



THIRTY-EIGHTH PARLIAMENT

REPORT 33
STANDING COMMITTEE ON ESTIMATES AND
FINANCIAL OPERATIONS
ANNUAL REPORT
FOR THE YEAR ENDING 31 DECEMBER 2010

Presented by Hon Giz Watson MLC (Chair)

August 2011

STANDING COMMITTEE ON ESTIMATES AND FINANCIAL OPERATIONS

Date first appointed:

30 June 2005

Terms of Reference:

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

"2. Standing Committee on Estimates and Financial Operations

- 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;
 - (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 Ljiljanna Ravlich MLC
Hon Philip Gardiner MLC (Deputy Chair)	Hon Ken Travers MLC
Hon Liz Behjat MLC	

Staff as at the time of this inquiry:

Steve Hales, Advisory Officer	Carolyna Malouf, Committee Clerk
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STANDING COMMITTEE ON ESTIMATES AND FINANCIAL OPERATIONS

COMMITTEE ANNUAL REPORT

2010 Highlights

During the 2010 calendar year the Standing Committee on Estimates and Financial Operations (**Committee**):

- examined selected Government agencies under the ongoing and annual Budget Estimates hearing process. The total public sector had budgeted expenses totalling \$38.166b and revenue totalling \$38.277b in the 2010/11 financial year;
- examined the Budget of the Office of the Auditor General and recommended it be increased to provide for more performance audits to be undertaken;
- inquired into and Tabled in the Legislative Council a report on The Confidential Status of the State Development Agreement - Oakajee Port and Rail;
- inquired into and Tabled in the Legislative Council a report on The Removal of Senior School Allocation Funding for Year 11 and 12 Courses at 21 District High Schools Across Western Australia;
- held hearings for 4 days in regional communities;
- tabled 8 reports and requested a Government response on 2 of them¹;
- met 48 times over the calendar year;
- held 72 public hearings and took evidence for a total of 111 hours from 270 witnesses;
- held 4 private hearings for a total of 3 hours; and
- considered 69 submissions totalling 309 pages.

¹ Standing Order 337

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INTRODUCTION

Annual report for the period ending 31 December 2010

This report provides an overview of the work of the Committee conducted during the Thirty-Eighth Parliament, between 1 January 2010 and 31 December 2010 (**report period**).

2011/12 Budget Review Process

The report also outlines a new estimates process for the 2011/12 financial year consisting of two stages of review; an approval phase and a review phase.

Committee Functions

The Committee's functions include:

- considering and reporting on matters relating to the Government's estimates of expenditure and revenue in its Budget;
 - examining any matter relating to the financial administration of the State;
 - considering and reporting on any bill or other matter relating to the Budget or financial administration; and
 - regularly consulting with the Auditor General and any person holding an office of a like character.
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Committee Membership

The Committee comprises five Members of the Legislative Council and is required to have a non-Government majority.²

During the year ended 31 December 2010, the Committee comprised the following Members:

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

- Hon Giz Watson MLC (Chair) – Chair from 4 June 2009;
- Hon Philip Gardiner MLC (Deputy Chair) – from 4 June 2009
- Hon Ken Travers MLC – from 4 June 2009;
- Hon Ljiljana Ravlich MLC – from 4 June 2009; and
- Hon Liz Behjat MLC – from 4 June 2009.



Hon Giz Watson MLC
(Chair)



Hon Philip Gardiner MLC
(Deputy Chair)



Hon Ljiljana Ravlich MLC



Hon Ken Travers MLC



Hon Liz Behjat MLC

Committee Staffing

The Committee is supported by the Legislative Council Committee Office. During the 2010 calendar year the Committee was staffed at various times by:

- Lisa Peterson, Advisory Officer;
- Renae Jewell, Committee Clerk;
- Carolyn Malouf, Committee Clerk;
- Anne Turner, Advisory Officer (Legal); and
- Steve Hales, Advisory Officer.

The Committee wishes to express its thanks to the staff for their support over the report period.

ESTIMATES OF EXPENDITURE

Appropriation Bills, Budget Papers and Estimates

Appropriation Bills seek Parliament's authorisation for Government expenditure in the coming financial year and are presented to Parliament in May each year.³

Appropriation Bills are accompanied by Budget Papers. The Budget Papers outline the Government's policy and funding program for the budget year and the next three financial years. The Budget Papers consist of:

- Budget Paper No.1 - Treasurer's Budget Speech;
- Budget Paper No.2 - Agency Budget Statements;
- Budget Paper No.3 - Economic and Fiscal Outlook; and
- Budget Overview - Summary of Budget Highlights.⁴

The Estimates process provides the major opportunity for the Committee, on behalf of the Legislative Council, to assess the performance of the Public Service and its administration of Government policy and programs. This is done through a wide-ranging examination of expenditure proposed in the Budget Papers and Appropriation Bills via public hearings before the Committee.⁵ These hearings are termed Estimates hearings.

Current Estimates Procedure

The Committee changed the Estimates hearings procedure for the examination of expenditure at the start of the current Parliament, dividing its examination into two phases:

³ Advice from Under Treasurer, 4 March 2011, p3.

⁴ *ibid*, p3

⁵ Evans, Harry *Odgers' Australian Senate Practice - Twelfth Edition*, Parliament of Australia, Canberra, 2008 <http://www.aph.gov.au/senate/pubs/odgers/chap1618.htm>, (viewed on 22 March 2011).

- Annual Hearings held one to three consecutive days after the Budget Papers are tabled in the Council; and
- Ongoing Hearings held throughout the year.

At the same time, the Committee expanded the scope of its Estimates inquiries to include:

- Budget Paper No. 3 - Economic and Fiscal Outlook;
- Government Mid-year Financial Projections Statement; and
- Agency Annual Reports.

Dissatisfaction with extended hearing process

The Committee was of the view that the effectiveness of the change to an extended hearing process was mixed. On one hand the change did facilitate the Committee's deliberations in terms of the depth of examination of Estimates. However, this depth came at the cost of the decreasing relevance of the hearings. This was because some annual estimates hearings occurred in October 2010, five months after the Budget for the next year was handed down.

Expansion in scope of Estimates hearings seen as value adding

The Committee believes that the expansion in scope of the Estimates hearings was an improvement in the Estimates process in that it provided more visibility of the operations of Government resulting in a more informed consideration of its activities. In particular, the Annual Report hearings were considered to offer a good opportunity for Parliament to hold agencies and the Government to account for their activities.

**Changes to
Expenditure
Review
Procedures for
the 2011/12
Financial Year**

As a result of the issues with the Estimates process noted earlier, the Committee has refined the Estimates hearings process, with a view to concentrating the timeframe over which hearings will be held to make them more relevant to the budget.

Two phases of expenditure review will occur:

- an Approval phase consisting of an examination of future proposed expenditure through the budget estimates and ongoing estimates process in May and June 2011; and
- a Review phase consisting of a review of the past financial year's performance as documented in agency Annual Reports, coupled with a review of the Auditor-General's Review of Annual Assurance Audits Report. The review phase is scheduled for late October - early December 2011. Consideration of the Government's Mid-Year Financial Projections Statement will form part of the review phase.

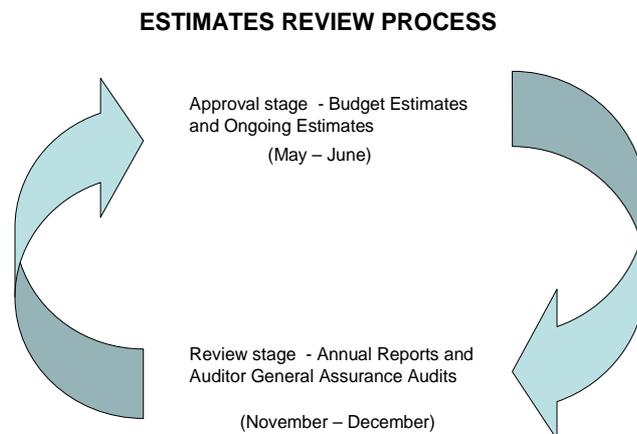


Diagram 1 Pictorial representation of Estimates Review Process

The Committee believes that the hearings under this revised approach will be just as informative as before for the House but will have more relevance as it is anticipated that the hearings will be completed in a timelier manner.

COMMITTEE ACTIVITIES FOR 2010

Estimates of Expenditure

Agency Annual Reports 2008/09

On 14 September 2009, the Committee resolved to hold hearings into agency annual reports for the 2008/09 financial year.

The Committee reviewed the Annual Reports of 10 agencies. In addition, it gave some attention to the timeliness of agencies tabling their Annual Reports in the House.

The Committee reminded all agencies of their statutory obligations in relation to the tabling of Annual Reports and that where timeframes cannot be met the responsible Minister is required to report this to the Parliament, together with the reasons why and the anticipated date of tabling. The report was tabled on 1 April 2010 (please refer Table 1 on page 11).

Budget Estimates 2009/10

The Committee conducted Ongoing Hearings with 38 agencies in relation to the 2009/10 Budget from June to December 2009. The report was tabled on 19 August 2010 (please refer Table 1 on page 11).

Annual Hearings in relation to Budget Estimates 2010/11

On 16 June 2010, the Committee undertook annual budget estimates hearings with six agencies. The report was tabled on 19 August 2010 (please refer Table 1 on page 11).

**Request for A
Member of the
Legislative
Assembly to
Appear before the
Committee**

On 18 October 2010, the Committee re-opened its inquiry into the 2008/2009 Agency Annual Reports because information came to light regarding the reasons why 10 agency Annual Reports were tabled later than the timeframe prescribed in the *Financial Management Act 2006*.

Further information about delays in tabling was sought directly from the 10 identified agencies and through *Answers to Questions on Notice* in the Legislative Council. The information supplied from the agencies was not consistent with the advice provided by the Minister at that time to the Committee.

The Committee resolved to initiate the process of Legislative Council Standing Order 423 for the Legislative Assembly to grant leave for the former Minister to appear before it (please refer Table 1 on page 11).

Financial Operations

**Budget of the
Office of the
Auditor General**

The Auditor General advised that the Government has approved the Office of the Auditor General (**OAG**) to move to a net appropriation funding model for the annual financial audit function. This means that the OAG will no longer receive an appropriation for the assurance audits it undertakes, which represents 75% of the OAG's audit activities and covers the audits of financial statements, controls and performance indicators of some 200 agencies.

The Committee noted that the net appropriation model does not extend to funding requirements associated with the performance audits undertaken by the OAG. Performance audits are comprehensive examinations of government activities to ensure they are both efficient and effective. Performance audit reports are an essential tool for Parliament to assess government performance.

The Committee recommended that the OAG receive an increase in its appropriation of at least \$250,000 in the 2010/11 budget for performance audits. The report was tabled on 1 April 2010 (please refer Table 1 on page 11).

**The Confidential
Status of the State
Development
Agreement
Oakajee Port and
Rail**

A copy of the State Development Agreement (**SDA**) for the Oakajee Port and Rail Project (**OPR**) was requested from the Hon Colin Barnett MLA, Premier; Minister for State Development during the 2009/10 budget estimates hearing with the Department of State Development.

A copy of the SDA was provided to the Committee by the Premier with a request that the SDA remain confidential until the State resolves its discussions with the new management of OPR in regard to aspects of the SDA.

Initially, the Committee did not consider that it was provided an adequate explanation as to why the SDA should remain confidential. However, it was able to agree to a procedure with the Premier whereby members could view the SDA and maintain the necessary privacy in support of the negotiations.

The Committee drew to the attention of Ministers and departments that when requesting that a document remain private to the Committee, they must provide a substantive and detailed reason as to why the Committee should not publish the evidence.

The report was tabled on 1 April 2010 (please refer Table 1 on page 11).

The Removal of Senior School Allocation Funding for Year 11 and 12 Courses at 21 District High Schools

On 5 May 2010, the Committee commenced an inquiry into the removal of senior school allocation funding for year 11 and 12 courses at 21 district high schools across Western Australia.

Senior school allocation funding was provided by the Department of Education to district high schools to support the practical outcomes of the introduction in 2006 of legislation that made it compulsory for all students to be engaged in either schooling, training or employment until the end of the year in which they turn 17 years of age. The decision to cease the senior school allocation funding for year 11 and 12 courses from 21 district high schools in Western Australia was made by the Government in December 2009.

The Committee found that:

- the Department had poorly communicated the decision to the affected district high schools and communities, resulting in confusion amongst principals, parents and the community about what the decision meant and what options were available; and

- the Department failed to analyse the implications of this decision to the overall State Budget. The cost savings to the Department are minimal and far less than the costs that will be imposed on other departments to provide bus services and subsidise children living away from home.

The Committee recommended that the funding be reinstated.

The report was tabled 1 July 2010 (please refer Table 1 on page 11).

STATISTICS

Reports Tabled

The Committee tabled eight reports during the 2010 calendar year.

Report Title	Tabling Date	
Report 24	Annual Report 2009	1 Apr 2010
Report 25	Budget of the Office of Auditor General	1 Apr 2010
Report 26	The Confidential Status of the State Development Agreement Oakajee Port and Rail	1 Apr 2010
Report 27	The Removal of Senior High School Allocation Funding for Year 11 and Year 12 Courses at 21 District Event	1 Jul 2010
Report 28	Annual Hearings in relation to the Budget Estimates 2010/11	19 Aug 2010
Report 29	Budget Estimates 2009/10	19 Aug 2010
Report 30	Agency Annual Reports 2008/09	19 Aug 2010
Report 31	Report on the 2008/09 Agency Annual Reports: Request for a Member of the Legislative Assembly to Appear Before the Committee	18 Nov 2010

Table 1 Reports tabled in the calendar year ending 31 December 2010

Meetings and Hearings

A summary of key activities undertaken by the Committee during 2010 is outlined in the charts below.

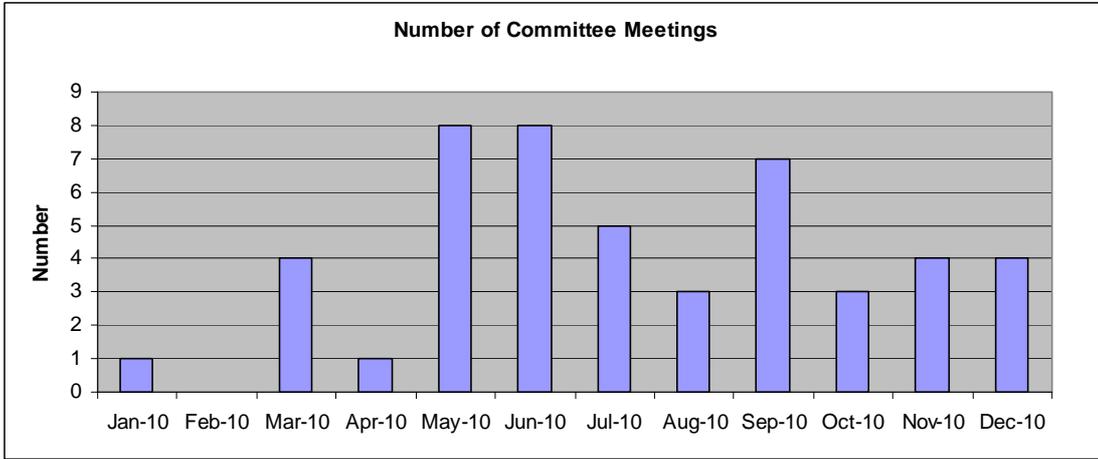


Chart 1 Number of Committee meetings held during the year ending 31 December 2010

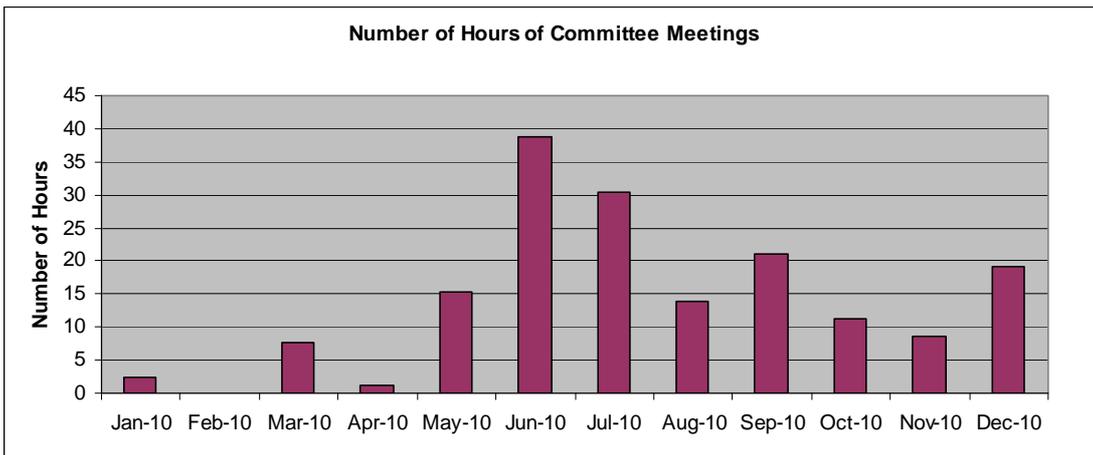


Chart 2 Number of hours of Committee meetings held during the year ending 31 December 2010



Chart 3 Number of witnesses appearing before the Committee during the year ending 31 December 2010

PLANS FOR 2011

Looking forward

In 2011 the Committee intends to:

- complete its consideration of the Budget Estimates for 2010/11;
 - consider the Budget Estimates for 2011/12 through the Annual and Ongoing Hearings process with a proposed completion date of 30 June 2011;
 - consider ways of enhancing the Annual Report hearings; and
 - address any other matters that arise which fall within the Committee's terms of reference.
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Hon Giz Watson MLC
Chair

Date: 9 August 2011