

## Session 1

### An Overview of the Scrutiny System by Watchers and Watched

**Mr O'Keeffe (Moderator)** As Harry Evans has said, it is a sitting day. The best-laid plans of mere parliamentary officers and public servants cannot cope with what senators want to do. You will see it is a very tight program. We have a range of speakers. I will be encouraging our formal speakers to stick as closely to the timetable as possible as we work our way towards that open question session at about 9.50 a.m. The first speaker is Dr John Uhr, senior lecturer in politics at the Australian National University. He is a former parliamentary officer and someone who has written extensively about politics, finance and public administration.

**Dr Uhr** I can be quite brief because I have already prepared a background paper which, I think, has been circulated to you. Secondly, this elevated rostrum does not really suit me. If I tried to pull this on my students at the ANU, I would be torn apart. They do not have that natural respect any more and you certainly cannot try and create it artificially with something like this. I also notice from the conference program that my request to have the first and last word has not been agreed to. In both instances I am 'minded', if that is the right word, by the Clerk, Harry Evans, who does have the first and last word. Perhaps that is as it should be in a Senate workshop, but perhaps it also reflects an understandable response to my background paper which I prepared with this event in mind.

The paper's main title is safe enough, *Public Expenditure and Parliamentary Accountability*. It refers to the balance of power and responsibilities between executive government and Parliament. But the paper's subtitle suggests a more unorthodox outlook, *The Debatable Role of Senate Estimates Committees*. Part of the aim of that paper was to help set the record straight as to the origins, the history and achievements of the committees. I speak here more as a Senate staffer; somebody who has been a secretary to committees rather than as an ANU academic, a type which would never confess to anything. The more I searched the record of estimates activities and started digging around, the more I confess two odd features soon emerged; and the odd couple were related.

First of all, there was an uncertainty about the proper, or notional, **role** of the committees. Indeed, as this uncertainty about the proper or notional role of the committees increased amongst committee members, the effective and possibly the improper **reach** of the committees dramatically increased; it did not decrease. Upon my reading, it was quite easy to establish that committees, as committees, have been far less certain as to their proper role and reach than have many individual committee members. Role uncertainty did not follow in the wake of reach uncertainty, as if overreaching might have shattered the traditional role. No, it is even more curious: role uncertainty preceded the overreach and perhaps even created the conditions for overreach, once all sense of limits had collapsed.

But the really odd feature is that nobody seems to know if the committees have overreached their role. After all, who is to say? Is a Chair who is elected from Government senators—as, indeed, is required by the Standing Order—in any better position to judge than an Opposition senator? Indeed, is a Minister in a better position to judge than a committee secretary? To make matters worse, many of those who claim that, in general or in theory, the estimates committees are underdeveloped or have not lived up to their potential—two of the standard formulations—also voice their criticism that, in relation to many particular hearings, the committees have 'gone too far', thus the reference in my papers title to the debatable role of the estimates committees. It is only in part a reference to debates as to **how good** the committees might be. More fundamentally, it refers to debates as to precisely what the committees **are** when we as a group agree upon these basic concepts will we be in a position profitably to debate performance.

The paper draws attention to this year as the tenth anniversary of two model parliamentary committee reports on public expenditure, one from the House and one from the Senate. I should add in passing that it is also the tenth anniversary of the amendment to the Audit Act empowering the Auditor-General to engage in efficiency audits: a closely related topic. The House report that I refer to is the report from the Expenditure Committee entitled *Parliament and Public Expenditure*, which really deals with the big picture, and deals with it excellently. In no small part, that is due to the contribution of Professor Cliff Walsh: then, as now, an advocate of more effective parliamentary scrutiny. Unfortunately, I understand that Cliff is tied up ill in Adelaide, and cannot be with us today. The Senate report that I refer to is *Through a Glass, Darkly*: the result of a pioneering, classic and, I would like to think, standard-setting inquiry chaired by Senator Peter Baume, whose interest in program evaluation and performance criteria continues to steer estimates committees towards productive hearings and fruitful audit sessions.

I will comment upon the Senate committee report a, little later. Here I simply want to note that the Expenditure Committees 1979 recognition that the ladder of evaluation ascent—from a base level of compliance through efficiency to effectiveness—brings evaluating bodies ever closer to policy, and hence to the realm of political judgment. Program and performance budgeting, as promoted by that very same Expenditure Committee, bring the promise of more reasonable control of public expenditure; but they also bring the light of publicity to bear on the reasonableness of public officials' discretion in managing the policy process. As I report in my background paper on pages 23 to 26, a number of estimates committees have warned that the program format would transform the hearings: transform them away from their traditional explanation of items of proposed expenditure to justifications of policy outcome. Ten years later, how legitimate do we find a process that tends to dissolve the traditional distinction between policy and administration, and that spotlights the policy impact of managerial decisions?

As my paper was designed to promote debate and dialogue, let me quickly refer to a few of its no doubt debatable points of focus. First of all, who is the 'we' who should be party to that dialogue? The phrase I use in the paper is the 'estimates community', meaning to include all those public officials who together are responsible for managing the appropriations process: beginning with program administrators who ought to be in a position to evaluate performance; including the central agencies which formulate the estimates; and going on to cover the expenditure review mechanisms within Parliament. Those mechanisms include estimates committees and the House and Senate Finance and Public Administration committees and, most notably of all, the Joint Public Accounts Committee; and they incorporate the Australian Audit Office, a key performance review agency, which is also rethinking its role and reach. All are members of the estimates community, because all have a legitimate claim to move in and out of the traffic crossing the bridge between public expenditure and parliamentary accountability. No evaluation of the estimates process should terminate before each has sounded off and had their say. Perspectives, of course, will differ with institutional interests; and since we cannot realistically expect a blissful consensus, let us reward today honest disagreement: reward, that is, with a fair hearing.

On a second point, this workshop is an opportunity for Parliament to come clean about accountability and to promote exactly that missing degree of mutual feedback between public officials and parliamentarians lamented recently by the Senate Finance and Public Administration Committee, noted in my paper at pages 2 to 3. As that Committee confessed, Parliament has been particularly slow to provide positive feedback to agencies and to officials. But it has also been particularly slow to arrange for and listen to negative feedback from agencies and officials. In the absence of any such systematic dialogue, public officials are, not surprisingly, not sure where to step, fearful of triggering off unidentified 'accountability

traps'. Today we should try to follow the lead of those committees which have begun to clarify the accountability agenda.

A third point, closely related, is the balance between risk management and public accountability. Managerial and budgetary reforms since 1983 have promoted a long overdue sense of performance budgeting, in the hope that agencies will attain the level of resources which they can justify before the estimates community as being required in order to deliver the goods. The deregulated system of public finance has devolved responsibility outward and downward so that program managers, just the sort of people who attend estimates hearings, are in a better position to shoulder responsibility for program outcomes, justifying performance in light of resources. Like many scrutineers of performance, estimates committees are finding it difficult to balance the due processes of management against outcome performance, especially in the relationship between bureaucratic process and social impact. Who, for example, determines the level of acceptable public risk in balancing process and outcome, balancing resource inputs against program targets? I will leave much of the debate over the risks of risk management to those who have already invested so heavily in that debate, notably the Department of Finance and the Public Accounts Committee.

What I do want to emphasise is the novel problem confronting the estimates committees, a forum in which, I think, two rival versions of results oriented management are doing battle. The risk management dispute referred to at pages 8 to 10 of my paper really relates to the place of compliance auditing in securing public accountability. The estimates committees are beginning to be troubled at the other end of the risk management challenge, with the burden of evaluating results, as distinct from procedural compliance, in schemes of results oriented management. It is not that procedural compliance is any less important. Indeed, even the parliamentary departments have experienced in the last few weeks the force of how process can impact on results, which has surfaced in our own round of estimates hearings. But the new priorities are emerging from the other end, that of results. Put most simply, the committees must eventually choose a balance between what I call the 'can do' and the 'should do' manager, between two rival self-images of the public servant – the former as the enterprising econocrat, at worst all management and no policy, and the latter as the prudent policy maker, at worst the politician without elected office.

Let me draw these comments to a close by clarifying this distinction by reference to the second of the set of 1979 parliamentary reports, that of the Senate Social Welfare Committee entitled *Through a Glass, Darkly*. As reported in my paper, that inquiry boosted circulation of a category known as **appropriateness**, the top rung in the finally complete audit ladder, building on the existing categories of compliance, efficiency and effectiveness. Complete program evaluation would require of a manager that she or he be able to give a public account of the program's social impact in terms of the appropriateness of its outcomes, at least such as are within management's discretionary control. In other words, the model public manager must be able to discern and explain what is effective and feasible policy and thus know not only what she or he **can** do but what she or he **should be doing in giving effect to policy**.

The basic idea behind this rather daring proposal has since been picked up by the reformers of public management who, as I point out at pages 24 and 25, call on program managers to justify the appropriateness of their program's social impact. The legislative logic governing this would seem to be that estimates committees, as part of the appropriations process, must satisfy themselves as to the appropriateness of government programs. The 'can do' manager is less troubled by what policy should be and is more proud of the instrumental ability to get the desired results in a cost-effective manner, come what may. The 'should do' manager is equally results-oriented but in a policy-substantive, rather than an econocratic or instrumental, sense.

To a considerable degree the uncertain future of the estimates committees comes down to a question as to which type of results-oriented management the committees might want to endorse. In neither case can the committees dictate managerial terms, or indeed micromanage the agencies. To the extent that *Through a Glass, Darkly* is still relevant, the question is not what parliamentary committees might want to **say** but to what they are prepared to **listen**. I conclude with the observation that there are more recent examples, which I point out in the background paper, of committees awaiting administrative leadership, ready and willing to be persuaded that executive power is lodged exactly where it should be entrusted, with career public officials. Those public interest professionals have a vital and inherent role to play in the whole governance process and a permanent place in the estimates community. In yielding the floor, I suggest we roll up our sleeves and see what, if anything, should define our relationship as an estimates community.

**Mr O'Keeffe** Thank you. John has talked about the estimates community. Obviously, one of the key players in that estimates community is the Department of Finance. Like the estimates committee system itself, this conference is taking on its own dynamic. Mike Keating, who needs no introduction from me, is going to speak from his place in that community.

**Dr Keating** I am especially grateful for the opportunity to address this seminar. I note that the title of this session is 'An overview of the scrutiny system by watchers and watched'. I suspect that I am the only speaker who could, in any way, claim to be speaking on behalf of the watched. I am not sure if the watched would want to regard me as their representative, but I am the only person connected with the executive side of government.

As I see it, all of us concerned with public expenditure that is the executive and the legislature should be seeking better value for money. That is, we have a joint interest in a system which encourages improved performance, sometimes characterised by allowing the managers to manage, but which also requires improved performance through such devices as cash limits, offsets and so on, and properly accounts for that performance.

This is not the occasion, and I certainly would not have sufficient time, to deal comprehensively with the Government's financial management reforms. However, if we are going to talk about scrutiny, we do need to be clear on what the reforms are and what they are intended to be. So I will just very briefly summarise them. The Government's April 1984 White Paper on budget reforms stated:

That its budgetary and financial management reforms involve:

improving the processes of decision-making on budget priorities by the Government itself;

improving the information base and processes for public and parliamentary scrutiny of the budget and of the subsequent implementation of programs funded from the budget; and

upgrading the financial management of programs in all Government agencies.

I think there has been relatively little controversy regarding the processes of decision making on budget priorities by the Government itself. Indeed when Finances Estimates were recently examined, we tried to describe our performance in terms of degree of satisfaction by the customer with our contribution to the processes of government decision making. Rightly or wrongly, we thought we had produced a reasonable performance on that criterion.

There has, however, been controversy regarding the second and third elements of those objectives; that is improved accountability and upgrading the financial management of programs. Indeed, there is an alleged tension in some people's minds, at least, between allowing the managers to manage and improving accountability. It is on that alleged tension that I want to focus.

I should say that my remarks will be mainly directed towards parliamentarians and the need for accountability, because not often does one get the chance to do that to Parliament. I am most grateful to those members of Parliament who are present here this morning. I just note in passing, that one of the benefits of user charging is that you value rather more what you pay for, and perhaps those who had to pay \$75 will value rather more what they had to pay for, than those that get this for nothing. Perhaps that is indicative of the relative size of the attendance or an explanation for it.

There can be no argument, let me say, about the need for improved accountability. What I would like to suggest, however, is that that is happening. For it to be sustained, Parliament and the budget process generally will need to take advantage of the improved information on program management and budgeting which is now becoming available.

In commenting on this alleged tension, we need to consider what specific changes have been made to the budgetary and regulatory environment. In very brief summary, the first of these initiatives is to allow

more flexibility. For example, the appropriation process has been streamlined, with more than 20 appropriation items for most departments, which cover salaries and administrative expenses, being consolidated into a single item covering all running costs. However, the appropriations covering the other 90 per cent of total outlays have not been significantly changed. The second is that there has been the development of a more stable and results-oriented budget system. For example, the integration of the Forward Estimates into the budget and the implementation of program management and budgeting. The third is that there has been the introduction of institutional incentives for greater efficiency and effectiveness. In summary, that is the devolution of authority to portfolios, the carryover arrangements, user charging, loans to finance investment, and revenue retention agreements. I would just say, incidentally and in passing, that there have been greatly improved changes in asset management, with accrual accounting being introduced where it is most relevant; that is, in the commercialised authorities which provide services to the rest of Government and which 'own' most of our assets.

I would like to take a few minutes on the genesis of the reforms, because it is important to note that these reforms were widely supported and, indeed, if you like, were invented by a number of inquiries, such as the Coombs Royal Commission, the Reid Committee Review of Commonwealth Administration and various parliamentary committees and inquiries. In other words, they were not entered upon lightly; they were processed with considerable consideration. I take this opportunity just to remind people by quoting a few of these committees and reports. First, the House of Representatives Standing Committee on Expenditure, which has already been referred to by John Uhr, in its 1979 report argued that 'The Forward Estimates should be a device for long-term planning of public expenditure'. That is what we have done. The general theme of the Reid Review of Commonwealth Administration, which reported to the Fraser Government in early 1983, was that:

The central agencies should place less emphasis on their detailed control activities and devote more of their energies to their role as a source of advice and guidance to departmental managers.

The Reid Committee specifically recommended the consolidation of the various appropriation items covering administrative inputs.

More recently the Senate Standing Committee on Finance and Government Operations, in its May 1985 report on changes in the presentation of the appropriations and departmental explanatory notes, argued for a program approach. It noted that:

By combining each program's objective(s) and performance with its associated costs, it is intended that Parliament will be able to exercise control over more than just departmental running costs...It will also be able to question the objectives and the results of government expenditure.

In the same report that Committee also stated:

Program Budgeting focuses on the purpose and performance of programs for which funds are appropriated rather than just the cost of funding government activities...The introduction of Program Budgeting would mean that governments would be accountable for both the expenditure of public money and the results of these activities.

Later in October 1985, the report of Senate Estimates Committee A stated:

On balance the Committee sees most potential for effective scrutiny and control in the Program Budgeting format...In the Committee's view, the Parliament, with scarce resources of time and personnel, should concentrate more on performance and on the results achieved by the appropriations it votes.

In my view, these reports clearly make the case that the system of program management and budgeting which we are implementing does involve improved accountability. I readily concede that more needs to be done, particularly to improve performance measures. While this sort of work does take time, I also believe that considerable progress has been made, including most recently in the explanatory notes for this year.

Moreover, the Forward Estimates have now been fully integrated into the budget and, indeed, for the first time this year were published in the Budget Papers. This allows full public scrutiny of all expenditure programs for as many as three years ahead. There was a reconciliation table published in Budget Paper No.1 which precisely details all changes to the Forward Estimates between one budget and the next. The impact of Government decisions is separately identified from changes in the estimates in response to changes in underlying economic forecasts, etcetera. This transparency imposes a much tighter discipline on Government decision making precisely because it provides a clear assessment of the expenditure implications of changing Government priorities and decisions. The explanatory notes now cover all Government programs, whereas previously the 70 to 75 per cent of total expenditure covered by standing appropriations was not necessarily subject to annual parliamentary scrutiny.

The only case in which less information is provided is the loss of input detail for administrative expenses or running costs. But what was the use of knowing that an agency proposed to spend less on travel or more on telephones, for example, in the middle of an airline pilot's strike, or more on salaries and less on consultants, or vice versa? Agencies have every incentive to pursue the most cost-effective solution and the flexibility to do so. Let us ask ourselves, 'Why would an agency hire more expensive consultants if its own staff were cheaper?', or vice versa. If, for whatever reason, they decided to hire more expensive consultants, there is potentially a loss of efficiency. This will then be apparent from the performance information provided and they can then be held accountable for that efficiency loss.

Obviously due process, as defined by the law, must be adhered to and compliance with that should be audited, but Parliament now has the opportunity to become much more influential by extending the focus of its scrutiny to value for money. Knowing whether more or less was spent on consultants relative to salaries says nothing about value for money of itself, but a comparison of a program's total operating costs with the results achieved does measure efficiency, and these costs plus the total program costs do provide the potential for a real assessment of value for money in terms of cost-effectiveness.

I have one last quote. As the House of Representatives Committee concluded in 1979, there has been increasing awareness over recent years that parliamentary review work must extend well beyond the compliance level. The Committee then noted that waste can occur even where the rules relating to expenditure are observed. The Committee went on to speak about the need to conduct reviews of economy, efficiency and effectiveness. For our part, considerable emphasis is now being placed on program evaluation and the results flowing from these evaluations will add a further dimension to the available information to enhance accountability for efficiency and effectiveness.

Let me make a few concluding remarks. In important respects value for money does lie in the eye of the beholder, and that is perhaps part of the problem. Nevertheless, I believe that improved performance information and the evaluation that information supports have led to increased cost-effectiveness. It is in this way, for example, that the Government has been able to improve the real level of benefits in a number of its programs while achieving overall reductions in total outlays.

My Department, the Department of Finance, has played a key role in supporting these developments, both within government and in improving the accountability of the public sector to parliament. In consultation with the Senate, Finance has sought to influence the way departments and agencies prepare their explanatory notes and approach committee hearings. Indeed, that was recognised by Senator Coates's committee recently. We have been involved in the development of guidelines for explanatory notes and we have provided direct assistance to agencies in developing program management and budgeting and particularly in developing performance information.

The estimates committees and the Parliament generally also have a crucial role in encouraging better performance from the public sector. I wonder, however, whether the estimates committees have always taken full advantage of the additional information which is now being provided. Indeed, after reading the transcript of one estimates committee, I noted that a Minister did point out on a couple of occasions that the information was actually there in respect of the questions being asked.

What is encouraging is the type of discussion which occurred in Estimates Committee F recently where the examination of the Social Security Estimates focused to a considerable extent on performance issues, including extensive discussion of the adequacy element of the portfolio's objectives and an assessment of the measures of fraud control.

The thought I would like to leave you with is that how Parliament uses the information provided to it does send a loud message to public servants. In effect, results-oriented scrutiny by the Parliament will help promote results-oriented management and will encourage those of us who are committed to providing better information and thus improving accountability. Thank you.

**Mr O'Keeffe** Thank you very much. Dr Keating has introduced us to that elusive goal of value for money. Our next speaker, Senator McMullan, the Senator for the ACT, is going to follow that one. Like many parliamentarians who come from a party political organisational background, it is sometimes whispered that Senator McMullan is the thinking senators' senator. I will hand you over to him.

**Senator McMullan** Thank you. I thought I was only representing the freeloaders here and on their behalf I would like to thank you for the chance of having this discussion with you all. I regret, like the Clerk, that this sitting of the Senate will mean I have to go in and out a little bit but I hope to gain something from it. I notice in the title of the program, as it first came out, there is a subheading, 'What is it for, does it work and at what cost?'. I would have thought that is a fair summary of most questions people ask about the role of government senators on estimates committees: what are they there for, do they do any work, and at what cost? Obviously we do operate within different constraints from Opposition senators. I want to try to be a bit true to my brief, at least in the early part of my remarks, and talk about the role of government senators, but also range more widely over the question of the role of the scrutiny of estimates. I express it like that because one of the concerns, it seems to me, in the process of the evolution of this seminar and the discussion about this topic is often that we stray from the function to the structure. There is a function called the scrutiny of estimates; there is a structure called estimates committees and they are not necessarily the same thing. That is one of the points I want to make. My colleague, Senator Coates, who is speaking after me and who has had experience both as Opposition and Government member of estimates committees might talk about that some more. But I do want to make that as a preliminary remark and to draw attention to that distinction.

We stray into thinking that because we need to scrutinise estimates we need to keep to the process by which we currently do it. I am a strong defender of the process, but I have my distinct doubts about the structure. So the function is important, but the structure is questionable. Government senators do operate, of course, under some constraints if they are being politically realistic. The political rewards to a senator who succeeds in embarrassing his government and the Minister are remarkably low. That is not something for which one gets the sorts of rewards and encouragements that Dr Keating was talking about and I think that is right. Also, of course, on the other side of the coin, Government senators have the opportunity to ask in private the question that Opposition senators must try to ask in public. The Ministers are our colleagues and if you want to find out a bit of information you have a non-embarrassing way of finding it out and it would be odd if you took the public forum as the venue for doing it. I will come back later to say that that does not mean I think we all ought to be consigned to the role of deaf mutes, although the Whips and the manager of government business sometimes do have that view.

It is important also to recognise that, although there is effectively Government majority on estimates committees, it is really a pretty pointless exercise using it in any fairly brutal way, a sort of House of Representatives style. That is not a comment about value, sometimes I yearn for it. The fact of the matter is there is no point because you do not control the Senate itself. If you set out to say, 'We are going to be very smart. We are going to get our estimates through on the first day because we are going to chop off all the questions and be really clever', all you guarantee is two days debate on it in the Senate itself. So you get three happy people and 73 unhappy ones and you wind up having been very inefficient. That means that effectively the Government senators cannot use that potential numerical advantage. It has to be a more consensual style. I have not been a senator for as long as any of the other speakers here, but in the several estimates committees processes in which I have been involved, that has, in fact, been one of the noteworthy features. There is often controversy about the subject matter, but the arrangements are always essentially reached by consensus and they have to be; and that is good.

The estimates committee process is essentially one that could be described, as Parliament itself used to be, as essentially an Opposition forum. That is not totally the case and I want to come back to that later. But certainly the fishing expedition part of being on estimates committees is a role that is exclusively for Opposition senators with, as my colleagues would say, one or two isolated exceptions amongst the Government members at the moment. But I have not been on an estimates committee with that person, so I will not say any more. Sorry about the in-joke, but some departments will understand who I mean. I think there would be consensus amongst senators of all parties that the scrutiny process does bring a wide

array of benefits. I want to come back again in a moment to whether we are doing it the right way. It is a bit pointless to go over them.

I have read Dr Uhr's paper, and without saying I agree with everything in it, I think he traverses all the points about benefits, et cetera, and in the time available it would be a waste of time to do a lot more about it. But I do want to emphasise that Government senators, in my experience, have been equally concerned before estimates committees about matters of administrative efficiency and proper process. I accept that we ought to also be now going into other areas and that is very important. We should look at some of the questions like the adequacy of performance indicators or whether certain aspects of policy are being implemented efficiently or enthusiastically by departments. That is something that Government senators have tended to raise and have raised effectively and sometimes only Government senators have raised it. As I have said, they are obviously less likely to be enthusiastic about embarrassing the Government. I think all the senators have seen the benefits that have flowed from the scrutiny process, challenging people to lift their standards. Dr Uhr and others have talked about the significance of the explanatory notes, et cetera, and that is correct. There are a large number of aspects relating to the fundamental principle of executive accountability to the Parliament that could be stressed but I notice in the list there are a number of people who have been assigned or assigned themselves that role.

At what cost do we do this? I want to be somewhat critical of the way in which estimates committees are performing their function without, as I say, challenging the importance of it. I accept that some of that lack of cost-effectiveness which I intend to look at is part of this process of transition in the way in which estimates are being presented and the way in which the public sector is being managed. The Parliament is having to accommodate itself to that change as the Public Service is, and it is not all comfortable on either side. People are finding this question of the blurring of the line between policy and administration difficult to cope with. Ministers sometimes find it difficult to cope with; the people who chair the committees find it difficult; the public servants find it difficult; and Government senators find it extremely difficult.

May I summarise my last point, which is this question of whether we get benefits from the estimates process which justify the costs. I think there is no doubt that we get benefits. If any public sector instrumentality organised and conducted its business the way estimates are reviewed by the Senate, the estimates committee which reviewed that body would pour scorn upon its inefficiency; it would tear it apart. That is not a reflection on the staff of the committees, who do the job given to them by the senators extremely diligently and with great patience.

Let me refer to some of the inefficiencies, although the examples will be very familiar to many of you. Firstly, of course, we duplicate our activity in two ways. At this moment I only want to refer to one which is that, having gone through the whole estimates committee process, we then do it all again in the Senate. The Clerk says that we used to take a lot more time in the Senate before we had estimates committees, and I accept that that is undoubtedly true. I do not have any first hand experience but I am sure that it is true, though it is hardly a justification. In my office I looked up at random the amount of time taken in the Senate itself; that is, after the Senate estimates committee process had been concluded, the amount of Senate sitting time taken up in the committee stages of the estimates on the budget. In 1985 it was 10½ hours of Senate sitting time after the estimates committees, and in the 1986 Supplementary Estimates, 8½ hours of Senate sitting time after the process of scrutiny by the committees had concluded. There is a significant and expensive amount of duplication; perhaps necessary, but let us acknowledge that it takes place.

Certainly if any of you came before a Senate estimates committee and, in response to a question, revealed that you had kept all your senior staff waiting in a room all day, but they had not actually done anything because you had not got around to dealing with the matter for which you had called them, the estimates committee would be outraged and there would be, I imagine, a unanimous report of the estimates committee about this waste: that all the senior staff were waiting. Not everybody in the Senate understands the concept of opportunity cost — that even though we were paying you anyway, you might actually have been doing something else if you were not standing in that room — but I think most of us do. Therefore I think that is something that we ought to acknowledge in our own activity and we do have to look at the question of timetables and time limits for Senate reviews. Before you all nod, one of the reasons why that is very difficult is — and I think this would be an almost unanimous view — that if we set a time limit for Senate scrutiny review, too many people would waste time before the estimates so we would use up all the time allocated without getting to the difficult points you did not want us to look at. If the general view were that we would get a cooperative response to that sort of self-discipline, I think there



would be more enthusiasm for it. We all need to be looking at our performance, although I am essentially trying to be self-critical. There is potential for criticism of the way people use time within the operation of the Committee, with the repetition of questions and perhaps excessive time taken to make points that could have been made more quickly. That is difficult to do in this sort of forum, because it is essentially a political comment. I will just make it as a generalised point without pursuing it any further. Sometimes we pursue public servants before the committees about the priorities that they set, and whether they distinguish the amount of effort they put into something that is worth \$5m from the time and resources they put into something worth \$50 million. I am not sure we apply that discipline to ourselves. I would be fascinated to see what the performance indicators were for an estimates committee. I am not in any doubt, and I do not want those criticisms to in any way undermine my strong view about the benefits of the estimates scrutiny process, the absolute need for it, and the certainty that it will continue.

I do think it is time we reviewed the process for the reasons I have mentioned and for two other reasons. One is that when they come before the committees, sometimes we treat the senior public servants abysmally. After we make them wait, we then harangue them, interrupt them rather rudely, and imply impropriety without inquiry or giving them a chance to respond. Then we ask questions about the turnover in senior executive staff, and wonder why they all leave. I think that needs to be looked at, and I think some more cooperative arrangement needs to be considered between the people who appear before the committees and the senators, about the way we operate. I do not think you can ever formalise it: that is stupid. I am saying that the sort of discussions that are happening today ought to be encouraged, so people can air the grievances that they have.

I think my colleague, Senator Coates, is going to refer at more length to one other point that I wanted to make about duplication. It is a fascinating thing I have found here, that on other Senate committees we develop specialists, who know a lot about particular areas of foreign affairs or industry because they are on the relevant committee. Then, when we review the estimates of the appropriate department, we do not use them because they are not on that list. They may be on the Senate Foreign Affairs Committee, but they are not on the estimates committee that looks at the Department of Foreign Affairs. I know it is true that any senator can attend any committee, but in the main that does not take place. I think there is a need for more coordination there, but John Coates can cover that better than I could.

Having been somewhat critical of myself and my colleagues — no less of myself — I must say that the people who come before those committees do not always perform in a way that makes it easier for senators, or that encourages the sort of cooperative approach to which I have been alluding. The most frustrating are the people who turn up without having done the preparation, or who do not pay attention to detail. Everybody accepts that some questions have to be taken on notice, but once they all have to be taken on notice, you start to worry about the quality of the people who are coming before you, because they do not know the answers to questions they ought properly to know the answers to. That is part of the review process. It is also quite clear from some people who come before the Committee that they do not accept the need for, let alone the desirability of, the scrutiny that is being undertaken. I accept that sometimes nobody is going to enjoy it. When I was national secretary of the Labor Party, I appeared before various committees and people — particularly members of the Opposition party — used to enjoy asking me difficult questions. I do not say I enjoyed having to answer them, but I accepted that it was part of the process. Also, it is quite clear that sometimes people coming before the committees do not take the initiative to put people on the right track in terms of queries they might be making: they happily allow them to go up garden paths for as long as possible, forgetting that, unfortunately, the time limit arrangement to which I referred before does not operate, and if we waste an hour on the useless investigation we are still going to come back to the original one. They might as well be efficient and do it as quickly as possible.

Those are, considering the time available, some criticisms I want to put on the table. It is pointless having this sort of discussion if we do not do it. Although Australians are well served by the Public Service and the public servants it has — sometimes better served than we deserve — we have to ensure that fundamental accountability. We are the trustees of other people's money and therefore the Parliament and the senators, Government or Opposition, will continue to want to review and scrutinise rigorously the estimates. Even if my noble view that all politicians want to do that is not true, there is not going to be a Government majority in the Senate for the rest of this century. So it is going to continue. Even if you take a more cynical view and say that Government senators wish it did not happen, we are not going to have that opportunity. For the rest of this century there is going to be minority party control of the Senate so the scrutiny process will continue. My view is that it should anyway, but whether it is my view or not it will

continue. So let us talk about doing it as efficiently as possible, using the scrutiny process to discharge our obligation to require of the executive efficiency and appropriateness and, hopefully, using today's exercise to ensure that those of us who are in the Parliament discharge the obligation to apply those same measures of efficiency and appropriateness to ourselves by improving the scrutiny process. I thank you for the opportunity of contributing and hope that you can provide some input that will improve that scrutiny process.

**Mr O'Keefe** The Senator has indicated that the budgetary, the program, the planning reforms that Dr Keating and his colleagues are engaged in must be viewed in a very political context. The estimates committees are very political committees. Senator Coates's Committee, the Standing Committee on Finance and Public Administration tends more to bipartisanship in its outlook on activities and we will see a different perspective, perhaps.

**Senator Coates** Even though I have a prepared paper, I think it appropriate that we leave the Clerk and the academic as the only ones to have spoken from on high. I am Chair of both estimates Committee B and the Senate Standing Committee on Finance and Public Administration, so it is natural that I have a particular interest in the relationship between estimates committees and other scrutiny mechanisms, but I suspect that the subject the organisers assigned to me, complementing the estimates Scrutiny Process, might have sent shivers down a few spines. It seems rather poor taste to suggest more scrutiny so soon after finishing another round of estimates hearings with their indeterminate starting times and impossible finishing times, the occasional brawls and the often lengthy tedium in between, and what I have to say is the unforgivably rude and offensive attitude to witnesses indulged in by some interrogating senators. The timing of this workshop is sensible, however. The end, or nearly the end in the case of two committees, of a round of estimates hearings is a good time to reflect on the process. Not only are the physical and intellectual discomforts fresh in our minds, but it is early enough in the cycle for suggestions and constructive criticism to filter through the system and possibly influence the next round of hearings. I should confess to a longstanding prejudice here. Although I see considerable value in Senate estimates scrutiny and I acknowledge the improvements over time, I think the process is significantly flawed. There is scope, I believe, for complementing the estimates scrutiny process in ways which would take some of the unnecessary heat out of estimates hearings and more clearly delineate the roles of Ministers and officials.

The estimates scrutiny process is a valuable accountability device. The estimates committees also provide forums in which senators may seek factual information for a whole range of purposes. They are taken advantage of as an alternative to putting questions on the Senate *Notice Paper*. Asking large quantities of questions on notice before and during the estimates hearing can clog up the estimates committee *Hansard*, but it can mean that the answers are provided more quickly than from the Senate question on notice procedure. But that is a bit unfair to those who put questions on the *Notice Paper* because I assume that the pressure which is on departments and agencies to rapidly provide estimates committees with answers inevitably delays the provision of answers to questions on the *Notice Paper*. Also, they are often just fishing expeditions and only a fraction of the information laboriously put together in response is ever used  
whole forests are felled each year to produce piles of indigestible documentation that cannot be used to its full potential.

The functions of accountability and simpler information gathering are closely related, of course. Accountability in our system of government means that the Government must be able to show that it has not acted contrary to the wishes of the Parliament, and agencies must show that they have not acted contrary to the wishes of the Government. The information gathering process is fundamental to assuring accountability and the risk of being cast as the villain in political theatricals is a strong incentive for governments and Ministers to stay within bounds.

Estimates hearings are only part of the accountability system, just as they are only one source of information for members of Parliament. The estimates scrutiny process provides a regular opportunity for back bench senators, especially Opposition members, to openly and more or less directly question officials but it need not be the only opportunity for this to happen. Over the years there have been examples of matters which have arisen at estimates committees being referred on to standing committees, the Finance and Public Administration Committee in particular.

One was the famous Captain Invincible reference: the Opposition was unhappy with the answers it had received at the estimates committee about the approval of the film, *The Return of Captain Invincible*, as

an Australian film for tax purposes and the costs incurred by the Commonwealth in various court actions, even though that issue had started under the previous Government, so the Finance and Government Operations Committee, as it then was, was landed with another impossible task to get to the bottom of a saga which also involved drawn out legal action. Another example was Geraldine Doogue's contract: because estimates committees cannot take evidence in camera and because the ABC claimed commercial confidentiality about the matter, it was shoved off to The Finance and Government Operations Committee to force the ABC to reveal all.

I do not want to encourage further such references right now we have enough on our plate but it is perhaps surprising that there are not more such passings of the buck by estimates committees. One of the reasons why I would not welcome more of these references is that they disrupt the planned program of the standing committee. It would be one thing if we had been involved in an issue from the start and had shared in deciding about its priority, but an ad hoc reference to solve someone else's difficulty can be a pain even if it happens to provide some strange fascination.

I believe we would all do better if estimates committees and standing committees were combined or, rather, the standing committees took over the role of the estimates committees. This proposal was put forward by the Government at the beginning of this Parliament but the Opposition did not trust us. It would not accept the idea at face value and give it a try, and so we remain stuck with the separate estimates and standing committees, even though the standing committees are organised along portfolio lines, that is, every Ministerial portfolio is covered by one of the eight Senate standing committees and House of Representatives committees.

Combining the committees would not involve avoiding the estimates process. In fact, I think it could be performed in a better and more continuous way. If desired, the present biannual blockbuster estimates examination 'If there is anything you ever wanted to ask about anything, ask it now' would continue but much of the examination of the stewardship of the departments and other agencies could be done at greater leisure throughout the year, and more selectively and effectively. There would not be the same 'now or never' atmosphere about estimates time. Cramming so much of the parliamentary review of official performance into two short periods a year is crazy. It is too demanding on everyone and this, along with the inconvenience of it all, is bad for the tempers of all concerned, although senators assume greater freedom to display a bad temper than do officials. Selected relevant issues, such as the air safety issue, which gave Estimates Committee B 13 hours of continuous pleasure last Wednesday, on top of the hours that it took the previous week, could be hived off and given a special examination by the relevant standing committee without having scores of officers of other agencies and departments hanging around waiting and waiting for their turn to come and, even then, having to be sent away for another day. The loss of productivity involved in the present estimates process is enormous, not to mention the contempt into which it brings the parliamentary process in the eyes of the public servants involved and their families. It is all just so unreasonable; hours of time wasted because of some ambush in the Senate itself.

There is no good reason for the Senate to be so arrogant towards the nation's public servants. The repeated exchanges of views on Australia's foreign policy, in country after country, that were indulged in by Senator Hill as shadow Minister and Senator Evans as Minister at the Estimates Committee B hearing the week before, were hardly proper estimates issues. I am not saying such debates should not take place in a committee, but that it would be more appropriate and more productive for them to happen at the standing committee on a separate occasion. Let the estimates hearings be more strictly on the estimates themselves. Of course, one of the reasons for the way in which estimates committees have changed is the improved provision of information in the explanatory notes. It is much more difficult for the Opposition to score a headline out of an estimates grilling because there are fewer blues to pick up.

The estimates process, over the years, has succeeded: departments have become more careful and informative; when strange discrepancies arise they usually give the explanation in the notes. That explanation is, more often than not, quite simple and not involving some major scandal. Also, with program budgeting, departments are now providing reams of explanatory material about the purposes and philosophies of every program and subprogram with performance indicators and all the rest. Sometimes it seems too much information is provided and, instead of the estimates being examined, there is a long debate about the meaning of some phrase in a descriptive essay on a program's philosophy. Again, I do not argue that such a debate should not happen, I just think it would be more appropriate on another occasion and by the standing committee.

That is, I am proposing that, even if it is too radical to give the estimates function to the standing committees, the standing committees should be used more often to thoroughly examine a program, to do over a division of a department and its portfolio, and to ask a statutory authority, within that portfolio, to justify itself. I think these things would happen in a more rational way if the standing committees had the estimates function rather than providing an alternative forum for general questioning of departments. The standing committees should also do a job on the annual reports of the departments and statutory authorities. This could be done in an organised way, doing some one year and some the next, or picking on one or two about which there may be some suspicion of slackness in performance, or poor presentation in the annual report itself.

As the Finance and Public Administration Committee has recommended in our recent report, annual reports should not have to be available in time for estimates hearings, and it is unreasonable to ask for draft reports, but they should be dealt with by the relevant standing committee. One of the advantages of this would be that other interested parties, as well as officials, could be called to give evidence. Such hearings would highlight the annual report instead of its being lost in the estimates hearing when, even if it is available to be presented on time, it is usually not properly examined. We need to use the standing committees as forums for more constructive communication between the Parliament and executive agencies. They should provide scope for more thorough and professional review of administration. This need not be all bad news for public sector agencies. As the Committee said in its report, annual report hearings should provide an opportunity for executive agencies to publicise their achievements and receive acknowledgment where it is due, as well as for the Parliament to examine defects. I would see regular annual report hearings of that nature as being an appropriate forum for much of the routine information-gathering that currently takes place at estimates hearings. We have all seen senators spend long periods chasing minor details of fact, causing hearings to continue long into the night. The proposal for annual reports hearings aims to provide much of that detailed information-gathering out of the estimates process in which the final reporting deadlines are fairly tight. Much of the information-gathering is useful, all of it presumably to the individual gatherers though sometimes I am not so sure. I am proposing that the gathering be done over a few months rather than a few weeks.

To sum up, I think that estimates committees have taken on too much in recent years which has meant an unnecessarily burdensome process for everyone. The hearings have become too big and the various functions are getting in each other's way. If there cannot be agreement to integrate the estimates process into the standing committees, let us allow the standing committees to take on some of the roles into which the estimates committees have expanded. Otherwise, the estimates committees should have a name change to better indicate their wider role. We have already recommended that the explanatory notes should be called 'Program Performance Statements' to recognise the changes that have occurred in them. I believe that we would improve accountability by spreading scrutiny more evenly through the year. The quality of scrutiny should improve if more were to be done by standing committee's which have permanent staff, a greater continuity of membership and involvement in the relevant issues, and access to expert advice from outside the bureaucracy. It might be too much to hope that estimates hearings will ever be a very civilised or enjoyable experience from either side. I do believe, though, that the estimates process could be made less confrontational and more useful if the standing committees either did the job or were used in a complementary way and I look forward to hearing your response to this proposition.