



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

**Reference: Auditor-General's reports Nos 3 to 17 (2008-09)**

MONDAY, 16 MARCH 2009

CANBERRA

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**JOINT STATUTORY  
COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT**

**Monday, 16 March 2009**

**Members:** Ms Grierson (*Chair*), Mr Georgiou (*Deputy Chair*), Senators Barnett, Bishop, Bushby, Feeney and Lundy and Mr Bevis, Mrs Bronwyn Bishop, Mr Bradbury, Mr Briggs, Mr Butler, Ms King, Mr Neumann and Mr Robert

**Members in attendance:** Senators Barnett and Lundy and Mrs Bronwyn Bishop and Ms Grierson

**Terms of reference for the inquiry:**

To inquire into and report on:

Auditor-General's reports Nos 3 to 17 (2008-09)

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**Committee met at 9.39 am**

**CHAIR (Ms Grierson)**—I open today's public hearing, which examines the Auditor-General's report No. 12 of 2008-09 *Active after-school communities program*. I welcome representatives from the Australian Sports Commission and the Auditor-General's Office. I ask participants to remember that only members of the committee can put questions to witnesses if this hearing is to constitute formal proceedings of the parliament and attract parliamentary privilege. If other participants wish to raise issues for discussion, please direct your comments to the committee. It will not be possible for participants to directly respond to each other. Given the short time available today, statements and comments by witnesses should be relevant and as succinct as is possible in informing the committee.

I remind witnesses that the hearing today is a legal proceeding of the parliament and warrants the same respect as proceedings in the House and the Senate. The giving of false or misleading evidence is a serious matter and may be regarded as contempt of parliament. The evidence given today will be recorded by *Hansard* and will attract parliamentary privilege.

[9.41 am]

**CAHILL, Mr Matt, Group Executive Director, Australian National Audit Office**

**CASS, Ms Barbara, Executive Director, Australian National Audit Office**

**ESPELAND, Mr Brent, Acting Chief Executive Officer, Australian Sports Commission**

**FLANAGAN, Ms Judith Elizabeth, Director, Community Sport, Australian Sports Commission**

**HANSON, Ms Donna, Audit Manager, Australian National Audit Office**

**CHAIR**—Do any of the witnesses wish to make a brief opening statement to the committee before we proceed to questions?

**Mr Espeland**—Thank you for the opportunity to participate in this hearing. The Australian Sports Commission welcomed the opportunity presented by the ANAO's audit of the Active After-School Communities Program to review and improve its processes and procedures. The audit commenced in late 2007 just after the ASC received confirmation that the program would be extended until 30 December 2010. This timing was opportune for the ASC as it provided our organisation with the impetus and support to undertake a comprehensive, structured and objective review of the way the AAC program was operating at a time when the program was moving past its initial pilot and establishment phases.

The Australian Sports Commission identified at an early stage the need for continual review and improvement of all elements of the program, incorporating feedback from regional staff involved with delivery of the program. This review and improvement process has enabled the ASC to identify and implement identified changes quickly, with the end result that a number of the recommendations made by the audit office were able to be implemented before the final report was tabled and published. Implementation of the remaining recommendations is underway, and it is anticipated that all recommendations will be implemented within the next few months. The commission is committed to continuing to review and implement improvements to the AAC systems and processes, as it is across all commission programs.

**CHAIR**—Would you consider it a very successful program?

**Mr Espeland**—Absolutely, particularly considering that it was a greenfields program and notably that it operates in the education sector, where we had to win the support of our stakeholders—particularly noting that each of the states have overall management of the primary school education environment. And also in terms of the length and breadth of it—it has a footprint across Australia and Australian society.

**CHAIR**—There are over 3,000 places that exercise the program?

**Mr Espeland**—That is correct, yes.

**CHAIR**—Are they well spread; are you happy with the distribution?

**Mr Espeland**—There is unmet demand, but we have a process. We have had a few occasions where some very remote communities have struggled to bring together deliverers and we have worked specifically with those communities to ensure that the program could be delivered in those circumstances. It is, as you say, about 3,250 sites, which probably reflects about one third of primary school sites within Australia.

**CHAIR**—Is it always on primary school sites unless they have to go to other grounds or facilities?

**Mr Espeland**—It also is conducted in the out-of-school after-school-hours centres—the OSHs—as well. So it is a mixture of school sites and OSH sites.

**CHAIR**—The Audit Office was a little bit concerned about your governing board and some demonstration that it understood fully its role and was exercising that fully. Have you responded to that recommendation?

**Mr Espeland**—Once we became aware of the Audit Office's understanding of the matter we reconstituted our active after-school communities subcommittee—involving three of our board members—to provide that additional governance oversight of the program. It has now been in place since late last year.

**CHAIR**—Can you explain to me how that works?

**Mr Espeland**—Three of the board members have been appointed by the board—

**CHAIR**—To oversee the subcommittee?

**Mr Espeland**—To be the subcommittee, so the subcommittee is a subcommittee of the ASC board. It is their role to increase the governance oversight and provide that conduit back to the full board about the operation and the continued development of the program.

**CHAIR**—Have they been given clear targets or actions to measure?

**Mr Espeland**—The policy parameters of the money, particularly with the extension to 31 December 2010, is that we should look to operate in up to 3,250 sites and reach 150,000 children at any one time.

**CHAIR**—Is retention of the children in those programs being measured? Do they stay in it for a long time?

**Ms Flanagan**—We do not actually track the children because of privacy issues in relation to releasing that information in the education sector, but the information that the teachers are telling us, and from the research we have done, is that around 85 per cent of the children want to come back in the following term.

**CHAIR**—So you do not think there is a churn rate where kids get sick of it and new kids come in?

**Ms Flanagan**—Eventually over time they may, but what we are seeing from research from the parents and staff at the schools is that the kids want to come back. Also, we encourage them to move into community sport as well. This is a real foundation springboard to give them a taste of sport. Hopefully, they will enjoy it and move on to other things within the community.

**CHAIR**—Is that formalised research that you have done with them in any way?

**Ms Flanagan**—Yes, it is.

**CHAIR**—You want them to go into community sports—are you measuring that, or are you just getting anecdotal feedback?

**Ms Flanagan**—Anecdotal feedback plus our community case studies that we conduct as part of the full evaluation of the program.

**Mr Espeland**—We have been surveying our deliverers who come from the sporting community, and more than 75 per cent of those say that it is growing capacity within their part of the sports sector. It is also interesting to note that in terms of longevity of tenure of children in the program it is fun and it is very varied. It can be pretty well anything from dance to whip cracking to a modified sport. Over a period of time—

**CHAIR**—I did not see whip cracking when I went out to visit, but it did look like fun and it did look like the kids were very well engaged.

**Mr Espeland**—I think we have even done whip cracking with the School of the Air, haven't we?

**Ms Flanagan**—Yes, we have the School of the Air involved now and that is a great program for those kids who are isolated in that sort of community.

**Senator BARNETT**—It is very nice to have you here today and I remember well the launch of the Active After-School Community Program at the June 2004 Launceston Healthy Lifestyle Forum, which I hosted. The Prime Minister launched the program and it is very exciting to see the success of it to date, but I would like to just get some clarity around some of the objectives and how they are assessed. The objectives at the time were to ensure that kids who were previously inactive became more active and to increase children's motor skills. Do you have some evidence, apart from anecdotal evidence, to support the level of success that you have had in those two areas?

**Mr Espeland**—In relation to the first, evaluation has shown consistently from a fairly early time when the figures were coming through that more than 85 per cent of the children involved were previously inactive. We feel we have hit our target group in that respect. In terms of motor skills, it is a bit hard to follow through and evaluate that, but it was very much a program looking to assist in the fight against childhood obesity—very much so. From, I suppose, a self-centred point of view for the Australian Sports Commission it was also about supply into the

sporting system and making sure that children did have those skills that would enable them to join community sport. Then, hopefully, when they become parents themselves they will encourage their children to follow in a similar path—all of it building up towards the fight against obesity for both children and adults.

**Senator BARNETT**—For sure.

**Mr Espeland**—Certainly, I would contend that motor skill development shows up in that migration into the general sporting community, which we are seeing occur. The first part of the program was very much about getting those after-school activity slots working well and being attractive, and people wanting to attend—either the children or their parents. The second objective is that capacity bridge back to the local community, particularly assisted by the over 30,000 community coaches that have now been accredited into the program.

**Senator BARNETT**—One of the issues that we have in Tasmania, and I assume it is in other states, is that it is such a popular program that there is not enough funding to support the coordinators and the trainers and so on, to actually be in the different schools that actually want it. You indicated in your opening statement that there is an unmet demand. Can you indicate to the committee the level of unmet demand there is, and what sort of demand on your services and trainers you are receiving?

**Ms Flanagan**—Currently, we have around 600 schools and OSHCS who are waiting to be in the program. We do not actually go out and actively market the program per se, because we only have a certain percentage of resources available for the program. However, we open it up to all schools and OSHCS each year, in relation to being able to apply or re-apply if they are currently in the program. In terms of the coaches and the ability for us to resource that, we are having an increasing demand on the expectations, particularly from the departments of education. They see this as a very good program to actually provide training to their teachers in an easy and effective way; to allow them to become more skilled in delivering sport and physical activity to children, both in our program and also within curriculum time.

**Senator LUNDY**—I am interested in what happens next. Particularly, I would like you to outline what action was taken post publishing of the Auditor-General's report, particularly in relation to the criminal history checks and the current policy for the Sports Commission in this regard—given it was a significant element of the audit report.

**Mr Espeland**—From the report, I do not think there was any sense that children were at risk. We complied with or exceeded the state requirements in every case but, certainly, the thrust of the audit is that there can be an improvement. We have adopted a position whereby there will be no temporary exemptions—whether they are allowed by state legislation or not. It is also the case that the tenure of some of the criminal history checks, in their validity, is sometimes not stated—sometimes it is open-ended. We are adopting a standard of two years—they will need to be revalidated. That is the standard that we will be setting for the Active After-school Communities Program.

**Senator LUNDY**—My understanding is that, with respect to criminal history checks, that policy—as you now apply it—applies to future staff, but also existing staff if they were

exempted. When you made the decision to apply the policy you described, it applied to existing staff as well so it was across the board with no exemptions anymore. Is that correct?

**Mr Espeland**—When you say ‘staff’, in the case of the Active After-school Communities Program, they are not Sports Commission staff.

**Senator LUNDY**—I am sorry, yes—but people engaged in the program?

**Mr Espeland**—Yes, that is correct.

**Senator LUNDY**—I want to get this really clear: there are no people working for the program, in any capacity, that have an exemption.

**Mr Espeland**—That is correct.

**Senator LUNDY**—Thank you. As for what happens next with the program, I am really interested in the way in which the program is evolving. I know there was a significant review of the program a couple of years ago and that pointed to some of the strengths of the program. How do you see it developing in the future to better achieve its objectives?

**Mr Espeland**—That is obviously a matter for government’s consideration, particularly within the context of the Crawford review. In our public submission to the sport panel we indicated that we would very much support an extension and expansion of the program to capture all primary school sites. Also, we believe that there are some successful models, particularly in South Australia and Western Australia, where a community sport officer linking the active after school program back into the local sporting scene can really work. In fact, we have used that model with our All Australian Sporting Initiative, which is an add-on to the Active After-school Communities program situated in Lakemba and Macquarie Fields. We are particularly looking to engage people in low-socioeconomic areas not just to be part of the active schools program but to actually move into sport. Part of that equation is that there is a strong Muslim community in parts of those areas. We have a very energetic young Muslim lady who has been very good in bringing the Muslim community and the schools together and linking them up with a sports as well as running the active after school program in those areas. That model is one that we feel can really achieve a lot in terms of growing capacity at the local community level.

**Senator LUNDY**—You anticipated where I was going with my questions very well. Regarding the links with the community sports clubs, to what extent do the community sports clubs provide services for the active after school program? Has that proven to be a useful relationship builder, if you like, to get kids not just doing stuff after school but involved in the Saturday morning competitions and that kind of stuff?

**Ms Flanagan**—There has been quite significant growth in the participation of the clubs in our program over the last three areas. The first year or so we were running fairly fast just to get the program going. But now that we are consolidated, the regional coordinators have more capacity to work at that community level and engage the local clubs. We have just been doing a round of consultations with the national sporting organisations involved in our program. The data shows a significant increase in the involvement of clubs both in terms of coaches and kids going back into the clubs et cetera.

**Mr Espeland**—Indeed, as Ms Flanagan suggested, our discussions with the national sporting organisations have been very positive at essentially the chief executive officer level, with sports like softball, gymnastics and netball. I think we are ready to enter a new, enhanced partnership with those sports in relation to the AAC program.

**Senator LUNDY**—Thanks for that.

**Senator BARNETT**—Could I just follow up on the previous answer you gave to Senator Lundy regarding the expansion to all primary school sites. Have you done any costings on that? You are covering 3,225 schools and there are 8,000-odd schools in Australia. So can we just multiply that accordingly or have you done any estimates on that?

**Mr Espeland**—Obviously we have scoped out a sliding scale. So whatever the funding we are resourced to, we can deliver. It is not just a straight multiplication, though. There are obviously some underpinning fixed costs that do not necessarily have to be increased in the three to one ratio.

**CHAIR**—Can I just follow up on that too. If you were to put a proposal to government, it would have to be based on a lot of outcomes for a government to want to continue or extend that program. I have to say I am concerned that you have not been able to tell me how long kids stay in the program. I think that is really important to the outcomes for kids—if they are staying over a period of time. I am also interested to know whether it is based on research. I saw some research just recently that said that the higher the kids' skills in throwing, catching and kicking the more chance there is that they will present in community sports and sporting teams. Do you modify the program according to the latest research? I am also concerned because you said they are not measuring motor skills. I think, having come from an education background, it is fairly easy to have a standard measure that you retest every so often. You might have a view you need more resources to make the program more rigorous in that way. Could I just have your general comments on that?

**Ms Flanagan**—In relation to motor-skill development, it is based on a resourcing issue.

**CHAIR**—What is the ratio of coaches to kids in the program?

**Ms Flanagan**—It varies greatly depending on what sport or activity is being offered. It is roughly one to 15 on a general basis, but of course with things like swimming and gymnastics it can be lower and with team games it can be higher. It depends on what is required in relation to certain sports and activities, but it is roughly one to 15.

**CHAIR**—You say doing the monitoring is a resource issue. What about measuring retention of kids, how long they are staying, and how often they are participating? Is that not possible?

**Ms Flanagan**—Collecting the data on a school basis is quite difficult in relation to what the education sector will release to you and their capacity to do that. We have had to work very collaboratively with the schools in particular to ensure that we are not further burdening already overburdened teachers in relation to making the program happen. We have tried to make it as administratively efficient as possible to get them engaged. If they are not engaged, we cannot run the program.

**Mr Espeland**—We mentioned before our increasing involvement with national sporting organisations—a number of them have agreed. We hope this can be taken up fairly broadly to basically help us track graduates of the AASC program into the sporting community. Part of the membership arrangements when you initially join a club would be the question: ‘Have you been involved in the AASC program?’

**CHAIR**—That would be a simple way to do it.

**Mr Espeland**—But, as Ms Flanagan said, it is very resource intensive and there are some difficulties in collecting information, particularly with privacy and education sector requirements.

**Mrs BRONWYN BISHOP**—There are a couple of points that worry me a good deal that I would like to take this opportunity to explore. On page 32, there is the heading ‘The goals of the National Action Agenda—Healthy Weight 2008’. In all the dot points and the blurb that follow there is not one word about fitness. On page 34, you say:

The initial long-term objectives ... were to improve the health and physical activity levels of Australian primary school aged children ...

You then go on:

The current program objectives and sub-objectives are to:

- enhance the physical activity of Australian primary school aged children ...
- increase participation levels ...
- attitude of inactive children towards structured physical activity improved ...

I presume that is meant to be ‘improve’. You continue:

- increase in fundamental motor skill development of inactive children—

which I would have thought would be very important and which you have just told us you do not measure. I am going to ask you how you test the efficacy of your program—where you measure off against the points. But overall I am going to attack this word ‘obesity’. If I look around this room, I see people ranging right across the spectrum, from those who I might say are a bit too thin to those that thin people in particular would describe as ‘obese’—and it is meant to be an offensive word. Have you looked at the impact on children and their behaviour of this discrimination against children who do not meet the ‘thin test’?

I met with a very interesting group the other day, for whom I think more funding and more attention is needed—that is, the Butterfly Foundation. They are dealing with the eating disorders of children. Their evidence shows that children are forced into the situation by the age of five where they hate their own bodies and start their own diets. This is not healthy. The world is populated by people of various shapes and sizes. If you picked out somebody because of one physical attribute and started to say, for example, all people with long arms are bad people—they

eat badly or they do things badly—you would be up before the Anti-Discrimination Board as quick as you like. But if you say that child over there is fat, it gives every other child in the class the opportunity to pick on that child, and we all know what child behaviour is like.

With this obsession with this word ‘obesity’, when you are talking about wanting children to be active and involved in team games and team building and accepted by the group of which they are a part, why don’t we have the accent on fitness? In my electorate, I have a lot of people who come from Pacific Island states. They are very large people by their build. But on your rules they are not thin, so they are not good people. That is the message that kids are getting: if you are thin, you are terrific; if you are not, we do not like you and we are allowed to pick on you because doctors say it is okay.

So what are we going to do about measuring the impact of these policies on children and measuring the outcomes that are about their quality of life and their ability to be fit and enjoy playing sport like everybody else? In the much maligned sport of rugby league, if I took any number of people who represent their teams and indeed the country, they would not meet the BMI test or whatever the goddamn thing is. I think you people have a big responsibility in kids’ mental attitudes. I would like to hear some compassion from people who are thin about people who are not. Would you like to comment, Ms Flanagan?

**Ms Flanagan**—Thank you, Mrs Bishop. The whole program was based around the initiative of the previous government called Building a Healthy Active Australia.

**Mrs BRONWYN BISHOP**—I know how it got established. I want to hear about the things I have asked you about.

**Senator BARNETT**—Through you, Chair—please allow the witness a chance to answer the question, Mrs Bishop.

**CHAIR**—That is right. I point out that the program has a high emphasis on healthy eating and healthy weight, so you might perhaps give us some more information, in answering that question, on how the program builds that in.

**Ms Flanagan**—We have worked very hard to not attach stigma to any children within the program, whatever weight they are. It is about being healthy and active and is irrespective of weight. The initiative, as I said, was built on the basis of a growing concern about the inactivity levels of children and the impact that has in relation to their weight. However, we have premised and sold the program very much to the children, schools and OSHCS involved on the fact that, no matter what weight you are, it is important to be active.

**Mrs BRONWYN BISHOP**—Where is that in the report?

**Ms Flanagan**—The audit report?

**Mrs BRONWYN BISHOP**—Yes, where will I find some comment on that part of your program?

**Senator BARNETT**—It is the first objective of the program that you read out.

**Mrs BRONWYN BISHOP**—It says nothing about fitness. It is all about weight.

**Senator BARNETT**—The report says the first objective of the program is to:

- increase participation levels of inactive children within structured physical activity ...

**Mrs BRONWYN BISHOP**—It says:

In response to the escalating prevalence of childhood overweight and obesity, the initial focus of a national effort will be on children and young people (0–18 years) and the families that influence and support them. This has the potential in the longer term to reduce overweight and obesity in the broader adult population. The goals of Healthy Weight 2008 are ...

Where will I find something that tells me about fitness and the way in which children are treated and their mental aspects dealt with in the report?

**Mr Cahill**—The audit was about looking at its administration. What is probably an interesting question is: what is the focus of the evaluation of the Australian Sports Commission? This is obviously cascading down from the policy initiative to stated objectives and through to what evidence they have to assess that. You might want to seek the Sports Commission's views on the evaluation as opposed to the audit.

**Mrs BRONWYN BISHOP**—Perhaps the next time you do an audit you might concentrate on some of those issues. Do you contact, and does the ASC have a connection with and consult with, people such as the Butterfly Foundation?

**Ms Flanagan**—We consult with a number of organisations including beyondblue, the National Heart Foundation, Diabetes Australia and the Cancer Council on what work they are doing and the synergies in what we are doing, particularly in relation to this program.

**Mrs BRONWYN BISHOP**—But not the Butterfly Foundation, which concentrates on eating disorders and the fact that we are getting dieting at these appalling ages.

**Ms Flanagan**—No, we have not met with the Butterfly Foundation.

**Mrs BRONWYN BISHOP**—Can I ask that you do because they are doing some absolutely fantastic work. It is very encouraging now. I could single out a particular school which has got behind this foundation and is finding there is a place for all children. The singling out of children as being fat is not acceptable in that school.

**Mr Espeland**—I would like to reinforce what Ms Flanagan said about the culture of the program. I think it is very inclusive and very encouraging. For those who have been there, I am sure you have seen the range of young children all having a great time, and no-one is singled out as not being part of that inclusive group. Indeed, I think it is fair to suggest that if we did not have that approach, that resultant culture, we would not have the demand. The market would not come to the program, as such.

**CHAIR**—I think it is important to make the distinction that your responsibility is not to deliver the national action agenda on healthy weight, but certainly it guided the setting-up of this

policy. I may not say the word ‘fitness’, but you have specific objectives that are around what is on page 34 in the report—that is, increasing the participation levels.

**Mrs BRONWYN BISHOP**—I saw that, but my concern is that people of all shapes and sizes can be fit—

**Ms Flanagan**—We would acknowledge that.

**Mrs BRONWYN BISHOP**—and they can lead very good lives and be very important people. But the whole accent is on the use of this word ‘obesity’, which is such an ugly word—and it is meant to be ugly; it is meant to make people feel bad about themselves. I wonder if you could perhaps take that on board and perhaps talk particularly to the Butterfly Foundation, which is starting to get recognition from schools. I think that is going to be very helpful to kids who, quite frankly, find their lives miserable because of a stated ‘medical policy’, reinforced by government, that puts these kids outside the accepted norm.

**Ms Flanagan**—I would like to reinforce that we have made a very conscious effort in our objectives and in the evaluation of the program to steer away from that whole obesity concept. Obviously it is off the back of the national action agenda, but in our terminology we have been very, very conscious about not doing that.

**CHAIR**—Can I ask the Audit Office: in preparing your report in the inquiry did you actually go out to these schools? Did you get feedback from the schools themselves and did you get advice from them about how they would like to see the program altered in any way?

**Ms Hanson**—We went out to three, four, five—or maybe six—sites. We spoke to some teachers but most of the time we were there to understand how the program ran. It was very well received where we saw it. We saw it in the Tiwi Islands, around Alice Springs, in Darwin and in Sydney.

**CHAIR**—Are there feedback opportunities for staff? Is it built into the program at all for schools to give feedback or review it in any way?

**Ms Hanson**—One of the things we raised in the report is that the regional coordinators go out to the sites to see how the program is running. It is a quality assurance role as well as an opportunity for the schools to give feedback to the regional coordinator—and that is from the school’s perspective and from the deliverer’s perspective, because usually the deliverer is someone outside the school. The coordinators check whether the Playing for Life philosophy is actually being run, whether the kids are being engaged in that and whether they are getting a healthy afternoon tea. So they look at and tick off all of those aspects when they go out there—and we observed them doing that.

**Mrs BRONWYN BISHOP**—I too have seen some of these programs in action, and they work well in the schools in my electorate where they run. That gave me an opportunity to talk about this issue, and I think you have a part to play in changing those attitudes, in saying that there is a place for everyone and that everyone is really okay and in changing some of the language. If we can talk about fitness and measuring motor skills and give everybody that opportunity, instead of using these horrible judgmental words that make kids’ lives miserable, we

would be doing a great service. If you could contact the Butterfly Foundation and see if they could have input, I think that would be terrific.

**Mr Espeland**—We will certainly do that.

**Senator BARNETT**—You mentioned the unmet demand and indicated that there are some 600 schools and OSHCS waiting to join. Is that the situation now, and was it the same situation this time last year?

**Ms Flanagan**—Yes, and they rotate—some will stay on the pending list and others will drop off.

**Senator BARNETT**—So it is pretty much a standard level. They know there are only so many spots, so, if they had the capacity to grab a spot in the following year and knew that there was a possible expansion of the program, you would imagine that unmet demand would increase markedly.

**Ms Flanagan**—That is right.

**Senator BARNETT**—I encourage you to think about the other benchmarks of merit that you could consider to highlight the success of the program so that we can all get a good grip on it. If you have to apply to the government for further funds to do research—whether it be on motor skills, as the Chair indicated earlier, or on other benchmarking or key performance indicators—then perhaps there is merit in that insofar as we could all get a really good grip on exactly how successful the program is. I will leave that with you for consideration.

**Mr Espeland**—Yes.

**CHAIR**—Are you working through a set of targets to be measured to make it more rigorous?

**Mr Espeland**—To the extent that our resources allow, we have an extensive evaluation program. But it does not go to the actual longitudinal measurement of changes to motor skills.

**CHAIR**—The audit report indicated that you did not have evaluation data to be measured for progress against predetermined targets. Has that changed now? If so, in what way?

**Ms Flanagan**—We completed the first evaluation over the first three years, from 2005 to 2007. In reviewing that evaluation, looking at the methodology behind that and also working with the auditors in moving forward, we are looking at a new evaluation plan and, obviously, looking at how we better measure what targets we can, within the scope of the resources we have.

**CHAIR**—Within the resources you have, you think it is possible to have some preset targets and to evaluate and report on them more fully?

**Ms Flanagan**—Yes.

**CHAIR**—That would be good. I have to ask this because there were some comments made by the Audit Office on simplifying the grant application process. We see grants are fairly small, ranging from a few hundred dollars through to a few thousand dollars. You would think that, to just be getting those kinds of amounts of money, it would not be a very complex process. Has anything happened about simplifying that process?

**Ms Flanagan**—Yes, it has. We have reduced the timing in terms of the frequency of the allocation of those grants. That has reduced the administrative burden on the commission and staff, as well as on the actual schools and OSHCS. We are also looking at automating the grants system, which was a key recommendation from the auditors. That is in process as we speak.

**CHAIR**—Could you show the Audit Office evidence that all moneys were acquitted properly?

**Ms Flanagan**—Where very small amounts of money were not acquitted, we had quite an extensive and administratively burdensome acquittal process, so we have streamlined that. That was one of the things we did even before the audit had been completed.

**Mr Espeland**—It is also the case that, like any other program, all our programs are subject to financial audit as well.

**CHAIR**—Have you had to dispense of any staff—coaches et cetera—because of any dissatisfactions with them?

**Ms Flanagan**—It has been very minimal. The majority of the coaches in the program have been very successful in terms of undertaking our training and then being competent to deliver to the children but, like everything, there are some times where it has just not worked out.

**CHAIR**—And you are assuring us that at the moment there is no-one working in the program who has not passed a security or police check?

**Ms Flanagan**—No.

**CHAIR**—Thank you very much for presenting today. I thank all the witnesses for giving evidence. The committee may have additional questions on notice to put to witnesses, which the secretariat will forward to you shortly. If we do put those additional questions, we would ask for a reply within four weeks. I do not know that we will on this occasion, although there may just be a few.

[10.27 am]

**ANDRUSKA, Ms Aurora, Deputy Chief Executive Officer, Centrelink**

**BURGESS, Mr Trevor, Chief Financial Officer, Centrelink**

**CAHILL, Mr Matt, Group Executive Director, Australian National Audit Office**

**GEUE, Ms Alex, Audit Manager, Australian National Audit Office**

**GOLIGHTLY, Ms Malisa, Deputy Secretary, Employment, Department of Education, Employment and Workplace Relations**

**HOWSON, Ms Natalie, General Manager, Centrelink**

**LACK, Mr Steven, Executive Director, Australian National Audit Office**

**MILLIKEN, Ms Marsha, Group Manager, Department of Education, Employment and Workplace Relations**

**CHAIR**—I welcome witnesses today, and I open this public hearing, which examines the Auditor-General's report No.4 2008-09: *The business partnership agreement between the Department of Education, Employment and Workplace Relations (DEEWR) and Centrelink*. I welcome the representatives from all agencies and the Australian National Audit Office. I remind witnesses that the hearings today are legal proceedings of the parliament and warrant the same respect as proceedings in the House and the Senate. The giving of false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. The evidence given today will be recorded by *Hansard* and will attract parliamentary privilege. Does any witness wish to make an opening statement before we proceed to questions?

**Ms Andruska**—I would like to make an opening statement on behalf of Centrelink. I would also like to thank the committee for the opportunity to appear before you today. As outlined in the section 19 report, Centrelink agrees with the recommendations. Centrelink welcomed the report and the opportunity to work closely with the ANAO to identify areas for further development. We consider the recommendations to be constructive, and the audit has allowed us to identify opportunities to further enhance the relationship between DEEWR and Centrelink.

Over the last 12 months, the partnership between DEEWR and Centrelink has continued to evolve. We consider the relationship to be a mature and open one. The relationship is now more reflective of a partnership than a purchaser-provider relationship. From 1 May last year, Centrelink moved to a new organisational structure. The new structure supports a more collaborative and proactive relationship with policy departments. The creation of the Client Business Division, in particular, has allowed for a more focused approach to our business partnerships. The division is dedicated to relationship management, servicing governance arrangements and building partnerships to deliver outcomes. The Client Business Division has responsibility for the recommendations.

Since the report was tabled, DEEWR and Centrelink have worked together to implement the four recommendations, and there are some examples of the work that has been done. We have inclusion of revised guiding principles; a review of the appropriateness of current KPIs is being conducted and its findings will be used in development of future agreements; completion of outstanding documentation—for example, terms of reference and assurance expectation matrices—and a dispute resolution framework has been established. In developing any further partnership agreements, Centrelink will apply what we have learnt from the audit, particularly in relation to strengthening the performance framework and reporting, the need for effective governance arrangements and robust business assurance processes. Thank you again for the opportunity to appear today.

**CHAIR**—Thank you. DEEWR?

**Ms Golightly**—What we had to say was covered by Ms Andruska's statement, thank you.

**CHAIR**—ANAO?

**Mr Cahill**—I am happy to table our opening statement.

**CHAIR**—Thank you very much. I am pleased to hear you say that it is a partnership now between two equal agencies, rather than a one-way operation. I hope it is a genuine two-way operation. Although we get frustrated at times, we do feel that Centrelink is the endpoint of policy delivery, and sometimes you just have to make things work. If we can get these partnerships and agreements working more satisfactorily, I would hope that your experience would feed into them. It was raised in the report that there is now going to be a need for enhanced interagency dispute resolution procedures in the next BPA. Could Centrelink and DEEWR please elaborate on those, or would ANAO like to comment first on what they found in terms of interagency dispute resolution?

**Mr Lack**—Very broadly, the BPA was not very prescriptive on how the agencies would handle disputes as they arose. Of course, in such a large arrangement there will be times when agencies have differences of opinion, and in the audit we have covered a few of those. It would be worth while to see what the two agencies have done to go forward.

**CHAIR**—Do DEEWR wish to comment?

**Ms Golightly**—Yes, thank you. Since the audit we have also, with Centrelink, undertaken a negotiation of a new interim BPA to take us up to the end of this financial year. That new interim BPA and the associated governance arrangements that go around it have made those dispute resolution mechanisms extremely clear, as Ms Andruska mentioned in her earlier statement. So we believe we have addressed that recommendation, and certainly the major work that has been undertaken leading up to 1 July on a number of fronts of policy implementation has borne out those new arrangements as working very well indeed.

**CHAIR**—Do you want to comment, Ms Andruska?

**Ms Andruska**—I agree with what Ms Golightly has said.

**CHAIR**—When there is a difference, how does it generally present itself?

**Ms Golightly**—It can present a number of ways. It is usually clarification of what a particular policy initiative might be and the scope of that. And that can happen at any point. It might happen in discussions between our agencies at the highest level when we are first developing policy right down through when we are talking about the announcement of that policy. Then we have quite dedicated processes to developing how the policy will be implemented, and that is very much a joint process. So at every step, it might be at a senior level or it might be quite junior with people who might be working on developing flow charts or business process maps—we very much encourage people to question at all points their understanding of what is happening and raise any issues that we might need to clarify.

**CHAIR**—Why an interim BPA?

**Ms Golightly**—The BPA that was in place was to run until 30 June 2008, from memory. But the new government, certainly in the employment area and not only there, had announced a major review of employment services—we had just got child care. There was a whole lot of reform going on. Depending on the outcomes of those various reforms, that would establish the particular services that Centrelink would be delivering for us and other agencies. While those reforms were in train, we put in an interim BPA to bring us up to 1 July 2009, which is when, certainly in the employment space, the major reforms commence.

**CHAIR**—Centrelink, that must have been fairly difficult having to make it up on the run, I guess, as the reform process has been quite extensive. How have you been involved in that process of the interim BPA?

**Ms Andruska**—Following the new arrangements in the AAOs, there was also a need for us to move into a different business partnership agreement, because the agreement that we had at that time was with DEWR and there was a new organisation created. It meant that we needed to be legally correct. We needed to actually have an interim arrangement. We looked at the various ways we could do that most effectively and worked through that process, recognising that it would take some time for us to move into a partnership arrangement following the number of reviews, et cetera.

**Ms Golightly**—In the mean time while those reforms were being settled, the services delivered by Centrelink remained the same. So the interim BPA recognised the new department but also took up various recommendations here and other things but was more or less business as usual in terms of what was being delivered. We tightened up a number of the governance arrangements that sat around how we did business and cemented that partnership philosophy.

**CHAIR**—In your interim or even in the new BPA coming up that will be negotiated, Centrelink, you seem to get measured a great deal; DEEWR, do you get measured in terms of your putting in place that policy and that policy direction for Centrelink?

**Ms Golightly**—We certainly get measured through our KPIs in the portfolio budget—

**CHAIR**—No, but I want to know if it was part of the BPA itself. Are there measurements of your effectiveness in putting into place that agreement so that it eventually delivers the service that government wants?

**Ms Golightly**—Certainly there are a number of protocols, if you like, or business rules that we agree with Centrelink, and they are under review as well for the new BPA. That is one of the things if we are not meeting our side of that agreement—for example, one of them is that we keep Centrelink informed and involved in any new policy developments and a couple of others around the IT systems. If we are not meeting any of those business rules then what we have established is a whole lot of governance arrangements. But at the very top Aurora and I, and other dep secs as required, meet monthly to discuss any issues that might be coming up. That is where we resolve any things that DEEWR may not be achieving in relation to those business rules. Or indeed the other way around: if there is something that is looming as being a potential issue for Centrelink, they can raise it there as well. But leading up to that meeting we have meetings at the operational level, at the group manager level and also at the dep sec level.

**CHAIR**—ANAO, have you seen evidence of measurements for DEEWR's ability to negotiate these correctly in line with government policy, with a view to it being implemented very well by Centrelink?

**Mr Lack**—As we worked our way through the audit, work was being done simultaneously in both agencies around a number of these KPIs. One of the ones that we took a little bit of an interest in was the provision of policy advice by DEEWR—then DEWR—into Centrelink. At the time, when we started the audit, out of a number of those protocols about five of the areas for policy advice were not actually available when the BPA was signed but subsequently became available. When we checked some of the currency of that policy, those policy guides during the fieldwork, there was not always alignment between the policy guidance that was available and, for example, Centrelink's e-reference. One of the thoughts that we had was, to the extent that that is obviously important, it may be worth while thinking about a performance measure along those lines—that DEWR would make that available and up-to-date. And we have made a recommendation along those lines.

**CHAIR**—Yes, and particularly in light of the need for constant reform and a flexible system in the next year or so in terms of the global financial crisis. DEEWR, how are you responding to that?

**Ms Golightly**—Basically, we have put in place updated change management procedures, which start from new policy being developed and how that then tracks all the way through to implementation. Certainly, it has quite clearly documented in there the sorts of things that Centrelink expect that we will do for Centrelink. I can read a couple. For example, we have got five working days on impact assessments to be done, treating all things as being confidential, of course, until announced. Then we go through categories of whether the change is a major, medium or minor change, and we have different requirements depending on what category. I think we have actually gone a long way to addressing the—

**CHAIR**—So how will we know that the agreement, the protocols and policies et cetera, are kept up-to-date and that they really reflect the policy requirements? How will we know that?

**Ms Golightly**—The new BPA that is being developed is actually being developed in a much more collaborative way—I think that is a way to say that—so that we can make sure that we identify those areas which very clearly impact on Centrelink in a minor, major or medium way, whatever those categories were. And it is also why we have put in these very regular meetings at senior levels, so that we can discuss, very quickly—and we meet otherwise if the timeframe is even shorter—the very rapid development that is happening for all sorts of reasons: bushfires, GFC, and any of those things. We meet very regularly and that would be reflected in the BPA.

**CHAIR**—So, Centrelink, do you feel that you are fully in the loop and that you actually have access to the information as soon as it is available?

**Ms Andruska**—Yes, I do. I think that the way that we have changed our structure over the last 12 months really has helped. We have got a particular area, which Ms Howson leads, and that area is right now right at the front of any discussion. So it does not matter. Even as policy is being considered and there are committees considering various things, we are at the table, so we are able—

**CHAIR**—So it is not filtered by someone through to you? You are actually at those initial consultations?

**Ms Andruska**—We are actually at the table, across the board—not just with DEEWR, but across the board. That gives us a very good overarching view of what is coming for Centrelink in terms of our capability and capacity to deliver. I think that that is a really key thing. It has not taken away. We have got other teams where, once the decision has been taken by government, we have people who are implementing whatever that decision is. They too have a very close working relationship with DEEWR as they are working through that implementation phase. I think having an area that is dedicated to the relationship has really aided in being there right at the beginning, and also developing those relationships where you can get on the phone—it is very quick, if it needs to be.

**CHAIR**—ANAO, would you validate that that inter-agency and collaborative approach is in place? Did your report validate that?

**Mr Lack**—I think the approach that has been taken has happened subsequent to the audit. Our recommendation went to the heart of these issues and, just based on what the agency is saying, they appear to be addressing those issues that were raised.

**CHAIR**—We hope that does not slip back, because it is vital.

**Senator BARNETT**—Chair, you have asked most of the questions I was interested in. But in terms of future BPAs and this issue of accountability and responsibility one to another and then from an outside objective point of view from committees like ourselves to determine how these key performance indicators are progressing, I would like a little clarity around that. We have had a discussion and your responses to the chair regarding the current BPA and your work group that has been established to address any issues that arise and to work through the key performance indicators, but it is very important for us as a committee to know exactly what KPIs exist and what benchmarking you do to determine accountability one to another so that it is not just Centrelink; it has to be DEEWR and Centrelink, and having KPIs on both sides. Do you want to

further expand on how you would envisage that under a future BPA so that we can be assured that that will be the case—that you will have KPIs on both sides and that, from an outsider's objective assessment point of view, it can be properly assessed?

**Ms Golightly**—The new BPA and the arrangements we put around negotiating it and governing it going forward are the subject of a review by government as we speak. The things that you and the chair have raised are exactly the sorts of issues that are being put on the table. Personally I think there are issues around some basic business rules and protocols that both of us would sign up to and then KPIs on top of that. But certainly those points that you and others raise are central to the negotiations and framework being set up under this review.

**Senator BARNETT**—Where are we up to with the review and when will it report?

**Ms Golightly**—The review is actually being run by DHS, isn't it?

**Ms Andruska**—Yes.

**Senator BARNETT**—By whom?

**Ms Golightly**—Sorry, the Department of Human Services.

**Ms Andruska**—There are a number of elements to it that are coming together. We are expecting that by 1 July we should have all of those things in place.

**Senator BARNETT**—But who is undertaking the review? Is it an outside entity, is it another department or are you doing it yourselves? How is the review taking shape?

**Ms Golightly**—It is basically a discussion between the relevant departments.

**Ms Andruska**—The Department of Human Services, which is the portfolio department, is leading that work but working with DEEWR, FaHCSIA and Centrelink in terms of moving forward.

**Senator BARNETT**—Who in the Department of Human Services, what position? Who is leading the review?

**Ms Andruska**—The secretary, Helen Williams, is very involved in that process.

**Senator BARNETT**—I mean, somebody has to take responsibility for these reviews. We cannot just sit here and be told there is a review between the departments. We need to know. Somebody has to be accountable. Who is accountable for the review?

**Ms Andruska**—It is the Department of Human Services.

**Senator BARNETT**—Okay. And the review will conclude by 30 June; is that correct?

**Ms Andruska**—Yes, there is work occurring in all of the agencies that are being brought together. There will be a meeting between the secretaries of the departments and the CEO of Centrelink.

**Senator BARNETT**—Is there a terms of reference for the review?

**Ms Andruska**—There is a terms of reference for the way that it will operate out into the future that is being considered.

**Senator BARNETT**—Can you table that?

**Ms Andruska**—No, at this stage it is still under discussion in terms of all the parties involved.

**Senator BARNETT**—When will that be concluded? When will you know what the terms of reference is?

**Ms Andruska**—My expectation would be by 1 July.

**Senator BARNETT**—By 1 July you will have the terms of reference for the review?

**Ms Andruska**—No, not for the review. Sorry, I jumped ahead. I was talking about the changes, out into the future. At the moment, we are all working together, in terms of having those arrangements in place from 1 July.

**Senator BARNETT**—Yes, but do you have the terms of reference for the current review?

**Ms Andruska**—What we are doing is progressing towards that position. It is under consideration and, at the moment, being circulated amongst the departments to get agreement to move forward. There are no key issues behind it. It is largely just the time that it has taken—because of other people's commitments and so forth. There is nothing else behind it.

**CHAIR**—It sounds a little bit loose, doesn't it?

**Senator BARNETT**—It sounds a bit loose.

**CHAIR**—It sounds like there is a continuing review, but without anyone quite knowing.

**Senator BARNETT**—So it is a little hard for us to know where to go with that, and if you wanted to take on notice—

**Ms Andruska**—We will take it on notice and come back to you.

**CHAIR**—And, if there is a brief of that review, could we have those terms of reference, please.

**Ms Andruska**—Yes.

**Senator BARNETT**—That is what we would ask—that you would table the terms of reference, once that is complete. And then you expect, following that review and its recommendations, that they will be implemented from 1 July?

**Ms Andruska**—That is correct.

**Senator BARNETT**—When is the new BPA to come into existence?

**Ms Andruska**—At 1 July.

**Senator BARNETT**—And is that a three-year or a one-year term? How long is the term of the agreement?

**Ms Andruska**—It is generally three years, and we expect it to be three years.

**Senator BARNETT**—Well, we will watch this space. Thanks for your feedback. But it is a bit of a worry and a concern, in terms of the level of accountability and responsibility, one to another, so that is something that we will have to manage and monitor.

**CHAIR**—I would register those concerns about the lack of structure to that process. It is good that there is more consultation and collaboration. It is good that there is a regular review. It is good that you have got an audit report to work from, with recommendations that you want to put into place. But I would have loved to have seen something given to us today, in terms of an actual structure of how you are responding to that and what the outcomes will be of that. ANAO, you raised issues around the customer activity ratio. Can you give us a bit of an outline of what those concerns were—in terms of future reviews being based on the output of Centrelink's logging system or the use of process maps, or as to how it should be recorded.

**Mr Lack**—Just by way of background: when we looked at the financial management arrangements, it does take you to the Centrelink funding model, which of course is something that is outside the BPA itself. Again, that is an arrangement that has to be thought through by the Department of Human Services, the Department of Finance and Deregulation, and the agencies themselves. That Centrelink funding model has a number of components. One of those components is reliant upon what is called 'customer activity ratios'. They are designed to try and reflect just how much time Centrelink might spend on processing particular types of customers. Our particular concern with the audit, when we did the audit, was that the ratio that they were using at the time of the BPA was quite old. They were using, I think, the 2002-03 ratio, and we were doing the audit in November 2007. So they were using outdated information at the time.

**CHAIR**—Centrelink, can you elaborate on that for us?

**Ms Andruska**—The government has a number of reviews underway in relation to the Centrelink funding model. One of the aspects of those reviews is the updating of the customer activity ratios. We have done that work, and it is now with government for decision.

**CHAIR**—Have you given a way forward in terms of how that will be measured and how that will be modelled?

**Ms Andruska**—We have updated the customer activity ratios. That is one of the reviews that we were asked to come back to government on. We have done all of that work, and it is now a decision for government in terms of going forward.

**CHAIR**—And you have done that work separately?

**Mr Burgess**—We have done it separately with some consultation with the various policy departments. It has been an ongoing matter underpinning the quality and adequacy of the Centrelink funding model. This particular review has come out of previous government reviews, with a recommendation that the CFM be updated overall—in particular, the customer activity ratio; rebasing the CFM back from 2002-03 right through to 2007-08; and bringing into the CFM model new policy proposals which, until that point in time, were outside of the model. All of that work has been undertaken and it is currently sitting with government.

**CHAIR**—I think there were some concerns in the report that new policy proposals funding was not being tracked particularly well. Am I correct, Audit Office?

**Mr Lack**—In terms of new policy proposals, the approach taken at the time was to do a year end reconciliation—so wait until very close to 30 June to reconcile what work had actually been taken. That sort of concertinaed the timeliness. Our thought was that it possibly would have been a better approach to do that step-wise throughout the year, rather than waiting for a year end reconciliation.

**CHAIR**—Has that been responded to?

**Ms Golightly**—Yes. I can report that we now do monthly reconciliations with Centrelink.

**CHAIR**—As representatives of the people in our electorates, we would be concerned that there will be greater activity that will impact on all of your work. How are you preparing for that? Are you prepared for that?

**Ms Andruska**—Centrelink has been doing quite a lot of work internally with regard to what we think will happen as the year progresses in terms of customers. We have also been working with DEEWR, looking at how we can achieve the same outcomes but with the larger numbers that we expect to see. Some of the options that we have been considering are being considered by government at the moment.

**CHAIR**—So you have been able to put a clear case to government for this critical funding period?

**Ms Andruska**—We have been working together on ways that we can be equally as effective in terms of our service delivery to customers but at the same time being ready for an increased customer number and being able to manage both. That is something on which we have been working together, and our ministers' officers have been discussing a way forward.

**Senator BARNETT**—Has Centrelink established a call centre to respond to the current needs of government to assist those targeted groups that need it in terms of responding to the global financial crisis and implementing the economic stimulus package?

**Ms Andruska**—We have 25 call centres and they are all networked. So there is not a particular call centre. The way it operates is that the next available officer takes the next call. Having said that, with our response to the Victorian bushfires, the Queensland floods, the household stimulus package and, prior to the Christmas, the Economic Security Package, our call rate has increased quite considerably.

**Senator BARNETT**—That is why I asked the question. I am wondering how you are handling the increased demand and whether you have put on extra people to handle the demand. If so, where are those extra people and have you established any new call centres?

**CHAIR**—In addition, there has been speculation that there will be customers who have never presented before and have never been involved in that sort of situation, who will perhaps be different in some ways. Could you add to that answer how you are catering for that?

**Ms Andruska**—We are not establishing any new call centres. But what we have done though is we made a decision at the end of last year to recruit an additional 1,000 staff non-ongoing. They are trained and they are spread throughout our network to support the additional work that we are seeing—

**Senator BARNETT**—When you say non-ongoing, what is their term of contract?

**Ms Andruska**—It is until the end of the financial year. That is the way that we need to operate. But as we get past the May budget we will know what position we are in in terms of extending those contracts. As you can imagine, we do an amount of scenario planning looking at various options depending on the level of unemployment et cetera, and you make those judgments based on that work.

**Senator BARNETT**—Where are those 1,000 staff based?

**Ms Andruska**—They are around the country.

**Senator BARNETT**—Are there any in Tasmania?

**Ms Andruska**—In Tasmania—I would say there would be. I do not have the numbers in front of me but they are across the country.

**Senator BARNETT**—Can you take that on notice?

**Ms Andruska**—As to how many in Tasmania?

**Senator BARNETT**—Yes. And where?

**Ms Andruska**—Yes, I will take that on notice.

**Senator BARNETT**—You have one in Launceston?

**Ms Andruska**—I will see if anybody else knows.

**Mr Burgess**—I cannot give you the specific numbers around the number of staff in particular locations—

**Senator BARNETT**—It is just that you had 150 cut back in Launceston. As a Launceston senator, can I say that was a big blow to Launceston. I am wondering whether you have now taken the decision to see fit to increase the numbers in Launceston having previously—it is not your fault; it was a government decision—cut them back.

**Ms Andruska**—I would like to take that on notice.

**Senator BARNETT**—Okay.

**CHAIR**—And anecdotally I am hearing that a lot of ongoing staff were terminated in the last couple of months. There are probably lots of contracts going, different contracts for different purposes, but it would be interesting to have a bit of a picture of what it has been like. DEEWR, have you also given advice to government on the needs of the system, the system that you coordinate as well, in order for it to be able to be responsive to increased demand?

**Ms Golightly**—Yes, as Ms Andruska mentioned, because Centrelink is at the table these days when policies are being developed, that sort of issue gets embedded into government's considerations right from the beginning and we certainly have been talking on that issue.

**CHAIR**—Is it possible to inform that with any modelling, costings, staff ratios and numbers—has that been done?

**Ms Golightly**—Treasury does the modelling of unemployment numbers. We look at that and together with Centrelink work out what impact various policy options might have for dealing with those numbers and then, as I understand it, Centrelink discuss with the department of finance what that then translates into in terms of staff numbers or other resources that are needed.

**CHAIR**—On the public record I would like to place, through you, our appreciation for Centrelink's activities in the Victorian bushfires. Many of us who have had calamities, crises and catastrophes in their electorate know the hard work of Centrelink under those circumstances, particularly down to the level of personal case workers. It is a wonderful process to see it when it works so very well under such pressure and I know it must put pressure on the whole organisation. I register the committee's appreciation for the additional effort that Centrelink have been asked to make and do so always so willingly. Thank you very much. That concludes our hearing on this report. I would like to thank all the witnesses for giving evidence. There may be additional questions the committee would like to put to witnesses and, if so, the secretariat will forward those shortly and obviously a speedy response—we know a speedy response is probably fairly stressful at the moment when you are all trying to prepare for an important and critical time.

[11.08]

**BURGESS, Mr Trevor, Chief Financial Officer, Centrelink**

**CAHILL, Mr Matt, Group Executive Director, Australian National Audit Office**

**COTTERILL, Mr Peter, National Manger, Business Integrity Performance, Centrelink**

**RYMAN, Mr Jason, Business Manager, Intelligence Team, Business Integrity Division, Centrelink**

**WILLIAMSON, Mr Nathan, Executive Director, Australian National Audit Office**

**WITHNELL, Mr Mark, General Manager, Business Integrity Division, Centrelink**

**CHAIR**—This part of the public hearing examines the Auditor-General's report No.7 of 2008-09, *Centrelink's tip-off system*. I welcome the representatives from Centrelink and the Audit Office. I ask participants to remember that only members of the committee can put questions to witnesses if this hearing is to constitute formal proceedings and attract parliamentary privilege. If other participants wish to raise issues for discussion, I ask them to direct their comments through the chair and through the committee. It will not be possible for participants to directly respond to each other. Secondly, given the short time available today—and I thank you for being here today—statements and comments by witnesses should be relevant and, hopefully, succinct. I remind witnesses that the hearings today are legal proceedings of the parliament and warrant the same respect and proceedings in the House and the Senate. The giving of false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. The evidence given today will be recorded by Hansard, and will attract parliamentary privilege. Do you wish to make an opening statement before we proceed to questions.

**Mr Withnell**—Yes. Thank you. The tip-off system is an important data collection channel that supports Centrelink's broader fraud and compliance activities, and Centrelink welcomes the recommendations made by the ANAO. Centrelink agrees with the findings of the ANAO audit and has been working closely with stakeholders to progress the broader issues highlighted in the audit findings, including savings methodology. The ANAO identified that Centrelink's guidelines and processes recognise Centrelink's privacy responsibilities in managing informants and customers. We welcome the recommendations for areas in which we might further improve these guidelines and processes.

Since the audit, Centrelink has developed and implemented procedures to provide better guidance to staff on these matters. In the first half of 2008 Centrelink also delivered face-to-face training to all 25 reporter fraud sites throughout the call centre network and an additional 323 Centrelink call centre staff who may handle overflow calls. Centrelink has developed and implemented a quality assurance framework for fraud investigations. This framework will also be replicated across compliance reviews. The introduction of the new tip-off recording system,

TORS, in March 2008 has enhanced our collection and recording process and strengthened our conformance with privacy responsibilities. Thank you.

**CHAIR**—Thank you.

**Mr Cahill**—I am happy to table our opening statement.

**CHAIR**—Thank you. You have said that it is terribly important that it be effective. How important is it if it is something like seven per cent of the recovery work?

**Mr Withnell**—We have a number of data channels that can corroborate each other. Certainly the tip-offs provide some information that we do not get through other cross matching verification. So it provides a source of information that is not necessarily available through other means.

**CHAIR**—Why is that?

**Mr Withnell**—Because some of the information is different to the kind of questions that we might ask as part of our normal processes for determining claims., and whether people provide the information that is required in those.

**CHAIR**—Is it generally very small scale or does it vary?

**Mr Withnell**—In terms of tip-offs?

**CHAIR**—Yes. Are the amounts of money on a smaller scale?

**Mr Withnell**—We get just over 100,000 tip-offs a year. In some instances they will be about very small amounts where people have perhaps variations to payments that are made.

**Senator BARNETT**—has that 100,000 per year been consistent over the last few years. I have read in the report 101, 595.

**Mr Withnell**—It has been consistent for the last two to three years yes.

**CHAIR**—So what is the outcome of that 100,000 tip-offs?

**Mr Withnell**—The outcome is that some will move on to compliance investigations, which looks at the levels of payments people receive and whether they are still eligible for payments—

**CHAIR**—Is that a fairly easy process?

**Mr Withnell**—There is an analysis that goes on and then the process flows straight through to a compliance review. In some other instances a lesser number would flow through to fraud investigation where we consider there may be some deliberate attempt to gain a payment that someone is not entitled to.

**Senator BARNETT**—What is the average amount that you recover?

**Mr Withnell**—We can give you the figures for this year.

**Mr Ryman**—This year up until the end of February, in terms of identified debt, we are looking at approximately \$30 million.

**CHAIR**—Do you mean overpayments or ineligible payments—

**Mr Ryman**—That is overpayments.

**CHAIR**—How much of that will you ever recover?

**Mr Withnell**—I do not have the exact figure with me, but it is somewhere in the order of 70 per cent of our debt base under recovery action.

**CHAIR**—Over what period of time do you think?

**Mr Withnell**—It does vary a considerable amount because with some people we are only allowed to take 14 per cent which is part of the act, particularly people who are still on benefits. Some debts we can recover much quicker.

**CHAIR**—We are concerned about the debt recovery level. It is sitting at \$2.2 billion. Although we accept that there will always be a certain level of debt and the recovery will be a long process, \$2.2 billion is a lot of money. Are you cost effective? Do you think that the tip-off system pays for itself?

**Mr Withnell**—It is difficult to disaggregate the costs for some of the functions within tip-offs because people do not just do tip-off reviews or take tip-off calls. It may only be a part of the work that they do, so totally disaggregating the cost becomes a little bit more difficult. We would estimate, given the amount of return that we get in terms of debts raised, that would be considerably higher than the cost of tip-offs.

**CHAIR**—What do you think your deterrent value is?

**Mr Withnell**—The deterrent value is high. I think the campaigns about supporting the system that supports you that have been run in previous years show that there is an avenue for people, who become aware of people who may be receiving payments to which they are not entitled, to actually provide that information to us.

**Senator BARNETT**—I want to go back one step. Can you clarify the \$2.2 billion figure and can you give us the same amount over the last three years in terms of the total debt that Centrelink is chasing?

**Mr Withnell**—We would have to take that on notice. I do not have the total debt figures.

**Senator BARNETT**—But do you know what it is?

**Mr Withnell**—I do not know exactly.

**Senator BARNETT**—Is it over \$2 billion?

**Mr Withnell**—It would be over \$2 billion.

**Senator BARNETT**—Is it going up or down?

**Mr Withnell**—It is going up slightly.

**Senator BARNETT**—You do not have a breakdown of where that debt is in terms of how it is allocated and broken down.

**Mr Withnell**—I do, but I do not have that with me. I could provide that.

**CHAIR**—It was a subject of a previous audit report which is available of course. But Senator Barnett raises it and it is important because you are a component of trying to address that debt recovery. Do you give feedback in terms of policy flaws that may be escalating debt and the problem of recovery of debt?

**Mr Withnell**—All of our activities do provide feedback through to our payment accuracy area where we look at what the front-end processes are and what the risks might be in terms of payment incorrectness. We do provide feedback for system changes or business process redesign that might assist.

**CHAIR**—Do you ever give feedback to other agencies like DEEWR, FaHCSIA et cetera?

**Mr Withnell**—Yes, we work closely with them on these matters.

**Senator BARNETT**—I want to go now to the tip-offs that are the focus of the report. Can you give us a breakdown as to exactly where the bulk of them come from? Can you identify that?

**Mr Withnell**—Yes. Mr Ryman has those figures in front of him.

**Mr Ryman**—Are you referring to where we receive the tip-offs from?

**Senator BARNETT**—Yes.

**Mr Ryman**—I will talk about the data for this financial year up to the end of February. Approximately 18,495 came through the internet. That is the online facility. Approximately 31,857 came through our Australian Government Services Fraud Tip-off Line. That is the dedicated fraud tip-off number.

**Senator BARNETT**—That is the 1800 number?

**Mr Ryman**—Yes, it is. Approximately 10,372 tip-offs came in by person or by letter or just to our general call centre. We had 206 that came directly from the ATO and approximately 2,867 that came through other channels. Other channels refers to other agencies such as Medicare, the Child Support Agency or our business tip-off line which is where businesses ring up and provide information regarding employees.

**Senator BARNETT**—So the most popular one is the 1800 number?

**Mr Ryman**—That is correct.

**Senator BARNETT**—Have you thought about other ways of making it easier for people to provide tip-offs?

**Mr Withnell**—The internet lodgement is a fairly new and emerging channel and people are using that to a greater degree. The call channel has always been a popular one rather, than the face-to-face channel. But this year there has been more than 10,000 more face-to-face tip-offs, all in a written letter format.

**Senator BARNETT**—Is that 1800 number a free call?

**Mr Withnell**—Yes.

**Mr Cotterill**—Yes.

**Senator BARNETT**—I may have missed it, but can you categorise and breakdown the types of tip-offs that you are receiving?

**Mr Ryman**—Including compliance or fraud?

**Senator BARNETT**—No. I will go there in a minute. The types of tip-offs relating to, for example, 'my mate next door who seems to be getting two cheques rather than one.' I need a description of the tip-offs.

**Mr Withnell**—We would probably break them down into those two categories of whether they trigger a compliance review or a fraud review. There are some that we take no further action on. Particularly, we get some tip-offs relating to people who are not customers of Centrelink. They are dealt with accordingly—they are deleted automatically after a period of time. The rest, through analysis, breaks down into either a compliance review or a fraud review.

**Senator BARNETT**—What is that breakdown?

**Mr Withnell**—The data up to 28 February this year are as follows: compliance reviews 29,206 and fraud reviews 3,093.

**Senator BARNETT**—That is the total amount to the period to the end of February?

**Mr Withnell**—That is correct.

**Senator BARNETT**—But there are a lot more than that. You have had over 100,000 for the year, so does that mean that when you put the 29,000 and the 3,000-odd together that the rest are of no merit? How would you describe them?

**Mr Withnell**—It is a combination of two things: one is people who are not customers of Centrelink—so someone has suspected that they are but they are not. Those account for around 15,000 of that 63,000 so far this year; so quite a large number flows into that. The rest would be assessed by the analyst as either not having enough information for us to deal with or there may be other reasons.

**Mr Cotterill**—There is still work at hand. They are still tip-offs that we have to process.

**Senator BARNETT**—So they stay in the system.

**Mr Cotterill**—Yes, in the tip-off recording system.

**CHAIR**—When you have investigated them and you have found that there is no evidence, that stays on a person's record, doesn't it?

**Mr Withnell**—If we have triggered a review, an investigation, there are a number of different elements. If the person is not a customer they are automatically deleted after 90 days. Where we have done a formal investigation and made some change then obviously the retention of that information is determined by the Archives Act and our records disposal arrangements. We are doing some work on that with our legal people to make sure that we are compliant. Where we have investigated and there is no further action at that point, then that information is retained for a shorter period of time.

**CHAIR**—How long?

**Mr Withnell**—Mr Cotterill has that information.

**Mr Cotterill**—For one year.

**CHAIR**—If I were one of your clients, my concern would be that just having it on my record would prejudice people when they look at my file.

**Mr Withnell**—It does not actually sit on the customer record; it sits within the tip-off recording system.

**CHAIR**—So who has access to that?

**Mr Withnell**—Only the analysts who actually determine whether it goes forward for investigation or review and then the individual who may be doing the review of the investigation.

**CHAIR**—What if someone was doing a review of that customer. Could they access that?

**Mr Withnell**—They would access some of the information.

**CHAIR**—A compliance review?

Go **Mr Withnell**—Yes.

**CHAIR**—Does that concern you.

**Mr Withnell**—Our staff are trained and have appropriate security clearances. Also, every year staff in Centrelink have to sign privacy declarations—

**CHAIR**—We see every year that there are many people who breach those privacy requirements—not just in your department but in lots of other agencies as well.

**Mr Withnell**—Sure. The retaining of the information within the tip-off system means that much fewer people have access to that. Some of those people have a much higher level of security clearance—

**CHAIR**—The Audit Office recommended some changes to the recording system. Have you made changes to that tip-off recording system?

**Mr Withnell**—A new tip-off recording system was implemented during the review in March 2008 from memory. That has a much more refined set of questions and refined database to make sure that we get appropriate information rather than peripheral information.

**CHAIR**—So a new or updated version has been put in place—

**Mr Withnell**—That is correct.

**CHAIR**—Would the Audit Office like to comment on whether that is satisfactory?

**Mr Williamson**—We examined the new TORS, which was put in place in March 2008. With reference to the capture and storage of information, we still found that records, as described, were being kept in the system once it had been decided that there was no further need for that information. That was the basis of our first recommendation which was that Centrelink could consider implementing a time frame where it was appropriate to remove that information from the system once they had undertaken satisfactory investigations and were satisfied that the information was not required for any follow-up compliance review or fraud investigation.

**CHAIR**—You said 12 months for low level. Is it really eradicated after 12 months?

**Mr Withnell**—There are two things that can happen. We can de-identify information and in some instances we do that for trend analysis and identification of emerging fraud controls that we may need to put in place. That information is not identified to an individual at all. It is simply statistical data that helps us to put better controls in place. With respect to information that is identified we are currently working through with our legal branch in relation to the Archives Act and what length of time we need to retain information at certain points or for certain outcomes for those cases.

**CHAIR**—There is also the quality of the data that is being collected before it is erased or archived. There were some suggestions in the audit report that there were some inconsistencies, that people were recording different things and it suggested that there might be a need for additional training or more consistent use of the system across Australia. Could you tell us how you have responded to that?

**Mr Withnell**—We have responded to that in two ways. The new tip-off recording system is much more streamlined in its collection of information and contains much more targeted questioning. We have provided training to all of the call centre operators, who take tip-offs, in the first half of last year. That was face-to-face technical training.

**CHAIR**—Will that be done again?

**Mr Withnell**—That is right.

**CHAIR**—Do you have a churn rate in call centres?

**Mr Withnell**—We do have some turnover, but we would be conducting training on a regular basis.

**CHAIR**—Do they get training in privacy requirements?

**Mr Withnell**—All staff in Centrelink get training in privacy requirements as part of re-signing the declaration.

**CHAIR**—Have the guidelines been changed to reflect the need for privacy laws to be adhered to?

**Mr Withnell**—We have made changes to the guidelines in relation to privacy, contacting customers and management of informants' information.

**CHAIR**—The audit report indicated that it is not mandatory for compliance officers to inform customers of the result of their compliance review where no further action is required. I think that lacks a bit of dignity. What have you done to address that issue?

**Mr Withnell**—That has been changed and it is now mandatory. Where the customer has been contacted and is aware of the review or the investigation there are guidelines now that require the investigating officer to contact the customer.

**CHAIR**—Is it possible for them never to know that there was a tip-off, that you investigated, there was no problem and in 12 months you might take them off the system?

**Mr Withnell**—It would be possible, yes.

**CHAIR**—Is that acceptable?

**Mr Withnell**—In some instances there is no change to the circumstances of the customer.

**CHAIR**—With respect to the tip-off recording system, do you think enough data is collected from that for you to be able to better gauge your effectiveness in terms of measurements? Is it a system that will give you more clarity as to how you are meeting your objectives and the cost of doing so?

**Mr Withnell**—It would give us more information on identifying trends and patterns that emerge. It may not in and of itself necessarily provide the sort of information that makes individual cases more successful. It would in terms of the more refined questioning but, overall, a greater level of consistency in the data collected allows us to have a look at trends and patterns over time and, therefore, to put in better controls.

**CHAIR**—Tell me about one trend it has eliminated for you?

**Mr Withnell**—I will have to confer with Mr Ryman, who manages the database, as to whether there is anything we can identify. Obviously we would exercise some caution in identifying some things.

**CHAIR**—Yes. Mr Ryman, you might talk about the validity of that trend. How do you validate that it is a real trend?

**Mr Ryman**—The tip-off data gives us a lot of point-in-time data for analysis. A lot of our other fraud control frameworks are built on things we have done previously. In some instances it gives us point in time about what may be happening in certain scenarios. We have recently done some things around identifying fraud and we identified some trends with regard to people who may not have historical medical records, for example. It enabled us to go down a path of establishing a program to look at people who may not have a historical footprint, if you like, in a medical sense. For example, if you are over a certain age, how come you have not been to a doctor in 10 years?

**CHAIR**—Is this done through data matching?

**Mr Withnell**—Yes. It provides some avenues to explore how we may fill some gaps. That example showed us where we may look to do some longer term data matching to address that issue on a more systemic basis. Another example would involve marital relationships or being a member of a couple. In a lot of instances looking at the proofs around that is not an easy, and looking at it shows us not only what the trends are but also how we can better address that risk in the longer term.

**CHAIR**—It is interesting. Society changes constantly, so I assume relationship patterns change constantly as well.

**Mr Withnell**—They do, and that is where the tip-off data enable us to look at point in time: what is happening now versus something we have had in place for maybe five or 10 years and is ongoing. It gives us up-to-date data about where we need to look and to change some of the things we are doing to better improve our targeting.

**Senator BARNETT**—I think the Chair has touched on some very good points. I want to turn to the issue of effectiveness. Have you done a cost-benefit analysis of this program?

**Mr Withnell**—Not that I am aware of; I do not believe that that has been done. The activity is funded through budget measures, and it has been over a period which has enabled improvements to the system—for example, TORS, the tip-off recording system, is part of that. Often it is embedded within other fraud and compliance budget measures rather than being explicit funding. In terms of the activity of staff, as I mentioned earlier, it is difficult to disaggregate which bit of the work they do is tip-offs relative to other work.

**Senator BARNETT**—Can you provide an estimate of the cost of the program to the taxpayer?

**Mr Withnell**—I would need to ask Mr Burgess whether that is possible within the funding arrangements and the management of finances within Centrelink.

**Mr Burgess**—That is difficult, as Mr Withnell has said. From a true costing perspective we do not at the moment disaggregate costings down to the tip-off level. We have a number of configurations in our costing system which cover a whole range of things that would occur when a tip-off is identified: it goes through the particular source of tip-off, and then it might go through a compliance framework or it might go through a fraud framework. It can result in debt being recovered, it can result in an update of a notifiable event and so on. So we are currently looking at a framework where, within our quite sophisticated costing system, we can flag certain things within our entire business process, flagging those processes where they have been sourced for tip-off.

**Senator BARNETT**—That is fine. Let me go to the ANAO. Did they have any recommendation or advice regarding a cost-benefit analysis of such a program?

**CHAIR**—And disaggregating the information.

**Mr Williamson**—It is an issue that we certainly looked at. The report reflects, consistent with Mr Burgess's advice, that it was difficult for us to obtain the data to be able to give a cost-effectiveness analysis. We would agree that, given Centrelink's network and its business, it is quite hard to cost different activities down to the micro level. However, we did put in a recommendation around funding and cost and I think the spirit of that was that Centrelink has, as we discussed earlier today, a number of different items that can feed into their fraud and compliance framework—tip-offs being one. An important part of Centrelink policy department's decision-making processes as to what are the most effective avenues to undertake cost should form part of that analysis.

**Senator BARNETT**—What is the exact benefit? We know about the figures of seven per cent lead to the recovery of services and 16.2 per cent resulted in a change in customer arrangements. Can you give us a figure in terms of the benefit?

**Mr Withnell**—I think the only figure we would be able to give is in terms of the debts raised and the percentage of tip-offs that lead to an investigation that finds some payment inaccuracy.

**Senator BARNETT**—What are they?

**Mr Withnell**—If we go back to the data that we were using earlier with respect to this financial year to the end of February, 10,000 out of the 63,000 led to a debt or reduction, cancellation or suspension of payment.

**Senator BARNETT**—Can you put a figure on that?

**Mr Withnell**—Yes, the value of savings identified there is just over \$80 million.

**Senator BARNETT**—That is to February this year. What were the savings in the last financial year?

**Mr Withnell**—Mr Ryman has those figures.

**Mr Ryman**—I will have to refer you back to the ANAO report on that. They have the last financial year's figures.

**Mr Williamson**—The report found that savings identified and debts raised totalled \$148.7 million in 2007-08. That is from those fraud investigations and compliance reviews that were completed in that year.

**CHAIR**—Is that just from the tip-off system or from the whole fraud and compliance regime?

**Mr Williamson**—Just from tip-offs

**Senator BARNETT**—Do you think we are tracking with the \$148 million from the last financial year? It sounds like it might be a bit down.

**Mr Withnell**—Often we tend to get a greater attribution in the second half of the year than the first half. We are comfortable with how it is going at this point.

**CHAIR**—On that point, how is the funding decided then between all the fraud and compliance sections? Do you know Mr Burgess? How do we decide how much they are worth giving to do their job and who decides that?

**Mr Burgess**—Funding is essentially decided for fraud and compliance measures based on government policy and measures. As we have said, the majority of fraud and compliance measures are in the bigger context. I think there has only been one—

**CHAIR**—Is it funded on an aggregated amount and then broken up within the agency?

**Mr Burgess**—In the main, except there was a measure back in 2001-02 where there was a specific funding measure for tip-offs. The funded component for that, which has been ongoing, was around \$4.4 million. Going forward, most of the fraud and compliance measures are aggregated into bigger measures.

**CHAIR**—Is it reviewed each year in allocating funding to each section? Are these guys getting enough or too much?

**Mr Burgess**—Internally within Centrelink I would suggest sufficient funding is going to tip-offs. Again, as we have been saying, it is all part of an overall fraud and compliance framework that is in place within Centrelink. Tip-offs are one source, making up six or seven per cent of the overall compliance regime.

**CHAIR**—I am going to accept that it has a deterrent value. I know the Audit Office did not look at its deterrent value, but I think there is an understanding culturally out there in the community that you can be dobbed in by somebody. That must have a deterrent value of some kind. It would be hard to quantify I know, but anecdotally I think the public accept it as worthwhile.

I would like to thank the witnesses who have given evidence today. If there are any additional questions that the committee wishes to ask, we will put them on notice to you. We will try to limit that because we know it is a busy time for you. If there are further questions we would like those as quickly as possible—we usually request them within four weeks. I declare this hearing closed.

Resolved (on motion by **Senator Lundy**):

That this committee authorises publication, including publication on the parliamentary database, of the transcript of the evidence given before it at public hearing this day.

**Committee adjourned at 11.40 am**