

*Papers on Parliament No. 6*

March 1990

Parliamentary Workshop

**Senate Estimates Scrutiny  
of Government Finance  
and Expenditure**

*What's it for, does it work  
and at what cost?*

17 October 1989  
Parliament House, Canberra

*Published 1990, Reprinted 1993*

*Papers on Parliament* is edited and managed by the Research Section, Senate Department.

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The Department of the Senate acknowledges the assistance of the Department of the Parliamentary Reporting Staff.

Cover design: Conroy + Donovan, Canberra

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Mr Fred Woodhouse, Principal Registrar, Veterans' Review Board



## Introduction

*Harry Evans*  
*Clerk of the Senate*

**Mr Evans** On behalf of the Senate Department I welcome you to this Seminar on Senate estimates committees, which I hope will be very productive for you. I am a bit upset that this very impressive-looking podium does not have the Clerk's seal on the front of it. Will the organisers attend to that on the next occasion, please? These sessions we have been holding have proved to be as educational for the organisers as they have for the participants, which is one of the aims. One of the things that we in the Senate Department have been educated about is the extent to which estimates committees loom large in the consciousness particularly of public servants and other people who have to deal with them. I think we tended to forget that estimates committees were one of the main contacts between the Public Service and the Senate. In our thinking, perhaps, estimates committees tended to be the poor relations of the committee system. We have always seen the standing committees as the flagships of the fleet, so to speak, with estimates committees tacking along behind. This seminar is a product of that consciousness-raising by us as a result of some earlier discussions that we have had about them.

Estimates committees are a bit like the old British Constitution; accidental by origin, evolved by some mysterious process without any design, but seeming to have a certain inner life that keeps them going. Perhaps, as someone suggested to me once, they are a bit like the Third French Republic; they exist and seem to have a certain resilience but no-one knows what is holding them up. But it is important in any discussion of estimates committees to remember their history and their origins. Estimates committees did come about more or less by accident. In 1970 there was a proposal for a comprehensive standing committee system of the Senate, standing committees specialised by subject. One of the things those standing committees were going to do was to examine estimates of expenditure of departments. The estimates committees were proposed by the then government as a tentative first step towards a standing committee system. The proposal for estimates committees was developed as an alternative to the standing committee system which was then being very heavily promoted by that mercurial character, the then Leader of the Opposition, Lionel Murphy. Due to a peculiarity of the voting pattern in the Senate we ended up with both estimates committees and standing committees.

The original intention of the estimates committees was that they would be a replacement for the Committee of the Whole procedure. I am constantly reminded that I am getting to be an old-timer nowadays, and there are very few people who can remember what the old Committee of the Whole procedure used to be like before estimate committees were established. The Committee of the Whole went on, on the Appropriation Bills, in the Senate or a very long time. The sorts of questions which are now asked in estimates committees were asked in the Chamber and people sitting in the advisers' desks passed little pieces of paper to Ministers who then tried to read them out. Estimates committees were seen as a very convenient replacement for that procedure, the main advantage being that the questions would be put direct to the officers. The then Government which proposed the establishment of the estimates committees did not have much more in mind other than that, a replacement for the Committee of the Whole procedure.

As I have said, like the old British Constitution, estimates committees have evolved greatly since then, not as a result of any design but simply on their own inner momentum. There are a number of stages in that evolution. One stage which I was reminded of the other day was that they started looking at special appropriations, even though special appropriations were not referred to them. Another stage in the evolution was the development of the explanatory notes, which soon became an industry in itself. Explanatory notes developed as a result of the activities of the estimates committees so that they evolved into the creatures that we have today, not as I have said as a result of any deliberate design. But estimates committees have one quality which is undoubted, and that is their longevity. They have been going continuously since 1970, and the reason for that longevity is not difficult to find. The senators place a great deal of value on them. Nothing rouses the non-Government senators, particularly, to revolution more than any suggestion that the estimates committees be abolished or tampered with or amalgamated with something else. That is another factor which we have to constantly bear in mind; senators, particularly non-government senators, place great value on them. Also they value them in a different way and for different reasons from the standing committees.

Virtually since 1970, people have been saying, 'We have these strange beasts called estimates committees which have grown up. We ought to make something different of them'. People have been talking about making something different of them ever since, and developing them in a particular direction. Without wishing to cast a pall over this gathering and the discussion that may take place, I have always reminded people that that may not happen. Estimates committees may not develop into something different. They may keep going the way they are. That might be a dreadful thought for some people here, but the fact is that the senators seem to place a great deal of value on the estimates committees as they are now.

Discussion of estimates committees has been a very educational experience for us. I hope this session will bring forth some new answers to that question of what to make of the estimates committees.

This was originally intended to be a non-sitting day, but the Senate, as you probably know, has decided to sit. Therefore, having welcomed you as warmly as I can, I will leave you, but I will follow your discussions later with great interest. I hope that it will be as educational an experience for the Department as it is for the participants. Welcome once again and thank you very much.

## 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'Keefe** 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.

## Session 2

### Questions and Answers Session: 'Are There Too Many Watchers and Not Enough Managers'?

**Mr O'Keefe (Moderator)** We come to an open forum session now. It is now over to you.

**Mr McDermott** I am from the Australian Taxation Office. Senator McMullan, could I draw your attention to some of the things you said about lack of preparation and attention to detail in particular?

**Mr O'Keefe** Senator McMullan has left us, but carry on.

**Mr McDermott** What concerns us about lack of preparation or apparent lack of preparation and attention to detail is the lack of proper focus that we would see in the questions that are asked of us in particular Senate estimates committees. Can I say first of all that we do not have any problem at all with the concept of parliamentary scrutiny and scrutiny by estimates committees nor with the treatment that we receive at those committees. But it is very difficult when you attend a Senate estimates committee meeting and only a fraction of the questions are directed at estimates. If the Committee wants to know answers to questions about why particular items might be tax deductible or not tax deductible, perhaps they ought to give us notice of them. But a survey that we have undertaken going back to 1987 indicates that only 11 per cent of the questions that are asked of us by the Senate estimates committee relate directly to estimates and about another 11 or 12 per cent are on either policy issues or organisation and operational matters. So, taking the most charitable view, less than 25 per cent of the questions relate to estimates. We would also say that there is a lack of coordination with other parliamentary committees which are asking the same sorts of questions of us. Again, I think if we had proper notice of the kinds of questions that are likely to be directed to us or you wanted to extend the terms of reference of Senate estimates committees to make them wider ranging, we would have no objection. But it seems to me to be rather pointless to have a team of people coming along to answer questions on estimates and getting questions on policy, or operational matters.

**Mr O'Keefe** I invite Senator Coates to deal with that. Then Senator Bishop might give the other point of view.

**Senator Coates** I think I dealt with a lot of the answer to your very valid point in my paper. As to the accusations of Senator McMullan that there was sometimes a lack of preparation: the way I would put it is that mostly the preparation is reasonable. It is just that occasionally one is amazed that even though there is some current issue running, and one might have expected questions on a certain issue to blow up, it turns out that the Department is not ready to deal with that issue. It has not got the relevant officer present who may be able to give a direct answer. So that takes up extra time. The question has to be taken on notice and so forth. Sometimes that may be a sensible and a deliberate tactic if a current issue that is running is such a problem that it is better to be able to give some thought to the answer. I think it is that

occasional situation where it is sometimes surprising that there was not anticipation of the sorts of questions that might arise, even though, as I acknowledge, they are not necessarily strictly estimates matters. As I said, the committees ought to be given a different name if they are to continue, or some of the things which are dealt with by them ought to be dealt with by the standing committees.

**Senator Bishop** I will limit my remarks to your very specific question because later when I enjoy my 15 minutes, I might deal specifically with some of the points raised by some of the other speakers. As you can see from the presentation, this is a parliament which is full of politics, and governments and oppositions do have different points of views, and different aims to achieve. On the question of the preparation by senators for conducting the questioning during estimates, part of that problem of becoming prepared is the short time we have to look at the explanatory notes, annual reports and all relevant material. In fact, quite often annual reports, or draft annual reports, are put on our desks as we are sitting down to begin the estimates hearings. I do not think that is adequate.

If you want better prepared questions, then the quicker that material can be got to senators so that they can make an appraisal and formulate questions, then the more informed they will be. The other thing about estimates, of course, is that in a democracy everybody is entitled to be represented. I frequently believe that they are. You are going to get a great variety and variance in the degree of preparation that people put into that work, with different emphases on different sections. For those people who do put a lot of effort into preparation, the sooner the material is available for senators and their staff to go through, the better will be the degree of preparedness. I would be interested to know whose time you did the survey in. How long did it take to do the survey of the sorts of questions that were asked and whether or not they fitted a certain criterion? Who carried out the survey? Whose responsibility was it? To whom did they report back? What did you do with it?

**Mr O'Keefe** Could you perhaps take that on notice! The Secretary will be following it up.

**Mr Forrester** I have been coming along to Senate estimates committees for five or six years now. I followed the close questioning by Senator Hill of Senator Evans in Committee B, Senator Coates's Committee, only a couple of weeks ago. What has been clear to me over the past five or six years is precisely this dissolving of the distinction between policy and administration in the kind of questioning that comes to officials in the first instance in Senate estimates committees. I think what Senator Coates has suggested is a very good way of drawing a better distinction between policy and administration. I am not saying that officials should not answer questions about program performance. When you come to a department like Foreign Affairs and Trade, where the predominance in programs is policy, it is going to be inevitable that questions that are directed to officials are going to boil down to policy in the end.

The solution that has been suggested I think is an ideal way of ensuring that when it comes to the appropriations, the kind of questions that are asked deal with administration, funding and the administrative side of program performance. I think it would be a good idea if the standing committee relevant to DFAT looked at overall policy performance focussed on divisions, because division heads should be the people who can answer detailed questions on program performance, particularly when it relates to policy. There is a difficulty for public servants coming along to answer questions in Senate committees, whether they are estimates committees or others because there will always be that tension. We will always be the meat in the sandwich between Parliament and the executive, and it is not an easy situation in which to find yourself. There were comments made this morning about the need for these investigations to be more civilised and the difficulties of each of the parties involved I think need to be taken account of. If there could be greater concern for each other's problems in this situation, there might be a more productive outcome.

**Senator Bishop** Productive for whom?

**Mr Forrester** For all three parties, because there are three parties involved in it. I think this is the thing that needs to be taken account of.

**Senator Bishop** But what is the purpose, as you see it, of the committee hearing in the first place?

**Mr Forrester** There will be different objectives for different participants. To take up one point made by Mike Keating, that there is a need for public servants to demonstrate program performance and to demonstrate that we are delivering value for money, I think that is one important aspect. In a lot of the



questioning that comes in the Senate estimates committees that I have been to there has not been very much focus on this question of value for money, particularly in our portfolio.

**Senator Bishop** I perhaps can agree with part of that but maybe you could help us all by giving us the definitive definition of value for money.

**Mr Forrester** I do not know whether you can give a broad-based definition of that for all portfolios. I think it will differ from portfolio to portfolio. Foreign Affairs and Trade is highly policy-oriented in its work. I know that we are not as far advanced as some other portfolios in terms of defining objective performance indicators, and I think that may be due to the nature of the heavy policy orientation of our work. I do not think there is one definition that you could apply across all portfolios – it is something that each of us has to work at. That is why Senator Coates's suggestion is worthwhile in that it gives us a link to the Senate Committee that is particularly tasked with looking at that portfolio.

**Mr O'Keefe** I wonder whether there is anyone who has a big program to manage who would care to come in on that. Foreign Affairs and Trade has this keen policy focus, but what about Veterans' Affairs, Social Security, Defence, et cetera? Are you all happy with your performance indicators?

**Mr Kerr** I guess I do not have any problem with what has been said by speakers in terms of program performance. Clearly, my Department, the Department of Veterans' Affairs, is just as keen as other departments are to show that we are effective and efficient in the delivery of our programs. If the Senate can help us in pointing up ineffectiveness and inefficiency then that is great. The problem I have as a public servant is I guess the dilemma that I was hoping some speakers would touch on, that is, the responsibility the Public Service has to the executive Government. The dilemma I have is a personal dilemma between my responsibility to my Minister in the effective delivery of the Government's programs in the department I happen to be in from time to time and the relationship between that responsibility and the one I have to the Parliament. I have never been able to come to the bottom of that. I have always been very nervous, as I am now, in talking to Senate estimates committees, and I think everybody that I know in the Public Service is in that dilemma. We can swot up – sometimes we do so almost all night – before a Senate Estimate Committee and we walk in and the first question we get, which is very pertinent to the senator who asks it or the committee, is about something that we have never heard of, or maybe we have but we have decided that it probably will not loom so large. It is a bit like facing an examination. The other dilemma is that it is on the record, it is public.

We are required, quite properly, to give proper advice to the Senate. We cannot recall all the detail of the wide range of issues that are in our portfolio estimates – or at least I cannot – on the spot. Often the retreat to asking for the question to be on notice is to ensure that when we do provide an answer we provide it to the best possible extent; it is not a retreat to see how we can obfuscate and make it difficult for the Parliament to find the truth. I am not sure whether other people around this table have been in the same circumstances as I have, when we are asked questions that, in a sense, reflect on the advice that we have given our Ministers. Often, in the cases that I have been in, my Minister has not been at the table. The Minister representing him or her has been, but the matter is not within that Minister's purview. Frankly, I have faced a real dilemma. What do I do? Do I, if you like, dump my Minister? One of the titles here includes the words 'Watching Ministerial Backs?'. I have always been taught to protect my Minister of the day. If that is the wrong teaching or that is the sort of thing that public servants should not do, nobody has really told me that. I would be interested to find out from others, not only in the panel but here taking part, whether they have the same problem. I think we are torn between our integrity in terms of providing Parliament with the sort of information it needs and our integrity in serving the government of the day. That is off the particular subject but I have been glad to have the opportunity to say something that has been worrying me for some time.

**Mr O'Keefe** I ask Mike Keating to comment on that. We will finish with a very quick comment from Senator Bishop and Senator Coates, and then we will have our break.

**Dr Keating** I just want to come back to Senator Bishop's very challenging question of what we mean by value for money, because it is pretty central in the accountability process. I did, of course, say in my remarks that to some extent it is in the eye of the beholder. But that said, there is, I believe, a proper procedure for going about making the assessment, even if opinions can differ in terms of the eventual conclusion. That proper procedure is that an attempt should be made to set out what are the objectives of the program – what the program is attempting to achieve – and then assessing its cost-effectiveness in

achieving those objectives, that is, what progress has been made towards those objectives in terms of performance results and at what cost. That having been said, you clearly are into this difficult area of blurring policy and administration. I just want to go on from that and to address that issue.

One thing that we need to be clear on and I do not think, frankly, that it was entirely clear from John Uhr's paper is that explanatory notes are put forward on the authority of the Minister. That is precisely because it is recognised that explanatory notes are dealing with issues of policy: establishing a program's objectives or, to use John Uhr's phraseology, the appropriateness of programs whether the programs should continue or not. Those are not things that public servants determine: they are things that governments determine. I can think of examples of programs that were very efficiently administered, but which were not cost-effective. Some might even question whether they could have ever hoped to be cost-effective. In other words, the Government's policy guidelines are things that were determined in Cabinet: the public servants did not determine the policy guidelines, the government of the day determined the policy guidelines. The programs were efficiently administered, but the policy guidelines you might well query: with those policy guidelines, could you have ever achieved a cost-effective or value for money result? For that reason, explanatory notes are put forward on the authority of Ministers.

What follows from that going to the issue of preparation for Senate estimates inquiries is that the executive does need to get its act together in terms of properly briefing Ministers. There are a lot of questions that arguably should be taken by Ministers and not by officials; and in that context there is a difficulty, because many of the responsible Ministers are not at the Senate estimates inquiry: they are in another chamber. That increases the burden of spending a lot of time with the Minister who is going to represent you in the Senate estimates inquiry. I am obviously not an authority on what happens in respect of each and every portfolio, but I do wonder whether the executive has clearly understood the nature of Ministerial responsibility in relation to Senate estimates inquiries; and flowing from that, whether sufficient effort is put in to preparing a Minister who is going to represent you in the Senate estimates inquiry.

**Mr O'Keefe** Thank you, Mike.

**Senator Bishop** The problem that you outline is a dilemma to whom are you accountable and whom you serve. I can understand the dilemma, but finally you must be accountable to the Parliament. I think, in your terms the question is whether or not you dump on the Minister. In my view, if the Minister has acted improperly, and if your honest answer of a question is going to disclose that, then there is an obligation on you to do so. We go right back to the point that Dr Keating made about the executive arm of government, and the Minister being the person responsible: that is fine when you actually have the Minister whose portfolio you are dealing with in front of you. When he is dealing for and on behalf of another Minister, it is very much more difficult. Nonetheless, in areas where a difficulty is likely to arise and this happens from time to time the officer will simply refuse to answer: the Minister will come in and take over that line of questioning. It becomes perfectly apparent, and if you keep it up the Minister usually ends up with his foot in it because he, too, knows that he has done the wrong thing. So the answer to the question of to whom does your responsibility ultimately lie, is that it has to be the Parliament. If it is not to the Parliament, then the whole system does not work.

On the other point that Dr Keating took up, and the point I asked about what is value for money: it is very subjective. One could adjudge that you were getting the best value for money if your second best friend came in and did the job; but is that the proper expenditure of money? It cannot be divorced from that question. One of the things that concerns me about the new Finance regulations, which are at the moment before the Senate and subject to tabling and disallowance, is that there will no longer be a universal code. There will be an overall set of guidelines, but each department is going to have a much more flexible say in what they consider value for money to be. When we talk about value for money, what worries me is just whose money we think we are dealing with. The Government does not have any money. Departments do not have any money of their own; they have taxpayer's money. So it is taxpayers that we are finally accounting to through the Parliament, which is representing the people. If we are not doing that, then again the system is not working. I passed an aside to John Uhr earlier. I said, 'The trouble with democracy is that it is not very cost efficient'. I could run a very efficient benevolent dictatorship, but I would not be happy for anyone else to have the job. I basically want a democratic system where everybody is part of the system; where there is accountability and where the people's voice is represented.

**Senator Coates** I think Alan Kerr's point was a fair one. The solution is that, advice to Ministers on whether or not to adopt a particular policy position is something which the Committee is not entitled to have the response to, unless the Minister wishes to give that answer himself or herself. Ministers at the table at estimates committees should be more alert than they sometimes are to those sorts of questions. Estimates committees should not get into a debate about the internal advice to the Government on whether or not to adopt a particular policy. As the Chair of a committee, I have tried to detect that line of questioning in order to indicate that it is not appropriate for such a response to have to be given. I emphasise that is different from what Senator Bishop latched onto. She talked about a Minister acting improperly. That is a different issue. If some scandal had been dug out, that would be a different matter. But if we are talking about policy advice, I do not think that the estimates committees have the right to delve into the internal debate within the Cabinet or within the contents of a Cabinet submission, either from that relevant department or from some other department.

## Session 3

# The Theory and Practice of Public Accountability - the Views of Key Practitioners

**Ms Lynch (Moderator)** I am delighted to see the title of the session and very pleased to have with us the Auditor-General for Australia, Mr John Taylor, and the Chair of the Joint Committee of Public Accounts, Mr Robert Tickner. I note the title of the session, 'The Theory and Practice of Public Accountability'. I suspect this might be continuing a theme which I understand you have already been discussing, that is, the grey area in between. As with policy and administration, so too with theory and practice. We have the most acute exemplar of the practice of examining accountability of the Public Service in the Auditor-General.

I am also delighted to see the first slide that is before us: needless to say, I was going to make mention of the vital and interlinking role between the Auditor-General and the Parliament as exemplified by the parliamentary Joint Committee's report entitled, *The Auditor-General: Ally of the People and the Parliament*. I very much take the point that is made in that slide, that the Auditor-General is also very much an ally of the executive in ensuring assistance in its own procedures and practices.

Mr John Taylor has had a very distinguished career as a practitioner within the executive arms of government and is therefore admirably suited for his role as the examiner of the executive on both the executive's behalf and that of the Parliament. I therefore would like to introduce and welcome him as an ally of the Parliament, both through the PAC role and notably through formal agreement with estimates committees, and I ask him to address the meeting.

**Mr Taylor** Thank you. Certainly I have been hunted by the hounds and occasionally have been in the hunt as well, and this is a new experience. The Auditor-General's accountability role has existed since Federation and, as Mr Tickner and his Committee pointed out, it was in the fourth Act to be passed in the first Federal Parliament. Public accountability is a subject which has received a certain amount of attention in the past few years, helped sometimes by questions raised by investigatory journalism, if not in the Parliament. It is an issue and reality which affects all levels of government and public administration in democratic societies, and we have even seen an increasing push for greater accountability to the public in socialist societies in recent times.

What is all the fuss about? In our type of society, accountability means the responsibility of those entrusted with the resources of others to account to the owners of these resources. In the public sector, the requirement for officials to be held accountable to the Parliament for the use of public resources with which they have been entrusted is a foundation for a citizen's trust in government. It is part of the compact we enter into when we delegate to others the right to take decisions on our behalf in the interests of the nation as a whole. Parliament is the means in our type of society through which the public is both informed about and, through its delegates, exercises some sort of control over financial and other

government activities. The logic of this is quite clear when we remember that governments have no power in themselves to take money from us, the taxpayers, or to use our power unless that power has been given by the Parliament.

My role is to facilitate that accountability by providing impartial and objective reports on the stewardship and performance of officials. Central to the value of the assurances provided by my Office is my independence in relation to both the Parliament and the executive, as well as my ability to perform the task of investigation and report. The chain of accountability flows through the management of public sector entities, Ministers, the Parliament and, ultimately to the public.

At least two separate important strands are discernible in the current environment, at least to me. Under one, government business enterprises are responsible to boards established very much along the lines of the private sector, with the CEO being appointed by the board and holding office at its pleasure. The board in turn is responsible to a Minister for the achievement of certain agreed goals. In this strand, accountability to the Parliament is through the published balance sheets and the annual report unless, of course, the Auditor-General is chosen by the organisation as its auditor, in which case but only then, is there a direct link to the Parliament by the public auditor.

The second strand, the main and traditional strand, is the more usual mechanism of Ministerial responsibility to the Parliament for the actions of their officers, their agencies and their responsibilities on our behalf, with independent review through financial performance and efficiency audit procedures. It is Parliament's right to review public sector entities' financial operations and other pertinent information. I do not think anyone would disagree with that. Primary, but not exclusive sources of this other information, are my reports. These reports are not only fundamental to the chain of public sector accountability, but are of great reassurance, I believe, to the executive.

This might be the place to raise some questions about the inevitable tensions – and these are not alleged, they actually exist – that arise between those reviewing and those being reviewed. I will not look at my own role, but take, say, the Parliament and its committees on the one hand and the Government and its agencies on the other. While it might be nice to have an easy balance in this relationship, with no tensions, the achievement of that may be impossible in practice, and perhaps we should not seek it. On the one hand, although bound up in the heady business of directly managing an enormously complicated enterprise like the public sector, those doing so outside the Parliament should conceal any impatience when asked to justify some aspect of their stewardship to the representatives of the people. This is, after all, a democratic society. On the other hand, they may ask whether committees should avoid the temptation to try to influence the detailed running of the public sector through the committee system – in fact, to run the Government by remote control. Should the Parliament lay down broad strategy and leave the detailed tactics to the Government and its agencies? But how realistic is it to expect the Parliament or its committees to avoid interesting itself or themselves in detail, for often this is how they can pry open a window into the busy world of policy implementation. Noting the differences, say, between the Australian and the United States democratic models – of which I have had a little experience recently – if we move the balance between the executive and the Parliament, what are the consequences for good government? Should we move more towards the United Kingdom model? I believe the Auditor-General can help moderate these tensions by providing professional, impartial, apolitical reassurance to all parties. But it will not be in the national interest if the office is a pawn in a power struggle between giants.

With regard to historical perspective, in examining the question of the accountability of public enterprises and my roles, various parliamentary committees have said a number of things – in 1977, 1978 and 1982

I have got to jump over them, but this paper will be available this afternoon. But it is clear that committees believe it is important for the Parliament to use all avenues available to it to gather information about government activities and to assure accountability of government to the Parliament. The Auditor-General, as public sector auditor, has a primary role in this process, although I agree with my colleague in the Department of Finance, that there are important and very productive moves towards other sorts of accountability. The importance of the role of the Auditor-General has been confirmed by recent reports. The January 1989 report of the Commission on Accountability, the Burt Commission, to the Western Australian Premier, which really should be given a lot more prominence than it has had, led to the Western Australian Auditor-General being confirmed or reconfirmed, or appointed or reappointed, as auditor for all government agencies and their subsidiaries. Of course, those that do not read history are doomed to repeat it. The Joint Committee of Public Accounts, Report No. 296 – about which I do not really need to say more, but I will – said that we should be auditor of all SMAs, GBEs and government

companies. And then, of course, the report of the independent auditor from Coopers and Lybrand in his efficiency audit of the AAO tabled in 1989 supported those recommendations of the Joint Committee. And, of course, we have had action actually in the Senate on legislation. The JCPA discovered in its inquiry that the AAO had never been reviewed in its totality, possibly due to complacency in political and administrative circles about the condition of the Office a quiet tiger does not need any meat. This report now provides an opportunity, I believe, for the Government to improve further the accountability measures on top of the ones already being introduced which make sure that Caesar is accountable to Caesar! The 1978 recommendations, which resulted from the JCPA's inquiry into the AAO, are central to improving the independence and effectiveness of this Office. Parliamentary committees provide the basis for the most effective means of parliamentary scrutiny of the executive. They are not viewed with unalloyed delight by some outside the Parliament, of course, but the business of government is so complex and wide-ranging that some detailed specialisation is needed if our delegates are not to become mere ciphers. Through committees, parliamentarians are directly involved in the analysis and investigation of public expenditure. Committees serve to increase public accountability by undertaking their inquiries whenever possible in public, and by reporting the results of their inquiries to the Parliament. They stimulate both parliamentary and public debate on government activities very much as it is being stimulated at the moment in the German Democratic Republic!

My involvement with the estimates process broadly, is that my audit reports provide the estimates committees with clues as to problem areas. When available in time for the estimates process and we need to look into this more my audit opinions on the financial statements provide assurance, or indeed otherwise, to these committees as to probity and propriety. The estimates committees have the option of inviting comment at my discretion on matters relevant to audit reports raised during committee hearings. In addition, committee secretaries can obtain background briefings, but not the details of actual audit findings, prior to tabling of the reports, from nominated AAO officers on the audits referred to in each report. Of course, we also have to formulate and justify our own estimates. I do have the option of performing project performance audits, or efficiency audits, on the efficiency and effectiveness of part or all of the estimates process and I have done so. I think perhaps we should be consulting more with Senator Coates and Senator McMullan about what we might do in the future.

The contribution of my Office to the Senate estimates committee process was formalised in late 1986. The most important arrangements provide for committee secretaries to receive advance notice of the table of contents of each forthcoming report as soon as it is ready for printing. That informs them of the departments and other bodies which are mentioned in the report. The titles of the respective sections give an indication of the subject of each of the audit reports. These arrangements will have to be modified, given that I am now trying to report immediately after the cessation of a particular review, which is a start at trying to provide information in a more timely and effective way for the use of the Parliament. With the introduction of requirements for departments and outriders to include audited financial statements in their annual reports, each agency will be competing for limited AAO resources. This has caused problems, and Senator Coates has referred to that himself.

The JCPA has recommended two significant changes in the estimates process concerning my own office. Firstly, that our appropriations be included with those of the parliamentary departments and, secondly, that an audit committee of parliament be established to advise me on the audit priorities of the Parliament and to consider and recommend on the annual appropriation. This would bring us into line with other backward countries such as Canada and the United Kingdom. This recommendation has been prompted by the fact that my colleague on my left, Michael Keating, heads a department which is essentially an arm of executive government and an auditee of the AAO. And yet he advises the Minister for Finance on the AAO's proposed budget. Of course, he always will and always should have to, I would imagine.

In making these recommendations, the PAC commented that the departure from current practice would be that the executive would not have the sole, and I emphasise sole, responsibility for advising on our appropriation. Responsibility would be shared with the legislature, or with the Parliament as a whole. The PAC concluded that the process by which forward estimates would be arrived at would be very different, and consistent with the principle that the entire parliament has a special interest in maintaining an independent and able audit office. This would, of course, tip the balance of tensions towards the Parliament and move it more to the norm in western democracies, if not yet in the German Democratic Republic.

It seems reasonable in the final analysis, given current attitudes in Australia, to guess that of course the budget would ultimately be a matter for the Government to put to the Parliament unless in time the sooner the better through the development of conventions, the United Kingdom model is followed whereby an audit commission of the Commons sets the appropriation. It should be remembered, however, that the British Government still has the actual power to interpose itself. We are not trying to upset parliamentary democracy.

It can be seen from the preceding discussion here and in other sessions, that parliamentary committees are crucial, I think, to the concept of public accountability. They play an integral part in the scrutiny of departmental and authority estimates. However, the effectiveness of this role requires appropriate resources and the proper management of them. I heartily endorse what was said by the senators about the activities of some of the committees. We would not run a country store the way some of those have to run. On the other hand, you are caught with the fact that democracy is not a dictatorship and one has to accept that as a very pertinent observation.

You get a lot of sales talk from the Audit Office these days because we are out in the market. I did leave my white shoes at home today, but only in deference to Parliament! With nearly 90 years of experience we think we are not too bad at it. If it has faults, now is the time to fix them. We have an absolutely staggering array of people to deal with 307 separate organisations; \$255 billion of revenue and expenditure; 360 separate revenue and expenditure items in excess of \$10m, 47 exceeding \$1 billion; almost half a million staff; and 1,140 large data processing installations, up from 960 in 1987-88. We do a lot of other things apart from financial statement audits, and there is something up there on the board about that. Our auditing methodology has had to change; the risk based approach and all the rest of it we are getting stuck into. On performance audits, I think it is received history that we have had to go down on that side. We are looking very hard at how we can improve productivity to free up resources to put on to efficiency auditing, but those resources are not easily transferable. A good financial auditor is not necessarily a good McKinsey type. I am increasingly trying to operate, in a way, as a McKinsey rather than as a final court of audit, though we have to balance it all. It is indeed unfortunate in this respect, though, since these reports provide the richest material from which questions of pertinence and solid base are drawn by the Senate estimates and other parliamentary committees.

What of the future? The JCPA, a bipartisan, I believe expert and very important committee of over four decades experience, has said that we have a vital role to play in the accountability debate. We certainly do not seek to be the only player. We seek to play our part with the Parliament and with the executive and indeed with government departments, GBEs and others to improve productivity, to improve the value of our operations with respect to the taxpayer. I am going to stop now, because I really would be just telling you about all the lovely things that I am doing to make us more effective and important. But to conclude, the fact that we have had the JCPA inquiry allowed a lot of bile and dirty water to get out from some of our clients. We have looked at what was said, we have tried to meet valid criticisms and we have tried to cope with invalid criticisms. It also provided a goad to us to do better. It was not easy having a 12-month review by the Joint Public Accounts Committee.

**Ms Lynch** In the interests of time I will leave discussion to after Mr Tickner has spoken. Very briefly, I introduce Mr Robert Tickner, as Chair of the Joint Committee of Public Accounts. The all-parliamentary committees, as Mr Taylor has indicated, depend very heavily on the operations of the Audit Office. The Joint Committee of Public Accounts is and has been, as its report has demonstrated, a protector of as well as a user of the services of the Auditor-General's Office. I welcome Mr Tickner.

**Mr Tickner** I did not come to this gathering today with a prepared paper. After I heard some of the original contributions I was glad that I had not. While not taking issue with some of them, I would like to comment on them and, hopefully, develop more of a workshop approach to some of the issues. I think that this kind of gathering is extremely welcome and some of us have been to similar gatherings in the last few weeks organised by other bodies and they ought not to be the last. It does not mean that we have got all the time in the world to attend these talkshops and not get about our respective jobs; but I think you will all agree that the number of times when senior public sector managers and parliamentarians get together, in this kind of environment, have been all too few in the past. I was interested in Dr Keating's opening comments where he indicated that as perhaps the only speaker on behalf of the watched here today he had a special responsibility. In the context in which he made his remarks he was quite right, because you are out there watched by us. But Dr Keating's comment prompted me to make a very important observation and that is, if anybody in this room is watched in every aspect of their lives it, is the

elected members. I say that, not to score some cheap point, but to really highlight the central thrust of public accountability. We ask no more of you than is asked of us by the public and the people who pay our respective salaries. I am enormously impressed with the integrity, by and large, of parliamentarians across the political spectrum on the subject of public accountability. There was a seminar held recently by one of the committees of the House of Representatives where the Chairs of the House of Representatives committees got together to talk about how accountability was operating. In essence, the message coming from all of them was that they were very keen to upgrade accountability, to do more to put the system to the test and, if that meant that in the wash-up some government departments, or for that matter Ministers, happened to feel a bit of heat and get a bit of a hard time, then that was a price they were prepared to pay. I am enormously impressed by that sort of sentiment and it truly is what distinguishes us from a totalitarian system. The references that have been made, both by Senator Bishop and Mr Taylor, to the trends around the world in support of greater accountability are absolutely spot on. People are demanding more of all of us in this room, in terms of accountability, and I think that we have got to respond to meet the challenge.

I want to come back again to what Dr Keating said because I think he made some very useful comments and he may disagree with what I am about to say but let me say it and he can take issue with it. One of the central themes that he was promoting on this occasion, and indeed on other occasions, is that the changes that have occurred in financial management within the Government have of themselves initiated improved public accountability and with that thesis I really do not want to take great issue. As I have said, as far as I am aware, on every public occasion whenever I have ever commented on this I am very much in favour of the thrust of those reforms. To put it in public laypersons language, this mindless dead hand of red tape and bureaucracy that required people to go out to tenders if you were buying \$20,001 of potatoes, yet allowed you to go and get consultants in a whole range of areas and to spend a million dollars without consultants is just arrant nonsense. It is Dark Ages stuff and deserves to be confined to the scrap bin of history, in my opinion. But having said that and while agreeing with those reforms I really want to advance another thesis, another proposition, today and that is; that what we ought to be doing, as a parliament, is coming forward with a comprehensive scrutiny package by the Parliament which ensures that there is coordination and cooperation between the various parliamentary committees and which, in essence, covers the field of public scrutiny. I take you back to what the Clerk of the Senate said in his introductory remarks again to paraphrase him in essence he said, that the estimates committees have developed by accident and that their direction had been partly influenced by a momentum of their own. That is certainly true in my experience of committees of the House of Representatives. To put it in more loose language, they just grow like Topsy, with no coordinated approach.

The number of times when members of the House of Representatives who are the Chairs and deputy Chairs of the House of Representatives committees get together to talk about their work is infinitesimal. Meetings where senators and members whose committees cover the same subject areas get together to work out a comprehensive scrutiny package are almost non-existent. Likewise in respect of the staff of those committees: there is some liaison, some interaction, but really we are operating as two separate, and I would argue uncoordinated, chambers.

I am intensely aware of the integrity of the individual chambers, and especially that of the Senate; but I do believe we can do a lot more to work together to develop that scrutiny package. That is the essential proposition that I want to advance today. The very fact that we are focusing solely on estimates committees today, and perhaps not looking to this wider question, is indeed a reflection of the kind of approach that has been operated in the past. Having said that, let me say that, in working out where we go and how we reform the parliamentary scrutiny process, there may well be room for disagreement. Inevitably, there will be disagreements between us.

Senator Coates, in his committee's report and today, has advanced the proposition that the committees of the Senate ought to be looking at annual reports of departments, and I can see the logic behind that argument. But I want you to think at the moment how many members of the Parliament actually focus on the key questions of performance of departments. In essence, you have two-thirds of the elected members of the Australian Parliament who do not come within a country mile of focusing on those performance questions, because they are not involved in the estimates: they are members of the House of Representatives, and they are looking at other areas. So I think it is very important to reform the process so that it involves members of the House of Representatives much more in thorough scrutiny of government departments. I advance as a tentative proposition that the annual reports scrutiny could involve them in some way in that process. At the moment, House of Representatives committees cannot



initiate their own inquiries, and there is a great need for reform in that area to give them the power to do that. I am totally confident that that will happen, because of the push from within certainly the back bench of the Government, but I would hope also the Opposition, to give those committees a greater role. Thus the central thesis.

The other part of the proposition that I am advancing today is that it is not only Parliament itself which has to reform to give greater scrutiny, it is the Office of the Auditor-General. The Auditor-General has spoken today about the Public Accounts Committee report. I do not propose to elaborate at length on that, except to say that if we are looking at this crucial area of performance, one of the findings of the Public Accounts Committee report on the reform of the Audit Office was that it would take 40 years for the Audit Office to conduct an efficiency audit of all large government programs. We all know what happens in 40 years, and I doubt if too many of us will be sitting round this table then, or whether too many of the programs currently in existence will still be in existence then. Our report was very much saying to the Audit Office: 'We want you to focus on performance questions. We want you to be keeping up with the rest of the world where according to our analysis, comparable audit offices were conducting something of the order of 10 times the number of performance audits conducted by the Australian Audit Office'. We are very much in tune with that approach. Suffice it to add that the Auditor-General has given what I describe as ringing endorsement of those reforms. He is fulfilling his part of the bargain his part of the reform process. The independent auditor, the Auditor-General, has given substantial support to those reforms. The editorial writers of just about all major Australian newspapers have given support to the reforms that we have put forward. It now remains a matter for the Government to respond to that report, and I place considerable importance on that response. I am totally confident that, whether it is in the short term or the long term, the reforms that we have advocated will be implemented because they are in essence what the Parliament and the public will demand.

In the limited time available to me, I would like to make a number of other comments. One of them concerns the response of government departments to parliamentary committees. I thought, if I may say so, that Mr Kerr's question was sensitively asked. It is a very important question that confronts all of you, and certainly is one that we are intensely aware of. It is: What approach should public sector managers adopt before parliamentary committees? I can understand the dilemma that some people might feel they are faced with. His comments sent me scurrying for the *Government Guidelines for Official Witnesses before Parliamentary Committees*, where I searched for some guidance on this question. The closest I could find was the recognition in point 3 that 'Parliament is entitled to be properly and adequately informed on the operation of the executive'. It is difficult, when passing comment in this area, not to become subjective.

We in the Public Accounts Committee and to a similar extent estimates committees often, of necessity, are conducting different kinds of inquiries from the inquiries that are conducted by some other standing committees of the Parliament. Our job is to be pretty tough; we are not there to be loved. We do not want to cause offence, we do not want to get offside with people, but our job is not to be liked. Our job is to do our best, acting with integrity, to achieve the accountability that the public deserves. Let me say, as a very honest and open comment in a gathering like this, that I have seen the very best and the very worst in the performance of some senior managers. When departments do well we try to say so, as we did with the response of the Department of Community Services and Health in relation to our therapeutic goods inquiry: the information they provided to us and the great job they did in putting legislation together and getting it into the Parliament as it is now. But on other occasions, getting information from some senior managers has been a painful and deeply distressing experience. Senator Bishop and I are poles apart; I am committed to a strong and substantial public sector and Senator Bishop has very different views about the size of the public sector. We differ in, I think, just about every approach to a whole range of policy questions. I can say here that one time we are shoulder to shoulder is when Senator Bishop, in the context of her responsibilities as a senator and a member of the Committee, acting in a bipartisan way as we do, asks a straight question of a senior witness before the Committee and there are evasive answers given that simply do not answer the question I believe in many cases deliberately. There is only one possible response that I can have to that if I am to have any integrity, and that is that the answers must be given. That is what public accountability is all about. Let me quickly respond to the very legitimate point that was made that sometimes members ask dumb questions, sometimes they ask the wrong questions, sometimes they are fallible, they try to score political points when maybe we should be looking at the high moral ground. That is democracy; sometimes it is wrong and we should try to make it better. But another problem that members have in asking questions is, of course, that the staff of parliamentary committees usually is exceptionally tiny. I often think it quite remarkable that when, for example, the Public Accounts Committee is examining the Department of Defence in relation to their

management of their explosives there are literally 35 to 40 senior Defence witnesses there dealing with a subject area that they deal with as a very substantial part of their work. On the other side of the table are members of the parliamentary Joint Committee on Public Accounts, who have no past expertise on this. We are backed up by one single research person who might be sitting beside us, and it is tough it is really tough to get on top of some of these subject areas. So if on some occasions we do ask the wrong question, you will understand that that is part of the reason.

Also, another part of the reason is, of course, the massive workload on senators and members. I know you have busy lives and other workloads and other demands that is all understood, but remember that parliamentarians usually arrive here at 8 o'clock in the morning and do not leave before 11 o'clock at night, at least. There are electoral offices to be run. My life revolves around Apex, Girl Guides, Boy Scouts, P and C bodies, and the Public Accounts Committee forms that part of my life. In this open workshop environment, I think it is important that you understand the competing demands on members of Parliament as well.

Let me finish with two things: I do not run away from the fact that sometimes what might be perceived to be procedural or process matters can be the subject of legitimate parliamentary inquiry, and I understand that from a public sector manager's perspective the issue of consultants is an input. It is something that you may not necessarily think is anything more important than how many pencils you use, but I put it to you that there can be other considerations that warrant parliamentary attention to those sorts of matters. For example, there may be significant public interest in the area. If there is public concern about an issue, I hope that you would be pleased that our democracy would respond to those public concerns, input though it might be. It may be I will stick with the consultancy issue that there are other policy issues involved. It may be that there is some broader public policy issue why the public may wish to focus on this question. What about, for example, the issue of deskilling of the Public Service? There may or may not be substance in the concern that is expressed, but it is a legitimate concern and one which I think Parliament can properly look at.

The issue of the terms and conditions of appointment of public servants and the monitoring and assessment of their performance, is relevant material. The idea of a Public Service consultancy, one for which I have some considerable sympathy, is another legitimate source of public inquiry. So I do not run away from looking at what might be thought by some to be processes. Finally, let me not end on a pedantic and low note, but I would be remiss if I did not say that legal compliance by Government departments and statutory authorities is an issue which, as I have said on other occasions, is non-negotiable. How can we live in a society and expect the rule of law to apply, and have the expectations of members of the public who are all required to obey the law, if when the Parliament comes across examples of Government departments or statutory authorities breaching the law, it does not take a strong stand? I think it is a very important issue. I hope those remarks have been of assistance.

**Ms Lynch** Would you mind if we postponed discussion of the issues raised until a little later? The Senate, with its glorious unpredictability, is sitting today. Senator Peter Baume has a commitment in the Chamber related to the ATSIC legislation, so perhaps we will leave the discussion. I now invite Michele Cornwell to introduce our next series of speakers. Thank you very much for your attention and I thank the speakers on behalf of you all.

## Session 4

### **The Role of Opposition Senators - Politics or Auditing**

**Ms Cornwell** The principle underlining the estimates committee process is that it provides an opportunity for all senators to be involved in scrutinising government expenditure. However, the reality is that, with the strong party system we have in Australia, it is really the Opposition members who make maximum use of the opportunity, by detailed questioning of Ministers and departmental officials about matters connected with the spending of taxpayers' money and by scrutinising the efficiency, the effectiveness and the economy of various government programs.

To give you more of an insight into the Opposition's view of the estimates committees, I would like to introduce two senators who play a very prominent role in the estimates process. The first is Senator Peter Baume. Senator Baume has been a strong advocate of the need to improve the quality of budget information supplied to estimates committees. Some years ago, he was Chair of the Social Welfare Committee which produced the report, *Through a Glass, Darkly*, in which the concepts of program budgeting and performance indicators – all of which we are very aware of these days – were promoted. Ten years later, he is still an ardent proponent of these concepts and spends a great deal of time following up these issues with various departmental officers at the estimate meetings. Senator Baume is presently a member of Estimates Committee F and frequently participates at meetings of other estimates committees.

**Senator Peter Baume** It is true the Senate is sitting. There is a terrible squeeze on, because the business before the Senate is going to end any moment and I will have to get up and run, because I am next. Three hundred years ago, the glorious revolution occurred and last year we celebrated the tercentenary. Either it was incomplete, or we lost it. It was supposed to be a battle between the Crown and the people and it was supposed to have ended with the people being dominant and having power over the Crown. It does not work that way. I will give you an example. This Parliament has never resolved its own funding. The funding of this Parliament is totally dependent upon the executive of the day. The Parliament can only get its funding by way of an Appropriation Bill which has to be initiated by the executive. If Robert Tickner is in the processes of reform, this is one thing he might care to get interested in. Sooner or later there will be a crisis. There is a time bomb ticking away and sooner or later the Crown and Parliament will come back into conflict. Tension between the executive and the Parliament is as old as humankind. Originally, the battle was with the Crown, represented by the absolute monarch. Now the battle is with the executive and you, ladies and gentlemen, are part of the executive. The problems are the same. The Crown, the executive of the day, is seen as secretive, dishonest, misleading, autocratic and arrogant. To be fair, you operate in a completely different culture, a completely different world view and quite often people cannot understand what members of the public are trying to say when they complain.

Parliament, apart from its funding, actually has all the power it needs to assert its role. The problem is Parliament does not use the power it possesses. It is no good people saying that Parliament should have more power to this or that. Let me come back to Robert Tickner's example. There is no reason at all why the House of Representatives cannot alter the form in which references are given to committees. The power is there. The question is to overcome the other great barriers, which are party discipline and party patronage. But we have the power and we will have to address, sooner or later, the willingness or not of parliamentarians to use the power they have to carry out their job. The Parliament has developed some useful tools among which we would include the estimates committees and the estimates process. This is particularly true of the Senate, because the Senate is the House of Parliament in contrast to the House of Representatives, which is the House of the executive. Each of them is a proper chamber, but if you want parliamentary debate you go to the Senate. For example, all the theatre is in the House of Representatives, whereas all we do in the Senate is bring governments down.

What the Senate estimates do in theory is simple enough. I notice, on looking around the room, very many of my friends and jousting partners here, so I need not tell you what we do. But what we actually do is we question Ministers that is to say, we question officers in detail about the purposes and backgrounds of the six Appropriation Bills each year. We do not include questions about the Supply Bills. When Reg Withers, a very wise man, was the Leader of the Government in the Senate, it was six Bills, whereas now it would be eight. In those days, he said, 'Give me six Bills a year and the rest is cream. Just give me the four Appropriation Bills' as they were then 'and the two Supply Bills and you can argue about the rest'.

In fact, it is not a bad thesis. We at least examine what are now six Appropriation Bills. The hearings are formal. The Senate allots time for the process. Ministers are expected to attend. Officers are expected to answer questions of fact, but not to answer questions of policy and may I tell you I have no difficulty at any time in converting questions of policy into a series of questions of fact, and neither should anyone else. Departments produce detailed explanatory notes, which are very good and getting better, and departments that produce poor notes need to think about this. The *Hansard* is kept, and the hearings are public. We all know those sorts of things. The other place has no similar provision. It has what it calls an estimates examination, which is really a series of mini political speeches. I am interrupted by the bells for a division: senators have to go.

### ***Short adjournment***

**Ms Cornwell** Do we have any suggestions as to how to best occupy ourselves until the senators return?

**Mr O'Keefe** We have about 75 minutes of discussion and crypto-discussion later on in the day. Perhaps we could introduce a little of that now, in the absence of our parliamentary colleagues, and shorten it correspondingly. When they come back, they can carry on with their remarks.

**Dr Uhr** Perhaps we could go into an open session with answers without questions, instead of questions without answers. Seeing we have a *Hansard* record, we can just table them for the senators to pick them up later on, and they can mail the answers back. I think you have had enough from this end of the room for the moment: I would rather see it flow open, and have our two panellists representing the scrutineers respond to the questions and issues that are raised on the floor, if that seems legitimate.

**Mr O'Keefe** Maybe I could start it off, and obliquely to what Mr Tickner or Mr Taylor said offer a comment to you which I previously gave to one of the participants. It is a polemical point that, as a result of the changes coming from the new managerial ethic, perhaps starting around about 1983 or 1984, the relationship between the Parliament and the Public Service — particularly the Senate and the Public Service — has begun to break down, because of the increased mobility of public servants who previously used to appear regularly before Senate committees, and particularly Senate estimates committees. What I am saying is that there has been the beginning of a breakdown in the personal relationships and the personal dimension between the two partners who make up parliamentary government: on the one hand the parliamentarians, on the other hand the Ministers and the public servants. I wonder whether anyone would be prepared to comment on that. You are moving so rapidly through different portfolios that it is difficult to establish face to face and personal relationships with senators on a long term basis: to re-establish or initiate that trust that is essential, and which Senator Baume was saying does not exist.

**Mr Taylor** If I could be allowed to make the comment, *welcome to the real world*. It is not easy for us trying to run our own programs with people changing. Leaving aside my ultimate client, the Parliament, my clients complain because they see a new face every time there is an audit. This is just part of modern society. It is not a very positive answer, I am afraid, but I do feel for the people trying to implement policy and administer it.

**Mr Enfield** The point you make about relationships between public servants and parliamentarians in the past is not really a valid one. John points to the turbulence that is taking place now. I do not think it is all that much greater than it was in years gone by, but I do think that some themes have come out of the discussions today that really should focus people's attention. The first is that I think there is a lack of definitive definition of the objectives of the parliamentary committees and of the interrelationships between them. I think Senator Coates brought that out. There seems to me to be a lack of clarity in the relative roles and responsibilities of parliamentarians, the executive, Ministers and officers. I think Alan Kerr's contribution pointed out that many of us were brought up in a certain set of beliefs about those relationships. I think they have changed, but I do not think any of the parties have understood and acknowledged that they have changed, and attempted to formulate and formalise them in any way.

The third point I would make is that quite clearly we do need to be understanding and not too thin-skinned about the political nature of the process, particularly the Opposition members. I do think, however, that Mr Tickner's analogy about the relationship between public servants and parliamentarians, and parliamentarians and the public, is not a precise one. Public servants cannot respond to public criticism or to criticism by parliamentarians in the same free and easy way in which a parliamentarian can, either under privilege in the House or in the media. Finally — again, I think Mr Tickner exposed this — there is, it seems to me, a lack of adequate guidelines for officers appearing before parliamentary committees, and this is something to which attention should be given.

**Mr Argy** I would like to react to a comment Mr Tickner made that some of the officials are a bit evasive in answering questions. I think it is true that most of us, if not all of us, are extremely eager to cooperate and answer questions as fully and informatively as we can, because we have a very deep respect for the Parliament. But some of the questions we get require a lot of fine detail and they also involve policy judgments. They are quite complex, and they are all put to us in a fairly confrontational way. I wonder whether it would help the process since, after all, the aim is to get an answer that is effective and as full as possible, if there was more resort to putting questions on notice to officials before they appear, so they know what kind of questioning they are going to get and they can adequately prepare for it.

**Mr Tickner** I want to make it clear that I have seen the very best and the very worst, and this is where we can wear our own private political hats. I have a bias towards the public sector and good personal relationships, and I start from that basis. Let me say first of all, in relation to the examples where there is a lack of cooperation, either deliberately or negligently, that I want to reinforce the point that parliamentarians would be remiss in their responsibilities to the public if they did not come down hard in

those sorts of cases. I have some sympathy with the view that there can be questions placed on notice in appropriate cases where the information would be forthcoming; however, that does not necessarily resolve the problems. Members of the Public Accounts Committee are aware of cases in history where questions were placed on notice and information was provided, and discussion then took place within the Committee on the information provided by senior officials who had literally not read the material they had provided. It is probably worthwhile giving examples of the things that I am talking about. For example, the House of Representatives Committee on Legal and Constitutional Affairs has not had happy dealings with the Attorney-General's Department in relation to its inquiry into the regime governing Australia's external territories. Information was sought from the Department by that Committee, and despite meetings with very senior people in the Department and persistent written requests for the information, some five or six months later it had not been provided. In addition, in the course of our inquiry in relation to Veterans' Affairs hospitals, as Senator Bishop would recall, halfway through the inquiry we found that there had been some special reports prepared reviewing the very area, or part of it, that had been reviewed by our Committee.

Those sorts of cases, unfortunately, do happen quite a lot. I could show you some cases in the transcript where attempts to get answers to questions have been met with what I consider to be, in these specific cases, deliberate attempts to avoid answering the question. I think that clarification of this point and a reinforcement of the requirements, the obligations and the duty of people to respond accurately and comprehensively to questions asked by parliamentary committees is one that probably needs to be reinforced.

**Ms Cornwell** We will come back to our program, and I reintroduce Senator Baume.

**Senator Peter Baume** On a RAAF plane three or four days ago a member of the House of Representatives sat next to me and used the time to Sydney reading Senate estimates *Hansards*, making the point that he was a shadow Minister and that things he needed to know are contained there and nowhere else.

I want to spend a little time talking about what might be the role of officers who have to attend Senate estimates hearings and what are some of the rules for senators. First, may I say to you that every senator is entitled to attend any and every estimates committee. We have a set membership as the core membership, but other senators can, and do, wander in and out. If any senator is briefed about a particular scandal, problem, disaster, or whatever it might be, that senator is entitled to attend and ask questions and, of course, senators do. For two or three evenings I sat in on a committee of which Senator Bishop was a member. It was, in fact, the Department of the Senate a couple of weeks ago.

Let me take officers: You have been asked the question, 'so where does your duty lie? Is it, as a professional officer of the Public Service, to your Minister and to your Government, or is it to the Parliament?' If the question arises and the choice has to be made, your duty is to the Parliament. I might suggest that officers, first of all, try to anticipate the questions. Many of them are quite predictable and it is quite surprising when some officers do not have prepared answers to questions which they should have expected. Michael, you would have seen that the other day: some of your officers should have anticipated some of those questions and did not.

Secondly, the answer should be brief. The number of officers who talk themselves into trouble is legion. If a brief answer will do, give a brief answer and then shut up, please. Tell the truth because it is usually quite unnecessary for it to be revealed by a line of questioning that the officer has not told the truth. If there is a problem, it is the Government's problem. Having done all that, of course, you must try to protect the Public Service and the Government which you serve.

Another thing that officers might think about doing is speaking to members of the estimates committees before or between the scheduled estimates hearings. Patrick Hunt could tell you a story about some rather terse questions we had about a year ago about performance indicators. His response was to arrange a series of meetings in the months following the estimates, at which we were able to talk about what was worrying me and he was able to talk about what the Department was trying to do. That is remarkably helpful and, as a process, I commend it to you.

From the point of view of senators, it is worth saying a few things about what senators should do and might do — it will help you to become more powerful in dealing with the estimates. By the way, many

senators form their views about officers from the performances they see at the estimates examination. The first thing senators should do is to read the explanatory notes and prepare their strategy. Of course, many do not, but it is a good idea to do so. Secondly, senators should never go fishing, but many do. I actually believe that one should know the answers to all substantial questions before one asks them. I certainly try to do that to have the answers ready. You should try to identify which senators do that. It is very helpful to know if they already know the answer.

The senators should ask short, explicit and single questions, but many senators do not. I know at least one senator who asks seven or eight questions in one go. All the officer has to do is select from those seven or eight questions the one she or he wishes to answer, and ignore the rest.

We should remain absolutely silent on all matters upon which we do not wish to make some major input. I want to say to officers who worry about the fact that we sit silently through many important parts of your department that we do it deliberately. If I do not have any questions on housing, I will not ask any, but it does not mean that I am not interested, or that I have not read the estimates document. There is no point asking questions just for the sake of having something appear in the *Hansard* record.

Some of the officers, and many of the people here whom I know, have been present at the estimates and will know that one can run a single issue every now and then. Last year, with the Department of Community Services and Health, I was able to reveal that a prohibited product was being smuggled into Australia by some unscrupulous doctors that was a very useful exercise. By getting it out in the estimates, not only did it receive publicity, but it was fixed. So there is a point to running particular exercises. A week ago I had occasion to draw attention to the homosexual gentleman who was admitted to the Royal Canberra Hospital. The Royal Canberra Hospital is very embarrassed and something will be done about that. One can run single exercises if one wishes, and it is not a bad idea to do so, at the same time shutting up on other things and then to ask other questions, as one needs, to elicit information.

Further, it is not a bad idea for individual senators to develop themes which officers can expect, so it is no surprise to some department that I ask a few questions about program budgeting and performance indicators. I have had a lot of trouble. For example, Michael Roche has had to sit there while I have asked the people who run his national campaign against drug abuse, 'What is it producing?' or 'How do we measure what it might be producing?'. They flounder all over the place. I am really very reasonable: 'Is it producing anything?' It is very awkward, but they should at least prepare something. If you knew the people who were going to come to your department for example, if you knew that Bob McMullan was always going to ask questions about bus stops, or something you would prepare something about that, would you not? So just work on the people and do not become a department renowned as one which responds with what we in the military used to call 'dumb insolence'. It generally just makes people redouble their efforts next time around.

May I commend those departments that send their permanent head to chair the questioning. I am not in any way denigrating the capacity or the performance of deputy secretaries. But it really was impressive to see Derek Volker bring Social Security, and not only to bring them but to handle all the difficult questions and to try to take the flak. It was also quite apparent that he was learning a lot of things about far flung hidden recesses of the Department that he would not otherwise have learned. You cannot tell your permanent heads this, but if it ever comes up in discussion, it is something that is noted and appreciated very much.

There is a different role for senators who are members of the Government from the role played by senators who are members of the Opposition. I think that has been referred to already. Government senators, to some extent are there, unless they are maverick senators, to protect the Government and to ask very few questions. That does not mean they are not interested, but it means that they regard the estimates procedure and the estimates examination as an opportunity for Opposition questioning. They are also there to make sure that the Government maintains control, as it always has the Chair, and to make sure the Government has the numbers should there be some procedural problem.

I will end by making a couple of observations. The estimates are relatively recent in terms of the history of the Australian Senate. They continue to develop and they continue to evolve. The estimates this year are different from the estimates two or three years ago. They will be different again two years from here. The estimates are different because the Government has decided to move to program budgeting. Thank goodness we are no longer asking about paper clips, indoor plants or tea ladies. We are actually now at

the estimates asking some questions about programs and what programs might be doing or not doing. They will continue to evolve.

I will then end by reiterating and reinforcing something that Robert Tickner said: one of the problems with the Parliament, one of the really deep problems, is that it represents the people of Australia. This should cause you grave concern. It means that bigots have a place in the Australian Parliament. People who are lazy have a place in the Australian Parliament. People who are ignorant have a place in the Australian Parliament and they are all there. People from different walks of life with different world views and some of them ...

**Senator McMullan** And some of them are all three.

**Senator Peter Baume** And some of them are all three. Good on you, thank you. And this means that the performance you will get from the parliamentarians will be extremely variable. That is one of the prices you will pay for living in a democracy. So I will end up by saying that as a member of the Opposition I welcome the chance to serve on estimates committees. I welcome the opportunities it gives me to learn about what is really a very complex operation through the Public Service, to get some chance to admire the professionalism of the Public Service, but to be driven to despair sometimes by the inability of the Parliament to get answers to questions to which it is properly entitled. I come back and say, do not forget that the glorious revolution is either incomplete or has failed and those of us who are in the Parliament have to worry about that in the years to come.

**Ms Cornwell** Thank you Senator Baume. I would like to introduce you to Senator Bronwyn Bishop. Senator Bishop is shadow Minister for Public Administration, Deputy Chair of the Public Accounts Committee and a member of Estimates Committee A. During the current estimates process she has received considerable media coverage for a number of issues that have come out of the probing questioning that has taken place. I would now like to invite Senator Bishop to address the group.

**Senator Bishop** Thank you very much. I thought I might at the outset say that, on 27 September last, I think perhaps one or two of you might have been there, I presented a paper to the Canberra Branch of the Royal Australian Institute of Public Administration entitled 'Public Administration - A Sharpening of the Focus'. Basically, it contains a solid expose of some of the things that I might touch on this morning; so should you like a copy of that paper we can make copies available through my office, or perhaps through Ms Cornwell.

I was interested to listen to the earlier presentations. I enjoyed the analogy that Dr Keating drew, which I might paraphrase as the 'Watchers and the Watchees'. Dr Keating, perhaps, is the major watchee. Peter Baume and I have drawn similar analogies about the problems with democracy. It is like that old analogy that says, 'I could run a very good hospital if it was not for the patients'. The Parliament is very much like that. But there are some specific examples I would like to deal with to illustrate why I will say right from the outset, that I find misleading. The current thrust, both from the executive arm of the Government itself and from operatives within the Public Service is to try to make some artificial distinction between process and outcome, and to laud one and vilify the other. In my view, if the process is improper or corrupted, then very simply so is the outcome or the result. To try to distinguish and separate the two, and say you only need to look at one and not the other, is artificial and misleading: it does not assist in the process of accountability.

We have also heard this morning a lot of discussion about the role of policy making, and the correct degree of scrutiny which the estimates committees ought to indulge in - which the Public Accounts Committee and the Regulations and Ordinances Committee also undertake. I have no problem with the proposition that governments are elected to implement their policy: they have the right to set the policy and to say, 'This is what we are going to do'. It is then the job of the Public Service to ensure that that policy is carried out in the most efficient and cost-effective method that can be done, and that is indeed where the scrutiny comes in.

I might give a couple of examples that have come through the recent estimates hearings. The first one that I might deal with is the question of the outcome of a department selling a computer. The outcome is that an obsolete computer was sold, but the process - how the money was treated - is very important. We heard evidence in Senate Estimates Committee A, that in the Department of the Parliamentary Library, in PISO, so-called obsolete computer equipment was sold for \$88,000. We heard that that money was placed



into what I termed a secret account: in other words, it did not go back into consolidated revenue. We heard evidence that one particular amount of that money had been paid to the Hilton Hotel in Sydney for four individuals who are employed in that department in Canberra to attend a workshop in that hotel. We heard that about one quarter of that money had been expended, but nobody quite knew how. We also heard that the first knowledge that the departmental head had of that was in July, but our good friend the Auditor-General was not called in till September. The Auditor-General is conducting, or has completed his investigation into this matter, and we have an undertaking from the President of the Senate that we will have access to that report as soon as it is available – as soon as it is handed over. I have endeavoured to make inquiries today to see whether or not that report is ready for us to look at, or whether or not we have to await the return of the President. You see, it is the process that makes the outcome improper; and unless some information had not come to me in the manner in which it did, and unless I had used the estimates committees and hearings for the purpose of finding out whether what I had heard was in fact true, that account would have remained secret. You might say that \$88,000 is not much – it does not matter much – but to me it matters a lot. If you listen to the ICAC hearings in New South Wales and you listen about the evidence concerning another Commonwealth public servant, you will find that for \$20,000 he was apparently very easily tempted. So it is not the amount of money that makes temptation for people; it is the fact that it is there and it is available.

If such an account and such occurrences as we have seen with regard to this department here in this place, or with regard to the information that has been given to the ICAC – and it does affect the parliamentary operations here – are not identified, they continue to go on. There has been a great feeling – a myth – that improper behaviour only happens in local government and State governments, here we are all somehow immune to it. I think the rationale very often was that there was not much opportunity anyway so it was really not worth worrying about. But when you realise that there are 3,500 public servants who are each year spending a total of \$8 billion, for the procurement of goods and services, and when you read statements that come out of the industry, for instance, in the computer area, which say that the Canberra public sector is the greatest market for the selling of computer hardware and software in Australia and they have to expend a lot of money to get access to that market, you also realise that the scrutiny process does not need to be made lax but needs to be tightened up.

Another example that I might give you about why it is necessary to sometimes ask the question more than one way again came in the hearing of Estimates A concerning the Department of Industry, Technology and Commerce. There had been a newspaper article written concerning the performance of three partnerships in development. Any of you who are interested in this area would know that both the Public Accounts Committee and I myself, in that capacity, and in the estimates have been particularly interested in the policies about offsets and partnerships in development. My concern and my probing, if you like, does not suggest that there should or should not be a policy that says that we will have offsets in partnerships and development – that is a decision that we can or cannot make according to our being in government. In other words, the Government is entitled to say, 'We will have a policy in those areas'. What I am entitled to ask is whether or not that policy is then administered in the interests of the tax paying Australians, or is their money wasted?

So let us look at an example and one series of questions that took place. We looked at a particular offsets agreement in which there were some \$40 million worth of outstanding offsets which had not been discharged over a period of years. In a Public Accounts Committee hearing I had been able to ask questions which had established that a scheme had been put in place that would enable some \$4 million to be written off as obligations met, but still not one single export had occurred. I then asked, when we took some evidence that a particular offset had in fact been extinguished and a value had been placed on that, how the Department arrived at placing that value on that obligation being extinguished.

The answers came like this: Here is the company which is overseas based. It supplies technology transfer to company X, which is an Australian company, and company X tells the Department that the value of that discharge is Y dollars. I then asked the Department: 'How did you establish that that is a fair and reasonable estimate? Did you go out and get extra corroborating evidence? Did you just accept it?'. The answer was, 'Yes, we accepted it'. I asked, 'Where did company X get that valuation from?', and the answer was, 'From the overseas based company'. So here you have in place an overseas company with an obligation to discharge its offsets. It places a value itself on technology transfer, and the Australian company accepts that value and passes it on to the Department, which says, 'Yes, that will do; that is terrific'.

Similarly, we had a question that related to a press release that was put out by the Minister, concerning the value or the performance of three partnerships in development. By going through the annual report relating to offsets, I discovered that there was a commitment there to set up specific auditing of these partnerships in the pilot audit. So I asked questions about the pilot audit and when it had come in. It was at a time close to the release of this press release and the story was that advice had been given to the Minister that, if he couched the press release in a particular way, he could disguise the fact that people were underperforming. That was the allegation. It was in the course of evidence that we actually discovered the person who wrote the memorandum, who wrote the advice. I asked him the question: At the time that you wrote the memorandum, did you have the reports from the pilot audit? Answer: no. So I asked again: At the time of writing the memorandum, did you have knowledge of what was in the report of the pilot audit? Answer: yes. Had I simply given up on the first question and said, 'He did not know so it is not relevant', a totally different complexion would have been put on how that advice was given and whether it was proper advice and how it was followed. It is not for me to go through today what conclusions will be drawn from that, but I will go to the next step. I am addressing the question of how that information is used. You heard criticism from Senator McMullan earlier today that we engaged in duplication of function. He said that we asked questions in the estimates and then we redealt with material in the committee stages of the Appropriations Bills. Yes, we do. But it is exactly in that second series of debates, where you actually have answers to questions that have been taken on notice, where you have information that has come to hand, where you have the opportunity to go away and compare it with other issues and bring it back, that you have the opportunity to test it further. That process does have to be repeated.

One or two other points that were made this morning and that I think are worthy of being commented on are the slogans of the day: 'let the managers manage', 'value for money', 'can do' and 'should do' management, 'risk management'. They have become catch cries but I am not terribly sure that they mean the same things to different people. A 'can do' manager, I suspect, would be the person perhaps who sold the computer equipment and set up the account or perhaps somebody else set up the account. He decided to sell the equipment and the money did not go off to consolidated revenue because perhaps a decision was made that the money could be better used in the interests of the Department. I do not know; we have yet to see the report. 'Should do' management would be perhaps the management that says, 'If we sell that equipment, then the money must go back in accordance with the regular processes'.

Senator McMullan, I think, and also Senator Coates were obviously speaking as senators who are in government. It is interesting that in the Senate this morning we have had a motion moved by Senator Chaney which arose directly out of the hearings which were held by Estimates Committee B on Wednesday, 11 October, dealing with air safety. On that occasion it is not for me to go through the whole of it Senator Coates was in the Chair and there were questions that Opposition senators wished to ask. There was a question of whether or not the material was *sub judice*. The Clerk of the Parliament gave his advice that in fact there was no problem with *sub judice*. The Chair chose to rule otherwise, and indeed if you read the *Hansard* you can even come across passages where Government senators almost became witnesses for and on behalf of other witnesses who were not allowed to answer the questions which were put to them by Opposition senators. Senator McMullan said that the Government, despite the fact that it had the numbers, did not heavy estimates committees because otherwise they would pay for it in the Senate subsequently. That is exactly what has happened today. But it is important, I think, to realise that the function of government, as we know it in this country, is a system where you do have adversarial relationships between members of the Government and the Opposition. Government has the power to put its policies into operation; the Opposition does not. The Oppositions job is to test whether things are being done properly. In that sense it is to put forward its own propositions and hope to win on the next occasion in the other way.

To say that perhaps the committees of scrutiny should be conducted in a more pleasant way I think one or two people suggested this could be perhaps solved by serving cucumber sandwiches and tea and all having a nice chat. But I do not think that is really going to advance the question of scrutiny or the question of accountability. If the question of public sector accountability is not to the Parliament, then to whom is it accountable? We heard from Dr Keating about the new strategies with regard to GBEs, with regard to companies and statutory authorities and how they were being made accountable in other ways. I must say I find the process of setting up GBEs and I will use that as the generic term is simply a method of pushing them off budget and pushing them away from scrutiny. My answer is: if it is a function better done like a private company, then make it one and put it into the private sector privatise it.

But whilst it is government money and while it is government money that is being expended, then it must be to the Parliament that it is accountable and the degree of accountability is different from that in the private sector. In the private sector you have shareholders and you have a market. When you choose as a shareholder to invest your money, which you have earned, into a company, it is your choice. And if you do not like the way the company performs you sell your shares. If the market does not like the way the company performs it marks its value down. But in the public sector there is no corresponding mechanism. When the taxpayer's dollar goes into an enterprise it is taken from the taxpayer compulsorily by the taxation system and it goes without the taxpayer's knowledge or specific approval into an enterprise and it is then spent according to the ability of the people who are in charge of that enterprise.

The only way it can be accounted for is via the Auditor-General and our report said that the Auditor-General ought to maintain his role as the principal auditor of those organisations. If he wants to use the private sector, then bring consultants in via contract. But he is the link between public sector enterprise, if you like, and the Parliament and he is an essential link. He has a very difficult role because he has to be the policeman, if you like, and he cannot, when he comes in to audit somebody's books, he does not come in as a friend, he comes in as that fellow who is going to scrutinise what we are going to do. In a way, he wears the same difficulties that we wear, and yet he is an integral and essential part of that process. That is why the Public Accounts Committee was so concerned that it is the executive arm of government that sets his resources and determines how well or how badly he can do his job. Senator Baume alluded to the difficulty that the Parliament has in having the executive arm of government set how we are funded. During the estimates committee, when we were dealing with the Department of the Senate, I did ask the Clerk whether or not the situation could arise where the Senate could simply not carry out its committee work because the appropriations were simply not large enough to enable that work to be done. We got an affirmative answer to that question. It has not happened; but the point is that it may happen sometime in the future.

Finally, I cannot believe for a moment that there is any less talent, skill, wish to be recognised, or ability in the public sector than there is in the private sector. It is just that the method of measuring is a different one. The way the public sector is presently structured, I think, gives very little opportunity for people who do very well at various levels in the public sector to have that skill and accomplishment recognised. I think that must be very frustrating. When we are looking at reforms in the area of the public sector, that particular aspect has to be looked at very carefully. Unless you are getting the best out of people who make up the work force of that sector, then the people of Australia will be poorly served.

The committees of scrutiny are adversarial in many ways, and the environment is confrontationist, if you like, from time to time. Although there are times when the information that is given is interesting and there is none of those vibrations at all. But all those things are true. Despite the fact that the Auditor-General has to be regarded by some people as a black hat, the system can only work if the link between the expenditure of public moneys and its administration, and the Parliament is properly served by the committees of scrutiny. The better informed, the better advised and the better researched the members of those committees are, the better will be the information that passes and, again, the better the people of Australia will be served. Thank you for letting me say a few words.

## Session 5

### Sounding Off and Rounding Off

**Ms Cornwell** Thank you both, Senator Baume and Senator Bishop, for your most interesting presentations. There have been a number of provocative comments made. Would anybody like to follow through on some of those issues?

**Ms Turner** I would like to make a comment in relation to the topic that we have here on the politics of auditing and the way we regard that Aboriginal Affairs has been treated in Senate estimates in the last couple of years. Some of the interesting things have been the public pronouncements that have been made a big deal of in the media: allegations in relation to the black Mafia; nepotism; corruption and those types of allegations, which caused a great deal of pain, and which have been found to be totally unjustified. The use of a forum like the Senate estimates and the involvement of the media in that process, I guess, raises some questions in terms of confidence. We want to be able to demonstrate professionalism in relation to the Department's abilities to account properly for its activities but, on the other hand, we are very concerned about the estimates process being used for these types of *exposes*. The other point I would like to make is the number of questions that are actually put on notice. There have been, in Aboriginal Affairs, several hundreds of questions, all, I think, from the Opposition members of the Committee. Another observation concerns the very quiet role of the Government members in the process. It appears to be a forum where certain Opposition senators one more so than other get right into Aboriginal Affairs and try to get what appears to be something on the Minister, rather than the Department giving a proper account of its role and so on. Senator Baume, as a former Minister for Aboriginal Affairs, may like to comment. Even though I am not putting a direct question, it just appears that there may be different levels of performance by the various Senate estimates committees. Some seem to stick to the issues; others seem to use them as forums for other objectives.

**Senator Peter Baume** Last time I saw you, you were a class 11 officer, so congratulations, Madam Deputy Secretary. There has been some substance to concerns about that particular portfolio area, and some justification for questioning. But the point of your question is that you think that, in spite of that, there are legitimate complaints about what you might call rodomontade in the nature of some of the questions. I understand that. You referred to some concern that the action of certain senators is resource demanding, with hundreds of questions. I want to say to you that there could, in any department, be thousands of questions on notice. It is evidence of the restraint which senators show, that many areas are left alone. In fact, what has happened to Aboriginal Affairs is just an example of what could happen to any department of state if someone decided to look into every nook and cranny. The last comment I make is the one that really goes to your question. The estimates committees are essentially political committees. It is a political arena and a political process. If there is a political issue running and a political agenda to be satisfied, that will appear in the estimates committees. It then provides a rather uncomfortable experience for officers of the Public Service who have to become part of what is, essentially, a political process. That is tough; but that is how it is.

**Ms Cornwell** Any other questions? Does anyone else want to follow anything through?

**Mr Kerr** I would like to pick up a point that Senator Baume made earlier. We took the opportunity this year, as we did last year, to offer a briefing to, I guess, the most active Opposition senator in the Senate estimates committee before the committee met, after the explanatory notes and annual report had been made available. That was very favourably received and, in fact, remarked upon in the estimates hearing as being very useful in focusing some issues that were then asked about in the Committee itself. I am interested in the views of any of the panel on that process. Senator Baume spoke, I think, about a post-committee briefing; this was a pre-committee briefing.

**Senator Bishop** Briefings can be extremely useful, unless they are used as a device. Sometimes that is attempted if people want to give you in camera or in confidence briefings, which is basically designed to lock the area up. A similar thing happens if you are particularly keen to get your hands on the document, and it is given to you in confidence. You are then in a bind about how it may be used. If a briefing on a specific point is sought, yes, it can be most useful. I can give an example of the degree of helpful cooperation that can come, with the new statement that is being made about Commonwealth superannuation. It is a very difficult area, and I particularly wanted to be more accurate, rather than less accurate, in my understanding of the new scheme. I was very pleased, yesterday, to have a briefing from the Department of Finance on that question. Briefings can be most useful in having a better knowledge base shared by members of the Parliament on both sides, and members of the Public Service. As long as they are given in that genuine way, and not used as a trap, they are useful.

**Senator McMullan** I think that the briefing process is a positive, and while the Committee system operates as it should, it is something that people ought to consider using more. Even more, it is a very good example to support what I heard of John Coates's contribution. I unfortunately could not hear all of it, but that we ought to have a continuing process of interchange and scrutiny, rather than two three-week bursts of insane scrutiny with an informal process in between in which the interested people do develop some sort of dialogue. I know that happens, and that is good, but when you have informal processes like that growing up to make the formal structures work better, it means that there is something wrong with the formal structure. That is what we are having: we are having informal structures growing up around this formal structure, to make it work and to accommodate it. That is good, and those informal structures ought to be encouraged, but we ought also to say that it indicates there is probably a defect in the structure, and perhaps we ought to change that as well: not to lessen the scrutiny, but to make it work in a more rational and continuing way.

**Mr Forrester** As Senator Baume said, public servants can have the heat put on them in these situations, because the forums are political. The observation I want to make is that over the past few years I have been involved in an activity between the Parliament and the Department of Foreign Affairs and Trade on quite a specific area. Robert Tickner knows all about it, and Senator Baume too. A very productive relationship has developed between the Department and the Parliament. That started off from a situation where the Department had a great many reservations and doubts about the activity; but it has developed, over the years, into a highly productive dialogue, of benefit to the members of the Parliament involved, of benefit to the Department, and also of benefit to that particular aspect of foreign policy. Therefore, I am very interested to hear this idea that there could be informal links between the Department and the relevant estimates committees. I think it would be a very positive development: it would enable a franker exchange between officials. However, I accept that come the day when we turn up in estimates committees, where the agenda is highly political, the heat will be put on us. I do not think that should deny the fact that these kinds of informal links can exist, and can be highly productive.

**Dr Uhr** I want to follow up one point that Senator Baume made, about the exercise being a political exercise. I would be very interested to get further comment upon this. In my introductory comments I used the term accountability trap, because I thought that, from the public official's point of view, one of the difficulties about it being in theory an accountability exercise, but in practise a political exercise, is that it is very hard to identify what measure of performance you are really being measured with. Once committees understand their task as political, it is very hard for public officials to work out which is the template of performance they have to try to measure up against. That is hard in questions; it is doubly hard once the committees split or publish reservations or dissenting reports. It is hard, then, to work out which is the voice of the committee.

**Senator Bishop** That is a simple one: the Government has the numbers. There are many instances when there has been material that has come out in the inquiry or the scrutiny that needs to be highlighted but, because it is not in the Government's interest to do so, the Government, having the numbers, publishes the report which it writes and it agrees to. Then, because Opposition senators do not agree, you write your own and then that gets published with it. That is the difference between the Public Accounts Committee, if I might say, and perhaps some others. As we have already pointed out, Mr Tickner and I come from opposite ends of the political spectrum and when we have a row it is a first class row it is a wonder you do not all hear it too. But there is a determination we have within that Committee that we do not publish dissenting reports and that in turn imposes a tremendous discipline on the Committee to find common ground that we can agree upon that is substantiated by the evidence that is given. That it may then be possible to go out and put different interpretations on sections of the report and remain true to what you believe is so, but it is a single report. Perhaps a good example of that, and there was much blood on the floor from time to time, was the Therapeutic Goods report, where we worked very, very hard to find something which, as a Committee, we could all agree with. Estimates committees are different from that.

The other committee that I serve on that also works in a bipartisan way is Regulations and Ordinances, where the Committee is looking at the scrutiny of delegated legislation in a bipartisan way. We have an agreement that if there is a political point to be made it is not made in the Committee, you get into the Chamber and do it. I think that the way those committees work to find that view needs to be distinguished from the work of the estimates committees which certainly do have a political nature. They must have a political nature, but are also genuinely seeking truth.

**Mr Skehill** Could I just comment on, rather than take issue with, the criticism that Mr Tickner made of our Department in relation to the Legal Regimes of External Territories inquiry. It is my belief that in that circumstance there was a deal of misunderstanding; whether our attempts to resolve that misunderstanding between the Committee and ourselves were successful can best be taken up in the Committee. We have found, over the last 12 months, that we have had a completely unprecedented level of involvement in departmental operations with committees of the Parliament, not just estimates committees but standing committees and joint select committees. I think if that is being felt in other departments they might, like us, have been caught a little off guard by that increase in the scrutiny process. What we are now seeking to do is to formalise internally a process whereby at the most senior level we monitor every committee with which we have some involvement. We try to meet with either the Chair or the Secretary of each committee with a view to getting a mutual understanding of what the committee expects of us and what we believe we can do to meet that expectation, although those do not always match. As I say, I think we have perhaps been caught off guard a little in that process because of that heightened scrutiny process over the last 12 months or so.

**Mr Tickner** Can I just respond to that. First of all, I thank you for that because the object of the exercise is to elevate the relationship between the Parliament and your Department and all other departments. That is what the agenda is, to elevate that relationship, and if greater interest has been taken in the higher levels of the Department in the work of parliamentary committees mission accomplished. But the pressure will be kept up to do that. I did not want to single anyone out; it was just an example. Secondly, I make the observation that people here, from the parliamentary perspective, despite very different politics and different personality approaches, are very much human beings. We see people around the corridors and at various functions, meetings and so on that have a very warm personal relationship with people who might have been the subject of vigorous questioning at committees. I think there is inevitably going to be that continuing tension. We are faced with the rather ironical situation in the Public Accounts Committee where if there is any department we have had a war with on various issues it has been the Department of Finance. We have been taking up issues in the public domain and elsewhere, yet the Department of Finance has seconded someone to work with our Committee. It is that level of professionalism by Dr Keating and others that I think is extremely important. As Geoff Forrester indicated, I am deeply indebted personally to Foreign Affairs for their outstanding record on human rights matters. They are matters which they would do well to highlight much more, I might say, in their annual report. But that did not stop the Public Accounts Committee from taking up the failure of Foreign Affairs to comply with the Prime Minister's guidelines for annual reporting. I just want to pour a bit of oil on the waters here in case you think the people up this end are all about inflicting pain and drawing blood, because that is not what we are about as people.

**Senator Bishop** I would like to ask a question about Attorney-Generals.

**Mr Tickner** Oh dear. Almost without exception!

**Senator Bishop** I will put it this way: I find some of the advice that comes from Attorney-General's variable in quality, shall we say. I wonder whether or not Attorney-General's suffers a problem in that many other departments seem to have set up their own legal advisers and their own legal expertise within their own departments, so that in a way they are competing with you for business. I wonder if that has had a morale effect, or whether or not it makes it difficult for recruitment. It seems to me there is a problem in there somewhere.

**Mr Skehill** That is probably one of the most fundamental questions you could ask about the Department at the moment. Going back 10 or 12 years ago there were virtually no in-house legal cells in other departments. For my sins, I set up one of the first in Business and Consumer Affairs and a number of other departments followed on. I think that that perhaps reflected a feeling in other departments that there was a less than fully responsive attitude taken by the Attorney-General's Department to the needs that other departments were perceiving at that time in what was a changing environment largely associated with the introduction of what is called the new administrative law. Over time a number of those cells have developed an impetus and growth of their own. Within the Department we have been seeking to strike a balance between what we can offer as a department to other departments, and the role that those individual cells can and should play.

The question of recruitment is a difficult one but I think not just for ourselves, but for those cells. There always has been a disparity in remuneration as between the public and the private sectors, which is more heightened now than it has hitherto been, and not just in legal areas but in other disciplines within the public sector. I think we are still working at striking that balance with those cells to ensure that appropriate legal advice is provided to government operatives, from the best source, at the right time, when it is needed, responsibly, and so on. They are goals that I guess we will always have and never fully achieve, and if we think we have achieved them we should give up and go home.

**Mr O'Keeffe** Could I warn you all that we have now resolved ourselves into Senate Estimates Committee G!

**Dr Uhr** I think that depends on who is setting the tone in a devolved administrative environment and where senators should then be directing their question or questions on administrative philosophy and standards. In a way the Auditor-General is moving, perhaps, under Mr Tickner's guidance, closer to Parliament so that Parliament can have the armoury, guidance, radar, or whatever the right metaphor is, to help it. In another way the public sector environment, presided over, I guess, by the Department of Finance, is trying to deregulate in order to bring a new sense of accountability and responsibility upon agencies, such that they would not need attorneys-general. They would each have their own flair and creative ability to determine the law according to their own policy environments. It must be very hard to be an attorney.

**Senator Bishop** Creative law?

**Dr Uhr** Mike, do you want to comment upon that at all?

**Dr Keating** Several gross exaggerations.

**Senator Bishop** When we get accrual accounting in all Government departments, we will have a few new disciplines that will be useful.

**Mr Tickner** I should hesitate to also add that Mr Taylor does not need guidance from me he is very directed and motivated. It just happens that our mutual views and those of the Public Accounts Committee coincide.

**Dr Uhr** We have time for a few more comments or questions, after which I will invite each of the panellists to summarise, perhaps drawing attention to what has not been said as much as to what has been said. Are there any further comments or questions while the panel is still here and in an attentive mood?

**Mr Roche** I feel I should respond to Senator Baume's comments on the national campaign against drug abuse. I think that discussion actually reflected another one of the roles of Senate estimates committees. We had, I think for some two hours probably, a very technical debate on performance indicators in that program, which is a very difficult one to measure. We talked about surrogate indicators, and so on. Suffice it to say that although we debated the issue with Senator Baume, we did not necessarily agree with his adjudication of that debate.

**Dr Uhr** If there are no further questions, I forgo my own turn to summarise and call upon Dr Keating to give his impressions.

**Dr Keating** It would be presumptuous to try to summarise, but I would just like to make a few observations on some things that have been said. First, I very much welcome Senator Bishop's generous offer to provide me with a cup of tea and cucumber sandwiches in future when the Committee members are taking theirs. I hasten to add, although it is not necessary, that I do not anticipate for a moment that that will modify the manner in which Senator Bishop asks her questions, let alone the actual content of them.

I would like to reinforce what I said earlier, namely, that progress is being made, I believe. I was very gratified to hear Senator Baume's comments that we are making progress in implementing performance budgeting. He said the Parliament is no longer asking questions about paperclips and that it is looking at programs, and I think that is true. Can I take this opportunity to say that I think we owe a special debt to Senator Baume in this respect.

Another issue that was raised was attendance of secretaries. I think the Committee that I have most to deal with is, in fact, the Public Accounts Committee and I have certainly become aware of the Committee's interest in having secretaries attend. I would still maintain there are occasions when the Committee itself is better served by getting people who are more knowledgeable about the particular issue than the Secretary, but I think we do need to recognise and certainly I have adjusted my thinking that the Committee is not going to be satisfied if it gets people who cannot take responsibility. They may be more knowledgeable, but if they are not finally responsible, that will not satisfy the Committee and, as has come through in this morning's discussion, we create problems for ourselves if we leave the Committee unsatisfied. It just means that it will come up again and so on. Without necessarily moving to the position in which a Secretary's attendance should be mandatory, I think our side needs to reassess it.

In relation to Senate estimates committees, I make a distinction about a department which is represented in the Senate by its Minister. I think the case for the Secretary attending a Senate estimates committee is much stronger when the Minister representing a department is not the real Minister, for want of a better phrase. As has been brought out this morning, assessment of performance is a political exercise and it should be a political exercise. If your full Minister is there, then it is entirely appropriate that the Minister handles those sorts of questions and the need for the Secretary is very considerably lessened, in my view.

Finally, I would like to make a couple of observations on Senator Bishop's comments that if I can paraphrase them, I think, accurately if the process is corrupted, so is its outcome. Put like that, I certainly would not disagree and no-one, I believe, should be defending a corrupted process.

**Senator Bishop** It is only proper, as well.

**Dr Keating** We do have an obligation to maintain probity. That is not at issue in my mind, or should not be at issue. What I think we have tried to do, however, is raise the question as to whether all the processes that we have been involved in are essential to maintaining probity on the one hand, and if they are essential to maintaining probity that ends the case. If they are not essential to maintaining probity but they could be reformed so that greater flexibility was allowed in order to achieve better outcomes, then I cannot see the case for not reforming them. Let me be a bit more specific with the example of accounts processing. In that case, the Government has decided to change the processes. There have been very considerable savings as a result of changing the processes but, at the end of the day, I do not think anybody has shown that there has been any greater risk indeed, we would argue less risk to probity, in the sense of minimising fraud, under the new processes compared with the old. That is essentially because the use of the credit card in particular does offer a better paper trail than we had under the old processes.



**Mr Taylor** I would like to make two comments. The first is that, quite clearly, a new equilibrium is being sought by both the players – the Parliament and the Government – in the relationship between them. The Public Service is unlikely to get either the treatment or the certainty that it might prefer until after, if ever, this settles down. I think there will be constant raiding parties, at least from the Parliament's side, seeking to extend the boundaries. I agree with Senator Baume that the glorious revolution is not over. But I believe there is only one solution in a democratic society. The second point I want to make is tied in a little to that. I should preface it by saying that I have never had any disagreement with anything that Michael Keating has said, but I do worry about some things that emanate from his Department or what some people from his Department say publicly at times. They may be running straw men or trying to change attitudes and, therefore, being a little extreme. But it seems to me there is a danger to sensible policies along the lines of allowing managers to manage risk management and treating probity in a proper way. Some of the presentations have resulted in great uncertainty out at the workplace, where often junior people have to take decisions about what to do. I think they are sometimes getting the wrong message and I think Parliament itself is quite uncertain. I should not speak for it, but my perception is that many in the Parliament are quite uncertain as well, I think unnecessarily so in some cases. I think there is some question in many people's minds as to whether the Reid committee recommendations for central coordinating authorities to be more forthcoming in advice have been effective in some areas. I realise that there is a question of balance, particularly when one is trying – as indeed I am trying within my own organisation – to force responsibility and accountability as far down the line as one possibly can. There is a balance somewhere there that one is seeking to reach; there will be mistakes made, but I do believe there is a perception that many people have been pushed off and told to swim without actually being given enough training. I want to repeat, though, that you should not take that as an indication that the Audit Office is not in favour of a more sensible approach to management. I am merely saying there are some things that are said publicly as expressions of how it should be done that I could not disagree with more and that I think do enormous damage to the cause.

**Mr Tickner** I want to recap a few things. First of all, I strongly believe there is a need for more of these forums. I am a little bit disappointed that more people have not commented. To those who have done so I would say that even though I may not always agree with you it is very important that we hear from you about how you perceive things. I have some real empathy for how Pat feels, from the Aboriginal Affairs perspective. I think that needs to be put on the record but conversely, as a parliamentarian, I find that Peter Baume's response cannot be argued with. I want now to say two things. First, I think natural tension between the Public Service and the Parliament is inevitable and really desirable. It is appropriate, if there is going to be public accountability, that we are not always sharing cucumber sandwiches – to use Senator Bishop's analogy. But I believe that, despite that natural tension, professional relationships will ultimately win the day. I believe also that there are times when we can be allies, as parliamentarians, in causes and policies that you are advancing within your department. I hope, to give the example I gave before, that the work of the Public Accounts Committee on therapeutic goods was very helpful in alerting the public to the need for national legislation and, one hopes, giving some added impetus to the Government's moves for reform: so we can work together on lots of things. My central view is that there need to be reforms in public accountability to keep pace with the reforms that have occurred in public sector management. For me this is the essence of what needs to be done. That is twofold: firstly, the reforms to the Auditor-General's Office and its relationship with the Parliament, and secondly, the reforms of the Parliament itself. That is our job as parliamentarians. The difficulty is that individual members of either House cannot do it on their own. It is very much up to the senior managers within the Department of the House of Representatives and the Senate to start to take some initiatives to have a comprehensive parliamentary response to scrutiny. The heat ought to be on them. The Speaker and the President, hopefully, can play some role in that process as well. Finally I would just like to say, to echo a theme best put forward today by Senator Baume, that we have an excellent system by world standards. We can make it a lot better and I think today's proceedings will contribute to that end.

**Dr Uhr** Thank you Robert. Senator Baume, on the tenth anniversary of your *Through a Glass, Darkly*, would you care to comment?

**Senator Peter Baume** First of all, it is impressive to see the amount of talent and experience and capacity gathered here today. It does the Parliament a great honour that so many senior people have attended this seminar. It does not go unnoticed. Secondly, John Uhr asked a question which was not completely answered. I think we have to agree that the estimates process is multipurpose and that some of the purposes would appear, at least, to be mutually antagonistic. If people find that a nuisance, that is just a problem, but there are different agendas operating. They will continue to operate and we have to

understand that that is so. Thirdly, Steven Skehill, before he left, referred to some failures of communication. Fair enough. They do occur, and when they do occur I suppose both senders and receivers have to worry about their contribution.

Finally, can I tell you a story: when I grew up, the road rule in New South Wales was to give way to the right. That has now been replaced by a new road rule where lines are drawn on the road. The essence of the difference was that the give-way-to-the-right rule had some effect on preventing crashes. But what it was really good at was apportioning blame afterwards. The drawing of lines on the road actually does a lot more towards preventing crashes. I do not want too closely to draw an analogy between the different roles which are played by the Audit Office and the estimates process, but it is not entirely unrelated to the analogy I have just mentioned.

**Senator Bishop** I would like to take the opportunity to look at future directions. Firstly, the estimates committees at present are only serviced almost immediately before they sit. In other words, it is not an ongoing committee which is able to deal with matters in a regular way, so it would be worth looking at the proposal to see whether a permanent secretariat for the estimates committees, and a continued assessment of the material as it comes through, could be worthwhile. We do tend to get all information for estimates committees in large lumps. Whenever you get information in large lumps some gets assimilated and some gets discarded or overlooked. So if we could have a more orderly receipt of documentation, both in terms of answers to questions taken on notice and on other published material, I think we might see a lessening of some of the bottlenecks that certainly do occur in estimates committees, such as sitting at three-thirty in the morning when I think it is fair to say that ones acumen is not exactly at its best. That would also allow permanent staff to be attached. With Estimates A, of which I am a member, it has seen a change of staff, and so you do not get continuity. I think they would be good things to look at.

I do not resile in any way from my comments on the artificiality of trying to separate process and outcomes. I do not apologise either for saying that it did seem to be an absolutely concerted effort to try to promote this concept. It certainly appeared in speeches that Dr Keating gave. It turned up again in a speech, with exactly the same phraseology, that Mr Morris gave. It turned up again in the statement brought into the Senate last week dealing with the new rules for procurement. There is a continuing deliberate phrase that turns up at every available opportunity in trying to hammer a point. I am going to be just as relentless and hammer it and say that I still think it is an artificial distinction. It was not only the corrupted aspect I was focusing on, but also the improper aspect. That is why, when Dr Keating accurately quoted me as saying 'A corrupted process does give a corrupted outcome', I mentioned I had also used the word 'improper'. Let me give another example, which some may think perhaps is of lesser importance, but which, in the political process, is very important. Let us take the advertisement for social security. You are all familiar with the one I mean: the child sitting on the bed; dirty sandshoe; broken shoelace; furniture all courtesy of *Freedom* furniture, it looks like to me; child weeping; terribly depressed. Next moment, a hand appears from nowhere; money in the hand. Next scene, child has clean shoes and nice fresh shoelaces. Tag line, 'See what Social Security can do for you'. Subliminal message, 'political advertising'. That is a political judgment that I am giving to you. It was a technique used in New South Wales by Barry Unsworth who spent \$8m doing it. It did not help in the end, but nevertheless public funds were used to do it. You could say, in terms of outcome, that that was a very successful ad. It did what it was meant to do. Yet, the processes which were gone through to achieve that ad, to me, were political processes which I call improper. They are the distinctions, or the points, that I would like to make in stressing that the attempt to break process and outcome is artificial.

I would like to say also, as has Peter Baume, that I think it is a mark of acknowledgment that the Parliament and the public sector are in a symbiotic relationship in many ways. If there were a realisation that the sharing of information was necessary to make the process work and if there were a respect between those of us who faced the public and those of you who were employed in the Public Service, then we would all be better served. I think the fact that you paid \$75 to come and do it is a further mark that needs to be noted.

Politicians do not enjoy very much of a reputation. They are kind of down the bottom of journalists. Yet, no matter what side of the political spectrum we come from, I believe we come here with a sense of altruism. We do have a contribution to make. We do have something to give that will make this country a better country or, at least, will be passed on to the next generation. I see that role as one of a trustee, in many ways. I cannot stress too much that there is a need for a willingness to part with information and a sense of importance in informing committees to exist. This way we will never again have a departmental

secretary appear before a parliamentary committee and say, 'I, me, myself, personally, have never been asked to come before. Why am I here at all?'. He will know that we are part of the same process; it is worth his while to come and it is worth our while to listen. Thank you.

**Senator Coates** I regret that Senator Bishop has raised a number of political points for which this is not the proper opportunity to respond. As far as her specific criticism of my conduct of Estimates Committee B last week, if I am still seething about it tomorrow, I might take advantage of another forum to respond, but I will not take up your time now. I just wish to indicate that I do not accept what she has said with the less than full information available to her. In relation to what Pat Turner said and Peter Baume's response to it, I guess it is always a matter of judgment and personal opinion as to when a valid political exercise turns into an unreasonable vendetta.

The second point I would like to make is in response to what Robert Tickner talked about: the way House of Representatives Committee activities compare to Senate activities. As most people would know, I am no Senate chauvinist, and I certainly would not want to limit the estimates function to the Senate only. The ideal would be joint committees as often as we can possibly have them, because the competition between the Houses is unnecessary and unproductive. And as far as that sort of aspect is concerned, in relation to the question of Ministers and Ministers representing others, I do not see any particular reason why House of Representatives Ministers should not appear before Senate committees and directly take responsibility for their departments. In some cases that might lead to some interesting results.

As someone else has said, it is regrettable that there was not the opportunity to get more feedback from this gathering, because I would have liked to have had more feedback about my suggestion, which Senator Bishop half agreed with, concerning a more continuing estimates procedure. I emphasise that I propose it be a combination of the committees rather than continuing as separate estimates committees, because I think it would be better done in an integrated way. It is a particular pity that we did not have inputs from secretaries of estimates committees, because they might have been in the position of giving a quite different perspective on the operation of their committees, and on the public servants before them. I think it would have been interesting to have heard their summation. They are listening and keeping their counsel, but it would have been interesting to have heard from them.

**Dr Uhr** Thank you, Senator Coates. I hand you over the Peter O'Keeffe, who is a noted secretary of estimates committees in times gone by, and supervisor of them in times about now.

**Mr O'Keeffe** Harry Evans has asked me to give concluding comments and thanks, because he is otherwise tied up. I am very grateful to you as participants, and to our speakers. We deliberately chose a half-day seminar, knowing that a function like this has an enormous opportunity-cost in terms of your time and other things that you can be doing. I want to leave you with one thought that has arisen obliquely from today's proceedings: everyone of us, every day, takes decisions to spend other people's money. It is a process which requires the finest form of scrutiny. We will better understand the parliamentary process and the process of the estimates committees if we put ourselves in the position of citizens, and feel the transformation that makes. Thank you again.

*Workshop adjourned at 1.08pm.*

Appendix 1

*Public Expenditure and Parliamentary  
Accountability:*

*The Debatable Role of  
Senate Estimates Committees*

by John Uhr  
*Public Policy Program  
Australian National University*

Revised version of a paper originally presented to the  
Australasian Political Studies Association Conference  
University of New South Wales, Sydney,  
September 1989

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

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

Mill, 1861

### **Introduction: Why persist with estimates committees?**

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

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

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

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

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

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

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

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

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

*A cautionary note*

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

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

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

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

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

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

*Appropriations and appropriateness*



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

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

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

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

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

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

### *Estimating success*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### *Achievements and criticisms*

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

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

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

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

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

<sup>6</sup> *ibid.*, page 360

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

### *Committee praise for administration*

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

#### Exemplary witnesses

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

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

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

### *Explanatory Notes*

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

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

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

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

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

#### *Auditor-General's contribution*

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

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

#### *Program and performance budgeting*

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



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

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

#### *Scheduling apologies*

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

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

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

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

### *Parliamentary priorities*

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

### *Estimates of what?*

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

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

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

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

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

#### *Special appropriations*

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

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

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

#### *Statutory authorities*

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

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

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

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

### *Explanatory notes*

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

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

### *Program and performance budgeting*

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

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

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

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

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

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

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

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

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

#### *Program evaluation*

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

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

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

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

*Proposed reforms: three models*

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



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

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

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

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

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

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

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

#### *Conclusions?*

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

## **Attachment 1**

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

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

## Attachment 2

### Extract from the Senate Standing Orders

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

## **Appendix 2**

### **Auditing Public Expenditure and the Estimates Process    The Role of the Auditor-General**

John Taylor  
*Auditor-General for Australia*

Canberra, Tuesday, 17 October 1989

## **Introduction**

The Auditor-General's accountability role has existed since Federation. The Audit Act was passed in 1901. The legislation was given high priority, as it was the fourth Act to be passed by the first Federal Parliament.

'Public accountability' is a subject which has received a certain amount of attention in the past few years, helped sometimes by questions raised by investigatory journalism. It is an issue, a reality, which affects all levels of government and public administration in democratic societies and we have even seen an increasing push for greater accountability to the public in socialist societies in recent times.

### **What is all the fuss about?**

In our type of society, accountability means the responsibility of those entrusted with the resources of others to account to the owners of those resources. In the public sector, the requirement for officials to be held accountable to the Parliament for the use of public resources with which they have been entrusted is a foundation for citizens' trust in government. It is part of the compact we enter into when we delegate to others the right to take decisions on our behalf in the interests of the nation as a whole. Parliament is the means (in our type of society) through which the public is both informed about and (through its delegates) exercises some sort of control over government (financial) and other activities. The logic of this is quite clear when we remember that governments have no power in themselves to take money from us, the taxpayers, or use our power, unless that power has been given by the Parliament.

The role of the Auditor-General is to facilitate that accountability by providing impartial and objective reports on the stewardship and performance of officials. Central to the value of assurances provided by the Auditor-General is my independence in relation to both the Parliament and the executive (as well as my ability to perform the task of investigation and report).

The chain of accountability flows through the management of public-sector entities, Ministers, the Parliament and ultimately to the public.

At least two separate important strands are discernible in the current environment. Under one strand, Government Business Enterprises are responsible to Boards established very much along the lines of the private sector, the Chief Executive Officer (CEO) being appointed by the Board and holding office at its pleasure. The Board in turn is responsible to a Minister for the achievement of certain agreed goals. In this strand, accountability to the Parliament is through the published balance sheets and the annual report unless, of course, the Auditor-General is chosen by the organisation as its auditor, in which case, but only then, there is a direct link to the Parliament by the Public Auditor. The second strand, the main strand, the traditional strand, is the more usual mechanism of Ministerial responsibility to the Parliament for the actions of their officers, their agencies, their responsibilities on our behalf, with independent review through financial, performance and efficiency auditing procedures. This is not Caesar to Caesar.

It is Parliament's right to review public-sector entities' financial operations and other pertinent information available. Primary (but not exclusive) sources of this other information are, of course, my reports, which provide an independent assessment of the credibility of reported financial information and the performance of the entity with respect to whether:

public resources have been managed and deployed in an economical and efficient manner, and in such a way as to achieve the objectives set for the agency to the greatest practical extent;

programs meet effectively the policy goals they were designed to serve; and

there has been compliance with applicable laws, including those relating to the handling of and accounting for public moneys.

These reports are not only fundamental to the chain of public-sector accountability but are of great reassurance to the executive. Not only are they used by chief executives of the entities under audit and Ministers to discharge their respective responsibilities; the reports are usually used to provide a basis for some of the questions asked of departments and authorities by committees of the Parliament.

This might be the place to raise some questions about the inevitable tensions that arise between those reviewing and those being reviewed. Take, say, the Parliament and its committees on the one hand and the Government and its agencies on the other. While it might be nice to have an easy balance in this relationship, with no tensions, achievement may be impossible in practice. Perhaps we shouldn't seek it. On the one hand, although bound up in the heady business of directly managing an enormously complicated enterprise like the public sector, those doing so outside Parliament should conceal any impatience when asked to justify some aspect of their stewardship to the representatives of the people — this is, after all, a democratic society. On the other hand, they may ask: 'should committees not avoid the temptation to try to influence the detailed running of the public sector through the committee system, i.e. seek to run the public sector by remote control? Should the Parliament lay down broad strategy and leave the detailed tactics to the Government and its agencies?'

But how realistic is it to expect the Parliament or its committees to avoid interesting itself or themselves in detail, for often this is how a window into the busy world of policy implementation is pried open. Noting the difference between, say, the Australian and the US democratic models, if we move the balance towards the US what are the consequences for good government? Should we move more towards the UK model?

I believe the Auditor-General can help moderate these tensions by providing professional, impartial, apolitical reassurance to all parties.

It will not be in the national interest if the Office is a pawn in a power struggle between giants.

## **A Historical Perspective**

In examining the question of the accountability of public enterprises, and the role of the Auditor-General therein, various parliamentary committees have concluded:

that authorities should be accountable (through the Parliament) to their universal guarantor, the taxpayer (Senate Committee on Finance and Government Operations 1978);

that all subsidiaries of statutory authorities be subject to audit by the Auditor-General to ensure that there was no reduction in the flow of information to the Parliament (Senate Committee on Finance and Government Operations 1982);

that all government-owned companies be audited by the Auditor-General (Joint Committee of Public Accounts 1977);

that a statutory authority should maintain the highest standards of probity and business ethics as well as being aware of its own and its Minister's accountability to the Parliament (Senate Committee on Finance and Government Operations 1985); and

that a corporation largely dependent on the public purse for its income must be financially accountable in ways in which its commercial competitors are not (Senate Committee on Finance and Government Operations 1986).

It is clear from the above that over many years the Parliament, through its committees, has expressed the view that, while it is important for the Parliament to use all avenues available to it to gather information about government activities and to ensure accountability of government to the Parliament, the Auditor-General as public-sector auditor has a primary role in this process.

The importance of the role of the Auditor-General in ensuring proper accountability of government entities to the Parliament has been confirmed in three recent reports:



the January 1989 report of the Commission on Accountability<sup>1</sup> (the Burt Commission) to the Western Australian Premier led to the Western Australian Auditor-General being confirmed, appointed or reappointed as auditor for all government agencies and their subsidiaries;

the Joint Committee of Public Accounts (JCPA) Report 296<sup>2</sup> recommended that the Auditor-General should be the auditor of all Statutory Marketing Authorities, Government Business Enterprises and government companies (the mandate to audit Departments and outriders was not in question); and

the Report of the Independent Auditor on a Efficiency Audit of the Australian Audit Office (AAO)<sup>3</sup> tabled in October 1989 supported the above-mentioned recommendations made by the JCPA; plus

action in the Senate recently on legislation.

The JCPA discovered that the AAO had never been reviewed in its totality, possibly due to a complacency in political and administrative circles about the condition of the Office. A quiet tiger needs no meat? As a reviewer, one could hardly be surprised to find that Report 296 concluded that there are substantial weaknesses in the capacity of the Auditor-General and the AAO, as presently constituted, to play their part in the processes of accountability to Parliament. After all, as a reviewer ourselves we could hardly argue that against the positive value of review, but in truth the wide-ranging, bipartisan JCPA inquiry provided an opportunity for constructive criticism about the AAO to be vented; and a goad to us to treat such criticism seriously.

It now provides an opportunity for the Government to improve further the accountability mechanism, for the 78 recommendations which resulted from the JCPA's Inquiry into the AAO are central to improving the independence and effectiveness of the Auditor-General and public-sector auditor.

## Parliamentary Committees

1. Commission on Accountability, *Commission on Accountability. Report to the Premier, the Honourable P.McC. Dowding, LL.B., M.L.A.*, Perth, 1989.
2. Joint Committee of Public Accounts, *Report 296. The Auditor-General: Ally of the People and Parliament. Reform of the Australian Audit Office*, Australian Government Publishing Service, Canberra, 1989.
3. Sharpe, M., *Report of the Independent Auditor on an efficient audit of the Australian Audit Office in accordance with the Audit Act 1901*, Australian Government Publishing Service, Canberra, 1989.

Parliamentary committees provide the basis for the most effective means of parliamentary scrutiny of the executive and its supporting bureaucracy. They are not viewed with unalloyed delight by some outside the Parliament. But the business of government is so complex and wide-ranging that some detailed specialisation is needed if our delegates are not to become ciphers. Through committees, parliamentarians are directly involved in the analysis and investigation of public expenditure. Committees serve to increase public accountability by undertaking their inquiries whenever possible in public and by reporting the results of their inquiries to the Parliament. Through their actions committees stimulate both parliamentary and public debate of government activities.

Those committees which are essentially concerned with financial scrutiny are primarily interested in our reports of financial regularity audits. However, efficiency audit reports are also examined, or inquired into, by the JCPA and other parliamentary committees (depending on the subject of the efficiency audit). Attachment A shows the AAO involvement in committee inquiries in 1988-89 particularly with respect to my efficiency audit reports.

## **Estimates**

My involvement with this process is as follows:

my audit reports provide the Senate estimates committees with clues as to problem areas where questions need to be asked;

when available in time for the estimates process, my audit opinions on the financial statements of departments and authorities contained in annual reports provide assurance (or otherwise) to these committees as to the probity and propriety of financial operations;

the Senate estimates committees have the option of inviting comment, at my discretion, on matters relevant to audit reports raised during Committee hearings. In addition, committees' secretaries can obtain background briefings (but not details of the actual audit findings prior to tabling of the reports) from nominated AAO officers on the audits referred to in each report;

my Office has a direct participation by formulating and justifying our own estimates; and

I have the option of performing project performance audits or efficiency audits on the efficiency and effectiveness of part or all of the estimates process. For example, performance audits of Forward Obligations of Government Expenditures

and the Budget Management System were conducted in 1984/85 and 1987/88 respectively.

The contribution of my Office to the Senate estimates committee process was formalised with the promulgation of the *Guidelines for Provision of Assistance to Senate estimates committees by the Australian Audit Office* in late 1986. The more important arrangements provide for committee secretaries to receive advance notice of the table of contents of each forthcoming report as soon as it is ready for printing, informing them of the departments and other bodies which are mentioned in the report; and the titles of the respective sections give an indication of the subject of each of the audits reported upon. These arrangements will have to be modified to accommodate separate audit reporting adopted in 1988-89, which is a start at trying to provide information in a more timely or effective way for the Parliament. I will expand later upon these reporting innovations.

With the introduction of requirements for departments and outriders to include audited financial statements in their annual reports, each agency will be competing for limited AAO resources. The limit on my resources leads to potential problems in availability of annual reports to estimates committees. This had an impact on the inquiry, *The Timeliness and Quality of Annual Reports*. In the June 1989 report, the Senate standing committee on Finance and Public Administration found that 'If estimates committees are to make full use of annual reports they require access to the reports well in advance of hearing dates...' but the four-year tabling pattern of departmental reports shows that the majority of reports were tabled in November/December after the estimates committees' hearings in September/October. Accordingly, the Committee recommended that 'The present requirement for draft annual reports to be available to Senate estimates committees should be removed from the guidelines' and that copies of current corporate plans with explanatory notes should be provided instead.

### **JCPA Estimate Process Recommendations**

Report 296 of the JCPA on the reform of the AAO recommended two major changes to the estimates process with respect to my Office. Firstly, it was recommended that the AAO's appropriations be included in the Appropriation (Parliamentary Departments) Bill, thus enabling the AAO estimates to be considered by a Senate estimates committee with those of Parliament and not in conjunction with those of the Department of Finance, which is presently the case.

Secondly, the JCPA recommended that a separate parliamentary committee to be titled Audit Committee of Parliament be established to advise the Auditor-General on Parliament's audit priorities and to consider and recommend on the AAO's annual appropriation, which would bring us into line with other countries such as Canada and the United Kingdom. This recommendation has been prompted by the fact that the

Department of Finance, essentially an arm of executive government and an auditee of the AAO, advises the Minister for Finance on the AAO's proposed budget.

In making these recommendations, the Public Accounts Committee commented that: 'The departure from current practice would be that the executive would not have sole responsibility for advising on the AAO's appropriations. Responsibility would be shared with the legislature, or with Parliament as a whole' and concluded that '... the process by which forward estimates would be arrived at would be very different and consistent with the principle that the entire Parliament has a special interest in maintenance of an independent and able Audit Office'.

This would, of course, tip the balance of tensions towards the Parliament and move it more to the norm in Western democracies. I put to the JCPA that there was a need for a more transparent process involving the Parliament for developing the AAO's final resource estimates submitted to the Government each year. The Committee's recommendations would do this.

The placement of the AAO (in, say, the parliamentary group) for the purposes of the budget may have some symbolic importance, but it would be unrealistic to expect the Department of Finance not to have an important role in advising the Government on the level of resources appropriate to the AAO's task. From the AAO's point of view, it would like to see this advice complemented by advice from the Parliament on what it sees as reasonable. In the final analysis, given current attitudes in Australia, one guesses that the budget ultimately would be a matter for the Government to put to the Parliament unless, in time (the sooner the better) and through the development of conventions, the United Kingdom model is followed whereby an Audit Commission of the Commons sets the appropriation (although it should be remembered the British Government still has the actual power to interpose itself). The Committee has suggested that, in our case, the Minister for Finance would be a member of the Audit Committee.

As can be seen from the preceding discussion here and in the other sessions, the parliamentary committees are important to the concept of public accountability, as they play an integral part in the scrutiny of departmental and authorities' estimates. However, the effectiveness of this role requires appropriate resources and the proper management of them (perhaps along the lines mentioned by Senators Coates and McMullan) and the development of a new balance in the relationship between the Parliament and the executive, more along the lines found elsewhere in Western democracies.

## **Audit of Public Expenditure**

With nearly 90 years of experience, the Australian Audit Office has developed enormous expertise in public sector auditing. It has also developed and sustained over a long period its reputation for integrity, a key factor in maintaining community confidence in the system of government. If it has faults, now is the time to fix them.

The principal activity of the AAO is the audit of:

government and parliamentary departments;

other branches or outriders of the Australian Public Service;

departmental commercial undertakings;

ACT Government bodies;

statutory authorities; and

companies in which the Commonwealth has a controlling interest, including the subsidiaries of these bodies.

As at 30 June 1989, the AAO had responsibility for the audit of a total of 307 Commonwealth organisations, with some staggering statistics:

revenue/expenditure turnover of some \$255 billion;

operation of some 360 separate revenue and expenditure programs in excess of \$10 million a year (of which 47 programs exceeded \$1 billion);

total assets and liabilities of approximately \$210 billion and \$168 billion respectively, excluding the value of assets and liabilities for departments and outriders which are not available;

employment of around 488,000 staff (down from 505,000 in the previous financial year); and

approximately 1,110 large data-processing installations (up from 960 in 1987/88).

Public expenditure is therefore only one aspect of our total audit responsibility. The audit program of the AAO consists of two sub-programs, namely regularity and performance audits. The latter involves efficiency and project performance audits, while regularity audit activity involves:

financial statement audits;

government accounting and financial statement audits; and

other regularity audits.

The auditing methodology employed in these audits has evolved with the growing complexity of the Commonwealth public sector. A risk-based approach to systems-based regularity auditing utilising computer-assisted audit techniques where applicable is now used which is consistent with the devolution of public-sector management. By streamlining procedures and targeting high-risk areas for more concentrated audit attention, and contracting certain financial statement audits to the private sector (while still retaining control), I have been trying to make the best use of my scarce staff resources through the use of appropriate professional techniques in order to satisfy my regularity audit mandate.

### **Performance Auditing**

Performance auditing procedures have also been reviewed and improved over the years. However, due to resource constraints and my extensive regularity audit responsibilities, which are mandatory, I have been unable to devote more than an average of 20.8%, of my staff resources to undertaking project performance (14.8%) and efficiency audits (6%) in the last three years. We are doing less. This is indeed unfortunate, since the reports arising from such audits provide the richest material from which questions are drawn by the Senate estimates, and other parliamentary committees.

In recognition of the value of efficiency audit reports to committees, the JCPA focused on the efficiency auditing activity of the AAO. Report 296 recommended a cycle of efficiency audits for all programs with expenditure or revenue greater than \$10m, ranging from a three-year cycle for departments to a 20 year cycle for government companies. It was estimated that this program of audits would cost an additional \$15.7m phased in over five years and would mean that 50% of the AAO's resources would be for efficiency audits and 50% for project and regularity audits (which is about the same proportion as the United Kingdom and Canadian national audit offices). An increase in efficiency audits will increase the material available to committees for the estimates process.

### **Audit Reporting**

Procedures for the production of audit reports have not remained unchanged either. Major regularity and performance audits are now being reported immediately after an audit has been completed (to ensure audit reports are more timely) and a regular report on audits will be issued as a consolidated overview of portfolios. Previously reports on regularity and project performance audits were incorporated into consolidated

biannual reports and efficiency and special audits were the only audits reported and tabled separately.

### **The Future**

The JCPA noted in its Report that:

The Auditor-General has a vital role to play in this [accountability] debate because he has the authority to ask how efficiently are government agencies applying their resources. He also has the means to answer that question and to inform Parliament directly. This inquiry has upheld his right to ask that question, and has sought to strengthen his capacity to form an opinion on this matter.

The pace of reform in the AAO has escalated since Report 296 of the JCPA was tabled in March 1989. I have been able to implement many of the JCPA recommendations (given present constraints) that fall within my responsibility and which do not require decisions by the Government. These have been added to our continuing program of improvements, some of which I have already mentioned; some others are briefly listed below:

fostering relations with the private sector accounting bodies and audit firms, including sub-contracting of audit work, promoting staff interchange schemes and negotiating with the Institute of Chartered Accountants to have the AAO accredited as a training centre for admission of staff to membership of the Institute;

a tighter focussing of our corporate plan;

restructuring of our task management structure and work methods (which we refer to as the 'audit manager concept') to increase productivity within present resource constraints; to improve client service; and to improve staff satisfaction;

investing heavily in better planning and control management systems; and

establishment of advisory committees comprised of representatives of the private sector, universities and others to introduce new perspectives on the AAO's strategic direction and audit practices and standards.

However, it is the JCPA recommendations requiring decisions by the Government which will have the most impact on the future of the Auditor-General and the AAO. In the context of today's workshop, a favourable reaction from the Government to the key recommendations will result in sufficient quality staff to undertake non-mandatory project and efficiency auditing activity.

These are the audit reports which stimulate the most interest from parliamentary committees and are therefore more likely to produce necessary improvements to the efficiency and effectiveness of the public sector.



## **Attachment A**

### **Communications With Parliamentary Committees 1988-89 Inquiries**

#### 1. Joint Parliamentary Committee of Public Accounts

Reform of the AAO

Efficiency Audits:

- Department of Defence: Safety Principles for Explosives
- Department of Defence: Army Mapping
- Department of Defence: RAAF Explosive Ordinance
- Administration of Offsets

Department of Arts, Sport, the Environment, Tourism and Territories:  
Antarctic Division (drew in part on an audit of Antarctic Division shipping  
operations project audit)

Department of Defence inquiry into the development of new computer  
systems DESINE and Supply Systems Redevelopment Program (AAO  
provided assistance with some technical aspects)

#### 2. House of Representatives Standing Committee on Finance and Public Administration

Efficiency Audits:

- Australian Taxation Office: Taxpayers In Unincorporated Businesses
- Australian Taxation Office: International Profit Shifting
- Department of Community Services: Home and Community Care Program

Public Sector Reforms FMIP (AAO provided a submission)

#### 3. House of Representatives Standing Committee on Transport, Communications and Infrastructures

Efficiency Audits:

- Australian National Railways Commission: Commission Traffic
- Australian Postal Commission: Administration of Philatelic Services

4. House of Representatives Standing Committee on Publications

Efficiency Audit:

- Australian Government Publishing Service

5. Senate Standing Committee on Environment, Recreation and the Arts

The AIS arranged for the AAO to review an internal audit into weightlifting expenditure at the request of the Chair of the Inquiry into the use of performance enhancing drugs by Australian sportspersons.

6. Senate Estimates Committee E

The Special Audit Report on the Aboriginal Development Commission and the Department of Aboriginal Affairs was considered by this Committee. It also took evidence from the AAO and considered AAO's written comments on the Commission's evidence and published response to the Special Audit Report.

7. Senate Estimates Committee C

AAO annual budget explanatory notes and 1988-89 appropriations

8. Senate Standing Committee on Finance and Public Administration

The Timeliness and Quality of Annual Reports provided submission

government-owned companies -- provided submission concerned with the question of audit of the companies and maintaining the accountability chain.



## **Appendix 3**

### **'Public Administration A Sharpening of the Focus'**

Senator Bronwyn Bishop  
*Shadow Minister for Public Administration*  
*Federal Affairs and Local Government*

Speech to the  
Royal Australian Institute of Public Administration  
(A.C.T. Division)  
27 September 1989

I would like to thank the ACT Division of the Royal Australian Institute of Public Administration for giving me this opportunity to expound and elaborate on the Coalition's Public Administration policy.

In recent years there has been considerable community concern about the role and size of the public sector in Australia. This concern has developed as the size of the public sector has grown and as more and more evidence about government inefficiency has come to light.

It is also important to note that parliamentarians from across the political spectrum have begun to look at the nature of public administration in Australia.

The questioning of the role and size of the public sector in Australia has occurred because of our worsening economic situation and the experience of other western countries.

The public sector in Australia has grown steadily upward over the last twenty years although the trend has plateaued in recent years. Total public sector outlays now account for 37% of Australia's Gross Domestic Product. This compares with 30% in 1969-70. At the same time total government revenue has risen from 27% of GDP to 35%.

Real total government outlays (expressed at constant 1984-85 prices) have risen from \$40,722 million in 1969-70 to \$90,846 million in 1988-89 a real increase of 123%.

The public sector in Australia, including the Commonwealth, the states and local government, now employs 28% of all wage and salary earners.

The growth in the size of government in Australia has coincided with a decline in our economic performance. The nation is facing high inflation, a rising level of external debt, worsened terms of trade and a community that is saving less. Furthermore, Australia's prices and labour costs continue to rise more steeply than those of our international trading partners .

It is clear that the Australian economy cannot continue to support a large public sector.

There has also been increasing awareness that the public sector is not always the most efficient provider of a particular service. In fact research, such as last year's New South Wales Commission of Audit's report on that state's finances, has shown that some government activities impede efficient resource allocation.

The Industries Assistance Commission recently found that government enterprises in areas such as electricity, transport, communications and water imposed the greatest obstacles to increased efficiency and competitiveness of Australian business. The IAC review of government non-tax charges found that increased efficiency in the state areas of electricity and rail freight alone could lift Gross Domestic Product by at least \$3 billion a year.

It is these economic realities and the change in community attitudes towards government that has necessitated a sharpening of the focus towards public administration at all three levels of government in Australia.

The policy of a Federal Coalition Government towards public administration can be summed up in two words: efficiency and accountability.

Efficiency in the management and delivery of services. Accountability to the taxpayer through the Parliament.

Parliament has a duty to ensure that the public sector operates as efficiently as possible on behalf of the community. The Australian taxpayer has a right to expect that the administration of government programs will be carried out in the most efficient and effective manner possible.

A Coalition Government is committed to reforming the public sector in order to overcome the present inefficiencies.

These reforms will be directed towards introducing a new management philosophy into the service to lift morale, to maintain high ethical standards, to encourage initiative and the achievement of excellence, and

to ensure that services are delivered to the community in the most responsive and cost effective manner possible.

The present administrative system suffers a number of serious weaknesses which prevents the public sector from operating at its maximum efficiency. These weaknesses include a lack of a coherent management philosophy; inadequate individual responsibility for decisions or outcomes; inadequate standards for performance measurement; and poor management training.

I cannot believe that the ability and skills possessed by people in the public sector are less than those in the private sector. But I can, and do believe, that the systems under which the two sectors work results in greater efficiency in the private sector.

The key elements of the Coalition's program, as set out in the Policy Paper released last March, are designed to:

- ensure that the executive and legislative arms of government are structured to most effectively address major economic and strategic issues;
- improve Government's delivery systems to make them more timely and cost effective;
- redefine the Commonwealth's proper role in a Federal system by transferring, where appropriate, functions to the States and the private sector;
- reform the Commonwealth Public Service to make it more efficient and accountable, including the introduction of measures to improve the effectiveness of management practices;
- introduce a new management philosophy into the public service to encourage professionalism and the achievement of excellence through the development of productivity enhancement processes and other measures;
- establish guidelines for managing the administrative affairs of the nation;
- ensuring promotions and appointments to the public service are based on merit, fully encourage greater competition within the public sector; apply the 'user pay' principle where appropriate and cost effective;
- provide public servants, as far as possible, with similar terms and conditions of employment as those available in the private sector; and implement a program of privatisation.

Since the Hawke Government restructuring of the public service there has been a downgrading of personnel management which has led to a situation today where there is a serious morale problem in the public service.

In a speech to your Institute last month, the Minister for Industrial Relations, Mr Peter Morris, said, in what must be one of the great political understatements of the year, that the rapid pace of change had not been without cost. Morale is low for a number of factors including the politicisation of the senior levels of the service; the disparity between public and private sector salaries; and the apparent favouritism towards the Department of Prime Minister and Cabinet for the selection of new department secretaries and associate secretaries.

These problems will not be solved simply by handing out Amex cards and removing the Commonwealth registration plates from cars made available for private use.

Recently a survey of senior executives who had moved from private enterprise to the public sector in Australia and New Zealand was undertaken by the management consultants, Egon Zehnder International. The study, which was released last month, found that 78% of those who had made the transition to the public sector were satisfied with their positions but of those who transferred to the Commonwealth public service only 58% are satisfied.

The Minister for Industrial Relations also announced that the Government was making available an additional \$10 million for training, to commence in 1990-91 and be directed principally at improving the management skills of middle management. It is a mistake for the Government to think that it can throw \$10 million at the problem and expect it to go away.

In a report on Human Resource Development in the Australian Public Service published in March 1989, the Public Service Commission pointed out that on average each person below SES rank in the Federal public service had 1.65 days of formal training in 1988 and, by way of comparison, IBM had an average number of training days for each employee of 12.

There is a need for a clear commitment within the public service towards training. For too long it has been ad hoc and disorganised.

It is important for the public service to provide interesting career paths which allow for personal ability to be recognised.

A Coalition Government will develop a more flexible approach to salaries and wages to ensure that the Public Service has available to it the skilled management and staff it requires. As set out in the Policy Paper this would include performance related payments, market loadings and voluntary agreements.

An area directly related to training issues is our commitment to introduce accrual accounting and the attendant issue of inducing a balance-sheet mentality.

The Commission of Audit established by the Greiner Government in NSW and chaired by Charles Curran, identifies very well the areas which need to be addressed and categorised them as follows:

- the definition and identification of assets or liabilities for the purpose of financial reporting by public authorities;
- the valuation of assets or liabilities;
- the treatment of the effect of changes from partial accrual accounting to a more comprehensive form of accrual accounting;
- the definition and treatment of "abnormal" and "extraordinary" items (e.g. profits on the sale of assets, and the proceeds of the sale of items which may not previously have been identified as assets");
- the choice of the accounting entity which is to report those assets and liabilities (e.g. where assets such as commercial buildings are formally under the control of one Department, but are occupied by other Departments).

The information and recommendations provided by the Curran Report has become a most valuable tool for the New South Wales Government to vastly improve public administration in that state. It would be of value to the Commonwealth if a similar exercise was to occur.

The Commission found that there was a need for fundamental reform to secure the financial viability of the State. Reviews conducted on behalf of the Commission found that there were massive operating inefficiencies in a number of the State's statutory authorities including manning levels which were 20% or more above realistic levels required for the work in hand inflexible and costly work practices; a lack of adequate financial management systems and a lack of clear responsibility for financial performance; a lack of balance-sheet management; and a lack of effective strategic plans and corporate goals.

The Commission found that the manner in which Government has in the past involved itself in the commercial operations of the Authorities has often inhibited the pursuit of commercial objectives and efficiency, principally through Ministerial directions relating to pricing policies, community service obligations (that is, hidden subsidies to some sectors in the community) and industrial relations.

The Commission pointed out, part of the reason public enterprises are generally inefficient is that they are immune from the threat of takeover and the difficulties of raising funds and so can avoid the discipline of

the financial markets. Further, they are more vulnerable than private sector enterprises to political, social and industrial pressure.

In the Egon Zehnder study it was found that political interference, resistance to change, obsession with procedures and structures, lack of commercial skill and restrictive work practices were the main obstructions to sound management techniques in the public sector.

The Coalition's Public Administration Policy addresses such issues.

There is no inherent reason why the government should be providing goods and services which the private sector can provide more effectively. Although some senior economic Ministers in the Hawke Government seem to recognise this fact the Government is hampered, by the ideological straight-jacket that the Labor Party faction leaders and the ACTU has imposed, from introducing the necessary reforms.

The Coalition will implement a sensible phased program of privatisation. We have already announced in the Privatisation Policy Paper that the following government business enterprises will be privatised:

- QANTAS;
- The Snowy Mountains Engineering Corporation;
- AUSSAT;
- Australian Airlines;
- Medibank Private;
- Australian Industry Development Corporation;
- The Pipeline Authority;
- The Commonwealth Bank;
- The Housing Loans Insurance Corporation;
- Domestic and International Airport Terminals;
- The Australian National Line; and
- 49% of OTC.

The Coalition believes that a privatisation program is the only sustainable means of improving the performance and accountability of most government business enterprises.

Privatisation is central to the Coalition's objective of achieving an efficient public sector, including its reduction in size.

The Coalition would also examine all public sector services to determine whether the introduction of competition by using private contractors would improve efficiency. Many administrative services including staff selection, public relations, training, record keeping, maintenance, security, capital assets management, transport and communications could, and should, be provided on a competitive basis.

The Coalition has made a firm commitment to deregulate both the public and private sectors. The objective is to significantly reduce unreasonable constraints on management and to encourage initiative by all employees and reward their achievements.

The main policy thrust of a Coalition Government towards business regulation will be to ensure that government intervention is minimal and does not impede business initiative.



The Business Regulation Review Unit has estimated that in growth terms all business regulation in Australia costs between 9% and 19% of Gross Domestic Product.

Government agencies such as the Industry Commission and the Business Regulation Review Unit play an important role in highlighting the cost of intervention. There is a need to impose discipline on government so that knee-jerk and counter-productive responses are minimised.

The Coalition will strengthen and upgrade the Business Regulation Review Unit and the Industry Commission. It is ridiculous that the Business Regulation Review Unit has only six staff whilst 17,000 Commonwealth public servants are involved in creating new regulations.

The question of whether or not the Business Regulation Review Unit remains in the Industry Commission will have to be examined. Both agencies play an important role; however, they have distinct functions. If it is decided to keep the Business Regulation Review Unit in the Commission then the Coalition will ensure that it has sufficient clout to expand its effectiveness.

As set out in the Policy Paper, Ministers in a Coalition Government administering any Act under which a statutory rule is in force will be required to provide a regulatory impact statement. Existing regulations will be systematically reviewed and unnecessary regulations will be repealed. In addition, each department will be required to set a deregulation agenda and report annually on progress.

Our Policy states that as a general principle, sunset clauses will be included in new regulations.

A Coalition Government will also establish a Parliamentary Regulatory Review Committee to review existing and proposed regulations.

As I said at the outset of this speech, efficiency must run in tandem with accountability. Together they form the touchstone of our public administration policy.

Accountability by the public sector has become a major issue in the parliament and in the community generally. This concern is shared by politicians from all the parties.

The Egon Zehnder study found that more accountability was one of five key changes necessary to improve the performance of the public sector.

A number of important parliamentary committees, including both the Joint Parliamentary Committee of Public Accounts, of which I am a member, and the Senate Standing Committee on Finance and Public Administration, have recently raised a number of concerns about the lack of accountability in the Federal public sector.

There appears to be an attitude within the senior levels of the Commonwealth public service that the parliament is of little relevance to public administration.

Unfortunately the Hawke Ministry is not as concerned about accountability as is the Parliament. Accordingly many public servants treat parliamentary committees with little more than contempt.

There are many examples that I could give you to illustrate this point. However I think that three recent incidents will suffice.

The first is an exchange that occurred at a hearing of the Public Accounts Committee a few months ago with the Secretary of the Department of Industry, Technology and Commerce, Dr. Charles.

Dr. Charles: ... you have asked myself, personally, to come along and take part in this Committee's proceedings - not a usual procedure I would have thought; I do not know. I have been the Secretary of the Department for four years and I have never been asked by any parliamentary committee to appear before it.

Senator Bishop: Did you not think we were important enough?

Dr Charles: That is not the point. The point I am making is that I think it is an unusual procedure to ask a Secretary of a Department to come here before it.

There is something seriously amiss when the head of a government department complains that he has to appear before a parliamentary committee to discuss the performance of the department he administers.

However the Public Accounts Committee was in a more fortunate position than the Senate Standing Committee on Finance and Public Administration which had the deplorable situation of the Department of Prime Minister and Cabinet twice declining a request to give evidence to it.

It was only after the Chair of the committee wrote to the Prime Minister seeking his intervention that the Department agreed to answer questions put by the Committee but they only agreed to provide written answers.

This attitude is also reflected in the way Annual Reports are prepared. Yesterday the Senate estimates committees began their hearings. Of the 36 departments and agencies that appear before Estimate Committee A, of which I am a member, only seven had provided a copy of their 1988-89 Annual Report in either its completed or draft form 24 hours prior to the hearings. Yesterday morning I was pleased, if not amazed, to receive a further two reports.

The Senate Standing Committee on Finance and Public Administration in its review on Annual Reports found that department secretaries had not only ignored the guidelines for the preparation of Annual Reports but had broken the law in numerous instances.

The ability of some public servants to refuse, delay and to obfuscate the information they provide to parliamentary committees and the Parliament itself has severely limited the Parliament's ability to adequately supervise the expenditure of public money and the administration of programs.

The obstruction, and that is exactly what it is, by some public servants of the functioning of the Parliament by refusing to co-operate with parliamentary committees undermines the whole basis of democratic government in Australia.

Parliament can not fulfil its Constitutional duties if government departments and/or agencies continue to withhold or excessively delay the production of material relevant to the deliberations of the parliamentary committees.

It is the Parliament which authorises the collection of revenue. It is the Parliament which authorises expenditure. It is the Parliament to which the public sector is accountable.

If the public sector is not accountable to the Parliament, to whom is it accountable?

A Coalition Government will not allow this situation to continue. We will ensure that the public sector is fully accountable to the Parliament.

The Auditor-General is the essential link between public expenditure and accountability to the Parliament. Accordingly it is not tenable that the executive arm of Government can virtually restrict the ability of the Auditor-General to carry out his responsibilities. This is particularly the case as far as efficiency audits are concerned.

Earlier this year the Public Accounts Committee released its Report into the operation of the Auditor-General, entitled 'The Auditor-General: The Ally of the People and the Parliament'.

The Public Accounts Committee recommended that the Auditor-General become an officer of the Parliament and that a committee of parliamentarians chaired by a Presiding Officer determine the resources necessary for the Audit Office to adequately undertake its responsibilities.

As I said earlier the Coalition is committed to introducing accrual accounting throughout the public sector. On this issue, the Curran Commission said:

Accrual accounting would allow improved accountability, would lead to more informed decision making, and better measurement of performance, would strengthen internal controls over physical assets, would permit the full cost of programs to be recognised and would help Governments avoid financial crisis.

In the Commission's view, the major impediment to the introduction of accrual accounting by the NSW Government was the lack of detailed records. The Commission noted that before many NSW Government bodies could prepare their financial reports on the basis of accrual accounting, it will be necessary for them to maintain records which detail their resources and commitments. These records include:

- asset registers;
- inventory records;
- records of accounts payable;
- records of accounts receivable;
- records of employee entitlements to annual, sick and long service leave; and
- records of employee entitlements to superannuation and other post-employment benefits.

The Coalition in Government will introduce a number of reforms, as set out in our Policy Paper, to strengthen the accountability of the public sector. These reforms include:

- a thorough review of the sittings, procedures and practices of the Parliament and its committees, with a view to facilitating more meaningful involvement for parliamentarians and improving the relationship between the Parliament and the executive;
- the establishment of standing committees of the House of Representatives to cover all departments, to review expenditure and improve the scrutiny of legislation;
- ensuring the independence of standing committees of the House of Representatives to cover all departments, to review expenditure and improve the scrutiny of legislation;
- ensuring that parliamentary committees can request any public servant to appear before it;
- ensure that major acquisitions and purchasing agreements, service agreements, contracts, leases, licences franchises and concessions will be let or granted only after tenders have been publicly invited;
- appoint controllers-general for each department with responsibility for identifying waste and inefficiency; and
- introducing an Annual Reports Act which will include standards of reporting for both departments and statutory authorities.

I have noticed with interest a concerted effort by executive Government and parts of the bureaucracy alike, to make what I consider to be an artificial distinction between so-called processes and outcomes.

The Secretary of Finance, Dr Michael Keating, told the Perth branch of this institute on the 12 April 1989, that in his view 'the *raison d'etre* of the (Hawke Government's) reforms could be summed up on changing the focus more to 'management for results' ... Our aim has been to focus management attention on the purposes of programs and the cost effective achievement of outcomes rather than simply on inputs and processes.'

Minister Morris, in the speech I mentioned previously, complained about the scrutiny of the Public Accounts Committee and other parliamentary committees focusing upon process rather than outcome.

Dr Keating did however have the good grace to make the following admission: 'I freely acknowledge that such information does not necessary tell us whether we would spend more or less on a particular program, but where it is useful is in assisting program managers in deciding on the most cost-effective allocation of their resources.'

Neither of course does the so-called focus on outcomes ensure that the allocation of resources was proper and in the public interest. It is perfectly possible to have an outcome judged successful and improper at one and the same time. If the process by which the outcome was achieved is improper or indeed corrupted then the outcome is similarly improper or corrupted.

To attempt to separate process and outcome in an arbitrary way is totally artificial.

The Commonwealth public sector will go through a period of fundamental reform under the next Coalition Government. This reform is necessary to ensure that the public sector strives for, and achieves, excellence. It is necessary in order to reduce government intervention in the lives of private citizens. It is necessary in order to strengthen our nation's democratic structures.

Two centuries ago Thomas Paine said that: 'Government, even its best state, is but a necessary evil; in its worst state, an intolerable one'. It is for this reason that the focus of public administration in Australia must be on efficiency and accountability.

Thank you, once again, for inviting me to address you tonight.