AUSTRALASIAN COUNCIL OF PUBLIC ACCOUNTS
COMMITTEES
(ACPAC)
9th Biennial Conference

A REPORT ON THE CONFERENCE PROCEEDINGS

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1. Introduction:

The Solomon Islands National Parliament Standing Select Committee on Public Accounts was invited by the Australasian Council of Public Accounts Committees (ACPAC) to participate at their 9th Biennial Conference that took place from 11 to 14 April 2007, at Federal Parliament House, Canberra, Australia. The main theme of the Conference was "Challenges Facing Contemporary Public Accounts Committees".

As part of its assistance to the Solomon Islands Parliament, the Centre for Democratic Institutions (CDI) provided sponsorship for two Public Accounts Committee (PAC) members, the Auditor General and a secretariat staff.

The purpose of this report is to outline the conference proceedings and provide Summary of observations and insights obtained by the delegation.

2. Background:

The Australian Council of Public Accounts Committees (ACPAC) consists of all public accounts committee from throughout Australia, New Zealand, Papua New Guinea and Fiji, with associate membership open to other PACs.

The aim of ACPAC is to facilitate the exchange of information and opinion relating to Public Accounts Committees and to improve the quality and performance of Public Accounts Committees in Australasia. (See appendix) ACPAC conducts its business through a biennial conference and a mid-term meeting each alternate year. This year the ACPAC had its 9th biennial conference which was hosted by the Commonwealth Joint Committee of Public Accounts and Audit (JCPAA).

3. Participants:

The Public Accounts committee was represented by Hon. Fred Fono, Mr. Floyd Fatai (Auditor General & Secretary to PAC) and Mr. David Kusilifu (PAC Secretariat).
4. Purpose of the visit

The objective of the visit was informed by the need for the Committee to continuously enhance its oversight capacity, and build on its knowledge capital by exchanging ideas with its counterparts, both at regional and international levels. It was anticipated that the knowledge attained at the conference would go a long way towards empowering members in order to continue to exercise their oversight function at the same time broaden their knowledge on how committees function in the region.

More specifically, the Solomon Islands was identified as having an active Committee and therefore invited to make a presentation and be considered for full membership of ACPAC.

5. Key themes:

Key themes that the delegation participated in on the first day of the conference included:

a) Contract management and risk management compliance with financial frameworks
b) The independence of Auditors-Generals
c) How best to “add value” to the work of auditors
d) The role of the Auditors-General and outsourcing

Second day presentations were made on the following themes:

e) Public sector reporting, and
f) PAC work programs and influence over resources

6. Conference papers presented

a) ‘Enhancing financial and project management across the public sector: some recent developments’: Mr Phillip Barresi MP, Chair, Commonwealth Joint Committee of Public Accounts and Audit

The paper highlighted the challenge of ensuring that standards of compliance are maintained across a multitude of government departments. It focuses on how public accounts committees, auditors-general and central agencies can encourage better practice across the public sector in areas
such as project management, risk management and compliance with financial framework legislation.

Using recent examples from the commonwealth the paper points out a number of areas which promotes efficient, effective and ethical use of government resources for instance, reforms in financial framework legislation such as the Financial Management and Accountability Act aim to ensure that chief executive officers are given formal authority to manage the activities of their staff.

The paper also argues that it is vital that as a result of the changes in financial frameworks, the audit office must have adequate capacity to effectively carry out its functions especially in terms of its budget as Parliament is even more dependent on its expert advice. It also highlights the need for thorough review process on government projects which require cabinet approval and are deemed as “high risk”.

The presentation concludes by mentioning that, accountability and oversight mechanisms already exist in the public sector. Therefore it is in the best interest of Parliament to work in co-operation with the Auditor General to maintain high standards and a chain of accountability as projects are increasingly contracted out.

b) The role of PACs in safeguarding the independence of auditors-general: Mr Vaughan Johnson, Deputy Chair, Queensland Public Accounts Committee.

The presentation focused on three examples which examine the relationship between the Auditor General and the PAC. That is, the involvement of the Public Accounts Committee when the Auditor-General’s office is under threat by the government. Secondly, what happens when the work of the Auditor-General becomes politically controversial. And thirdly, what the Public Accounts Committee can do when it considers that the Auditor-General is taking the audit office in a direction that may compromise the independence of the office.

The paper also mentions that the integrity of the Auditor-General’s independence is of paramount importance to public accounts committees and that those committees play an important role in protecting that independence. It also argues that PACs are responsible in ensuring that there is responsible and honest scrutiny of public accounts in a bipartisan way to guarantee transparency and delivery of public funds in a democratic process, as this is becoming more demanding with further scrutiny by the media and an intelligent, well-informed public who have access to the internet, television, radio and print media.
The important thing is that the executive of government agencies (departments) be astute and formulate proper and watchful management strategies. Auditor-Generals cannot be apologising for government misuse of public funds, but must be the eyes and ears of the general public and monitor that public expenditure, financial management and performance management are carried out in an honest and proper way.

c) **Different models for PACs in reviewing the work of auditors.**

*How best to ‘add value’ to the work of auditors: John Quigley MLA, chair, Western Australia Public Accounts Committee.*

While the relationship between the public accounts committees and the auditors-general varies between the jurisdictions operating under the Westminster system of government, most are characterised by a level of cooperation and information sharing.

The paper on the other hand examined the recent history of the relationship between the parliamentary accounts committee and the Auditor-General (AG) in Western Australia and considered how the Public Accounts and Expenditure Review Committee and other committees of the parliament may be able add value to the role of the Auditor-General.

The paper argues that besides having a statement of understanding Parliamentary committees can add value to the work of the AG by:

- building on public attention;
- seeking Government’s commitment to response;
- exploring avenues that the audit office cannot – critiquing Government policy, following up on individual stories and taking verbal evidence;
- adding longevity- bringing matters from previous months/years back to public attention;
- adding weight to the Auditor General’s recommendations; and
- being consistent and comprehensive.

The paper concluded by highlighting that whatever approaches each jurisdiction adopts or practises, must be “fit for purpose” and allows Parliamentary committees and the Auditor General to work co-operatively.
d) The role of auditors-general in relation to outsourced government activities/functions: Mr Mike Blake, Auditor-General, Tasmania

Outsourcing, which can also be referred to as contracting out, involves an external organisation taking responsibility for all or part of a particular function or activity of a department.

The paper mentions that outsourcing is implemented for a number of reasons and depends on the function or activity to be outsourced. They may include savings in costs; spreading risk; access to finance; access to more modern infrastructure, such as current IT thinking; improved support services; a perceived lack of skills; and often focusing on what are referred to as non-core services.

The presentation highlighted that in most Australian jurisdictions the Auditors-general may conduct audits of efficiency and effectiveness. In this respect, these auditors-general can audit outsourced arrangements where the audit objective may include consideration of matters such as:

- the efficiency or effectiveness of the contract management arrangements; and
- whether or not the objectives specified when the decision to outsource was made are being achieved

In concluding the presentation highlighted that public sector managers need to take into account when outsourcing that they are ultimately responsible for the services they provide, irrespective of who provides those services; and agencies operating within the relevant legislative and government policy frameworks, including international obligations.

e) The Importance of a Conceptual Framework for Public Sector Financial Reporting Mr David Pendleton, Chair, CPA Australia Public Sector Centre of Excellence

The theme focused on the work of CPA Australia, the challenges facing public sector accounting and the usefulness of financial and performance reporting.

The Paper identified that the challenges facing public sector accounting were, persuading that disclosure is in the best interests of everyone; and, two, that the quest for openness and accountability cannot be left to the political system.

Furthermore, the usefulness of financial and performance reporting is a
challenging issue that goes to the very core of the accounting profession’s value to the business and into the future. If financial reports continue to be compliance focused, strategic decision makers will look elsewhere for their critical business support information. Likewise, there is a pressing need to find more relevant measures of performance and effective means by which to communicate this information to stakeholders.

In summing up the presentation indicated that the business of government is not the same as a for-profit organisation and therefore the unique issues found in public sector financial reporting require separate consideration in the preparation of financial statements. Public sector financial reporting is different to that of other sectors. These differences need to be recognised by the standard setters and addressed to ensure that public sector financial reporting continues to be relevant to all of its stakeholders.

f) **Powers of PACs to set their own work program and the subsequent influence on their resources: Mr Richard Mulcahy, MLA, chair, Australian Capital Territory Public Accounts Committee.**

The essence of the paper was that, although public accounts committees have substantial powers to set their own work programs, the extent to which these powers are fully used to effectively exercise legislative oversight is significantly influenced by resourcing, particularly that of institutional and committee capacity.

PACs have power to oversee public expenditure provides the public accounts committee with both a broad mandate and a target audience. The wider the mandate of a public accounts committee the greater its potential to deter waste and wrongdoing and encourage better management of public resources.

The paper points out that even the strongest mandated powers will not guarantee a committee’s effectiveness without appropriate resources. What is needed is;

- institutional capacity - the level of resources, including staff;
- financial resources, must be sufficient for the committee to achieve its mandate; as it is the government of the day and not the parliament that determines the budget of the relevant parliamentary department, in short PACs exist at the pleasure of the serving government, and
- appropriate research and technical support including politically neutral research staff
The paper concludes by highlighting that PACs have the powers to craft work programs to exercise effective oversight of the government.

However, the extent to which these powers are fully used is dependent on building optimal committee and institutional capacity, and obviously is, overall, influenced by the calibre of people that the electors send in to the respective parliaments.

7. Committee activity reports:

The following Committees presented papers outlining, their respective mandates, activities, membership and other internal arrangements:

a) South Australia Economic and Finance Committee – Dr Paul Lobban
b) Western Australia (WA) Public Accounts Committee – Mr. John Quigley
c) New Zealand Finance and Expenditure Committee – Dr. the Hon. Lockwood Smith
d) Tasmania public Accounts Committee – Hon. Jim Wilkinson
e) ACT Standing Committee on Public Accounts – Hon. Richard Mulcahy
f) NSW Public Accounts Committee – Mr. Russell Keith
g) Queensland Public Accounts Committee – Hon. Vaughan Johnson
h) Northern Territory Public Accounts Committee – Mr. James Burke
i) Victoria Public Accounts and Estimates Committee – Hon. Bob Stensholt
k) Solomon Islands Public Accounts Committee – Hon. Fred Fono,

8. Auditors General present

a. Mr Ian Mcphee – Australian National Audit Office
b. Mrs Tu Pham – Auditor General of ACT
c. Mr Eroni Vatuloka – Auditor General of Fiji
d. Mr.Peter Achterstraat – Auditor General of NSW
e. Ms. Phillipa Smith – Deputy Auditor General of New Zealand
f. Mr. Frank McGuinness – Auditor General of Northern Territory
g. Mr.George Sullimann – Auditor General of PNG
h. Mr. Glenn Poole – Auditor General of Queensland
i. Mr. Lim Soo Ping – Auditor General of Singapore
j. Mr. Floyd Fatai – Auditor General of Solomon Islands
k. Mr Simon O’Neill – Deputy Auditor General of South Australia
l. Mr Desmond Pearson – Auditor General of Victoria.
m. Mr Howard Blake – Auditor General of Tasmania.
9. Summary of Observations and Insights Obtained by the Delegation:

The delegation gained insight into the common challenges facing most Public Accounts Committees in Australasia. As a result the following observations were made:

- Each jurisdiction is unique in regards to the independence of the Auditor General and in the manner in which it operates, hence what is practised in one jurisdiction will not necessarily be suitable for another.

- Research capacity to assist the PAC Committees in holding the government departments’ accountable, needs to be fully utilised.

- The PAC needs to encourage more performance auditing and encourage government departments to move away from Cash Basis to Accrual Accounting to allow better recording of transactions.

- The Auditor General should be given the mandate to audit Donor Funds, given that a large portion of government funding comes from Donors.

- There needs to be a legislative review to broaden PACs powers and functions (Standing Orders and Public Finance & Audit Act) Important for PAC to promote transparency and openness through Civic Education and to create a work program.

- The need to track and make follow-ups on implementation of PAC recommendations.

10. Acknowledgements

The delegation would want to thank the organizers of the Conference, especially the Commonwealth Joint Committee of Public Accounts and Audit and ACPAC secretariat staff for making the attendance the Committee possible. The Committee also wishes to extend its sincere thanks to the Centre for Democratic Institutions (CDI) for enabling the delegation to participate in the conference.