

## Issues

### Introduction

- 3.1 This chapter highlights a number of significant issues that have arisen during 2000. They are:
- the quality of evidence presented to the Committee;
  - independent audits;
  - the Goods and Services Tax;
  - consultation;
  - heritage matters;
  - *Public Works Committee Act 1969*;
  - medium works;
  - Parliament's audit priorities; and
  - support.

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## Quality of evidence

- 3.2 In general the quality of written and oral evidence provided to the Committee has been of a good standard. However, on a number of occasions during 2000 the Committee found itself in receipt of evidence that was unsatisfactory.
- 3.3 In the case of original submissions or the statement of evidence provided by proponent agencies, the Committee found instances where such evidence lacked detail. This led the Committee to request additional information, which added to the time to consider the proposal. In a number of cases the Committee found the submissions from proponent agencies to be laden with jargon and acronyms to the extent that a lay person may have struggled to readily understand its meanings.
- 3.4 Of particular concern to the Committee was contradictory evidence. For example, the Committee noted in its Tenth Report of 2000, *Development of 90 apartments in Darwin*, inconsistencies in the evidence it received and that presented to Senate Estimates Committees. Such evidence lead to more detailed examination and proved time consuming. This is an undesirable outcome from both the Committee's point of view and that of the proponent agency.
- 3.5 Related to the quality of evidence is the justification for a project. The Committee expects all proponent agencies to provide clear evidence and arguments to justify their respective proposals. Better submissions address details of cost-benefit analyses, internal rates of return and whole of life assessments of the proposed work.

## Independent audits

- 3.6 When examining the proposal for the fitout of the new Head Office for the Australian Bureau of Statistics (ABS), the Committee noted that it was satisfied the ABS had sought independent opinion in relation to the contractor's cost estimates. However, the Committee observed that there had been no independent audit that might provide the ABS with an assurance that the quote it had received was competitive.

- 3.7 In the opinion of the Committee an independent audit should have been conducted to assess the contractor's margin on the project's costs. The Committee recommended therefore, that in the interests of contestability and transparency, the ABS carry out an independent audit to demonstrate the contractor's estimate was competitive. The ABS agreed to this recommendation.
- 3.8 The Committee is of the view that agencies bringing proposals before it should, where appropriate, arrange similar independent audits. The results of such audits can assist the Committee in making more effective assessments of a proposal.

## **Goods and Services Tax**

- 3.9 The Goods and Services Tax (GST) was implemented during the year and resulted in agencies identifying where the Tax would apply.
- 3.10 In some instances the evidence presented to the Committee was confusing as to whether or not GST was included. As a result time was spent questioning agencies in private briefings and public hearings.
- 3.11 The Committee accepts that some difficulties were to be expected with the implementation of the GST but expects all agencies to provide clear advice as to where GST has been included or excluded.

## **Consultation**

- 3.12 The Committee remains particularly interested in the extent to which proponent agencies have conducted consultations with relevant stakeholders in relation to a proposed work.
- 3.13 In some instances during 2000, the Committee heard evidence to the effect that agencies had not consulted sufficiently with stakeholders in the general community. Such evidence dictated that the Committee investigate the matters further.

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- 3.14 While the Committee recognises that its own inquiries and public hearings provide an important opportunity for the stakeholders to comment on public works proposals, it looks to agencies to ensure that appropriate consultation has commenced well in advance of projects being referred to the Committee.
- 3.15 In some instances the Committee found that, where appropriate, agencies had appropriately consulted with relevant staff. For example, the Commonwealth Scientific and Industrial Research Organisation was able to advise the Committee in some detail of an extensive consultative process relating to the move of the Energy Technology Division to Newcastle.
- 3.16 The Committee notes that in examining proposals that impact on agency staff it remains very interested in the degree and manner of consultation with staff.

## **Heritage matters**

- 3.17 During 2000 the Committee found a number of proponent agencies had external stakeholders with divergent views about heritage items that may be affected or lost as part of a proposed public work.
- 3.18 While fully supportive of preserving items of heritage significant, the Committee is always mindful of the need to balance competing views about items that may be considered of heritage value.
- 3.19 In the case of works proposed by the Reserve Bank of Australia, the Committee experienced some challenges in ascertaining how features such as a squash court, shooting range or staff cafeteria had captured the imagination of some in the community to the extent that they demanded their preservation. In this instance the Committee was not persuaded by such views and recommended that relevant items be photographed and appropriately documented. The Committee indicated that this should be done in consultation with the Australian Heritage Commission and the Australian National Archives.
- 3.20 The Committee urges all departments and agencies with proposed works that entail heritage considerations to assess appropriate action to preserve heritage items before the referral of the proposed work.

## Public Works Committee Act 1969

- 3.21 The Committee notes that amendments to other Commonwealth legislation, from time to time, impact on the operation of, and lead to minor amendments to, the *Public Works Committee Act 1969*.
- 3.22 During the year, the Committee was advised of changes to the *Electronic Transactions Act 1999* and the penalties associated with the *Criminal Code*.
- 3.23 The Committee notes that sections of the *Public Works Committee Act 1969* required updating. During the year the Committee considered the appropriateness of the \$6.0 million threshold. The Committee noted that, while an increasing number of projects had a total cost well in excess of the threshold, the threshold had not created difficulties in terms of the number of referrals. Moreover, the Committee had found that proposed works with total costs close to the threshold had raised significant issues of accountability.
- 3.24 The Committee will continue to monitor the operation of the *Public Works Committee Act 1969* and in particular, the appropriateness of the \$6.0 million threshold.

## Medium works

- 3.25 Section 18 (8) of the *Public Works Committee Act 1969* provides that all public works estimated to cost more than \$6.0 million must be referred to the Committee.
- 3.26 Works described as medium works, that is, works with an estimated cost between \$2.0 million and \$6.0 million, may also be referred to the Committee if the Committee believes an inquiry is necessary. This power has rarely been invoked. To determine if further investigation is warranted, the Committee may examine plans and undertake a site inspection.
- 3.27 The Committee has been aware that some Commonwealth agencies may from time to time have a predisposition to divide a single project, costing more than \$6.0 million into two or more components to avoid referral to the Committee. During 2000 the Committee became aware of one

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agency that was giving consideration to dividing a project so as to avoid referral.

- 3.28 To prevent a potential breach of the Public Works Committee Act, proponent departments and agencies have provided the Committee with details of their medium works program. It remains incumbent on all Commonwealth departments and agencies to continue this practice well in advance of the calling for tenders for medium works.

## Parliament's audit priorities

- 3.29 On an annual basis the Parliament's Joint Committee of Public Accounts and Audit (JCPAA) invites other parliamentary committees to suggest areas of audit activity to be pursued by the Commonwealth Auditor-General. Section 10 of the *Auditor-General Act 1997* provides for the JCPAA to determine the Parliament's audit priorities.
- 3.30 The Public Works Committee notes that in examining public works it is mindful of areas where there may be a need for external scrutiny by way of audits performed by the Auditor-General.
- 3.31 In its Fourth Report of 2000, *Housing Development at Parap Grove, Darwin*, the Committee stated that the reference had been poorly managed. Given what it saw as serious ramifications, the Committee recommended that the matter be referred to the Australian National Audit Office for further investigation.
- 3.32 As indicated in Chapter 2, the Government felt changes in DHA's management and recent internal audits had responded that it addressed the concerns raised by the Committee. However, on the basis of the then ongoing inquiry into DHA's proposed development of apartment towers in Carey Street, Darwin, the Committee felt a reason to flag these concerns with the JCPAA.
- 3.33 The Committee notes that Section 17 of the *Auditor-General Act 1997* provides for the JCPAA to recommend the Auditor-General consider performance audits of government business enterprises.

## Support

- 3.34 The Committee's ability to fulfil its statutory obligations is in large measure attributable to the support provided by its secretariat. The Committee therefore wishes to record its appreciation for the work of its Secretary, Mr Trevor Rowe, and his staff.
- 3.35 As noted in Chapter 1, the secretariat is required to support another parliamentary committee. The Committee observes that this presents certain challenges but commends the secretariat for continuing to provide a high level of support.
- 3.36 During the year two long-serving members of staff left the secretariat. They were Mr Bjarne Nordin, who had been Committee Secretary and Mr Michael Fetter, who had acted as Committee Secretary and as Assistant Secretary had provided some 20 years of service to the Committee. The Committee remains very appreciative for the support provided by these officers.
- 3.37 The Committee also wishes to record its appreciation for other staff in the Parliament, who provided services to the Committee and its secretariat, and those officers in the Department of Finance and Administration, who play an integral role in facilitating references and expediency motions. In this regard the Committee thanks Mr Jeff Kite for his support throughout 2000.

Senator Alan Ferguson

Acting Chair