

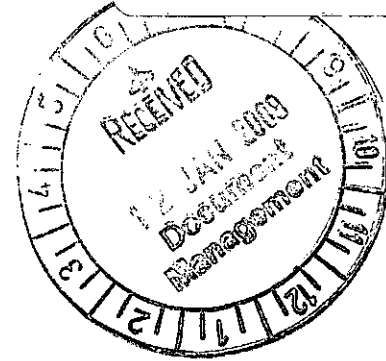
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Ms Toni McGrath
Project Director
Public Finance Bill Project
Department of Treasury and Finance
Level 9, 1 Macarthur Street
MELBOURNE VIC 3002

Dear Ms McGrath,

PUBLIC FINANCE IN VICTORIA: DISCUSSION PAPER – SOME PRELIMINARY COMMENTS

The Ombudsman has asked to me write to you about the October 2008 discussion paper on public finance in Victoria. Unfortunately, I was not aware of the paper until the middle of December, so we were unable to respond to it by 5 December as had been requested. Nevertheless, I hope that you find the preliminary comments below useful.

There are two points that I would briefly raise at this stage: first, the definition of the Office of the Ombudsman (often referred to as "Ombudsman Victoria" or "OV") and, second, the status of the Ombudsman as an officer of the Victorian Parliament.

The Definition of the Office of the Ombudsman

The discussion paper notes that Victoria has a large number of public sector bodies that differ widely in function, size and complexity. The definition of "entities" across government policy, ministerial directions and various statutes is convoluted and sometimes inconsistent, with a consequence that the policies applying to particular entities are either not clear, or the financial management and reporting responsibilities imposed upon them may not be as intended.

As an example of the latter, the Standing Directions of the Minister for Finance impose on departments detailed requirements relating to financial management in terms of governance and oversight; structure, systems, policies and procedures; and reporting.

OV (with a staff establishment of about 55) is a "department" under the Directions, which means that this office is subject to all of the procedural and reporting requirements that apply to the 10 generally recognised departments in Victoria.

OV is meeting all of its obligations as a department under the Standing Directions. However, the review may wish to consider whether this in fact is intended and appropriate.

An example of the application of policies being unclear concerns "whole of government" purchasing contracts. The use of such contracts is often mandatory for government departments and "administrative offices" bound by VGPB procurement policies, whereas statutory bodies and other Victorian government entities have the opportunity to opt-in over time. In my view OV is obliged to use mandatory whole of government contracts. However, a source of external advice has stated that OV is a statutory body (the Ombudsman is a statutory appointment) and therefore not so obliged.

These sorts of uncertainties are manageable with the application of common sense. Nevertheless, they are matters that could usefully be made more transparent in the review of public finance in Victoria

Status of the Ombudsman

The Ombudsman is one of the three officers of the Victorian Parliament (the other two are the Auditor-General and the Electoral Commissioner). The Public Accounts and Estimates Committee (PAEC) in February 2006 reported on the legislative framework relating to the three parliamentary officers. It found that the current framework was not consistent and that, for the Ombudsman, it provided few of the core characteristics of an officer of the Parliament, including in the way his office receives its annual budget. I note that the PAEC is also currently enquiring into matters relating to public finance in Victoria. It may be that it will revisit this issue in the context of that review.

The Ombudsman believes that the current arrangements (under which, for administrative and budgetary purposes, OV is a portfolio agency of the Department of Premier and Cabinet) have been satisfactory. Nevertheless, given that this issue is in the public domain, it is a matter that your review should be aware of.

Other Matters Raised in the Discussion Paper

OV does not at this stage have any comments on the very general matters raised in the discussion paper for comment, except to support the proposal for the prospective Public Finance Act to be principles based, with the procedural details and technicalities being covered in subordinate legislation.

Reforming Victoria's public finance legislation is an exciting and complex task. OV will assist in the process in any way it can, and will be happy to respond to proposals for reform as they are developed, particularly as they relate to this office. My contact details are telephone 9613 6292 and email cindy.callander@ombudsman.vic.gov.au

Yours sincerely,



6.1.09

Cindy Callander
Director, Corporate Services