation; and any matter in any annual report of a department of government, statutory body or corporation.

- 11.5 The discussions were valuable in assisting the Committee in its approach to its terms of reference.

## 12 STATISTICS

- 12.1 The following table provides the number of Committee meetings and hearings held by the Committee during 2005.

Item	Number
Total number of meetings (including hearings)	13
Total number of hearings	6
Number of hearings relating to the 2005/2006 budget estimates	1

## 13 PLANS FOR 2006

- 13.1 The Committee intends to conduct its Budget Estimates Hearings Program. The Committee has resolved that it will conduct hearings with the agencies under the portfolio of the Minister for Police in March 2006, and hearings with the agencies under the portfolio of the Minister for Disability Services in April 2006. The Committee will also deal with any other matters that arise which fall within the Committee's terms of reference.



**Hon Giz Watson MLC**  
**Chairperson**

**Date: December 1 2005**