

SUBMISSION

To the Senate Finance and Public Administration Committee Inquiry into the *Remuneration and Other Legislation Amendment Bill 2011*

Andrew Murray¹ May 2011

1 Note

This is a personal submission by Andrew Murray concerning the *Remuneration and Other Legislation Amendment Bill 2011* (Bill). This submission does not represent the views of any other individual or entity.

For reference by the Committee where relevant I attach my November 2009 submission to the Australian Government's Parliamentary Entitlements Review announced in September 2009.

I also attach for Committee information and use where relevant, a paper by me delivered to the Australasian Council of Public Accounts Committees² Eleventh Biennial Conference in Perth 27 - 29 April 2011, entitled *Parliamentarians Politicians and Accountability*. That paper touches on issues of parliamentary remuneration within the broader political context.

The submission is not confidential. Neither are the two documents that are attached.

2 Schedule 2 Members of Parliament

This submission addresses aspects of Schedule 2 – Members of Parliament.

I do not make a detailed submission, but I venture to suggest to the Committee that in the broader context within which this Bill is advanced, it is appropriate and relevant for it to make broader observations. In that context, the papers I attach may prove of some interest.

2.1 Submission to the Belcher Review

In my submission to the Belcher Review I made these points;

There are essentially three categories of entitlements afforded to parliamentarians: their salary package, which includes benefits such as a car; the resources required to do their job, which includes electorate allowances, office expenses and staff allocations; and their retirement package, which includes superannuation and entitlements available under the Life Gold Pass for qualifying former parliamentarians.

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² ACPAC is the umbrella organisation that represents the Public Accounts Committees of all the Parliaments of Australia, New Zealand, Papua New Guinea, and Solomon Islands. The delegates are drawn from MPs and their secretariats from the ACPAC membership, and MPs and secretariats from other invited jurisdictions such as Canada South Africa Maldives Indonesia Malaysia and the United Kingdom.

All these should be reasonable, independently determined, audited at least triennially, and transparent.

All these should be dealt with by a genuinely independent tribunal to ensure consistency and a holistic approach. As far as is feasible and reasonable, the review and deliberation process of the tribunal should be public. The present Remuneration Tribunal is a fairly secretive body that needs to be far more accountable, including by holding public hearings.

In summary:

- *The salary retirement and entitlements packages of parliamentarians office holders and ministers should be set by an independent statutory body;*
- *The tribunal should benchmark the resources parliamentarians need to do their job against relevant international and national standards;*
- *The tribunal should conduct public hearings;*
- *There must be at least triennial audits of parliamentarians functions and offices by the Auditor General, including benchmarking to detect unusual usages of entitlements;*
- *Any wage or entitlement change must be able to be voted on by parliamentarians. It cannot be imposed by law but the parliament can establish a precedent; these are the sort of matters on which there should be a conscience vote.*

2.2 *The disallowance issue*

I have read the Report on the *Review of Australian Entitlements*, Australian Government, Department of Finance and Deregulation, Canberra, April 2010 (Belcher Review). This Bill is a consequence of their recommendation. With respect to that recommendation, I believe the Belcher Review argument well made.

I have also read the Submission of the Clerk of the Senate to this Inquiry.

I had formerly taken the view that parliamentarians should vote on their remuneration. On balance I now agree that independent Tribunal determination of remuneration of members of parliament should not be disallowable.

2.3 *Accountability*

Firstly: the Bill having taken that position, and also partly because of high community interest in these matters, I consider that integrity of process, accountability and transparency in determining the remuneration of members of parliament is now even more important.

I suggest that it is incumbent on the Committee to recommend principles, and where possible amendments, which advance integrity of process, accountability and transparency.

In that context the Belcher Review emphasised a transparent and accountable framework:
The Committee's recommendations aim to ensure that senators and members are given relevant and adequate resources to do their jobs within a simplified,

*transparent and accountable framework that has regard to contemporary community standards.*³

Secondly: I cast no aspersion on members of the Remuneration Tribunal, past or present, and have no grounds to believe they have done anything but a good job, but the new remuneration arrangements will attract added scrutiny, possibly including on those making determinations.

It is important that future appointments to the Tribunal not only are of the maximum independence, but are perceived to be so.

On the parliamentary record the Committee will find that I have put many dozens of amendments to various bills over the years endeavouring to get Australian government appointments principles established similar to the Nolan principles.⁴

The Committee should support that approach.

Thirdly: in my submission to the Belcher Review quoted above, I said: *As far as is feasible and reasonable, the review and deliberation process of the tribunal should be public. The present Remuneration Tribunal is a fairly secretive body that needs to be far more accountable, including by holding public hearings.*

The Committee should support that approach.

Fourthly: the Murray Report⁵ to the Minister of Finance concerning budget transparency had this to say on ministerial remuneration:

4.5 Ministerial remuneration in the Commonwealth Financial Statements

*The ANAO has reported for a number of years that the Commonwealth Financial Statements (CFS) do not disclose the remuneration of ministers.*⁶

For corporate entities, disclosure is currently required for Key Management Personnel, including Directors, by Australian Accounting Standard AASB 124

³ Report on the *Review of Australian Entitlements*, Australian Government, Department of Finance and Deregulation, Canberra, April 2010, page 8.

⁴ The UK Govt appointed (Lord) Nolan Committee (1995) set these principles which the UK Government now uses in making appointments:

- A Minister should not be involved in an appointment where he or she has a financial or personal interest;
- Ministers must act within the law, including the safeguards against discrimination on grounds of gender or race;
- All public appointments should be governed by the overriding principle of appointment on merit;
- Except in limited circumstances, political affiliation should not be a criterion for appointment;
- Selection on merit should take account of the need to appoint boards which include a balance of skills and backgrounds;
- The basis on which members are appointed and how they are expected to fulfil their roles should be explicit; and
- The range of skills and backgrounds which are sought should be clearly specified.

⁵ Report to the Australian Government: *Review of Operation Sunlight: Overhauling Budgetary Transparency* Senator Andrew Murray June 2008, Canberra.

⁶ See, for example, ANAO, Audit Reports 15 of 2006–07 and 18 of 2007–08.

Related Party Disclosure. There is currently no equivalent requirement for public sector entities.

There is a range of considerations in determining the manner and form of any such disclosures in a public sector context, including the extent to which information is already publicly available, the extent to which a benefit was personal and the valuation of certain benefits. Given the discretionary nature of the disclosure, and the public sector specific considerations, the details reported could include both quantitative and narrative disclosures.

The ANAO has previously suggested that there would be benefit in exploring whether, as a minimum, an aggregate disclosure of ministerial salaries and allowances could be introduced as is the case in New Zealand.⁷

The Australian Accounting Standards Board intends to consider whether AASB 124, including matters relating to director and executive remuneration, should apply to all not-for-profit public sector reporting entities. An issues paper is planned for later in 2008, and an exposure draft for a standard in 2009.

The Government's response was as follows:

Murray Review Recommendation 36

That the Government disclose ministerial remuneration and consider adopting the New Zealand approach to disclosure of ministerial remuneration, by including an aggregate of the total salaries and allowances provided in the Consolidated Financial Statements.

Government Response

Agreed in principle – The Department of Finance and Deregulation will investigate the feasibility of including ministerial remuneration in the Consolidated Financial Statements (or in another public report) and will provide further advice to Government on this issue.

The current disclosure can only be described as very aggregate indeed. In the context of a bill dealing with the remuneration of all parliamentarians, ministers or not, it is appropriate for the Committee to support better disclosure of ministerial remuneration.

Andrew Murray

⁷ ANAO, Audit Report 18 of 2007–08, p. 40.