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Budget reviews and Commissions of Audit in Australia

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Executive summary

- The National Commission of Audit appointed by the Abbott Government is a continuation of a long line of budget reviews undertaken by Commonwealth and state and territory governments in Australia.
- Most previous budget reviews have been conducted by persons with some familiarity of, but outside, the bureaucracy, such as senior businesspersons. This appears to reflect a view of governments that the existing bureaucracy is ill-suited to advise on substantial budgetary reform, and that independent reviewers will provide objective or credible analysis. However, the use of outsiders has also typically raised public suspicions about a government's true motives or agenda.
- Previous budget reviews and Commissions of Audit have all tended to make similar findings and recommendations. Some areas of proposed economic reform have been substantially addressed. However, other areas of possible reform—despite having been repeatedly proposed by reviewers—have not been adopted by governments.
- While budget reviews can be highly effective at shaping and focusing the agenda of newly-elected governments, they also pose risks for the governments that appoint them. This is particularly the case when they deliver recommendations that are controversial or too politically unpalatable to be implemented.

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Introduction

On 22 October 2013 the Abbott Government announced the appointment of a National Commission of Audit.¹ In announcing the review, Treasurer Joe Hockey and Finance Minister Cormann said '[i]t is ...essential that the Commonwealth government live within its means and begin to pay down debt'.²

The review, headed by the president of the Business Council of Australia, Tony Shepherd AO, has broad terms of reference that are intended to allow it to 'assess the role and scope of Government, as well as ensuring taxpayers' money is spent wisely and in an efficient manner'.³ The other members of the Commission are the current head of the New South Wales Independent Regulatory and Pricing Tribunal, Dr Peter Boxall AO, former public servants Tony Cole AO and Robert Fisher AM, and former politician Amanda Vanstone.

The appointment of the current Commission of Audit has not passed without criticism. For example, the Shadow Finance Minister, Tony Burke has described the review as a 'Commission of Cuts,' and declared that it was 'an extraordinary outsourcing of the responsibilities of Government across to big business'.⁴

The current National Commission of Audit is but one in a long series of budget reviews that have been conducted by Commonwealth, state and territory governments in Australia. Many previous reviews have largely been forgotten by the general public and sometimes even by the governments that have commissioned them. Others provided broad recommendations that have assisted in providing coherence and purpose to what have usually been new administrations.

Examining the origins, conduct and conclusions of, and reactions to previous reviews provides some indications about how the current National Commission of Audit might unfold. While every review is inevitably a product of its time and the political and economic circumstances in which it was commissioned, there are recurring themes that emerge from many of these exercises. Arguably, the general nature of the findings and recommendations of budget reviews can be broadly predicted, but how—and even if—governments respond to them cannot.

Examining past reviews may also show whether the current review has provided genuinely new approaches to managing and prioritising Commonwealth expenditure and service delivery, or has rehashed well-worn policy prescriptions posed repeatedly by prior reviews.

Chronology of budget reviews

The earliest attempt at a systematic review of the finances of a jurisdiction in Australia was the Western Australian Legislative Council's 1873 *Report upon Departmental Expenditure*. That inquiry was appointed 'to consider and report upon the necessity for reducing government Departmental Expenditure...'⁵ Since then, at least 22 other systematic reviews of expenditure have been undertaken in the states and territories, or by the Commonwealth. Table 1 provides a list of previous budget reviews in Australia.

1. J Hockey (Treasurer) and M Cormann (Minister for Finance), [Coalition commences National Commission of Audit](#), media release, 22 October 2013, accessed 4 April 2014.

2. Ibid.

3. Ibid.

4. T Burke, '[Transcript of press conference](#)', 23 October 2013, accessed 4 April 2014.

5. Select Committee, [Departmental expenditure](#), Legislative Council of WA, 1873, accessed 4 April 2014.

Table 1: Chronology of budget reviews in Australia

Years	Jurisdiction	Political affiliation	Title
1873	Western Australia	Not applicable	Select Committee of the Legislative Council to Consider and Report Upon Departmental Expenditure
1918–21	Commonwealth	Nationalist	Royal Commission ... upon the public expenditure of the Commonwealth of Australia with a view to effecting economies (Federal Economies Commission)
1927	South Australia	Liberal Federation	Special Committee on State Finances
1973	Commonwealth	Labor	Review of the Continuing Expenditure Policies of the Previous Government
1980–81	Commonwealth	Liberal/Country Party coalition	Review of Commonwealth Functions
1988	New South Wales	Liberal	Focus on Reform: Report on The State's Finances (NSW Commission of Audit)
1992	Tasmania	Liberal	Tasmania in the Nineties
1992	Victoria	Labor	State Finance Victoria: Independent Review of Victoria's Public Sector Finances
1992–93	Victoria	Liberal/National coalition	Victorian Commission of Audit
1993	Western Australia	Liberal	Report of the Independent Commission to Review Public Sector Finances
1993-94	South Australia	Liberal	Charting the way forward: improving public sector performance
1996	Queensland	National	Queensland Commission of Audit
1996	Commonwealth	Liberal/National coalition	National Commission of Audit
2001–02	Australian Capital Territory	Labor	Report on the State of the Territory's Finances
2001–02	Western Australia	Labor	Review of the Effective Delivery of Government Priorities
2005–06	Australian Capital Territory	Labor	Strategic and Functional Review
2008–09	Western Australia	Liberal/National coalition	Economic Audit Committee
2009–10	South Australia	Labor	Sustainable Budget Commission
2011–12	Victoria	Liberal/National coalition	Independent Review of State Finances
2011–12	New South Wales	Liberal/National coalition	NSW Commission of Audit
2012–13	Northern Territory	Country Liberal Party	Renewal Management Board
2012–13	Queensland	Liberal National Party	Queensland Commission of Audit
2013–14	Commonwealth	Liberal/National coalition	National Commission of Audit

Further information on the various reviews is at **Appendix A**.

An examination of previous budget reviews in Australia shows that they have typically:

- been conducted by independent panels, or ‘outsiders’
- been ad hoc bodies possessing no formal or coercive powers
- systematically examined all aspects of a government’s finances
- been tasked with making recommendations directly to the executive government, and through it to the general public upon the public release by the executive of the panels’ reports.

Several budget reviews have deviated from this model somewhat. For example, the 1980–81 Commonwealth *Review of Commonwealth Functions* was conducted by a sole insider, a serving Cabinet minister, and never released publicly. The 1919–21 Federal Economies Commission was established under the *Royal Commissions Act 1902* and would have possessed all the coercive powers available to a Royal Commission.

Reviews into other areas of public administration, such as the 1976 Royal Commission on Australian Government Administration (Coombs Review), have looked at related issues and made comparable (or complementary) recommendations in many areas. However, as they did not have as their primary focus the respective government’s budgetary position, they have not been characterised as budget reviews for the purposes of this paper.⁶

The commission of audit nomenclature was first adopted by the 1988 NSW report, *Focus on Reform: Report on the State’s Finances*.⁷ That review was conducted by three businesspeople who were collectively referred to as the ‘NSW Commission of Audit’. This terminology is somewhat unhelpful as such reviews are generally not ‘audits’ within the meaning of Australian Auditing Standards, they have been increasingly referred to as such.

Genesis and timing of budget reviews

As shown in table 1, budget reviews have increasingly been used by conservative governments. Indeed, excluding the Australian Capital Territory, the last incoming conservative government—either at the Commonwealth or state and territory level—not to conduct such a review upon entering into office was the Tasmanian Government of Robin Gray, elected in 1982. Most systemic reviews of governments’ fiscal positions have occurred upon a change in government, or early in the term of an incoming government, and have often been presented as a response to a perceived budgetary crisis inherited from the former administration.

Whatever their stated justification, budget reviews early in the term of incoming governments appear to also have other objectives, such as overcoming institutional resistance to changes within the bureaucracy, helping build community consensus for proposed reforms and ensuring that gains begin to accrue from any political or economic pain within the electoral cycle.⁸

Labor governments have also utilised budget reviews, however, they appear more likely after several years in office, and have been less inclined to release reports and recommendations publicly. The Gallop Labor Government in Western Australia and the Stanhope Labor Government in the Australian Capital Territory both conducted reviews known as ‘functional reviews’, which were really budget reviews under another name. Neither review was released publicly, but both made a range of recommendations regarding expenditure which were later adopted by the respective Governments.

Fiscal consolidation has not been the sole consideration. For example, the Whitlam Labor Government in commissioning the 1973 review, appeared more concerned with finding the ‘fiscal space’ for that Government’s intended programs rather than dealing with a perceived fiscal or economic crisis inherited from the former government. Reflective of this, Prime Minister Whitlam cited a decision of Cabinet ‘to apply close scrutiny to continuing policies of the Previous Government so that room may be found for your own higher priority programs’ when appointing the reviewers.⁹ The 1919–21 Federal Economies Commission was seemingly appointed because the Government had been impressed by more limited royal commissions into the defence forces and public service conducted immediately prior. The *Leader* newspaper in Melbourne noted that the

6. Royal Commission on Australian Government Administration, [Report](#), Commonwealth of Australia, 1976.

7. For brevity, this paper refers to relevant reviews and inquiries generally as ‘reviews’. Specific reviews and inquiries are referred to by their name, or year and jurisdiction which conducted them, depending on the context.

8. C Walsh, ‘Creating a competitive culture in the public service: the role of audits and other reviews’, *Australian Journal of Public Administration*, 54(3) Sept. 1995, p. 326.

9. Review of the Continuing Expenditure Policies of the Previous Government, *Report*, Commonwealth of Australia, June 1973, p. v.

Federal Economies Commission would also 'relieve Ministers to a great extent of the responsibility which they themselves should shoulder of advising upon curtailment of expenditure...'¹⁰

Membership

The majority of the membership of reviews has been dominated by businesspeople; often with a single serving or former public servant. While many businesspersons with seemingly relevant expertise in accounting or finance have been appointed, many have had high-level but general business expertise. It appears that the overall desire of governments is to engender some perceived business acumen, rather than import specific accountancy or economic skills. Where such skills have been required, they have often been provided by secretariats comprised of serving public servants.

Another reason for the appointment of such 'outsiders' may be a desire within the respective governments for quick changes to both budgetary and administrative processes that are perceived as unable to be delivered in time, or at all, by the bureaucracy itself. Academic Cliff Walsh has suggested that:

...people knowledgeable about, but at arms length from, the public sector culture would be less likely to be seen as captives of the pre-existing culture, more likely to mark out the sharp changes in practices necessary to enable public sector policy-makers and managers rapidly obtain sustained improvements in public sector performance.¹¹

Outsiders may have also been preferred because they are perceived to have no direct 'interest' or 'stake' in the outcomes, and have no perceived loyalties within the bureaucracy in question.

Serving public servants have typically been expected to disavow any responsibilities that might have attached to their public employment when participating in reviews. For example, the 1973 Commonwealth *Review of Continuing Expenditure* was comprised entirely of public servants and political advisors. Prime Minister Whitlam, in appointing the review, however, directed that 'these officers serve in their *personal* as distinct from departmental or other capacities'.¹²

Having public servants review their counterparts appears to have created animosity between reviewers and the bureaucracy. On the 1919–21 Federal Economies Commission, for example, the chief accountant at the Postmaster-General's Department, Gilbert Haldane, served alongside two businesspeople, Sir Robert Gibson and Geo Turton. In their final report, Gibson and Turton touched upon the animosity caused by Haldane's participation, when they commented:

...the indulgence of personal invective in regard to the member of the Public Service appointed on this Commission is such that cannot be fairly passed over by those members of the Commission outside the service.

We desire to place on record our entire disagreement with the personal attacks upon Mr. Haldane...¹³

Academics have featured less prominently than public servants, but representatives from other interest groups such as the not-for-profit sector or trade unions have largely been absent from reviews.

Several people have conducted multiple reviews. Don Nicholls AM, who was Deputy Secretary in the New South Wales Treasury, has been involved in four reviews. He served on the 1988 New South Wales Commission of Audit and the 1992 Tasmanian and 1993–94 South Australian reviews in the capacity as an executive member, and was the 'independent reviewer' for the 1992 Victorian review. Businessman Charles Curran was appointed to the 1988 NSW and 1992 Tasmanian reviews and Robert Officer was appointed to both the 1992 Victorian and 1996 National Commissions of Audit. Former secretary of the Department of the Prime Minister and Cabinet, Peter Shergold, was appointed to the 2008–09 Western Australian review and the former secretary of the Department of Foreign Affairs and Trade, Michael Costello, was appointed to both the 2001–02 Western Australian review and the 2005–06 Australian Capital Territory review.

Two former politicians have been appointed to budget reviews; the former Commonwealth Treasurer, Peter Costello, chairing the 2012–13 Queensland review and former Howard Government Minister, Amanda Vanstone having been appointed to the 2013–14 National Commission of Audit. The increasing appointment of clearly

10. 'Commonwealth expenditure: board of inquiry,' *Leader*, 16 November 1918, p. 26, accessed 4 April 2014.

11. C Walsh, op. cit., p. 325

12. Review of the Continuing Expenditure Policies of the Previous Government, *Report*, op. cit., p. v, emphasis in original.

13. Royal Commission ...upon the public expenditure of Australia, *Final Report*, 1921, p. 36, accessed 4 April 2014.

politically aligned persons, such as former politicians, may begin to dilute the sense that budget reviews provide a truly independent or objective assessment of a jurisdiction's fiscal and economic position.

Frameworks and approaches

While all reviews have focused upon the fiscal position of the various jurisdictions, several have sought to articulate a broader conceptual framework for guiding their inquiries and recommendations. Generally, these have been free-market or 'New Right' approaches, which tended to promote a more limited scope for governmental intervention within the economy and society, and support for more market-based modes of service delivery. Such thinking became increasingly prevalent as the structural difficulties within the Australian economy became more pronounced during the 1970s. In examining the recent history of New Right thinking in Australia, political scientists Emy and Hughes observe:

...[New Right thinkers] wished to return to the classical liberal ideal whereby governments (i) confined themselves to providing only those services which individuals could not easily provide for themselves; and (ii) were responsible for maintaining a secure framework of general, non-discriminatory laws within which private individuals could conduct their own business, or pursue their own values.¹⁴

Generally the approaches adopted by the various reviews have reflected these principles. For example, the 1988 New South Wales Commission of Audit and 1996 National Commission of Audit both sought to clarify what was, in their view, the appropriate scope for governmental activity in the economy and society. The New South Wales reviewers framed their thinking around the following questions:

- why should the expenditure be undertaken at all? What would result if the program/activity was abolished?
- what special features of the program/activity mean that the goods cannot be provided more efficiently and cost effectively by the private sector?
- why should Parliament, Ministers and senior public service executives be devoting scarce time to the mechanics of producing these goods?¹⁵

In the 1996 National Commission of Audit, the reviewers adopted a similar decision matrix:

- first, decide whether or not government involvement is warranted
- second, in areas where government involvement is considered appropriate, ensure program objectives are clear and effectively pursued
- third, ensure resources are applied efficiently (that is, at minimal cost).¹⁶

These approaches would tend to support the devolution or cessation of government activities in particular areas, lower taxation burdens, and a greater role for the private sector and individuals.

Other reviews have appeared to come to conclusions consistent with these free market ideas, but in a more haphazard manner. For example, the 1927 South Australian *Supplemental Report*, written by the two external reviewers, provided in just two pages a succinct articulation of what they considered to be the key economic challenges facing not just South Australia, but Australia generally. A primary concern was a perceived lack of fiscal restraint arising from 'the influence of politics' upon expenditure decisions and the variability of government revenue receipts which was partly due to the cyclical nature of the resources sector. It warned that '[a] serious diminution in the production of metals has occurred in recent years' and that the industry shows signs of disappearing'.¹⁷ The reviewers suggested Australia:

[as] a country with a large external debt ...must conform to the fact that she must pay interest on her debts abroad and must at all hazards [see] that those industries which are relied upon to meet external obligations are not prejudiced.¹⁸

14. H Emy and O Hughes, *Australian politics, realities in conflict*, second edn, MacMillan, Melbourne, 1991, p. 195.

15. New South Wales Commission of Audit, *Focus on reform*, NSW Government, 1988, p. 77.

16. National Commission of Audit, *Report to the Commonwealth Government*, Australian Government Publishing Service (AGPS), Canberra, June 1996.

17. South Australia, Parliament, *Special Committee on State Finance: Supplemental report*, Parl Paper 76a, Adelaide, 1927, p. 4, accessed 4 April 2014.

18. *Ibid.*, p. 3.

They noted the link between industry protection—in the form of tariffs—and wage arbitration, and observed that ‘an increasing number of people are thinking that the policy is bad for Australia as a whole’.¹⁹ It was not until the 1970s and 1980s, however, that any significant changes to these two mutually dependent limbs of Australian economic policy were introduced; tariff reductions and labour market reforms.²⁰ On what would now be called deregulation, the two external reviewers asserted:

A feeling has grown up since the war that disabilities can be cured by Acts of Parliament and that beneficent Governments can appoint boards to meet every trouble.²¹

Other reviews have been a lot less ambitious. The 1992 Victorian review, established late in the term of the Kirner Labor Government was somewhat limited, with the reviewer noting that the terms of reference did not ‘extend to devising packages aimed at improving the workings of the Victorian economy,’ and ‘do not require the preparation of a plan or strategy to achieve particular budget outcomes’.²² The 1992–93 Victorian review undertaken by the incoming Kennett Liberal Government, however, acknowledged that earlier review as the starting point for its work, which meant that it could be ‘much more concerned with longer-term and strategic considerations’.²³

Findings, themes and recommendations

Budget reviews are all creatures of their own time and circumstance. Despite this, it is striking how many issues have recurred irrespective of the context of the review or the political persuasion of the commissioning government. Many areas of proposed reform, however, have now been comprehensively addressed, but other areas for reform remain largely untouched.

‘Living beyond our means’

Most budget reviews have discovered dire fiscal circumstances, and sought to caution both governments and the general public of the consequences of not taking remedial action. For example, in 1927 a South Australian review warned:

If a man lives beyond his income, everyone knows that a day of reckoning has to be faced. Similarly with a Government, there is a time when an overspending policy has to stop, and the sooner the public realises this the better.²⁴

Similarly, the 1988 New South Wales Commission of Audit introduced its *Report* by declaring in uppercase that:

NEW SOUTH WALES HAS BEEN LIVING BEYOND ITS MEANS.²⁵

Again in 2006, the Australian Capital Territory Chief Minister Jon Stanhope advised Canberrans:

We have been living beyond our means.²⁶

And the 2012–13 Queensland review’s *Interim Report* reprised this conclusion when, after assessing the government’s budgetary position, it concluded:

This shows that the State has been “living beyond its means”.²⁷

Irrespective of the truth or otherwise of these statements, the political utility of such drastic declarations of the ‘true’ or ‘real’ state of a jurisdiction’s finances has long been recognised. For example, of the 1988 New South Wales Commission of Audit, Gary Sturgess, who was then one of Premier Greiner’s key advisors, is reported to

19. Ibid.

20. P Kelly, *The end of certainty*, second ed, Allen & Unwin, St Leonards, 1994, pp. 4–10.

21. South Australian Parliament, [Special Committee on State Finance: Supplemental report](#), op. cit., p. 4.

22. Independent Review of Victoria’s Public Sector Finances, *State Finance Victoria*, September 1992, p. 4 of unpaginated introduction.

23. Victorian Commission of Audit, *Report*, May 1993, vol. 1, p. 3.

24. South Australian Parliament, [Special Committee on State Finance: Supplemental report](#), op. cit., 1927, p. 3.

25. New South Wales Commission of Audit, *Focus on Reform*, op. cit., p. v.

26. Australian Capital Territory, *2006-07 Budget Paper No. 1: Speech*, p. 2.

27. Queensland Commission of Audit, [Interim report](#), Queensland Government, June 2012, p. 28.

have later observed ‘it was a marking exercise ... there was no great feeling that New South Wales’ finances were in drastic shape, so why do you need a shakeup?’²⁸

Unsurprisingly, these drastic conclusions have not always passed without dispute. For example, political scientists Costar and Economou argue that the 1992–93 Victorian review misrepresented the financial circumstances of Victoria as being beset by relatively high expenditure by the prior government, when the reality was—in their opinion—that the prior government had actually been a relatively low *taxing*, rather than high spending, administration.²⁹

Too big, too involved

The overall share of economic activity devoted to governmental functions has been questioned by many reviews, leading them to question the various activities governments have undertaken. For example the 1927 South Australian reviewers, went as far as to declare:

In no other part of the civilised world do Governments enter into operations, other than governing functions, to the same extent as is done in Australia...³⁰

They went on to identify the provision of utilities, railways and social services as ‘non-governing functions’ of particular concern. That review also sought to connect the idea of smaller government with the (purported) Australian characteristic of self-reliance. It asserted:

The calibre of the people is being undermined, and self-reliance, a great characteristic of the pioneers of Australia, appears to be a vanishing asset. In former days people expected results from effort and effort alone, but now there is a growing tendency to accept Government assistance if offered or even look out for such assistance.³¹

In a similar vein, when speaking on the 1980–81 *Review of Commonwealth Functions* Prime Minister Fraser advised that ‘[t]he government had taken the view that we would all be better off in a material as well as in a social and political sense by establishing a more limited, and more realistic, role for government’.³² Commercial activities, he further explained, were better off performed by the private sector, where they would be subject to market discipline and more responsive to the needs of consumers, and that the Commonwealth would withdraw ‘from functions more appropriately handled by the states or the private sector’.³³

In 1988 the New South Wales Commission of Audit asserted a link between the size and role of government and overall economic performance when it said:

There has been considerable concern in Australia in recent years about the role and size of the public sector in both the national and State economies. This is especially so given the significant growth in the size of Government in our economies has coincided with a decline in economic performance.

At the same time, there has been greater community awareness that Government activities are not always effectively managed and in fact may impede efficiency in resource allocation.³⁴

That review also recommended ‘a significant downsizing of Government, based upon a review of the services and activities in which the Government should be engaged’.³⁵ It asserted that there was no inherent role for government in providing goods and services that could be provided by the private sector but recognised a role for government with respect to certain market failures.³⁶

Similarly, the 1992 Tasmanian review concluded that: ‘The Government should reassess its role, focus on core activities and withdraw methodically from non-core activities which can be provided by the private sector on

28. M Laffin and M Painter eds, *Reform and reversal*, Macmillian, Melbourne, 1995, p. 9.

29. B Costar and N Economou, *The Kennett revolution*, UNSW Press, Sydney, 1999, p. 139.

30. South Australian Parliament, [Special Committee on State Finance: Report on the Financial Position of South Australia](#), Parl Paper 76, Adelaide, 1927, p. 3.

31. South Australian Parliament, [Special Committee on State Finance: Supplemental report](#), Parl Paper 76a, Adelaide, 1927, p. 4.

32. M Fraser, ‘Ministerial statement: Review of Commonwealth functions,’ House of Representatives, *Debates*, 30 April 1981, p. 1832, accessed 4 April 2014.

33. *Ibid.*

34. New South Wales Commission of Audit, *Focus on reform*, op. cit., p. 1.

35. *Ibid.*, p. vii.

36. *Ibid.*, p. 68.

suitable terms'.³⁷ It also suggested a program of commercialisation, corporatisation and privatisation of certain government functions.³⁸

The 1996 Queensland review stressed the distinction between the direct provision of service *by the government* and the *purchase* of services by government from the private sector. It concluded that:

...unless there are other considerations (eg social values, or natural monopoly), efficiency will be maximised by limiting the government's role to that of purchaser of services on behalf of the community [not by providing those services itself].³⁹

However, the small government mantra has not been pursued by all reviews. Most notably, the 1973 Commonwealth *Review of Continuing Expenditure* sought to rearrange existing expenditure to allow for enhanced expenditure in certain areas that were a priority for the Whitlam Government.

Budget 'black holes'

Reviews which have examined governments' budgetary affairs have often revealed previously undisclosed liabilities, or budget 'black holes'. This phenomenon was particularly evident during reviews conducted in the 1980s and 1990s, as developments in government accounting practices and the adoption of accrual accounting increasingly required the identification and measurement of hitherto unreported accrual fiscal measures.⁴⁰

The first actual attempt to produce a consolidated (or full) set of accrual accounts of any government in Australia was undertaken by the 1988 NSW Commission of Audit, which was specifically charged with determining the 'true deficit' of the State.⁴¹ It did so by preparing, for the first time, a full set of accrual financial statements for the State. Until that point, governments reported upon cash accounting bases that did not record certain expenses which were not yet payable, such as employee superannuation or the depreciation of capital assets. Essentially, a government's surplus or deficit position was determined by whether more or less revenue was paid into the treasury than was paid out in a given period. That review tentatively suggested that '[t]he disclosure of the State's financial position would be vastly improved by ... the preparation of an annual balance sheet and income and expense statement...', reports that are now universally required.⁴²

At the 1991 premiers' conference, all governments agreed to the adoption of a 'Uniform Presentation Framework' for the presentation of governmental financial information. That framework was formally agreed by the Loan Council in 1997.⁴³ In the interim, the states, territories and the Commonwealth progressively improved their financial reporting. Governments struggled with what was seen as a significant challenge. For example, the 1992 Victorian review noted with some trepidation that '[the] preparation of financial statements prepared on an accrual basis is a formidable exercise for a government used to cash accounting...'⁴⁴ In the 1994 Tasmanian review, the reviewers attempted to prepare a set of consolidated financial statements, but emphasised that the result of their efforts had not been audited.⁴⁵

The successive reviews in the 1990s often quantified significant unfunded liabilities. Many of these unfunded liabilities related to defined benefit public sector superannuation schemes, and the assets and liabilities attributable to government business enterprises. For example, in 1992 Victoria estimated that its unfunded superannuation liabilities were \$17.7 billion, comprising around 87 per cent of the State's total superannuation liability. However, governments in Australia have increased their levels of fiscal transparency and reporting since this time. For example, under the *Charter of Budget Honesty Act 1998* (Cth), the Treasurer is required to periodically report upon the long term fiscal sustainability of the Commonwealth's finances, including the effect of demographic changes. The likelihood of further 'black holes' being discovered—at least at the Commonwealth level—would appear to be substantially reduced by such developments.

37. Independent Commission to Review Tasmania's Public Sector Finances, *Tasmania in the nineties*, Tasmanian Government, 1992, p. 207.

38. Ibid.

39. Queensland Commission of Audit, *Report*, Queensland Government Printer, 1996, p. xxv.

40. Accrual accounting records revenues and expenses when they are earned or incurred, regardless of when any cash is received or dispersed. This differs from cash accounting, which only records cash as either a revenue or and expense when it is received or dispersed.

41. New South Wales Commission of Audit, *Focus on reform*, op. cit., preface, p. 1.

42. Ibid., p. 41.

43. P Costello (Treasurer), '[Revised Uniform Presentation Framework](#)', media release, 18 April 1997, accessed 4 April 2014.

44. Independent Review of Victoria's Public Sector Finances, *State Finance Victoria*, 1992, p. 71.

45. Independent Commission to Review Tasmania's Public Sector Finances, *Tasmania in the nineties*, op. cit., p. 67.

Moreover, in the 1980s and 1990s the various reviewers had a fair degree of latitude and discretion about how to undertake such a task. The 1988 New South Wales Commission of Audit advised that '[i]n the preparation of these financial statements the Commission has been confronted with a number of conceptual and practical problems' before going on to detail the various adjustments it considered necessary.⁴⁶ By 2000, all jurisdictions had begun preparing consolidated financial statements on an accrual basis according to the Uniform Presentation Framework; meaning that whatever discretion there may have been available previously in relation to the presentation of a jurisdiction's financial information was largely removed.

In their critique of the 2012–13 Queensland review's *Interim Report* (the Costello Report), accounting academics Walker and Walker highlighted alleged deviations from accepted accounting practices as follows:

The Costello Report concedes that it is using terminology that differs from that used in the State's financial statements (or in the Uniform Presentation Framework for financial reporting by Australian governments).

After some discussion, they asserted:

...the Costello Report deliberately invented its own (misnamed) 'debt measure' rather than employing the standard analytical tool (widely used in analyses of government finances) of public sector 'net debt' ...[which] enabled Queensland's debt position to be exaggerated and for the Costello Report to then claim that it was 'unsustainable'.⁴⁷

Another often alleged 'black hole' has been the discovery of undisclosed fiscal conditions by incoming governments, inherited from the previous government. While the government of Prime Minister Howard made much of an undisclosed \$9 billion deterioration in the Commonwealth's fiscal position upon coming into office, journalist and author Paul Kelly notes that John Howard (as Treasurer under Prime Minister Fraser) had left a deficit that was, in relative terms, larger.⁴⁸ Kelly observes: 'It had taken him [Howard] years to recover. ...He knew the politics of fiscal 'black holes' and he would [use the revelation] to nail Beazley Labor'.⁴⁹ Kelly concludes that: '[the] revelation of this deception not only discredited Labor but invested Howard's debt reduction agenda with a sense of vindication and moral authority'.⁵⁰

Political manipulation of budgetary information appears to have a long history. The 1927 South Australian reviewers wryly admonished both sides of politics for apparent budgetary manipulations when they said:

A State Treasurer naturally has pride in balancing a Budget, but it is of paramount importance that actual results in a given year be known. Both political parties have been guilty of doing wrong in this respect, and therefore practices have been permitted in political circles which would not be tolerated elsewhere. The seriousness of this situation has not been realised, and has contributed to the accumulated losses that now confront the State.⁵¹

Reforms, such as the preparation and publication of independent budget updates as part of the electoral processes, mean that such 'black holes' are also less likely to arise.

'Waste,' 'inefficiency,' and the bureaucracy

The efficiency of the public sector has been in sharp focus in many reviews. The first review in Western Australia in 1873 claimed a lack of efficiency in the bureaucracy. That review recommended:

...no money should be voted for paying an increased staff, in any department, until it can be shown that the officers then employed have been doing their utmost to execute the work of their department, by attending during extra hours when required; and that heads of departments should be held responsible for the due attendance and application to business of their officers.⁵²

As a savings measure that review recommended that no new public official should be entitled to a pension under the *Superannuation Act*. However, that recommendation was only adopted on the casting vote of the

46. New South Wales Commission of Audit, *Focus on reform*, op. cit., Appendix G, p. 2.

47. B Walker and B Walker, *Review of the Costello report*, Queensland Council of Unions, September 2012, p. iv.

48. P Kelly, *The march of the patriots*, Melbourne University Press, 2009, p. 278.

49. Ibid., p. 278–9.

50. Ibid.

51. South Australian Parliament, *Special Committee on State Finance: Report on the Financial Position of South Australia*, op. cit., p. 7.

52. Select Committee, *'Departmental expenditure'*, Legislative Council of WA, 1873, p. 3.

Chair. In opposing the recommendation, committee member Mr Barlee expressed concern that ‘the class of men that thenceforth enter the public service will not be equal to those employed’.⁵³ Similar recommendations have been made by later reviews, such as the 2005–06 Australian Capital Territory review which recommended that access to the relatively expensive, Commonwealth run, Public Sector Superannuation (PSS) scheme be closed to new Australian Capital Territory Government employees.

The 1919–21 Federal Economies Commission was also particularly scathing of apparent inefficiencies in the federal bureaucracy. It observed:

No systemic or comprehensive inspection of the work performed, or of the methods of performing the work, in any office is made; consequently, any claim that the Public Service Commissioner’s Department sees that the staff employed in any Department is fully and usefully employed, and that the staff is adequately, but not over, paid, and that no additional staff is appointed without full justification, cannot be sustained.⁵⁴

It concluded that ‘[s]uch results ...are attributable to some officers satisfying self-imposed standards’.⁵⁵

Later reviews have been more subtle regarding perceived public service inefficiencies. The 2012–13 Queensland review’s *Interim Report*, for example, merely noted that Queensland Government employee expenses had grown significantly in real terms, and that ‘the large increases in staffing numbers had not been matched by commensurate increases in output’.⁵⁶

Purportedly wasteful expenditures have also featured. For example, the 1919–21 Federal Economies Commission was particularly scathing of the extravagant and poorly utilised accommodation within Australia’s High Commission, Australia House, in London. It said:

The design of Australia House—with its 350 feet corridors on each floor—and the manner in which it is occupied, are against the efficient and economical working of staff, now spread over eight floors. ... There are too many rooms (each of which has a rental value) occupied by the staff, too many occupied by one person, and too many *de luxe*.⁵⁷

In relation to the Navy Department, that review cited ‘evidence supplied by highly-placed and reliable officers’, which was:

...of a most disquieting nature, indicating that in many branches of the [Navy] Department’s work no attempt whatever is made to check unnecessary extravagance. ... In the words of one officer, “There is no administrative control, and as a consequence no one considers the cost.”⁵⁸

Budget reviews have also found a tendency of bureaucracies to fragment and duplicate functions and activities. The first review in Western Australia in 1873 recommended the amalgamation of the office of Crown solicitor with that of the Attorney-General.⁵⁹ Later, the 1919–21 Federal Economies Commission found:

In the Commonwealth Office Buildings, and in the vicinity, the following Departments have Accountants, and Accounting Staff:-

Prime Minister’s Department;
Attorney-General’s Department;
Works and Railways Department;
Postal Department;
Treasury Department;
Trade and Customs Department;
Home and Territories Department;
Commonwealth Railways Department.

53. Ibid.

54. Royal Commission ...upon the public expenditure of Australia, [First Progress Report](#), 1919, p. 85.

55. Ibid.

56. Queensland Commission of Audit, *Interim report*, op. cit., p. 8.

57. Royal Commission ...upon the public expenditure of Australia, [Final Report](#), op. cit., p. 112.

58. Royal Commission ...upon the public expenditure of Australia, [First Progress Report](#), op. cit., p. 7.

59. Select Committee, ‘[Departmental expenditure](#)’, op. cit., p. 4.

If suitable accommodation were available, there are no good reasons why the whole of this accounting work should not be amalgamated, with beneficial results in regard to economy, efficiency, and uniformity.⁶⁰

In a similar vein, the 1980–81 Commonwealth *Review of Commonwealth functions* observed that some functions:

...are much more discrete and overlapping than they need be... [and concluded] ...savings might be possible if similar welfare functions performed at present by separate branches of the governmental machinery were brought together. There may be valid objectives to such rationalisation but they are difficult for the observer to comprehend.⁶¹

The 1993 Western Australian review attributed this proliferation to, in part, a desire to on behalf of governments to 'satisfy sectoral demands', and suggested that '[i]t is a feature of government administration that activities of government agencies expand to meet agencies' own perceptions of their functions'.⁶² Apparent manipulation of existing budgetary processes was also identified, with the that review observing that 'agencies appear to develop strategies that consume available funds rather than justifying the funds required for agreed, defined, measured and controlled objectives as is required of private sector managers'.⁶³ Recently, reviews have typically recommended the amalgamations of functions, with both the 2001–02 Western Australian and the 2005–06 Australian Capital Territory reviews recommending the establishment of shared services bodies to pool corporate and administrative functions and achieve efficiencies.⁶⁴

Federal-state relations

The difficulties arising from the interaction between the Commonwealth's economic policies and those pursued by the various States were identified as early as 1927. In the South Australian review of that year, Mr Wainwright declined to sign the *Supplemental Report* prepared by his two private sector counterparts on the grounds that 'as a public servant I desire to avoid matters which are politically controversial...' Nevertheless, that did not stop him from then immediately declaring:

I agree with the main argument, *i.e.*, that Commonwealth policy is tending more and more to hamper the economic welfare of this State.⁶⁵

Inefficiencies arising because of overlap and duplication between the Commonwealth and the States and Territories were first discussed at length by the 1980–81 Commonwealth review. That review recommended rationalising those functions which were considered to 'properly belong to the Commonwealth'.⁶⁶ Further, Prime Minister Fraser asserted:

A nation Australia's size cannot be effectively governed from Canberra and attempts to inflate Canberra's power have been rejected again and again by the Australian people.⁶⁷

Prime Minister Fraser advised Parliament that government intended to implement the 'Transfer of Functions to the States' in order to eliminate 'overlap, waste and interference in the delivery of service and functions'.⁶⁸

Similarly, in the 1990s there seemed some degree of consensus (at least between the various reviewers) regarding the appropriate division of roles and responsibilities between the two levels of government. The 1996 National Commission of Audit declared that federal financial arrangements, as they existed then, caused 'increasingly blurred allocation of roles and responsibilities', 'duplication and overlap of administration', 'higher

60. Royal Commission ...upon the public expenditure of Australia, *First Progress Report*, op. cit., p. 73.

61. M Fraser, *Ministerial statement*, op. cit.,

62. Independent Commission to Review Public Sector Finances, *Agenda for reform*, WA Government Printer, 1993, p. 181–2.

63. *Ibid.*, p. 184.

64. Functional Review Implementation Team, '[Functional Review Reform Projects](#)', WA Department of Premier and Cabinet [2002], accessed 15 October 2013.

65. South Australian Parliament, *Special Committee on State Finance: Supplemental report*, op. cit., p. 5.

66. M Fraser, Ministerial statement, op. cit.

67. *Ibid.*

68. *Ibid.*

costs because of lengthy consultations/negotiations and reporting,' and 'avenues for costs shifting'.⁶⁹ Amongst other things, that review recommended:

All programs involving multiple levels of government should be closely scrutinised. In all such cases, the justification for multiple levels of government involvement should be critically reviewed.⁷⁰

Similarly, both the 1992 Victorian and the 1994 South Australian reviews suggested that reducing the degree of vertical fiscal imbalance would allow state governments greater certainty and flexibility in their budgetary positions as well as increasing their accountability for service delivery.⁷¹ The 1996 Queensland review also noted that '[t]he degree of vertical fiscal imbalance in the Australian Federation is extreme and dysfunctional'.⁷² It too called for:

[a] rationalisation of the roles and responsibilities of the Commonwealth and State Governments in major functional areas including health, community services education, training, housing and so on as a matter of high priority.⁷³

Despite this, the ensuing period was largely considered to have been one of expanding Commonwealth activities. For example, academics Parkin and Anderson observe of the Howard Government:

A piquant Whitlamesque touch with respect to Commonwealth–State relations has probably been most striking in the Howard government's willingness to bypass the States, or compete directly with them, in pursuit of what it regards as national goals.⁷⁴

Deregulation and microeconomic reform

The 1992 Tasmanian review is the only review that has specifically examined the role of microeconomic reform in promoting general economic growth. That review recommended that 'a clearly defined program of review of economic legislation '...be developed and quickly progressed, reforming that legislation which needlessly impact on business by increasing costs and reducing competitiveness'.⁷⁵ Such a program was, in fact, implemented in all jurisdictions soon after in what was known as National Competition Policy.⁷⁶

However, other reviews have also suggested broader economic reforms beyond simple fiscal consolidation. For example, the 1973 Commonwealth review was generally critical of assistance to industry 'beyond the initial market discovery stages'. It cited the misallocation of resources across the economy and the direct budgetary impacts of tax concessions as being particularly problematic. It concluded:

...generally it would seem that the forms of assistance most open to criticism are those which do not have a time limit—those in which firms are encouraged to believe that the subsidy is, or is likely to become, a permanent part of the economic climate.⁷⁷

The political difficulties associated with removing assistance to politically sensitive industries and the consequences for employees were also noted when it observed:

Strong resistance is always manifest when it is proposed that assistance should be withdrawn. This resistance often take the form of sustained campaigns hectoring the Government, emotional appeals, and attempts to use workers in an industry as pawns in the game.⁷⁸

69. National Commission of Audit, *Report to the Commonwealth Government*, op. cit., p. x.

70. Ibid., p. 46.

71. Independent Review of Victoria's Public Sector Finances, *State Finance Victoria*, op. cit., p. 240–1.

72. Queensland Commission of Audit, *Report*, op. cit., p. 141.

73. Ibid., p. 142.

74. A Parkin and G Anderson, '[The Howard Government, regulatory federalism and the transformation of Commonwealth–State relations](#)', *Australian Journal of Political Science*, 42(2), June 2007, pp. 295–314, accessed 4 April 2014.

75. Independent Commission to Review Tasmania's Public Sector Finances, *Tasmania in the nineties*, op. cit., p. 213.

76. J Kain, '[Australia's National Competition Policy: Its Evolution and Operation](#)', E-brief, Parliamentary Library, June 2001, revised 3 June 2003, accessed 4 April 2014.

77. Review of the Continuing Expenditure Policies of the Previous Government, *Report*, AGPS, Canberra, 1973, p. 23.

78. Ibid.

The 1927 South Australian review also suggested longer-term economic reform was required to ensure that Australia remained internationally competitive. It noted the tendency for governments, however, to adopt policies that have the opposite effect. It said:

A position has been created whereby increased Customs tariff and arbitration awards are being continually raised to offset each other. It is surely a time to call a halt. ...Other countries are aiming to reduce the cost of production—Australia's political policy is not in this direction.⁷⁹

While tariff barriers and centralised wage fixing are now less often cited as drivers of production costs in Australia, other areas, such as environmental regulation, have often been cited as causes of a loss of competitiveness.⁸⁰

Bailouts and asset sales

Poor capital investment decisions by government businesses have been a re-occurring theme in reviews. The 1927 South Australian reviewers noted that much of the borrowings had been for capital works that had not produced sufficient returns, creating a burden in the form of taxation and deficits.⁸¹ The 1927 South Australian review was concerned about the losses within the railways, which 'in effect, means that State is contributing to railway fares from taxation...'⁸² The reviewers attributed the cause of this to 'the developmental and political lines, which cannot pay for many years'.⁸³

South Australia's and Victoria's debt burdens of the early 1990s were significantly increased by bailouts of failed financial institutions, but none of the subsequent reviews were specifically tasked with investigating the circumstances or consequences of the collapse of those institutions. Nonetheless, the 1993–94 South Australian reviewers described the collapse of the State Bank of South Australia as 'the greatest financial disaster in the history of Australia's public sectors'.⁸⁴

A more general theme of the various reviews is that governments should withdraw from the multifarious range of commercial or quasi-commercial functions they had typically embarked on, irrespective of whether or not they are commercially sound. For example, following the 1980–81 *Review of Commonwealth Functions* the Commonwealth decided that Australia Post should lose many statutory monopoly roles and that a further review be held on Telecom (as it was then) to determine 'the extent to which there could be private sector involvement in activities currently performed...'⁸⁵ That review also made much more seemingly mundane recommendations for the direct sale of Commonwealth Government assets, such as the recommendation that the Commonwealth sell the Belconnen Mall shopping centre in Canberra.⁸⁶

While many asset sales by governments have commonly been characterised as exercises in order to realise quick returns in order to supplement the budget, most reviews have focused upon the extent to which specific commercial operation of governments continue to provide a good or service that cannot be readily provided by the private sector. For example, the 1992–93 Victorian review suggested that budgetary considerations were important, but that '[i]n the Commission's view, these should be secondary to the pursuit of gains in operational efficiency which can be recognised through more extensive competition and private sector involvement'.⁸⁷

Controversies

Understandably, such broad ranging reviews, particularly those conducted by incoming governments seeking to reset the economic and policy agenda of a jurisdiction have often been contentious. Key areas of controversy include the conduct of the reviews themselves and the suspicion that such reviews have been preordained to make certain conclusions. Moreover, the prevalence of businesspeople on the various reviews has led some to conclude they are vehicles through which to advance the interest of business over others in the community. The

79. South Australia, Parliament, [Special Committee on State Finance: Supplemental report](#), op. cit., p. 3.

80. For example, A Hepworth and S Maher, 'BCA uses first talks to revive green tape war', *The Australian*, 3 July 2013, p. 6, accessed 4 April 2014.

81. South Australia, Parliament, [Special Committee on State Finance: Supplemental report](#), op. cit., p. 3.

82. South Australia, Parliament, [Special Committee on State Finance: Report on the Financial Position of South Australia](#), op. cit., p. 7.

83. *Ibid.*, p. 8.

84. South Australian Commission of Audit, *Charting the way forward, improving public sector performance*, April 1994, pp. 3–5.

85. M Fraser, *Ministerial statement*, op. cit., Appendix A, p. 9.

86. *Ibid.*, p. 7.

87. Victorian Commission of Audit, *Report*, May 1993, vol. 2, p. 314.

governments appointing them, however, have often fuelled such suspicions through failing to manage the various political consequences that have invariably arisen.

Lack of public participation and secrecy

By keeping the findings of the reviews confidential or secret, some governments have also created additional problems for themselves. For example, various parties sought to gain access to the report of the confidential 2005–06 Australian Capital Territory Strategic and Functional Review under both Freedom of Information (FOI) laws and via parliamentary orders for the production of documents. In response to freedom of information requests, the Government issued a conclusive certificate under subsection 35(3) of the *Freedom of Information Act 1989 (ACT)*, as it was then, to prevent the release of the review and associated Cabinet materials. However, the Administrative Appeals Tribunal of the Australian Capital Territory found that some of the materials were improperly classified and allowed their release.⁸⁸ In response to the production order, the Government claimed executive privilege over the report. After some dispute, the Standing Orders of the Australian Capital Territory Legislative Assembly were amended to provide that an independent arbiter would assess the veracity of claims of executive privilege prior to the tabling of any documents.⁸⁹ Sir Laurence Street AC KCMG QC was appointed as the arbiter and determined that the claim of executive privilege over the final report of the Strategic and Functional Review was valid, thereby preventing their release.⁹⁰ A later attempt to amend the FOI Act to require the release of the report failed due to a lack of parliamentary support for that Bill.⁹¹ To date, the report of the Strategic and Functional Review has still not been publicly released.

The current National Commission of Audit differs in that it has formally sought public submissions and met with certain submitters.⁹² Moreover, the Treasurer has advised that the report of the Audit will be released publicly.⁹³ However, a lingering sense of secrecy remains; and on 11 December 2013 the Australian Senate resolved to establish the ‘Select Committee into the Abbott Government’s Commission of Audit’ seemingly to subject the conduct of the review to scrutiny by the Parliament.⁹⁴

Hidden agendas and ulterior motives

In addition to specific recommendations and conclusions, reviews have been seen as a vehicle for rescinding from prior policy commitments or pursuing an altogether different policy agenda. For example, Walker and Walker opine:

...all of these importantly titled Commissions of ‘Audit’ pursued a familiar theme. The incoming government had inherited a financial crisis. The financial cupboard was bare. There was a high level of debt. There was a need to cut a range of programs and reduce the size of the public sector.⁹⁵

Similarly, economics Professor John Quiggin says:

The primary stated task of these Commissions, as implied by the name, is to review the current and forecast condition of public finances and to make recommendations for improvement. In reality, however, the primary function has been to justify cuts in public expenditure and other policy changes. In most cases, these policy changes have not formed part of the platform on which the newly elected government campaigned and, in many cases, they represent a direct repudiation of election promises.⁹⁶

In Victoria, a common perception was that the 1992–93 review was merely a marketing exercise aimed at implementing a particular scheme of economic liberalisation and fiscal rectitude which was in part assisted by the release of a precursor report, *Victoria: an agenda for change*, in 1991. That earlier report was a joint publication by the right-leaning Tasman Institute and the Institute for Public Affairs, and was prepared at the

88. [Dunne/Barden and ACT Department of Education & Training \[2007\] ACTAAT 26 \(17 December 2007\)](#), accessed 4 April 2014.

89. ACT Legislative Assembly, [Standing Order 213A](#), accessed 4 April 2014.

90. J Stanhope (ACT Chief Minister), [‘Chief Minister welcomes arbiter’s decision on functional review’](#), media release, 8 April 2009, accessed 15 October 2013.

91. [Government Transparency Legislation Amendment Bill 2007 \(No 2\) \(ACT\)](#), accessed 4 April 2014.

92. T Shepherd (Chair, National Commission of Audit), [Evidence to Senate Select Committee on Abbott Government’s Commission of Audit, Inquiry into Commission of Audit established by the Commonwealth government](#), 15 January 2014, accessed 4 April 2014.

93. J Heath and M Dunkley, [‘Get audit in open, Hockey told’](#), *Australian Financial Review*, 16 January 2014, p. 1, accessed 4 April 2014.

94. Australia, Senate, [Journals](#), 10, 2013, p. 345–6, accessed 4 April 2014.

95. B Walker and B Walker, [Review of the Costello report](#), op. cit., p. iv.

96. J Quiggin, [The Queensland Commission of Audit Final Report: A Critical Review](#), *Public Policy*, 7(2), 2012, p. 226, accessed 4 April 2014.

behest of a collection of Victorian business groups known as Project Victoria. Several members of former government-initiated reviews, including Des Moore and Robert Officer, were involved in the preparation of that report.⁹⁷

The *Agenda for change* report was unambiguously small government in its tenor. In its introduction, that review explained its approach in the following terms:

The reforms proposed by *Project Victoria*, ... amount to a ***major restructuring of the expenditure programs of the Government of Victoria, as well as a broad-based strategy for increasing productivity and living standards, by privatising, corporatizing and contracting out many current services of government.*** If implemented on a national scale, the strategy would, for example, be compatible with significantly lowering all income tax rates and could dramatically improve the nature of work and savings incentives in Australia.⁹⁸

Having this as its provenance, the subsequent 1992–93 Victorian review—which was chaired again by Robert Officer—was cited by critics as a ‘stalking horse’ for the proponents of the *Agenda for change* report. For example, Costar and Economou observe:

In its structure, content, and conclusions, *An Agenda for Change* is a trimmed-down early version of the report of the Commission of Audit. It concluded that state finances were in disarray and that Labor had bequeathed a debt crisis arising from too much spending, which in turn was a product of Labor having been ‘captured’ by the public sector trade unions.⁹⁹

Similar suspicions have been raised regarding the current National Commission of Audit. In March 2013 the Institute of Public Affairs published a list of possible expenditure cuts.¹⁰⁰ That list proposed the abolition of a range of Commonwealth agencies and other expenditure reductions. In discussing the proposals, Alan Moran of the Institute of Public Affairs advised:

Some items have been discussed with Coalition politicians, many of whom are in agreement with the principles against which the list has been developed.¹⁰¹

This led then Finance Minister, Penny Wong, to declare that the Institute of Public Affairs had ‘revealed some of the savage cuts Tony Abbott is considering making if elected’.¹⁰²

Political mishandling

It would appear risky for governments to establish wide-ranging budget reviews if they do not, in fact, have the resolve to adopt at least some of the recommendations. Particularly for incoming governments, the appointment of a budget review may also delay the government establishing its own agenda or narrative; and seeing government publicly resiling from the bold pronouncements typically made at the commencement of a review also compound public concerns about the direction of the administration.

For example, upon forming government in 2010 with a slim parliamentary majority, the former Victorian Premier Baillieu duly appointed an ‘Independent Review of State Finances’, chaired by Michael Vertigan AC. In April 2011 that panel produced an *Interim Report* which was publicly released by the Government. That report provided an assessment of the finances of the State but did not provide any specific policy prescriptions. In January 2012, the final report was delivered to the Government.

However, it would appear that by the time the final report arrived, either the Government’s reformist zeal had dissipated, or the final report was so politically unpalatable that it could not be released.¹⁰³ By 2013, following Denis Naphthine succeeding Baillieu as Premier, the new Victorian Treasurer Michael O’Brien disavowed any knowledge of the contents of the final report, and suggested that it would have no bearing on the next Victorian Budget.¹⁰⁴

97. B Costar and N Economou, *The Kennett revolution*, UNSW Press, Sydney, 1999, p. 141.

98. Tasman Institute and Institute of Public Affairs, *Victoria: an agenda for change*, 1991, p. 1, emphasis in original.

99. B Costar and N Economou, *The Kennett revolution*, op. cit., p. 140.

100. Attachment to: P Wong (Minister for Finance and Deregulation), ‘[Revealed: Abbott’s secret list of cuts](#)’, media release, 17 March 2013.

101. A Creighton, ‘[Think tank proclaims savings worth \\$23.5 billion](#)’ *The Weekend Australian*, 16 March 2013, p. 4.

102. P Wong (Minister for Finance and Deregulation), ‘[Revealed: Abbott’s secret list of cuts](#)’, media release, 17 March 2013, accessed 4 April 2014.

103. D Uren, ‘[Secret Government plan to end big bureaucracy](#)’, *The Australian*, 28 August 2012, accessed 4 April 2014.

104. ‘[Vic treasurer hasn’t seen finance report](#)’, *The Australian*, website, 11 April 2013, accessed 4 April 2014.

In a recent article, former Commonwealth Treasurer Costello and Chair of the 2012–13 Queensland review noted the Victorian Government's experience and concluded '...there is no point in making recommendations with no hope of implementation. A report which can't be released is of no value. A report that makes impractical suggestions is little better'.¹⁰⁵

Conclusions

The National Commission of Audit appointed by the Abbott Government is not at all unprecedented in Australia. Governments of both political persuasions have used such reviews to quickly and critically examine jurisdictions' fiscal positions and develop strategies to restore jurisdictions' finances. At times, they have also used to criticise previous governments for their budgetary management, or to provide a pretext to deviate from prior policy commitments.

Strong institutional reasons exist for budget reviews to be appointed, especially early in the term of a new government, as successful budget reviews allow the incoming government to establish and define its policy agenda. However, a review that is poorly managed, or that provides wholly unpalatable recommendations not politically or practicably capable of being implemented, can lead to a sense of policy paralysis or a lack of direction on behalf of the government.

Several budget reviews have proposed clear frameworks through which to structure their thinking and guide their conclusions; many have not. Almost all have touched upon certain central themes: that government finances are unsustainable, government has entered into areas and functions to which it is ill suited, the bureaucracy is fragmented or inefficient, and federal-state relations are problematic. Typically, reviews have also suggested a scheme of broader economic reform; the freeing up of the business environment and privatising government commercial activities.

Critiques of such reviews, however, have made much of the strong business connections to many reviews. The secrecy in which they are typically conducted has arguably contributed to heightened public suspicion about their conduct and ultimate recommendations.

If conducted well, the current National Commission of Audit could provide the Abbott Government an opportunity to clearly articulate the challenges facing Australia and provide at least a conceptual basis for addressing those challenges. However, former Commonwealth Treasurer Costello suggests that merely rehashing past reviews will not suffice. He says:

An audit will be of no use if it confines itself to well-worn paths that have been debated over and again by politicians. There is no point in bringing outsiders in to regurgitate what they already know. Outsiders should bring a fresh perspective and give the Government new options.¹⁰⁶

Both the content of the current National Commission of Audit, and the Government's response, are yet to be released publicly. It remains to be seen whether or not the current National Commission of Audit provide truly new ideas and a clear vision for the newly elected government, or whether it will merely repackage old and well known policy prescriptions. It is also not clear whether the Government has the political courage to adopt the review's recommendations; however, ignoring the review would appear to be politically risky also.

105. P Costello, '[Opinion: Meaning well is no substitute for good policy](#)', *Herald Sun*, 24 September 2013, p. 25, accessed 4 April 2014.

106. *Ibid.*

Appendix A: Detailed chronology of budget reviews in Australia

Years	Jurisdiction	Title	Commissioned	Political affiliation	Membership	Key dates	Comment
1873	Western Australia	Select Committee of the Legislative Council to Consider and Report Upon Departmental Expenditure	Colonial Secretary Sir Frederick Palgrave Barlee	Not applicable	<p>Chair: Major John Logue, Stockowner</p> <p>Sir Frederick Palgrave Barlee, Colonial Secretary</p> <p>Wallace Bickley, merchant</p> <p>James George Lee Steere, farmer</p> <p>William Edward Marmion, businessperson</p> <p>Walter Padbury, businessperson and farmer</p> <p>Thomas Campbell Carey, surveyor.</p>	<p>Appointed: 4 July 1873</p> <p>Tabled: 31 July 1873</p>	All members of the Committee were also members of the Western Australian Legislative Council. However, the review was conducted prior to responsible government in Western Australia and while some members of the Legislative Council were still appointed by the Governor. For example, Sir Frederick Barlee was an ex officio (unelected) member of the Council in his capacity as Colonial Secretary.
1918–21	Commonwealth	Royal Commission ...upon the public expenditure of the Commonwealth of Australia with a view to effecting economies (Federal Economies Commission)	Prime Minister William “Billy” Hughes	Nationalist	<p>Chair: Sir Robert Gibson, businessperson</p> <p>George Turton, businessperson</p> <p>Gilbert Haldane, public servant</p>	<p>Appointed: 21 November 1918</p> <p>First Progress Report submitted: 16 July 1919</p> <p>Final Report: 4 April 1921</p>	This review was established as a Royal Commission under the <i>Royal Commissions Act 1902</i> (Cth) and it the only review to have enjoyed such formal legal powers.

Years	Jurisdiction	Title	Commissioned	Political affiliation	Membership	Key dates	Comment
1927	South Australia	Special Committee on State Finances	Premier Sir Richard Butler	Liberal Federation	<p>Chair: Walter James Young, businessperson</p> <p>Harold Gordon Darling, businessperson</p> <p>John William Wainright, public servant and accountant</p>	<p>Appointed: 25 May 1927</p> <p>First Progress Report: 14 October 1927</p> <p>Final report: 19 October 1927</p> <p>Supplemental report: 19 October 1927</p>	
1973	Commonwealth	Review of the Continuing Expenditure Policies of the Previous Government	Prime Minister Gough Whitlam	Labor	<p>Chair: Dr Herbert Coombs, public servant</p> <p>M A Besley, public servant</p> <p>Dr S F Harris, public servant</p> <p>James Jacob Speigleman, political advisor</p> <p>John Owen Stone, public servant and politician</p> <p>Padraic McGuinness, political advisor</p> <p>R D Phillips, public servant</p>	<p>Appointed: 28 March 1973</p> <p>Reported: 24 June 1973</p>	<p>John Stone later became the Treasury Secretary under both Prime Ministers Fraser and Hawke and was elected to the Senate, as a National, for Queensland.</p> <p>James Speigleman later became the Chief Justice of the NSW Supreme Court and chairperson of the Australian Broadcasting Commission.</p> <p>Padraic McGuinness later became the editor-in-chief of the Australian Financial Review and editor of Quadrant.</p>

Years	Jurisdiction	Title	Commissioned	Political affiliation	Membership	Key dates	Comment
1980–81	Commonwealth	Review of Commonwealth Functions	Prime Minister Malcolm Fraser	Liberal/Country Party coalition	Sir Phillip Lynch, politician	Appointed: 1980 Statement to Parliament: 30 April 1981	This review was the first to adopt the 'Commission of Audit' nomenclature.
1988	New South Wales	Focus on Reform: Report on The State's Finances (NSW Commission of Audit)	Premier Nick Greiner	Liberal	Chairman: Charles Curran AO, businessperson Jim Dominguez AM, businessperson James Yonge, businessperson Executive director: Don Nicholls, former public servant	Appointed: 4 April 1988 Reported: 29 July 1988	
1992	Tasmania	Tasmania in the Nineties	Premier Ray Groom	Liberal	Chairman: Charles Curran AO, businessperson Bob Graham, economist and businessperson John Harris, businessperson Executive member: Don Nicholls AM, former public servant	Established: 1 March 1992 Reported: 3 April 1992	

Years	Jurisdiction	Title	Commissioned	Political affiliation	Membership	Key dates	Comment
1992	Victoria	State Finance Victoria: Independent Review of Victoria's Public Sector Finances	Premier Joan Kirner	Labor	<p>Independent reviewer: Don Nicholls, former public servant</p> <p>Chairman of review panel: John McIntosh, businessperson</p> <p>Mary Crooks, non-government organisation</p> <p>Michael McGinniss, accountant</p> <p>George Pappas, consultant</p>	<p>Commenced: 10 July 1992</p> <p>Reported: 21 September 1992</p>	
1992–93	Victoria	Victorian Commission of Audit	Premier Jeff Kennett	Liberal/National coalition	<p>Chairman: Professor Robert Officer, businessperson</p> <p>David Christensen, businessperson</p> <p>Russel Walker, public servant</p>	<p>Terms of reference: 9 October 1992</p> <p>Report: 30 April 1993</p>	
1993	Western Australia	Report of the Independent Commission to Review Public Sector Finances	Premier Richard Court	Liberal	<p>Chairman: Lesley McCarrey, public servant</p> <p>Peter Leonhardt, businessperson and accountant</p> <p>Charles MacKinnon, businessperson</p> <p>Phil Unsworth, businessperson</p>	<p>Announced: 19 February 1993</p> <p>Reported (volume 1): 18 June 1993</p> <p>Reported (volume 2): 24 August 1993</p>	

Years	Jurisdiction	Title	Commissioned	Political affiliation	Membership	Key dates	Comment
1993–94	South Australia	Charting the way forward: improving public sector performance	Premier Dean Brown	Liberal	<p>Chair: J Robert Thomas AO (chairman), businessperson</p> <p>Michael J Janes, businessperson</p> <p>Professor Cliff Walsh, academic economist and political advisor</p> <p>Executive Member: Don Nicholls, former public servant at the NSW Treasury</p> <p>Executive Officer: Elizabeth Warhurst, capacity unknown</p>	<p>Terms of reference: 15 December 1993</p> <p>Reported: 22 April 1994</p>	
1996	Queensland	Queensland Commission of Audit	Premier Rob Borbidge	National	<p>Chairman: Vincent W. FitzGerald, businessperson</p> <p>Commissioner: Jeff Carmichael, academic</p> <p>Commissioner: Darryl McDonough, businessperson</p> <p>Commissioner: Barry Thornton, businessperson</p>	<p>Terms of reference: 12 March 1996</p> <p>Report: 30 June 1996</p>	

Years	Jurisdiction	Title	Commissioned	Political affiliation	Membership	Key dates	Comment
1996	Commonwealth	National Commission of Audit	Prime Minister John Howard	Liberal/National coalition	<p>Chairman: Robert Officer, businessperson</p> <p>Elizabeth Alexander AM, businessperson</p> <p>John Fraser, businessperson</p> <p>Maurice Newman AM, businessperson</p> <p>Executive Officer: Geoff Carmody, economist</p>	<p>Terms of reference: early-March 1996</p> <p>Report: 19 June 1996</p>	
2001–02	Australian Capital Territory	Report on the State of the Territory's Finances	Chief Minister Jon Stanhope	Labor	<p>Chair: Will Laurie, businessperson and accountant</p> <p>Dr Penny Gregory, public servant</p> <p>Howard Ronaldson, public servant</p>	<p>Announced: 15 January 2002</p> <p>Reported: 7 March 2002</p>	
2001–02	Western Australia	Review of the Effective Delivery of Government Priorities	Premier Geoff Gallop	Labor	<p>Chair: Michael Costello AO, former public servant</p> <p>Mal Wauchope, public servant</p> <p>John Langoulant, public servant</p> <p>Allan Skinner, public servant</p>	<p>Appointed: June 2002</p> <p>Reported: 9 December 2002</p>	The report was not released.
2005–06	Australian Capital Territory	Strategic and Functional Review	Chief Minister Jon Stanhope	Labor	<p>Michael Costello AO, former public servant</p> <p>Greg Smith, public servant and economist</p>	<p>Established: November 2005</p> <p>Decisions announced: 6 June 2006</p>	The report was not released.

Years	Jurisdiction	Title	Commissioned	Political affiliation	Membership	Key dates	Comment
2008–09	Western Australia	Economic Audit Committee	Premier Colin Barnett	Liberal/National coalition	<p>Administrative Chair: Timothy Marney, public servant</p> <p>Professor Peter Shergold AC, academic, banker, and public servant</p> <p>John Langoulant, public servant and businessperson</p> <p>Catherine Nance, accountant and businessperson</p> <p>Peter Conran, public servant</p> <p>Mal Wauchope, public servant</p>	<p>Appointed: October 2008</p> <p>Preliminary Report: March 2009</p> <p>Final Report: 30 October 2009</p>	
2009–10	South Australia	Sustainable Budget Commission	Premier Mike Rann	Labor	<p>Chair: Geoff Carmody, economist and former public servant</p> <p>Bruce Carter, accountant and businessperson</p> <p>Monsignor David Cappo AO, social inclusion advocate and advisor</p> <p>Professor Jennifer Westacott, public servant and businessperson</p> <p>Chris Eccles, public servant</p> <p>Jim Wright, public servant</p>	<p>Appointed: 4 June 2008</p> <p>First report: 24 December 2009</p> <p>Second Report: 25 August 2010</p>	

Years	Jurisdiction	Title	Commissioned	Political affiliation	Membership	Key dates	Comment
2011–12	Victoria	Independent Review of State Finances	Premier Ted Baillieu	Liberal/National coalition	Michael Vertigan AC, public servant Ian Harper, public servant Don Challen, public servant	Announced: 25 January 2011 Interim report: 15 April 2011 Final report: due February 2012	The final report was not released.
2011–12	New South Wales	NSW Commission of Audit	Premier Barry O'Farrell	Liberal/National coalition	Chief Executive: Dr Kerry Schott, businessperson Chair of advisory board: David Gonski AC businessperson Ex officio: Chris Eccles, public servant Ex officio: Phil Gaetjens, NSW Treasury Secretary Gerard Sutton AO, research scientist and former university chief Dr Sue Page AM, doctor, academic and political advisor Peter Shergold AC, academic, banker, and public servant Belinda Hutchinson AM, banker and businesswoman Richard Spencer, businessperson in non-profit sector	Established: August 2011 Interim report: Public Sector Management, 24 January 2012 Final report: Government Expenditure, 4 May 2012	The Review was formally conducted by Dr Kerry Schott, but drew upon an Advisory Board chaired by David Gonski AC.

Years	Jurisdiction	Title	Commissioned	Political affiliation	Membership	Key dates	Comment
2012–13	Northern Territory	Renewal Management Board	Chief Minister Terry Mills	Country Liberal Party	<p>Chair: Neil Conn, economist and public servant</p> <p>Deputy Chair: Ken Clarke, former public servant, consultant and businessperson</p> <p>Deputy Chair: John Gardiner, businessperson</p> <p>Under Treasurer: Alan Tregilgas, economist and public servant</p>	<p>Announced: 5 September 2012</p> <p>Progress report released: 29 October 2012</p>	The final report was not released.
2012–13	Queensland	Queensland Commission of Audit	Premier Campbell Newman	Liberal National Party	<p>Chairman: Peter Costello AC, former politician</p> <p>Dr Doug McTaggart, businessperson and public servant</p> <p>Professor Sandra Harding, academic</p>	<p>Announced: 29 March 2012</p> <p>Interim Report: 15 June 2012</p> <p>Interim Recommendations: 30 November 2012</p> <p>Final Report: February 2013</p>	

Years	Jurisdiction	Title	Commissioned	Political affiliation	Membership	Key dates	Comment
2013–14	Commonwealth	National Commission of Audit	Prime Minister Abbott	Liberal/National coalition	<p>Chair: Tony Sheppard AO, businessperson</p> <p>Dr Peter Boxall AO, economist and former public servant</p> <p>Tony Cole AO, former public servant</p> <p>Robert Fisher AM, public servant</p> <p>Amanda Vanstone, former politician</p> <p>Head of Secretariat: Peter Crone, economist</p>	<p>Announced: 22 October 2013</p> <p>First Phase due to Government: end January 2014</p> <p>Second Phase due to Government: end March 2014</p>	

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