

Appendix 1

*Public Expenditure and Parliamentary
Accountability:*

*The Debatable Role of
Senate Estimates Committees*

by John Uhr
*Public Policy Program
Australian National University*

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The proper duty of a representative assembly in regard to matters of administration, is not decide them by its own vote, but to take care

that the persons who have to decide them shall be the proper persons.

Mill, 1861

Introduction: Why persist with estimates committees?

This paper is an information or background paper on Senate estimates committees. The paper was prepared as a positive contribution to assist answering the question which ever more frequently faces the estimates community: why persist with estimates committees? The estimates community includes groups of public officials which approach public policy and administration from markedly different perspectives - those of committee members and their staff (both partisan and parliamentary), other parliamentarians, program administrators, central agents of executive government, administrative scrutineers, and the general public.

Some within the estimates community regard the committees with pride and satisfaction, some in the belief that they are at a turning point, still others with relief that the committees might have arrived a dead end. There is no consensus, in large part because there is no agreed set of performance standards which the estimates community expects of committees. This paper attempts to lay out some of the committees' history and evolving expectations, with the aim of structuring a more productive dialogue on committee performance and future developments. Much less than a history, this paper is a provisional evaluation of what the estimates committees themselves see as their achievement and options.

The provisional quality of this paper stems from the fact that no account has been taken of the *Hansard* record of committee hearings or of debates in the Senate during the passage of the budget. This paper identifies the issues as they appear in estimates committee reports, where one might reasonably expect a form of public accounting and assessment of their impact on parliamentary processes. Yet, although much more information could (and should - soon, if I get my way) be brought to bear, the essential considerations are qualitative: what are the standards of due performance required of estimates committees?

One recent development alone forces the issue of quality measures for estimates committees - the increasing practice of minority or dissenting reports coming from committees (see eg., A/May 1989, E/May 1989, A/1988, B/1988, A/April 1988,

F/1987, A/1974, E/1970).¹ In some respects, such minority reports (typically from Opposition members) are by far the most vital and compelling elements within reports. But these dissenting reports also emphasise the difficulties committees face in moving from auditors of explanations toward evaluators of performance. The split reports also serve to remind us that the hearings are not policy free, even when confined to official explanation of estimated expenditure: apparently non-controversial factual information will appear more or less politically interesting depending on the policy interest of the auditor.

The urgent question posed by the increasing use of split reports is that relating to the parliamentary expectations of public servants, especially in regard to the forms and substances of public accountability. Can public servants ever really know what Parliament expects of them - or more precisely *who* within Parliament will expect *what* of them? Can they ever satisfy all levels of parliamentary interest? Indeed, is 'satisfaction' a reasonable goal to aim at, given the diverse range of interests represented in Parliament? Not unreasonably, public servants expect Parliament to state, before the event, what it as a corporate institution expects of public servants.

A model of constructive action is the recent Senate Finance and Public Administration Committee's report on *The Timeliness and Quality of Annual Reports* (June 1989). The Committee was fulsome in its praise of the Department of Finance's preparation of portfolio Explanatory Notes for estimates committees, and frankly critical of the Senate's performance in making use of agency annual reports. The committee recommended that the Senate complement the work of estimates committees by making better use of annual reports. For present purposes, the chief point is that of parliamentary context rather than agency text, be it annual report or Explanatory Note. As the committee emphasised, the Senate must do more to establish a viable context of public accountability by providing better feedback to agencies on what it considers due performance. In relation to both sets of documents, the criticism is the same: that the Senate (and Parliament generally) is not explicit about either the due process or satisfactory substance of public accountability. The urgent task is to establish 'effective communication between Parliament and the executive' where 'constructive feedback, both negative and positive, is freely given and received by both sides'. (ibid, para.6.23).

This paper is an attempt to promote that better dialogue among interested members of the estimates community.

¹ Such bracketed references identify committee (A,B,C or D ect), year of report (generally confined to budget reports, ignoring supplementary reports), and page number, or paragraph number where so identified.

A cautionary note

This paper is in fact an early cut from a larger work dealing with Parliament and public expenditure - relevant political theories and contemporary Australian practices. This particular paper narrows the focus to the singular contribution of Senate estimates committees, in an attempt to lay out the confusing array of perceptions and self-definitions of the role entertained by the committees. Precisely because they are so indeterminate in character, estimates committees act as a political catwalk, facilitating a parade of parliamentary models, or pretenders to virtue, illustrating a wide range of scrutiny styles and degrees of political effectiveness. An appraisal of estimates committees provides an excellent perspective on Parliament's capacity to review public expenditure.

Would that we had a standard history and description of Senate estimates committees. Australian political science provides too many confident statements about committee ineffectiveness, and too few explanations of what committees actually do. Our interpretations too easily run ahead of the facts. This paper will do little to repair the 'data drought', but it might help with better interpretation by revealing more about the committees' self-understanding. The paper presumes a working knowledge of the estimates process in the Senate, which baldly can be represented as follows:

after the Treasurer's introduction in the House of 'the budget' (meaning primarily the basic set of appropriation bills), the Senate refers relevant particulars to six committees for consideration and report (see Attachment 1);

each committee seeks explanations of factual matters from public servants and of policy matters from attending Ministers, to the extent that they are in a position to contribute or have answers provided; the vast majority of questions are answered by officials, mostly orally but frequently 'on notice' by written reply;

each committee reports back to the Senate which has all six reports, together with the Hansard transcript of the hearings and any available written replies, available for consideration during the 'Committee of the Whole' stage of debate on the appropriation bills;

upon reporting, each committee has discharged its reference and is, for all practical purposes, 'wound up' until the next reference and with it the next round of hearings (eg. in six months time during passage of the supplementary appropriation bills, and so on).

Appropriations and appropriateness

My present interest is not so much in the formal structure and operations as in how we might begin to evaluate the effectiveness of these committees. Despite our wealth of scholarship, the essential beginning points are political rather than theoretical: ten years ago each House of Parliament produced a pioneering report which together provide a framework for better appreciation of Parliament's contribution to expenditure review. The House of Representative's Expenditure Committee produced *Parliament and Public Expenditure* (February 1979), a forgotten classic of parliamentary confessional literature. The Senate Social Welfare Committee produced *Through a Glass, Darkly: Evaluation in Australian Health and Welfare Services* (May 1979), less ignored but rarely read as a model of a healthy relationship between appropriators and managers of public funds. A word on the combined significance of these reports might help set the scene.

Neither committee now exists. The Expenditure Committee promoted greater parliamentary involvement in expenditure review, and it would be reassuring to think that this work is now being done in the new system of committees established in 1987, when these two committees were abolished. The 1979 House Report called for greater parliamentary attention to effectiveness reviews, conveniently characterised then by the Department of Finance as the determination of whether public funds appropriated by Parliament 'are spent wisely' (quoted at Report, p.39). The report wanted Parliament to ask itself 'just who is responsible in an actual rather than a formal sense' for program outcomes? It recognised that the move from compliance through efficiency toward effectiveness review means that 'the work becomes more important, relatively speaking, and more political'. Parliament should demand of itself a greater say in 'the upper end of the review spectrum', traditionally not sought because of the recognition that such work has an 'essentially political nature' (Report, pages 10, 18-19).

The Senate Report complements this perspective by more explicit recognition of the programs manager's role in evaluation accountability. The Senate Report modifies effectiveness review to mean evaluation of program and policy *appropriateness*, which is part of a public manager's 'social obligations'. This report constructs a bridge of accountability between administrators and appropriators: that construct is the program and performance budgeting process, which encourages all involved in expenditure review to move back and forth between policy (objectives) and administration (program performance). In promoting an enhanced role for estimates committees, the Senate Report invited them to become more closely involved in scrutinising evaluation plans and actual performance, by moving away from traditional inputs reckoning towards outcome or social impact evaluation.

Over the 1979-1989 decade, estimates committees have ever so slowly begun to soak up the parliamentary solutions provided by these two pioneering committees. The best formulation is still the simplest: as an essential part of *appropriations* process, the estimates committees evaluate the *appropriateness* of programs. Estimates are

increasingly expected to be justified by their program's past or planned social impact, outcome or policy effectiveness whatever preferred term one uses.

A host of questions arise. How can public servants explain or justify policy outcomes? How political a process can this become? Are there workable performance criteria, for estimates committees no less than administrative agencies? This paper attempts to formulate the beginning of basic answers, and the basics of further questions. It complements an earlier paper prepared for Professor Weller's Griffith University project on trends in public management.²

Estimating success

The most difficult task relating to any review of Parliament and public expenditure is that of establishing the context of relevant practices and performance measures. It is much easier to narrate recent changes and describe current activities than to evaluate the effectiveness of parliamentary review. There are no authorised standards for judging the quality of parliamentary scrutiny. The absence of agreed standards has in no way slowed down the parliamentary demand for greater public accountability; but the point has now been reached when Parliament itself has to establish the proper ordering of accountability, sorting out those forms and contents which meet fundamental public requirements from those that serve lesser organisational interests.

My task here is more rudimentary than fundamental. An account or preliminary evaluation of Senate estimates committees is for two reasons helpful to the larger issue of expenditure review. One reason is that precisely because it approached that issue indirectly, this study avoids a headlong confrontation between political economy and parliamentary pretensions. Sometimes the larger issues are best approached in miniature, where their contours and colours are muted and indistinct, but still manageable. This review of the estimates committees will serve as an introduction to a fuller review of the estimates process, with that itself a prefatory exercise to larger topic of parliamentary and expenditure review.

The second reason is more urgent and less methodical. In my view, current tensions in the estimates committees reflect, or are certainly affected by, larger tensions abroad in the world of public expenditure. To my great relief, this is not the place to review the debate over public expenditure reforms and 'the new managerialism'. For present purposes, the most recent contribution to that debate conveniently joins parliamentary

² John Uhr, *Corporate Management and Accountability: from effectiveness to leadership*, Griffith University conference paper, June 1989 (copies available from author).

scrutiny and reforms in public expenditure.³ The budgetary and public finance reforms introduced since 1983 have changed the way agencies and public managers publicly account for their actions. Administrative devolution has been so managed that public officials have not only been let but *made* to risk manage, their grants of increased freedom and responsibility being balanced by demands for greater public accountability.

The question in Canberra now is: account *for* what and *to whom*? The standard answer from the reformist central agencies is: *for* actual program result: *to* (1) one's post-1987 portfolio; (2) and the central budgetary agencies; and (3) Parliament, and through it, the general community. Putting to one side the anti-managerialist manifestoes, it can still be said that the reform movement in public expenditure is being confronted by steadily mounting questioning, doubt and reappraisal from within Parliament. The estimates committees are part of this reaction, although as will be seen this group of committees is itself divided and uncertain about the merits of reformed public management. The context for understanding estimates committees includes not only the well known reforms but, more importantly perhaps, the less known parliamentary responses, which range from cautious endorsement to principled opposition to the new regime of public management.

The public expenditure reforms appeal to the rhetoric of 'management by results'; their parliamentary scrutineers sense that due administrative process is being scarified under a new managerialist ethos in which ends or results might, could or would justify any available means. The controversy focuses on the merits of 'risk management', with opinions differing on how best to calculate the burden of public risk. I say 'controversy' rather than 'debate', because there is no simple distinction between a pro-reformist and pro-parliamentary camp. There are about as many positions as there are contributions, although for our purposes one can identify a loose group of parliamentary expressions of reservation about the practice of risk management in the public sector and, more particularly, about accounting for or reporting on results, especially within the emerging context of performance budgeting for agencies.

The actual positions are here less important than the identity of the participants.⁴ In part, this listing illustrates the defects of identifying any particular view as that of 'the Parliament'. In another measure, this listing helps to identify the key parliamentary bodies whose shared interests contribute the core capacity for reviewing the system of public expenditure and administration. First, the Joint Committee of Public Accounts,

³ Michael Keating, 'Quo Vadis: Challenges of Public Administration', *Australian Journal of Public Administration*, June 1989.

⁴ Michael Keating, 'Quo Vadis: Challenges of Public Administration', *Australian Journal of Public Administration*, June 1989.

with its current inquiries into annual reporting standards, community service obligations in public sector bodies, and public sector capacities for research and development. The Public Accounts Committee has recently expressed its anger at public service attitudes and reporting practices, with the Chair, Robert Tickner, lashing out at the head of the public service for allegedly making light of parliamentary accountability.

The Public Service Act was amended in 1985 to confer on the Public Accounts Committee a basic advisory and approval role in the preparation of government guidelines on annual reports. The Committee now sees itself as the watchdog on both compliance with the guidelines and performance reporting generally. Hence the importance of the Public Accounts Committee's recent report on the need for greater independence for the Auditor-General so that Parliament can have, in fact as well as name, a performance appraisal agency to help evaluate the public service. The Australian Audit Office has warmly responded to this proposal to locate the auditors away from the central agencies of government, preferably in Parliament itself, modelled on both the United Kingdom's national audit office and the United States' general accounting office. Not surprisingly, the Auditor-General, John Taylor, has been another thorn in the side of the promoters of free range risk management although, like Robert Tickner, no defender of battery hen bureaucracy.

The two Finance and Public Administration committees are also actively reviewing the accountability framework of public expenditure. The Senate Committee's June 1989 report on *The Timeliness and Quality of Annual Reports* is a rare model of value-added scrutiny, with its careful praise of the stewardship of the Department of Finance in relation to the excellent explanatory notes prepared for estimates committees, and its pointed criticism of the Prime Minister and Cabinet for its apparent failure to produce a better crop of agency annual reports. The committee's current inquiry into the future of the senior executive service could well bring further opportunities for detailed review of the basic contribution of the central networks of government. The House of Representatives equivalent Committee has launched an important inquiry into the Commonwealth's Financial Management Improvement Program (FMIP) the Federal blueprint for reformed expenditure control and public management. Thus another forum is opening for yet another set of public expectations about government which will jostle against those of the reformers.

Just as the Auditor-General has weighed in with a para-parliamentary appraisal of the evolving system of public management, so too has the Ombudsman, perhaps the most conscientiously anti-managerialist of all of Parliament's allies. In a series of important speeches, the Ombudsman, Professor Dennis Pearce, has defended due processes of public administration on precisely the same grounds on which the reformers promote risk management in that it cultivates the right end result. In his view, public accountability in government requires duly processed and properly regulated

administration in which discretion can be styled along legitimated patterns of decision making rather than be left to the risk-calculation of the program administrator.

The above comments barely scratch the surface but they might help in pointing to the relevant parliamentary context, in which estimates committees find themselves responding to an existing accountability agenda.

Achievements and criticisms

The standard view of the achievement of estimates committees is well expressed by Reid and Forrest.⁵ The beneficial effects of the existence of such committees are readily identifiable:

1. Estimates committees provide Senators 'with a unique opportunity' to cross examine actual program managers, and to obtain answers much more speedily than through the alternative questions on notice' procedure;
2. Departments' *Explanatory Notes*, originally prepared at the request of the committees, are now an unrivalled guide to program administration; and
3. Statutory Authorities now meet regular appraisals of public accountability, even if frequently at no more than a token level of scrutiny.

But while most admit that the committees have enhanced the legislative process associated with the budget, one must also agree with Reid and Forrest that 'the question of the committees' and the Senate's ability to act upon any information received remains problematical'. In this orthodox view, the estimates committees are seen to have failed to live up to their full potential. Their early development signalled 'the Commonwealth Parliament's first systematic attempt to supplement the consideration of any legislation in the plenary chamber by preliminary enquiry by small committees of Parliamentarians'. This was no small achievement: a victory against all the odds. In helping thus to keep alive 'the ideal of parliamentary control of expenditure', the committees have in effect served to remind us how far Parliament generally falls short of that impressively lofty standard.⁶

One of the standard criticisms is that the estimates committees are predominantly negative in orientation and effect. Some observers see the committees as, at best, fault-finders and, at worst, witch-hunters. This argument is frequently linked to the criticism

⁵ *The Parliament of the Commonwealth of Australia 1901-1988: Ten Perspectives*, Melbourne University Press, 1989, especially pages 218-219.

⁶ *ibid.*, page 360

that the committees seize upon minor errors of departmental administration, ignoring opportunities to comment on larger issues in public expenditure trends. This might well be a correct view, but it is useful to set aside the conventionalities and look at the issues as the committees themselves see them.

Committee praise for administration

Critics frequently ignore the good things committees say of public officials by way of endorsement or praise. It is useful to note some instances, as they go some way to answering the complaint that the committees fail to identify models of best practice and thereby fail to identify the standards they expect agencies and public officials to meet. It is also useful to note that the original 1970 Senate reference to the committees simply charged them with a duty to examine and report. The early focus on seeking detailed *explanations* from officials as to the purpose of estimates and the achievement of past expenditure tended to place the onus on the administration to *justify* estimates. Officials recognised that their task was partly factual and, surprisingly, partly evaluative, in that they were asked not only to inform but to comment on the worth of public expenditure. The committees had no strict requirement to pass judgement on the process of justification, as distinct from the substance of explanation. Yet frequently they have praised the quality of co-operation from officials. This vein of positive feedback from committees to the administration deserves at least some early note. The following categories, with brief examples, illustrate this strategy of reinforcement (or is it entrapment?) of committee operations.

Exemplary witnesses

The original 1970 Resolution stated that the committee 'may ask for explanations from Ministers of State in the Senate, or officers, relating to the items of proposed expenditure'. The inaugural 1970 reports were uniform in their praise for the new system and for the degree of co-operation from officers. Typical of the peaks of these early hearings is the praise for 'a most satisfactory level of representation, including the appearance of the Permanent Heads' of several departments, whose Ministers also recorded their view that such senior representation was 'of very great help to the Departments also'. Put more generally, this highlights '... the opportunity which is available to Senators to establish a working relationship with the senior officers of the public service and the many statutory authorities ...' (A,1974:5).

Fortified by a Standing Orders Committee report enjoining agencies and their Ministers to send only senior officers, other committees have welcomed and praised 'the high calibre and seniority' of witnesses which might well overcome 'certain difficulties ... during earlier hearings' (B, 1979-24) typically the inability of junior officers to comment on the larger issues of agency performance. Other committees have commended public officials 'for their expertise and capacity to answer most questions immediately and competently' (B, 1985:70), even to the extent of noting that

exemplary answers, when given by 'officials with appropriate experience and seniority', make the hearings 'valuable and rewarding for all participants' (A, 1986:15). The Prime Minister and Cabinet portfolio, and particularly its subsidiary Offices, has attracted special praise (eg. see A, 1986:15 and 1987:11). The general point is that committees appreciate 'fewer but more senior officers' who are capable of participating with a 'degree of authority and decisiveness' (E, 1987:181).

Explanatory Notes

The Department of Finance could well regard the current style of *Explanatory Notes* as the most substantive achievement of the whole estimates process. The portfolio notes are now part of the official budget papers series, and the Department of Finance's stewardship of these key documents of public accountability has attracted the praise of the Senate Finance and Public Administration Committee (see *Timeliness and Quality of Annual Reports*, June 1989, esp. pages 10-12, 22-22). The original requirement for the presence of officials, in addition to Ministers, was designed to meet the need for information to supplement the correct but bare itemisation of proposed estimates in the actual appropriation bills. The big first step was the call for officials who could explain in more detail the ways and whys of public expenditure. The early second step was the call for some form of explanatory memoranda or notes to guide the investigatory process. The third step was the call for the central budgetary agency to have the notes upgraded and produced in a standard format, and for Ministers to table the documents as major statements of public accountability (eg., see A, 1974, 1975:7 and 1976). The initiative at each of these steps was taken by one or more estimates committees, the burden of implementation falling to the Department of Finance, which has since gone on to outstrip immediate committee demand and produce notes which now encourage a particular investigatory style – that of program evaluation – which committees are slowly adopting.

Estimates Committee A took the highground in initially calling for the preparation, then the pre-hearing distribution, of notes 'to enable a preliminary examination of the notes by committees in private session, prior to the public examination of the Estimates' (A, 1977:7). The call for a standard format was accompanied by committees' suggestions for models of best practice, often in the form of praise for notes prepared by agencies within their scope of review (B, 1977:28, C, 1977:41).

In consultation with estimates committees and the legendary Senate Finance and Government Operations Committee, the Department of Finance standardised Explanatory Notes from the 1978 budget, much to the satisfaction of estimates committees. Probably to the satisfaction of Finance, committees continued to identify models of the new format and thereby provide incentives for improvement all around: as in the case of the highly commended' notes from the Department of Housing and Construction (E, 1980:68), or the 'exemplary' notes from the Department of

Employment and Youth Affairs (B, 1980:24), or even Primary Industry's 'considerable improvement' (H, 1981:109).

With the government's promotion of program budgeting as announced in the April 1984 White Paper on Budgetary Reform, the Department of Finance has trialled and now revised the format of the Explanatory Notes to accord with the new policy of expenditure presentation. Committees have praised the Department of Finance's management of the transitional arrangements and the evolving revised format for notes (eg, see C, 1986:102, the E, 1988:5, and consider Senate Finance and Government Operations Committee's two reports on *Changes in the Presentation of the Appropriations and Departmental Explanatory Notes*, May and December 1985).

Auditor-General's contribution

Typical of the early slippage between estimates committees and the Auditor-General are comments from one committee declaring 'that it would be desirable' for the report of the Auditor-General covering the previous financial year to be made available 'for a reasonable time' before the hearings. Surely, the Committee stated, nobody would want the hearings to recommence upon the eventual availability of an audit report, with a re-examination of agencies 'at inconvenience to both the members of the committee and to the many witnesses appearing' (C, 1976:155 and 1977:41). Committees tended to rely 'heavily on the Auditor-General, as the servant of the Parliament, to bring matters of concern to their attention', and therefore appealed for early availability of audit reports (A, 1981:7-8).

The same committee soon discovered a fruitful working relationship with the Auditor-General, who found ways to produce 'a special report' to suit the timing of estimates committees (A, 1982:9, see also E, 1982:81-82). As is now altogether apparent, Auditor's Reports are 'an important source of informed and critical analysis' of public expenditure, and their early availability 'is highly desirable' (E, 1985:167 and see especially A, 1988: section E together with Reservation, section 2). The current guidelines on co-operation between committees and the Audit Office are published as Appendix One in the 1987 report of Estimates Committee C on additional estimates, where they are identified as a model of inter-agency co-operation.

Program and performance budgeting

One cannot but note the difficulties which estimates committees are having reconciling the line item format in the actual appropriation bills with the program format used in the *Explanatory Notes*. The early experiments, revisions and rolling adoption of program explanation of line item legislation was bound to produce at least confusion, at worst suspicion. It comes as no surprise then to find committees noting that the revised notes are 'useful' yet confusing and difficult to use effectively' (D, 1987:126 and E, 1987:56). Two basic problems exist: the general (or *program*) one of

reconciling the legislative forms with the bureaucratic formats; and the specific (or *performance*) one of making legislative sense of explanations of performance sketched in the profile of performance indicators or measures. The two problems are related aspects of how best to relate inputs to outputs.

The committees have been far from simply negative. At least one committee has discovered, in the notes from the Department of Immigration, Local Government and Ethnic Affairs, a form of explanation in which program objectives and more particularly 'performance indicators were clear, logical and internally consistent' (E, 1988:5). Other committees are 'generally well satisfied with the presentation of the details of expenditure...' (A, 1987:11), bolstered by their routine familiarity with those of their family of agencies that have... developed and included reasonably precise performance indicators...' (A, 1986:10, see also F, 1986:293). The early trialling experience was welcomed by the committees, although they foresaw difficulties in the extent to which agencies would actually be able to measure performance against objectives (eg. see A, 1985:15-20 and C, 1985:99-100).

Scheduling apologies

A final area of positive feedback relates to scheduling of hearings, the uncertain pace of which greatly inconveniences busy public officials who are forced to waste much valuable time in waiting about for their round of questioning. Committees have made some efforts to target particular groups at arranged times, mainly out of respect for the time and convenience of out-of-Canberra witnesses. But the very nature of the investigatory exercise means that there are limits to these accommodating efforts: neither the committee nor the Minister knows precisely how lengthy or briefly any particular agency's examination will be.

It is of small but significant concern to public officials to note the committees' anxieties over and apologies for the incidence of inconvenience. Committees strive to balance their own interests in a logical progression with witnesses' interests in minimal uncertainty (eg. see B, 1988: paras 17-18). A number of committees have proposed that fair consideration of all concerned requires a combination of additional time (from a *minimum* of two to three days of hearings) and a structured timetable of witnesses, which would, perhaps not incidentally, '... focus the attention of Senators in structuring their questions within a set time frame' (D, 1986:169-172, see also B, 1986:66).

Finally, in addition to obtaining extensions of time, related proposals call for easier access to notified starting times for hearings. Senate standing orders prohibit committees from holding hearings while the Senate is sitting. There are periodic complaints that the Senate chamber should be managed in such a way that committees are 'enabled to sit in accordance with the predetermined schedule', so as not to waste officials' time (B, 1978:31). All in all, many have been the echoes of that original

1970 committee which reported that public officials should not be kept waiting for extended periods in the corridors of Parliament House' (F, 1970:97). Yet it seems it will take more than the building of a new Parliament House to deliver on that worthy promise.

Parliamentary priorities

This part of the paper itemises the characteristic concerns about public expenditure raised by Senate estimates committees. My intention is to summarise the priority issues as seen from the committees' perspective. My selection is based on two criteria: issues of contemporary urgency, and issues of repeated interest over many years. Most of the former, eg. program budgeting and performance indicators, are urgent precisely because they build on an historic base of established interests. This part will build up a profile of committees' expectations of issues of public expenditure that regularly require explanation and public accountability.

Estimates of what?

The original 1970 Senate Resolution referred 'the Papers presenting the Particulars of Proposed Expenditure' to committees 'for examination and report'. The current Reference and Standing Order (for the latter see Attachment two) retain the words 'particulars of proposed expenditure', and in both cases the intention has been to refer to the particular items included as the actual heads of proposed expenditure in the appropriation bills. The name 'estimates committees' is, in strict parliamentary terms, correct since it is up to Parliament and not Cabinet or government to determine which estimates of proposed expenditure are lawfully appropriated.

Yet there is a remarkable disproportion between what the Senate formally requests of the committees, and what the committees actually do. In formal terms, the committees are asked to examine proposed expenditure included in the chief budget or appropriations bills. In terms of public expenditure, the budget bills account for only about 30 percent of annual governmental outlays, the balance of expenditure being appropriated under what are termed 'special appropriation' bills. For example, of the approximately \$21 billion in appropriations managed by the Department of Social Security, only one billion derives from the 'budget bills'. The question then about estimates committees is whether all of their supplementary information (so much of which is conveniently located in the *Explanatory Notes*) is to help them examine the particulars contained in the 'budget bills', or whether as a related exercise in public accountability committees are free to examine details of 'off-budget' appropriations. Put in different terms, are the committees legislative or expenditure-review in character; and if they are legislative in form, is there anything to prevent them from examining the wider context of administration so that they take on the substance of expenditure review committees?

Thus, one theoretical puzzle relates to the scope of the 'estimates' under examination, and the ease with which committees can move from 'on-budget' to 'off-budget' estimates. A related puzzle is the force of the term 'estimates' or 'proposed expenditures'. Much of what committees actually examine is *past* expenditure, particularly from the preceding financial year. Both the *Explanatory Notes* and the reports from the Auditor-General serve to encourage this retrospective scrutiny – the former by relating estimates to past performance, the latter by reporting on efficiency and effectiveness defects which might call into doubt administrative competence to manage public funds. Admittedly, much of this examination of past expenditure is but a means to the end of forming a judgement on the capacity of agencies and officials to manage additional public funds and so to maintain public trust and accountability.

Finally, the Commonwealth Constitution limits the ability of the Senate to amend one of the two 'budget bills'. Although the Senate may veto, or apparently refuse to pass, Appropriation Bill No.1, it can amend only bill No.2, which in the 1989-90 budget contains less than 40 percent of the level of appropriations of Bill No.1, often called the 'Main Bill' since it funds the supply of ongoing public services, known as the ordinary annual services of government.

Perhaps not surprisingly, not all of these puzzles have been raised by estimates committees. A few have, along with some awkward applications or test cases as to whose 'estimates' may be examined. The following paragraphs identify the main contours of expenditure review as established by estimates committees, and suggest some of the challenges for their continued development.

Special appropriations

Chair Peter Rae reported 15 years ago that the estimates committees probably required formal authority 'to engage in a total and continuing examination of Special Appropriations [so necessary] because of the magnitude of such expenditures, which hitherto have never been subjected to the same degree of scrutiny...' as the main budget bills. Such a formal reference would 'enable the Senate to maintain a constant, better and wider surveillance in this area of expenditure from the public purse' (F, 1976:328). Future President of the Senate, Senator Young, later reported that approaches varied among committees, the preference being the permissive one of allowing wide-ranging general questions at the outset of hearings. His committee suggested that 'the question of adopting a uniform approach be considered by ... Chairmen or referred to the Senate Standing Orders Committee' (A, 1980:6). The Senate has at least twice expressed its determination to hold statutory authorities accountable through the estimates process (see eg. Senate Journals, 1980:1563 and 1984:884).

Committees have been aware of Finance instructions to agencies 'to provide details of their special appropriations in their Explanatory Notes'. Like Committee G, most

committees have seized upon this convenient assistance and demanded that the additional information 'be of sufficient detail' to help the scrutiny process (G, 1982:109-110). Periodic bouts of uncertainty have given rise to such self-doubt as: 'To what extent should estimates committees be examining these [special appropriations]' (A, 1985:19-20). Doubts having passed, committees have more recently returned to the conviction that it is 'of course, entirely proper that details of expenditure under Special Appropriations should be the subject of some examination...', perhaps under formal procedural protection. After all, *Explanatory Notes* themselves do and should continue to contain full details on special appropriations (E, 1986:243-244).

Statutory authorities

Public bodies come in all shapes and sizes, some lean and fit, others flabby and tired. Most departments of state have allied to them a number of different types of statutory authorities for which the Minister of state is responsible, at least under the formal allocations of the Administrative Arrangements Order. By definition, statutory authorities are established by Act of Parliament, sometimes to provide independent, expert advice to a Minister, sometimes to regulate public affairs free from Ministerial direction, sometimes to provide public services on the basis of a mixture of commercial principles and social obligations. Some authorities are funded 'off-budget', others such as the Australian Broadcasting Corporation and the Commonwealth Scientific and Industrial Research Organisation are funded 'on-budget'.

As one would expect, committees have had more frequent contact with the 'on-budget' authorities, but not because they provided fewer headaches. The ABC is a good example of a more general situation: the committees operate on the premise that publicly funded bodies have obligations of public accountability which require their senior officials to appear to explain their estimates; the authorities have tendencies to believe that their statutorily-derived independence of department and/or Minister grants them a degree of immunity from 'parliamentary interference', and Ministers tend to let authorities determine their own practices of coping with estimates committees.

The saga over the ABC originates in 1971 where it was held up as an example of 'a lack of understanding... of the accountability to Parliament of Statutory Corporations'. Freedom from Ministerial management and everyday direction is only one side of the accountability coin: authorities may be called to account by Parliament itself at any time... there are no areas of expenditure of public funds where these corporations have a discretion to withhold details or explanations from Parliament or its committees unless the Parliament has expressly provided otherwise' (B, 1971:20, reasserted A, 1984:7, B, 1980:23-21). Recent improvements in the carriage of the ABC's public accountability make the earlier history of confrontation appear as a fantasy, but a review of a sample of reports will quickly prove the potential for wrangling over

contending interpretations of statutory independence to clash (eg. see A, 1984:6-8, C, 1985:98, C, 1986:103, B, 1988:para 16).

Explanatory notes

The committees' pursuit of explanatory information, originally from officials and later from agency and now portfolio-wide *Explanatory Notes*, provides the real backbone to the estimates story. Only those unfamiliar with the early history of committee initiative and departmental resistance will credit the cynical view that the *Explanatory Notes* have alone provided backbone to the estimates process. Earlier sections of this paper have covered some of this story of the search for a standardised format, publicly available (eg. see E, 1970 and 1971, and A, 1974 and 1975). The early battles with departments were over the possibility, then the timely availability, of the notes. The original purpose was parliamentary in that the demand came from the committees with the aim of facilitating pre-hearing meetings in order 'to give notice to departments of proposed areas of questioning'. One aim was to minimise 'the attendance of the large numbers of officers who previously attended on what might be described as a "contingency" or "stand-by" basis' (A, 1976:6). The generation of better notes prepared on individual departmental guidelines provoked further calls for co-ordination by central budgetary agencies (eg. see A, C and F 1977). The end of this particular road came in 1978 when Finance provided a welcome set of standard notes (A, 1978:9).

The current challenging road has a different goal and new procedural hazards. With the steady introduction of the new program format, committees have altered their approach to the notes, which no longer serve the original purpose of providing detailed information of particular inputs and outlays in which agencies might anticipate parliamentary interest. This change in orientation is one deliberately encouraged by the Department of Finance, with new challenges best identified in the separate section which now follows.

Program and performance budgeting

The traditional explanatory mode for officials in both oral and written information respected the traditional pieties of the distinction between policy and administration. Officials were there to provide detailed, factual non-political information; Ministers remained alert to questions seeking policy opinions or advice; and the committees more or less accepted this distinction as to types and sources of information. With the early trialling of performance budgeting, some committees warned that this reform might introduce a fundamentally different explanatory mode, with officials being more directly involved in policy questions, as they grappled with explanations as to

precisely what program objectives, policy priorities and administrative performance really mean.

The program-oriented *Explanatory Notes* require agencies to explain estimates by reference to actual performance and achievements under past expenditure. Performance measures and indicators epitomise the new format. The committees have been open-minded but realistically modest in their expectations of just how effective and persuasive the new performance measures will be. The committees seemed to have sensed that estimates of program success can get very close to political evaluation, especially when measuring social impact rather than simply reckoning administrative input. Two examples will illustrate. Committee A welcomed the program format but warned of 'an inevitable increase in involvement of estimates committees in making judgements on policy matters, as various programs are assessed against their objectives' (A, 1985:19 and A, May 1986:6). Within a year Committee B noted: 'It would appear that the provision of a greater amount of policy material to estimates committees is drawing these committees further into the province where a department's programs and policies can be more effectively questioned and challenged' (B, 1986:64).

From the Department of Finance's perspective, program budgeting is located within the context of the larger Financial Management Improvement Program (FMIP), which has brought about a revolution in results-oriented management in public administration at least at the level of theory. Most relevant here is the current focus on improved practices of program evaluation. Under the latest doctrines, 'responsible administration' (just as often called 'accountable management') requires of program managers that they evaluate their program's performance in terms of three key benchmarks: efficiency, effectiveness and most daringly of all *appropriateness* (consider *Program Evaluation: Guide for Program Managers*, Department of Finance, March 1989:1,15,21). Appropriateness is defined as the extent to which program objectives match not only government priorities but also community needs. Evaluations of appropriateness go to the heart of the social impact and public benefit of programs. Managers must satisfy themselves about the match between objectives and the twin tests of government priorities and 'the client group's needs' (not simply 'demands'). Managers must determine whether objectives are still relevant or 'warrant current priorities', and ask: 'Is there a better way of achieving these objectives?' (ibid).

This search for appropriate outcomes is the really radical move in the shift of explanatory mode from traditional concerns of input efficiency through output effectiveness. So formulated, Finance has pitched the task of performance measurement very high indeed. The surprise is not that so many agencies have hung back at the base level of process measurement, but rather that the central budgetary agency has constructed such lofty standards for administrators to meet. Not surprisingly, the committees have wavered in between, criticising mere process indicators but warning against too open an embrace of policy. The current uncertainty

over models of performance indicators will not be resolved until the estimates community agrees on the optimum balance between policy and administration in the responsibilities of public officials.

The first service-wide rounds of performance measurement were severely hampered by the July 1987 portfolio re-organisation, which amalgamated many unrelated activities and caused awkward, short-term marriages of inconvenience within many portfolios. The very definition of what constitutes a discrete program necessarily became looser than the reformers would have desired, and less plausible than committees had hoped for. Performance indicators floated too freely away their program objective moorings (eg. see A/1987:11-12, B/1987:56, F/1987:224), buoyed along on a tide of 'generalised terminology'. As previously feared, agencies tended to account for performance by simply listing categories of relevant information, without adequate entries of the actual data or indeed of agreed benchmarks of due performance. Committees were given the menu but not the meal.

The 1988 estimates round proved a fairer test of the new accountability to help committees do their job defined by one committee as 'to scrutinise expenditure effectively'. The mood would appear to be that the promised benefits of reform 'have yet to be convincingly demonstrated'. (A, 1988:paras 6,12, see also D, 1988 and E 1988:10-18 and F 1988:paras 4-8). Committees recognise that performance measurement needs several years' experience in order to display full advantages. But the essential beginning point is a listing of data required for a public accounting of performance, and it is here, at this basic first step, 'that the rate of development is unsatisfactory'.

One problem is data. A more fundamental problem, less easily resolved, is the appropriateness of performance measurement for certain program areas or activities. Perhaps it is inevitable that in some areas of government, performance criteria will be 'so vaguely worded as to be of limited practical value' as for example in judicial administration where the 'raw figures' fail to inform as to quality of process or effectiveness of result (E. 1988:3). To take another example, it might be 'impractical' for the Department of Foreign Affairs and Trade to measure its policy advisory success or its export promotion when so much depends on factors external to agency management, such as international affairs, trade balances and currency fluctuations. Does this recognition of the world beyond management call into question the value of performance budgeting, or the benefits as they might relate to the heavy establishment costs? (B, 1988:para 9).

Program evaluation

The debate over measures of performance is but the most recent expression of an historic interest by committees in the quality of program evaluation (eg. see B,

1977:27). At times, committees have relied on the Auditor-General to force the responsibility for evaluation on to program managers (eg. see C, 1977:41-42). More rarely, committees have expected greater proof of internal evaluation from agencies themselves. The old complaint was that public expenditure rolled along unguided by formal objectives 'and without subsequent evaluations as to the effectiveness of programs'. Committees thus raised the need for effectiveness evaluation well before the task of efficiency evaluation was legislated for the Auditor-General in 1979. More interestingly, the committees called for agency determination of effectiveness in spite of the *Report* of the Coombs Royal Commission into Australian Government Administration, which warned that 'effectiveness' is a political category and therefore unsuited to the duties of a 'compliance' or 'due financial process' review body such as the Auditor-General. As Coombs put it, there is a place within public administration for effectiveness reviews and that place is the Prime Minister and Cabinet Department.

From the committees' perspective, effectiveness evaluation is both necessary and best undertaken, at least in the first instance, by those actually implementing programs. Two observations arise. First, this committee expectation recognises that the inevitable discretionary authority of program managers in effect makes policy, and that therefore it is program administrators who should make sure that their programs make public sense. That is, the committees concede the policy power of administrators, and correspondingly expect a fuller degree of political accountability from them. Second, the committees identify, as the priority policy areas for effectiveness evaluation, the social or human services areas, particularly health, social security, and aboriginal affairs (eg. see C, 1978:49-51).

The origin of the revised format for the explanatory notes can be found in this search by committees for reporting on evaluation. Reflecting the thrust of the 1979 *Through the Glass Darkly* report, Senator Rae's committee determined in 1980 to develop 'a systematic program evaluation procedure' as 'an essential area' if the estimates committee process is to be truly effective' (A, 1980:24-25). Note the anti-Coombs partnership: the effectiveness of the committees' task depends upon agencies being able to convince committees as to the beneficial social impact of their programs. Once legislators have let the genie out of the executive bottle, the genie of 'appropriateness' can scarcely be put back. Appropriateness has survived, now helping to structure a new relationship between trustees of public funds and their appropriators.

Proposed reforms: three models

It is important to recognise that the committees have been the first to criticise their own performance and that they have been among their own harshest critics. Little remedial action has been taken, in part because the variety of complaints does not yet point to an agreed diagnosis. Different prescriptions for committee reform reflect different assessments of what committees should be doing or of what Parliament

really needs with respect to expenditure review. Three proposed reforms stand out as leading the debate: these reforms are variations on the mix of staff and function, with a spectrum of views from temporary staff with intermittent function to permanent staff with permanent if narrow function, to permanent staff with permanent but broader function. The *first* reform (which has long since come to pass) called for the establishment of temporary or seconded research staff for each committee in order to give committees basic competence and continuity; the *second* calls for the establishment of permanent estimates committee staff; and the *third* calls for transfer of the estimates function to the main Senate portfolio scrutiny committees in order to enhance the scrutiny function from estimates specifically to expenditure broadly (see eg. B/1980:24-25).

Typical of the first proposal is a 1978 Senate debate over estimates committee staffing. A number of committees had called for a remarkably modest level of resourcing via staff seconded from the main committees on a temporary arrangement, twice a year for several weeks. The Standing Orders Committee eventually approved a trial secondment, which has been reinstated at each round of hearings ever since. For present purposes, it is sufficient to note that the committees' request was for pre-hearing assistance, to help Senators manage the paper chase, relating new information to previous areas of concern. The resulting situation has probably helped the hearings process, but it is doubtful that it has helped the post-hearing analysis in reports and subsequent Senate debate on the appropriation bills. Indeed, one could argue that the modest level of staffing has thrown Senators back on their personal and party resources, thereby enhancing the partisan character of committees, a development illustrated in the trend towards dissenting, minority reports in place of committee consensus.

The bridge between the two extreme proposals has been the call for the augmentation of estimates committees as separate committees with their own permanent staff. Over ten years ago, committee Chairs reported that 'in the long term, estimates committees should have an ongoing function and should be staffed in a similar manner' to the main committees (see 1978 Parliamentary Paper No.16). A number of committees have at an early stage reported on the circular influence of staffing on performance (see eg. F 1982:96). If the Senate sees no problem with the 'lack of a continuing role' as a condition limiting committee effectiveness, then there is no need for better staffing. If, however, committees wish 'to refine and extend' their operations so as to adopt 'an ongoing monitoring function', then 'appropriate full-time staffing arrangements' will need to be made (A/April 1980:10-11; see also F/1976:328-329).

One worthwhile aim of an on-going function would be 'the evaluation of programs on a continuing basis'. To quote from Chair Rae, the Coombs Royal Commission wanted to contain results or effectiveness evaluation within the central agencies of executive government, not even sharing that element of performance evaluation with the Auditor-General for fear of embroiling that Office in an essentially political exercise.

But: 'Accountability from Caesar to Caesar is the antithesis of the system of parliamentary democracy'. Effectiveness evaluation requires some such parliamentary mechanism for public accountability as is provided by the estimates committees (B/April 1980:26-27; see also D/May 1981:56-57). Program budgeting provides the basis for a more continuous scrutiny throughout the whole year to establish the degree to which programs deliver 'reasonable value for money' (E/1986:241-243; and A/1985:18-19).

For over ten years, committees have raised the possibility of transferring their functions to the main standing committees, with their continuous existence, permanent staff and substantial investigatory powers. Not to be cautious, committee A has noted that 'sufficient evidence among participants' shows that 'there is no room for complacency' (A 1986:16). A full review of options is required, perhaps even by a new select committee (A/May 1987:8). As ever, Chair Rae has said it best. For all the praise that is given to the committees, 'there is a corresponding amount of criticism made of them', particularly that they fall well below their potential: 'ie. they do not go far enough in their examination of departmental estimates, nor do they have time to follow through adequately' (B/1980:24-25). The committees 'rarely act on the information received', in part because the references to the committees are so limited as to content and timetable, leaving follow-up tasks to such standing committees as Finance and Government Operations (now Finance and Public Administration).

No action has yet been taken. The options remain, awaiting Senate decision, with the current ad-hoc staffing arrangements serving well enough to meet the existing uneasy compromise.

Conclusions?

No machinery changes can be successful until the estimates community is satisfied as to the political character of the whole exercise. Is appropriateness evaluation a legitimate path for parliamentary scrutiny? Can Parliament identify its own performance criteria? What is the model 'social impact' of Parliament, and is the community receiving value for money? Parliament will deserve to get a bigger foot in the expenditure review door when it begins to clarify what are its own measures of effectiveness and outcome when it begins to justify its own processes in terms of results which are socially appropriate. The least that political science can do is listen to the self-descriptions and help weed out the self-justifications.

Attachment 1

Reference to Estimates Committees Agreed to by the Senate on 18 August 1989

1. That the Particulars of proposed Expenditure in respect of the year ending on 30 June 1990 in relation to the parliamentary departments, the Particulars of proposed Expenditure for the service of the year ending on 30 June 1990 and be referred forthwith to estimates committees for examination and report.
2. That expenditure under the Advance to the Minister for Finance for the year ended 30 June 1989 be referred to estimates committees for examination and report prior to its consideration in Committee of the Whole.
3. That the committees consider Proposed Expenditure and departmental expenditure under the Advance to the Minister for Finance in estimates committee groupings agreed to by Resolution of the Senate of 1 September 1988.
4. That the committees report to the Senate on or before Wednesday, 1 November 1989.

Attachment 2

Extract from the Senate Standing Orders

- 36AB. (1) At the commencement of each Parliament, unless otherwise ordered, six estimates committees shall be appointed, to be known as Estimates Committees A, B, C, D, E and F.
- (2) The annual estimates, as contained in the Papers presenting estimates, as contained in the papers presenting estimates, as contained in the Papers presenting the particulars of Proposed Provision for Additional Expenditure, shall on motion be referred to the committees for examination and report.
- (3) Unless otherwise ordered, each estimates committee shall consist of six Senators, three being members of the government to be nominated by the Leader of the Government in the Senate and three being Senators who are not members of the Government, to be nominated by the Leader of the Opposition in the Senate or by any minority group or groups or Independent Senator or Independent Senators.
- (4) The particular estimates committees in respect of which the Leader of the Opposition or any minority group or groups or Independent Senator or Independent Senators make nominations shall be determined by the Senate.
- (5) Each Committee may proceed to the dispatch of business notwithstanding that all members have not been appointed and notwithstanding any vacancy.
- (6) Each Committee shall elect a Government member as Chair.
- (7) The Chair may from time to time appoint another member of the Committee to be Deputy-Chairman and the member so appointed shall act as Chairman is not present at a meeting of the Committee.
- (8) In the event of an equality of voting, the Chairman, or the Deputy-Chairman when acting as Chairman, shall have a casting vote.
- (9) Three members of a Committee shall constitute a quorum.
- (10) A Senator, though not a member of a Committee, may attend and participate in its deliberations, and question witnesses, unless the Committee orders otherwise, but shall not vote.
- (11) The Committee shall sit in open session, unless otherwise ordered, may sit during any adjournment or suspension of the Senate, and may adjourn from time to time.
- (12) A Committee shall not meet while the Senate is actually sitting, unless by special order of the Senate.
- (13) Not more than three committees shall sit simultaneously.
- (14) In considering the estimates, the Chairman shall, without motion, call on divisions or expenditure in the order decided upon and declare the proposed expenditure open for examination.
- (15) The committees may ask for explanations from Ministers of State in the Senate, or officers, relating to the items of proposed expenditure.
- (16) The Resolution referring the estimates to committees may fix a day for the reporting of their proceedings to the Senate, by which the final days Reports of the Committees shall be brought up.
- (17) The Report of a committee shall be presented to the Senate by the Chairman and, if considered necessary, may propose the further consideration of any particular items. A reservation by any member of a Committee may be added to the Report.
- (18) The Reports from the committees shall be received by the Senate without debated and their consideration deferred until consideration of the Appropriation Bills.
- (19) A *Hansard* report of Committee proceedings shall be circulated, in manner similar to the daily Senate *Hansard*, as soon as practicable after each day's proceedings.